

# HINDAWI LIMITED

Financial Statements

For the year ended 31 December 2016



# Company Information

<b>Directors</b>	A Hindawi P Peters P Flood (appointed 15 December 2016) N Abdelmottaleb (appointed 27 July 2017)
<b>Registered number</b>	08671628
<b>Registered office</b>	3 <sup>rd</sup> Floor, Adam House 1 Fitzroy Square London W1T 5HF
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2P 2YU
<b>Bankers</b>	HSBC Bank 133 Regent Street London W1B 4HX

# Directors Report

The directors present their report and the financial statements for the year ended 31 December 2016.

## **Directors responsibilities statement**

The directors are responsible for preparing 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

## **Directors**

The directors who served during the year were

A Hindawi

P Peters

P Flood (appointed 15 December 2016)

## **Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'P Flood', written in a cursive style.

**P Flood**  
Director

Date: 15 September 2017

## Independent auditor's report to the members of Hindawi Limited

We have audited the financial statements of Hindawi Limited for the year ended 31 December 2016 which comprise the statement of financial position, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the related notes. 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 Ethical Standards for Auditors.

### **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 [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

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.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report has been prepared in accordance with applicable legal requirements.

## **Independent auditor's report to the members of Hindawi Limited**

### **Matters on which we are required to report under the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

 UK LLP.

**Sergio Cardoso**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
**London**

Date: 15 SEPTEMBER 2017

HINDAWI LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Turnover</b>	5	1,748,238	891,135
Administrative expenses		<u>(3,057,431)</u>	<u>(1,370,017)</u>
<b>Loss on ordinary activities before taxation</b>	6	(1,309,193)	(478,882)
Tax on loss on ordinary activities	8	142,339	165,382
<b>Loss for the financial year</b>		<u>(1,166,854)</u>	<u>(313,500)</u>
Currency translation differences on foreign currency net investments.		-	-
<b>Total comprehensive income for the financial year</b>		<u>(1,166,854)</u>	<u>(313,500)</u>
Total comprehensive income for the financial year attributable to: Owners of the parent		(1,166,854)	(313,500)

HINDAWI LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Intangible assets	9	49,982,124	1,491,187
Tangible Assets	10	55,529	94,180
		<u>50,037,653</u>	<u>1,585,367</u>
<b>Current assets</b>			
Debtors	11	21,747,978	221,424
Cash at bank and in hand		685,080	174,647
		<u>22,433,053</u>	<u>396,071</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(53,599,435)</u>	<u>(109,739)</u>
<b>Net current assets</b>		<u>(31,166,377)</u>	<u>286,332</u>
<b>Total assets less current liabilities</b>		<b>18,871,276</b>	<b>1,871,699</b>
<b>Creditors: amounts falling due after more than one year</b>	13	-	(2,710,478)
<b>Provisions for liabilities</b>	14	<u>(38,338)</u>	-
<b>Net assets</b>		<u><u>18,832,938</u></u>	<u><u>(838,779)</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	8,014,836	1
Share premium account	17	12,823,736	-
Profit and loss account	17	(2,005,634)	(838,780)
		<u>18,832,938</u>	<u>(838,779)</u>

The financial statements were approved by the Board of Directors on 15 September 2017.  
Signed on behalf of the board of directors:



**Paul Flood**  
**Director**

Company registration no: 08671628

HINDAWI LIMITED

CASH FLOW STATEMENT

For year ended 31 December 2016

	2016 £	2015 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(1,166,854)	(313,500)
Adjustments for:		
Amortisation of intangible assets	101,117	15,500
Depreciation of tangible assets	81,798	14,209
Loss from the sale of assets	4,412	533
Taxation	(142,339)	(165,382)
(Increase) in trade and other debtors	(545,644)	(1,621)
Increase/(decrease) in trade creditors	555,059	(644,011)
Cash from operations	<u>(1,112,451)</u>	<u>(1,094,272)</u>
<b>Net cash generated from operating activities</b>	<u>(1,112,451)</u>	<u>(1,094,272)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible assets	3,283	1,250
Proceeds from sale of intangible assets	61,460	-
Purchases of tangible assets	(50,842)	(95,822)
Purchases of intangible assets	<u>(48,653,514)</u>	<u>(1,432,190)</u>
<b>Net cash from investing activities</b>	<u>(48,639,613)</u>	<u>(1,526,762)</u>
<b>Cash flows from financing activities</b>		
Issue of ordinary share capital	20,838,571	-
Loans from Associated Companies	48,653,514	-
Amounts Due from Shareholders	(20,838,571)	-
Directors Loans	<u>1,608,983</u>	<u>2,710,478</u>
<b>Net cash used in financing activities</b>	<u>50,262,497</u>	<u>2,710,478</u>
<b>Net increase in cash and cash equivalents</b>	510,433	89,444
<b>Cash and cash equivalents at the beginning of year</b>	<u>174,647</u>	<u>85,203</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>685,080</u></u>	<u><u>174,647</u></u>

HINDAWI LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	<b>Called-up share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2015</b>	<b>1</b>	<b>-</b>	<b>(525,280)</b>	<b>(525,279)</b>
Profit and total comprehensive income for the year	-	-	(313,500)	(313,500)
<b>At 31 December 2015</b>	<b>1</b>	<b>-</b>	<b>(838,780)</b>	<b>(838,779)</b>
Profit and total comprehensive income for the year	-	-	(1,166,854)	(1,166,854)
Issue of shares	8,014,835	12,823,736	-	20,838,571
<b>At 31 December 2016</b>	<b>8,014,836</b>	<b>12,823,736</b>	<b>(2,005,634)</b>	<b>18,832,938</b>

HINDAWI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 1 Company information

The company is Limited Liability incorporated in the United Kingdom. The registered office is 3rd Floor, Adam House, 1 Fitzroy Square, London, W1T 5HF.

The principal activities of the company are providing management services to the Open Access academic publishing business Hindawi Publishing Corporation which is based in Egypt.

### 2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 21 for an explanation of the transition.

The financial statements are presented in Sterling (£).

The individual accounts of FRS 102 Limited have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
  - categories of financial instruments,
  - items of income, expenses, gains or losses relating to financial instruments, and
  - exposure to and management of financial risks.

#### Going concern

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

### 3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

- Book value of the intangible assets. Management's assumption is that the focus of the business is to develop the Hindawi brand and the portfolio of the journals owned by Hindawi Limited. As such at the balance sheet date, management's view is that there has been no impairment against the cost value. Further, the majority of the assets were acquired at 31 December 2016 at a fair value supported by a valuation report prepared by PricewaterhouseCoopers LLP.

For the year ended 31 December 2016

The carrying values at 31 December 2016 were :

- Journal Titles £48,359,065
- Brand, Domain Names and Trade Marks £812,167
- Computer Software £810,892

#### **4 Principal accounting policies**

##### **4.1 Intangible assets**

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Computer Software 3 years
- Journal Titles 15 years
- Brand, Domain names and Trade Marks 15 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to be benefitted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**4.2 Tangible assets**

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- Leasehold improvements                      25% Straight Line
- Fixtures and fittings                              25% Straight Line
- Computer equipment                              33% Straight Line

**4.3 Impairment of assets**

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**4.4 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**4.5 Creditors**

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**4.6 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line

# HINDAWI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

### **4.7 Provisions for liabilities**

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

### **4.8 Taxation**

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

## HINDAWI LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **4.9 Turnover**

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services.

##### **Article Processing Charges**

Turnover from article processing charges is recognised at the point of article publication when the customer has received full delivery of the services.

##### **Management services**

Turnover from the provision of management services is recognised on a monthly basis in line with delivery of the services.

##### **Subscriptions**

Subscriptions taken on an annual basis are recognised on a straight line basis across each month of the year the subscription relates to.

##### **Reprints of Articles**

Turnover is recognised on delivery of the article reprint.

##### **Referral Fees**

Revenue is recognised at the point of invoicing following a reconciliation against referred service volumes.

##### **Unlimited Membership Fees**

These fees relate to annual memberships taken by institutions allowing their members to publish articles with no additional charge. This turnover is recognised on a straight line basis across each month of the year the subscription relates to.

#### **4.10 Employee benefits**

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

For the year ended 31 December 2016

#### **4.11 Foreign currency translation**

##### **Functional currency and presentation currency**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling (£).

##### **Transactions and balances**

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

# HINDAWI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 5 Turnover

Turnover, analysed geographically between markets, was as follows:

	2016	2015
	£	£
Africa	1,627,669	891,135
Asia	45,419	-
North America	40,991	-
Europe	19,563	-
Rest of the World	14,596	-
	<u>1,748,238</u>	<u>891,135</u>

Turnover, analysed by category, was as follows:

	2016	2015
	£	£
Article Processing Charges	109,815	-
Management services	1,626,859	891,135
Referral Fees	3,500	-
Subscriptions	8,064	-
	<u>1,748,238</u>	<u>891,135</u>

### 6 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after:

	2016	2015
	£	£
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	17,250	9,000
Fees payable to the company's auditor and its associates for other services:		
Accounting services		26,700
Tax compliance services	7,830	13,610
Foreign exchange losses	590,433	102,300
Loss from the sale of fixed assets	4,412	-
Other operating lease rentals	118,052	87,056

HINDAWI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**7 Directors and employees**

Staff costs during the year were as follows:

	2016 £	2015 £
Wages and salaries	984,653	768,906
Social security costs	119,395	100,522
Other pension costs	6,403	-
	<u>1,110,451</u>	<u>869,428</u>

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year amount to £6,403 (2015: £-).

The average number of employees of the group during the year was:

	2016 Number	2015 Number
Management and Administration	4	2
Commercial	3	-
Operations	2	1
	<u>9</u>	<u>3</u>

Remuneration in respect of directors was as follows:

	2016 £	2015 £
Emoluments	424,484	673,131
Pension contributions to money purchase pension schemes	867	-
	<u>425,351</u>	<u>673,131</u>

During the year 1 director (2015: 0) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2016 £	2015 £
Emoluments	360,000	673,131
Pension contributions to money purchase pension schemes	-	-
	<u>360,000</u>	<u>673,131</u>

Key Management Personnel during the year were :  
Paul Peters, Chief Executive Officer  
Paul Flood, Finance Director

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**8 Tax on loss on ordinary activities**

The tax (credit)/charge is based on the loss for the year and represents:

	2016	2015
	£	£
UK Corporation Tax	-	-
Total current tax	-	-
Deferred taxation: origination and reversal of timing differences	(151,526)	(165,382)
Deferred taxation: changes in tax rates	9,187	-
Tax on results on ordinary activities	<u>(142,339)</u>	<u>(165,382)</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 20.00% (2015: 20.25%). The differences are explained as follows:

Loss on ordinary activities before tax	<u>(1,309,193)</u>	<u>(478,882)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20.00% (2015: 20.25%)	(261,839)	(96,957)
Expenses not deductible for tax purposes	82,236	17,533
Fixed asset differences	-	1,104
Adjust closing deferred tax to average rate of 20.00%	54,304	20,491
Adjust opening deferred tax to average rate of 20.00%	(18,242)	(1,295)
Deferred tax not recognised	1,202	(106,258)
Tax on results on ordinary activities	<u>(142,339)</u>	<u>(165,382)</u>

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £(142,339) (2015: £(165,382)).

Following Budget 2016 announcements, there will be a reduction in the main rate of corporation tax to 19% from 1 April 2017.

For the year ended 31 December 2016

**9 Intangible fixed assets**

	Journal Titles	Brand, Domain Names and Trade Marks	Computer Software	Total
	£	£	£	£
Cost				
At 1 January 2016	1,430,660	76,027	-	1,506,687
Additions	47,031,730	810,892	810,892	48,653,514
Disposals	-	(74,497)	-	(74,497)
<b>At 31 December 2016</b>	<b>48,462,390</b>	<b>812,422</b>	<b>810,892</b>	<b>50,085,704</b>
Depreciation and impairment				
At 1 January 2016	7,948	7,552	-	15,500
Charge for the year	95,377	5,740	-	101,117
Disposals	-	(13,037)	-	(13,037)
<b>At 31 December 2016</b>	<b>103,325</b>	<b>255</b>	<b>-</b>	<b>103,580</b>
<b>Net book amount at 31 December 2016</b>	<b>48,359,065</b>	<b>812,167</b>	<b>810,892</b>	<b>49,982,124</b>
Net book amount at 31 December 2015	1,422,712	68,475	-	1,491,187

Amortisation of intangible fixed assets is included in administrative expenses.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**10 Tangible fixed assets**

	Leasehold Improvements £	Fixtures and Fittings £	Computer Equipment £	Total £
Cost				
At 1 January 2016	68,277	8,236	35,288	111,801
Additions	22,935	11,760	16,147	50,842
Disposals	(68,277)	-	(11,662)	(79,939)
<b>At 31 December 2016</b>	<b>22,935</b>	<b>19,996</b>	<b>39,773</b>	<b>82,704</b>
Depreciation				
At 1 January 2016	2,845	2,541	12,235	17,621
Provided in the year	65,433	3,277	13,088	81,798
Disposals	(68,278)	-	(3,966)	(72,244)
<b>At 31 December 2016</b>	<b>-</b>	<b>5,818</b>	<b>21,357</b>	<b>27,175</b>
<b>Net book amount at 31 December 2016</b>	<b>22,935</b>	<b>14,178</b>	<b>18,416</b>	<b>55,529</b>
Net book amount at 31 December 2015	65,432	5,695	23,053	94,180

HINDAWI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**11 Debtors**

	2016	2015
	£	£
Trade debtors	3,002	-
Amounts owed by associated undertakings	356,141	-
Amounts due from Shareholders	20,838,571	-
Amounts due from Directors	2,950	-
Rent deposit	192,250	16,750
Value Added Tax	16,826	10,456
Deferred Tax Asset	307,721	165,382
Prepayments and accrued income	30,517	28,836
	<u>21,747,978</u>	<u>221,424</u>

An impairment loss of £Nil (2015: £Nil) was recognised against trade debtors.

**12 Creditors: amounts falling due within one year**

	2016	2015
	£	£
Trade creditors	38,067	262
Amounts owed to associated undertakings	48,653,514	5,606
Taxation and social security	45,301	9,861
Amounts owed to Directors	4,321,379	1,918
Deferred revenue	103,376	-
Other creditors	4,847	-
Accruals	432,951	92,092
	<u>53,599,435</u>	<u>109,739</u>

**13 Creditors: amounts falling due after more than one year**

	2016	2015
	£	£
Directors Loans	-	2,710,478
	<u>-</u>	<u>2,710,478</u>

For the year ended 31 December 2016

**14 Provisions for liabilities**

	Deferred taxation (note 15) £	Leave pay £	Onerous Lease £	Total £
At 1 January 2016	-	-	-	-
Additions	-	25,489	12,849	38,338
Utilised	-	-	-	-
Reversals	-	-	-	-
Origination and reversal of timing differences	-	-	-	-
Changes in tax rates	-	-	-	-
<b>At 31 December 2016</b>	<b>-</b>	<b>25,489</b>	<b>12,849</b>	<b>38,338</b>

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

**15 Deferred taxation**

Deferred taxation provided for at 17.00% (2015: 20.25%) in the financial statements is set out below:

	2016 £	2015 £
Accelerated capital allowance	19,909	(7,219)
Tax losses carried forward	287,812	172,601
	<u>307,721</u>	<u>165,382</u>

The amount of the net reversal of deferred tax expected to occur next year is £57,000 (2015: £0), relating to the use of tax losses against 2017 profits.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**16 Called up share capital**

	2016	2015
	£	£
Authorised, allotted and fully paid:		
1 Ordinary share of £1 each	1	1
9,999,999 Ordinary shares of \$1 each	<u>8,014,835</u>	-
	<u><u>8,014,836</u></u>	<u><u>1</u></u>

**Ordinary shares**

	2016 Number
At 1 January 2016	1
Share issue	<u>9,999,999</u>
<b>At 31 December 2016</b>	<u><u>10,000,000</u></u>

Consideration received for the allotment of ordinary shares during the year was \$25,999,999 translated as £20,838,571 on 15<sup>th</sup> December 2016.

**17 Reserves**

	Called Up Share Capital	Share Premium	Profit and Loss Account	Total
	£	£	£	£
At 1 January 2016	1	-	(838,780)	(838,779)
Share Issue	8,014,835	12,823,736	-	20,838,571
Loss for the Year	-	-	(1,166,854)	(1,166,854)
<b>At 31 December 2016</b>	<u><u>8,014,836</u></u>	<u><u>12,823,736</u></u>	<u><u>(2,005,634)</u></u>	<u><u>18,832,938</u></u>

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account – includes all current and prior period retained profits and losses.

# HINDAWI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 18 Leasing commitments

The group's future minimum operating lease payments are as follows:

	2016	2015
	£	£
Within one year	222,781	9,980
Between one and five years	<u>1,142,753</u>	<u>67,000</u>

### 19 Transactions with related parties

	2016	2015
	£	£
Sales to associated companies	1,626,108	1,013,522
Purchases from associated companies	227,207	35,310
Loans due to associated companies	48,653,514	-
Trade debtor amounts due from associates	338,298	-
Trade creditors amounts due to associates	17,843	5,606
Key management personnel compensation	780,956	673,131

Loans from Hindawi Publishing Corporation, an associated company, for £48,653,514 are unsecured and are not interest bearing. This loan arose on the acquisition of intangible assets on 31 December 2016.

Ahmed Hindawi is a Director of Hindawi Limited and also holds 42.5% of the Ordinary Shares. During the year, Ahmed Hindawi loaned the company £1,009,878 (2015: £2,345,126). At the 31 December 2016 £4,260,821 (2015: £2,710,478) was owed by Hindawi Limited to Ahmed Hindawi.

During the year, 9,999,999 \$1 Ordinary shares were issued for a value of £20,838,571 (\$26,999,997). The amount due is left outstanding and is repayable from the shareholders on demand.

For the year ended 31 December 2016

## **20 Financial risk management**

The group has exposures to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure. To a lesser extent the group is exposed to interest rate risk.

### **Foreign exchange transactional currency exposure**

Other than a small number of USD transactions, the cost base of Hindawi Limited is in Sterling Pounds. The receivables with Hindawi Publishing Corporation are also in Sterling Pounds mitigating the currency risk against meeting the UK costs. The company has a \$60m loan due to Hindawi Publishing Corporation for the acquisition of the Hindawi journals, the brand, trademarks and systems. From 1<sup>st</sup> January 2017, Hindawi Limited will be invoicing customers for accepted articles and will be the beneficiary of subscription income. These sales inflows will be denominated in US Dollars, thereby providing US Dollar funding against which to make US Dollar loan repayments. The Directors Loans are also largely in US Dollars, meaning the inflows of US Dollars will mitigate exchange risk against repaying the Directors Loans. The net exposure of each currency is monitored.

### **Liquidity risk**

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the company is supported via loans from its majority shareholders. From 1<sup>st</sup> January 2017, Hindawi Limited will have all customer inflows against the Hindawi branded journals after the acquisition on 31<sup>st</sup> December 2016. As these are a profitable portfolio of journals, this also offsets liquidity risk.

### **Customer credit exposure**

The majority of the company's debt is with Hindawi Publishing Corporation which is associated to Hindawi Limited through matched shareholders in both companies. This significantly reduces the risk in invoice collection.

## **21 Transition to FRS 102**

The company has adopted FRS 102 for the year ended 2016. There have been no restatement corrections required for the prior year amounts.

## **22 Ultimate Parent Undertaking and Controlling Party**

The company does not have a parent undertaking. The ultimate controlling parties of the company are Ahmed Hindawi and Nagwa Abdelmottaleb each holding 42.5% of the Ordinary Shares.

HINDAWI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**23 Post balance sheet events**

During September 2017 up to the date of signature on these accounts, 20,000 A1 Ordinary Shares were issued at \$0.01 each for \$200 and 172,500 A2 Ordinary Shares were issued at \$0.01 each for \$1,725.

A further 730,000 A1 Shares and 31,000 A2 Shares will be issued in September 2017 on completion of documentation and payment of the face value at \$0.01 per share.