# HINDAWI LIMITED

## Financial Statements

## For the year ended 31 December 2017

# Company Information

| | |
|---|---|
| **Directors** | A Hindawi<br>P Peters<br>P Flood<br>N Abdelmottaleb (appointed 27 July 2017) |
| **Registered number** | 08671628 |
| **Registered office** | 3rd Floor, Adam House<br>1 Fitzroy Square<br>London<br>W1T 5HF |
| **Independent auditor** | Grant Thornton UK LLP<br>Chartered Accountants & Statutory Auditor<br>30 Finsbury Square<br>London<br>EC2A 1AG |
| **Bankers** | HSBC Bank<br>133 Regent Street<br>London<br>W1B 4HX |

# Strategic Report

The directors present their report and the financial statements for the year ended 31 December 2017.

**Strategic Review**

The principal activity of the company is the online publication of peer reviewed academic articles in a number of Open Access Journals owned by the company. The journal portfolio covers science, technology, mathematics and engineering.

Hindawi Limited also provides publishing services for partner companies across all elements of the article submission to publication process.

On 31st December 2016, Hindawi Limited acquired the portfolio of Hindawi branded journals from Hindawi Publishing Corporation which is based in Cairo. Prior to this, Hindawi Limited provided management services to Hindawi Publishing Corporation.

In comparison with the results for the Hindawi journal portfolio in 2016, revenues increased by $0.5m year on year. There was also an additional $1.6m revenue from publishing partnerships with 2017 being the first year of this revenue stream.

Net assets increased by $2.0m from 2016 to be $25.5m. This is attributable to the profit for the year. External debt owed to the Directors and Associated Company declined by $9.4m in the year.

The focus for the business in 2017 was to continue to build a strong London based team to develop and manage existing publishing services, but also look at other relevant Open Science and Technology initiatives that may both help Hindawi and also serve the academic community. This continues in 2018.

The directors consider the future prospects of the Company to be positive considering the current economic climate.

**Principal Risks and Uncertainties**

The principal risks and uncertainties facing the Company are foreign exchange risk between US Dollars and Pounds Sterling, a lack of control over the database indexing of the journal portfolio, customer risk in that the majority of revenue comes from non-recurring transactions, political risk including disruption to the operations vendors as well as Brexit, General Data Protection Regulation (GDPR) and IT security risk.

Brexit: Britain's exit from the European Union and the uncertainty around the final trading arrangements that will be agreed, add a further level of variability to both the UK's future economic performance and the ease with which UK based businesses will be able to trade in European markets. It is considered that the impact on academic publishing and the Company will be manageable and there are opportunities as well as risks. Hindawi has a number of mitigating factors including geographical distribution of revenues, all revenues being charged in US Dollars with very limited exceptions and the strength of relationships with authors, editors and institutions.

Currency Risk: The majority of Hindawi's business is conducted in US Dollars including revenue collection and all external vendor invoices. All of the debt against the Company is in US Dollars. Currency risk arises around funding the Pounds Sterling costs of the UK office and payroll. Hindawi closely monitors the exchange movements between US Dollars and Pounds Sterling and during 2018 is putting in place a facility to be able to forward buy Pounds Sterling at a fixed rate enabling the business to gain some certainty around future costs in US Dollar terms.

Database Listing Risk: many customers are influenced to publish in journals which are listed in certain databases. Hindawi does not control whether their journals are listed or not. However by maintaining strong ethics and editorial standards including checks for things such as plagiarism, citation stacking or self citation, as well as working with organisations such as Clarivate Analytics, Hindawi is able to manage the level of risk in this area to a minimum.

Customer Risk: The majority of revenues come from individual submissions of articles to one of the Hindawi journals. As such there is no ongoing contractual revenue stream that the Company can rely on. To mitigate this, Hindawi has been and will to continue to work on editorial community engagement, building relationships with institutions and other bodies across the scientific landscape. By maintaining the ethical and editorial standards of the company and journals as well as ensuring that the journals retain their indexing in certain databases, there is a likelihood of maintaining submission flows to the journals.

Political Risk: Hindawi Publishing Corporation, based in Cairo is the largest vendor of services to Hindawi Limited including software development, editorial, production and back office support. There is a certain amount of political risk associated with Egypt, however Hindawi has diversified its editorial and production requirements to be supported by high standard vendors from other countries and now also works with third party developers in the EU to develop the new technology platforms.

IT security risk: the Company constantly monitors the IT environment. Staff are encouraged to be vigilant and are regularly updated on new potential IT threats and how to mitigate these risks. The journal content and systems are stored with a leading cloud storage provided which provides appropriate security around the content that they manage.

General Data Protection Regulation (GDPR): The Company started addressing the implementation of GDPR legislation a number of months in advance of the commencement date of 25th May 2018. Staff have received training and external legal advisors were engaged to support appropriate implementation in the business.

# Directors Report

The directors present their report and the financial statements for the year ended 31 December 2017.

**Directors**

The directors who served during the year were

A Hindawi
P Peters
P Flood
N Abdelmottaleb (appointed 27 July 2017)

**Directors responsibilities statement**

The directors are responsible for preparing the Strategic Report, 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.

The directors confirm that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have 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.

To the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

**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.

**Paul Flood**
Director

Date: 25th September 2018

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

We have audited the financial statements of Hindawi Limited (the 'company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the cashflow statement, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit 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.

**Basis for opinion**

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

**Who we are reporting to**

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.

**Conclusions relating to going concern**

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

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

Grant Thornton

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

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

**Matter 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 material misstatements in the strategic report or the directors' report.

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

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

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

**Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Grant Thornton

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

Uk LLP

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

Date: 25th September 2018

HINDAWI LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Turnover** | 5 | **18,215,413** | 2,362,605 |
| Cost of Sales | | **(7,763,937)** | (233,682) |
| **Gross Profit** | | **10,451,476** | 2,128,923 |
| Administrative expenses | | **(7,982,144)** | (3,856,946) |
| **Loss on ordinary activities before taxation** | 6 | **2,469,332** | (1,728,023) |
| Interest Receivable and Similar Income | | **39** | - |
| Interest Payable and Similar Charges | | **(26)** | - |
| Profit on Ordinary Activities Before Taxation | | **2,469,345** | (1,728,023) |
| Tax on profit / loss on ordinary activities | 8 | **(500,027)** | 175,533 |
| **Profit / (Loss) for the financial year** | | **1,969,318** | (1,552,490) |
| Currency translation differences caused by a change in presentation currency | | **-** | 113,274 |
| **Total comprehensive income for the financial year** | | **1,969,318** | (1,439,216) |
| Total comprehensive income for the financial year attributable to: | | | |
| Owners of the parent | | **1,969,318** | (1,439,216) |

HINDAWI LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 9 | **57,294,772** | 61,638,455 |
| Tangible Assets | 10 | **143,513** | 68,479 |
| | | **57,438,285** | 61,706,934 |
| **Current assets** | | | |
| Debtors | 11 | **27,428,393** | 27,121,296 |
| Cash at bank and in hand | | **1,875,191** | 844,848 |
| | | **29,303,584** | 27,966,144 |
| **Creditors: amounts falling due within one year** | 12 | **(61,209,654)** | (66,099,406) |
| **Net current assets** | | **(31,906,070)** | (38,133,262) |
| **Total assets less current liabilities** | | **25,532,215** | 23,573,672 |
| **Provisions for liabilities** | 14 | **(26,839)** | (47,279) |
| **Net assets** | | **25,505,376** | 23,526,393 |
| **Capital and reserves** | | | |
| Called up share capital | 16 | **10,009,665** | 10,000,000 |
| Share premium account | 17 | **16,000,000** | 16,000,000 |
| Translation reserve | 17 | **113,274** | 113,274 |
| Profit and loss account | 17 | **(617,563)** | (2,586,881) |
| | | **25,505,376** | 23,526,393 |

The financial statements were approved by the Board of Directors on 25th September 2018.

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 2017

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(Loss) for the financial year before tax | **2,469,345** | (1,728,023) |
| Adjustment via reserves on translation of 2016 P&L at average monthly rates | **-** | 113,274 |
| | **2,469,345** | (1,614,749) |
| Adjustments for: | | |
| Amortisation of intangible assets | **4,384,475** | 124,699 |
| Depreciation of tangible assets | **35,263** | 100,874 |
| (Gain)/Loss from the sale of assets | **138** | (674) |
| (Increase) in trade and other debtors | **(349,153)** | (679,614) |
| Increase/(decrease) in trade creditors | **4,008,494** | 691,465 |
| Cash from operations | **8,079,217** | 236,750 |
| **Net cash generated from operating activities** | **10,548,562** | (1,378,000) |
| **Cash flows from investing activities** | | |
| Proceeds from sale of tangible assets | **-** | 4,800 |
| Proceeds from sale of intangible assets | **-** | 79,658 |
| Purchases of tangible assets | **(110,435)** | (61,200) |
| Purchases of intangible assets | **(40,792)** | (60,000,000) |
| **Net cash from investing activities** | **(151,227)** | (59,976,742) |
| **Cash flows from financing activities** | | |
| Issue of ordinary share capital | **1** | 25,999,999 |
| Issue of A1 ordinary share capital | **7,500** | - |
| Issue of A2 ordinary share capital | **2,165** | - |
| Cancellation of ordinary share capital | **(1)** | - |
| Loans from Associated Companies | **(8,300,000)** | 60,000,000 |
| Amounts Due from Shareholders | **(80)** | (25,999,999) |
| Directors Loans | **(1,076,577)** | 1,984,214 |
| **Net cash used in financing activities** | **(9,366,992)** | 61,984,214 |
| **Net increase in cash and cash equivalents** | **1,030,343** | 629,472 |
| **Cash and cash equivalents at the beginning of year** | **844,848** | 215,376 |
| **Cash and cash equivalents at end of year** | **1,875,191** | 844,848 |

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

| | Called-up share capital | Share premium account | Profit and loss account | Translation reserve | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **At 1 January 2016** | **1** | **-** | **(1,034,391)** | **-** | **(1,034,390)** |
| Profit and total comprehensive income for the year | - | - | (1,552,490) | 113,274 | (1,439,216) |
| Issue of ordinary shares | 9,999,999 | 16,000,000 | - | - | 25,999,999 |
| **At 31 December 2016** | **10,000,000** | **16,000,000** | **(2,586,881)** | **113,274** | **23,526,393** |
| Profit and total comprehensive income for the year | - | - | 1,969,318 | | 1,969,318 |
| Issue of ordinary shares | 1 | - | - | - | 1 |
| Cancellation of ordinary shares | (1) | - | - | - | (1) |
| Issue of A1 ordinary shares | 7,500 | - | - | - | 7,500 |
| Issue of A2 ordinary shares | 2,165 | - | - | - | 2,165 |
| **At 31 December 2017** | **10,009,665** | **16,000,000** | **(617,563)** | **113,274** | **25,505,376** |

## 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 activity of the company is the online publication of peer reviewed academic articles in a number of Open Access Journals owned by the company. The journal portfolio covers science, technology, mathematics and engineering.

Hindawi Limited also provides publishing services for partner companies across all elements of the article submission to publication process.

As disclosed in Note 4.11, the functional currency of the Company changed from Pounds Sterling to US Dollars during the course of the year ended 31 December 2017. This is as a result of the acquisition of the journal portfolio from Hindawi Publishing Corporation and the Company's income, debt, shareholding and external vendor costs all being in US Dollars. The Company has therefore determined US Dollars to be its functional currency and also the presentation currency. In accordance with FRS 102 Section 30 Foreign Currency Translation, the change in functional currency was applied prospectively from 1st January 2016.

## 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.

The financial statements are presented in US Dollars ($).

**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.

The carrying values at 31 December 2017 were :

- Journal Titles $55,652,596
- Brand, Domain Names and Trade Marks $934,717
- Computer Software $707,459

## 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.

**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 linc 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 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 that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

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.

**Printed Copy Subscriptions and Article Reprints**
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 are recognised on delivery of the article reprint.

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

**Other Revenue**
Revenue is recognised at the point delivery of the goods or service, or in some cases at the point of invoicing following a reconciliation against chargeable service volumes.

### 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.

### 4.11 Foreign currency translation

**Functional currency and presentation currency**

The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements, the results and financial position are presented in US Dollars ($).

In the prior period, both the functional and presentation currency of the Company were Pounds Sterling. During the year as a result of the acquisition of the journal portfolio and the Company's income, debt, shareholding and external vendor costs all being in US Dollars, the Company has determined US dollars to be its functional currency, and as a result its presentational currency. In accordance with FRS 102 Section 30 Foreign Currency Translation, the change in functional currency was applied prospectively from 1st January 2016.

**Transactions and balances**

In preparing the financial statements, transactions in currencies other than the functional currency of the Company (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.

## 5 Turnover

Turnover, analysed geographically between markets, was as follows:

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Asia | 11,817,090 | 5,482 |
| Europe | 3,077,914 | - |
| North America | 1,634,608 | 145,424 |
| South America | 897,891 | - |
| Africa | 668,885 | 2,211,699 |
| Rest of the World | 119,025 | - |
| | 18,215,413 | 2,362,605 |

Turnover, analysed by category, was as follows:

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Article Processing Charges | 17,645,740 | 135,425 |
| Institutional Memberships | 246,150 | - |
| Printed Copy Subscriptions and Article Reprints | 295,398 | 9,999 |
| Management Services | - | 2,211,699 |
| Other Revenue | 28,125 | 5,482 |
| | 18,215,413 | 2,362,605 |

## 6 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after:

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Auditor's remuneration: | | |
| Fees payable to the company's auditor for the audit of the company's annual accounts | 37,990 | 22,347 |
| Fees payable to the company's auditor and its associates for other services: | | |
| Accounting services | - | - |
| Tax compliance services | 3,261 | 9,656 |
| Tax advisory services | 36,463 | |
| Total services relating to taxation | 39,724 | |
| **Total** | 78,131 | 32,003 |
| Foreign exchange losses | 36,508 | 831,330 |
| (Profit)/Loss from the sale of fixed assets | 138 | (674) |
| Other operating lease rentals | 353,184 | 157,522 |

## 7 Directors and employees

Staff costs during the year were as follows:

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Wages and salaries | 1,853,566 | 1,324,743 |
| Social security costs | 224,461 | 160,708 |
| Other pension costs | 77,137 | 7,906 |
| | 2,155,164 | 1,493,357 |

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 $77,137 (2016: $7,906).

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

| | 2017 | 2016 |
|---|---|---|
| | Number | Number |
| Management and Administration | 4 | 4 |
| Commercial | 4 | 3 |
| Publishing | 5 | - |
| Operations | 2 | 2 |
| Product and IT | 2 | - |
| | 17 | 9 |

Remuneration in respect of directors was as follows:

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Emoluments | 629,050 | 592,434 |
| Pension contributions to money purchase pension schemes | 6,671 | 1,070 |
| | 635,721 | 593,504 |

During the year 1 director (2016: 1) participated in money purchase pension schemes.

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

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Emoluments | 461,989 | 507,876 |
| Pension contributions to money purchase pension schemes | - | - |
| | 461,989 | 507,876 |

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

## 8 Tax on profit/(loss) on ordinary activities

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

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| UK Corporation Tax | 457,891 | - |
| Total current tax | - | - |
| Deferred taxation: origination and reversal of timing differences | 34,525 | (186,885) |
| Deferred taxation: adjustments in respect of prior periods | 7,611 | - |
| Deferred taxation: changes in tax rates | - | 11,352 |
| Tax on results on ordinary activities | 500,027 | (175,533) |

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19.25% (2016: 20.00%). The differences are explained as follows:

| | 2017 | 2016 |
|---|---|---|
| Profit/(Loss) on ordinary activities before tax | 2,469,345 | (1,614,749) |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.25% (2016: 20.00%) | 475,264 | (323,554) |
| Expenses not deductible for tax purposes | 8,147 | 101,619 |
| Adjustments to tax charge in respect of previous periods – deferred tax | 7,611 | - |
| Fixed asset differences | (10,163) | - |
| Adjust closing deferred tax to average rate of 19.25% | 44,581 | 67,103 |
| Adjust opening deferred tax to average rate of 19.25% | (49,144) | (22,542) |
| Current tax (current period) exchange difference arising on movements between opening and closing spot rates | 23,731 | - |
| Deferred tax not recognised | - | 1,814 |
| Tax on results on ordinary activities | 500,027 | (175,533) |

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is $500,027 (2016: $(175,533)).

Following Budget 2016 announcements, there will be a reduction in the main rate of corporation tax to 17% from 1 April 2020.

## 9 Intangible fixed assets

| | Journal Titles | Brand, Domain Names and Trade Marks | Computer Software | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Cost | | | | |
| At 1 January 2017 | 59,764,305 | 1,001,887 | 1,000,000 | 61,766,192 |
| Additions | - | - | 40,792 | 40,792 |
| Disposals | - | - | - | - |
| **At 31 December 2017** | **59,764,305** | **1,001,887** | **1,040,792** | **61,806,984** |
| Depreciation and impairment | | | | |
| At 1 January 2017 | 127,422 | 315 | - | 127,737 |
| Charge for the year | 3,984,287 | 66,855 | 333,333 | 4,384,475 |
| Disposals | - | - | - | - |
| **At 31 December 2017** | **4,111,709** | **67,170** | **333,333** | **4,512,212** |
| **Net book amount at 31 December 2017** | **55,652,596** | **934,717** | **707,459** | **57,294,772** |
| Net book amount at 31 December 2016 | 59,636,883 | 1,001,572 | 1,000,000 | 61,638,455 |

Amortisation of intangible fixed assets is included in administrative expenses.

## 10 Tangible fixed assets

| | Leasehold Improvements | Fixtures and Fittings | Computer Equipment | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Cost | | | | |
| At 1 January 2017 | 28,283 | 24,660 | 49,048 | 101,991 |
| Additions | 46,531 | 34,164 | 29,740 | 110,435 |
| Disposals | - | (195) | - | (195) |
| **At 31 December 2017** | **74,814** | **58,629** | **78,788** | **212,231** |
| Depreciation | | | | |
| At 1 January 2017 | - | 7,175 | 26,337 | 33,512 |
| Provided in the year | 8,757 | 9,322 | 17,184 | 35,263 |
| Disposals | - | (57) | - | (57) |
| **At 31 December 2017** | **8,757** | **16,440** | **43,521** | **68,718** |
| **Net book amount at 31 December 2017** | **66,057** | **42,189** | **35,267** | **143,513** |
| Net book amount at 31 December 2016 | 28,283 | 17,485 | 22,711 | 68,479 |

## 11 Debtors

| | 2017 | 2016 |
|---|---|---|
| | **$** | $ |
| Trade debtors | **400,615** | 420,894 |
| Amounts owed by associated undertakings | **171,185** | 22,004 |
| Amounts due from Shareholders | **26,000,079** | 25,999,999 |
| Amounts due from Directors | **32,183** | 3,638 |
| Rent deposit | **237,060** | 236,892 |
| Value Added Tax | **27,810** | 20,750 |
| Deferred Tax Asset | **337,349** | 379,485 |
| Prepayments and accrued income | **222,112** | 37,634 |
| | **27,428,393** | 27,121,296 |

An impairment loss of $Nil (2016: $Nil) was recognised against trade debtors.

## 12 Creditors: amounts falling due within one year

| | 2017 | 2016 |
|---|---|---|
| | **$** | $ |
| Trade creditors | **1,271,709** | 46,944 |
| Amounts owed to associated undertakings | **51,700,000** | 60,000,000 |
| Corporation Tax | **457,891** | - |
| Taxation and social security | **87,284** | 55,865 |
| Amounts owed to Directors | **4,252,591** | 5,329,168 |
| Deferred revenue | **2,846,978** | 127,531 |
| Other creditors | **37,226** | 5,978 |
| Accruals | **555,975** | 533,920 |
| | **61,209,654** | 66,099,406 |

## 13 Provisions for liabilities

| | **Leave pay** | **Onerous Lease** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| At 1 January 2017 | 31,433 | 15,846 | 47,279 |
| Additions | - | - | - |
| Utilised | - | - | - |
| Reversals | - | (15,846) | (15,846) |
| Origination and reversal of timing differences | (4,594) | - | (4,594) |
| Changes in tax rates | - | - | - |
| **At 31 December 2017** | **26,839** | **-** | **26,839** |

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.

## 14 Deferred taxation

Deferred taxation provided for at 17.00% (2016: 17.00%) in the financial statements is set out below:

| | **2017** | 2016 |
|---|---|---|
| | **$** | $ |
| Accelerated capital allowance | **6,019** | 24,552 |
| Short term timing differences | **1,374** | - |
| Tax losses carried forward | **329,956** | 354,933 |
| | **337,349** | 379,485 |

The amount of the net reversal of deferred tax expected to occur next year is $50,000 (2016: $50,000), relating to the use of tax losses against 2018 profits.

## 15 Called up share capital

| | **2017** | 2016 |
|---|---|---|
| | **$** | $ |
| Authorised, allotted and fully paid: | | |
| 1 Ordinary share of £1 each | **1** | 1 |
| Cancellation of 1 Ordinary Share of £1 each | **(1)** | - |
| 9,999,999 Ordinary shares of $1 each | **9,999,999** | 9,999,999 |
| Share issue of 1 Ordinary Share of $1 each | **1** | - |
| Share issue of 750,000 A1 Ordinary Shares of $0.01 each | **7,500** | - |
| Share issue of 216,500 A2 Ordinary Shares of $0.01 each | **2,165** | - |
| | **10,009,665** | 10,000,000 |

| **Ordinary shares** | **2017 Number** |
|---|---|
| At 1 January 2017 | **10,000,000** |
| **At 31 December 2017** | **10,000,000** |

| **A1 Ordinary shares** | **2017 Number** |
|---|---|
| At 1 January 2017 | **-** |
| Share issue | **7,500** |
| **At 31 December 2017** | **7,500** |

| **A2 Ordinary shares** | **2017 Number** |
|---|---|
| At 1 January 2017 | **-** |
| Share issue | **2,165** |
| **At 31 December 2017** | **2,165** |

## 16 Reserves

| | Called Up Share Capital | Share Premium | Profit and Loss Account | Translation Reserve | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| At 1 January 2017 | 10,000,000 | 16,000,000 | (2,586,881) | 113,274 | 23,526,393 |
| Share Issue | 9,665 | - | - | - | 9,665 |
| Profit for the Year | - | - | 1,969,318 | - | 1,969,318 |
| **At 31 December 2017** | **10,009,665** | **16,000,000** | **(617,563)** | **113,274** | **25,505,376** |

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.

Translation reserve – arising following the change in functional currency. This represents the re-translation of the 2016 results using average monthly exchange rates compared to the the full year Pound Sterling result at the year end rate.

## 17 Leasing commitments

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

| | **2017** | 2016 |
|---|---|---|
| | **$** | $ |
| Within one year | **395,100** | 300,926 |
| Between one and five years | **1,148,497** | 1,543,597 |

## 18 Transactions with related parties

| | **2017** | 2016 |
|---|---|---|
| | **$** | $ |
| Sales to associated companies | **-** | 2,211,699 |
| Purchases from associated companies | **6,180,621** | 227,207 |
| Loans due to associated companies | **51,700,000** | 60,000,000 |
| Trade debtor amounts due from associates | **171,185** | 417,192 |
| Trade creditors amounts due to associates | **1,038,102** | 22,031 |
| Key management personnel compensation | **1,230,009** | 1,064,931 |

Loans from Hindawi Publishing Corporation, an associated company, for $51,700,000 (2016: $60,000,000) 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 $0 (2016: $1,000,000). At the 31 December 2017 $4,250,000 (2016: $5,018,500) was owed by Hindawi Limited to Ahmed Hindawi.

During the year, NIL $1 Ordinary shares were issued (2016: $26,999,997). The amount due is left outstanding and is repayable from the shareholders on demand.

## 19 Financial risk management

The group has exposures to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure.

**Foreign exchange transactional currency exposure**
The revenue of the Company is collected in US Dollars. The cost base of the London office is in Sterling Pounds. The Company closely monitors the rate of exchange between the two currencies and in September 2018 is putting in place a facility to able to forward book currency transactions in order to increase certainty of the US Dollar cost of maintaining the London office. 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 it's majority shareholders. The Company now manages a profitable portfolio of journals, generating funds to repay the debt used to acquire the journals and closely manages the debt repayment requirements.

**Customer credit exposure**
The receivables of the Company are a high volume of low value transactions, generally between $400 and $2,250. While the Company does see some issue with non payment, the levels are generally low and there are no individual defaults by a customer that are material. A team is in place that communicates regularly with the authors and generally payments for articles are made relatively quickly following article acceptance. Non-paying customers are not allowed to publish future articles with the Company before settling any previously written off debt.

## 20 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.

## 21 Post balance sheet events

During 2018 up to the date of signature on these accounts, 6,000 A2 Ordinary Shares were issued at $0.01 each for $60.

On 14th September 2018, Hindawi Limited signed a facility letter with HSBC Bank plc to allow Hindawi Limited to be able to forward book foreign exchange amounts. Associated with the facility is a debenture in favour of HSBC Bank plc providing the bank with security over the Company's assets in the case that the Company does not meet its obligations that fall due under the facility.