

Macat International Limited
Annual Report and Financial Statements
Year Ended 31 December 2016
Registration number: 06842711



Macat International Limited

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Macat International Limited

Company Information

Directors	Mr K A Rashad Mr M Khoueiri Mr G O Farha Mr S A Y Khalil
Registered office	Coda Studios Unit 24-13 189 Munster Road London SW6 6AW
Auditors	PKF Francis Clark North Quay House Sutton Harbour Plymouth PL4 0RA

Macat International Limited

Strategic Report

Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Fair review of the business

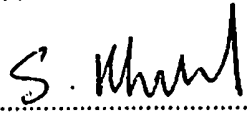
Macat International is focussed on providing resources for developing Critical Thinking skills. It continues to refine and exploit its initial investment in the Critical Thinking online library, and is developing additional resources to test Critical Thinking skills and provide remedial learning materials.

The company's key financial and other performance indicators during the year are as follows: Cash flow and cash burn; and revenue.

Principal risks and uncertainties

The principal risks relate to the rate of take up of Macat's products and its ability to fund the business in the meantime. The Directors judge these to be manageable risks.

Approved by the Board on 10/01/18 and signed on its behalf by:


.....
Mr S A Y Khalil
Director

Macat International Limited

Directors' Report

Year Ended 31 December 2016

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

Directors' of the company

The directors, who held office during the year, were as follows:

Mr K A Rashad (appointed 11 May 2016)

Mr M Khoueiri (appointed 24 April 2016)

Mr G O Farha

Mr S A Y Khalil

Mr H M Abdou (resigned 3 March 2016)

Mr M Semaan (resigned 24 April 2016)

Mr D H Khorshid (resigned 8 March 2016)

Ms M M Johnson (resigned 9 May 2016)

The following director was appointed after the year end:

Mr M R Anderson (appointed 18 July 2017)

Principal activity

The principal activity of the company is the development and commercialisation of the Critical Thinking Library. 187 initial analyses of seminal works have been published. In 2016 the strategic decision was taken to exploit these both online and via distribution of the eText components as physical books. In 2016 also, the business began trialling a suite of Critical Thinking tests designed ultimately for the schools, HE and corporate markets. It is in early stages of designing solutions for remedial learning for each of these markers segments.

Turnover for the year under review was £55,369 (2015 - £1,313).

Financial instruments

The directors are responsible for setting objectives and policies in relation to financial instruments, details of which can be found in note 17.

Going concern and liquidity risk

Macat International Limited is a start-up company that is challenging the way Critical Thinking skills are being developed, the provision of educational services in this area, and the way in which they are being evaluated and monitored. This is being delivered in a new, innovative, way and, like with anything new and innovative, there is a significant amount of risk associated regarding the successful outcome of this.

The directors believe that, whilst this risks exists, they can successfully deliver this project, and have the backing of the shareholders who have, and they believe will continue to, provide financial support to the company. In addition, as the technology and intellectual property is new, the directors are considering different ways to monetise these assets and add new revenue streams, some of which have started to generate revenue in 2017 and further revenue streams should commence in 2018. The directors believe that the shareholders will continue to support the company for the foreseeable future and as a result, they believe that it is appropriate to continue to prepare the accounts on a going concern basis.

Macat International Limited

Directors' Report

Year Ended 31 December 2016

Political donations

During the year the company made no political donations (2015 - £Nil).

Charitable donations

During the year the company made no charitable donations (2015 - £20,630).

Research and development

The company subcontracts the content element of its products offering to a related company, Mouseion Professors Limited. All intellectual property rights in the software, (with the exception of Mouseion's content which is owned by Mouseion Professors Ltd.) are owned by Macat International Limited.

Mouseion Professors Limited became a wholly owned subsidiary of Macat International Limited on 28 June 2013.

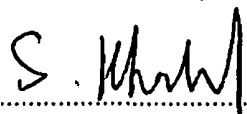
Exploratory work has been written off and development expenditure has been capitalised in accordance with the provisions of International Financial Reporting Standard IAS38 Intangible Assets. The asset is reviewed for impairment and at the year-end the directors held that no impairment has occurred.

The company has established branch offices in the USA and France to assist in the design, testing and development of the critical thinking library and its translation from English to other languages.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information (information needed by the company's auditors in connection with preparing their report) and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by the Board on 10/01/18 and signed on its behalf by:


.....
Mr S A Y Khalil
Director

Macat International Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors' and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Macat International Limited

Independent Auditor's Report

We have audited the financial statements of Macat International Limited for the year ended 31 December 2016, set out on pages 8 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Statement of Directors' Responsibilities (set out on page 5), 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 to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Other matter

Macat International Limited was eligible for audit exemption for the year ended 31 December 2015. Accordingly, the corresponding balances for the year ended 31 December 2015 have not been subject to audit and no opinion is given in this respect.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Macat International Limited

Independent Auditor's 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



Duncan Leslie (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

North Quay House
Sutton Harbour
Plymouth
PL4 0RA

Date:

11/1/18

Macat International Limited

Income Statement

Year Ended 31 December 2016

	Note	2016 £	2015 £
Revenue	3	55,369	1,313
Administrative expenses		<u>(2,695,871)</u>	<u>(4,338,105)</u>
Operating loss	4	<u>(2,640,502)</u>	<u>(4,336,792)</u>
Finance income		2,285	567
Finance costs		<u>985</u>	<u>(13,470)</u>
Net finance income/(cost)	5	<u>3,270</u>	<u>(12,903)</u>
Loss before tax		<u>(2,637,232)</u>	<u>(4,349,695)</u>
Loss for the year		<u><u>(2,637,232)</u></u>	<u><u>(4,349,695)</u></u>

The above results were derived from continuing operations.

Macat International Limited

Statement of Comprehensive Income

Year Ended 31 December 2016

	Note	2016 £	2015 £
Loss for the year		<u>(2,637,232)</u>	<u>(4,349,695)</u>
Total comprehensive income for the year		<u>(2,637,232)</u>	<u>(4,349,695)</u>


Macat International Limited

Statement of Financial Position

31 December 2016

	Note	2016 £	2015 £
Assets			
Non-current assets			
Property, plant and equipment	9	13,730	16,472
Intangible assets	10	1,476,286	1,578,302
Investments in subsidiaries cost		3	3
Trade and other receivables	12	5,078,773	4,865,345
		<u>6,568,792</u>	<u>6,460,122</u>
Current assets			
Trade and other receivables	12	146,215	217,191
Cash and cash equivalents	13	537,216	1,500,756
		<u>683,431</u>	<u>1,717,947</u>
Total assets		<u>7,252,223</u>	<u>8,178,069</u>
Equity and liabilities			
Equity			
Share capital	14	(5,782)	(3,595)
Share premium		(19,000,272)	(15,721,150)
Retained earnings		11,920,479	9,283,247
Total equity		<u>(7,085,575)</u>	<u>(6,441,498)</u>
Current liabilities			
Trade and other payables	17	(166,648)	(1,286,571)
Loans and borrowings	15	-	(450,000)
		<u>(166,648)</u>	<u>(1,736,571)</u>
Total equity and liabilities		<u>(7,252,223)</u>	<u>(8,178,069)</u>

Approved by the Board on 19/01/18 and signed on its behalf by:



Mr S A Y Khalil

Director

Company registration number: 06842711

Macat International Limited

Statement of Changes in Equity

Year Ended 31 December 2016

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2015	<u>1,376</u>	<u>9,581,195</u>	<u>(4,933,552)</u>	<u>4,649,019</u>
Loss for the year	<u>-</u>	<u>-</u>	<u>(4,349,695)</u>	<u>(4,349,695)</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>(4,349,695)</u>	<u>(4,349,695)</u>
New share capital subscribed	<u>2,219</u>	<u>6,139,955</u>	<u>-</u>	<u>6,142,174</u>
At 31 December 2015	<u>3,595</u>	<u>15,721,150</u>	<u>(9,283,247)</u>	<u>6,441,498</u>

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2016	<u>3,595</u>	<u>15,721,150</u>	<u>(9,283,247)</u>	<u>6,441,498</u>
Loss for the year	<u>-</u>	<u>-</u>	<u>(2,637,232)</u>	<u>(2,637,232)</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>(2,637,232)</u>	<u>(2,637,232)</u>
New share capital subscribed	<u>2,187</u>	<u>3,279,122</u>	<u>-</u>	<u>3,281,309</u>
At 31 December 2016	<u>5,782</u>	<u>19,000,272</u>	<u>(11,920,479)</u>	<u>7,085,575</u>

The notes on pages 13 to 24 form an integral part of these financial statements.

Macat International Limited

Statement of Cash Flows

Year Ended 31 December 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Loss for the year		(2,637,232)	(4,349,695)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	176,151	27,381
Finance income	5	(2,285)	(567)
Finance costs	5	(985)	13,470
		(2,464,351)	(4,309,411)
Working capital adjustments			
Decrease/(increase) in trade and other receivables	12	139,396	(126,148)
(Decrease)/increase in trade and other payables	17	(1,119,922)	239,720
Cash generated from operations		(3,444,877)	(4,195,839)
Income taxes received	8	-	49,753
Net cash flow from operating activities		(3,444,877)	(4,146,086)
Cash flows from investing activities			
Interest received	5	2,285	567
Acquisitions of property plant and equipment		(9,379)	(10,101)
Acquisition of intangible assets	10	(62,015)	(709,835)
Net cash flows from investing activities		(69,109)	(719,369)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		2,762,889	6,142,174
Proceeds from other borrowing draw downs		-	450,000
Repayment of other borrowing		-	(237,373)
Loan made to group companies		(213,428)	(883,126)
Foreign exchange (gains) / losses	5	985	(13,470)
Net cash flows from financing activities		2,550,446	5,458,205
Net (decrease)/increase in cash and cash equivalents		(963,540)	592,750
Cash and cash equivalents at 1 January		1,500,756	908,006
Cash and cash equivalents at 31 December	13	537,216	1,500,756

Macat International Limited

Notes to the Financial Statements

Year Ended 31 December 2016

1 General information

The company is a private company limited by share capital incorporated and domiciled in England and Wales .

The address of its registered office is:

Coda Studios

Unit 24-13

189 Munster Road

London

SW6 6AW

The nature of the company's operations is the development and commercialisation of the Critical Thinking Library. 187 initial analyses of seminal works have been published. In 2016 the strategic decision was taken to exploit these both online and via distribution of the eText components as physical books. In 2016 also, the business began trialling a suite of Critical Thinking tests designed ultimately for the schools, HE and corporate markets. It is in early stages of designing solutions for remedial learning for each of these markers segments..

Information on the company's ultimate controlling party is presented in note 19.

2 Accounting policies

Statement of compliance

The company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modifies as appropriate in the year in which the circumstances change.

Exemption from preparing group accounts

Under provision of section 398 of the Companies Act 2006 the company is exempt from preparing consolidated accounts and has not done so; therefore the accounts show information about the company as an individual entity.

Macat International Limited

Notes to the Financial Statements

Year Ended 31 December 2016

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2016 have had a material effect on the financial statements.

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2016 and which have not been adopted early, are expected to have a material effect on the financial statements.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

Critical accounting estimates and judgements

The company makes certain estimates and assumptions regarding the future. As a start-up, the company has limited historical experience but takes a view of future events based in continual evaluation of its potential product offering in the marketplace based on discussions with independent third parties. The estimates and assumptions that have a significant risk of causing a material adjustment of carrying amounts of assets and liabilities within the next financial year are discussed below.

Power to exercise significant influence

Management's assessment of going concern is based on the company beginning to trade in April 2016. In the event of this trading being pushed back, the company will manage its working capital to ensure no shortages in cash occur. The shareholders (who own over 50% of the business) will inject the necessary funds into the business if required to continue trading as a solvent entity.

Going concern

Macat International Limited is a start-up company that is challenging the way Critical Thinking skills are being developed, the provision of educational services in this area, and the way in which they are being evaluated and monitored. This is being delivered in a new, innovative, way and, like with anything new and innovative, there is a significant amount of risk associated regarding the successful outcome of this.

The directors believe that, whilst this risks exists, they can successfully deliver this project, and have the backing of the shareholders who have, and they believe will continue to, provide financial support to the company. In addition, as the technology and intellectual property is new, the directors are considering different ways to monetise these assets and add new revenue streams, some of which have started to generate revenue in 2017 and further revenue streams should commence in 2018. The directors believe that the shareholders will continue to support the company for the foreseeable future and as a result, they believe that it is appropriate to continue to prepare the accounts on a going concern basis.

Tax

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Macat International Limited

Notes to the Financial Statements

Year Ended 31 December 2016

Deferred income tax is provided, using the liability method, on temporary differences between tax bases of assets and liabilities and their carrying amounts, in the financial statements. Deferred income tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future tax profit will be available against which the unused tax losses can be utilised.

Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost of purchase or construction and are depreciated on a straight line basis, except for land, which is not depreciated.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Computer equipment	33% straight line
Furniture, fittings and equipment	33% straight line
Office equipment	33% straight line

Repairs and maintenance costs are recognised as expenses as incurred. Borrowing costs are not capitalised. There are no leases assets.

Intangible assets

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- the company is able to sell the product
- sale of the product will generate future economic benefits, and
- expenditure on the project can be measured reliably

Capitalised development costs will be amortised over the periods the company expects to benefit from selling the products developed. The amortisation expense will be included within the cost of sales line in the statement of financial position.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

Amortisation

Amortisation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Amortisation method and rate
Software	10% straight line

Macat International Limited

Notes to the Financial Statements

Year Ended 31 December 2016

Investments

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Financial instruments

Financial instruments are recognised when the company becomes party to the contracts that gives rise to them and they are derecognised on settlement. They are measured initially at fair value, normally being the transaction price.

The subsequent accounting treatment depends on the classification of an instrument as set out below.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Foreign currency transactions and balances

Transaction in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. All differences are taken to the statement of profit or loss.

Macat International Limited

Notes to the Financial Statements

Year Ended 31 December 2016

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018).
- IFRS 16 Leases (effective date 1 January 2019).

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2016	2015
	£	£
Sale of goods	<u>55,369</u>	<u>1,313</u>

4 Operating loss

Arrived at after charging/(crediting)

	2016	2015
	£	£
Depreciation expense	12,120	27,381
Amortisation expense	164,031	-
Operating lease expense - Rent of property	216,984	580,681
Operating lease expense - Hire of plant and machinery	<u>300</u>	<u>2,747</u>

Macat International Limited

Notes to the Financial Statements

Year Ended 31 December 2016

5 Finance income and costs

	2016 £	2015 £
Finance income		
Interest income on bank deposits	2,285	567
Finance costs		
Foreign exchange gains/(losses)	<u>985</u>	<u>(13,470)</u>
Net finance income/(costs)	<u>3,270</u>	<u>(12,903)</u>

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £	2015 £
Wages and salaries	830,472	588,809
Social security costs	<u>92,133</u>	<u>66,186</u>
	<u>922,605</u>	<u>654,995</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2016 No.	2015 No.
Administration and support	<u>9</u>	<u>9</u>

7 Auditors' remuneration

	2016 £	2015 £
Audit of the financial statements	<u>15,450</u>	<u>5,625</u>

Macat International Limited

Notes to the Financial Statements

Year Ended 31 December 2016

8 Income tax

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2015 - the same as the standard rate of corporation tax in the UK) of 20% (2015 - 20%).

The differences are reconciled below:

	2016 £	2015 £
Loss before tax	<u>(2,637,232)</u>	<u>(4,349,695)</u>
Corporation tax at standard rate	(527,446)	(869,939)
Increase (decrease) from effect of capital allowances depreciation	548	3,456
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	39,142	2,514
Tax decrease from utilisation of tax losses	-	(113)
Increase (decrease) from effect of unrelieved tax losses carried forward	487,756	859,956
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>-</u>	<u>4,126</u>
Total tax charge/(credit)	<u>-</u>	<u>-</u>

Deferred tax

There are £10,670,308 of unused tax losses (2015 - £8,231,528) for which no deferred tax asset is recognised in the statement of financial position since the directors do not currently foresee profits in the future to offset these against.

Macat International Limited

Notes to the Financial Statements

Year Ended 31 December 2016

9 Property, plant and equipment

	Furniture, fittings and office equipment £	Computer equipment £	Total £
Cost			
At 1 January 2016	43,258	67,724	110,982
Additions	<u>6,562</u>	<u>2,817</u>	<u>9,379</u>
At 31 December 2016	<u>49,820</u>	<u>70,541</u>	<u>120,361</u>
Depreciation			
At 1 January 2016	37,637	56,873	94,510
Charge for the year	<u>4,738</u>	<u>7,383</u>	<u>12,121</u>
At 31 December 2016	<u>42,375</u>	<u>64,256</u>	<u>106,631</u>
Carrying amount			
At 31 December 2016	<u>7,445</u>	<u>6,285</u>	<u>13,730</u>
At 31 December 2015	<u>5,621</u>	<u>10,851</u>	<u>16,472</u>

10 Intangible assets

	Software £
Cost or valuation	
At 1 January 2016	1,578,302
Additions	<u>62,015</u>
At 31 December 2016	<u>1,640,317</u>
Amortisation	
Amortisation charge	<u>164,031</u>
At 31 December 2016	<u>164,031</u>
Carrying amount	
At 31 December 2016	<u>1,476,286</u>
At 31 December 2015	<u>1,578,302</u>

Macat International Limited

Notes to the Financial Statements

Year Ended 31 December 2016

11 Investments

Subsidiaries	£
Cost or valuation	
At 1 January 2016	<u>3</u>
At 31 December 2016	<u>3</u>
Provision	
At 1 January 2016	<u>-</u>
At 31 December 2016	<u>-</u>
Carrying amount	
At 31 December 2016	<u>3</u>
At 1 January 2015	<u>3</u>

Details of the subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2016	2015
Mouseion Professors Limited	Intellectual property holding company	England and Wales	100%	100%
Macat Solutions BV	Dormant	Netherlands	100%	100%
Macat USA Inc	Dormant	United States of America	100%	100%

12 Trade and other receivables

	2016	2015
	£	£
Trade receivables	30,106	34,638
Receivables from related parties	5,078,773	4,865,345
Prepayments	37,066	49,488
Other receivables	<u>79,043</u>	<u>133,065</u>
	5,224,988	5,082,536
Less non-current portion	<u>-</u>	<u>(4,865,345)</u>
Total current trade and other receivables	<u>5,224,988</u>	<u>217,191</u>

Details of non-current trade and other receivables

£Nil (2016 - £4,865,345) of receivables from related parties is classified as non current.

Macat International Limited

Notes to the Financial Statements

Year Ended 31 December 2016

13 Cash and cash equivalents

	2016 £	2015 £
Cash on hand	-	373
Cash at bank	<u>537,216</u>	<u>1,500,383</u>
	<u>537,216</u>	<u>1,500,756</u>

14 Share capital

Allotted, called up and fully paid shares

	No.	2016 £	No.	2015 £
Ordinary shares of £0.01 each	<u>578,181</u>	<u>5,782</u>	<u>359,458</u>	<u>3,595</u>

New shares allotted

During the year 218,723 Ordinary shares having an aggregate nominal value of £2,187 were allotted for an aggregate consideration of £3,281,309. A share issue was made as a means of financing. Ordinary shares were allotted at a premium of 1499p (2015 - 2768p) per share during the year.

15 Loans and borrowings

	2016 £	2015 £
Current loans and borrowings		
Directors' loan accounts	-	300,000
Other loans	<u>-</u>	<u>150,000</u>
	<u>-</u>	<u>450,000</u>

16 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2016 £	2015 £
Within one year	72,924	72,443
In two to five years	<u>97,546</u>	<u>80</u>
	<u>170,470</u>	<u>72,523</u>

Macat International Limited

Notes to the Financial Statements

Year Ended 31 December 2016

17 Trade and other payables

	2016	2015
	£	£
Trade payables	128,614	337,231
Accrued expenses	27,922	62,780
Social security and other taxes	9,923	23,428
Other payables	189	863,132
	<u>166,648</u>	<u>1,286,571</u>

18 Financial Instruments

Financial instrument give rise to liquidity, credit, interest rate and foreign currency risks. The directors review and agree policies for managing these risks. Financial instruments are not used for speculative activity and complex financial instrument are avoided. Information about how these risks are managed is set out below.

Liquidity risk

Liquidity risk arises from ongoing financial obligation. Currently the company has no revenues and incurs liabilities in funding its subsidiary, Mouseion Professors Limited, as well as outsiders.

Its current funding has been provided by its shareholders and its future funding requirements will be met by raising more capital from its shareholders.

Based on current projections and support from shareholders management of cash flows is considered adequate to finance variations in forecast working capital.

Credit risk

The company is in start-up mode and as such has no significant revenues. The major receivable is from its wholly owned subsidiary Mouseion Professors Limited which is responsible for developing the content component of the digital library.

While Mouseion is dependent on it's funding from Macat, the latter will continue to support it.

	2016	2015
	£000	£000
Total	-	4,865

As Mouseion owns the Intellectual Property in the content which is an essential component of the Macat library Macat will continue to support it, and management is of the view that there is no specific exposure.

Interest rate risk

As the company has no credit lines in place and as the interest earned is not material management is of the view that there is no significant interest rate risk.

Foreign currency risk

Costs are mainly incurred in pounds sterling although there are some US Dollar and Euro costs. These are unhedged.

Macat International Limited

Notes to the Financial Statements

Year Ended 31 December 2016

19 Related party transactions

The following are the total amount of transactions that have been entered into with the related parties for the relevant financial year:

Income and receivables from related parties

At the year end £5,078,773 (2015 - £4,865,345) was owed by a subsidiary undertaking, Mouseion Professors Limited.

Expenditure with and payables to related parties

Donations totalling £nil (2015 - £20,630) were made to a charity, Alexandria Trust, in which a director, S. Khalil, is a trustee.

Included in administrative expenses are consultancy fees totalling £80,321 (2015 - £333,334) which were paid to a director, H. Abdou, in the year.

Included in trade and other payables is an amount of £nil (2015 - £150,000) due to H. Abdou, a director in the year. The loan is unsecured, interest free and repayable on demand.

Included in trade and other payables is a balance of £nil (2015 - £150,000) due to the director, G. Farha, as at the year end. The loan is unsecured, interest free and repayable on demand.

Included in other creditors is a balance of £nil (2015 - £162,278) due to the director, S. Khalil, as at the year end. The loan is unsecured, interest free and repayable on demand.

Included in other creditors is a balance of £nil (2015 - £110,423) due to Shoomino Investment Limited, a company under the control of the director, H. Abdou. The loan is unsecured, interest free and repayable on demand.

20 Parent and ultimate parent undertaking

There is no ultimate controlling party in the year due to there being no majority shareholder.

Macat International Limited

Detailed Income Statement

Year Ended 31 December 2016

	2016 £	2015 £
Revenue (analysed below)	55,369	1,313
Administrative expenses (analysed below)	<u>(2,695,871)</u>	<u>(4,338,105)</u>
Operating loss	<u>(2,640,502)</u>	<u>(4,336,792)</u>
Finance income (analysed below)	2,285	567
Finance costs (analysed below)	<u>985</u>	<u>(13,470)</u>
Net finance income/(cost)	<u>3,270</u>	<u>(12,903)</u>
Loss before tax	<u>(2,637,232)</u>	<u>(4,349,695)</u>

Macat International Limited

Detailed Income Statement

Year Ended 31 December 2016

	2016 £	2015 £
Revenue		
Sales, UK	55,369	1,313
Administrative expenses		
Wages and salaries	830,472	588,809
Staff NIC (Employers)	92,133	66,186
Staff training	-	1,533
Rent	216,984	580,681
Rates	40,571	67,173
Light, heat and power	2,471	4,980
Insurance	13,145	16,397
Health Insurance	3,596	2,264
Repairs and maintenance	1,476	45,172
Telephone and fax	17,872	21,345
Office expenses	3,351	-
Computer software and maintenance costs	145,630	179,352
Printing, postage and stationery	3,709	23,129
Trade subscriptions	5,963	11,161
Charitable donations	-	20,630
Hire of plant and machinery (Operating leases)	300	2,747
Sundry expenses	5,617	31,912
Cleaning	4,845	6,431
Critical thinking	73,443	12,778
Conferences	-	7,306
Travel and subsistence	39,293	118,558
Recruitment expenses	50,310	98,824
Pilot run expenses	81,490	99,326
Advertising	19,878	3,935
Market research and public relations	29,608	188,120
Sponsorship	2,016	1,633
Staff entertaining	475	203
Customer entertaining	-	3,942
Accountancy	6,215	9,965
Auditor's remuneration	15,450	5,625
Consultancy fees	674,084	1,913,714
Legal and professional	138,222	173,332
Bank charges	1,101	3,561
Amortisation of patents	164,031	-
Depreciation of plant and machinery	-	1,879
Depreciation of fixtures and fittings	3,956	9,035

This page does not form part of the statutory financial statements.

Macat International Limited

Detailed Income Statement

Year Ended 31 December 2016

	2016 £	2015 £
Depreciation of office equipment	781	16,467
Depreciation of other tangible (owned)	<u>7,383</u>	<u>-</u>
	<u>2,695,871</u>	<u>4,338,105</u>
Operating loss	<u>(2,640,502)</u>	<u>(4,336,792)</u>
Finance income		
Bank interest receivable	2,285	567
Finance costs		
Foreign currency (gains)/losses	<u>(985)</u>	<u>13,470</u>
Net finance income/(cost)	<u>3,270</u>	<u>(12,903)</u>
Loss before tax	<u>(2,637,232)</u>	<u>(4,349,695)</u>