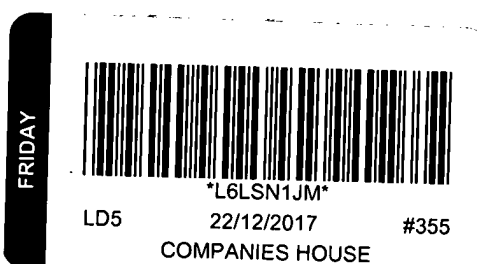


Socrates Technology Limited

Report And Financial Statements

31 December 2016

Rees Pollock
Chartered Accountants



Socrates Technology Limited

COMPANY INFORMATION

Directors	P Little A Usherwood
Registered number	08193077
Registered office	Roppeleghs West End Lane Haslemere Surrey GU27 2EN
Independent auditors	Rees Pollock 35 New Bridge Street London EC4V 6BW
Bankers	Morgan Stanley 25 Cabot Square Canary Wharf London E14 4QA Bank of America, N.A. PO Box 25118 Tampa Florida 33622-5118
Solicitors	Troutman Sanders LLP Suite 5200 600 Peachtree Street, N.E. Atlanta Georgia 30308-2216

GROUP STRATEGIC REPORT
For the Year Ended 31 December 2016

Business review

Socrates Technology Limited was formed to act as a holding company for the Firefly business. The technology education and training market, particularly in the US, is growing fast and Firefly has a well earned reputation and sound growth prospects. There is an increasing transition from instructor led education, where the teacher is in the class with the students, to an online provision where the instructor is managing remote and digitally connected students. This migration to an online environment puts the technology associated with learning at the centre of the next generation training company. Firefly will be investing in digital learning platforms and developing sophisticated learning platforms for the online consumption of digital content.

Principal risks and uncertainties

Socrates has a concentration of its revenues from a small number of large US technology companies. Should these companies suffer a decline there would likely be an adverse effect on the performance of Socrates. The digital transformation that is affecting our business introduces a technology and software development risk. The key financial indicator will be the continued profitability of the provision of online content at a realistic price. There exists a volume of digital learning content on the internet that masquerades as online learning. This data is available free of charge but is also not validated and of questionable provenance, however it will tempt a segment of the market away from companies like Firefly.

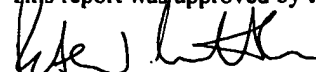
Future Developments

The continued industry wide enthusiasm for the Internet of Things and Software Defined Networks continues to present opportunities for the Firefly business. It is anticipated that further growth will be delivered by one or more strategic partnerships or acquisitions in the future.

Events since the year end

Continued good progress has been made across all geographies. Firefly acquired the business of KnowledgeNet in October 2017.

This report was approved by the board on 22 December 2017 and signed on its behalf.



P Little
Director

DIRECTORS' REPORT

For the Year Ended 31 December 2016

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

Results and dividends

The loss for the year, after taxation, amounted to \$680,137 (2015 - loss \$2,050,724).

The directors have not recommended a dividend (2015: \$nil). Details of unpaid accrued cumulative dividends on the company's preference share capital are provided in note 18.

Future developments

Details of likely future developments are contained in the strategic report.

Directors

The directors who served during the year were:

P Little
A Usherwood

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group'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 Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT (CONTINUED)

For the Year Ended 31 December 2016

Disclosure of information to auditors

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

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

Auditors

The auditors, Rees Pollock, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 22 December 2017 and signed on its behalf.



P Little
Director

**INDEPENDENT AUDITORS' REPORT TO THE
SHAREHOLDERS OF SOCRATES TECHNOLOGY LIMITED**

We have audited the financial statements of Socrates Technology Limited for the year ended 31 December 2016, set out on pages 5 to 25. The relevant financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 Auditors

As explained more fully in the directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report and the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.



Alexander Macpherson (Senior statutory auditor)
for and on behalf of
Rees Pollock
Statutory Auditor

22 December 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2016

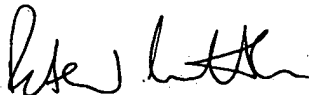
	Note	2016 \$	2015 \$
Turnover	3	19,616,586	22,750,817
Cost of sales		(7,754,127)	(10,131,719)
Gross profit		<u>11,862,459</u>	<u>12,619,098</u>
Administrative expenses		(14,011,492)	(12,669,336)
Fair value movements		96,981	(80,683)
Operating loss	4	<u>(2,052,052)</u>	<u>(130,921)</u>
Share of profit of associates		(481,814)	(227,184)
Total operating loss		<u>(2,533,866)</u>	<u>(358,105)</u>
Interest receivable and similar income	8	3,028,547	89,535
Interest payable and expenses	9	(1,021,662)	(1,232,171)
Loss before taxation		<u>(526,981)</u>	<u>(1,500,741)</u>
Tax on loss	10	(153,156)	(549,983)
Loss for the year		<u>(680,137)</u>	<u>(2,050,724)</u>
Foreign exchange difference on retranslation of subsidiary		20,580	11,687
Other comprehensive income for the year		<u>20,580</u>	<u>11,687</u>
Total comprehensive income for the year		<u>(659,557)</u>	<u>(2,039,037)</u>
Loss attributable to owners of the parent Company		<u>(680,137)</u>	<u>(2,050,724)</u>
Total comprehensive income attributable to owners of the parent Company		<u>(659,557)</u>	<u>(2,039,037)</u>

The notes on pages 11 to 25 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
As at 31 December 2016

	Note	2016 \$	2015 \$
Fixed assets			
Intangible assets	11	1,433,546	3,583,864
Tangible assets	12	3,577,800	3,565,308
Investments	13	811,002	1,292,816
		<u>5,822,348</u>	<u>8,441,988</u>
Current assets			
Debtors: amounts falling due within one year	14	1,207,572	8,049,835
Current asset investments	15	3,490,355	3,349,567
Cash at bank and in hand		596,325	1,885,201
		<u>5,294,252</u>	<u>13,284,603</u>
Creditors: amounts falling due within one year	16	<u>(13,147,778)</u>	<u>(17,999,457)</u>
Net current liabilities		<u>(7,853,526)</u>	<u>(4,714,854)</u>
Total assets less current liabilities		<u>(2,031,178)</u>	<u>3,727,134</u>
Creditors: amounts falling due after more than one year	17	(6,901,245)	(12,000,000)
Provisions for liabilities			
Net assets		<u><u>(8,932,423)</u></u>	<u><u>(8,272,866)</u></u>
Capital and reserves			
Called up share capital	18	2	2
Profit and loss account		(8,932,425)	(8,272,868)
		<u><u>(8,932,423)</u></u>	<u><u>(8,272,866)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 December 2017.



P Little
Director

The notes on pages 11 to 25 form part of these financial statements.

COMPANY BALANCE SHEET
As at 31 December 2016

	Note	2016 \$	2015 \$
Fixed assets			
Investments	13	6,156,853	6,156,853
		<u>6,156,853</u>	<u>6,156,853</u>
Current assets			
Debtors: amounts falling due within one year	14	3,451,421	6,611,422
		<u>3,451,421</u>	<u>6,611,422</u>
Creditors: amounts falling due within one year	16	(4,322,710)	(4,386,087)
		<u>(4,322,710)</u>	<u>(4,386,087)</u>
Net current (liabilities)/assets		<u>(871,289)</u>	<u>2,225,335</u>
Total assets less current liabilities		<u>5,285,564</u>	<u>8,382,188</u>
Creditors: amounts falling due after more than one year	17	(6,901,245)	(12,000,000)
		<u>(6,901,245)</u>	<u>(12,000,000)</u>
Net assets		<u>(1,615,681)</u>	<u>(3,617,812)</u>
Capital and reserves			
Called up share capital	18	2	2
Profit and loss account		(1,615,683)	(3,617,814)
		<u>(1,615,681)</u>	<u>(3,617,812)</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these Financial Statements. The profit after tax of the parent Company for the period was £2,002,131 (2016: £903,346).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 December 2017.



P Little
Director

The notes on pages 11 to 25 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2016	2	(8,272,868)	(8,272,866)
Loss for the year	-	(680,137)	(680,137)
Foreign exchange difference on retranslation of subsidiary	-	20,580	20,580
Total comprehensive income for the year	-	(659,557)	(659,557)
At 31 December 2016	2	(8,932,425)	(8,932,423)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2015

	Called up share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2015	2	(6,233,831)	(6,233,829)
Loss for the year	-	(2,050,724)	(2,050,724)
Foreign exchange difference on retranslation of subsidiary	-	11,687	11,687
Total comprehensive income for the year	-	(2,039,037)	(2,039,037)
At 31 December 2015	2	(8,272,868)	(8,272,866)

The notes on pages 11 to 25 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2016	2	(3,617,814)	(3,617,812)
Profit for the year	-	2,002,131	2,002,131
At 31 December 2016	2	(1,615,683)	(1,615,681)

COMPANY STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2015

	Called up share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2015	2	(2,714,468)	(2,714,466)
Loss for the year	-	(903,346)	(903,346)
At 31 December 2015	2	(3,617,814)	(3,617,812)

The notes on pages 11 to 25 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2016

	2016	2015
	\$	\$
Cash flows from operating activities		
Profit for the financial year	(680,137)	(2,050,724)
Adjustments for:		
Amortisation of intangible assets	2,150,318	2,150,318
Depreciation of tangible assets	415,785	475,609
Interest expense	1,021,662	1,232,171
Interest income	(90,997)	(89,535)
Tax charge	153,156	549,983
Decrease/(increase) in debtors	4,654,810	(578,948)
(Decrease) in creditors	(5,957,293)	(956,487)
Fair value movements on investments	(96,981)	80,683
Share of operating loss in associates	481,814	227,184
Corporation tax paid	(462,939)	(132,308)
Foreign exchange movements on debt instruments	(2,937,550)	-
Net cash generated from operating activities	<u>(1,348,352)</u>	<u>907,946</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(429,721)	(473,377)
Purchase of short term unlisted investments	(58,806)	-
Sale of short term unlisted investments	15,000	30,033
Purchase of share in associates	-	(1,500,000)
Interest received	90,997	89,535
Net cash from investing activities	<u>(382,530)</u>	<u>(1,853,809)</u>
Cash flows from financing activities		
Financing received	498,042	-
Interest paid	(78,059)	(111,167)
Net cash used in financing activities	<u>419,983</u>	<u>(111,167)</u>
Net (decrease) in cash and cash equivalents	<u>(1,310,899)</u>	<u>(1,057,030)</u>
Cash and cash equivalents at beginning of year	1,885,201	2,942,231
Foreign exchange gains and losses	22,023	-
Cash and cash equivalents at the end of year	<u><u>596,325</u></u>	<u><u>1,885,201</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>596,325</u></u>	<u><u>1,885,201</u></u>

The notes on pages 11 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

1. General information

Socrates Technology Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales. The company's registered office is Roppeleggs, West End Lane, Haslemere, Surrey GU27 2EN. The company acts as holding company for a group, the principal activities of which are internetworking education and technical training.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to the presentation of a cash flow statement.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. Management do not consider there are any key accounting estimates or assumptions made that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Management are also required to exercise judgment in applying the entity's accounting policies. Due to the straight forward nature of the business, management consider that no critical judgments have been made in applying the Group's accounting policies.

2.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemptions available in FRS 102, business combinations occurring prior to 1 January 2014 have not been restated under FRS 102 and carrying values arising under historic GAAP have been retained.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.3 Associates

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the consolidated balance sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

2.4 Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the profit and loss account over its useful economic life of 5 years.

2.5 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 50 years straight line
Fixtures and fittings	- 5 years straight line
Computer equipment	- 3 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.7 Financial assets

Other than investments (see above), the Group only enters into basic financial instruments transactions that result in the recognition of financial assets like trade and other accounts receivable and loans to related parties.

Financial assets that are measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

2.8 Financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequently the financial liabilities are measured at amortised cost using the effective interest rate method of accounting.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.9 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.10 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is USD.

Transactions and balance

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.12 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.13 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Taxation

Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

3. Turnover

The whole of the turnover is attributable to internetworking education and technical training.

An analysis of turnover by geographical market has not been provided as the directors believe that to do so would be seriously prejudicial to the interests of the group.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

4. Operating loss

The operating loss is stated after charging:

	2016	2015
	\$	\$
Depreciation of tangible fixed assets	415,785	475,609
Amortisation of intangible assets, including goodwill	2,150,318	2,150,318
Exchange differences	63,783	83,207
Other operating lease rentals	180,524	260,946
	<u>415,785</u>	<u>475,609</u>

5. Auditors' remuneration

	2016	2015
	\$	\$
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	35,000	35,000
	<u>35,000</u>	<u>35,000</u>
Fees payable to the Group's auditor and its associates in respect of:		
The auditing of accounts of associates of the Group pursuant to legislation	6,500	6,500
Other services relating to taxation	5,500	5,500
	<u>12,000</u>	<u>12,000</u>

6. Employees

Staff costs were as follows:

	2016	2015
	\$	\$
Wages and salaries	6,306,289	6,402,303
Social security costs	42,294	58,257
	<u>6,348,583</u>	<u>6,460,560</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016	2015
	No.	No.
	43	49

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

7. Directors' remuneration

	2016	2015
	\$	\$
Directors' emoluments	200,000	206,012

The highest paid director received remuneration of \$200,000 (2015 - \$206,012).

8. Interest receivable

	2016	2015
	\$	\$
Exchange difference on retranslation of equity treated as debt	2,937,550	-
Other interest receivable	90,997	89,535
	<u>3,028,547</u>	<u>89,535</u>

9. Interest payable and similar charges

	2016	2015
	\$	\$
Bank interest payable	77,961	90,302
Other loan interest payable	-	20,865
Preference share dividends	943,701	1,121,004
	<u>1,021,662</u>	<u>1,232,171</u>

10. Taxation

	2016	2015
	\$	\$
Corporation tax		
Current tax on profits for the year	74,657	507,549
Adjustments in respect of previous periods	78,499	42,434
Total current tax	<u>153,156</u>	<u>549,983</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>153,156</u>	<u>549,983</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016
10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year differs from the standard rate of corporation tax of 29.81% (2015 - 20%). The differences are explained below:

	2016	2015
	\$	\$
Profit on ordinary activities before tax	(526,981)	(1,420,058)
Profit on ordinary activities multiplied by standard rate of corporation tax of 29.81% (2015 - 20%)	(157,077)	(284,012)
Effects of:		
Non-tax deductible amortisation of goodwill	345,603	33,704
Expenses not deductible for tax purposes, other than goodwill amortisation	365,997	738,040
Capital allowances for year in excess of depreciation	(13,965)	17,671
Carried forward/(utilised) tax losses	73,158	(262,133)
Higher rate taxes on overseas earnings	8,383	-
Adjustments to tax charge in respect of prior periods	78,499	42,434
Timing differences on amortisation of goodwill	98,448	264,279
Other timing differences leading to an increase (decrease) in taxation	229,707	-
Non-taxable exchange rate gains on non-equity share capital	(875,597)	-
Total tax charge for the year	153,156	549,983

Factors that may affect future tax charges

At the balance sheet date the group had aggregate tax positions arising from unrelieved tax losses carried forward and timing differences in the deductibility of the group's fixed assets of \$4,431,377 (2015: \$4,122,709), resulting in an unrecognised deferred tax asset at the standard rate of corporation tax in the relevant jurisdictions of \$1,320,862 (2015: \$824,542). The asset has not been recognised due to uncertainties over the timing and nature of profits against which it will reverse.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

11. Intangible assets

Group

	Goodwill \$
Cost	
At 1 January 2016	10,751,591
At 31 December 2016	<u>10,751,591</u>
Amortisation	
At 1 January 2016	7,167,727
Charge for the year	<u>2,150,318</u>
At 31 December 2016	<u>9,318,045</u>
Net book value	
At 31 December 2016	<u>1,433,546</u>
At 31 December 2015	<u>3,583,864</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

12. Tangible fixed assets

Group

	Freehold property \$	Fixtures and fittings \$	Computer equipment \$	Total \$
Cost				
At 1 January 2016	3,100,000	88,514	2,161,680	5,350,194
Additions	-	150,533	279,188	429,721
Exchange adjustments	-	-	(4,661)	(4,661)
At 31 December 2016	<u>3,100,000</u>	<u>239,047</u>	<u>2,436,207</u>	<u>5,775,254</u>
Depreciation				
At 1 January 2016	124,000	12,498	1,648,388	1,784,886
Charge for the year on owned assets	62,000	20,958	332,827	415,785
Exchange adjustments	-	-	(3,217)	(3,217)
At 31 December 2016	<u>186,000</u>	<u>33,456</u>	<u>1,977,998</u>	<u>2,197,454</u>
Net book value				
At 31 December 2016	<u>2,914,000</u>	<u>205,591</u>	<u>458,209</u>	<u>3,577,800</u>
At 31 December 2015	<u>2,976,000</u>	<u>76,016</u>	<u>513,292</u>	<u>3,565,308</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016
13. Fixed asset investments**Group**

	Investments in associates \$	Unlisted investments \$	Total \$
Cost			
At 1 January 2016	1,272,816	20,000	1,292,816
Share of profit/(loss)	(481,814)	-	(481,814)
At 31 December 2016	<u>791,002</u>	<u>20,000</u>	<u>811,002</u>
Net book value			
At 31 December 2016	<u>791,002</u>	<u>20,000</u>	<u>811,002</u>
At 31 December 2015	<u>1,272,816</u>	<u>20,000</u>	<u>1,292,816</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity (Country of incorporation)
Firefly U.S. Holdings Inc.	Ordinary	100 %	Internetworking education and technical training (USA)
Firefly Communications LLC	Ordinary	100 %	Dormant (USA)
Athena Holdings LLC	Ordinary	100 %	Property management (USA)
Firefly Training EMEA Limited	Ordinary	100 %	Internetworking education and technical training (UK)
Firefly APAC Pte. Limited	Ordinary	100 %	Internetworking education and technical training (Singapore)

Participating interests**Associates**

Name	Class of shares	Holding	Principal activity
Twigkit Limited		B Ordinary	37% Development and sale of software products

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

13. Fixed asset investments (continued)

Company

	Investments in subsidiary companies \$	Investments in associates \$	Total \$
Cost			
At 1 January 2016	4,656,853	1,500,000	6,156,853
At 31 December 2016	4,656,853	1,500,000	6,156,853
Net book value			
At 31 December 2016	4,656,853	1,500,000	6,156,853
At 31 December 2015	4,656,853	1,500,000	6,156,853

14. Debtors

	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Trade debtors	840,749	4,113,767	-	-
Amounts owed by group undertakings	-	-	3,423,778	3,457,741
Other debtors	114,681	3,641,180	27,643	3,153,681
Prepayments and accrued income	252,142	294,888	-	-
	1,207,572	8,049,835	3,451,421	6,611,422

15. Current asset investments

	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Listed investments	1,025,339	954,195	-	-
Unlisted investments	2,465,016	2,395,372	-	-
	3,490,355	3,349,567	-	-

Current asset investments are the only financial instruments measured at fair value through profit and loss. The fair value of listed investments is established from recognised stock exchanges. Unlisted investments comprise mutual funds, the fair value of which is readily available based on underlying share prices, and provided by the investment managers. All other financial instruments are measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

16. Creditors: Amounts falling due within one year

	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Bank loans	3,530,336	3,032,294	-	-
Trade creditors	732,366	1,090,354	-	-
Amounts owed to group undertakings	-	-	163,518	157,306
Corporation tax	46,320	308,267	40,798	55,195
Taxation and social security	25,842	33,515	-	-
Other creditors	116,298	17,633	-	-
Accruals and deferred income	8,696,616	13,517,394	4,118,394	4,173,586
	<u>13,147,778</u>	<u>17,999,457</u>	<u>4,322,710</u>	<u>4,386,087</u>

Bank loans are secured against the group's short-term investments and subject to a personal guarantee from a director.

17. Creditors: Amounts falling due after more than one year

	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Share capital treated as debt	<u>6,901,245</u>	<u>12,000,000</u>	<u>6,901,245</u>	<u>12,000,000</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 18.

18. Share capital

	2016 \$	2015 \$
Shares classified as equity		
Allotted, called up and fully paid		
76 A shares of £0.01 each	2	2
24 B shares of £0.01 each	-	-
	<u>2</u>	<u>2</u>
	2016 \$	2015 \$
Shares classified as debt		
Allotted, called up and fully paid		
5,584,888 (2015 - 7,581,924) Preference shares of £1 each	<u>6,901,245</u>	<u>12,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

18. Share capital (continued)

The preference shares shall confer the right to receive, in priority to the holders of the other classes of shares, a fixed cumulative dividend at the rate of 10% per annum on the issue price of the preference shares. The dividend shall accrue on a daily basis and is payable, subject to the Companies Act 2006 ("the Act"), twice a year in arrears on 1 March and 1 September in each year. Where the dividend cannot be paid due to the provisions of the Act the dividend shall be increased from that date until payment by an additional amount calculated at the rate of 3% per annum above the base rate of The Bank of England from time to time, compounded on 1 January and 1 June in each year on the amount unpaid. Dividends other than those on the preference shares may be made by the directors as they see fit. However, a dividend payment on one class of shares shall not give rise to an entitlement on any other class of share.

On a return of capital the surplus assets of the company shall be applied: first in paying any unpaid dividends on the preference shares; second in paying an amount equal to the issue price of the preference shares; third in the payment of any declared but unpaid dividends on the A shares; fourth in paying any declared but unpaid dividends on the B shares; and thereafter the balance will be distributed to the holders of the A and B shares as if they constituted one class of shares.

As regards voting, the holders of the preference shares shall be entitled to notice of and the right to speak at any general meeting, but shall have no voting rights. The A shares and B shares have voting rights in general meeting such that the A shares shall always constitute 80% of the votes and the B shares 20% of the votes.

While there is no mandatory repayment of the preference shares, they have been classified as debt in accordance with the substance of the agreement.

During the year the company entered into a capital reduction by way of solvency statements and 1,997,036 preference shares of £1 each were cancelled giving rise to a discharge of amounts unpaid on these shares (see note 20).

The cumulative unpaid dividend on the Group's preference shares included in accruals is \$4,118,394 (2015: \$4,173,586). Such amounts can only be paid in accordance with company law on distributable profits.

19. Commitments under operating leases

At 31 December 2016 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016	Group 2015
	\$	\$
Not later than 1 year	130,192	86,173
Later than 1 year and not later than 5 years	-	130,192
	<u>130,192</u>	<u>216,365</u>

The company had no operating lease commitments.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

20. Related party transactions

A balance of \$27,643 (2015: \$3,160,000) is outstanding in respect of preference shares issued to P Little and included in other debtors. P Little has advanced an amount of \$nil (2015: \$6,319) against this balance.

P Little has provided a bank guarantee against the bank borrowings secured on the group's current asset investments.

At 1 January 2016 \$427,863 (2015: \$1,170,738) was due from A Usherwood, a director. Advances in the year totalled \$209,992 (2015: \$93,195) and repayments totalled \$nil (2015: \$836,070). The highest balance outstanding during the year was \$637,855 (2015: \$1,263,913). During the year the balance was provided against in full. In the prior year an amount of \$427,863 was included in other debtors in respect of this loans.

In addition to the directors, certain other employees constitute key management personnel as defined in FRS 102 and the total amount paid to key management personnel, including the directors, was \$713,233 (2015: \$449,247).

21. Controlling party

The company is controlled by P Little.