Registered number: 08193077

Socrates Technology Limited

Report And Financial Statements

31 December 2019

Rees Pollock
Chartered Accountants

COMPANY INFORMATION

Directors	P Little A Usherwood
Registered number	08193077
Registered office	Roppeleghs West End Lane Haslemere Surrey GU27 2EN
Independent auditors	Rees Pollock Chartered Accountants & Statutory auditor 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
	Arizona Bank & Trust 3471 West Frye Road Chandler Arizona 85226
Solicitors	Troutman Sanders LLP Suite 5200 600 Peachtree Street, N.E. Atlanta Georgia 30308-2216

GROUP STRATEGIC REPORT
For the Year Ended 31 December 2019

Principal activity and business review

Socrates Technology Limited is the holding company for the Firefly business. The Hybrid Cloud market continues to expand as companies invest in the technologies needed to host applications in both the cloud and on-premise data centers. Firefly has a well-earned reputation in training on Hybrid Cloud Technologies and an increasing number of customers are purchasing professional services related to the design and implementation of those technologies.

Professional services, especially in emerging technologies, continue to be a growing source of revenue for the company.

Principal risks and uncertainties

While significant progress has been made regarding revenue mix, Firefly still has several notable clients representing a concentration of revenues. A change in training strategies within those major clients could have an adverse effect on Firefly.

COVID19 has had a notable effect on Firefly's business in 2020. The business has continued to operate profitably for the duration of 2020 but revenue has declined due to the pandemic.

Future Developments

Continued strong customer demand for Hybrid Cloud Technologies, combined with new technology architectures in Cloud Security and Distributed Services, provides Firefly's growth opportunities in both training and consultancy businesses.

This report was approved by the board on March 8, 2021 and signed on its behalf.

P Little
Director

DIRECTORS' REPORT
For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Results and dividends

The loss for the year, after taxation and minority interests, amounted to $981,683 *(2018 - profit $1,580,902).*

The directors have not recommended a dividend (2018: $nil). Details of unpaid accrued cumulative dividends on the company's preference share capital are provided in notes 22 and 23.

Post balance sheet events

Discussion of the impact of the COVID-19 pandemic is included in the strategic report.

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 2019

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 March 8, 2021 and signed on its behalf.

P Little
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF SOCRATES TECHNOLOGY LIMITED

Opinion
We have audited the financial statements of Socrates Technology Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the Consolidated statement of comprehensive income, the Consolidated and Parent Company balance sheets, the Consolidated and Parent Company statement of changes in equity, the Consolidated statement of cash flows and the related notes, 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' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 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.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

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 Group's or the Parent 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.

Other information
The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF SOCRATES TECHNOLOGY LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the group 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 group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the directors' report.

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 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.

Responsibilities of directors
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, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 auditors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF SOCRATES TECHNOLOGY LIMITED (CONTINUED)

Use of our report
This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Macpherson (senior statutory auditor)
for and on behalf of
Rees Pollock
Chartered Accountants
Statutory auditor
35 New Bridge Street
London
EC4V 6BW

8 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2019

	Note	2019 $	*2018* *$*
Turnover	4	**20,614,225**	*21,853,625*
Cost of sales		**(8,611,153)**	*(9,339,057)*
Gross profit		**12,003,072**	*12,514,568*
Administrative expenses		**(12,940,964)**	*(13,210,428)*
Other operating income	5	**1,464,344**	-
Fair value movements		**35,164**	*(607,446)*
Operating profit/(loss)	6	**561,616**	*(1,303,306)*
Interest receivable and similar income	10	**58,699**	*864,527*
Interest payable and expenses	11	**(1,605,894)**	*(1,108,599)*
Loss before taxation		**(985,579)**	*(1,547,378)*
Tax on loss	12	**(85,201)**	*(33,524)*
Loss for the financial year		**(1,070,780)**	*(1,580,902)*
Foreign exchange difference on retranslation of subsidiary		**11,286**	*3,097*
Other comprehensive income for the year		**11,286**	*3,097*
Total comprehensive income for the year		**(1,059,494)**	*(1,577,805)*
(Loss) for the year attributable to:			
Non-controlling interests		**(92,483)**	*59,467*
Owners of the parent Company		**(978,297)**	*(1,640,369)*
		(1,070,780)	*(1,580,902)*
Total comprehensive income for the year attributable to:			
Non-controlling interest		**(89,097)**	*60,396*
Owners of the parent Company		**(970,397)**	*(1,638,201)*
		(1,059,494)	*(1,577,805)*

The notes on pages 14 to 32 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
As at 31 December 2019

	Note		2019 $		*2018 $*
Fixed assets					
Intangible assets	13		**2,308,623**		*3,148,123*
Tangible assets	14		**958,408**		*4,372,737*
Investments	15		**992,646**		*668,821*
			4,259,677		*8,189,681*
Current assets					
Debtors: amounts falling due after more than one year	16	**-**		*4,000*	
Debtors: amounts falling due within one year	16	**2,744,599**		*3,118,108*	
Current asset investments	17	**1,636,394**		*1,551,381*	
Cash at bank and in hand		**1,237,394**		*1,014,712*	
		5,618,387		*5,688,201*	
Creditors: amounts falling due within one year	18	**(15,549,869)**		*(18,495,251)*	
Net current liabilities			**(9,931,482)**		*(12,807,050)*
Total assets less current liabilities			**(5,671,805)**		*(4,617,369)*
Creditors: amounts falling due after more than one year	19		**(7,398,300)**		*(7,393,242)*
Net liabilities			**(13,070,105)**		*(12,010,611)*
Capital and reserves					
Called up share capital	23		**2**		*2*
Other reserves			**3,579,055**		*3,579,055*
Profit and loss account			**(14,249,837)**		*(13,279,440)*
Equity attributable to owners of the parent Company			**(10,670,780)**		*(9,700,383)*
Non-controlling interests			**(2,399,325)**		*(2,310,228)*
			(13,070,105)		*(12,010,611)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on March 8, 2021.

P Little
Director

The notes on pages 14 to 32 form part of these financial statements.

COMPANY BALANCE SHEET
As at 31 December 2019

	Note		2019 $		*2018 $*
Fixed assets					
Investments	15		**4,194,313**		*3,870,488*
			4,194,313		*3,870,488*
Current assets					
Debtors: amounts falling due within one year	16	**5,422,637**		*5,219,475*	
Cash at bank and in hand		**912,539**		*430,613*	
		6,335,176		*5,650,088*	
Creditors: amounts falling due within one year	18	**(7,394,445)**		*(6,164,868)*	
Net current liabilities			**(1,059,269)**		*(514,780)*
Total assets less current liabilities			**3,135,044**		*3,355,708*
Creditors: amounts falling due after more than one year	19		**(7,398,300)**		*(7,112,912)*
Net liabilities			**(4,263,256)**		*(3,757,204)*
Capital and reserves					
Called up share capital	23		**2**		*2*
Profit and loss account brought forward		**(3,757,206)**		*(3,284,053)*	
Loss for the year		**(506,052)**		*(473,153)*	
Profit and loss account carried forward			**(4,263,258)**		*(3,757,206)*
			(4,263,256)		*(3,757,204)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on March 8, 2021.

P Little
Director

The notes on pages 14 to 32 form part of these financial statements.

Socrates Technology Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2019

	Called up share capital	Merger reserve	Profit and loss account	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	$	$	$	$	$	$
At 1 January 2018	2	3,579,055	(11,641,239)	(8,062,182)	(2,370,624)	(10,432,806)
Loss for the year	-	-	(1,640,369)	(1,640,369)	59,467	(1,580,902)
Foreign exchange difference on retranslation of subsidiary	-	-	2,168	2,168	929	3,097
Total comprehensive income for the year	-	-	(1,638,201)	(1,638,201)	60,396	(1,577,805)
Total transactions with owners	-	-	-	-	-	-
At 1 January 2019	2	3,579,055	(13,279,440)	(9,700,383)	(2,310,228)	(12,010,611)
Loss for the year	-	-	(978,297)	(978,297)	(92,483)	(1,070,780)
Foreign exchange difference on retranslation of subsidiary	-	-	7,900	7,900	3,386	11,286
Total comprehensive income for the year	-	-	(970,397)	(970,397)	(89,097)	(1,059,494)
At 31 December 2019	2	3,579,055	(14,249,837)	(10,670,780)	(2,399,325)	(13,070,105)

The notes on pages 14 to 32 form part of these financial statements.

The merger reserve represents the difference between the fair value of equity consideration given to non-controlling interests on the acquisition of KnowledgeNet Enterprises, LLC and the net liabilities of Firefly Holdings Inc. attributable to non-controlling interests as a result of that acquisition.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	$	$	$
At 1 January 2018	2	(3,284,053)	(3,284,051)
Loss for the year	-	(473,153)	(473,153)
At 1 January 2019	2	(3,757,206)	(3,757,204)
Loss for the year	-	(506,052)	(506,052)
At 31 December 2019	2	(4,263,258)	(4,263,256)

The notes on pages 14 to 32 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2019

	2019 $	*2018* *$*
Cash flows from operating activities		
Loss for the financial year	**(1,070,780)**	*(1,580,902)*
Adjustments for:		
Amortisation of intangible assets	**839,500**	*839,500*
Depreciation of tangible assets	**658,946**	*938,819*
Profit on disposal of tangible assets	**(597,555)**	*-*
Interest payable	**1,605,894**	*1,108,599*
Interest receivable	**(58,699)**	*(864,527)*
Taxation charge	**85,201**	*33,524*
Decrease/(increase) in debtors	**413,054**	*(62,775)*
(Decrease) in creditors	**(1,130,163)**	*(1,546,812)*
Net fair value (gains)/losses recognised in P&L	**(35,164)**	*607,446*
Corporation tax (paid)/received	**(177,175)**	*107,752*
Foreign exchange	**(7,966)**	*(4,681)*
Non-cash deferred contigent consideration	**(315,110)**	*-*
Net cash generated from operating activities	**209,983**	*(424,057)*
Cash flows from investing activities		
Purchase of tangible fixed assets	**(82,229)**	*(929,865)*
Sale of tangible fixed assets	**3,435,167**	*-*
Purchase of short term unlisted investments	**(58,564)**	*(58,822)*
Sale of short term unlisted investments	**-**	*952,944*
Interest received	**58,699**	*63,991*
HP interest paid	**(169)**	*(20,981)*
Net cash from investing activities	**3,352,904**	*7,267*
Cash flows from financing activities		
New secured loans	**395,971**	*-*
Repayment of loans	**(401,975)**	*(3,175,187)*
Repayment of/new finance leases	**(272,372)**	*(328,907)*
Loans due from/(repaid to) directors	**(3,006,755)**	*3,006,755*
Interest paid	**(81,514)**	*(147,931)*
Net cash used in financing activities	**(3,366,645)**	*(645,270)*
Net increase/(decrease) in cash and cash equivalents	**196,242**	*(1,062,060)*
Cash and cash equivalents at beginning of year	**1,012,803**	*2,079,336*
Foreign exchange gains and losses	**1,945**	*(4,473)*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended 31 December 2019

	2019 $	*2018* *$*
Cash and cash equivalents at the end of year	**1,210,990**	*1,012,803*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**1,237,394**	*1,014,712*
Bank overdrafts	**(26,404)**	*(1,909)*
	1,210,990	*1,012,803*

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2019

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 Roppeleghs, 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 consulting services.

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 are also required to exercise judgment in applying the entity's accounting policies. Details of estimates and judgements are contained in note 3.

2.2 Going concern

The Group has net liabilities of $13,070,105 and net indebtedness of $14,661,213.

Both of these figures include $14,616,368 due in respect of preference shares held by the ultimate controlling party. Cash outflows in respect of these instruments can only be made when there are distributable reserves available to make payments, or there is a capital restructuring exercise. Accordingly, they are not expected to lead to significant cash outflows in the short to medium term.

Additionally, the Group has deferred revenues of $3,931,742 which will not lead to direct cash outflows: the deferred revenues associated with courses to be delivered will incur costs of delivery, which are lower than the balance sheet liability due to deferred profit and those associated with subscription services will lead to minimal cash costs as the associated costs of delivery have largely been prepaid.

Consequently, neither the balance sheet position nor the statement of net debt in note 22 represents a true reflection of the Group's solvency.

In this context the directors have prepared forecasts which indicate that the Group will continue to be able to pay its liabilities as they fall due for a period of not less than twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements.

No assessment has been made of the financial effect of the going concern basis proving to be inappropriate.

2. Accounting policies (continued)

2.3 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.

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 to 7 years straight line
Computer equipment	- 3 to 7 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 profit or loss.

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 profit or loss 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 Other 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.

For financial assets that are measured at amortised cost, any 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 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.

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.

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.

Specifically, contracts to deliver a set number of training courses are recognised as courses are delivered on a pro rata basis. Contracts to allow access to training materials over a period of time are recognised on a pro rata basis over the period in which access is to be provided.

2.10 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.11 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

2. Accounting policies (continued)

2.12 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.

2.13 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.14 Finance costs

Finance costs are charged to profit or loss 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.

2.15 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.

2.16 Dividends

Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

During 2017 the Group acquired all of the equity interests of KnowledgeNet Enterprises LLC ('KNet') in a share-for-share swap. As no cash changed hands and the equity consideration in the transaction related to an unlisted entity, the establishment of the fair value of that consideration was based on unobservable inputs and assumptions. As the value of the equity consideration directly impacted the amount of goodwill recognised in the transaction, this represents a key estimation in the consolidated financial statements. The goodwill recognised in the transaction was $4,197,498, which has a carrying value at the balance sheet date of $2,308,623. If the equity consideration had been valued 10% lower, then the goodwill recognised in the transaction would have decreased by $199,244, and the current carrying value would be $2,199,040. The amortisation charge for the current year would have been reduced by $39,849 in this scenario.

4. Turnover

The whole of the turnover is attributable to internetworking education and consulting services.

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

5. Other operating income

	2019	*2018*
	$	*$*
Deferred contingent consideration	**866,789**	-
Profit on disposal of tangible assets	**597,555**	-
	1,464,344	-

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2019	*2018*
	$	*$*
Depreciation of tangible fixed assets	**658,946**	*938,819*
Amortisation of goodwill	**839,500**	*839,500*
Exchange differences	**184,477**	*26,966*
Other operating lease rentals	**408,217**	*560,525*

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2019

7. Auditors' remuneration

	2019 $	*2018* *$*
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	**59,000**	*51,000*
	59,000	*51,000*

Fees payable to the Group's auditor and its associates in respect of:

The auditing of accounts of subsidiaries of the Group pursuant to legislation	**5,000**	*7,000*
Other services relating to taxation	**4,500**	*6,000*
All other services	**7,000**	-
	16,500	*13,000*

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 $	*Group* *2018* *$*	Company 2019 $	*Company* *2018* *$*
Wages and salaries	**7,021,800**	*8,114,175*	-	-
Social security costs	**423,698**	*529,470*	-	-
Cost of defined contribution scheme	**126,678**	*126,811*	-	-
	7,572,176	*8,770,456*	-	-

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

	2019 No.	*2018* *No.*
	60	*83*

The Company has no employees other than the directors, who did not receive any remuneration *(2018 - $NIL)*

9. Directors' remuneration

The highest paid director received remuneration of $305,195 *(2018 - $299,808).*

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2019

10. Interest receivable

	2019 $	2018 $
Exchange difference on retranslation of equity treated as debt	-	*800,536*
Other interest receivable	58,699	*63,991*
	58,699	*864,527*

11. Interest payable and similar expenses

	2019 $	2018 $
Loan interest payable	81,514	*179,801*
Exchange difference on retranslation of equity treated as debt	558,696	-
Preference share dividends	965,515	*907,817*
Finance leases and hire purchase contracts	169	*20,981*
	1,605,894	*1,108,599*

12. Taxation

	2019 $	2018 $
Corporation tax		
Current tax on profits for the year	84,944	*32,878*
Foreign tax		
Foreign tax on income for the year	257	*646*
Total current tax	85,201	*33,524*
Total deferred tax	-	-
Taxation on loss on ordinary activities	85,201	*33,524*

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2019

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2018 - higher than)* the standard rate of corporation tax in the USA of 21% *(2018 - 21%)*. The differences are explained below:

	2019 $	*2018 $*
Loss on ordinary activities before tax	**(985,579)**	*(1,547,378)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the USA of 21% (2018 - 21%)	**(206,972)**	*(324,949)*
Effects of:		
Non-tax deductible amortisation of goodwill	**37,568**	*37,568*
Expenses not deductible for tax purposes, other than goodwill amortisation	**323,539**	*198,072*
Capital allowances for year in excess of depreciation	**(68,683)**	*109,481*
Carried forward tax losses	**71,140**	*94,746*
Higher rate taxes on overseas earnings	**-**	*7,982*
Other timing differences leading to an increase (decrease) in taxation	**(6,691)**	*(36,561)*
Non-taxable exchange rate losses/(gains) on non-equity share capital	**117,326**	*(168,113)*
Non-taxable income	**(182,026)**	*115,298*
Total tax charge for the year	**85,201**	*33,524*

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 $4,407,465 (2018: $4,706,263), resulting in an unrecognised deferred tax asset at the standard rate of corporation tax in the relevant jurisdictions of $925,568 (2018: $988,315). 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 2019

13. Intangible assets

Group

	Goodwill $
Cost	
At 1 January 2019	**14,949,089**
At 31 December 2019	**14,949,089**
Amortisation	
At 1 January 2019	**11,800,966**
Charge for the year	**839,500**
At 31 December 2019	**12,640,466**
Net book value	
At 31 December 2019	**2,308,623**
At 31 December 2018	*3,148,123*

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2019

14. Tangible fixed assets

Group

	Freehold property $	Fixtures and fittings $	Computer equipment $	Total $
Cost				
At 1 January 2019	3,100,000	369,242	4,690,029	8,159,271
Additions	-	-	82,229	82,229
Disposals	(3,100,000)	(186,847)	-	(3,286,847)
At 31 December 2019	-	182,395	4,772,258	4,954,653
Depreciation				
At 1 January 2019	310,000	114,485	3,362,049	3,786,534
Charge for the year	20,667	10,807	627,472	658,946
Disposals	(330,667)	(118,568)	-	(449,235)
At 31 December 2019	-	6,724	3,989,521	3,996,245
Net book value				
At 31 December 2019	-	175,671	782,737	958,408
At 31 December 2018	*2,790,000*	*254,757*	*1,327,980*	*4,372,737*

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

15. Fixed asset investments

Group

	Unlisted investments $
Valuation	
At 1 January 2019	668,821
Additions	315,110
Revaluations	8,715
At 31 December 2019	992,646

Contingent consideration

In April 2017 the Group sold its 37% holding in Twigkit Limited, an associated undertaking, for cash of $554,820 and 871,490 common stock in Lucidworks, Inc., the purchaser. As part of the sale agreement additional deferred consideration was due contingent on certain conditions being met. This consideration of a further 425,824 common stock in Lucidworks, Inc. and cash of $551,679 was recognised in the current year resulting in other operating income (note 5) of $866,789.

Company

	Subsidiaries $	Unlisted $	Total $
Cost			
At 1 January 2019	3,234,300	636,188	3,870,488
Additions	-	315,110	315,110
Revaluations	-	8,715	8,715
At 31 December 2019	3,234,300	960,013	4,194,313

The Company had deferred contingent consideration as described above.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2019

15. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Firefly US Holdings Inc.	Internetworking education and consulting services (USA)	Ordinary	100%
Firefly Communication LLC	Dormant (USA)	Ordinary	100%
Athena Holdings Inc.	Property management (USA)	Ordinary	100%
Firefly Training EMEA Limited	Internetworking education and consulting services (UK)	Ordinary	100%
Firefly APAC Pte. Limited	Internetworking education and consulting services (Singapore)	Ordinary	100%
KnowledgeNet Enterprises LLC	Internetworking education and consulting services (USA)	Ordinary	100%

16. Debtors

	Group 2019 $	*Group 2018 $*	**Company 2019 $**	*Company 2018 $*
Due after more than one year				
Other debtors	-	*4,000*	-	-

	Group 2019 $	*Group 2018 $*	**Company 2019 $**	*Company 2018 $*
Due within one year				
Trade debtors	**1,565,304**	*2,126,727*	-	-
Amounts owed by group undertakings	-	-	**5,422,637**	*5,219,475*
Other debtors	**804,637**	*562,707*	-	-
Prepayments and accrued income	**339,113**	*428,674*	-	-
Tax recoverable	**35,545**	-	-	-
	2,744,599	*3,118,108*	**5,422,637**	*5,219,475*

The Group's other debtors include $96,355 (2018: $256,141) of non-financial instruments and $708,282 (2018: $306,566) of financial instruments. The latter, together with trade debtors mean that group debtors include $2,273,586 (2018: $2,433,293) of financial assets which are carried at amortised cost.

All of the company's debtors represent financial assets carried at amortised cost.

17. Current asset investments

	Group 2019 $	*Group 2018 $*
Unlisted investments	**1,636,394**	*1,551,381*

Current asset investments and fixed asset investments in unlisted shares are the only financial instruments measured at fair value through profit and loss. The fair value of fixed asset investments in unlisted shares is based on the previous equity valuation suggested by shares issued by the undertaking. The fair value of unlisted current asset investments comprises 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.

18. Creditors: Amounts falling due within one year

	Group 2019 $	*Group 2018 $*	**Company 2019 $**	*Company 2018 $*
Bank overdrafts	**26,404**	*1,909*	-	-
Bank loans	**1,157,941**	*975,508*	-	-
Trade creditors	**1,699,533**	*1,948,080*	-	-
Corporation tax	**107,087**	*163,516*	**31,929**	*21,907*
Other taxation and social security	**208,005**	*199,844*	-	-
Obligations under finance lease and hire purchase contracts	**88,564**	*269,043*	-	-
Other creditors	**495,988**	*3,685,341*	**12,451**	*12,451*
Accruals and deferred income	**11,766,347**	*11,252,010*	**7,350,065**	*6,130,510*
	15,549,869	*18,495,251*	**7,394,445**	*6,164,868*

Disclosure of the terms and conditions attached to the non-equity shares is made in note 23.

Group accruals and deferred income includes $8,007,525 (2018: $6,880,328) of accruals. Together with bank overdrafts and loans, trade creditors, obligations under finance leases and hire purchase contracts and other creditors mean that $11,475,955 (2018: $13,760,209) is included in Group creditors: amounts falling due within one year relating to financial liabilities carried at amortised cost.

Other creditors include a loan from a director of $nil (2018: $3,006,755).

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

	Group 2019 $	*Group 2018 $*	Company 2019 $	*Company 2018 $*
Bank loans	-	*188,437*	-	-
Net obligations under finance leases and hire purchase contracts	-	*91,893*	-	-
Share capital treated as debt	**7,398,300**	*7,112,912*	**7,398,300**	*7,112,912*
	7,398,300	*7,393,242*	**7,398,300**	*7,112,912*

Disclosure of the terms and conditions attached to the non-equity shares is made in note 23.

All creditors: amounts falling due after more than one year relate to financial liabilities carried at amortised cost.

20. Loans

Analysis of the maturity of loans is given below:

Loan balances comprise:

	Group 2019 $	*Group 2018 $*
Amounts falling due within one year		
Bank loans	**1,157,941**	*975,508*
Amounts falling due 1-2 years		
Bank loans	-	*70,167*
Amounts falling due 2-5 years		
Bank loans	-	*118,270*
	1,157,941	*1,163,945*

The Group has a bank loan of $1,157,941 (2018: $761,970) which is payable on demand and secured against the Group's current asset investments and subject to a personal guarantee from the ultimate controlling party.

The Group also had a bank loan with outstanding principal of $nil (2018: $251,975) repayable by monthly payments over the period to 7 October 2022. Interest is charged at 5.5% per annum. The loan was secured on the tangible assets of KnowledgeNet Enterprises LLC. and subject to a personal guarantee from key management personnel of that entity. This loan has been repaid in full during the year ended 31 December 2019.

The Group had a loan of $nil (2018: $150,000) which was repayable as a lump sum on 1 October 2019 and secured on the tangible assets of KnowledgeNet Enterprises LLC. Interest was charged at the Prime Rate published in the Wall Street Journal plus 2%, but subject to a floor of 6.5%. This loan was repaid during the year ended 31 December 2019.

All of the loan facilities comprise basic financial liabilities and are measured at amortised cost using the effective interest rate methodology.

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2019 $	*Group 2018 $*
Within one year	**88,564**	*269,043*
Between 1-5 years	-	*91,893*
	88,564	*360,936*

Finance leases are secured on the assets to which the borrowings relate.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2019

22. Analysis of net debt

	At 1 January 2019 $	Cash flows $	Other non-cash changes $	At 31 December 2019 $
Cash at bank and in hand	1,014,712	222,682	-	1,237,394
Bank overdrafts	(1,909)	(24,495)	-	(26,404)
Debt due after 1 year	(7,301,349)	188,437	(285,388)	(7,398,300)
Debt due within 1 year	(3,992,018)	2,824,322	426	(1,167,270)
Preference share accrual	(5,979,376)	-	(1,238,693)	(7,218,069)
Finance leases	(360,936)	272,372	-	(88,564)
	(16,620,876)	3,483,318	(1,523,655)	(14,661,213)

Non-cash movements arise from: exchange rate movements on overseas cash holdings; accrued preference share dividends and exchange rate movements on sterling denominated preference shares and preference share accruals; and fair value movements on liquid investments.

23. Share capital

	2019 $	*2018 $*
Shares classified as equity		
Allotted, called up and fully paid		
152 *(2018 - 152)* A shares of £0.01 each	2	*2*
48 *(2018 - 48)* B shares of £0.01 each	-	*-*
	2	*2*

	2019 $	*2018 $*
Shares classified as debt		
Allotted, called up and fully paid		
5,584,887 *(2018 - 5,584,888)* Preference shares of £1.00 each	7,398,300	*7,112,912*

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 2016 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.

The cumulative unpaid dividend on the Group's preference shares included in accruals is $7,218,069 (2018: $5,979,376). Such amounts can only be paid in accordance with company law on distributable profits.

NOTES TO THE FINANCIAL STATEMENTS
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24. Commitments under operating leases

At 31 December 2019 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2019 $	*Group 2018 $*
Not later than 1 year	**461,836**	*494,956*
Later than 1 year and not later than 5 years	**780,076**	*1,188,106*
	1,241,912	*1,683,062*

The Company had no operating lease commitments.

25. Related party transactions

During the year 2018 P Little advanced the group a $3,006,755 loan. Interest was charged at 5% per annum and total interest incurred during the year was $39,864 (2018: $113,268) of which $nil (2018: $50,250) was outstanding at the year end. The loan and all interest due were repaid during the year ended 31 December 2019.

An amount of $637,855, which has been provided for in full in previous years, was due from A Usherwood, a director, throughout the years ended 31 December 2019 and 31 December 2018.

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 $988,738 (2018: $1,001,179).

26. Controlling party

The company is controlled by P Little.