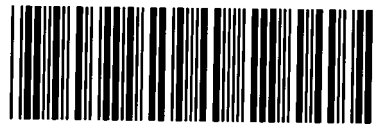


# **Socrates Technology Limited**

## **Report And Financial Statements**

*31 December 2017*

MONDAY



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**COMPANY INFORMATION**

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

**GROUP STRATEGIC REPORT**  
**For the Year Ended 31 December 2017**

**Business review**

Socrates Technology Limited was formed to act as a holding company for the Firefly business. The technology education and consulting services marketplace, particularly around Cloud and data center technologies is growing and Firefly has a well earned reputation and sound growth prospects in this arena. The market adoption of the systems associated with Cloud technologies has created an opportunity to help our customers implement and manage these hardware and software environments. The provision of consulting services following the traditional training services will be a growing source of the company's income.

**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.

**Future Developments**

The continued industry wide enthusiasm Cloud based technologies 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**

Firefly has established a separate entity, Mavericks LLP as a commercial vehicle for the provision of consultancy services.

This report was approved by the board on 28 December 2018 and signed on its behalf.



P Little  
Director

**DIRECTORS' REPORT**  
**For the Year Ended 31 December 2017**

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

**Results and dividends**

The loss for the year, after taxation and non-controlling interests, amounted to \$2,707,028 (2016 - loss \$680,137).

The directors have not recommended a dividend (2016: \$nil). Details of unpaid accrued cumulative dividends on the company's preference share capital are provided in note 22.

**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 2017**

**Disclosure of information to auditors**

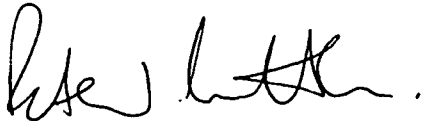
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- 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 28 December 2018 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'P Little', followed by a period.

**P Little**  
Director

**INDEPENDENT AUDITORS' REPORT TO THE  
SHAREHOLDERS 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 2017, which comprise the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated and Company statement of changes in equity, the Consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 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 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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of our report**

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders, 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, Statutory Auditor**

28 December 2018

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the Year Ended 31 December 2017

	Note	2017 \$	2016 \$
Turnover	4	15,591,985	19,616,586
Cost of sales		(6,719,706)	(7,754,127)
<b>Gross profit</b>		<b>8,872,279</b>	<b>11,862,459</b>
Administrative expenses		(10,555,163)	(14,011,492)
Fair value movements		129,766	96,981
Share of loss of associates	15	(97,997)	(481,814)
<b>Operating loss</b>	5	<b>(1,651,115)</b>	<b>(2,533,866)</b>
Provisions against and profit on disposal of investments	9	996,775	-
Interest receivable and similar income	10	87,313	3,028,547
Interest payable and expenses	11	(2,116,912)	(1,021,662)
<b>Loss before taxation</b>		<b>(2,683,939)</b>	<b>(526,981)</b>
Tax on loss	12	105,420	(153,156)
<b>Loss for the financial year</b>		<b>(2,578,519)</b>	<b>(680,137)</b>
Foreign exchange difference on retranslation of subsidiary		(2,610)	20,580
<b>Other comprehensive income for the year</b>		<b>(2,610)</b>	<b>20,580</b>
<b>Total comprehensive income for the year</b>		<b>(2,581,129)</b>	<b>(659,557)</b>
<b>(Loss) for the year attributable to:</b>			
Non-controlling interests		128,509	-
Owners of the parent Company		(2,707,028)	(680,137)
		<b>(2,578,519)</b>	<b>(680,137)</b>
<b>Total comprehensive income for the year attributable to:</b>			
Non-controlling interest		127,685	-
Owners of the parent Company		(2,708,814)	(659,557)
		<b>(2,581,129)</b>	<b>(659,557)</b>

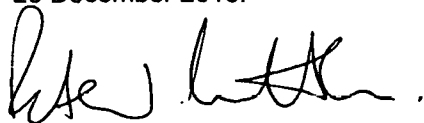
The notes on pages 14 to 35 form part of these financial statements.



**CONSOLIDATED BALANCE SHEET**  
**As at 31 December 2017**

	Note	2017 \$	2016 \$
<b>Fixed assets</b>			
Intangible assets	13	3,987,623	1,433,546
Tangible assets	14	4,382,147	3,577,800
Investments	15	1,185,226	811,002
		<u>9,554,996</u>	<u>5,822,348</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	16	3,102,108	1,207,572
Current asset investments	17	2,535,702	3,490,355
Cash at bank and in hand		2,079,336	596,325
		<u>7,717,146</u>	<u>5,294,252</u>
Creditors: amounts falling due within one year	18	(19,392,530)	(13,147,778)
<b>Net current liabilities</b>		<u>(11,675,384)</u>	<u>(7,853,526)</u>
<b>Total assets less current liabilities</b>		<u>(2,120,388)</u>	<u>(2,031,178)</u>
Creditors: amounts falling due after more than one year	19	(8,312,418)	(6,901,245)
<b>Net liabilities</b>		<u>(10,432,806)</u>	<u>(8,932,423)</u>
<b>Capital and reserves</b>			
Called up share capital	22	2	2
Merger reserve		3,579,055	-
Profit and loss account		(11,641,239)	(8,932,425)
<b>Equity attributable to owners of the parent Company</b>		<u>(8,062,182)</u>	<u>(8,932,423)</u>
Non-controlling interests		(2,370,624)	-
		<u>(10,432,806)</u>	<u>(8,932,423)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 December 2018.



**P Little**  
Director

The notes on pages 14 to 35 form part of these financial statements.

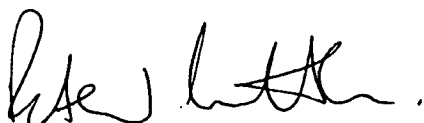
**COMPANY BALANCE SHEET**  
**As at 31 December 2017**

	Note	2017 \$	2016 \$
<b>Fixed assets</b>			
Investments	15	4,419,526	6,156,853
		<u>4,419,526</u>	<u>6,156,853</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	16	4,956,850	3,451,421
Cash at bank and in hand		524,554	-
		<u>5,481,404</u>	<u>3,451,421</u>
Creditors: amounts falling due within one year	18	(5,629,746)	(4,322,710)
<b>Net current liabilities</b>		<u>(148,342)</u>	<u>(871,289)</u>
<b>Total assets less current liabilities</b>		<u>4,271,184</u>	<u>5,285,564</u>
Creditors: amounts falling due after more than one year	19	(7,555,235)	(6,901,245)
<b>Net liabilities</b>		<u><u>(3,284,051)</u></u>	<u><u>(1,615,681)</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	2	2
Profit and loss account		(3,284,053)	(1,615,683)
		<u><u>(3,284,051)</u></u>	<u><u>(1,615,681)</u></u>

The parent Company's loss after tax for the year was \$1,668,370 (2017: profit after tax was \$2,002,131). The parent Company's profit and loss account is exempt from publication in accordance with section 408 of the Companies Act 2006.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 December 2018.

**P Little**  
Director



The notes on pages 14 to 35 form part of these financial statements.

Socrates Technology Limited

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended 31 December 2017

	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 2016	2	-	(8,272,868)	(8,272,866)	-	(8,272,866)
Loss for the year	-	-	(680,137)	(680,137)	-	(680,137)
Foreign exchange difference on retranslation of subsidiary	-	-	20,580	20,580	-	20,580
<b>Total comprehensive income for the year</b>	-	-	(659,557)	(659,557)	-	(659,557)
At 1 January 2017	2	-	(8,932,425)	(8,932,423)	-	(8,932,423)
Loss for the year	-	-	(2,707,028)	(2,707,028)	128,509	(2,578,519)
Foreign exchange difference on retranslation of subsidiary	-	-	(1,786)	(1,786)	(824)	(2,610)
<b>Total comprehensive income for the year</b>	-	-	(2,708,814)	(2,708,814)	127,685	(2,581,129)
Acquisition of subsidiary (note 23)	-	3,579,055	-	3,579,055	(2,498,309)	1,080,746
<b>Total transactions with owners</b>	-	3,579,055	-	3,579,055	(2,498,309)	1,080,746
<b>At 31 December 2017</b>	<b>2</b>	<b>3,579,055</b>	<b>(11,641,239)</b>	<b>(8,062,182)</b>	<b>(2,370,624)</b>	<b>(10,432,806)</b>

The notes on pages 14 to 35 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 2017**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
At 1 January 2016	2	(3,617,814)	(3,617,812)
Profit for the year	-	2,002,131	2,002,131
At 1 January 2017	2	(1,615,683)	(1,615,681)
Loss for the year	-	(1,668,370)	(1,668,370)
<b>At 31 December 2017</b>	<b>2</b>	<b>(3,284,053)</b>	<b>(3,284,051)</b>

The notes on pages 14 to 35 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Year Ended 31 December 2017**

	2017 \$	2016 \$
<b>Cash flows from operating activities</b>		
Loss for the financial year	(2,578,519)	(680,137)
<b>Adjustments for:</b>		
Amortisation of intangible assets	1,643,421	2,150,318
Depreciation of tangible assets	650,481	415,785
Interest payable	1,036,729	1,021,662
Interest receivable	(87,313)	(90,997)
Taxation charge	(105,420)	153,156
(Increase)/decrease in debtors	(936,127)	4,654,810
Increase/(Decrease) in creditors	289,509	(5,957,293)
Net fair value (gains) recognised in P&L	(129,766)	(96,981)
Share of result of associates, and profit on disposal	(898,778)	481,814
Corporation tax (paid)	(79,973)	(462,939)
Foreign exchange movements on debt instruments	1,080,183	(2,937,550)
<b>Net cash generated from operating activities</b>	<b>(115,573)</b>	<b>(1,348,352)</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary (note 23)	135,647	-
Purchase of tangible fixed assets	(1,253,989)	(429,721)
Sale of short term listed investments	1,140,591	-
Purchase of short term unlisted investments	(56,173)	(58,806)
Sale of short term unlisted investments	-	15,000
Sale of share in associates (note 15)	524,554	-
Interest received	87,313	90,997
HP interest paid	(27,106)	-
<b>Net cash from investing activities</b>	<b>550,837</b>	<b>(382,530)</b>
<b>Cash flows from financing activities</b>		
New secured loans	500,000	498,042
Repayment of loans	(15,657)	-
Finance leases advanced	966,992	-
Repayment of finance leases	(277,149)	-
Interest paid	(123,154)	(78,059)
<b>Net cash used in financing activities</b>	<b>1,051,032</b>	<b>419,983</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,486,296</b>	<b>(1,310,899)</b>
Cash and cash equivalents at beginning of year	596,325	1,885,201
Foreign exchange gains and losses	(3,285)	22,023

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**For the Year Ended 31 December 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Cash and cash equivalents at the end of year</b>	<b>2,079,336</b>	<b>596,325</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<b>2,079,336</b>	<b>596,325</b>

**CONSOLIDATED ANALYSIS OF NET DEBT**  
**For the Year Ended 31 December 2017**

	At 1 January 2017 \$	Cash flows \$	Acquisition and disposal of subsidiaries \$	Other non- cash changes \$	At 31 December 2017 \$
Cash at bank and in hand	596,325	1,350,649	135,647	(3,285)	2,079,336
Debt due after 1 year	(6,901,245)	(150,000)	(237,529)	(653,990)	(7,942,764)
Debt due within 1 year	(3,530,336)	(334,343)	(86,924)	-	(3,951,603)
Preference share accrual	(4,118,394)	-	-	(1,311,545)	(5,429,939)
Finance leases	-	(689,843)	-	-	(689,843)
Liquid investments	1,025,339	(1,140,591)	-	115,252	-
	<u>(12,928,311)</u>	<u>(964,128)</u>	<u>(188,806)</u>	<u>(1,853,568)</u>	<u>(15,934,813)</u>

The notes on pages 14 to 35 form part of these financial statements.

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**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.

The Group has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

**2.2 Going concern**

The Group has net liabilities of \$10,432,806 and net indebtedness of \$15,934,813.

Both of these figures include \$12,985,174 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 \$4,788,901 associated with Firefly Holdings, Inc. ('Firefly') and \$2,089,543 associated with KnowledgeNet Enterprises LLC ('KNet'). Neither of these amounts will lead to direct cash outflows: the deferred revenues associated with Firefly will incur costs of delivery, which are lower than the balance sheet liability due to deferred profit; those associated with KNet will lead to minimal cash costs as the associated costs of delivery have largely been prepaid.

Consequently, neither the balance sheet position nor the indebtedness statement represent 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**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 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.

**2.5 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.

**2.6 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**2. Accounting policies (continued)**

**2.6 Tangible fixed assets (continued)**

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 the Consolidated statement of comprehensive income.

**2.7 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**2.8 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 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.

**2.9 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**2. Accounting policies (continued)**

**2.9 Financial assets (continued)**

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.

**2.10 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.

**2.11 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.

**2.12 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**2. Accounting policies (continued)**

**2.13 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 the Consolidated statement of comprehensive income 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.

**2.14 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.

**2.15 Interest income**

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

**2.16 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**2. Accounting policies (continued)**

**2.17 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.

**2.18 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 the year the Group acquired all of the equity interests of KnowledgeNet Enterprises LLC ('KNet') in a share-for-share swap (see note 23). As no cash changed hands and the equity consideration in the transaction relates to an unlisted entity, the establishment of the fair value of that consideration is based on unobservable inputs and assumptions. Further details of these assumptions are given in note 23 but, as the value of the equity consideration directly impacts the amount of goodwill recognised in the transaction, this represents a key estimation in the consolidated financial statements. If the equity consideration had been valued 10% lower, then the goodwill recognised in the transaction would have decreased by \$199,244, with a reduction in the amortisation charge resulting. Overall, therefore, this estimation will have a future impact on amortisation charges recognised in consolidated profit and loss, and any impairment losses which may arise from future impairment testing of the carrying value of goodwill.

As described in note 15, the Group disposed of its holding in Twigkit Limited ('Twigkit'), an associate, in exchange for cash and equity consideration. As the counterparty, Lucidworks, Inc., is unlisted, the fair value of the equity consideration is based on unobservable inputs and represents a key source of estimation uncertainty. The valuation was established based on analysis prepared by a corporate finance house which had invested in Twigkit. This analysis compared public company matrices with the management of Lucidworks Inc.'s estimate of the expected share price of Lucidworks Inc.'s shares in the next anticipated funding round for that entity. This produced a range of valuations, and management have utilised the lower end of that range in measuring the fair value of the consideration. Had management used the upper end of the range then the profit on disposal of Twigkit would have increased by \$296,307, with a corresponding increase in the Group's unlisted fixed asset investments. As Lucidworks Inc. is unlisted, the carrying value of the Group's holding will vary on a funding round and the resulting fair value movement will be sensitive to this original estimation of fair value.

Additionally, management has judged that deferred contingent consideration relating to this disposal cannot be recognised as it depends on events outside the entity's control. Details of the contingent consideration are included in note 15, but had such amounts been recognised then the profit on disposal of Twigkit would have increased by \$1,129,972. The contingencies relating to this will be resolved in January 2019.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**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. Operating loss**

The operating loss is stated after charging:

	2017 \$	2016 \$
Depreciation of tangible fixed assets	650,481	415,786
Amortisation of intangible assets, including goodwill	1,643,421	2,150,318
Exchange differences	(55,269)	63,783
Other operating lease rentals	188,380	180,524
	<u>188,380</u>	<u>180,524</u>

**6. Auditors' remuneration**

	2017 \$	2016 \$
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	47,000	35,000
	<u>47,000</u>	<u>35,000</u>
<b>Fees payable to the Group's auditor and its associates in respect of:</b>		
The auditing of accounts of associates of the Group pursuant to legislation	7,000	6,500
Other services relating to taxation	6,000	5,500
	<u>13,000</u>	<u>12,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**7. Employees**

Staff costs were as follows:

	<b>Group 2017 \$</b>	<b>Group 2016 \$</b>	<b>Company 2017 \$</b>	<b>Company 2016 \$</b>
Wages and salaries	<b>5,721,578</b>	5,827,206	-	-
Social security costs	<b>339,052</b>	320,557	-	-
Cost of defined contribution scheme	<b>59,983</b>	73,902	-	-
	<b><u>6,120,613</u></b>	<u>6,221,665</u>	<u>-</u>	<u>-</u>

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

<b>2017 No.</b>	<b>2016 No.</b>
<b>46</b>	43
<u>46</u>	<u>43</u>

The Company has no employees other than the directors, who did not receive any remuneration (2016 - \$NIL)

**8. Directors' remuneration**

	<b>2017 \$</b>	<b>2016 \$</b>
Directors' emoluments	<b>238,313</b>	200,000
	<u>238,313</u>	<u>200,000</u>

**9. Provisions against and profit on disposal of investments**

As is more fully disclosed in note 15, the Group disposed of its investment in Twigkit Limited, an associated undertaking, realising a profit of \$1,016,775.

The Group has provided in full for an unlisted investment which was carried at \$20,000, creating a loss of that amount.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**10. Interest receivable**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Exchange difference on retranslation of equity treated as debt	-	2,937,550
Other interest receivable	<b>87,313</b>	90,997
	<u><b>87,313</b></u>	<u><b>3,028,547</b></u>

**11. Interest payable and similar expenses**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Bank interest payable	<b>123,153</b>	77,961
Exchange difference on retranslation of equity treated as debt	<b>1,080,183</b>	-
Preference share dividends	<b>886,470</b>	943,701
Finance leases and hire purchase contracts	<b>27,106</b>	-
	<u><b>2,116,912</b></u>	<u><b>1,021,662</b></u>

**12. Taxation**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Corporation tax</b>		
Current tax on profits for the year	<b>(105,420)</b>	74,657
Adjustments in respect of previous periods	-	78,499
<b>Total current tax</b>	<u><b>(105,420)</b></u>	<u><b>153,156</b></u>
<b>Total deferred tax</b>	-	-
<b>Taxation on loss on ordinary activities</b>	<u><b>(105,420)</b></u>	<u><b>153,156</b></u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**
**12. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2016 -*higher than*) the standard rate of corporation tax in the UK of 29.39% (2016 -29.81%). The differences are explained below:

	2017 \$	2016 \$
Loss on ordinary activities before tax	<u>(2,683,939)</u>	<u>(526,981)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 29.39% (2016 -29.81%)	(788,810)	(157,077)
<b>Effects of:</b>		
Non-tax deductible amortisation of goodwill	191,796	345,603
Expenses not deductible for tax purposes, other than goodwill amortisation	273,369	365,997
Capital allowances for year in excess of depreciation	(19,010)	(13,965)
Carried forward tax losses	265,960	73,158
Higher rate taxes on overseas earnings	(14,347)	8,383
Adjustments to tax charge in respect of prior periods	(134,624)	78,499
Timing differences on amortisation of goodwill	-	98,448
Other timing differences leading to an increase (decrease) in taxation	72,803	229,707
Non-taxable exchange rate losses/(gains) on non-equity share capital	317,504	(875,597)
Non-taxable income	(270,061)	-
<b>Total tax charge for the year</b>	<u><u>(105,420)</u></u>	<u><u>153,156</u></u>

**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 \$746,175 (2016: \$4,431,377), resulting in an unrecognised deferred tax asset at the standard rate of corporation tax in the relevant jurisdictions of \$154,473 (2016: \$1,320,862). 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 2017**

**13. Intangible assets**

**Group**

	<b>Goodwill</b> <b>\$</b>
<b>Cost</b>	
At 1 January 2017	10,751,591
On acquisition of subsidiaries	4,197,498
At 31 December 2017	<u>14,949,089</u>
<b>Amortisation</b>	
At 1 January 2017	9,318,045
Charge for the year	1,643,421
At 31 December 2017	<u>10,961,466</u>
<b>Net book value</b>	
At 31 December 2017	<u>3,987,623</u>
At 31 December 2016	<u>1,433,546</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**14. Tangible fixed assets**

**Group**

	Freehold property \$	Fixtures and fittings \$	Computer equipment \$	Total \$
<b>Cost</b>				
At 1 January 2017	3,100,000	239,047	2,436,207	5,775,254
Additions	-	33,116	1,220,873	1,253,989
Acquisition of subsidiary	-	93,005	107,158	200,163
At 31 December 2017	3,100,000	365,168	3,764,238	7,229,406
<b>Depreciation</b>				
At 1 January 2017	186,000	33,456	1,977,998	2,197,454
Charge for the year on owned assets	62,000	43,516	544,965	650,481
Exchange adjustments	-	-	(676)	(676)
At 31 December 2017	248,000	76,972	2,522,287	2,847,259
<b>Net book value</b>				
At 31 December 2017	2,852,000	288,196	1,241,951	4,382,147
At 31 December 2016	2,914,000	205,591	458,209	3,577,800

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

	2017 \$	2016 \$
Computer equipment	252,040	-

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 December 2017

**15. Fixed asset investments**

**Group**

	Associates \$	Unlisted \$	Total \$
<b>Cost</b>			
At 1 January 2017	791,002	20,000	811,002
Additions	-	1,185,226	1,185,226
Disposals	(693,005)	-	(693,005)
Amounts written off	-	(20,000)	(20,000)
Share of profit/(loss)	(97,997)	-	(97,997)
At 31 December 2017	-	1,185,226	1,185,226
<b>Net book value</b>			
At 31 December 2017	-	1,185,226	1,185,226
At 31 December 2016	791,002	20,000	811,002

**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. The unlisted common stock was valued at \$1,185,226 and costs of \$30,266 were incurred, realising a profit on disposal of \$1,016,775. Net cash received on disposal after costs was \$524,554.

As part of the sale agreement additional deferred consideration is due contingent on certain conditions being met. The amount of deferred contingent consideration is \$554,820 of cash and 422,906 of common stock in Lucidworks, Inc. As at the date of approval of these financial statements it is probable that these conditions will be met but, as they are outside the Group's control, the additional consideration will only be recognised when the conditions are satisfied.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**
**15. Fixed asset investments (continued)****Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity (Country of incorporation)</b>
Firefly U.S. Holdings Inc.	Ordinary	100 %	Internetworking education and consulting services (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 consulting services (UK)
Firefly APAC Pte. Limited	Ordinary	100 %	Internetworking education and consulting services (Singapore)
KnowledgeNet Enterprises LLC	Ordinary	100 %	Internetworking education and consulting services (USA)

**Participating interests****Company**

	<b>Subsidiaries</b> \$	<b>Associates</b> \$	<b>Unlisted</b> \$	<b>Total</b> \$
<b>Cost</b>				
At 1 January 2017	4,656,853	1,500,000	-	6,156,853
Additions	-	-	1,185,226	1,185,226
Disposals	-	(1,500,000)	-	(1,500,000)
Transfers intra group	(1,422,553)	-	-	(1,422,553)
At 31 December 2017	<u>3,234,300</u>	<u>-</u>	<u>1,185,226</u>	<u>4,419,526</u>
<b>Net book value</b>				
At 31 December 2017	<u>3,234,300</u>	<u>-</u>	<u>1,185,226</u>	<u>4,419,526</u>
At 31 December 2016	<u>4,656,853</u>	<u>1,500,000</u>	<u>-</u>	<u>6,156,853</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**
**15. Fixed asset investments (continued)****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. The unlisted common stock was valued at \$1,185,226.

As part of the sale agreement additional deferred consideration is due contingent on certain conditions being met. The amount of deferred contingent consideration is \$554,820 of cash and 422,906 of common stock in Lucidworks, Inc. As at the date of approval of these financial statements it is probable that these conditions will be met but, as they are outside the Company's control, the additional consideration will only be recognised when the conditions are satisfied.

**16. Debtors**

	<b>Group 2017 \$</b>	<b>Group 2016 \$</b>	<b>Company 2017 \$</b>	<b>Company 2016 \$</b>
Trade debtors	<b>2,436,596</b>	840,749	-	-
Amounts owed by group undertakings	-	-	<b>4,956,850</b>	3,423,778
Other debtors	<b>312,534</b>	114,681	-	27,643
Prepayments and accrued income	<b>352,978</b>	252,142	-	-
	<b>3,102,108</b>	1,207,572	<b>4,956,850</b>	3,451,421

The Group's other debtors include \$270,349 (2016: \$86,982) of non-financial instruments and \$42,185 (2016: \$27,699) of financial instruments. The latter, together with trade debtors mean that group debtors include \$2,478,781 (2016: \$868,448) of financial assets which are carried at amortised cost.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**
**17. Current asset investments**

	<b>Group 2017 \$</b>	<i>Group 2016 \$</i>
Listed investments	-	1,025,339
Unlisted investments	<b>2,535,702</b>	2,465,016
	<b><u>2,535,702</u></b>	<u>3,490,355</u>

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 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.

**18. Creditors: Amounts falling due within one year**

	<b>Group 2017 \$</b>	<i>Group 2016 \$</i>	<b>Company 2017 \$</b>	<i>Company 2016 \$</i>
Bank loans (note 20)	<b>3,951,603</b>	3,530,336	-	-
Trade creditors	<b>1,063,495</b>	732,366	-	-
Amounts owed to group undertakings	-	-	<b>163,518</b>	163,518
Corporation tax	<b>29,360</b>	46,320	<b>23,838</b>	40,798
Other taxation and social security	<b>21,832</b>	25,842	-	-
Obligations under finance lease and hire purchase contracts (note 21)	<b>320,189</b>	-	-	-
Other creditors	<b>209,619</b>	1,16,298	<b>12,451</b>	-
Accruals and deferred income	<b>13,796,432</b>	8,696,616	<b>5,429,939</b>	4,118,394
	<b><u>19,392,530</u></b>	<u>13,147,778</u>	<b><u>5,629,746</u></b>	<u>4,322,710</u>

Group accruals and deferred income includes \$6,917,988 (2016: \$4,474,320) of accruals. Together with bank loans, trade creditors, obligations under finance leases and hire purchase contracts and other creditors mean that \$12,462,894 (2016: \$8,853,320) is included in Group creditors: amounts falling due within one year relating to financial liabilities carried at amortised cost.

All of the Company's creditors: amounts falling due within one year are financial liabilities carried at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

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

	<b>Group 2017 \$</b>	<b>Group 2016 \$</b>	<b>Company 2017 \$</b>	<b>Company 2016 \$</b>
Bank loans (note 20)	<b>387,529</b>	-	-	-
Net obligations under finance leases and hire purchase contracts (note 21)	<b>369,654</b>	-	-	-
Share capital treated as debt (note 22)	<b>7,555,235</b>	<b>6,901,245</b>	<b>7,555,235</b>	<b>6,901,245</b>
	<b>8,312,418</b>	<b>6,901,245</b>	<b>7,555,235</b>	<b>6,901,245</b>

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:

	<b>Group 2017 \$</b>	<b>Group 2016 \$</b>
<b>Amounts falling due within one year</b>		
Bank loans	<b>3,951,603</b>	<b>3,530,336</b>
<b>Amounts falling due 1-2 years</b>		
Bank loans	<b>227,745</b>	-
<b>Amounts falling due 2-5 years</b>		
Bank loans	<b>159,784</b>	-
	<b>4,339,132</b>	<b>3,530,336</b>

The Group has a bank loan of \$3,880,336 (2016: \$3,530,336) 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 has a bank loan with outstanding principal of \$308,796 (2017: \$nil) repayable by monthly payments over the period to 7 October 2022. Interest is charged at 5.5% per annum. The loan is secured on the tangible assets of KnowledgeNet Enterprises LLC and subject to a personal guarantee from key management personnel of that entity.

The Group has a loan of \$150,000 (2017: \$nil) which is repayable as a lump sum on 1 October 2019 and secured on the tangible assets of KnowledgeNet Enterprises LLC. Interest is charged at the Prime Rate published in the Wall Street Journal plus 2%, but subject to a floor of 6.5%.

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**21. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	<b>Group 2017 \$</b>	<i>Group 2016 \$</i>
Within one year	<b>320,189</b>	-
Between 1-5 years	<b>369,654</b>	-
	<b>689,843</b>	-

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

**22. Share capital**

	<b>2017 \$</b>	<i>2016 \$</i>
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
76 (2016 -76) A shares of £0.01 each	<b>2</b>	<i>2</i>
24 (2016 -24) B shares of 0.01 each	-	-
	<b>2</b>	<i>2</i>
	<b>2017 \$</b>	<i>2016 \$</i>
<b>Shares classified as debt</b>		
<b>Allotted, called up and fully paid</b>		
5,584,888 (2016 -5,584,888) Preference shares of 1.00 each	<b>7,555,235</b>	<i>6,901,245</i>

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**22. 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 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 \$5,429,939 (2016: \$4,118,394). Such amounts can only be paid in accordance with company law on distributable profits.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 December 2017

**23. Business combinations**

On 29 September 2017 the group acquired the entire membership interests of KnowledgeNet Enterprises, LLC ('KNet').

**Recognised amounts of identifiable assets acquired and liabilities assumed**

	Book value \$	Fair value adjustment \$	Fair value \$
Tangible	200,163	-	200,163
	<u>200,163</u>	<u>-</u>	<u>200,163</u>
Debtors	773,691	-	773,691
Cash at bank and in hand	213,416	-	213,416
<b>Total assets</b>	<u>1,187,270</u>	<u>-</u>	<u>1,187,270</u>
Due within one year	(4,226,253)	-	(4,226,253)
Attributable to non-controlling interests	-	911,696	911,696
<b>Total identifiable net liabilities</b>	<u>(3,038,983)</u>	<u>911,696</u>	<u>(2,127,287)</u>
Goodwill (note 13)			4,197,498
<b>Total purchase consideration</b>			<u>2,070,211</u>
<b>Consideration</b>			
			\$
Equity instruments			1,992,442
Directly attributable costs			77,769
<b>Total purchase consideration</b>			<u>2,070,211</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**23. Business combinations (continued)**

The acquisition involved a share-for-share swap in which the Group acquired (through its subsidiary Firefly Holdings Inc. ('Firefly')) 100% of the equity interest of KNet in exchange for 30% of the enlarged share capital of Firefly. Accordingly on acquisition the non-controlling interests retained 30% of the net assets of KNet, and acquired 30% of the net assets of Firefly. At the date of acquisition Firefly had net liabilities of \$5,288,710, of which \$1,586,613 therefore related to non-controlling interests. Together with the \$911,696 of KNet's net liabilities attributable to non-controlling interests, this gave rise to \$2,498,309 of net liabilities being attributable to non-controlling interests on acquisition.

For the purposes of acquisition accounting, the consideration paid has to be recorded at fair value. The fair value of the 30% stake in Firefly was valued at \$1,992,442. As Firefly is unlisted and there have been no recent transactions in its securities other than the KNet acquisition, this represents a value which is subject to estimation uncertainty. The principal inputs in arriving at this figure were the fair values of the consideration exchanged, which predominantly consisted of cash, when the Group originally acquired Firefly, the principal metrics which underpinned that valuation at the time, and the subsequent performance of Firefly in terms of those metrics.

On consolidation the difference between the net liabilities attributable to non-controlling interests of \$1,586,613 and the fair value of the consideration of \$1,992,442 has resulted in a credit to the merger reserve of \$3,579,055.

The Group and parent Company have early adopted Financial Reporting Standard 102 (March 2018) and chosen not to disaggregate intangible asset owned by KNet which arise from contractual or other legal rights but are not recognised on KNet's balance sheet. Accordingly, the goodwill arising on the business combination represents assembled workforce, customer databases and customer relationships. This goodwill is being amortised over five years.

**Cash outflow on acquisition**

	\$
Directly attributable costs	77,769
Less: Cash and cash equivalents acquired	(213,416)
<b>Net cash (inflow) on acquisition</b>	<b>(135,647)</b>

The results of KnowledgeNet Enterprises, LLC since its acquisition are as follows:

	<b>Current period since acquisition \$</b>
Turnover	1,497,274
Loss for the year	(176,866)

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2017**

**24. Commitments under operating leases**

At 31 December 2017 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 2017 \$</b>	<i>Group 2016 \$</i>
Not later than 1 year	<b>338,960</b>	64,272
Later than 1 year and not later than 5 years	<b>1,189,248</b>	65,920
	<b><u>1,528,208</u></b>	<u>130,192</u>

The Company had no operating lease commitments.

**25. Related party transactions**

A balance of \$nil (2016: \$27,643) is outstanding in respect of preference shares issued to P Little and included in other debtors.

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

At 1 January 2017 \$637,855 (2016: \$427,863) was due from A Usherwood, a director. Advances in the year totalled \$58,920 (2016: \$209,992) and repayments totalled \$nil (2016: \$nil). The highest balance outstanding during the year was \$696,776 (2016: \$637,855). During the year the provision was increased by \$16,253 (2016: \$637,855) to provide against the balance in full, and exchange losses of \$42,667 (2017: \$nil) were incurred on the balance.

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 \$612,383 (2016: \$713,233).

**26. Controlling party**

The company is controlled by P Little.