

Company Registration No. 08193077 (England and Wales)

**SOCRATES TECHNOLOGY LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2020**



# **SOCRATES TECHNOLOGY LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	P C Little A Usherwood
<b>Company number</b>	08193077
<b>Registered office</b>	Roppelehgs West End Lane Haslemere Surrey GU27 2EN
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB United Kingdom
<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  Arizona Bank & Trust 3471 West Frye Road Chandler Arizona 85226
<b>Solicitors</b>	Troutman Sanders LLP Suite 5200 600 Peachtree Street, N.E. Atlanta Georgia 30308-2216

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# **SOCRATES TECHNOLOGY LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present the strategic report for the year ended 31 December 2020.

### **Principal activity**

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, Data Center and Security technologies is vibrant and Firefly has a well-earned reputation and sound growth prospects in this arena. During 2020 these growth areas were enhanced with the opening in a professional services practice at the company. Firefly continues to offer market adoption and training services for these rapidly evolving technology areas.

### **Review of the business**

The business has been heavily impacted by the Covid pandemic and the results reflect the operational difficulties confronted by the business. The management are pursuing a strategy that involves investing behind the increase in technical consultancy revenues and expects to see future growth from this area of the business.

### **Principal risks and uncertainties**

Socrates has a concentration of its revenues from a small number of large US technology companies, namely Cisco Systems, Dell Technologies and VMWARE. Should these companies suffer a decline there would likely be an adverse effect on the performance of Socrates.

Our principal risks are:

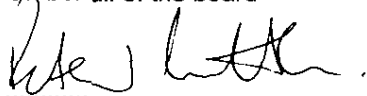
Operational risk is the risk of loss or other material adverse impact resulting from inadequate or failed internal processes, systems or external events.

Our key risks currently include operational risk along with reputational risk associated with working with global technology providers.

### **Future Developments**

The continued industry wide enthusiasm about Cloud based technologies 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.

On behalf of the board



P C Little

**Director**

Date: 12/07/2022

# **SOCRATES TECHNOLOGY LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present their annual report and financial statements for the year ended 31 December 2020.

#### **Principal activities**

The principal activities of the group and company are disclosed in the strategic report.

#### **Results and dividends**

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

P C Little

A Usherwood

#### **Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### **Auditor**

RSM UK Audit LLP were appointed as auditor to the group during the year and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



P C Little

**Director**

Date: 12/07/2022

# **SOCRATES TECHNOLOGY LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOCRATES TECHNOLOGY LIMITED

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### Disclaimer of opinion on financial statements

We were engaged to audit the financial statements of Socrates Technology Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements of the group and company. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Group and parent company accounting records are maintained by a group finance function in the United States of America.

It is the directors' responsibility to prepare the Group and Company's financial statements in accordance with applicable laws and regulations. However, this task as is common was assigned to the group finance team. During the year and subsequently, changes in staff in the group finance team, including a change in the head of finance, meant a relatively new finance team were responsible for the preparation of the annual accounts which impacted the accuracy and timeliness of their preparation.

The audit evidence available to us was limited because the directors and the group finance team were unable to provide us with explanations and information. Specifically, the group finance team were unable to prepare a reconciliation from the finance system to the prior year signed financial statements dated 31 December 2019 due to historic accounting and audit adjustments not incorporated into the finance system over several years. This has led to material differences between individual account balances and the financial statements at 31 December 2020.

As a result, we have been unable to obtain sufficient appropriate audit evidence concerning turnover, expenses, payroll, goodwill, plant property and equipment, trade and other debtors, prepayments, trade and other creditors, accruals and deferred income and going concern and we are therefore unable to determine whether any adjustments might have been found to be necessary.

### Disclaimer of opinion on other matters prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit:

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

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

Arising from the limitation of our work referred to above:

- we have been unable to determine whether there are material misstatements in the strategic and/or the directors report in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit;
- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOCRATES TECHNOLOGY LIMITED (CONTINUED)**

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### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

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

*Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.*

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOCRATES TECHNOLOGY LIMITED (CONTINUED)

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As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We planned audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, assessing accounting policies for compliance with the reporting framework, agreeing tax calculations to supporting documentations and reviewing correspondence with tax authorities.

There are no significant laws and regulations that have an indirect impact on the financial statements.

The audit engagement team identified the risk of management override of controls and revenue cut off as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures planned included but were not limited to testing journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, testing sales to supporting documentation and reviewing transactions around the period end to ensure they were recognised in the correct accounting period.

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

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*RSM UK Audit LLP*

Richard Heap FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB  
United Kingdom  
12 July 2022



# SOCRATES TECHNOLOGY LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$	2019 \$
Turnover	3	15,793,452	20,614,225
Cost of sales		(6,159,968)	(8,611,153)
<b>Gross profit</b>		<b>9,633,484</b>	<b>12,003,072</b>
Administrative expenses		(11,151,570)	(12,940,964)
Other operating income		1,022,165	1,464,344
<b>Operating (loss)/profit</b>	<b>5</b>	<b>(495,921)</b>	<b>526,452</b>
Interest receivable and similar income	9	8,953	58,699
Interest payable and similar expenses	10	(1,515,751)	(1,605,894)
Fair value movements	11	1,258,395	35,164
<b>Loss before taxation</b>		<b>(744,324)</b>	<b>(985,579)</b>
Tax on loss	12	(271,341)	(85,201)
<b>Loss for the financial year</b>		<b>(1,015,665)</b>	<b>(1,070,780)</b>
<b>Other comprehensive income net of taxation</b>			
Currency translation differences		-	11,286
<b>Total comprehensive income for the year</b>		<b>(1,015,665)</b>	<b>(1,059,494)</b>
Loss for the financial year is attributable to:			
- Owners of the parent company		(1,112,777)	(978,297)
- Non-controlling interests		97,112	(92,483)
		<b>(1,015,665)</b>	<b>(1,070,780)</b>
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		(1,112,777)	(970,397)
- Non-controlling interests		97,112	(89,097)
		<b>(1,015,665)</b>	<b>(1,059,494)</b>

**SOCRATES TECHNOLOGY LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

	Notes	2020 \$	\$	2019 \$	\$
<b>Fixed assets</b>					
Goodwill	13	-		2,308,623	
Tangible assets	14	409,353		958,408	
Investments	15	2,251,041		992,646	
		<u>2,660,394</u>		<u>4,259,677</u>	
<b>Current assets</b>					
Debtors	17	2,090,240		2,744,599	
Investments	18	-		1,636,394	
Cash at bank and in hand		2,110,039		1,237,394	
		<u>4,200,279</u>		<u>5,618,387</u>	
<b>Creditors: amounts falling due within one year</b>	19	(13,126,196)		(15,549,869)	
<b>Net current liabilities</b>		<u>(8,925,917)</u>		<u>(9,931,482)</u>	
<b>Total assets less current liabilities</b>		<u>(6,265,523)</u>		<u>(5,671,805)</u>	
<b>Creditors: amounts falling due after more than one year</b>	20	(7,623,929)		(7,398,300)	
<b>Provisions for liabilities</b>	24	(196,318)		-	
<b>Net liabilities</b>		<u>(14,085,770)</u>		<u>(13,070,105)</u>	
<b>Capital and reserves</b>					
Called up share capital	26	2		2	
Merger reserve	27	3,579,055		3,579,055	
Profit and loss reserves	27	(15,362,614)		(14,249,837)	
<b>Equity attributable to owners of the parent company</b>		<u>(11,783,557)</u>		<u>(10,670,780)</u>	
<b>Non-controlling interests</b>		<u>(2,302,213)</u>		<u>(2,399,325)</u>	
		<u>(14,085,770)</u>		<u>(13,070,105)</u>	

The financial statements were approved by the board of directors and authorised for issue on .....12 July 2022.....  
and are signed on its behalf by:



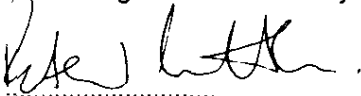
P C Little  
Director

**SOCRATES TECHNOLOGY LIMITED****COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020**

	Notes	2020 \$	\$	2019 \$	\$
<b>Fixed assets</b>					
Investments	15	5,452,708		4,194,313	
<b>Current assets</b>					
Debtors	17	65,986		5,422,637	
Cash at bank and in hand		869,269		912,539	
		935,255		6,335,176	
<b>Creditors: amounts falling due within one year</b>	19	(8,638,284)		(7,394,445)	
<b>Net current liabilities</b>		(7,703,029)		(1,059,269)	
<b>Total assets less current liabilities</b>		(2,250,321)		3,135,044	
<b>Creditors: amounts falling due after more than one year</b>	20	(7,623,929)		(7,398,300)	
<b>Provisions for liabilities</b>	24	(196,318)		-	
<b>Net liabilities</b>		(10,070,568)		(4,263,256)	
<b>Capital and reserves</b>					
Called up share capital	26	2		2	
Profit and loss reserves	27	(10,070,570)		(4,263,258)	
<b>Total equity</b>		(10,070,568)		(4,263,256)	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the year was \$5,807,312 (2019 - \$506,052 loss).

The financial statements were approved by the board of directors and authorised for issue on 12 July 2022 and are signed on its behalf by:



P C Little  
Director

# SOCRATES TECHNOLOGY LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Merger reserve	Profit and loss reserves	Total controlling interest	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 January 2019</b>	2	3,579,055	(13,279,440)	(9,700,383)	(2,310,228)	(12,010,611)
<b>Year ended 31 December 2019:</b>						
Loss for the year	-	-	(978,297)	(978,297)	(92,483)	(1,070,780)
Other comprehensive income net of taxation:						
Currency translation differences	-	-	11,286	11,286	-	11,286
Amounts attributable to non-controlling interests	-	-	(3,386)	(3,386)	3,386	-
Total comprehensive income for the year	-	-	(970,397)	(970,397)	(89,097)	(1,059,494)
<b>Balance at 31 December 2019</b>	2	3,579,055	(14,249,837)	(10,670,780)	(2,399,325)	(13,070,105)
<b>Year ended 31 December 2020:</b>						
Loss and total comprehensive income for the year	-	-	(1,112,777)	(1,112,777)	97,112	(1,015,665)
<b>Balance at 31 December 2020</b>	2	3,579,055	(15,362,614)	(11,783,557)	(2,302,213)	(14,085,770)

# SOCRATES TECHNOLOGY LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Profit and loss reserves	Total
	\$	\$	\$
<b>Balance at 1 January 2019</b>	2	(3,757,206)	(3,757,204)
<b>Year ended 31 December 2019:</b>			
Loss and total comprehensive income for the year	-	(506,052)	(506,052)
<b>Balance at 31 December 2019</b>	2	(4,263,258)	(4,263,256)
<b>Year ended 31 December 2020:</b>			
Loss and total comprehensive income for the year	-	(5,807,312)	(5,807,312)
<b>Balance at 31 December 2020</b>	2	(10,070,570)	(10,070,568)

# SOCRATES TECHNOLOGY LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$	\$	2019 \$	\$
<b>Cash flows from operating activities</b>					
Cash generated from operations	28	719,287		387,158	
Interest paid		(35,533)		(81,683)	
Income taxes paid		(109,461)		(177,175)	
<b>Net cash inflow from operating activities</b>		<b>574,293</b>		<b>128,300</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(78,417)		(82,229)	
Proceeds on disposal of tangible fixed assets		-		3,435,167	
Purchase of investments		-		(58,564)	
Proceeds from other investments and loans		1,636,394		-	
Interest received		8,953		58,699	
<b>Net cash generated from investing activities</b>		<b>1,566,930</b>		<b>3,353,073</b>	
<b>Financing activities</b>					
Repayment of borrowings		-		(3,006,755)	
Proceeds of new bank loans		-		395,971	
Repayment of bank loans		(1,153,660)		(401,975)	
Payment of finance leases obligations		(88,564)		(272,372)	
<b>Net cash used in financing activities</b>		<b>(1,242,224)</b>		<b>(3,285,131)</b>	
<b>Net increase in cash and cash equivalents</b>		<b>898,999</b>		<b>196,242</b>	
Cash and cash equivalents at beginning of year		1,210,990		1,012,803	
Effect of foreign exchange rates		-		1,945	
<b>Cash and cash equivalents at end of year</b>		<b>2,109,989</b>		<b>1,210,990</b>	
<b>Relating to:</b>					
Cash at bank and in hand		2,110,039		1,237,394	
Bank overdrafts included in creditors payable within one year		(50)		(26,404)	

# **SOCRATES TECHNOLOGY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **1 Accounting policies**

#### **Company information**

Socrates Technology Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Roppeleghs, West End Lane, Haslemere, Surrey, GU27 2EN.

The group consists of Socrates Technology Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Strategic Report.

#### **Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in US dollars, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest \$.

The financial statements have been prepared under the historical cost convention, modified to include certain investments and financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are included within these consolidated financial statements of Socrates Technology Limited.

#### **Basis of consolidation**

The consolidated financial statements incorporate those of Socrates Technology Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests are recognised for subsidiaries where the group does not have 100% control.

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies (Continued)

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

#### Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

A loan balance of \$5,498,666 due from Firefly U.S. Holdings Inc. to Socrates Technology Limited is due to mature and become repayable on 12 September 2022. See note 17. Firefly U.S. Holdings Inc. do not currently have the facilities to repay this loan based on expected future forecasts. The directors of both companies are therefore in discussion as to how to restructure this loan balance. Until negotiations are finalised there remains a uncertainty which may cast doubt over the group's ability to continue trading as a going concern. However, the directors of Socrates Technology Limited have at the time of approving these financial statements a reasonable expectation that a restructuring will occur. Accordingly, the directors of Socrates Technology Limited continue to adopt the going concern basis of accounting in preparing these financial statements.

#### 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 at 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 which the services are provided in accordance with the stage of completion of the contract when all 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.

#### Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 15 years.

#### Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	5 to 7 years straight line
Computer equipment	3 to 7 years straight line



# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies (Continued)

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for assets as if it were at the age and in the condition expected at the end of its useful life.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### **Fixed asset investments**

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Investments in unlisted shares, whose market value can be reliably determined, are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in profit or loss. Transaction costs are expenses to profit or loss as incurred.

#### **Impairment of fixed assets**

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### **Cash and cash equivalents**

Cash and cash equivalents are basic financial instruments and include cash at bank and in hand, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### **Financial instruments**

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies (Continued)

##### **Basic financial assets**

Basic financial assets, which include trade and other debtors and amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

##### **Other financial assets**

Other financial assets, including unlisted investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors, bank loans, and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

# **SOCRATES TECHNOLOGY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **1 Accounting policies (Continued)**

##### **Equity instruments**

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

##### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefit), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

##### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **Retirement benefits**

The group operates a defined contribution scheme for the benefit of its employees. The amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

# **SOCRATES TECHNOLOGY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **1 Accounting policies (Continued)**

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### **Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

#### **Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. *Non-monetary assets and liabilities denominated in foreign currencies* are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Assets and liabilities of overseas subsidiaries (including goodwill and fair value adjustments in relation to overseas subsidiaries) are translated into the group's presentation currency at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the directors consider this to be a reasonable approximation to the rate at the date of the transaction. Exchange differences arising on the retranslation of opening net assets are recognised in other comprehensive income and accumulated in equity.

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Goodwill**

The Directors have reviewed the carrying value of the group's goodwill at the year end. Provisions for impairment have been recognised based on a forecasted trading results and cash flow projections. On the basis of the reviews performed at 31 December 2020 management have concluded that no impairments are required.

### 3 Turnover and other revenue

	2020	2019
	\$	\$
<b>Other revenue</b>		
Interest income	294	135
Dividends received	8,659	58,564
Grants received	1,022,165	-
Deferred contingent consideration	-	866,789
Profit on disposal of tangible assets	-	597,555

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 interest of the group.

### 4 Government grants

During the year, the group received a government funded loan from the USA government to provide funds to cover costs such as payroll, rent and utilities, as a result of the Covid-19 pandemic. Subsequently the group has made a successful application under the forgiveness application for the loan to be forgiven and thus the government loan is deemed to be non-repayable. As such the group has recognised the amount as a government grant and the amount is included in other operating income in the consolidated statement of comprehensive income.

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 5 Operating (loss)/profit

	2020 \$	2019 \$
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	124,452	184,477
Government grants	(1,022,165)	-
Depreciation of owned tangible fixed assets	627,472	658,946
Amortisation of intangible assets	660,606	839,500
Impairment of intangible assets	1,648,017	-
Operating lease charges	246,944	408,217

### 6 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
	43	60	-	-

Their aggregate remuneration comprised:

	Group 2020 \$	2019 \$	Company 2020 \$	2019 \$
Wages and salaries	5,814,601	7,021,800	-	-
Social security costs	352,321	423,698	-	-
Pension costs	97,211	126,678	-	-
	6,264,133	7,572,176	-	-

### 7 Directors' remuneration

	2020 \$	2019 \$
Remuneration for qualifying services	327,779	305,195

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2020 \$	2019 \$
Remuneration for qualifying services	327,779	305,195

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

<b>8 Auditor's remuneration</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	49,500	59,000
Audit of the financial statements of the company's subsidiaries	5,000	5,000
	<u>54,500</u>	<u>64,000</u>
<b>For other services</b>		
Other taxation services	9,000	4,500
All other non-audit services	12,600	7,000
	<u>21,600</u>	<u>11,500</u>
<b>9 Interest receivable and similar income</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Interest income</b>		
Interest on bank deposits	294	135
<b>Other income from investments</b>		
Dividends received	8,659	58,564
	<u>8,953</u>	<u>58,699</u>
Total income		
Investment income includes the following:		
Dividends from financial assets measured at fair value through profit or loss	8,659	58,564
<b>10 Interest payable and similar expenses</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Interest on bank overdrafts and loans	32,384	81,514
Preference share dividends	972,924	965,515
Interest on finance leases and hire purchase contracts	3,149	169
Exchange difference on retranslation of equity treated as debt	507,294	558,696
	<u>1,515,751</u>	<u>1,605,894</u>
Total finance costs		
<b>11 Other gains and losses</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Fair value gains/(losses) on financial instruments</b>		
Change in value of financial assets held at fair value through profit or loss	1,258,395	35,164

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 12 Taxation

	2020 \$	2019 \$
<b>Current tax</b>		
UK corporation tax on profits for the current period	41,360	84,944
Foreign current tax on profits for the current period	33,663	257
Total current tax	75,023	85,201
<b>Deferred tax</b>		
Origination and reversal of timing differences	196,318	-
Total tax charge	271,341	85,201

The total tax charge for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2020 \$	2019 \$
Loss before taxation	(744,324)	(985,579)
Expected tax credit based on the standard rate of corporation tax in the UK of 21.00% (2019: 21.00%)	(156,308)	(206,972)
Tax effect of expenses that are not deductible in determining taxable profit	228,469	361,107
Tax effect of income not taxable in determining taxable profit	-	(182,026)
Unutilised tax losses carried forward	-	71,140
Permanent capital allowances in excess of depreciation	-	(68,683)
Other permanent differences	2,862	(6,691)
Foreign exchange differences	-	117,326
Chargeable gains	196,318	-
Taxation charge	271,341	85,201

At the balance sheet date the group had aggregated tax positions arising from unrelieved tax losses carried forward and timing differences in the deductibility of the group's fixed assets of \$Nil (2019: \$4,407,465), resulting in an unrecognised deferred tax asset at the standard rate of corporation tax in the relevant jurisdictions of \$Nil (2019: \$925,568). The asset has not been recognised due to uncertainties over the timing and nature of profits against which it will reverse.



# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 13 Intangible fixed assets

Group	Goodwill
	\$
<b>Cost</b>	
At 1 January 2020 and 31 December 2020	14,949,089
<b>Amortisation and impairment</b>	
At 1 January 2020	12,640,466
Amortisation charged for the year	660,606
Impairment losses	1,648,017
At 31 December 2020	14,949,089
<b>Carrying amount</b>	
At 31 December 2020	-
At 31 December 2019	2,308,623

The company had no intangible fixed assets at 31 December 2020 or 31 December 2019.

Following indicators for impairment, the directors have estimated the recoverable amount of goodwill to be £Nil, and as a result, have recognised an impairment loss of \$1,648,017. The indicator for impairment was the current and ongoing profitability of its subsidiaries. The impairment loss is recognised on the face of the statement of comprehensive income.

In the statement of total comprehensive income the amortisation of intangible fixed assets is included within administrative expenses.

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 14 Tangible fixed assets

Group	Fixtures and fittings	Computer equipment	Total
	\$	\$	\$
<b>Cost</b>			
At 1 January 2020	182,395	4,772,258	4,954,653
Additions	-	78,417	78,417
At 31 December 2020	182,395	4,850,675	5,033,070
<b>Depreciation and impairment</b>			
At 1 January 2020	6,724	3,989,521	3,996,245
Depreciation charged in the year	-	627,472	627,472
At 31 December 2020	6,724	4,616,993	4,623,717
<b>Carrying amount</b>			
At 31 December 2020	175,671	233,682	409,353
At 31 December 2019	175,671	782,737	958,408

The company had no tangible fixed assets at 31 December 2020 or 31 December 2019.

#### 15 Fixed asset investments

	Notes	Group 2020 \$	2019 \$	Company 2020 \$	2019 \$
Investments in subsidiaries	16	-	-	3,234,300	3,234,300
Unlisted investments		2,251,041	992,646	2,218,408	960,013
		2,251,041	992,646	5,452,708	4,194,313

#### Contingent consideration

In April 2017 the group sold its 37% holding in Twigkit Limited, an associated undertaking, for cash of \$544,820 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 2019 financial year resulting in other operating income of \$866,789.

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 15 Fixed asset investments (Continued)

#### Movements in fixed asset investments Group

	Investments other than loans \$
<b>Cost or valuation</b>	
At 1 January 2020	992,646
Valuation changes	1,258,395
At 31 December 2020	2,251,041
<b>Carrying amount</b>	
At 31 December 2020	2,251,041
At 31 December 2019	992,646

#### Movements in fixed asset investments Company

	Shares in group undertakings \$	Other investments other than loans \$	Total \$
<b>Cost or valuation</b>			
At 1 January 2020	3,234,300	960,013	4,194,313
Valuation changes	-	1,258,395	1,258,395
At 31 December 2020	3,234,300	2,218,408	5,452,708
<b>Carrying amount</b>			
At 31 December 2020	3,234,300	2,218,408	5,452,708
At 31 December 2019	3,234,300	960,013	4,194,313

### 16 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Firefly US Holdings Inc.	USA	Internetworking education and consulting services	Ordinary	70.00	-
Firefly Training EMEA Limited	UK	Internetworking education and consulting services	Ordinary	-	70.00
Athena Holdings Inc.	USA	Property management	Ordinary	-	70.00
Firefly APAC Pte. Limited	Singapore	Internetworking education and consulting services	Ordinary	-	70.00
Firefly Training Australia PTY Ltd	Australia	Internetworking education and consulting services	Ordinary	-	70.00

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 16 Subsidiaries (Continued)

In April 2020, Mavericks Professional Services, a company registered in USA, was dissolved.

The following subsidiary company has taken the exemption in Section 479A of the Companies Act 2006 from the requirement for their individual accounts to be audited:

Firefly Training EMEA Limited (registered number 05365993)

#### 17 Debtors

	Group 2020	2019	Company 2020	2019
	\$	\$	\$	\$
<b>Amounts falling due within one year:</b>				
Trade debtors	744,562	1,565,304	-	-
Amounts owed by group undertakings	-	-	65,986	5,422,637
Other debtors	704,194	840,182	-	-
Prepayments and accrued income	641,484	339,113	-	-
	<u>2,090,240</u>	<u>2,744,599</u>	<u>65,986</u>	<u>5,422,637</u>

Under the terms of a loan agreement dated 12 September 2012 between the Company and Firefly U.S. Holdings Inc, an amount of \$5,498,666 is due for repayment on or by 12 Sept 2022. Interest accrues annually on the principal amount of this loan at the rate of 3% over bank base rate. The company believes this to be irrecoverable and has impaired the entire balance in the year.

#### 18 Current asset investments

	Group 2020	2019	Company 2020	2019
	\$	\$	\$	\$
Unlisted investments	-	1,636,394	-	-

#### 19 Creditors: amounts falling due within one year

	Notes	Group 2020	2019	Company 2020	2019
		\$	\$	\$	\$
Bank loans and overdrafts	21	4,331	1,184,345	-	-
Obligations under finance leases	22	-	88,564	-	-
Trade creditors		1,311,913	1,699,533	-	-
Corporation tax payable		72,649	107,087	21,179	31,929
Other taxation and social security		10,156	208,005	-	-
Other creditors		253,049	495,988	12,451	12,451
Accruals and deferred income		11,474,098	11,766,347	8,604,654	7,350,065
		<u>13,126,196</u>	<u>15,549,869</u>	<u>8,638,284</u>	<u>7,394,445</u>

Bank loans and overdrafts are secured on a fixed charge over the group's assets.

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 20 Creditors: amounts falling due after more than one year

		Group 2020	2019	Company 2020	2019
	Notes	\$	\$	\$	\$
Other borrowings	21	7,623,929	7,398,300	7,623,929	7,398,300

All creditors due after one year relate to preference shares treated as debt. Terms and conditions attached to these shares are disclosed in note 26.

#### 21 Borrowings

	Group 2020	2019	Company 2020	2019
	\$	\$	\$	\$
Bank loans	4,281	1,157,941	-	-
Bank overdrafts	50	26,404	-	-
Preference shares	7,623,929	7,398,300	7,623,929	7,398,300
	<u>7,628,260</u>	<u>8,582,645</u>	<u>7,623,929</u>	<u>7,398,300</u>
Payable within one year	4,331	1,184,345	-	-
Payable after one year	<u>7,623,929</u>	<u>7,398,300</u>	<u>7,623,929</u>	<u>7,398,300</u>

The group has a bank loan of \$4,281 (2019: \$1,157,941) which is repayable on demand and secured against the group's current asset investments and subject to a personal guarantee from the ultimate controlling party.

#### 22 Finance lease obligations

	Group 2020	2019	Company 2020	2019
	\$	\$	\$	\$
Future minimum lease payments due under finance leases:				
Less than one year	-	88,564	-	-

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

#### 23 Financial instruments

	Group 2020	2019	Company 2020	2019
	\$	\$	\$	\$
<b>Carrying amount of financial assets</b>				
Instruments measured at fair value through profit or loss	<u>2,251,041</u>	<u>1,636,394</u>	<u>-</u>	<u>-</u>

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 23 Financial instruments (Continued)

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 the 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.

### 24 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

	<b>Liabilities 2020 \$</b>	<b>Liabilities 2019 \$</b>
<b>Group</b>		
Capital gains	196,318	-
	<u>196,318</u>	<u>-</u>
	<b>Liabilities 2020 \$</b>	<b>Liabilities 2019 \$</b>
<b>Company</b>		
Capital gains	196,318	-
	<u>196,318</u>	<u>-</u>
	<b>Group 2020 \$</b>	<b>Company 2020 \$</b>
<b>Movements in the year:</b>		
Asset at 1 January 2020	-	-
Charge to profit or loss	196,318	196,318
	<u>196,318</u>	<u>196,318</u>
Liability at 31 December 2020	196,318	196,318

### 25 Retirement benefit schemes

	<b>2020 \$</b>	<b>2019 \$</b>
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	97,211	126,678

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. At the reporting date, there was a pension creditor of \$Nil (2019: \$Nil) included in other creditors.

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 26 Share capital

	Group and Company			
	2020	2019	2020	2019
	Number	Number	\$	\$
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary A of 1p each	152	152	2	2
Ordinary B of 1p each	48	48	-	-
	2020	2019	2020	2019
	Number	Number	\$	\$
<b>Preference share capital</b>				
<b>Issued and fully paid</b>				
Preference shares of £1 each	5,584,887	5,584,887	7,623,929	7,398,300
Preference shares classified as liabilities			7,623,929	7,398,300

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 \$8,472,658 (2019: \$7,218,069). Such amounts can only be paid in accordance with company law on distributable profits.

# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 27 Reserves

#### Profit and loss reserves

The profit and loss reserve represents the cumulative profit and loss net of distributions to owners.

#### Merger reserves

The merger reserve represents the difference between the fair value of the 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.

### 28 Cash generated from group operations

	2020 \$	2019 \$
Loss for the year after tax	(1,015,665)	(1,070,780)
<b>Adjustments for:</b>		
Taxation charged	271,341	85,201
Finance costs	1,515,751	1,605,894
Investment income	(8,953)	(58,699)
Gain on disposal of tangible fixed assets	-	(597,555)
Amortisation and impairment of intangible assets	2,308,623	839,500
Depreciation and impairment of tangible fixed assets	627,472	658,946
Foreign exchange gains on cash equivalents	-	(7,966)
Other gains and losses	(1,258,395)	(35,164)
Non-cash deferred contingent consideration	-	(315,110)
<b>Movements in working capital:</b>		
Decrease in debtors	654,359	413,054
Decrease in creditors	(2,375,246)	(1,130,163)
<b>Cash generated from operations</b>	<b>719,287</b>	<b>387,158</b>

### 29 Analysis of changes in net debt - group

	1 January 2020 \$	Cash flows \$	31 December 2020 \$
Cash at bank and in hand	1,237,394	861,896	2,099,290
Bank overdrafts	(26,404)	26,354	(50)
	<u>1,210,990</u>	<u>888,250</u>	<u>2,099,240</u>
Borrowings excluding overdrafts	(8,556,241)	928,031	(7,628,210)
Obligations under finance leases	(88,564)	88,564	-
	<u>(7,433,815)</u>	<u>1,904,845</u>	<u>(5,528,970)</u>



# SOCRATES TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 30 Financial commitments, guarantees and contingent liabilities

In accordance with Section 479C of the Companies Act 2006, Socrates Technology Limited has provided a guarantee over the liabilities of certain members of the group. Further details are given in note 16.

#### 31 Operating lease commitments

##### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2020 \$	2019 \$	Company 2020 \$	2019 \$
Within one year	302,310	461,836	-	-
Between one and five years	127,043	780,076	-	-
	<u>429,353</u>	<u>1,241,912</u>	<u>-</u>	<u>-</u>

#### 32 Related party transactions

##### Remuneration of key management personnel

The remuneration of key management personnel of the group, who are also directors, is as follows.

	2020 \$	2019 \$
Aggregate compensation	<u>940,731</u>	<u>988,738</u>

##### Transactions with related parties

An amount of \$637,855, which has been provided for in full in previous years, was due from A Usherwood, a director, throughout the year ended 31 December 2020 and 31 December 2019.

#### 33 Controlling party

The company is controlled by Mr P Little by virtue of his shareholding.