

# **Socrates Technology Limited**

**Report And Financial Statements**

*31 December 2014*

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COMPANIES HOUSE

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Socrates Technology Limited

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COMPANY INFORMATION

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<b>Directors</b>	P Little (appointed 28 August 2012) A Usherwood (appointed 28 August 2012)
<b>Registered number</b>	08193077
<b>Registered office</b>	Roppelegh's West End Lane Haslemere Surrey GU27 2EN
<b>Independent auditors</b>	Rees Pollock Chartered Accountants & Statutory Auditor 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

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Socrates Technology Limited

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**GROUP STRATEGIC REPORT**  
For the Year Ended 31 December 2014

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**Business review**

Socrates Technology Limited was formed to act as a holding company for the Firefly businesses. The technology training market, particularly in the US, is growing fast and Firefly has a well-earned reputation and sound growth prospects.

**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.

**Future Developments**

The continued industry wide enthusiasm for the Internet of Things and Software Defined Networks continues to present opportunities for the Firefly companies and our own investment in staff and intellectual property will continue to deliver exciting results.

**Events since the year end**

Continued good progress has been made across all geographies.

This report was approved by the board on 29 September 2015 and signed on its behalf.



**P Little**  
**Director**

**DIRECTORS' REPORT**  
For the Year Ended 31 December 2014

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The directors present their report and the financial statements for the year ended 31 December 2014.

**Results and dividends**

The loss for the year, after taxation, amounted to \$1,685,303 (2013 - loss \$3,512,564).

The directors have not recommended a dividend (2013: \$nil).

**Future developments**

Details of likely future developments are included in the group strategic report.

**Directors**

The directors who served during the year were:

P Little (appointed 28 August 2012)

A Usherwood (appointed 28 August 2012)

**Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

**Directors' responsibilities statement**

The directors are responsible for preparing the group strategic report, 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 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 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 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.

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Socrates Technology Limited

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**DIRECTORS' REPORT**  
For the Year Ended 31 December 2014

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**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 that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that 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 29 September 2015 and signed on its behalf.



**P Little**  
Director

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

We have audited the financial statements of Socrates Technology Limited for the year ended 31 December 2014, set out on pages 5 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditors**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

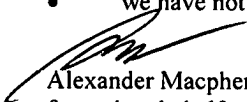
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Alexander Macpherson (senior statutory auditor)

for and on behalf of

**Rees Pollock**

Chartered Accountants

Statutory Auditor

29 September 2015

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Socrates Technology Limited

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**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For the Year Ended 31 December 2014

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	Note	2014 \$	2013 \$
<b>TURNOVER</b>	1,2	20,142,299	19,329,771
Cost of sales		(10,826,946)	(10,809,638)
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		9,315,353	8,520,133
Administrative expenses		(9,272,263)	(10,828,071)
		<hr/>	<hr/>
<b>OPERATING PROFIT/(LOSS)</b>	3	43,090	(2,307,938)
Income from other fixed asset investments		(120,776)	-
Interest receivable and similar income		67,834	44,257
Interest payable and similar charges	7	(1,437,219)	(1,252,337)
		<hr/>	<hr/>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,447,071)	(3,516,018)
Tax on loss on ordinary activities	8	(238,232)	3,454
		<hr/>	<hr/>
<b>LOSS FOR THE FINANCIAL YEAR</b>	17	<u>(1,685,303)</u>	<u>(3,512,564)</u>

All amounts relate to continuing operations.

The notes on pages 10 to 22 form part of these financial statements.

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
For the Year Ended 31 December 2014

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	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>LOSS FOR THE FINANCIAL YEAR</b>	(1,685,303)	(3,512,564)
Other movements in profit and loss reserve	14,927	80,072
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<u>(1,670,376)</u>	<u>(3,432,492)</u>

The notes on pages 10 to 22 form part of these financial statements.



**CONSOLIDATED BALANCE SHEET**  
As at 31 December 2014

	Note	\$	2014 \$	\$	2013 \$
<b>FIXED ASSETS</b>					
Intangible assets	9		5,734,182		7,884,500
Tangible assets	10		3,567,540		562,365
Investments	11		20,000		20,000
			<u>9,321,722</u>		<u>8,466,865</u>
<b>CURRENT ASSETS</b>					
Debtors	12	8,454,058		6,359,201	
Investments	13	2,657,537		1,870,474	
Cash at bank and in hand		2,942,231		1,587,645	
		<u>14,053,826</u>		<u>9,817,320</u>	
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(17,609,377)</u>		<u>(10,847,638)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(3,555,551)</u>		<u>(1,030,318)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>5,766,171</u>		<u>7,436,547</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15		<u>(12,000,000)</u>		<u>(12,000,000)</u>
<b>NET LIABILITIES</b>			<u><u>(6,233,829)</u></u>		<u><u>(4,563,453)</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		2		2
Profit and loss account	17		<u>(6,233,831)</u>		<u>(4,563,455)</u>
<b>SHAREHOLDERS' DEFICIT</b>	18		<u><u>(6,233,829)</u></u>		<u><u>(4,563,453)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2015.



**P Little**  
Director

The notes on pages 10 to 22 form part of these financial statements.

Socrates Technology Limited  
Registered number: 08193077

COMPANY BALANCE SHEET  
As at 31 December 2014

	Note	\$	2014 \$	\$	2013 \$
<b>FIXED ASSETS</b>					
Investments	11		4,656,853		4,656,853
<b>CURRENT ASSETS</b>					
Debtors	12	7,838,679		7,873,334	
<b>CREDITORS: amounts falling due within one year</b>	14	(3,209,998)		(2,017,173)	
<b>NET CURRENT ASSETS</b>			4,628,681		5,856,161
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			9,285,534		10,513,014
<b>CREDITORS: amounts falling due after more than one year</b>	15		(12,000,000)		(12,000,000)
<b>NET LIABILITIES</b>			(2,714,466)		(1,486,986)
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		2		2
Profit and loss account	17		(2,714,468)		(1,486,988)
<b>SHAREHOLDERS' DEFICIT</b>	18		(2,714,466)		(1,486,986)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2015.



**P Little**  
Director

The notes on pages 10 to 22 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**  
For the Year Ended 31 December 2014

		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Net cash flow from operating activities	19	4,532,644	2,269,299
Returns on investments and servicing of finance	20	(115,607)	39,995
Taxation		(347,461)	3,275
Capital expenditure and financial investment	20	(4,322,350)	(1,328,891)
Acquisitions and disposals	20	(1,312,500)	-
<b>CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>		<b>(1,565,274)</b>	<b>983,678</b>
Financing	20	2,920,620	(272,819)
<b>INCREASE IN CASH IN THE YEAR</b>		<b>1,355,346</b>	<b>710,859</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT**  
For the Year Ended 31 December 2014

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Increase in cash in the year	1,355,346	710,859
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(2,920,620)	272,819
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>(1,565,274)</b>	<b>983,678</b>
Net debt at 1 January 2014	(10,524,789)	(11,508,467)
<b>NET DEBT AT 31 DECEMBER 2014</b>	<b>(12,090,063)</b>	<b>(10,524,789)</b>

The notes on pages 10 to 22 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2014

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1. ACCOUNTING POLICIES

**Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

**Going concern**

Net current liabilities of \$3,449,275 include \$3,052,693 of accrued dividend on preference shares. Such amounts will only be payable once the company has distributable reserves. The board of directors has assessed the principal risks facing the company, principally liquidity, client concentration and key employee risks, and consider that the management has taken appropriate steps to mitigate the risks. As a consequence the directors consider that there are no additional material uncertainties in relation to the company's ability to continue to adopt the going concern basis of accounting.

**Basis of consolidation**

The financial statements consolidate the accounts of Socrates Technology Limited and all of its subsidiary undertakings ('subsidiaries').

**Turnover**

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

**Intangible fixed assets and amortisation**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life.

Amortisation is provided at the following rates:

Goodwill	- 5 years straight line
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**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

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

**Investments**

- (i) **Subsidiary undertakings**  
Investments in subsidiaries are valued at cost less provision for impairment.
- (ii) **Other investments**  
Investments held as fixed assets are shown at cost less provision for impairment.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 December 2014

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**1. ACCOUNTING POLICIES (continued)**

**Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**Operating leases**

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

**Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

**Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into dollars at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into dollars at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

**Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

**2. TURNOVER**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 December 2014

**3. OPERATING PROFIT/(LOSS)**

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

	2014	2013
	\$	\$
Amortisation - intangible fixed assets	2,150,318	2,150,318
Depreciation of tangible fixed assets:		
- owned by the group	489,447	432,094
- held under finance leases	40,665	152,666
Operating lease rentals:		
- plant and machinery	380,709	679,835
- other operating leases	107,425	118,635
Difference on foreign exchange	92,001	103,545
	<u>2,150,318</u>	<u>2,150,318</u>

**4. AUDITORS' REMUNERATION**

	2014	2013
	\$	\$
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	35,000	35,000
Fees payable to the company's auditor and its associates in respect of:		
The auditing of accounts of associates of the company	6,500	8,000
Taxation compliance services	5,500	2,500
All other non-audit services not included above	-	75,000
	<u>35,000</u>	<u>35,000</u>

**5. STAFF COSTS**

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

	2014	2013
	\$	\$
Wages and salaries	5,168,528	5,107,163
Social security costs	186,092	365,837
Other pension costs	24,335	52,965
	<u>5,378,955</u>	<u>5,525,965</u>

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

	2014	2013
	No.	No.
	43	48
	<u>43</u>	<u>48</u>

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2014

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6. DIRECTORS' REMUNERATION

	2014	2013
	\$	\$
Remuneration	302,628	245,557

7. INTEREST PAYABLE

	2014	2013
	\$	\$
On bank loans and overdrafts	62,178	-
On finance leases and hire purchase contracts	366	4,262
Other interest payable	121	-
Dividends accrued on shares classed as debt	1,374,554	1,248,075
	1,437,219	1,252,337

8. TAXATION

The group operates primarily in the USA and the standard rate of corporation tax is therefore based on estimate marginal rates arising in that country.

	2014	2013
	\$	\$
Analysis of tax charge/(credit) in the year		
UK corporation tax charge/(credit) on loss for the year	218,753	(3,454)
Adjustments in respect of prior periods	19,479	-
Tax on loss on ordinary activities	238,232	(3,454)

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2014

8. TAXATION (continued)

**Factors affecting tax charge for the year**

The tax assessed for the year differs from the standard rate of corporation tax applicable to the group of 32.25% (2013 - 40%). The differences are explained below:

	2014 \$	2013 \$
Loss on ordinary activities before tax	(1,447,071)	(3,516,018)
Loss on ordinary activities multiplied by standard rate of corporation tax applicable to the group of 32.25% (2013 - 40%)	(466,680)	(1,406,407)
<b>Effects of:</b>		
Non-tax deductible amortisation of goodwill	54,347	67,400
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	599,131	477,083
Capital allowances for year in excess of depreciation	28,495	44,857
Utilisation of tax losses	(422,690)	-
Adjustments to tax charge in respect of prior periods	19,479	-
Timing differences on amortisation of goodwill	426,150	528,484
Unrelieved tax losses carried forward	-	327,824
Other differences leading to an increase (decrease) in the tax charge	-	(42,695)
<b>Current tax charge/(credit) for the year (see note above)</b>	<b>238,232</b>	<b>(3,454)</b>

**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 \$2,632,958 (2013: \$2,765,905), resulting in an unrecognised deferred tax asset at the standard rate of corporation tax in the relevant jurisdictions of \$857,883 (2013: \$1,106,362). The asset has not been recognised due to uncertainties over the timing and nature of profits against which it will reverse in accordance with FRS 19.



NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2014

9. INTANGIBLE FIXED ASSETS

	<b>Goodwill</b>
<b>Group</b>	<b>\$</b>
<b>Cost</b>	
At 1 January 2014 and 31 December 2014	10,751,591
<b>Amortisation</b>	
At 1 January 2014	2,867,091
Charge for the year	2,150,318
At 31 December 2014	5,017,409
<b>Net book value</b>	
At 31 December 2014	5,734,182
At 31 December 2013	7,884,500

10. TANGIBLE FIXED ASSETS

	<b>Freehold property</b>	<b>Fixtures and fittings</b>	<b>Computer equipment</b>	<b>Total</b>
<b>Group</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>				
At 1 January 2014	-	12,478	1,329,052	1,341,530
Additions	3,100,000	36,610	398,677	3,535,287
At 31 December 2014	3,100,000	49,088	1,727,729	4,876,817
<b>Depreciation</b>				
At 1 January 2014	-	-	779,165	779,165
Charge for the year	62,000	6,249	461,863	530,112
At 31 December 2014	62,000	6,249	1,241,028	1,309,277
<b>Net book value</b>				
At 31 December 2014	3,038,000	42,839	486,701	3,567,540
At 31 December 2013	-	12,478	549,887	562,365

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

	<b>2014</b>	<b>2013</b>
<b>Group</b>	<b>\$</b>	<b>\$</b>
Computer equipment	-	40,665

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2014

11. FIXED ASSET INVESTMENTS

	Unlisted investments \$
<b>Group</b>	
<b>Cost</b>	
At 1 January 2014 and 31 December 2014	20,000
<b>Net book value</b>	
At 31 December 2014	20,000
At 31 December 2013	20,000
<b>Subsidiary undertakings</b>	
The following were subsidiary undertakings of the company:	
	Investments in subsidiary companies \$
<b>Company</b>	
<b>Cost</b>	
At 1 January 2014 and 31 December 2014	4,656,853
<b>Net book value</b>	
At 31 December 2014	4,656,853
At 31 December 2013	4,656,853

Details of the principal subsidiaries can be found under note number 23.

12. DEBTORS

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade debtors	3,441,622	3,080,534	-	-
Amounts owed by group undertakings	-	-	4,768,147	4,885,948
Other debtors	4,769,106	3,120,620	3,070,532	2,987,386
Prepayments and accrued income	243,330	158,047	-	-
	<u>8,454,058</u>	<u>6,359,201</u>	<u>7,838,679</u>	<u>7,873,334</u>

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2014

13. CURRENT ASSET INVESTMENTS

	<u>Group</u>		<u>Company</u>	
	2014	2013	2014	2013
	\$	\$	\$	\$
Unlisted investments	2,657,537	1,870,474	-	-

14. CREDITORS:  
Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2014	2013	2014	2013
	\$	\$	\$	\$
Bank loans and overdrafts	3,032,294	760	-	-
Net obligations under finance leases and hire purchase contracts	-	111,674	-	-
Trade creditors	1,149,696	720,284	-	-
Amounts owed to group undertakings	-	-	94,033	94,033
Corporation tax	82,704	-	63,272	-
Other taxation and social security	72,464	19,600	-	-
Other creditors	-	1,312,500	-	245,000
Accruals and deferred income	13,272,219	8,682,820	3,052,693	1,678,140
	17,609,377	10,847,638	3,209,998	2,017,173

The aggregate amounts of unpaid dividends on share capital treated as debt (see below) at the balance sheet date was \$3,052,693 (2013: \$1,620,169). Such amounts can only be paid in accordance with company law on distributable profits.

Bank loans are secured against the group's short-term investments and the group's freehold property.

15. CREDITORS:  
Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	2014	2013	2014	2013
	\$	\$	\$	\$
Share capital treated as debt (Note 16)	12,000,000	12,000,000	12,000,000	12,000,000

Disclosure of the terms and conditions attached to the non-equity shares is made in note 16.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2014

16. SHARE CAPITAL

	2014 \$	2013 \$
<b>Shares classified as capital</b>		
<b>Allotted, called up and fully paid</b>		
76 A shares of £0.01 each	2	2
24 B shares of £0.01 each	-	-
	<u>2</u>	<u>2</u>
<b>Shares classified as debt</b>		
<b>Allotted, called up and fully paid</b>		
7,581,294 Preference shares of £1 each	12,000,000	12,000,000
	<u>12,000,000</u>	<u>12,000,000</u>

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.

At the balance sheet date, the unpaid cumulative dividend on the preference shares, which is included in accruals and deferred income due in less than one year, is £1,620,169 (2012: \$372,093).

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2014

17. RESERVES

	Profit and loss account \$
<b>Group</b>	
At 1 January 2014	(4,563,455)
Loss for the financial year	(1,685,303)
Other movements	14,927
	<u>(6,233,831)</u>
At 31 December 2014	<u>(6,233,831)</u>
	Profit and loss account \$
<b>Company</b>	
At 1 January 2014	(1,486,988)
Loss for the financial year	(1,227,480)
	<u>(2,714,468)</u>
At 31 December 2014	<u>(2,714,468)</u>

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2014 \$	2013 \$
<b>Group</b>		
Opening shareholders' deficit	(4,563,453)	(1,130,961)
Loss for the financial year	(1,685,303)	(3,512,564)
Other recognised gains and losses during the year	14,927	80,072
	<u>(6,233,829)</u>	<u>(4,563,453)</u>
Closing shareholders' deficit	<u>(6,233,829)</u>	<u>(4,563,453)</u>
	2014 \$	2013 \$
<b>Company</b>		
Opening shareholders' deficit	(1,486,986)	(337,014)
Loss for the financial year	(1,227,480)	(1,149,972)
	<u>(2,714,466)</u>	<u>(1,486,986)</u>
Closing shareholders' deficit	<u>(2,714,466)</u>	<u>(1,486,986)</u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account.

The loss for the year dealt with in the accounts of the company was \$1,227,480 (2013 - \$ 1,149,972).

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2014

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2014	2013
	\$	\$
Operating profit/(loss)	43,090	(2,307,938)
Amortisation of intangible fixed assets	2,150,318	2,150,318
Depreciation of tangible fixed assets	530,112	584,760
(Increase)/decrease in debtors	(1,902,925)	237,821
Increase in creditors	3,712,049	1,604,338
<b>Net cash inflow from operating activities</b>	<b>4,532,644</b>	<b>2,269,299</b>

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2014	2013
	\$	\$
<b>Returns on investments and servicing of finance</b>		
Interest received	67,834	44,257
Interest paid	(62,299)	-
Hire purchase interest	(366)	(4,262)
Income from investments	(120,776)	-
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>	<b>(115,607)</b>	<b>39,995</b>

	2014	2013
	\$	\$
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(3,535,287)	(467,482)
Purchase of short term unlisted investments	(787,063)	(861,409)
<b>Net cash outflow from capital expenditure</b>	<b>(4,322,350)</b>	<b>(1,328,891)</b>

	2014	2013
	\$	\$
<b>Acquisitions and disposals</b>		
Payment of deferred consideration	(1,312,500)	-

	2014	2013
	\$	\$
<b>Financing</b>		
New secured loans	3,100,000	-
Repayment of loans	(67,706)	-
Repayment of finance leases	(111,674)	(272,819)
<b>Net cash inflow/(outflow) from financing</b>	<b>2,920,620</b>	<b>(272,819)</b>

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2014

21. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2014 \$	Cash flow \$	Other non-cash changes \$	31 December 2014 \$
Cash at bank and in hand	1,587,645	1,354,586	-	2,942,231
Bank overdraft	(760)	760	-	-
	<u>1,586,885</u>	<u>1,355,346</u>	<u>-</u>	<u>2,942,231</u>
<b>Debt:</b>				
Finance leases	(111,674)	111,674	-	-
Debts due within one year	-	(3,032,294)	-	(3,032,294)
Debts falling due after more than one year	(12,000,000)	-	-	(12,000,000)
<b>Net debt</b>	<u>(10,524,789)</u>	<u>(1,565,274)</u>	<u>-</u>	<u>(12,090,063)</u>

22. OPERATING LEASE COMMITMENTS

At 31 December 2014 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
Group	2014 \$	2013 \$	2014 \$	2013 \$
<b>Expiry date:</b>				
Within 1 year	-	58,198	144,072	257,313
Between 2 and 5 years	125,068	-	135,865	186,341
	<u>125,068</u>	<u>58,198</u>	<u>144,072</u>	<u>257,313</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 December 2014

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**23. PRINCIPAL SUBSIDIARIES**

<b>Company name</b>	<b>Country</b>	<b>Percentage Shareholding</b>	<b>Description</b>
Firefly Communications, LLC	USA	100	Internetworking education and technical training
Firefly APAC Pte. Limited	Singapore	100	Internetworking education and technical training
Firefly Training EMEA Limited	England and Wales	100	Internetworking education and technical training
Firefly U.S Holdings Inc.	USA	100	Internetworking education and technical training
Athena Holdings LLC	USA	100	Property management

**24. RELATED PARTY TRANSACTIONS**

A balance of \$3,160,000 (2013: \$3,160,000) is outstanding in respect of preference shares issued to P Little and included in other debtors. P Little has advanced an amount of \$89,469 (2013: \$172,616) against this balance.

P Little has provided a bank guarantee against the bank borrowings secured on the group's freehold property.

During the year advances totaling \$1,357,074 were made to A Usherwood, a director. This was the highest amount outstanding during the year and was outstanding at the balance sheet date and is included in other debtors.

In addition to the directors, certain other employees constitute key management personnel as defined in FRS 8 "Related party transactions" and the total amount paid to key management personnel, including the directors, was \$512,630 (2013: \$245,557).

**25. CONTROLLING PARTY**

The company is controlled by P Little.