

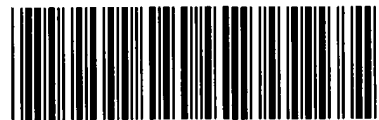
**Promethean Limited**

**Annual Report and Financial Statements**

Registered number 01308938

Year ended 31 December 2019

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## Strategic Report

### Principal activities

Promethean is a brand leader in the global market for interactive learning technology. The principal activities are the creation, development, supply and support of leading-edge, interactive learning technology primarily for the education market.

### Key performance indicators

The Directors monitor performance through the production of a detailed annual budget and the comparison of actual performance against the budget on a monthly basis.

Additionally, the Directors monitor key performance indicators on a monthly basis to ensure they are within acceptable parameters. These include financial metrics of revenue, gross profit, and operating profits.

The analysis of these key performance indicators is discussed in the 'Business review' section below.

### Business review

Company revenue for the year decreased by 29% to £96.7m (2018: £135.4m). In 2018, the Company generated revenue of £47.4m related to a one-time tender opportunity in Russia (there was no comparable tender in 2019). Excluding this Russia tender from the 2018 results, revenue actually increased by 10%, from £88.0m to £96.7m.

Gross profit in 2019 of £24.3m represents a decrease of £1.3m when comparing 2019 to 2018 (£25.6m). However, gross profit margin in 2019 of 25% was up approximately 6% year-over-year (2018: 19%) due to the lower gross profit margin achieved in conjunction with the Russia tender in 2018.

Operating profit increased to £8.4m (2018: £6.1m). As gross profit is down slightly year-over-year, the increase in operating profit is driven by a decrease in operating expenses to £15.9m (2018: £19.5m).

As at 31 December 2019, the Company had net liabilities of £10.4m (2018: £18.8m). The Company's net liabilities include net amounts due to the NetDragon Websoft Holdings Limited subsidiaries of £35.1m (2018: £47.4m) and cash of £6.6m (2018: £17.5m).

### Product development

In 2019, Promethean® introduced the all new ActivPanel™ Elements series interactive flat panels with enhanced industrial design and user experience updates based on extensive user testing and feedback. The ActivPanel Elements series was introduced in Q1 of 2019 and delivered a complete solution for interactive teaching experiences right out of the box—without the need for external computing devices or additional software. It incorporates Promethean's exclusive writing technology, Vellum™, which further extends its leadership position in delivering accurate and natural writing experiences for users of interactive flat panels. The ActivPanel's new Unified Menu is an innovative user interface that places all of the most commonly used tools right at teachers' fingertips and within natural line of sight. Promethean's Classroom Essential Apps, including Activities, Spinner, Timer, Annotate, ScreenShare, and Whiteboard, give teachers instant access to tools which engage students in the learning experience.

Promethean was honored with a number of global industry awards and accolades throughout 2019, including BETT Company of the Year, Tech and Learning Awards of Excellence, three Tech and Learning Best of Show Awards at ISTE, and a Red Dot award for product design. Continued investments in ActivInspire and ClassFlow expanded the interactivity and ease of use of Promethean's flagship lesson delivery software titles. The third edition of its global "State of Technology Report" explored education technology trends and usage, designed to help school systems see the collective challenges and opportunities that technology brings to the classroom of today and tomorrow.

### **Position at the end of the year**

Management is confident in the Company's product range, competitive position and considers the business to be well placed to take advantage of market opportunities in 2020.

### **Going concern**

The Directors of NetDragon Websoft Holdings Limited, the ultimate controlling party of the Company, have provided Promethean Limited with a signed letter of support, for at least the 12-month period from the date of approval of these financial statements. Given the support of the parent undertaking, and after considering the impact of Covid-19 as detailed in the Principle risks and uncertainties section, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. In making their assessment, the Directors have also considered future cash flows, borrowing facility availability, and the Company's recent trading and working capital cycles.

Based on the above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis of accounting continues to be adopted in preparing the financial statements. Further details on the basis of preparation are given in note 1 to the financial statements.

### **Principal risks and uncertainties**

Promethean is subject to a number of risks and uncertainties, not all of which are under the direct control of the business. The principal risks and uncertainties that the Board believes have the potential to affect Promethean's future prospects relate to the pace of change in the education technology market, the global economic environment and its impact on education budgets, aggressive low-cost competition in particular markets, and the rate of adoption and replacement of interactive learning technology. In developing new technology, Promethean also faces the risks of selecting and executing the correct strategies to successfully achieve its commercial objectives. However, the executive leadership team ensure they keep up to date with technological advancements and developments in the industry and invest in Research & Development activities accordingly.

#### *COVID-19 Pandemic*

COVID-19 is a rapidly evolving global event. The extent to which the virus has spread has had a significant effect on the world, and measures introduced to curb the spread of the virus have created much uncertainty. The Board is confident that the proactive steps taken by the Company's executive leadership team to address the pandemic, as well as the strength of the Company's underlying business, positions the Company to manage this evolving situation and mitigate the effects of COVID-19 on the business.

In the middle of 2020, the Group experienced temporary reductions in the demand for the Group's products. As the Group's customer base is almost entirely schools, educational institutions, and government agencies, the Group anticipates that However, by the second half of 2020, customer demand had rebounded (even exceeding previous expectations in some markets) due to the re-opening of schools and educational institutions from pandemic-induced quarantines and shutdowns, as well as additional funds being made available by government agencies for various COVID-relief programs.

The executive leadership team revised its initial forecasts for expected results in 2020 due to the anticipated impact of the COVID-19 pandemic. As a result of these revised forecasts, the executive leadership team implemented a number of cost-cutting measures, including cutting selected discretionary spending. To date, the Group has not implemented any reductions in employee counts as a result of COVID-19.

Finally, the Company is committed to protecting the health and safety of its employees and customers at all times. The executive leadership team is closely monitoring the evolving situation and are continuing to follow government and World Health Organisation guidance for employers. The executive leadership team has also implemented various safety measures for employees that are role and region specific.

### *Brexit*

The UK's exit from the European Union on 31 January 2020 brought little immediate change for the Company's business. While the future trading relationships between the UK and other countries, to follow after the transitional period ends in December 2020, remain unclear, at this stage the Company does not expect Brexit to have a significant impact on the future prospects of the business.

Currently no significant change is expected to the Company's customs procedures, taxation and tariffs as a direct result of Brexit, as the Company only imports a limited volume of goods directly into the UK. Rather, the Company sells to its EU customers either directly from its manufacturers in China, or through its warehouse location in the EU. The Company's products that are sold in the UK market are instead imported by its UK distributors, who would be responsible for all customs procedures. However, this area is one that is being continually monitored by the executive leadership team through the end of the Brexit transitional period.

While the UK market remains a significant market for the Company, in 2019, approximately 22% of the Company's revenue was from the UK. As such, while a potential recession in the UK as a result of Brexit could have a potentially significant impact on the operating results of the Company, we do not believe that such a recession could have a material impact on the Company's ability to continue as a going concern.

As part of the Company's risk management processes, the executive leadership team continues to evaluate the impact of a potential weakening of the British pound. As the Company transacts in multiple currencies, and as the majority of the Promethean Group's cash reserve are denominated in US dollars, the Company believes it is well equipped to manage currency fluctuations and take appropriate actions as required.

In line with many UK businesses, the Group employs a handful of EU nationals. The Group has not experienced any significant increase in staff turnover following the Brexit referendum or departure date, and do not expect any future issues arising in staff retention or recruitment.

### **Section 172(1) statement**

#### **Engaging with stakeholders**

The success of the Company's business is dependent on the support of all key stakeholders.

As part of the Board's decision-making process, in line with their duties under s172 of the Companies Act 2006, the Board consider the potential impact of decisions on relevant stakeholders and the likely consequences of these decisions in the long term. Illustrations of how a number of s172 factors have been considered and applied by the Board can be found below.

Building and maintaining positive relationships with all key stakeholders is, therefore, important to the Board. Working together towards shared goals is the foundation to the Company's efforts to achieve long-term sustainable success.

The executive leadership team of the Company make decisions with a long-term view in mind and with the highest standards of conduct in line with company policies. To fulfil their duties, the Directors take care to have regard to the probable consequences for all stakeholders in the decisions and actions that they take as company Directors. Where possible, decisions are carefully discussed with affected stakeholders and are, therefore, fully understood and supported when taken.

The Board is well informed about the views of stakeholders through the regular reporting on stakeholder views and it uses this information to assess the impact of decisions on each stakeholder group as part of its own decision-making process. Details of the company's key stakeholders and how the Company engages with them are set out below.

#### *Shareholders*

As owners of the Company, the Board relies on the support and values the opinions of the Company's shareholders. The Board and the executive leadership team have an open dialogue with the Company's shareholders that cover a wide range of topics including financial performance, strategy, outlook, governance

and ethical practices. Shareholder feedback is regularly reported to and discussed by the Board and the views of the Company's shareholders are considered as part of the Board's decision-making process.

#### *Employees*

Fully engaged employees are vital to the long-term business success of the Company, and the executive leadership team invites employees to provide feedback through a range of channels. These channels include company-wide meetings, functional group meetings, team meetings, surveys, face-to-face meetings and briefings, internal communities, and through an anonymous employee whistle-blower concern line. Key areas of focus include health and well-being, professional development opportunities, diversity and inclusion, pay and benefits, and workplace culture. Similarly, employees are encouraged to enhance their skills through courses relating to their work, and are incentivized and rewarded to complete such courses. Regular reports about what is important to employees are made to the Board, ensuring consideration is given to employee needs. The newly formed "Employee Inclusion Group" is an initiative that the executive leadership team hopes will further strengthen its ability to understand employees' needs. Similarly, the newly created Manager Effectiveness Survey provides feedback which informs how the executive leadership team builds the capability of its people managers.

#### *Customers*

At the heart of the Company's partnership with customers is a global team of education strategists, designers, technologists, and support staff that put the customer at the centre of everything that the Company does. The Company builds strong lasting relationships with customers through personal meetings, trade show events, sales meetings and other customer meetings, professional development services, and surveys. These activities create a partnership with customers to deliver innovative technology solutions, exceptional support, and personalized professional development services. Customers can rely on personalized product development based on decades of teaching experience, customer feedback, and requests. The Company supports customers with long-term relationships to ensure they are successful with their technology implementations. Information about customer needs and views is communicated to the Board for use in both its short-term and long-term decision-making.

#### *Suppliers*

The Company endeavours to build strong, mutually beneficial and lasting relationships with its suppliers. Engagement with suppliers is comprehensive in that it involves constant communications, frequent meetings to discuss, among other things, quality reviews and issues, component supply issues and any component supply concerns, and factors that may impact product pricing. Given the nature of the Company's products and the time required to set up the manufacturing capability to manufacture these products, the Company views the evaluation of each potential supplier as critical and the relationship with each supplier as critically important. Key areas of focus include supplier capabilities, supplier's focus upon quality, a supplier's willingness to work with the Company in the design and development of new products, the evaluation of each supplier's ethics and the priority given to corporate responsibility, the trust that the supplier will comply with their commitments, work place health and safety, and environmental responsibility and sustainability. The Board recognises that relationships with suppliers are important to the Company's long-term success and is briefed on supplier feedback and issues on a regular basis.


#### *Communities*

As part of its commitment to education, the Company believe in supporting local communities through recruitment and development of local people, days of service at schools and education programs, and environmentally friendly initiatives. The Company supports organizations and charities that it determines to have a positive impact upon the communities it serves and operates within. This support includes donations of financial resources as well as products, services and time. The Company's employees are given service days yearly to give back to their local community, including office-organised ways to give back throughout the year. As part of the Company's commitment to continual environmental improvement, the Company strives within its business to prevent pollution that can have a detrimental impact on the environment and to comply with all applicable environmental, legal, and other requirements. Key issues from the local communities where the Company operates are reported back to the Board and are considered by the Board, along with the impact Board decisions may have upon the communities it serves.

*Government and regulators*

The Company engages with governments and regulators through a range of industry consultations, forums, meetings and conferences to communicate its views to policy makers relevant its business. Key areas of focus are compliance with laws and regulations, including but not limited to privacy laws and, in particular, student data privacy laws, health and safety, and product safety. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

The Strategic Report has been approved by the Board of Directors and signed on its behalf by:



**Ian Curtis**  
*Director*

*Registered office*  
Promethean House  
Lower Philips Road  
Whitebirk Industrial Estate  
Blackburn  
BB1 5TH  
15 December 2020

## Directors' Report

The Directors' present their Directors' Report and the audited financial statements for the year ended 31 December 2019. As permitted by s414c (11) of the Companies Act 2006, details of the Company's business review, principal risks and uncertainties, along with the principal activities are included in the Strategic Report.

### Research and development

The Company recognises the importance of innovative new products as a driver for business growth and has a proven track record of innovation and product development. Further details of recent product developments are provided in the Strategic Report on pages 1 to 2.

### Dividends

The Company is not in a position to pay a dividend (2018: *same*).

### Financial risk management

Information about the Company's objectives and policies for measuring and managing risks from its use of financial instruments is given below.

#### *Credit risk*

Promethean is exposed to credit default risk through the credit it extends to its resellers and distributors. All trade receivable exposures are overseen by the Head of Treasury and Technical Accounting. Credit limits are set as deemed appropriate for the customer. Sales to distributors and resellers are made based on recommended credit limits and, where suitable cover is available, credit insurance is used.

#### *Liquidity risk*

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at 31 December 2019, the required funding for the Company is provided through intercompany loans from NetDragon Websoft Holdings Limited group undertakings.

The Company's external bank relationships are managed as part of the Promethean World Group (the 'Group') in accordance with the Group's defined treasury policies. The policies include the minimum acceptable credit rating of relationship banks and financial transaction authority limits. Any material change to the Group's line of credit facility requires Group Board approval.

#### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

#### *Currency risk*

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than Sterling, primarily US Dollars and Euros. The Company reviews its net currency exposures, taking into account trade receivables and payables denominated in a foreign currency. The Company uses its multi-currency bank facility to access funding in the relevant currency as required.

#### *Interest rate risk*

As at 31 December 2019, the Company had net bank debt of £nil (2018: £nil). The promissory note and remaining loans from Net Dragon Websoft undertakings are non-interest bearing.



*Other market price risk*

The Company does not enter into commodity contracts other than to meet the Company's expected usage and sale requirements.

**Employees**

Promethean is an equal opportunities employer and it has in place appropriate policies and best practice to encourage diversity in the workplace, while establishing a professional working environment that is free from all forms of discrimination.

As a matter of policy, the Group supports the recruitment, employment and retention of people with disabilities. Any application for employment by a person with disabilities is given full and fair consideration, having regard to the applicant's particular aptitudes and abilities. Career development, training and promotion opportunities are available to applicants with disabilities. Any person who becomes disabled while employed by the Group has the same opportunities available to them as other employees in comparable roles, with reasonable adjustments being made to accommodate the needs of such employees.

**Political contributions**

The Company did not make any political contributions during the current or prior year.

**Future developments**

The Directors have seen the level of activity in 2020 to increase relative to 2019, as the impact of a one-time tender in Egypt has more than off-set the negative impact of the global COVID-19 pandemic. The Directors expect this level of activity to continue in 2021. See further discussion regarding the expected impact of COVID-19 and the Company's efforts to mitigate the impact in the "Principal risks and uncertainties" section in the Strategic Report.

**Post balance sheet events**

The global COVID-19 pandemic occurred subsequent to the balance sheet date. We consider this to be a non-adjusting post balance sheet event (as defined under IAS 10 *Events After the Reporting Period*). The Directors have described the risks and uncertainties arising from this pandemic in the Strategic Report.

There have been other no events since the balance sheet date that require either disclosure in or adjustment to the financial statements

**Directors**

The directors who held office during the year, and up to the date of this report were as follows:

Simon Leung  
Ian Curtis

All directors benefited from qualifying third-party indemnity provisions in place during the financial year and at the date of this report.

**Disclosure of information to auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue as the Company's auditor and their reappointment will be proposed at the forthcoming Annual General Meeting.

Promethean Limited  
Annual Report and Financial Statements  
Registered number 01308938  
Year ended 31 December 2019

Approved by the Board of Directors and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Ian', followed by a horizontal line and a final flourish.

**Ian Curtis**  
*Director*

Promethean House  
Lower Philips Road  
Whitebirk Industrial Estate  
Blackburn  
BB1 5TH  
15 December 2020

## **Directors' Responsibilities Statement**

The Directors are responsible for preparing the Annual 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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. 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 of the profit or loss of the company 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 estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

# **Independent Auditor's Report to the members of Promethean Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Promethean Limited (the 'company')

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

## **Independent auditor's report to the members of Promethean Limited *(continued)***

### **Other information *(continued)***

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

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, 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 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 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

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

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

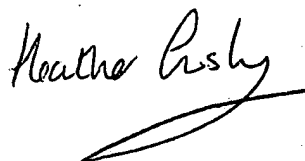
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration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

We have nothing to report in respect of these matters.

## **Independent auditor's report to the members of Promethean Limited** *(continued)*

### **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.

A handwritten signature in black ink, appearing to read 'Heather Crosby', with a long, sweeping horizontal line underneath.

Heather J Crosby BSC ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester, United Kingdom  
15 December 2020

## Profit and Loss account

for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	2	96,706	135,407
Cost of sales		(72,376)	(109,785)
<b>Gross profit</b>		<b>24,330</b>	<b>25,622</b>
Exceptional items	6	(219)	(496)
Other operating expenses		(15,717)	(19,034)
Operating expenses		(15,936)	(19,530)
<b>Operating profit</b>		<b>8,394</b>	<b>6,092</b>
Interest receivable	7	1,242	866
Interest payable and similar expenses	8	(1,128)	(781)
<b>Profit before taxation</b>	3	<b>8,508</b>	<b>6,177</b>
Tax	9	(24)	(14)
<b>Profit for the financial year</b>		<b>8,484</b>	<b>6,163</b>

The profit for the year is all attributable to equity shareholders and is entirely from continuing operations.

## Statement of Comprehensive Income

There are no items of comprehensive income in the current year or previous year other than those stated above in the profit and loss account. Accordingly, a separate statement of comprehensive income has not been presented.

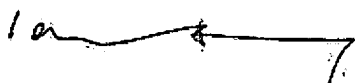
The notes on page 16-37 form an integral part of these financial statements

## Balance Sheet

as at 31 December 2019

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Intangible assets	10	10,455	5,479
Tangible assets	11	1,373	825
Investments	12	97	97
		<u>11,925</u>	<u>6,401</u>
<b>Current assets</b>			
Stocks	13	11,708	12,355
Debtors	14	73,988	72,157
Cash at bank and in hand		6,555	17,467
		<u>92,251</u>	<u>101,979</u>
<b>Creditors: amounts falling due within one year</b>	15	(105,411)	(119,877)
<b>Contract liabilities</b>	16	(3,566)	(3,779)
		<u>(108,977)</u>	<u>(123,656)</u>
<b>Net current liabilities</b>		<u>(16,726)</u>	<u>(21,677)</u>
<b>Total assets less current liabilities</b>		<u>(4,801)</u>	<u>(15,276)</u>
<b>Creditors: amounts falling due after more than one year</b>	17	(740)	-
<b>Provisions for liabilities and charges</b>	18	(4,845)	(3,491)
		<u>(5,585)</u>	<u>(3,491)</u>
<b>Net liabilities</b>		<u>(10,386)</u>	<u>(18,767)</u>
<b>Capital and reserves</b>			
Called up share capital	19	1,011	1,011
Share premium account		36	36
Profit and loss account		(11,433)	(19,814)
		<u>(10,386)</u>	<u>(18,767)</u>
<b>Shareholder's deficit</b>		<u>(10,386)</u>	<u>(18,767)</u>

These financial statements were approved by the Board of Directors on 15 December 2020 and were signed on its behalf by:



**Ian Curtis**  
Director

The notes on pages 16-37 form an integral part of these financial statements



**Statement of Changes in Equity**  
*for the year ended 31 December 2019*

	Share Capital £000	Share Premium £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2018	1,011	36	(25,977)	(24,930)
Total comprehensive income for the year				
Profit for the year	-	-	6,163	6,163
<b>Balance at 31 December 2018</b>	<b>1,011</b>	<b>36</b>	<b>(19,814)</b>	<b>(18,767)</b>

	Share Capital £000	Share Premium £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2019	1,011	36	(19,814)	(18,767)
Total comprehensive income for the year				
Cumulative effect of adopting accounting standards	-	-	(103)	(103)
Profit for the year	-	-	8,484	8,484
<b>Balance at 31 December 2019</b>	<b>1,011</b>	<b>36</b>	<b>(11,433)</b>	<b>(10,386)</b>

The notes on pages 16-37 are an integral part of these financial statements.

## Notes to the financial statements

### 1 Accounting policies

Promethean Limited (the “Company”) is a private company, limited by shares registered in England & Wales. The address of the Company’s registered office is Promethean House, Lower Philips Road, Whitebirk Industrial Estate, Blackburn, Lancashire BB1 5TH.

The accounting policies set out below have been applied consistently to all periods presented, with the exception of IFRS 16 *Leases*, which was adopted effective 1 January 2019, in these financial statements.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”) but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Promethean World Limited (see Note 24) include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*;
- Certain disclosure required by IFRS 15 *Revenue from Contract with Customers* and the disclosures required by IFRS 16 *Leases*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

In the current year, the Company has applied the following amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (the Board) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Annual Improvements to IFRS Standards 2015–2017 Cycle *Amendments to IFRS 3 Business Combinations*, *IFRS 11 Joint Arrangements*, *IAS 12 Income Taxes* and *IAS 23 Borrowing Costs*;
- IFRIC 23 *Uncertainty over Income Tax Treatments*.

#### **Measurement convention**

The financial statements have been prepared in accordance with applicable accounting standards

and under the historical cost accounting rules.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

#### ***Going concern***

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 5.

As at 31 December 2019, the Company Balance Sheet shows net liabilities of £10.4m and cash of £6.6m.

The amounts below are disclosed in US dollars as that is the currency in which each of the above financial instruments was originally denominated. The remaining balance as at 31 December 2019 in British Pounds is disclosed at note 15.

The Company issued a discounted bond of \$41.6m on 17 November 2016, which is repayable on November 2019. During 2017, further sums were advanced to the Company by a fellow subsidiary of NetDragon Websoft Holdings Limited: \$10m in March 2017, which became repayable in March 2018, and \$36m in April 2017 on a short-term basis.

In 2018, approximately \$31m of this \$36m short-term loan was repaid by the Company (the full \$10m loan remained outstanding at 31 December 2018).

During 2019, the remaining balance on the \$36m loan was repaid in full and all but \$0.2m of the \$10m loan was repaid. In November 2019, the discounted bond issued in 2016 was exchanged for a promissory note of \$45.8m with a maturity date of November 18, 2022. These remaining balances owed have not been called by the fellow subsidiary of NetDragon Websoft Holdings Limited.

The Directors of NetDragon Websoft Holdings Limited have provided Promethean Limited with a signed letter of support, for at least the 12-month period from the date these financial statements were approved.

In June 2018 the Promethean Group, which includes the Company, entered into a secured revolving line of credit facility for up to \$35m with Bank of America. This line is collateralized by eligible trade receivables globally and eligible inventories in the US. Eligibility is determined by Bank of America, and is based on country of origin for trade receivables and the type and nature of US inventories. As at 31 December 2019, the outstanding principle balance on the line of credit specifically for the Company was £nil.

Having made appropriate enquiries and on the basis of management's forecasts and parental support, and after considering the impact of Covid-19 as detailed in the Principle risks and uncertainties section within the Strategic Report, the Directors are satisfied that there is sufficient funding available for the Company to operate for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the financial statements. In making their assessment, the Directors have considered future cash flows and borrowing facility availability as well as considering the Company's normal trading, working capital cycles, and support from parent companies. The Company's forecast, taking account of reasonably possible changes in trading, show that it should be able to operate within the level of its available funding.

#### ***Intangible fixed assets***

##### ***Research and development***

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if there is a clearly defined project which is technically and commercially feasible, and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable, and if the Company can measure reliably the expenditure attributable to the intangible asset during its development.

Amortisation is recognised in the profit and loss on a straight-line basis over the estimated useful life of each project unless such lives are indefinite. The estimated useful lives for development projects are between 1 and 3 years.

### ***Investments***

Investments in subsidiary undertakings are stated at cost less impairment losses.

### ***Tangible fixed assets and depreciation***

Tangible fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets on a straight-line basis over their estimated useful economic lives as follows:

Freehold buildings	-	25 years
Plant and equipment	-	3-10 years

No depreciation is provided on freehold land.

### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

### ***Leases***

#### **i) Adoption of IFRS 16 as a lessee**

The Company adopted IFRS 16 *Leases* on 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 20. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The Company has elected to apply this standard on a modified retrospective approach with the cumulative effect of initially applying the Standard recognized as an adjustment to the opening balance of retained earnings at the date of initial application. For leases existing at the initial application date, we have measured the opening balance of each of our right-of-use asset at its carrying value as if the Standard had been applied since the lease commencement date.

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The Company has also used the following additional practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases under IAS 17:

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The Company has recognized £0.9m of right-of-use assets and £1.0m of lease liabilities upon transition to IFRS 16. As a result of our selected adoption methodology, £0.1m was recognised in retained earnings. The weight average lessee's incremental borrowing rate applied to lease liabilities recognized in the Statement of Financial Position on 1 January 2019 is 6%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial

application and the lease liabilities recognised in the statement of financial position at the date of initial application.

**Impact on retained earnings at 1 January 2019**

	<b>£000</b>
Operating lease commitments at 31 December 2018	661
Short-term leases and leases of low value assets	(17)
Effect of discounting the above amounts	(73)
Extension options reasonably certain to be exercised	424
Modifications of existing leases	<u>7</u>
<b>Lease liabilities as at 1 January 2019</b>	<b><u>1,002</u></b>

Analysed as:

Short-term	205
Long-term	<u>797</u>

**Lease liabilities as at 1 January 2019** **1,002**

(ii) The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received

and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment.

On the Balance Sheet right-of-use assets are included in Tangible assets, while lease liabilities are included in Creditors: amounts falling due within one year (short-term portion) and Creditors: amounts falling due after more than one year (long-term portion). Further details are provided on right-of-use assets and lease liabilities in Note 20.

#### ***Pension costs***

The Company operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, a first in first out basis is used.

#### ***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### ***Financial instruments***

##### ***(i) Financial instruments***

The Company's financial instruments are comprised of trade and other debtors, cash and cash equivalents, loans and borrowings, trade and other creditors, and a discounted bond. The Company adopted IFRS 9 *Financial Instruments* effective 1 January 2018, which introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets, and 3) general hedge accounting. As the Company does not currently engage in hedge accounting, these new requirements for hedge accounting are not applicable to the Company.

Under IFRS 9, financial assets are classified and measured at either amortised cost, fair value with adjustment recorded through other comprehensive income, or fair value with adjustments recorded through profit or loss. The determination of the classification of

financial assets is based on the nature of the underlying assets and a company's objectives and intentions for holding the financial asset.

Financial liabilities are measured at amortised cost or fair value with adjustments recorded through profit or loss. However, under IFRS 9, for those financial liabilities that are measured at fair value through profit or loss, any change in fair value of that liability that is attributable to changes in the credit risk are instead reported through other comprehensive income.

In relation to financial assets, IFRS 9 requires the adoption of an expected credit loss model, which requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition, regardless of whether a credit event has actually occurred.

Cash and cash equivalents comprise cash balances and current balances with banks and are held at amortised cost. Trade debtors are measured at amortised cost, less any estimated credit losses. Trade and other payables, as well as loans and borrowings, are measured at amortised cost.

No adjustments were deemed necessary to the amounts recognised in the statement of financial position at 1 January 2018 as a result of adoption of IFRS 9.

#### (ii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### **Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### **Warranties**

A provision for warranties is recognised when underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

#### **Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on associated assets.

#### **Refund liabilities**

If the Company enters into a contract with a customer that grants that customer a right to return the products transferred, the Company only records revenue for transferred products in the amount of consideration to which the Company expects to be entitled. The difference between this amount and the amount of consideration received is recorded as a refund liability. In addition, the Company records an asset and a corresponding adjustment to cost of sales for its right to recover products from customers on settling the refund liability.

#### **Revenue recognition**

##### (i) Adoption of IFRS 15

The Company adopted IFRS 15 *Revenue from contracts with customers* on 1 January 2018. The Company applied IFRS retrospectively, with any cumulative effect of initially apply the standard recognised at the date of initial application. However, after performing a review of its active contracts, the Company determined that no such cumulative effect adjustment was necessary.

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct in the contract. Under IFRS 15, the Company recognises revenue when (or as) a performance obligation is satisfied (i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer). This can occur either at a point in time when the customer obtains control of the distinct good or service, or over a period of time when the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs. All of our products are sold separately and thus have a stand-alone selling price that is used to allocate the transaction price to each performance obligation in the contract. The Company does not have contracts with a significant financing component, as payment is typically required within 30 to 90 days from the change in control (or initial change in control for performance obligations satisfied over time).

(ii) Core goods sold

The Company sells the majority of its products to a global network of distributors and reseller partners. They are Promethean's customers for revenue recognition purposes. In the vast majority of cases, the end users of the product are the customers of the Company's distributors/resellers. Revenue is recognised at a point in time when the customer obtains control of the distinct good. Control of the Company's products is transferred in accordance with Incoterms 2010. The specific timing of the change in control varies by customer (based on contractual agreements between the Group and the customer) and can occur either when the goods are shipped by the Company via a third-party carrier, or when the goods are made available for pick-up by the customer. Customers do not have a contractual right of return of goods, aside from standard clauses regarding defective products.

Revenue from the sale of goods is measured at the fair value of consideration received or receivable. For those contracts that contain variable consideration whereby the Company will transfer cash, or a credit note to a customer when a rebate has been achieved, the Company estimates the amount of consideration to which it will be entitled using the most likely amount method. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in significant revenue reversal in the future when the uncertainty associated with the variable consideration has been resolved. At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and changes in circumstances during the reporting period.

All revenue is reported exclusive of value-added tax and other sales taxes.

(iii) Sale of software

The Company provides a Promethean global software licence for its pre-loaded proprietary software with the sale of its hardware products. The Company considers this hardware and software to be highly interdependent and highly interrelated. As a result, the Company considers the hardware and pre-loaded software bundle to represent one performance obligation and recognises revenue when control of the bundle has passed to the customer.

The Company also sells an enhanced software service separate from its hardware products. The Company believes these enhanced software services represent a separate performance obligation that is satisfied over time, as the services are capable of being distinct within the context of contract and provide a separate benefit to the customer above and beyond the Company's hardware products. The revenue associated with these contracts is recognised on



a straight-line basis over the term of the contract, which the Company believes represents a faithful depiction of the transfer of these enhanced software services. Payments received in advance of providing these enhanced software services are recorded in the Statement of Financial Position as deferred income and are recognised in the Statement of Comprehensive Income proportionately over the period that the enhanced software services are provided.

(iv) Freight revenue

The Company may arrange for shipment of its core products by third-party providers to certain customers, based on delivery location and timing requirements determined by these customers. The Company considers these shipment services to be a separate performance obligation, as the services are capable of being distinct within the context of contract and provide a separate benefit to the customer above and beyond the Group's other products. This performance obligation is considered to be satisfied at a point in time, which typically occurs when the third-party providers take possession of the products, as the Company believes control of the goods has passed to the customer at this point in time.

(v) Warranty revenue

The Group provides a standard warranty on all of its hardware products. Depending on the jurisdiction in which the product is sold, this standard warranty is either for three years or five years. This warranty is not sold separately and does not provide any additional services beyond assuring the products complies with the agreed upon specifications. As such, the Company considers the standard warranty as an assurance type warranty which does not constitute a separate performance obligation.

The Company also separately sells an enhanced five-year warranty, which is considered to represent a separate performance obligation that is satisfied over time. The revenue associated with these contracts is recognised on a straight-line basis over the five-year term of the warranty, which the Company believes represents a faithful depiction of the transfer of these enhanced warranty services. Payments received in advance of providing these enhanced warranty services are recorded in the Statement of Financial Position as contract liabilities and are recognised in the Statement of Comprehensive Income proportionately over the period that the warranty services are provided.

**Exceptional items**

Exceptional costs and income are those that in management's view need to be disclosed by virtue of their size and/or non-recurring nature. Such items are included in the profit and loss account under a caption to which they relate and are separately disclosed in the notes to the financial statements.

**Key accounting judgments**

The preparation of financial statements in conformity with FRS 101 requires management to make judgements that affect the application of certain accounting policies. The accounting policy descriptions where judgement needs exercising that have the most significant effect on the amounts recognised in the financial statements are as follows:

- *Revenue Recognition* – Judgment is required in determining the timing of satisfaction of performance obligations and the amounts allocated to performance obligations under IFRS 15 *Revenue from contracts with customers*. These conclusions impact the amount of revenue recognised in a given reporting period.
- *Lease Accounting* – Judgment is required around the determination of the discount rate to use to calculate lease liabilities under IFRS 16 *Leases*. The determination of the discount rate is based on a number of factors, including the location of the lease and the prevailing interests at the lease commencement date.

**Use of estimates**

The preparation of financial statements in conformity with FRS 101 requires management to make estimates that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

- *Deferred Taxation* – Judgement is required around the recognition of deferred tax assets. Particularly in preparing the forecasts that underpin the future cashflows which determine whether the historic losses built up over previous years can be utilised in the foreseeable future. As at December 31 2019, the Company had £16.0m in unrecognized deferred tax assets and liabilities. See further discussion at note 9.
- *Inventory Provisioning* – Judgement is required around the adequacy of stock provisioning in respect of aged, potentially obsolete or slow-moving items of stock. Provisions against stock are calculated based on the age of inventory and by the specific identification of any line items of stock which require write-down. As at 31 December 2019, the inventory provision was £2.6m (2018: £3.1m), leaving net inventory of £11.7m (2018: £12.4m). See further discussion at note 13.
- *Warranty Provision* – Judgement is required around the adequacy of warranty provisioning for future costs associated with product failure. Provisions are calculated based on the prediction of future failure rates and costs. As at 31 December 2019, the warranty provision was £4.8m (2018: £3.5m). See further discussion at note 18.

## 2 Turnover

	2019	2018
	£000	£000
Sale of goods and software	96,627	134,024
Services	79	1,383
	<hr/>	<hr/>
	96,706	135,407
	<hr/>	<hr/>

Services include maintenance and training.

Turnover is split by geographical market as follows:

	2019	2018
	£000	£000
UK & Ireland	21,453	22,566
Continental Europe	42,439	35,412
North America	2,524	4,231
Rest of the World	30,290	73,198
	<hr/>	<hr/>
	96,706	135,407
	<hr/>	<hr/>

### 3 Notes to the profit and loss account

	2019	2018
	£000	£000
<i>Profit before taxation is stated after charging:</i>		
Depreciation of tangible fixed assets - owned	478	916
Depreciation of tangible fixed assets – leased	173	-
Amortisation of intangible assets	2,795	1,873
Operating leases:		
Plant & machinery	-	25
Land & buildings	-	284
Research and development expensed as incurred	491	316
Foreign exchange losses	308	2,338
	<hr/>	<hr/>
<i>Auditors' remuneration:</i>		
Audit of these financial statements	68	67
	<hr/>	<hr/>

Amounts paid to the Company's auditors in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is disclosed on a consolidated basis in the consolidated financial statements of Promethean World Limited, for which this Company is consolidated into.

### 4 Remuneration of Directors

	2019	2018
	£000	£000
Remuneration in respect of qualifying services	441	553
Pension contributions	-	14
Compensation for loss of office	10	117
	<hr/>	<hr/>
	451	684
	<hr/>	<hr/>

The emoluments of the highest paid Director were:

	2019	2018
	£000	£000
Emoluments	441	457
Pension contributions	10	9
	<hr/>	<hr/>
	451	466
	<hr/>	<hr/>

Company pension contributions were made on behalf of one (2018: three) Director into defined contribution schemes.

## 5 Staff numbers and costs

The average monthly number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Research and development	24	25
Selling and distribution	122	117
Administration	43	46
	<u>189</u>	<u>188</u>

As at 31 December 2019, there were 192 persons employed by the Company (2018: 208 persons).

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	11,276	10,815
Social security costs	1,359	1,393
Other pension costs (see Note 22)	539	523
	<u>13,174</u>	<u>12,731</u>

## 6 Exceptional items

	2019	2018
	£000	£000
<i>Exceptional costs</i>		
Reorganisation costs	219	496
	<u>219</u>	<u>496</u>
Total exceptional items	219	496

### *Exceptional costs*

The exceptional charge for the year includes reorganisation costs of £219,000 (2018: £496,000) relating to severance costs as a result of ongoing changes to the executive management team and the restructure to move the Promethean Group's global headquarters to Seattle in 2017.

**7 Interest receivable**

	2019	2018
	£000	£000
Receivable from Group undertakings	1,178	666
Bank interest	63	191
Other	1	9
	<u>1,242</u>	<u>866</u>

**8 Interest payable and similar expenses**

	2019	2018
	£000	£000
Interest and commitment fee expense on secured loan	69	48
Interest waived on NetDragon Group loans	-	(322)
Interest expense recorded on lease liabilities	64	-
Unwinding of discount on bond	995	1,054
Other interest payable	-	1
	<u>1,128</u>	<u>781</u>

**9 Taxation**

**Amounts recognised in profit or loss**

	2019	2018
	£000	£000
<b>Current tax expense</b>		
Foreign tax – current tax on income for the period	24	14
	<u>24</u>	<u>14</u>
<b>Tax on profit</b>		

*Reconciliation of effective tax rate*

The total tax charge for the period is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£000	£000
Profit excluding taxation	8,508	6,177
Tax charge using the UK corporation tax rate of 19% (2018: 19%)	1,617	1,174
Non-deductible expenses	57	57
Utilisation of losses for which no deferred tax asset has been recognised	(1,050)	(697)
Change in unrecognised temporary differences	(624)	(534)
Foreign tax	24	14
Total tax charge for the period	24	14

*Factors that may affect future tax charges*

The standard rate of tax applied to reported profit is 19% (2018: 19%).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017. Finance Bill 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. There have been no further changes to the corporation tax main rate in the subsequent Finance Bills including Finance (No.3) Bill 2017-19 which received Royal Assent on 12 February 2019.

*Unrecognised deferred tax assets and liabilities*

Deferred tax assets relating to tax losses of £14.7m (2018: £15.1m) and deductible temporary differences of £1.3m (2018: £1.4m) have not been recognised due to the uncertainty associated with future recoverability.

## 10 Intangible fixed assets

	Development costs £000
<i>Cost</i>	
At beginning of year	66,226
Internally generated additions	7,771
	<hr/>
<b>At end of year</b>	<b>73,997</b>
	<hr/>
<i>Amortisation and impairment</i>	
At beginning of year	60,747
Amortisation for the year	2,795
	<hr/>
<b>At end of year</b>	<b>63,542</b>
	<hr/>
<i>Net book value</i>	
<b>At 31 December 2019</b>	<b>10,455</b>
	<hr/>
At 31 December 2018	5,479
	<hr/>

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

The amortisation charge of £2,795,000 (2018: £1,873,000) is recognised within operating expenses.

## 11 Tangible fixed assets

	Land and buildings £000	Plant and equipment £000	Right-of-use Assets £000	Total £000
<b>Cost</b>				
At beginning of year	231	11,807	-	12,038
Assets recognized on transition to IFRS 16 (Note 20)	-	-	907	907
Additions	-	258	62	320
Disposals	-	(192)	-	(192)
<b>At end of year</b>	<b>231</b>	<b>11,873</b>	<b>969</b>	<b>13,073</b>
<b>Depreciation</b>				
At beginning of year	231	10,982	-	11,213
Charge for the year	-	478	173	651
Disposals	-	(164)	-	(164)
<b>At end of year</b>	<b>231</b>	<b>11,296</b>	<b>173</b>	<b>11,700</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>-</b>	<b>577</b>	<b>796</b>	<b>1,373</b>
<b>At 31 December 2018</b>	<b>-</b>	<b>825</b>	<b>-</b>	<b>825</b>

The balance above in Land and buildings relates to leasehold improvements at our office in Blackburn, England.



## 12 Fixed asset investments

	Shares in Group undertakings £000	Loans to Group undertakings £000	Total £000
<i>Cost</i>			
At beginning of year and end of year	145	7,081	7,226
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Provisions</i>			
At beginning of year and end of year	48	7,081	7,129
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Net book value</i>			
At 31 December 2019	97	-	97
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2018	97	-	97
	<u>          </u>	<u>          </u>	<u>          </u>

The investment in Group undertakings relates to the following subsidiary undertakings:

	Country of incorporation	Class of shares held	Ownership 2019	Ownership 2018
Promethean GmbH <sup>1</sup>	Germany	Ordinary €1 Shares	100%	100%
PrometheanSolutions LLP <sup>2</sup>	India	Partnership	99.9%	99.9%
Promethean Rus LLC <sup>3</sup>	Russia	Partnership	0.1%	0.1%

<sup>1</sup> The registered address is Bamlerstraße 5c, 45141, Essen, Germany

<sup>2</sup> The registered address Building No.9, Tower B, Level 12, DLF Cyber City, Phase-111, Gurgaon – 12002, Haryana, India

<sup>3</sup> The registered address is Building No.3, 9 Znamenka St., Moscow, Russia

## 13 Stocks

	2019 £000	2018 £000
Raw materials and consumables	742	934
Finished goods and goods for resale	10,966	11,421
	<u>11,708</u>	<u>12,355</u>

Inventories recognised as an expense during the year and included in cost of sales amounted to £63,175,000 (2018: £99,319,000).

The inventory provision at 31 December 2019 was £2,606,000 (2018: £3,063,000). Inventory provisions of £639,000 were created in the year (2018: creation of £770,000). During the year an amount of £374,000 (2018: £257,000) was utilised and £722,000 was released (2018: £1,384,000).

There is no material difference between the balance sheet value of stocks and their replacement cost.

#### 14 Debtors

	2019	2018
	£000	£000
Trade debtors	16,449	6,741
Amounts owed by Net Dragon Group undertakings	336	52
Amounts owed by Promethean Group undertakings	55,068	63,326
Other debtors	338	543
Prepayments and accrued income	1,797	1,495
	<hr/>	<hr/>
	73,988	72,157
	<hr/>	<hr/>

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

	2019	2018
	£000	£000
Trade creditors	13,097	16,855
Amount due to Net Dragon Group Undertakings	35,070	47,407
Amounts owed to Promethean Group undertakings	49,229	49,266
Other taxation and social security	10	18
Accruals and deferred income	7,835	6,331
Short-term lease liabilities	170	-
	<hr/>	<hr/>
	105,411	119,877
	<hr/>	<hr/>

The components of Contract liabilities at 31 December 2019 are analysed in note 16.

#### *Amounts due to Net Dragon Group Undertakings*

On 17 March 2017, Best Assistant Education Online Limited (a subsidiary of Net Dragon Websoft Holdings Limited) granted a loan facility of \$10m to Promethean Limited. The carrying value of this loan as at 31 December 2018 was £7,917,000. The loan is unsecured, is non-interest bearing and became repayable 12 months from the draw down date. During 2019, all but £182,000 was repaid, either through direct cash payments or expenses paid for by the Company on behalf of the fellow Net Dragon Websoft subsidiary.

In April 2017, a further \$36m was loaned to the Group by a fellow subsidiary of Net Dragon Websoft Holdings Limited on a short-term basis and is non-interest bearing. The carrying value of this short-term loan as at 31 December 2018 was £4,295,000. The remaining balance was repaid during 2019, either through direct cash payments or expenses paid for by the Company on behalf of the fellow Net Dragon Websoft subsidiary.

On 17 November 2016, the Company issued a discounted bond of \$41.6m which was repayable in November 2019. In 2019, this discounted bond was exchanged for a promissory note of \$45.8m due to Best Assistant Education Online Limited (a subsidiary of Net Dragon Websoft Holdings Limited). This promissory note is payable upon demand, with a final maturity date of November 18, 2022. As at 31 December 2019, the carrying value of the note is £35,070,000 and is considered a current liability due to the previously described demand feature.

#### *Secured loans*

In June 2018, the Company entered into a secured revolving line of credit facility for up to \$35m with Bank of America. This line is collateralized by the Company's eligible trade receivables. Eligibility is determined by Bank of America and is based on country of origin for the Company's trade receivable. Although amounts were drawn on the line during 2019, there was no outstanding balance on the line as of 31 December 2019.

## **16 Contract liabilities**

Contract liabilities as of 31 December are as follows:

	2019	2018
	£000	£000
Refund liabilities	110	709
Deferred revenue	162	-
Extended warranties	3,294	3,070
	<u>3,566</u>	<u>3,779</u>

The contract liabilities listed above represent refund liabilities and deferred revenue associated with sales of extended warranties. The deferred revenue amounts include as contract liabilities at 31 December 2019 represents the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) as of the 31 December 2019.

During 2019, the Company recognised \$1.2m in revenue that was included in deferred revenue contract liabilities as of 1 January 2019. There were no other significant changes in contract liabilities during 2019.

The Company did not have any contract assets as at 31 December 2019.

**17 Creditors: amounts falling due after more than one year**

	2019	2018
	£000	£000
Long-term lease liabilities	740	-

The Company adopted IFRS 16 effective 1 January 2019. The balance above represents required future leases payment occurring more than 1 year from 31 December 2019.

**18 Provisions for liabilities and charges**

	Warranty
	£000
As at 1 January 2018	4,539
Charge for the year	3,887
Utilised in the year	(4,935)
<b>As at 31 December 2018</b>	<b>3,491</b>
Charge for the year	2,846
Utilised in the year	(1,492)
<b>As at 31 December 2019</b>	<b>4,845</b>

*Warranty*

The warranty provision is calculated by estimating the possible failure rates of the Company's hardware, with the exception of projectors which are covered by a third-party warranty. The length of warranty period varies dependent on both the product and country it is sold to; this period can vary between one and five years.

The timing and frequency of product failures are inherently uncertain and for this reason the warranty provision has been disclosed as current.

## 19 Capital and reserves

Share capital	2019	2018
	£000	£000
<i>Allotted, called up and fully paid</i>		
1,010,924 Ordinary shares of £1 each	1,011	1,011

## 20 Leases

The activity associated with the Company's right-of-use assets is as follows:

	Land & Building	Motor Vehicles	Total
	£000	£000	£000
<b>Cost</b>			
At 1 January 2019	900	7	907
Additions	30	32	62
At 31 December 2019	930	39	969
<b>Accumulated depreciation</b>			
At 1 January 2019	-	-	-
Charge for the year	160	13	173
At 31 December 2019	160	13	173
<b>Carrying amount</b>			
At 31 December 2019	770	26	796

The Company's right-of-use assets represent leases of office space and vehicles across the world, including the UK, Italy, Spain, and UAE. The leases of office space have a term ranging from 2 to 7 years. The leases of vehicles have a term ranging from 1 to 4 years.

The Company's lease liabilities can be further analysed as follows:

	2019
	£000
Analysed as:	
Long-term	740
Short-term	170
	<hr/>
	910
	2019
	£000
Maturity analysis:	
Year 1	170
Year 2	141
Year 3 - 5	406
Onwards	193
	<hr/>
	910

The Company does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Company's Finance function.

Total cash outflow for leases amounted to £228,000 in 2019.

During 2019, the Company recognized £17,000 in expense relating to short-term leases. The Company recognized no expense relating to leases of low value assets. At 31 December 2019, the Company does not have any future commitments for short-term leases.

## 21 Commitments

At 31 December 2019, the Company had capital commitments of £29,000 (2018: £93,000) related to plant and equipment. These commitments are expected to be settled in the following financial year.

## 22 Pension scheme

The Company contributes to a number of defined contribution pension schemes providing benefits based on contributions made. The assets of the schemes are held separately from those of the Company in independently administered funds.

The pension charge for the year represents contributions payable by the Company to the schemes and amounted to £539,000 (2018: £523,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

## **23 Related party transactions**

Transactions with entities that are part of the Group headed by NetDragon Websoft Holdings Limited are not disclosed, as permitted by FRS 101.8(k). There were no other disclosable related party transactions in the year.

## **24 Ultimate parent company and parent company of larger group**

The parent company is Promethean (Holdings) Limited. The ultimate parent company is NetDragon Websoft Holdings Limited, a company incorporated in the Cayman Islands, where its registered office is located and is listed on the Main Board of the Hong Kong Stock Exchange. At 31 December 2019, the Directors consider NetDragon Websoft Holdings Limited to be the ultimate controlling party.

The Group headed by NetDragon Websoft Holdings Limited is the largest Group in which the results of the Company are consolidated, and these consolidated financial statements are publicly available from its principle place of business at Units 2001-05 & 11, 20<sup>th</sup> Floor, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong. The registered address of NetDragon Websoft Holdings Limited is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111.

The smallest Group in which they are consolidated is that headed by Promethean World Limited which has the same registered address as the Company. These financial statements are available to the public and may be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

## **25 Post balance sheet events**

The global COVID-19 pandemic occurred subsequent to 31 December 2019. The Company has evaluated the impacts of the pandemic on the operations of the Company and has concluded that it represents a non-adjusting post balance sheet event as defined under IAS 10 *Events After the Reporting Period*.