Promethean Limited

Annual Report and Financial Statements

Registered number 01308938

Year ended 31 December 2021

Contents

Strategic Report	1
Directors' Report	6
Directors' Responsibilities Statement	10
Independent Auditor's Report to the members of Promethean Limited	11
Profit and Loss account	15
Statement of Comprehensive Income	15
Balance Sheet	16
Statement of Changes in Equity	17
Notes to the financial statements	18

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, operating profits, EBITDA, and cash flows both from operating and non-operating activities.

Non-financial metrics monitored include volumes of interactive displays sold and independent market data including market share, technology adoption rates, and competitor analysis.

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

Business review

Company revenue for the year increased by 43% to £205.0m *(2020: £143.7m)*. The increase in revenue is primarily attributable to increased Egypt tender activity year-over-year, as well as increased customer demand as a result of government funding for COVID-19 relief programs.

The Company recognized net exceptional income in 2021 of £0.1m *(2020: cost of £0.2m)*, related to severance costs as a result of changes in the organization structure during the year and external legal fees incurred to defend an ongoing patent infringement lawsuit, as set out in note 6.

Operating profit decreased to £7.9m *(2020: £12.5m)* and gross profit increased to £27.9m *(2020: £26.4m)*. There has been an overall increase in operating expenditure this year, this is mainly driven by an increase in payroll related costs.

As at 31 December 2021, the Company had net assets of £23.0m *(2020: £2.9m)*. The Company's net assets include net amounts due to the NetDragon Websoft Holdings Limited subsidiaries of £2.6m *(2020: £27.3m)* and cash of £8.6m *(2020: £13.2m)*.

Product development

2021 was a year of transition for educational institutions across the globe. With COVID-19 variants raging, the pandemic peaked in some geographies while it ebbed in others. As a result, the success of schools often rested on the degree to which they could be flexible – pivoting from in-person to virtual learning in a day or accommodating classes with students in the classroom and online at home for extended periods. Promethean supported the education community with new offerings aimed at increasing flexibility, such as our distance learning bundle and our Radix partnership. In addition to our product line expansion, Promethean continued to enhance our Elements series panels and software with the updates most requested by our users.

Prometheans teams and technologies were recognized multiple times. In the UK, the sales team won an AV Award for Channel Team of the Year, and Promethean was a BETT Awards finalist for Company of the Year. Internationally, Promethean was an EdTech Breakthrough Award winner in the Next-Gen Schools category for Classroom Tech Solution of the Year. ClassFlow was the EdTech Award Cool Tool winner for Best E-Learning, Blended or Flipped Solution, and our Professional Development resource Learn Promethean won a Tech Edvocate Award.

Strategic Report (Continued)

Position at the end of the year

The Company has continued the growth in revenue within in its core business in 2021. Management is confident in the Company's product range and competitive position, practically in light of our regular launches of new technologies and features for our core products and considers the business to be well placed to take advantage of market opportunities in 2022.

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. In making their assessment, the Directors have also considered future cash flows, borrowing facility availability, and the Group'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 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.

Unlike many other businesses and industries, the COVID-19 pandemic did not have any significant or lasting negative impact on customer demand in the interactive learning technology market. In 2022, demand has continued to improve as expected due to widespread access to vaccines allow countries to fully re-open schools and educational facilities. In addition, many countries throughout the world have established extensive COVID-19 government relief funding programs. Many of these programs include funds specifically for schools to improve and enhance their interactive learning technology solutions to better function in hybrid- and distanced-learning environments. As such, the Company expects revenue in 2022 will exceed revenue in 2021.

The only negative impact of the COVID-19 pandemic that is expected to continue into 2022 are logistics and supply chain delays that have impacted a number of technology industries. These logistics challenges negatively impacted both revenue and gross profit in 2021. Despite these logistics and supply chain challenges, the Company still managed to have significant revenue growth year-over-year and only experienced a slight decline gross profit percentage year-over-year. As such, the Company does not believe that these logistics and supply chain issues will prevent the Company from meeting or exceeding the 2021 financial results in 2022.

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.

Currently no significant change has been affected to the Company's taxation and tariffs as a direct result of Brexit, as the Company only trades a limited volume of goods between the UK and EU. It has, however, become necessary to amend existing, and enter into new, Power of Attorney relationships to ensure that Promethean is correctly represented for any movement of goods between the UK and EU, or to be exported from the Company's EU warehouse location. In addition, the Company sells to its EU customers either directly from its manufacturers in China, or through its warehouse location in the EU. Furthermore, the Company's products that are sold in the UK market are imported by its UK distributors, who would be responsible for all UK customs procedures. This area is one that is being continually monitored by the executive leadership team as the UK-EU relationship continues to develop.

In line with many UK businesses, the Company employs a handful of EU nationals. The Company 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.

Certain legal requirements for the Company have changed as a result of Brexit. These include, but are not limited to, the Company being required to file separate trademark applications in the UK and the EU, and the Company being required to implement UK General Data Protection Regulations (GDPR), in addition to EU-GDPR, which was previously implemented.

Conflict in Ukraine

The Company continues to monitor the ongoing conflict between Ukraine and Russia, including its impact to both countries and the broader surrounding region. The Company currently has sufficient funds in Russia to maintain its very limited operations in Russia and in 2022 we cancelled our lease of office space in Russia. We have also revoked all credit limits with our Russia-based partners, instead requiring cash up front for any sales. Overall, the Company does not expect this conflict to have any significant or material impact on the overall Financial results.

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.

Strategic Report (Continued)

Section 172(1) statement (continued)

Engaging with stakeholders (continued)

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 through tools such as LinkedIn Learning, Watch & Go Learning, and SkillSoft, 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 "Employee Inclusion Group" is an initiative that the executive leadership team believes strengthen its ability to understand employees' needs. Similarly, courses and programs offered to managers through tools such as Harvard Manage Mentor such as "How To Coach", "Emotional Intelligence" and similar courses serve to develop the skills and capabilities of Company managers. Employee feedback from these activities and employee surveys informs how the executive leadership team builds the capability of its people managers and employees.

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, workplace 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:

Allyson Krause
Director

Registered office
Promethean House
Lower Philips Road
Whitebirk Industrial Estate
Blackburn
BB1 5TH

Directors' Report

The Directors' present their Directors' Report and the audited financial statements for the year ended 31 December 2021. 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 did not pay dividends in 2021 dividend (*2020: 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 Corporate Controller. 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 2021, 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. Sensitivities analyses are performed to assess the impact to our results of changes to certain key market risks, including interest rate risk and currency rate risk.

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 2021, the Company had net bank debt of £nil *(2020: £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.

Directors' Report (Continued)

Financial risk management (continued)

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 Company 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.

See further discussion regarding the Company's employee engagement policies and practices in the "Section 172(10 statement – Engaging with stakeholders" section in the Strategic Report.

Engagement with suppliers, customers, and others

See further discussion regarding the Company's policies and practices related to engaging with suppliers, customers, and others in the "Section 172(10 statement – Engaging with stakeholders" section in the Strategic Report.

Political contributions

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

Future developments

The Directors expect the general level of activity in 2022 to increase relative to the activity level in 2021 due to more widespread availability of COVID-19 vaccines and extensive COVID-19 government relief programs, as well as our expectation of continued growth in the global interactive learning technology market and our regular launches of new technologies and features for our core products. See further discussion regarding the expected impact of COVID-19 in the "Principal risks and uncertainties" section in the Strategic Report. The Directors monitor performance through the production of a detailed annual budget which outlines a comparison of actual performance against the budget on a monthly basis. Throughout 2022, we have seen results in line with our annual budget.

Post balance sheet events

There have been 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 Lim Kin
Ian Curtis (resigned on 2 February 2021)
Allyson Krause (appointed on 18 January 2021)
Vincent Riera (appointed on 18 January 2021)

The Company has made qualifying third-party indemnity provisions for the benefit of its directors, some of whom are also directors of other group companies, which were made during the year and remain in force at the date of this report.

Directors' Report (Continued)

Streamlined Energy and Carbon Reporting (SECR)

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2018 require the disclosure of annual UK energy consumption and greenhouse gas emissions from SECR regulated sources. The below table shows the Group's UK energy usage and greenhouse gas emissions during 2021:

Type of Emissions	Activity	Kilowatt Hours	Tonnes of Carbon Dioxide
Direct Emissions	Company Fleet	1,283	0.2
Indirect Emissions	Electricity	205,469	43.6
Indirect Emissions (Other)	Grey Fleet	27,989	6.9
Indirect Emissions (Other)	Electricity (T&D)	N/A	1.8
		234,741	52.5

The below table shows the Group's UK energy usage and greenhouse gas emissions during 2020:

Type of Emissions	Activity	Kilowatt Hours	Tonnes of Carbon Dioxide
Direct Emissions	Company Fleet	-	-
Indirect Emissions	Electricity	254,399	59.3
Indirect Emissions (Other)	Grey Fleet	72,019	17.9
Indirect Emissions (Other)	Managed Assets - Vehicles	1,207	0.3
Indirect Emissions (Other)	Electricity (T&D)	-	5.1
		327,625	82.6

In calculating the above amounts, the Group utilized the GHG Conversion Factors for Company Reporting Year 2021.

For our intensity ration measures, the Group believes that the following measures are relevant: tonnes of gross carbon dioxide per $1m of revenue generated by the UK operating entity, tonnes of gross carbon dioxide per full-time equivalent (FTE) employee, and tonnes of gross carbon dioxide per Interactive Display unit sold.

Directors' Report (Continued)

Intensity Metric

	2021	2020
Tonnes of Carbon Dioxide per $1m of Revenue	0.37	0.45
Tonnes of Carbon Dioxide per FTE Employee	0.35	0.56
Tonnes of Carbon Dioxide per Interactive Display Sold	0.01	0.01

Although we do not view climate change as a significant near-term risk to the business, the Group believe that attempting to reduce our carbon footprint is a crucial part of being a good corporate citizen and building and maintaining positive relationships with our key stakeholders. Accordingly, the Group continues to invest heavily in energy and carbon saving opportunities. The Group has completed several such energy efficiency measures in 2021. These include, but are not limited to, converting to motion sensor activated LED lighting throughout the UK office and switching off non-essential office equipment during the COVID-19 office closure.

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.

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

Allyson Krause

Allyson Krause
Director

Promethean House
Lower Philips Road
Whitebirk Industrial Estate
Blackburn
BB1 5TH
15th February 2023

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 have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 accounting 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 2021 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 balance sheet;
- the statement of comprehensive income
- 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of the audit,

Independent Auditor's Report to the members of Promethean Limited

(continued)

or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in

Other information *(continued)*

the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, Tax Legislation; and
  do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent Auditor's Report to the members of Promethean Limited
(continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud *(continued)*

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Valuation of intangibles: We assess the reasonableness of management's impairment procedures in relation to intangible assets in accordance with IAS 36 by evaluating the sensibility of forecast profitability and post year end profitability. We perform substantive testing on capitalisations in the intangible asset register for appropriateness in accordance with IAS 38.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls,

we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

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 have 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[1]

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Heather Crosby

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

15 February 2023

Profit and Loss account

for the year ended 31 December 2021	*Note*	**2021**	2020
		£000	£000
Turnover	*2*	**204,971**	**143,709**
Cost of sales		**(177,076)**	**(117,354)**
Gross profit		**27,895**	**26,355**
Exceptional items	*6*	**131**	**(230)**
Other operating expenses		**(20,072)**	**(13,623)**
Operating expenses		**(19,941)**	**(13,853)**
Operating profit		**7,954**	**12,502**
Interest receivable	*7*	**746**	**989**
Interest payable and similar expenses	*8*	**(93)**	**(122)**
Profit before taxation	*3*	**8,607**	**13,369**
Tax	*9*	**11,552**	**(74)**
Profit for the financial year		**20,159**	**13,295**

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 18-40 form an integral part of these financial statements

Balance Sheet
as at 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	10		**13,767**		12,335
Tangible assets	11		**1,336**		1,221
Investments	12		**97**		97
Deferred Taxes	9		**11,605**		-
Loans to Group Undertaking	15		**40,775**		40,775
			67,580		54,428
Current assets					
Stocks	13	**17,762**		17,934	
Debtors: amounts falling due within one year	14	**49,896**		28,669	
Cash at bank and in hand		**8,626**		13,195	
		76,284		59,798	
Creditors: amounts falling due within one year	16	**(68,159)**		(59,200)	
Contract liabilities	17	**(1,198)**		(1,018)	
Provisions for liabilities and charges	19	**(6,358)**		(5,375)	
Net current assets/(liabilities)			**569**		(5,795)
Total assets less current liabilities			**68,149**		48,633
Creditors: amounts falling due after more than one year	18		**(45,081)**		(45,724)
Net assets			**23,068**		2,909
Capital and reserves					
Called up share capital	20		**1,011**		1,011
Share premium account			**36**		36
Profit and loss account			**22,021**		1,862
Shareholder's equity			**23,068**		2,909

The notes on page 18-40 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 15 February 2023 and were signed on its behalf by:

Allyson Krause

Allyson Krause
Director

Statement of Changes in Equity

for the year ended 31 December 2020

	Share Capital £000	Share Premium £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2020	1,011	36	(11,433)	(10,386)
Total comprehensive income for the year				
Profit for the year	-	-	13,295	13,295
Balance at 31 December 2020	**1,011**	**36**	**1,862**	**2,909**

	Share Capital £000	Share Premium £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2021	1,011	36	1,862	2,909
Total comprehensive income for the year				
Profit for the year	-	-	20,159	20,159
Balance at 31 December 2021	**1,011**	**36**	**22,021**	**23,068**

The notes on pages 18-40 are an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

Promethean Limited is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. 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 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 (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 25) 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 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to IFRS 3 *Business Combinations*
- Amendments to IAS 16 *Property, Plant & Equipment – proceeds before intended use*
- Amendments to IAS 37 *Onerous Contracts – costs of fulfilling a contract*

Measurement convention

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

Notes to the financial statements (Continued)

1 Accounting policies (continued)

Measurement convention (continued)

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. See note 25 for information on the consolidated financial statements of the 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 2021, the Company Balance Sheet shows net assets of £24.3m *(2020: net assets of £2.9m)* and cash of £8.6m *(2020: £13.2m).*

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 2021 in British Pounds is disclosed at note 16.

The Company issued a discounted bond of $41.6m on 17 November 2016 to a fellow subsidiary of NetDragon Websoft Holdings Limited, which was repayable on November 18, 2020. However, during 2020, this discounted bond was exchanged for a promissory note of $45.8m with a maturity date of November 18, 2022. As of the end of 2021, this promissory note had a remaining balance of $3.5m. As of the issuance of these financial statements, this promissory note has 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 2021, the outstanding principle balance on the line of credit was $34.1m.

Unlike many other businesses and industries, the COVID-19 pandemic did not have any significant or lasting negative impact on customer demand in the interactive learning technology market in 2021. The only significant negative impact of the COVID-19 pandemic on the Company's 2021 results were logistics and supply chain delays that impacted a number of technology industries. These logistics challenges negatively impacted both revenue and gross profit in 2021. Despite these logistics and supply chain challenges, the Company still managed to have significant revenue growth year-over-year. As such, the Company concludes that COVID-19 does not have any significant impacts on the Company's ability to operate for the foreseeable future.

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.

Notes to the financial statements (Continued)

1 Accounting policies (continued)

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

The Company's investments represent equity interests in subsidiary undertakings where the Company has significant interest or control. Investments in subsidiary undertakings are stated at cost. Where appropriate, provision is made for any impairment in value and the cost for such provision is taken to the profit and loss account. An impairment loss recognised in prior periods shall be reversed if there is indication that the impairment loss may no longer exist or may have decreased. The benefit from the reversal is taken to the profit and loss account.

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) 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 Company uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the

Notes to the financial statements (Continued)

1 Accounting policies (continued)

Leases (continued)

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, plus 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 21.

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.

Notes to the financial statements (Continued)

1 Accounting policies (continued)

Taxation (continued)

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 promissory note. IFRS 9 *Financial Instruments* 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.

(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.

Notes to the financial statements (Continued)

1 Accounting policies (continued)

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) Overview of IFRS 15

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 Company 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 the Company's 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

Notes to the financial statements (Continued)

1 Accounting policies (continued)

Revenue recognition (continued)

on contractual agreements between the Company 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 Balance Sheet as deferred income and are recognised in the Profit and Loss proportionately over the period that the enhanced software services are provided.

(iv) Sale of third-party software subscription

The Company sells subscriptions for certain third-party software both with the sale of its hardware products and on a stand-alone basis. The Company believes these software subscriptions 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 subscriptions 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 this software subscription. Payments received in advance of providing these software subscriptions are recorded in the Balance Sheet as deferred income and are recognised in the Profit and Loss proportionately over the period that the software subscriptions are provided.

(v) 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 Company'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.

(vi) Warranty revenue

The Company 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 enhanced five-year and seven-year warranties, 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 or seven-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 Balance Sheet as contract liabilities and are recognised in the Profit & Loss proportionately over the period that the warranty services are provided.

(vii) Training revenue

The Company offers training services for use of its hardware and proprietary software, which is considered to 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 other products. The revenue associated with these contracts is recognised when the training services are delivered, which the Company believes represents a faithful depiction of the transfer of these training services. Payments received in advance of providing these training services are recorded in the Balance Sheet as contract liabilities and are recognised in the Profit & Loss proportionately over the period that the training services are provided.

(viii) 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.

Finance income and expenses

Finance income comprises interest income on funds invested, interest income on sublease contracts accounted for under IFRS 16, changes in the fair value of financial assets recorded at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest and commitment fee expense on borrowings, interest expense on lease liabilities recorded as required under IFRS 16, changes in the fair value of financial assets recorded at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses recognised in profit or loss are reported on a net basis.

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 in a separate caption and are separately disclosed in the notes to the financial statements.

Notes to the financial statements (Continued)

1 Accounting policies (continued)

Key accounting judgements

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* – Judgement 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.
- *Capitalization of Intangible Fixed Assets* – Judgment is required in determining whether an internally generated intangible asset meets the criteria for recognition. These conclusions impact the amount to be capitalized and the amount to be recognized as expense in a given reporting period.

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 2021, the Company had £11.5m in recognized deferred tax assets and liabilities and £3.6m 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 2021, the inventory provision was £2.6m (*2020: £2.6m*), leaving net inventory of £17.8m (*2020: £17.9m*). 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 2021, the warranty provision was £6.4m (*2020: £5.4m*). See further discussion at note 19.

Notes to the financial statements (Continued)

2 Turnover

	2021	2020
	£000	£000
Sale of goods and software	204,870	143,263
Services	101	446
	204,971	143,709

Services include maintenance and training.

Turnover is split by geographical market as follows:

	2021	2020
	£000	£000
UK & Ireland	24,686	27,159
Continental Europe	50,928	35,419
North America	103,717	43,472
Rest of the World	25,640	37,659
	204,971	143,709

3 Notes to the profit and loss account

	2021	2020
	£000	£000
Profit before taxation is stated after charging:		
Depreciation of tangible fixed assets – owned	239	240
Depreciation of tangible fixed assets – leased	183	175
Amortisation of intangible assets	5,941	4,637
Research and development expensed as incurred	288	1,044
Foreign exchange losses (gains)	1,709	(1,844)
Auditors' remuneration:		
Audit of these financial statements	77	74

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.

Notes to the financial statements (Continued)

4 Remuneration of Directors

	2021	2020
	£000	£000
Remuneration in respect of qualifying services	**214**	469
Pension contributions	**1**	10
	215	479

The emoluments of the highest paid Director were:

	2021	2020
	£000	£000
Emoluments	**214**	469
Pension contributions	**1**	10
	215	479

Company pension contributions were made on behalf of one (*2020: one*) 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	
	2021	2020
Research and development	**29**	27
Selling and distribution	**122**	126
Administration	**44**	39
	195	193

As at 31 December 2021, an average of 195 persons were employed by the Company (*2020: 193 persons*)

Notes to the financial statements (Continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Wages and salaries	**13,212**	11,731
Social security costs	**1,673**	1,483
Other pension costs (see Note 23)	**598**	573
	15,483	13,787

6 Exceptional items

	2021	2020
	£000	£000
Exceptional costs		
Reorganisation costs	**352**	185
Litigation (income)/costs	**(483)**	45
Total exceptional items	**(131)**	230

Exceptional costs/(income)

The exceptional credit for the year includes reorganisation costs of £352,000 (2020: £185,000) relating to severance costs as a result of changes to the organization structure during the year due to change in executive management personnel and the Company received £483,000 (*2020:charged £3,000*) representing legal fees incurred to defend a patent infringement lawsuit. As of 31 December 2021, we have concluded that the likelihood of a future material outflow of resources related to these lawsuits is remote.

The exceptional costs in 2020 was a result of changes to the executive management team during the year.

7 Interest receivable

	2021	2020
	£000	£000
Receivable from Group undertakings	**745**	982
Bank interest	**-**	6
Other	**1**	1
	746	989

Notes to the financial statements (Continued)

8 Interest payable and similar expenses

	2021	2020
	£000	£000
Interest and commitment fee expense on secured loan	43	66
Interest expense recorded on lease liabilities	50	56
	93	122

9 Taxation

Amounts recognised in profit or loss

	2021	2020
	£000	£000
Current tax expense		
UK tax – current tax on income for the period	(45)	45
Foreign tax – current tax on income for the period	98	29
	53	74
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	1,140	45
Recognition of previously unrecognised tax losses	(12,745)	29
	(11,605)	74
Total tax credit (credit)/expense	(11,552)	74

Reconciliation of effective tax rate

The total tax charge for the period is a benefit primarily due to the movement in deferred tax assets not previously recognised (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%) The differences are explained below:

	2021	2020
	£000	£000
Profit excluding taxation	8,607	13,369

Notes to the financial statements (Continued)

9 Taxation (continued)

Tax charge using the UK corporation tax rate of 19% (2020: 19%)	**1,635**	2,540
Non-deductible expenses	**38**	38
Utilisation of losses for which no deferred tax asset has been recognised	**(874)**	(1,597)
Change in unrecognised temporary differences	**(12,163)**	(936)
Foreign tax	**53**	29
Other	**(241)**	-
Total tax (credit)/charge for the period	**(11,552)**	74

Factors that may affect future tax charges

The standard rate of tax applied to reported profit on ordinary activities is 19% (2020 : 19%). The effective tax rate differs from the average statutory rate of 19% primarily due to a movement in deferred tax assets not previously recognized, which includes the impact on deferred tax of the UK corporation tax rate change from 19% to 25% beginning 1 April 2023.

Unrecognised deferred tax assets and liabilities

Deferred tax assets relating to tax losses of £3.9m (*2020: £12.8m*) and deductible temporary differences of less than £0.3m *(2020: £1.0m)* have not been recognised due to the uncertainty associated with future recoverability.

10 Intangible fixed assets

	Development costs
	£000
Cost	
At beginning of year	80,514
Internally generated additions	7,373
At end of year	**87,887**
Amortisation and impairment	
At beginning of year	68,179
Amortisation for the year	5,941
At end of year	**74,120**
Net book value	
At 31 December 2021	**13,767**
At 31 December 2020	12,335

Notes to the financial statements (Continued)

Capitalised development costs are not expensed as incurred as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

The amortisation charge of £5,941,000 *(2020: £4,637,000)* is recognised within operating expenses.

11 Tangible fixed assets

	Land and Buildings	Plant and equipment	Right-of-use Assets	Total
	£000	**£000**	**£000**	**£000**
Cost				
At beginning of year	231	10,930	991	12,152
Additions	-	360	177	537
Disposals	-	(12)	(101)	(113)
At end of year	**231**	**11,278**	**1,067**	**12,576**
Depreciation				
At beginning of year	231	10,352	348	10,931
Charge for the year	-	239	183	422
Disposals		(12)	(101)	(113)
At end of year	**231**	**10,579**	**430**	**11,240**
Net book value				
At 31 December 2021	**-**	**699**	**637**	**1,336**
At 31 December 2020	-	578	643	1,221

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

Notes to the financial statements (Continued)

12 Fixed asset investments

	Shares in Group undertakings	Loans to Group undertakings	Total
	£000	**£000**	**£000**
Cost			
At a January 2021 and 31 December 2021	145	7,081	7,226
Provision for impairment			
At 1 January 2021 and 31 December 2021	(48)	(7,081)	(7,129)
***Net book value* at 31 December 2021**	**97**	**-**	**97**
Net book value at 31 December 2020	97	-	97

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

	Country of incorporation	**Class of shares held**	**Principal activity**	**Ownership 2020**
Promethean GmbH [1]	Germany	Ordinary €1 Shares	Distributor of electronic equipment	100%
PrometheanSolutions LLP[2]	India	Partnership	Development office	99.9%
Promethean Eğitim Teknolojileri Sanayi Ticaret Anonim Şirketi[3]	Turkey	Ordinary 1 Turkish Lira shares	Sales Office	100%

[1] The registered address is Bamlerstraβe 5c, 45141, Essen, Germany

[2] The registered address Building No.9, Tower B, Level 12, DLF Cyber City, Phase-111, Gurgaan – 12002, Haryana, India

[3] The registered address is Levent Mahallesi CÖmert SK. Yapi Kredi Bloklari Sit. C Blok Apt. No: 1 C, 40- Besiktas, Istanbul, Turkey

Notes to the financial statements (Continued)

13 Stocks

	2021	2020
	£000	£000
Raw materials and consumables	**638**	638
Finished goods and goods for resale	**17,124**	17,296
	17,762	17,934

Inventories recognised as an expense during the year and included in cost of sales amounted to £160,813,000 *(2020: £107,719,000).*

The inventory provision at 31 December 2021 was £2,593,000 *(2020: £2,575,000).* Inventory provisions of £383,000 were created in the year *(2020: creation of £77,000).* During the year an amount of £274,000 (*2020: £11,000*) was utilised and £91,000 was released (*2020: £97,000*).

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

14 Debtors

	2021	2020
	£000	£000
Trade debtors	**13,349**	10,584
Amounts owed by Promethean Group undertakings	**34,746**	17,304
Other debtors	**1,387**	367
Prepayments and accrued income	**414**	414
	49,896	28,669

15 Loans to Group undertakings

	2021	2020
	£000	£000
Amounts owed by Promethean Group undertakings	**40,775**	40,775
	40,775	40,775

Notes to the financial statements (Continued)

16 Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	11,597	22,481
Amount due to Net Dragon Group Undertakings	2,651	27,275
Amounts owed to Promethean Group undertakings	47,896	4,675
Other taxation and social security	3	9
Accruals and deferred income	5,825	4,567
Short-term lease liabilities	187	148
Corporation Tax	-	45
	68,159	59,200

The components of Contract liabilities at 31 December 2021 are analysed in note 17.

Amounts due to Net Dragon Group Undertakings

On 17 November 2016 the Company issued a discounted bond of $41.6m, which was repayable in November 2020. In 2020, 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 18 November 2022 and is considered a current liability. As at 31 December 2021, the remaining balance on this note is £2.6m.

Secured loans

In June 2018, the Group entered into a secured revolving line of credit facility for up to $35m with Bank of America. This line is collateralized by the Group's 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 our trade receivable and the type and nature of our US inventories. As at 31 December 2021, the outstanding principle balance on the line of credit was less than $34.1m. The amount in the table above is net of capitalized debt acquisition costs.

Notes to the financial statements (Continued)

17 Contract liabilities

Contract liabilities as of 31 December are as follows:

	2021	2020
	£000	£000
Deferred revenue	**427**	78
Extended warranties	**1,671**	2,424
	2,098	2,502

The contract liabilities listed above represent refund liabilities and deferred revenue associated with sales of extended warranties. The deferred revenue amounts included as contract liabilities at 31 December 2021 represents the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) as of the 31 December 2021. These performance obligations are expected to be satisfied as follows:

	Extended warranties	Other services
	£000	£000
Contract liabilities		
1 year or less	**779**	**419**
1 to 2 years	**531**	**3**
2 or more years	**361**	**5**
	1,671	**427**

During 2021, the Company recognised $1.2m in revenue that was included in deferred revenue contract liabilities as of 1 January 2021. There were no other significant changes in contract liabilities during 2021.

The Company did not have any contract assets as at 31 December 2021 or 31 December 2020.

Notes to the financial statements (Continued)

18 Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
Long-term lease liabilities	**559**	617
Contract liabilities	**900**	1,484
Amounts owed to Promethean Group undertakings	**43,622**	43,623
	45,081	45,724

19 Provisions for liabilities and charges

	Warranty
	£000
As at 1 January 2020	4,485
Charge for the year	2,222
Utilised in the year	(1,692)
As at 31 December 2020	**5,375**
Charge for the year	2,873
Utilised in the year	(1,890)
As at 31 December 2021	**6,358**

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

Notes to the financial statements (Continued)

19 Provisions for liabilities and charges (continued)

length of warranty period varies dependent on both the product and country it is sold to; this period can vary between one, five and seven years.

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

20 Capital and reserves

Share capital	**2021**	2020
	£000	£000
Allotted, called up and fully paid		
1,010,924 Ordinary shares of £1 each	**1,011**	1,011

21 Leases

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

	Land & Building	**Motor Vehicles**	**Total**
	£000	**£000**	**£000**
Cost			
At 1 January 2021	930	61	991
Additions	174	3	177
Disposals	(101)	-	(101)
At 31 December 2021	1,003	64	1,067
Accumulated depreciation			
At 1 January 2021	320	28	348
Charge for the year	168	15	183
Disposals	(101)	-	(101)
At 31 December 2021	387	43	430
Carrying amount			
At 31 December 2021	**616**	**21**	**637**

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.

Notes to the financial statements (Continued)

21 Leases (continued)

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

	2021	2020
	£000	£000
Analysed as:		
Long-term	559	617
Short-term	198	148
	757	765

	2021	2020
	£000	£000
Maturity analysis:		
Year 1	198	148
Year 2	210	142
Year 3 - 5	349	409
Onwards	-	66
	757	765

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 £235,000 and £230,000 in 2021 and 2020.

During 2021, the Company recognized £45,000 (*2020: £40,000*) in expense relating to short-term leases. The Company recognized no expense relating to leases of low value assets. At 31 December 2021, the Company does not have any future commitments for short-term leases.

22 Commitments

At 31 December 2021, the Company had capital commitments of £38,000 (*2020: £39,000*) related to plant and equipment. These commitments are expected to be settled in the following financial year.

23 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 £598,000 (*2020: £573,000*). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes to the financial statements (Continued)

24 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.

25 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 2021, 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 principal place of business at Units 2001-05 & 11, 20th 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.