26 July 2012

Promethean World Plc
Interim results for the six months ended 30 June 2012

Budgetary pressures reduce market demand especially in the US and Europe.
Reducing cost base in line with prevailing market conditions.
Important strategic contract signed in Mexico.

Financial results

- Revenue £83.2m, down 22.9%
- Adjusted EBITDA[1] loss £0.3m (H1 2011: profit £12.6m)
- Adjusted operating loss[1] £5.7m (H1 2011: profit £9.0m)
- Exceptional items: Non-cash goodwill impairment of £140.5m, restructuring charge of £1.2m
- Operating loss, post exceptional items (including goodwill impairment), £148.5m (H1 2011: profit £4.1m)
- Pro forma net loss[1,2] £4.1m (H1 2011: net income £6.0m)
- Cash balance £8.5m as at 30 June 2012 (30 June 2011: £10.3m)
- Interim dividend nil (2011: 0.8p per share)

[1] Excluding exceptional items, share-based payments, amortisation of acquired intangible assets and fair value adjustments to deferred/contingent consideration.

[2] Stated on a pro forma basis using a tax rate of 26.0% (H1 2011: 27.5%).

Jean-Yves Charlier, Chief Executive Officer, commented:

"The education market is facing a major challenge. On the one hand, the benefits of classroom technology are increasingly recognised by teachers and educational authorities around the world. At the same time, budgetary pressures are seriously constraining educational spending. This has meant that whilst the speed of adoption of educational classroom technology has been slower than anticipated, the manner of its evolution has not.

"Against this difficult market backdrop, we have made further good progress with our technology and product offering. We have recently announced a new entry-level Interactive Display proposition and launched our Projector Price Promise to provide our customers attractive pricing on lamp and projector upgrades. Several other key products were also launched since the beginning of the year, including our collaborative education offering with the ActivTable and the new maths and reading digital content with Houghton Mifflin Harcourt.

"We have also been awarded a major contract to roll-out our ActivProgress software to over 300,000 students in Mexico and to provide up to 100,000 Mexican teachers with their own Private Planet community, which may become a model for further contracts in other territories and is a proof point of our emerging software strategy.

"In the US, which accounts for over 50% of our revenues, the up-lift in sales in the peak selling period, which starts in June, did not materialise at the levels we anticipated and sales were down 32%. International sales, which faced a tough comparator period in Europe, were also down, though to a much lesser extent. Whilst there has been some margin pressure from lower volumes and normal price competition in international tenders, the overriding issue is one of falling volumes due to total market demand. Despite these pressures, we still recorded an adjusted operating profit in our second quarter.

"We are assuming that there will be no improvement in market conditions in the near-term and have already started to streamline our organisation, including establishing a shared support centre in Shenzhen, China. We will now reduce our operating cost base by between 20% and 25% from 2011 levels. At the same time, we will protect the core strengths, which support our market leading number one or two slots in the majority of our markets. The cost reductions will benefit our second half, with the full impact being felt in 2013. We believe that these measures will deliver an underlying profitable cash positive business by the year end.

"Longer term, we believe that the future of education revolves around transformational interactive learning technology. The interactive whiteboard remains the preferred solution for whole group learning in the classroom, and it will be surrounded by 1-to-1 interactive and collaborative learning devices, all linked by software which extends beyond the classroom into student record keeping at school, district and national levels, and all supported by the availability of the content teachers need. Promethean is at the forefront of these developments and we are progressively deepening our capabilities. Our strategy is opening us to additional areas of spend and new market opportunities."

Analyst presentation

A briefing to analysts will take place at 08:15am on Thursday 26 July 2012 at Citigate, 3 London Wall Buildings, London Wall, London, EC2M 5SY. A live audiocast will be available on the investor relations section of www.prometheanworld.com.

Enquiries

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Business performance

	H1 2012	H1 2011	Change
£m unless stated			
Revenue: as reported	83.2	107.8	-22.9%
Revenue: constant currency	83.2	108.9	-23.6%
Adjusted EBITDA (loss)/profit[1]	(0.3)	12.6	-102.5%
Adjusted operating (loss)/profit[1]	(5.7)	9.0	-163.8%
Adjusted operating margin[1]	-6.9%	8.4%	n/a
Pro forma net (loss)/income[1,2]	(4.1)	6.0	n/a
Pro forma basic (loss)/earnings per share[1,2,3] (p)	(2.07)	3.01	n/a
Interim dividend per share (p)	-	0.8	n/a

Results under IFRS

	H1 2012	H1 2011	Change
£m unless stated			
Revenue	83.2	107.8	-22.9%
Operating (loss)/profit	(148.5)	4.1	n/a
Operating margin	n/a	3.8%	n/a
Net (loss)/income	(146.3)	1.6	n/a
Basic (loss)/earnings per share (p)	(73.56)	0.78	n/a

Cash flow

	H1 2012	H1 2011	Change
£m unless stated			
Free cash flow[4]	(8.3)	0.7	n/a
Cash conversion (%)	n/a	5.5%	n/a
Net cash as at 30 June	8.5	10.3	-17.1%

[1] excluding exceptional items, share-based payments, amortisation of acquired intangible assets and fair value adjustments to deferred/contingent consideration;
[2] stated on a pro forma basis using a tax rate of 26.0% (H1 2011: 27.5%);
[3] the weighted average number of ordinary shares is as per the basic EPS calculation; and
[4] defined as Adjusted EBITDA less capex less change in trading working capital.

Key metrics

	H1 2012	H1 2011	Change
Volumes			
Interactive Display Systems	65,598	80,901	-18.9%
Learner Response Systems	319,688	425,182	-24.8%
Average Selling Prices (£)			
Interactive Display Systems	1,101.6	1,176.7	-6.4%
Learner Response Systems	34.2	29.7	+15.0%
Promethean Planet (as at 30 June)			
Members	1,354,637	994,998	+36.1%
Resources	59,557	34,504	+72.6%

Operating review

Market Environment

Throughout the world, the vast majority of educational budgets are committed to teachers and to school infrastructure spend. Therefore any squeeze on budgets has a disproportionate impact on the remaining spend, including investment in technology. This is an industry-wide issue. At present, for governments, short-term pressure on costs is out-weighing the long-term imperative to improve learning standards and, given the climate of austerity, we cannot predict when budgets will return to growth.

In international markets beyond the US and Europe, countries across the world are actively exploring the adoption of interactive educational technology and are increasingly persuaded of its value. The issue here is not opportunity, it is the unpredictable timing of tenders as well as the price competition on these tenders. It will take time for the international markets beyond the US and Europe to build-up, but the overall curve of adoption across the world is not in doubt.

In whichever markets we operate, our vision of the way we see interactive educational technology working and developing is increasingly embraced by educational authorities and governments across the world. It is rapidly becoming one in which software is as important as hardware, as education systems seek to implement integrated classroom solutions.

Promethean's vision for interactive educational technology

We believe that the interactive whiteboard will continue to be the centrepiece for whole group learning in the classroom. At the same time, 1-to-1 initiatives will accelerate with the advent of the tablet in education. Promethean has a major opportunity both in continuing to position its learner response systems as entry-level devices for students but also in integrating the tablet into the classroom fabric with its ActivEngage assessment software. We also believe that learning through collaboration amongst students will accelerate and Promethean intends to play a key role with its new ActivTable offering.

Integrated classroom solutions need to provide a seamless service. They have to improve learning standards within the classroom, including the ability to instantly check students' comprehension of points as they are taught, to clarify points not understood and to stream students according to their comprehension. They need to provide easy access to all the content teachers require and to help reduce the time teachers spend preparing for lessons and marking tests. They also need to carry through to automated student record keeping in the classroom and beyond, at school level and then within districts and regions, up to national level.

This is the ecosystem we are building and our holistic solutions platform is progressively growing in strength and depth. Coupled with our number one or number two slot in our major markets worldwide, and the extremely strong links we have built with educational authorities from national policy to individual school levels, this places us in a strong position to benefit from international markets beyond the US and Europe today and from the US and European markets when they return to growth.

Financial highlights

First half Group revenues of £83.2m were 22.9% lower than the first half of 2011 (H1 2011: £107.8m) and 23.6% lower on a constant currency basis.

Our Adjusted EBITDA for the period was a loss of £0.3m (H1 2011: £12.6m). The Group made an Adjusted operating loss of £5.7m in the period (H1 2011: profit of £9.0m), which reflects both lower revenues in the period and the continued investment in new product development and strategic initiatives which gives rise to higher levels of depreciation and amortisation. Pro forma net income in the period was a loss of £4.1m (H1 2011: profit of £6.0m). At 30 June 2012 the Group had net cash of £8.5m (31 December 2011: £21.8m), as well as an undrawn revolving credit bank facility of £40m.

North America accounted for 54% of our total sales. North American revenue for the period was £44.7m, down 31.8% (H1 2011: £65.6m). The year-on-year decline largely reflects the continued budgetary pressures that districts in the US are facing, which have a disproportionate impact on third party suppliers, so that the anticipated uplift in sales in the peak selling period, which begins in June, did not materialise at the levels anticipated.

Within our International division, sales decreased by 8.9% to £38.5m (H1 2011: £42.2m). International demand is more influenced by larger volume country or district-wide tenders than in North America and consequently margins tend to be lower, with International quarterly performance year-on-year strongly influenced by the timing of such tenders. In Q1 2012, we had a large tender win in Russia which had a dilutive effect on margins.

Gross margins for the Group were 38.9%, compared to 42.0% at 30 June 2011 and 42.9% at 31 December 2011. Excluding the Russian tender, the gross margin for the Group for H1 2012 would have been approximately 40.9%.

Market share

Promethean has broadly maintained its IWB market share in the most recently available market research report provided by Futuresource. For the period ended 31 March 2012, Promethean's global share, excluding China, in the K-12 Interactive Whiteboard market on a last twelve months (LTM) basis, was 27.0% (LTM to 31 March 2011: 25.1%). For learner response systems Promethean's global K-12 market share (excluding China) was 26.5% (LTM to 31 March 2011: 29.2%). Promethean is global number two in both interactive whiteboards and learner response systems.

Cost reductions in 2012

The current market environment means that forward visibility on demand will be limited for the foreseeable future and that revenues may be more variable than in previous years. It is necessary that we cut our costs in line with the current overall fall in demand and that we do so whilst preserving the core strengths, which enable us to profit from our strong positioning in the market when underlying demand recovers.

We have already started to take steps to streamline our organisation, by (1) aligning headcount to reflect market demand, (2) simplifying the organisation, reducing management layers as well as increasing span of control and (3) transferring a number of back-office processes to a new shared service centre in China. These steps will continue to ensure a reduction in our operating costs in 2013 by between 20% and 25% from 2011 levels. The cost reduction benefits will be felt progressively, with their full effect in 2013. These actions will lead to a further exceptional charge in H2 2012 estimated to be between £4m and £8m.

Our intention is to operate profitably and cash positively in the prevailing market conditions. We currently have no bank debt and we plan to run our business on the basis that this should remain the case. Whilst we may utilise the facility on a short-term basis, our second half cash flow should benefit from a planned reduction of inventory levels, built-up to high levels of £26m in anticipation of orders which did not materialise, to more normal levels of under £20m by the year end.

Goodwill impairment

As at 30 June 2012, we have re-appraised the carrying values of our assets in view of the current economic conditions and as a result of the increased risk the discount rate which management considers to be appropriate has increased. Consequently the goodwill, the vast majority of which arose from the 2004 investment by Apax in our business, is fully impaired and has been written-off, resulting in a non-cash impairment charge of £140.5m. The impairment calculation reflects the cost base as at 30 June 2012 and therefore does not include the full future benefit of the planned cost reductions outlined above.

Product and sales developments

We have continued to invest to support our market-leading technology position and launched new products and services, strengthening our ActivClassroom portfolio to create an holistic interactive learning environment, which progressively improves learning standards and facilitates the instant measurement of teaching effectiveness in the classroom, as well as extending this to automatic measurements of student performance and record keeping beyond the classroom. Our software is designed to work on multiple technology platforms which provides an entry into schools that do not use Promethean hardware. In response to funding constraints that many customers face, we are highlighting not only the quality and depth of our integrated product offering, but also the value-for-money that our products and solutions represent and the impact they can have on education outcomes. We have introduced a new entry-level interactive Board and launched our Projector Price Promise, offering outstanding value for customers with limited budgets.

Software growth platforms

ActivEngage
ActivEngage, our assessment software, embraces the tablet in the interactive classroom fabric. We have continued to develop ActivEngage to integrate it more closely with ActivProgress and the next generation of ActivEngage is due for release in the second half.

ActivProgress
We have also been successful with further developing our ActivProgress software, our powerful integrated, web-based instructional improvement system which provides a real-time, enterprise, formative assessment platform.

Promethean Planet
Promethean Planet (www.PrometheanPlanet.com) is the world's largest interactive whiteboard community. In the year to 30 June 2012, membership grew by 36.1%, and Planet now has over 1.35 million members and almost 60,000 teaching resources, compared to 34,500 at 30 June 2011. During the first-half of 2012 the site recorded 2.2 million unique visits (H1 2011: nearly 2 million visits) and over 3.6 million downloads (H1 2011: over 3.3 million downloads). Planet provides an important source of interactive learning content, a forum for interaction between teachers plus training and support to all users.

Mexican ActivProgress contract and first Private Planet

In Mexico, following a successful pilot in four States, we have signed a contract to roll-out ActivProgress to over 300,000 students in a number of states and to provide up to 100,000 teachers with access to their own customised Private Planet community. The site will provide a community to encourage, support and prepare teachers for the digital environment and promote sharing their digital practice and resources.

This contract validates our strategy. Charged on a per-student (ActivProgress) and a per-teacher (Planet) basis, they provide recurring subscription revenue. These solutions may become a model adopted in other educational territories and multiple discussions are taking place.

ActivTable

At BETT in January 2012, we previewed the ActivTable our multi-touch, multi-user collaborative learning solution, for which orders have been taken and which will begin shipping in H2 2012. The ActivTable, at which up to six students can work simultaneously, is complementary to our interactive display systems (a whole class learning solution) and our LRS devices and software (individual learning).

Strategic partnerships

Houghton Mifflin Harcourt
The first two collections of interactive lessons, developed in conjunction with Houghton Mifflin Harcourt (HMH) are being launched in H2. These cover mathematics for grades K-11 that follows HMH's award-winning programs, GOMath! and On Core Mathematics, as well as reading for K-6 based on HMH's Journeys series. All lessons are designed to run on any interactive whiteboard. However, it is Promethean's presentation software ActivInspire that delivers the interactivity. On an interactive whiteboard, students engage in on-screen modeling of concepts, use visual and tactile manipulations to reinforce their understanding of maths concepts, or work together to solve digital maths equations.

Channel One
Promethean, Channel One News and the National PTA (in the US) have launched The Parent Connection, a new program that will deliver daily Channel One News InterActiv broadcasts shown in the classroom directly to parents' smartphones. Boosting parent engagement is a critical intervention strategy and one that should help districts maximise the return on their other investments in education. For districts using Promethean ActivProgress, parents will be able to see how well their child performed on any Channel One News broadcasts, their school performance, and have topics for discussion based on the broadcast content.

Dividend

The Board fully understands the importance of dividends to shareholders. However, in the light of the prevailing market conditions and the measures planned to realign the Group's cost base, the Board is suspending the interim dividend and will consider the payment of a final dividend when it considers the results for the year as a whole.

Outlook

We expect our core markets to continue to be very challenging, but we expect our second half to reflect the normal seasonality of our business, the new products that we are bringing to market, the progressive effect of our cost reductions and the reduction in inventory levels. Beyond the US and Europe, the performance of our international markets will be dictated by the often unpredictable timing of major contracts, and margins on these contracts will remain subject to price competition.

The actions we are putting in place to reduce costs are intended to enable us to operate profitably in the prevailing market conditions. Longer-term, we are well positioned to benefit from the drivers of demand for educational technology, which remain in place.

Financial review

Revenue

First-half revenues were £83.2m, down £24.6m, or 22.9%, versus 2011 (H1 2011: £107.8m). By product segment, interactive display systems revenues were £72.3m, 24.1% lower than sales of £95.2m last year. Learner response system revenues for the first-half were £10.9m, a 13.5% reduction compared with £12.6m last year.

Product Volumes / Average Selling Prices

Promethean sold 65,598 interactive display systems (H1 2011: 80,901 systems) and 319,688 learner response system handsets (H1 2011: 425,182 handsets), decreases of 18.9% and 24.8% respectively compared to the same period last year.

The average selling price (ASP) for interactive display systems in the first-half of 2012 decreased to £1,102 from £1,177 in H1 2011, a fall of 6.4%. The reduction in ASP was principally due to a higher proportion of sales being derived from International markets where ASPs are lower primarily due to product mix.

In the first half of 2012, the ASP for learner response system handsets increased to £34.2, from £29.7 in the same period of 2011, or by 15.0%, primarily due to the new ActivExpression handset launched in H2 2011.

Gross profit

During the first half of the year Promethean's gross profit was £32.4m, which was £13.0m, or 28.6% down from £45.3m in H1 2011, principally due to the reduction in revenues in the period.

Gross margin in the first-half was 38.9% (H1 2011: 42.0%), due to the reduction in volumes, product mix, the increased proportion of revenues from International markets, the dilutive impact of the Russian tender win on margins and overall market conditions.

Operating expenses

Operating expenses, excluding exceptional items, share-based payments, depreciation and amortisation, were flat at £32.7m in H1 2012. The Group's sales and marketing expenses, increased by £0.2m to £23.0m and, as a percentage of revenue, increased to 27.6% from 21.2% last year. Administrative expenses fell by £0.4m or 6.4% to £5.9m (H1 2011: £6.3m).

Total gross research and development expenditure (before amounts capitalised) increased from £7.0m in the first half of 2011 to £8.3m in the first half of 2012, an increase of 17.4%. The increase reflects the continued investment by Promethean in the development of new products. Net of capitalised expenditure, research and development costs increased to £3.8m from £3.5m last year.

Exceptional costs

In H1 2012, the Group incurred exceptional reorganisation costs of £1.2m primarily relating to the initial restructuring of the business.

In the light of the sharp fall in sales in the US market and the continuing impact of austerity measures, which has been significantly worse than previously anticipated, and the lack of short-term visibility in the education markets, the Board has reviewed the carrying value of the Group's net assets. Based on assumptions of near term projections and the use of an increased discount factor, a non-cash goodwill impairment charge of £140.5m has been recognised in the period. The majority of this goodwill was created in 2004 at the time Apax invested in the business.

EBITDA and EBIT

Adjusted EBITDA excludes exceptional costs and share-based payments. Promethean's Adjusted EBITDA was a loss of £0.3m in H1 2012 compared to a profit of £12.6m in H1 2011. Adjusted EBITDA margin was -0.4%, down from 11.7% in H1 2011.

Depreciation and amortisation (excluding the amortisation of acquired intangible assets) increased from £3.6m in H1 2011 to £5.4m in H1 2012, an increase of £1.8m, reflecting the progressive increases of investment in infrastructure and product development over a number of years.

Promethean's Adjusted EBIT was a loss of £5.7m in H1 2012 compared to a profit of £9.0m in H1 2011. As a consequence of lower revenues and increased depreciation and amortisation charges, the Adjusted EBIT margin for the period was -6.9% (H1 2011: 8.4%).

Interest and tax

The Group had net finance income of £0.2m compared to net finance costs of £0.8m in H1 2011, principally driven by foreign exchange gains of £0.3m (H1 2011: £0.6m loss).

The Group's consolidated underlying effective tax rate for H1 2012 was 26.0% compared to 27.5% in H1 2011. The movement in the effective tax rate reflects the relative change in weighting of trading results by tax jurisdiction.

Pro forma net income and earnings per share

On a pro forma basis, excluding amortisation of acquired intangible assets, fair value adjustments to deferred/contingent consideration and exceptional items and assuming a tax rate of 26.0% (H1 2011: 27.5%), in H1 2012 there was an adjusted net loss of £4.1m compared to net income of £6.0m in H1 2011. Pro forma earnings per share, calculated by reference to the weighted average number of ordinary shares per the basic EPS calculation, was a loss of 2.07p in H1 2012 (H1 2011: earnings per share of 3.01p) and is set out as follows:

£m unless stated	**H1 2012**	H1 2011
(Loss)/earnings Before Tax as reported	**(148.3)**	3.3
Adjusted for:		
Exceptional items and ordinary share-based payments	**142.4**	4.5
Amortisation of acquired intangible assets	**0.4**	0.4
Fair value adjustment to deferred/contingent consideration	**-**	0.1
Pro forma EBT	**(5.5)**	8.3
Tax thereon (2012: 26% & 2011: 27.5%)	**1.4**	(2.3)
Pro forma net (loss)/ income	**(4.1)**	6.0
Number of ordinary shares (m)[1]	**198.9**	199.7
Pro forma basic (loss)/earnings per share (p)	**(2.07)**	3.01

[1] The number of ordinary shares is the weighted average number of ordinary shares as per the basic EPS calculation.

Cash flow

As at 30 June 2012, the Group had a net cash balance of £8.5m (30 June 2011: £10.3m).

In the first half of 2012, the Group's free cash flow (defined as Adjusted EBITDA less capital expenditure and changes in trading working capital) was an outflow of £8.3m, compared to a £0.7m inflow for H1 2011. Free cash flow in the period was impacted by higher than usual levels of inventory due to the delays in certain large tenders, lower than anticipated sales and payments relating to Channel One and Houghton Mifflin Harcourt. In the second half of 2012, it is intended that inventory levels will be managed down to more normal levels, which would be expected to be less than £20m.

The Group has available a £40m multi-currency revolving credit facility that was undrawn during the period. The covenants on the facility are in respect of a leverage ratio covenant of net debt/Adjusted EBITDA (≤3.5x) and an interest cover covenant of Adjusted EBITDA/net interest (≥4.0x) and are measured every half year on an LTM basis. The Group had ample headroom under the covenant tests at 30 June 2012.

Free cash flow for the twelve months ended 30 June 2012 was £9.0m compared to £18.0m for the twelve months to 31 December 2011, representing cash conversion rates of 49% and 58% respectively.

Risks and uncertainties

The Group faces a number of risks and uncertainties which could have a material impact upon its long-term performance. These risks are both internal and external. The Board has an established set of processes which assists in the identification, evaluation and management of these risks.

The principal risks and uncertainties facing the Group at 30 June 2012 are consistent with those set out on pages 22 to 26 of the Annual Report and Accounts 2011 (a copy of which is available from the investor section of the Group's website www.prometheanworld.com). These risks remain valid as regards their potential to impact the Group. No new significant risks have been identified during the current period however the risk regarding global economic conditions has increased.

Going concern

The Group meets its day-to-day working capital requirements through operating cash flows, supplemented if required by borrowings. The Directors have prepared cash flow projections for the period to December 2013 which shows that the Group is capable of continuing to operate within its existing facilities and can meet the covenant tests set out within the facility.

On the basis of the above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the forseeable future. Accordingly the going concern basis of accounting continues to be adopted in preparing the interim financial statements.

Segmental analysis

North America

Promethean's North America business segment consists of the United States, Canada, and the Caribbean with the United States accounting for the large majority of sales in the segment (in both revenue and volume terms).

In H1 2012 Promethean's North America revenue of £44.7m was 31.8% below 2011 (H1 2011: £65.6m). Interactive display system revenues were £35.8m (H1 2011: £54.6m) and sales of learner response systems of £9.0m (H1 2011: £11.0m) reductions of 34.5% and 18.6% respectively.

Sales volumes of interactive display systems reduced to 23,259 from 36,475 in H1 2011 with the ASP improving to £1,538 (H1 2011: £1,497). LRS handset sales of 252,476 units represent a reduction from 356,942 units in H1 2011, reflecting the challenging market conditions in the US. The ASP of the LRS handsets increased to £35.6 (H1 2011: £30.9), reflecting the introduction of the next generation ActivExpression handset in late 2011.

Gross profit for North America was £19.5m in H1 2012 (H2 2011: £29.5m), primarily a function of lower revenues in the period. The gross margin in North America was 43.7% (H1 2011: 45.0%).

International

Promethean's International business division consists of the UK & Ireland, Continental Europe and the Rest of the World.

First-half revenues of £38.5m were 8.9% below last year (H1 2011: £42.2m). Sales of interactive display systems were 10.1% lower at £36.5m (H1 2011: £40.6m). Sales volumes were 42,339 in H1 2012 down from 44,426 in H1 2011, ASP reduced by 5.6% to £862 (H1 2010: £914).

Markets for learner response systems sales outside of North America remain relatively immature with low penetration rates, handset sales remained broadly flat at 67,212 units in the first-half of the year (H1 2011: 68,240). As a result of an increased ASP per unit of £29.1, LRS revenues increased by 20.6% to £2.0m (H1 2011: £1.6m).

Gross profit for International was £12.8m in H1 2012, down by £3.0m from £15.8m in H1 2011. The gross margin in International was 33.4% (H1 2011: 37.5%), primarily reflecting the impact of the Russian tender, but also reflecting the price competition in the emerging markets.

Forward looking statements

The information in this release is based on management information.

This report may include statements that are forward looking in nature. The words "believe", "anticipate", "expect", "intend", "may" and "should" and other similar expressions that are predictions of, or indicate, future events or trends are forward looking statements. By their nature, forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Accordingly, forward looking statements are not, and should not be construed as being, guarantees of the Company's future performance, financial condition or liquidity, or of the development of, or trends affecting, the industry in which the Company operates. Except as required by the Listing Rules and applicable law, the Company undertakes no obligation to update, revise or change any forward looking statements to reflect events or developments occurring after the date of this report.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Approved by the Board and signed on its behalf by

Jean-Yves Charlier
Chief Executive Officer
25 July 2012

The Directors who served throughout the period were:

Graham Howe	Chairman
Jean-Yves Charlier	Chief Executive Officer
Neil Johnson	Chief Financial Officer
Lord Puttnam	Senior Independent Director
Tony Cann	Non-Executive Director
Philip Rowley	Non-Executive Director
Dante Roscini	Non-Executive Director

Condensed Consolidated Income Statement

For the period ended

	Note	**6 months to 30 June 2012 £000**	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
Revenue	5	**83,194**	107,835	222,894
Cost of sales		**(50,821)**	(62,504)	(127,334)
Gross profit	5	**32,373**	45,331	95,560
Operating expenses		**(180,916)**	(41,212)	(78,145)
Analysis of results from operating activities:				
(Loss)/earnings before interest, tax, depreciation, amortisation, exceptional costs and share-based payments		**(321)**	12,629	31,109
Depreciation and amortisation (excluding amortisation of acquired intangible assets)		**(5,428)**	(3,613)	(7,687)
Amortisation of acquired intangible assets		**(402)**	(396)	(796)
Exceptional costs	6	**(141,730)**	(4,465)	(5,963)
Exceptional income		**—**	—	1,282
Share-based payments	12	**(662)**	(36)	(530)
Results from operating activities		**(148,543)**	4,119	17,415
Finance income	7	**429**	19	411
Finance expense	7	**(235)**	(865)	(1,731)
Net finance income/(expense)		**194**	(846)	(1,320)
(Loss)/profit before income tax		**(148,349)**	3,273	16,095
Income tax credit/(expense)	8	**2,040**	(1,708)	(4,923)
(Loss)/profit for the period [1]		**(146,309)**	1,565	11,172
(Loss)/earnings per share				
Basic (loss)/earnings per share (pence)	11	**(73.56)**	0.78	5.59
Diluted (loss)/earnings per share (pence)	11	**(72.66)**	0.78	5.54

[1] All attributable to Equity shareholders and is entirely from continuing operations.

Condensed Consolidated Statement of Comprehensive Income

For the period ended

	6 months to 30 June 2012 £000	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
(Loss)/profit for the period from the income statement	**(146,309)**	1,565	11,172
Foreign currency translation differences - foreign operations	**37**	(350)	993
Net loss on net investments in foreign operations	**(423)**	(309)	(120)
Total comprehensive (loss)/income for the period [1]	**(146,695)**	906	12,045

[1] All attributable to Equity shareholders and is entirely from continuing operations.

Condensed Consolidated Statement of Financial Position

Registered number 7118000

As at

	Note	**30 June 2012 £000**	30 June 2011 £000	31 December 2011 £000
Assets				
Property, plant and equipment		**14,245**	14,817	14,877
Intangible assets	10	**21,568**	157,739	160,839
Deferred tax assets		**3,748**	3,421	2,087
Total non-current assets		**39,561**	175,977	177,803
Inventories		**26,182**	18,441	18,237
Derivative financial instruments		**437**	111	356
Trade and other receivables		**42,257**	52,567	39,619
Current tax assets		**—**	229	1,649
Cash and cash equivalents		**8,523**	10,275	21,802
Total current assets		**77,399**	81,623	81,663
Total assets		**116,960**	257,600	259,466
Liabilities				
Trade and other payables		**(41,294)**	(39,688)	(32,841)
Derivative financial instruments		**(269)**	(782)	(83)
Provisions		**(3,725)**	(4,271)	(3,954)
Current tax liabilities		**(668)**	—	(961)
Total current liabilities		**(45,956)**	(44,741)	(37,839)
Other payables		**(37)**	(55)	(37)
Provisions		**(160)**	(294)	(227)
Deferred tax liabilities		**(632)**	(1,875)	(1,686)
Total non-current liabilities		**(829)**	(2,224)	(1,950)
Total liabilities		**(46,785)**	(46,965)	(39,789)
Net assets		**70,175**	210,635	219,677
Equity				
Share capital		**20,000**	20,000	20,000
Share premium		**99,796**	99,796	99,796
Capital reserve		**93,990**	93,990	93,990
Translation reserve (FCTR)		**5,141**	3,995	5,527
Retained earnings		**(148,752)**	(7,146)	364
Total equity (all attributable to equity holders of the Company)		**70,175**	210,635	219,677

Condensed Consolidated Statement of Changes in Equity

For the six months to 30 June 2011

	Share capital £000	Share premium £000	Capital reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2011	20,000	99,796	93,990	4,654	(6,177)	212,263
Total comprehensive income for the period						
Profit for the period	—	—	—	—	1,565	1,565
Foreign currency translation differences	—	—	—	(350)	—	(350)
Net loss on net investment in foreign operations	—	—	—	(309)	—	(309)
Total other comprehensive income	—	—	—	(659)	—	(659)
Total comprehensive income for the period	—	—	—	(659)	1,565	906
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends to equity holders	—	—	—	—	(2,692)	(2,692)
Share-based payments (net of tax)	—	—	—	—	158	158
Total contributions by and distributions to owners	—	—	—	—	(2,534)	(2,534)
Balance at 30 June 2011	**20,000**	**99,796**	**93,990**	**3,995**	**(7,146)**	**210,635**

Condensed Consolidated Statement of Changes in Equity

For the year to 31 December 2011

	Share capital £000	Share premium £000	Capital reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2011	20,000	99,796	93,990	4,654	(6,177)	212,263
Total comprehensive income for the period						
Profit for the period	—	—	—	—	11,172	11,172
Foreign currency translation differences	—	—	—	993	—	993
Net loss on net investment in foreign operations	—	—	—	(120)	—	(120)
Total other comprehensive income	—	—	—	873	—	873
Total comprehensive income for the period	—	—	—	873	11,172	12,045
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Purchase of own shares by Employee Benefit Trust	—	—	—	—	(889)	(889)
Dividends to equity holders	—	—	—	—	(4,289)	(4,289)
Share-based payments (net of tax)	—	—	—	—	547	547
Total contributions by and distributions to owners	—	—	—	—	(4,631)	(4,631)
Balance at 31 December 2011	**20,000**	**99,796**	**93,990**	**5,527**	**364**	**219,677**

Condensed Consolidated Statement of Changes in Equity

For the six months to 30 June 2012

	Share capital £000	Share premium £000	Capital reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2012	20,000	99,796	93,990	5,527	364	219,677
Total comprehensive income for the period						
Loss for the period	—	—	—	—	(146,309)	(146,309)
Foreign currency translation differences	—	—	—	37	—	37
Net loss on net investment in foreign operations	—	—	—	(423)	—	(423)
Total other comprehensive loss	—	—	—	(386)	—	(386)
Total comprehensive loss for the period	—	—	—	(386)	(146,309)	(146,695)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends to equity holders	—	—	—	—	(3,368)	(3,368)
Share-based payments (net of tax)	—	—	—	—	561	561
Total contributions by and distributions to owners	—	—	—	—	(2,807)	(2,807)
Balance at 30 June 2012	**20,000**	**99,796**	**93,990**	**5,141**	**(148,752)**	**70,175**

Condensed Consolidated Statement of Cash flows

For the period ended

	Note	**6 months to 30 June 2012 £000**	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
Cash flows from operating activities				
(Loss)/profit for the period		**(146,309)**	1,565	11,172
Adjustments for:				
Depreciation		**2,282**	1,984	3,918
Amortisation of intangible assets		**3,548**	2,025	4,565
Impairment of goodwill		**140,503**	—	—
Impairment losses on property, plant and equipment		**—**	—	548
Impairment losses on investments		**—**	2,939	2,939
Gain on sale of property, plant and equipment		**—**	—	(7)
Net finance (income)/expense		**(194)**	846	1,320
Income tax (credit)/expense		**(2,040)**	1,708	4,923
Share-based payments		**662**	207	685
		(1,548)	11,274	30,063
Change in inventories		**(8,221)**	624	1,617
Change in trade and other receivables		**(2,786)**	(20,127)	(5,754)
Change in trade and other payables		**9,420**	12,816	4,048
Change in provisions		**155**	(69)	(604)
Cash (used in)/generated from operations		**(2,980)**	4,518	29,370
Finance cost paid		**(258)**	(100)	(286)
Income tax received/(paid)		**577**	(154)	(2,838)
Net cash (outflow)/inflow from operating activities		**(2,661)**	4,264	26,246
Cash flows from investing activities				
Finance income received		**59**	19	69
Cash inflow/(outflow) from settlement of derivatives		**409**	(172)	(204)
Proceeds from sale of property, plant and equipment		**—**	—	14
Deferred consideration arising from acquisition of subsidiary		**(1,096)**	—	—
Acquisition of property, plant and equipment		**(1,684)**	(1,905)	(4,277)
Development expenditure	10	**(4,846)**	(3,724)	(9,383)
Net cash used in investing activities		**(7,158)**	(5,782)	(13,781)
Cash flows from financing activities				
Purchase of own shares by Employee Benefit Trust		**—**	—	(889)
Dividends paid		**(3,368)**	(2,692)	(4,289)
Net cash used in financing activities		**(3,368)**	(2,692)	(5,178)
Net (decrease)/increase in cash and cash equivalents		**(13,187)**	(4,210)	7,287
Cash and cash equivalents at 1 January		**21,802**	14,506	14,506
Exchange rate effects		**(92)**	(21)	9
Cash and cash equivalents at period end		**8,523**	10,275	21,802

Notes

Forming part of the condensed interim financial statements

1 Reporting entity

Promethean World Plc (the "Company") is a company registered in England and Wales. The address of the Company's registered office is Promethean House, Lower Philips Road, Blackburn, Lancashire BB1 5TH.

The condensed interim consolidated financial statements of the Company as at and for the 6 months ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities").

The Group's Promethean brand is a world leader in the global market for interactive learning technology. The Group creates, develops, supplies and supports leading edge, interactive learning technology primarily for the education market. Promethean's ActivClassroom brings together its interactive display systems (ActivBoard), its Learner Response Systems (ActiVote and ActivExpression), its formative assessment software (ActivProgress) and its suite of specialised teaching software (ActivInspire).

Promethean also provides comprehensive training and support and, now with over one million members, the rapidly growing Promethean Planet (www.prometheanplanet.com) is the world's largest online community for users of interactive learning technology, providing user-generated and premium content and is a forum for teachers to exchange ideas and experience.

2 Statement of compliance

These condensed consolidated interim financial statements of Promethean World Plc have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of Promethean World Plc as at 31 December 2011 which have been prepared in accordance with IFRSs as adopted by the EU.

The comparative figures for the year ended 31 December 2011 are not the Group's statutory accounts for that financial year. Those accounts have been reported upon by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 July 2012.

3 Accounting policies

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of Promethean World Plc's published consolidated financial statements for the year ended 31 December 2011.

Changes in accounting policy

There has been no impact during the period to 30 June 2012 resulting from new accounting standards or amendments to existing accounting standards that became effective for the Group from 1 January 2012.

Going concern

The Group meets its day-to-day working capital requirements through operating cash flows, supplemented if required by borrowings. The Directors have prepared cash flow projections for the period to December 2013 which shows that the Group is capable of continuing to operate within its existing facilities and can meet the covenant tests set out within the facility

On the basis of the above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the forseeable future. Accordingly the going concern basis of accounting continues to be adopted in preparing the interim financial statements.

Notes

Forming part of the condensed interim financial statements

4 Estimates

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of Promethean World Plc as at and for the year ended 31 December 2011.

5 Operating segments

There are two reportable segments identified by the Group, based on the destination of sales, North America and International and they do not arise as a result of an aggregation process. Performance by segment is managed and reviewed to gross profit. For internal reporting purposes, aside from trade receivables, no allocation is made between these segments for balances in the statement of financial position, as regardless of an asset's geographical location it could serve each business segment. Disclosures of segment performance are provided in the tables below:

Reportable segment revenue

	6 months to 30 June 2012 £000	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
North America	**44,744**	65,635	129,650
International	**38,450**	42,200	93,244
	83,194	107,835	222,894

Reportable segment profit (gross profit)

	6 months to 30 June 2012 £000	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
North America	**19,544**	29,507	57,669
International	**12,829**	15,824	37,891
	32,373	45,331	95,560

Notes

Forming part of the condensed interim financial statements

5 Operating segments (continued)

Reconciliation to (loss)/profit before income tax

	6 months to 30 June 2012 £000	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
Reportable segmental profit (gross profit)	**32,373**	45,331	95,560
Sales and marketing expenses	**(23,000)**	(22,836)	(46,086)
Administrative expenses	**(5,926)**	(6,333)	(11,162)
Research and development (net)	**(3,768)**	(3,533)	(7,203)
Adjusted EBITDA	**(321)**	12,629	31,109
Depreciation and amortisation costs	**(5,428)**	(3,613)	(7,687)
Amortisation of acquired intangibles	**(402)**	(396)	(796)
Exceptional costs[1]	**(141,730)**	(4,465)	(5,963)
Exceptional income	**—**	—	1,282
Share-based payments	**(662)**	(36)	(530)
Net finance income/(expense)	**194**	(846)	(1,320)
(Loss)/profit before income tax	**(148,349)**	3,273	16,095

[1] Further details of the exceptional costs are disclosed in note 6.

Further analysis of the Group's revenues by type of product is provided below:

Revenue by product

	6 months to 30 June 2012 £000	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
Interactive display systems and accessories	**72,264**	95,196	196,228
Learner Response Systems & Assessment (LRSA)	**10,930**	12,639	26,666
	83,194	107,835	222,894

Interactive display systems and accessories revenue by region

	6 months to 30 June 2012 £000	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
North America	**35,767**	54,608	106,982
International	**36,497**	40,588	89,246
	72,264	95,196	196,228

Learner Response Systems & Assessment revenue by region

	6 months to 30 June 2012 £000	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
North America	**8,977**	11,027	22,668
International	**1,953**	1,612	3,998
	10,930	12,639	26,666

Notes

Forming part of the condensed interim financial statements

6 Exceptional costs

In the six months to 30 June 2012, the Group incurred exceptional reorganisation costs of £1,227,000 primarily relating to the initial restructuring of the business. Details of the non-cash exceptional goodwill impairment of £140,503,000 are disclosed in note 10.

The exceptional costs in the six months to 30 June 2011 included £1,355,000 in respect of redundancy costs and a share-based payments charge of £171,000 in respect of the IPO Option Plan, classified as an exceptional cost due to its one-off nature. Also in the six months to 30 June 2011, the Group recognised an exceptional impairment charge of £2,939,000 in respect of its investment in Flatfrog Laboratories A.B.

7 Finance income and expense

	6 months to 30 June 2012 £000	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
Interest on bank deposits	**59**	19	69
Net change in the fair value of financial assets at fair value through profit or loss	**—**	—	342
Foreign exchange gains	**370**	—	—
Finance income	**429**	19	411
Interest expense on bank and other loans	**(98)**	(102)	(198)
Debt issue costs amortised	**(32)**	(32)	(64)
Foreign exchange losses	**—**	(3)	(1,194)
Fair value adjustment to deferred/contingent consideration	**—**	(126)	(275)
Net change in the fair value of financial assets at fair value through profit or loss	**(105)**	(602)	—
Finance expense	**(235)**	(865)	(1,731)
Net finance income/(expense)	**194**	(846)	(1,320)

The changes in fair value of financial assets at fair value through profit or loss result from the movements, during the period, in the mark to market valuation of the Group's outstanding foreign currency instruments.

8 Income tax (credit)/expense

	6 months to 30 June 2012 £000	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
Current tax expense	**774**	1,836	4,000
Deferred tax (credit)/expense	**(2,814)**	(128)	923
Total income tax (credit)/expense	**(2,040)**	1,708	4,923

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated reported tax rate for the six months ended 30 June 2012 was 1.4% (six months ended 30 June 2011: 52.2%) primarily resulting from the £140.5m impairment of goodwill. In the six months to 30 June 2011, the reported tax rate was high primarily due to the assumption that there was not a corporation tax deduction for the impairment of the investment in Flatfrog Laboratories A.B.

On 21 March 2012 the Chancellor announced the reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012. This change became substantively enacted on 26 March 2012 and therefore the effect of the rate reduction creates a reduction in the deferred tax liability which has been included in the figures above.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2013 and 22% by 1 April 2014. The reduction to 23% was substantively enacted on 3 July 2012 but as this was after the balance sheet date this reduction is not included in the figures above. The overall effect of the further reduction from 24% to 23%, if these applied to the deferred tax balance at 30 June 2012, would be to further reduce the deferred tax liability by approximately £50,000.

9 Dividends

In the light of prevailing market conditions and the measures planned to realign the Group's cost base, the Board is suspending the interim dividend (2011: interim dividend of 0.80 pence per share, totaling £1,597,000).

Notes

Forming part of the condensed interim financial statements

10 Intangible assets

The movements in the net book value of the Group's intangible assets in the six months to 30 June 2012 were as follows:

	Goodwill £000	Development costs £000	Customer contracts £000	Total £000
Net book value as at 1 January 2012	140,546	20,191	102	160,839
Additions – internal	—	4,482	—	4,482
Additions – external	—	364	—	364
Impairment of goodwill	(140,503)	—	—	(140,503)
Effect of movements in exchange rates	(43)	(23)	—	(66)
Amortisation for the period	—	(3,516)	(32)	(3,548)
Net book value as at 30 June 2012	**—**	**21,498**	**70**	**21,568**
Net book value as at 30 June 2011	140,399	17,210	130	157,739

Goodwill

The recoverable amounts of all CGUs are based on value in use calculations being the higher of value in use and fair value less costs to sell. Value in use is determined by discounting the future cash flows generated from the continuing use of each CGU. It is considered appropriate to use a five-year forecast period and subsequently into perpetuity, with a discount rate applied.

The cash flow projections for the 18 month period from 30 June 2012, are based on forecasts produced in the light of deteriorating sales in the US market, and the impact of continuing austerity measures and the worsening education budgetary pressures lack of short-term visibility in the education markets in the US and in Europe in particular.

Revenue growth assumptions for the remainder of the five year period are based on the Group's five year plan forecasts, which take into account the Group's historical experience in the context of wider industry and economic conditions and information obtained from external industry sources (2011: same basis).

In the latest forecasts, revenue is assumed to grow from the end of 2013 by a compound annual growth rate of 3.5% during the last three years of the forecast period from 2014–2016 (31 December 2011: five year annual growth rate of 4.3% from the end of 2011). The assumed terminal growth rate after 2016 is 2% per annum (31 December 2011: 3%).

Gross margins are assumed to be broadly maintained at historic levels (2011: same basis).

The value in use calculation reflects the cost base as at 30 June 2012 and therefore does not include the future benefit of the resizing of the Group's cost base in H2 2012, as this was not formally committed to as at 30 June 2012.

Future cash flows of each CGU are discounted at a pre-tax rate of 15.29% per annum (2011: 14.16% for each CGU). The discount rates are based on a weighted average cost of capital (WACC) for the Group as adjusted for risk. The WACC is derived by taking the average of the results using the Capital Asset Pricing Model (CAPM) and dividend growth model using market data.

The value in use analysis, the assumptions for which are outlined above, indicated that goodwill is impaired to the value of £140,503,000 (2011: significant headroom).

The amount of goodwill that is tax deductible is £nil (2010: £nil).

Notes

Forming part of the condensed interim financial statements

11 (Loss)/earnings per share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to ordinary shareholders as disclosed below and a weighted average number of ordinary shares outstanding, calculated as follows:

(Loss)/profit attributable to ordinary shareholders

	6 months to 30 June 2012 £000	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
(Loss)/profit for the period attributable to ordinary shareholders	**(146,309)**	1,565	11,172

Weighted average number of ordinary shares

	6 months to 30 June 2012 £000	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
In thousands of shares			
Issued ordinary shares at 1 January	**200,000**	200,000	200,000
Less: Weighted average Promethean World Plc shares held by the Employee Benefit Trust	**(1,854)**	(613)	(709)
Effect of dilutive vested share options not yet exercised	**763**	338	504
Weighted average number of ordinary shares at period end	**198,909**	199,725	199,795
Basic (loss)/earnings per share (pence)	**(73.56)**	0.78	5.59

Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share at 30 June 2012 was based on (loss)/profit attributable to ordinary shareholders as disclosed below, and a weighted average number of ordinary shares outstanding calculated as follows:

	6 months to 30 June 2012 £000	6 months to 30 June 2011 £000	Year ended 31 December 2011 £000
(Loss)/profit attributable to ordinary shareholders (basic and diluted)	**(146,309)**	1,565	11,172
Weighted average number of shares (basic)	**198,909**	199,725	199,795
Effect of conversion of Promethean World Plc share options	**2,464**	2,082	1,881
Weighted average number of shares (diluted)	**201,373**	201,807	201,676
Diluted (loss)/earnings per share (pence)	**(72.66)**	0.78	5.54

12 Share-based payments
The terms and conditions of the share option schemes in place at 31 December 2011 are provided in the consolidated financial statements for Promethean World Plc as at 31 December 2011.

On 26 March 2012 and 30 April 2012, 47,641 and 3,031,000 nil cost options were granted respectively under the Promethean Performance Share Plan (PSP). The terms and conditions of the Promethean PSP are consistent with those provided in the consolidated financial statements for Promethean World Plc as at 31 December 2011 for the 2011 grant.

£171,000 of the £207,000 share-based payment charge for the six months to 30 June 2011 related to the IPO Option Plan and was therefore disclosed within exceptional costs.

13 Related parties
There have been no new related party transactions or changes to the nature of related party transactions previously described in the 2011 consolidated financial statements of Promethean World Plc that could have a material effect on the financial position or performance of the Group in the period.

Independent Review Report by KPMG Audit Plc to Promethean World Plc

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.
This report is made solely to the Company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Stuart Burdass
For and on behalf of KPMG Audit Plc
Chartered Accountants
Manchester
25 July 2012