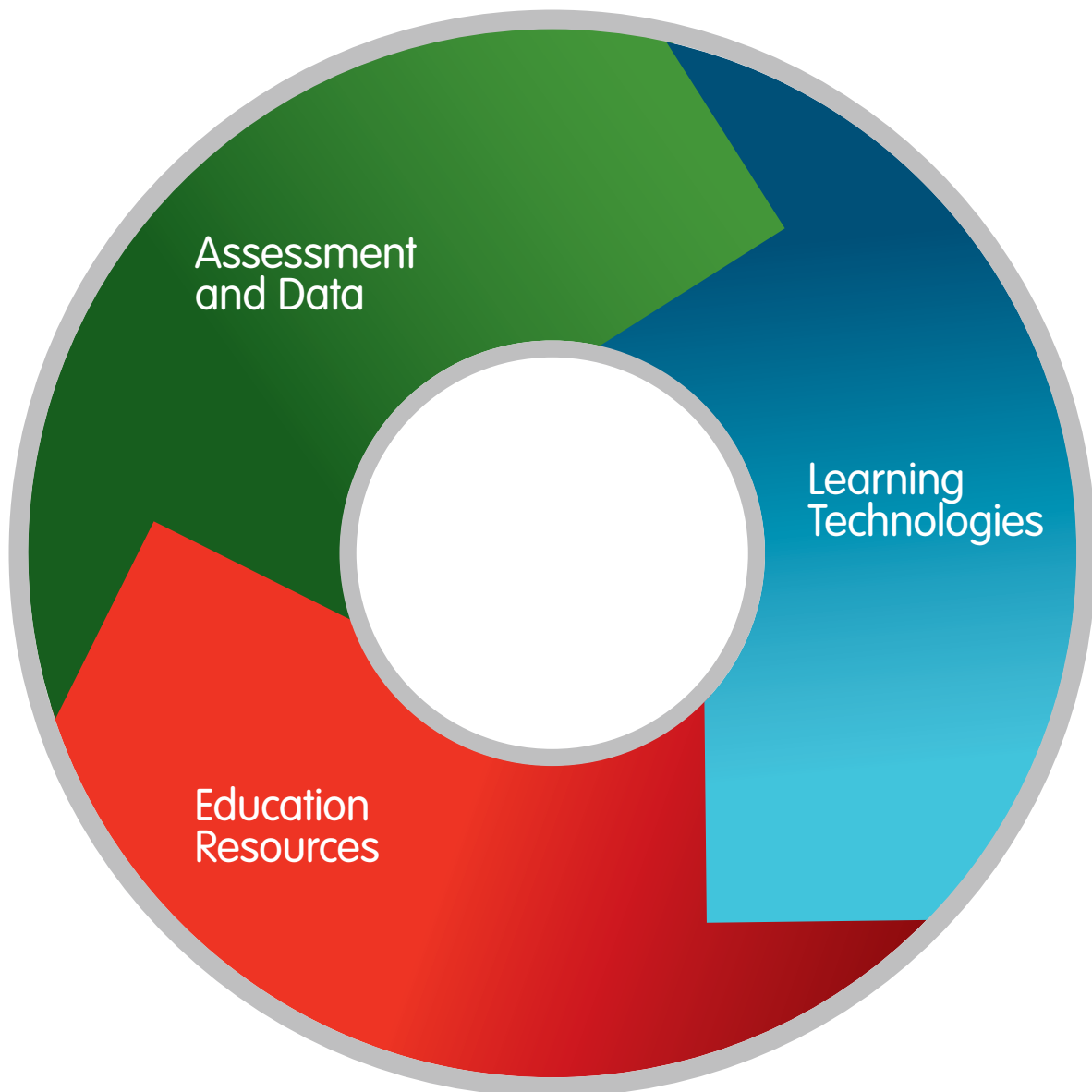


Resilient performance...



A resilient business...

RM provides highly valued products and services, which are used by learners and educationalists across the world. Our customers are schools, colleges & universities, qualification providers, and central & local government districts & departments. We work closely with them to develop new products and services that enhance teaching and learning.

Working in an area which is a priority for Governments across the world, and operating in three distinct segments, RM is a resilient business with a diverse product and service range and a wealth of unique intellectual property.

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...delivering strong results

Operational highlights

Growth

- Third successive year of record revenue and profit
- Growth in each of RM's operating segments: Learning Technologies, Education Resources, and Assessment and Data

- Strong cash generation

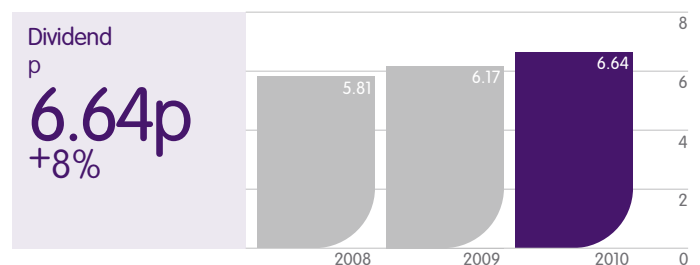
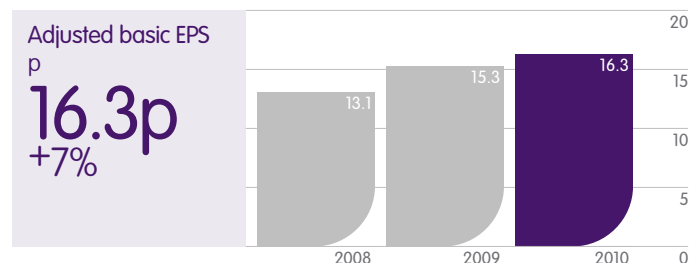
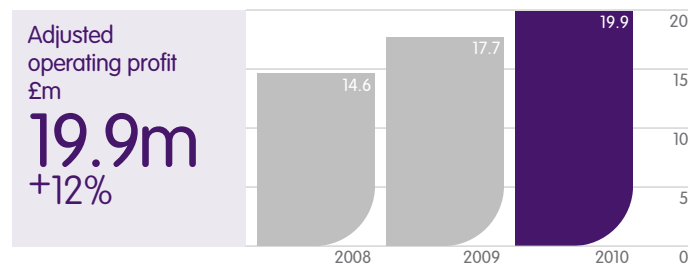
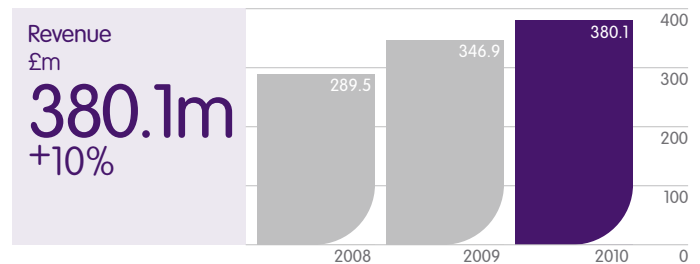
Delivery

- More new schools commissioned, more exam scripts processed, and more education resources shipments than ever before

Strategic development

- Growth in Education Resources
- Customer acquisition in Assessment and Data
- International channels for key RM products

Financial highlights



A clear structure...

RM operates in three distinct segments, each of which has its own customer base and market dynamics. Together they make a diverse business, with a single focus – improving educational outcomes.

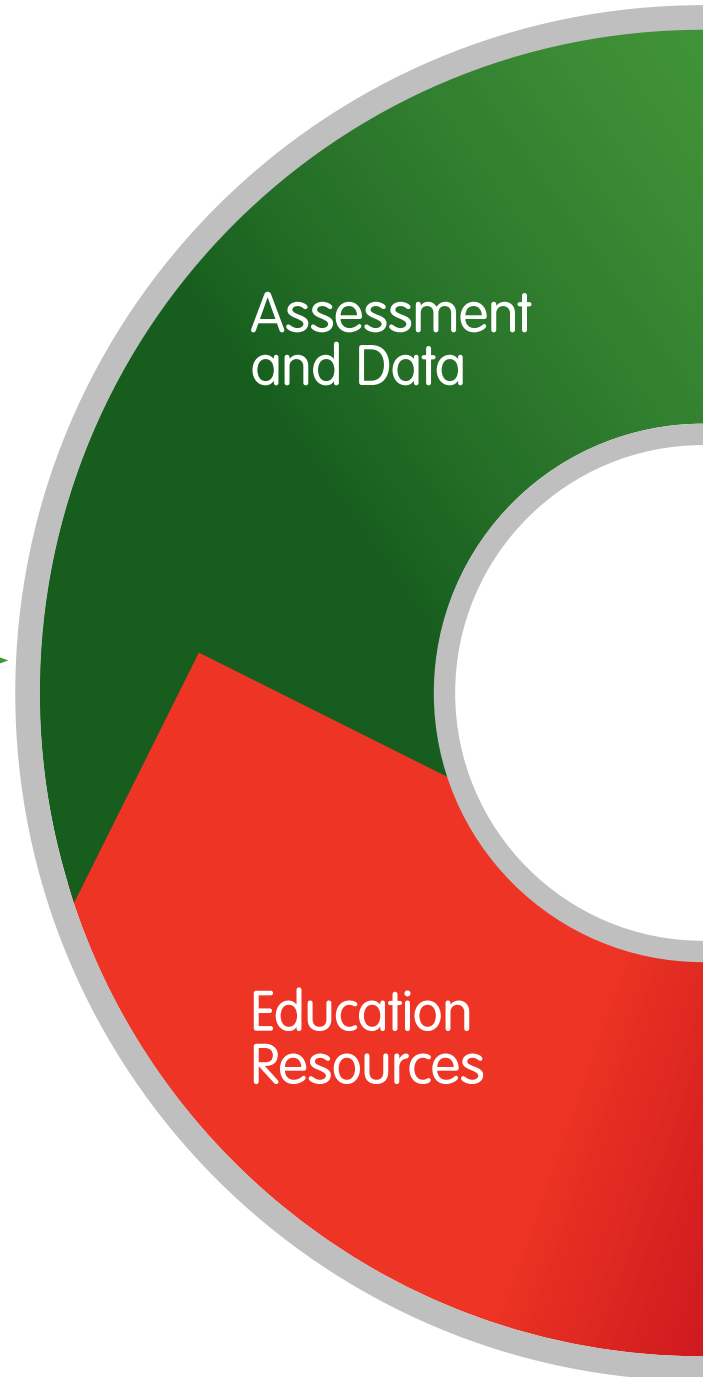
Assessment and Data



Assessment platforms

- Systems, platforms and outsourcing for testing and qualifications.
- Data analysis and dissemination services for teachers, parents and policy makers.

RM is a pioneering provider of outsourced assessment and data services, with a range of world-class technology solutions. We work with examination boards, professional associations and government departments & agencies.





Learning Technologies

Learning Technologies



Schools technology

- Classroom technology including learning platforms, computer systems and interactive teaching equipment.
- Infrastructure and managed services including systems, networking, MIS, access control and cashless catering.

RM is the UK's leading provider of learning technology products to UK schools, and is establishing a strong position in the US and Australia.

Education Resources



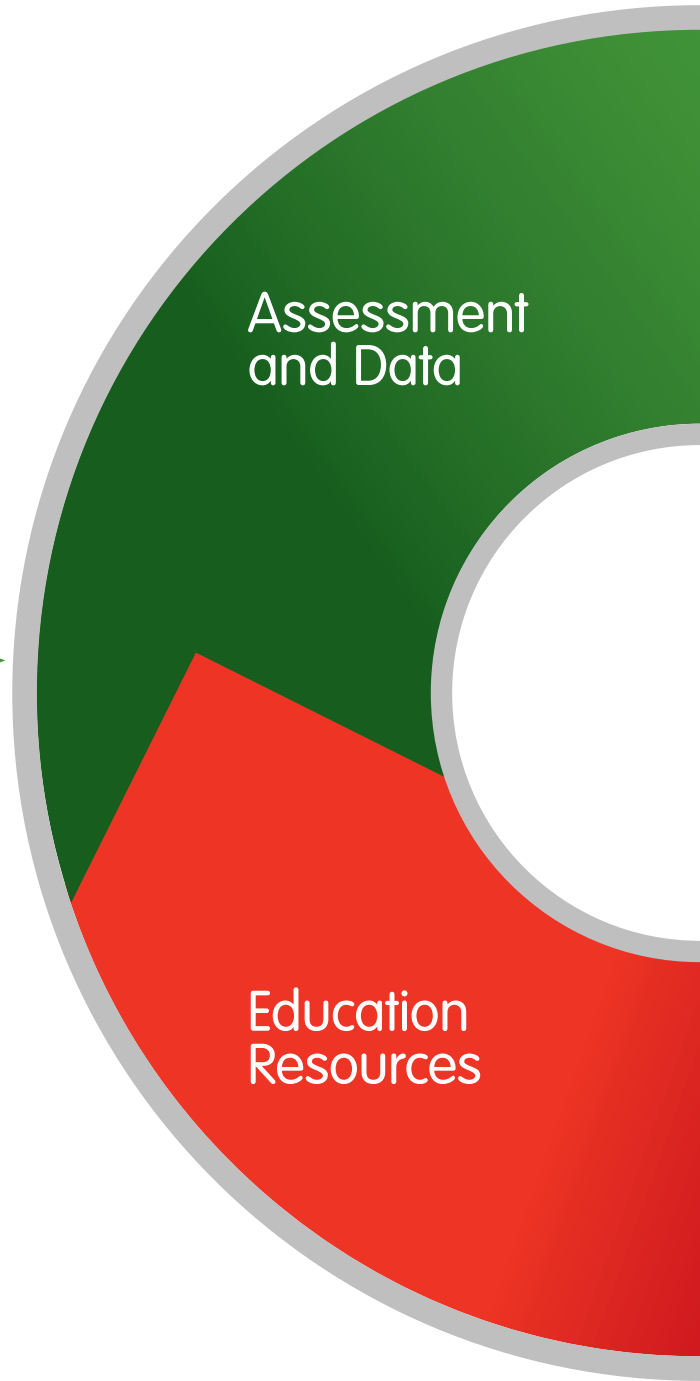
Engaging classroom resources

- Curriculum-focused products including teaching equipment & materials, furniture and software.

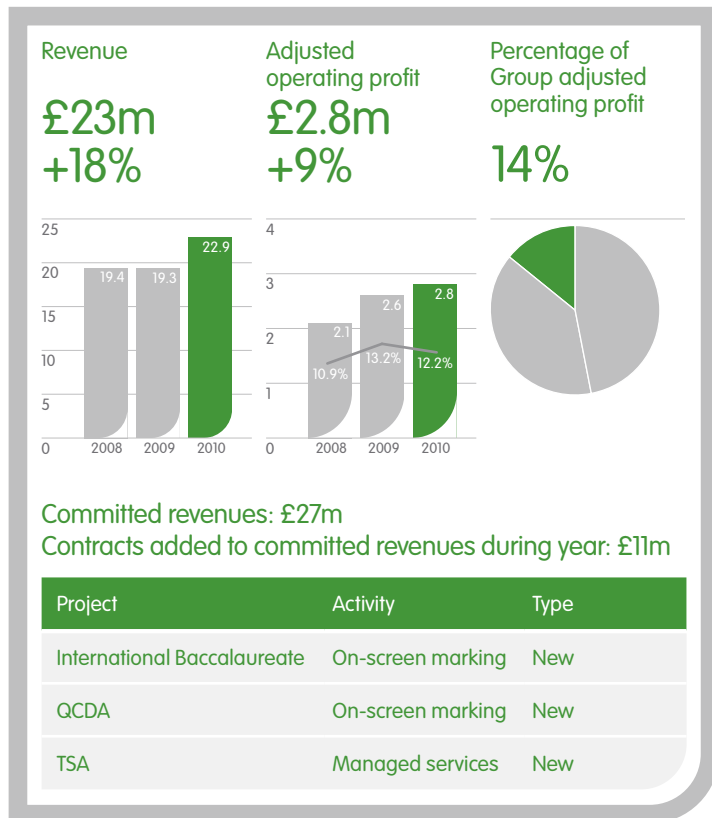
RM is a rapidly growing supplier of education resources, gaining market share, extending its product range, and developing international channels.

...with defined revenue streams...

2010 was a year of strong growth for the RM Group. Each of our three segments showed both revenue and profit growth and across the Group we delivered record revenue and profit for the third consecutive year.

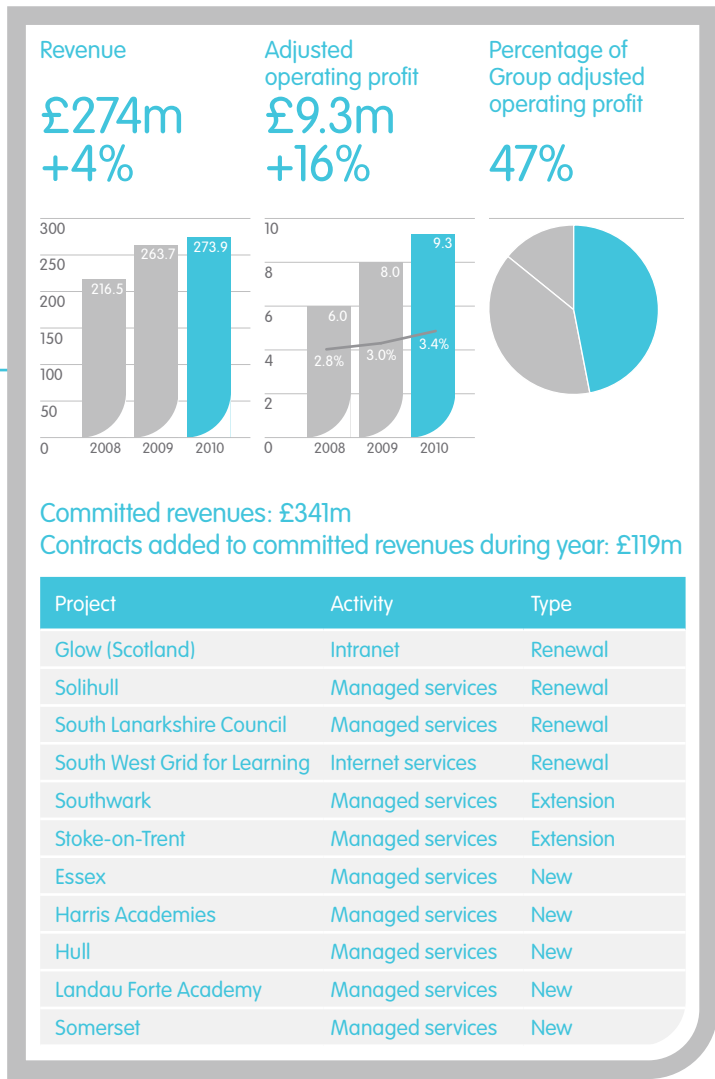


Assessment and Data

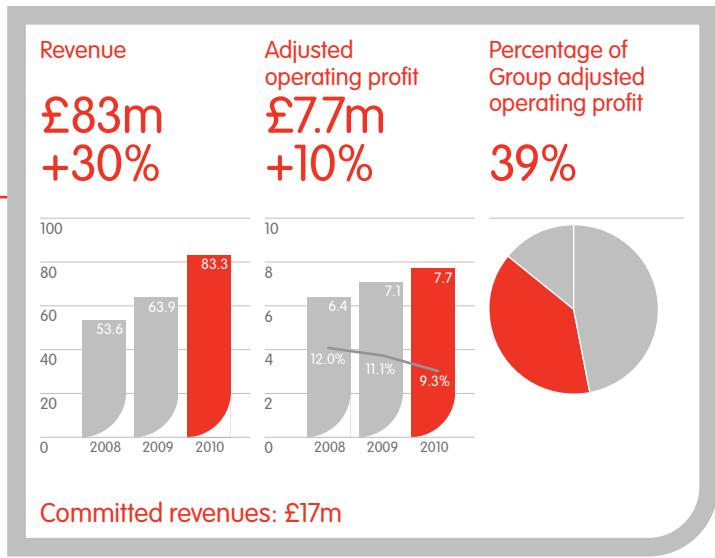




Learning Technologies



Education Resources



...and a focused strategy for growth...

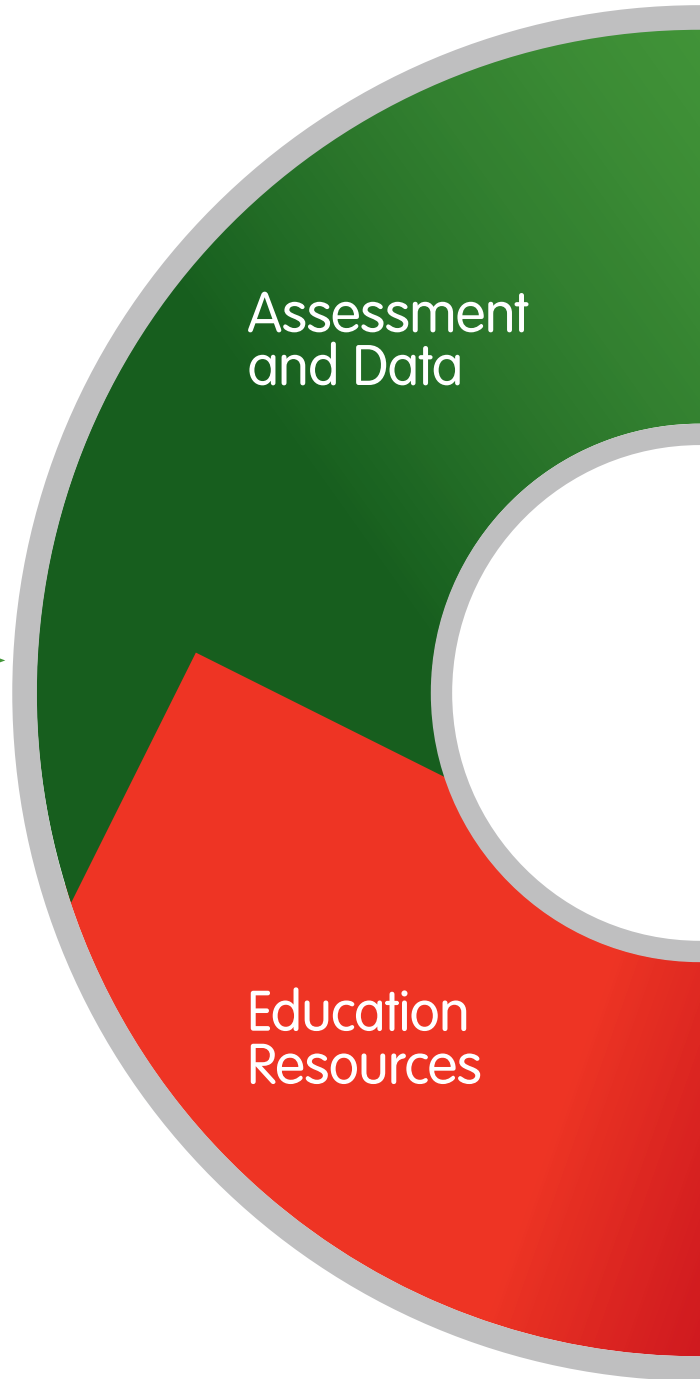
Our aim is to build a growing international business which is known by its shareholders for delivering profitable growth, by its education customers for contributing to their success, and by its people as a great place to work.

Assessment and Data

Strategy for growth

- Further penetrate UK on-screen marking and data services market
- Grow emerging international on-screen marking business
- Establish on-screen testing capability

Continuing





Learning Technologies

Strategy for growth

- Maintain leading UK position with new propositions to address new requirements
- Enhance US capability through organic growth and selective acquisitions
- Grow emerging international learning platform business in English-speaking territories

Continuing

Education Resources

Strategy for growth

- Grow UK market share
- Accelerate development of 'own' products
- Develop international channels for education resources products

Continuing

Questions and answers

Terry Sweeney, RM Chief Executive, addresses key questions about the Group's strategy and prospects for the future.



Terry Sweeney
Chief Executive

Q How is RM positioned for the future?

We're well-positioned. We have a very clear strategy – we want to grow a broadly-based, international education business. Broadly-based so we're not dependent on any one product or market, international to provide access to education budgets outside the UK and critical mass for investment in products and services. In both areas we've made good progress and education is a clear global priority. RM is a resilient business and I look to the future with confidence.

Q How will the UK Government’s policy on spending affect RM’s business?

The October Spending Review clearly indicated that schools are a top priority for the Coalition Government, with modest real-terms growth in English school budgets planned. Much of what we do in our Learning Technologies and Education Resources businesses is funded from ‘frontline’ school budgets, which are the area of funding the Government is committing to maintain. So, whilst there’s no doubt that education spending in the UK will come under pressure over the next couple of years, we’re expecting headteachers will still be in a position to spend. The key for RM is to make sure we’ve got great products that schools really need, and, recognising the financial conditions, offering more for less.

Q What are RM’s plans for further international expansion?

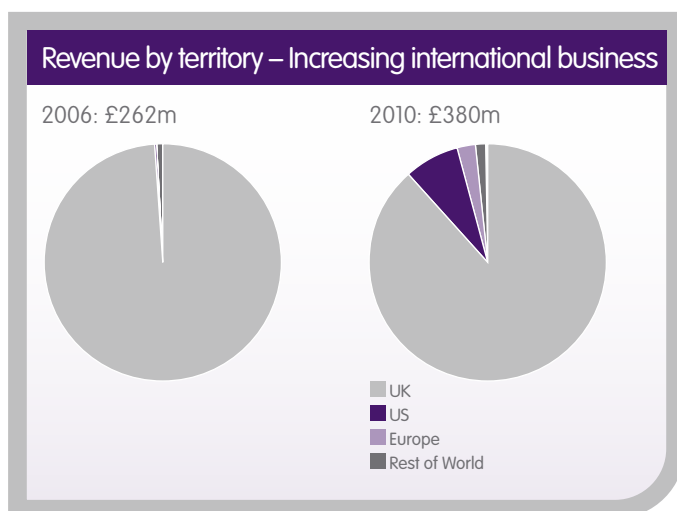
Building our international position is a key part of our strategy. Each of our three businesses has a growing international presence, and it’s a priority to drive that growth harder. What we’re particularly focusing on is developing channels for the world-leading products, services and technologies that the Group has got. In Learning Technologies that means our RM Learning Platform; in Education Resources, interactive whole-class teaching products like Easiteach and our TTS Electronic Education range; and, in Assessment and Data, our on-screen marking capability. We’ll also be looking to increase the range of partners we work with to take these to market.

Q How are you placed to meet the needs of schools in the future?

Each year we invest time, energy and money in understanding what our schools customers need, then devising and developing products and services that meet those needs. TTS, our classroom resources company, introduced over 350 new products in 2010; across the Group we have more than 300 developers working on new technology products. We also want to be known by our customers for excellent delivery – whether of a single product or of a large and complex project. Innovation and delivery are at the heart of what we do and mean we’re well-placed to serve our customers.

Q Looking ahead, how confident are you?

I want RM to be judged by its results: three years of record revenue and profit, eight years of unbroken earnings growth, and a dividend that’s not reversed since we listed in 1994. It’s clear that the UK market will be challenging whilst our education customers adapt to new Government policies. However, we are broadly-based and increasingly international. If we continue to do a great job for our customers globally, I’m confident that we can continue to live up to our track record.



Chairman's Statement

2010 was the third successive year of record revenue and profit for RM – a track record we are proud of and clear proof that the work we have done to build a diverse group of education businesses has made RM a stronger and more resilient company. We are confident that RM is well-positioned for the future and excited about our prospects.



John Leighfield
Chairman

Strong results in 2010

RM delivered strong results in 2010, with good progress on nearly all of our key performance indicators. Revenue and profit both reached new record levels: we have delivered three years of unbroken revenue growth and earnings have grown every year since 2002. Cash conversion was excellent and we ended the year with positive net funds less deferred consideration. Committed revenues, however, decreased year-on-year, largely reflecting the Government's review of the Building Schools for the Future (BSF) scheme, which resulted in a number of school rebuild projects either being scaled back or cancelled.

The Board remains excited about RM's future growth prospects. Reflecting this, we are recommending an 8% increase in full year dividend (paid and proposed) to 6.64p (2009: 6.17p). RM's dividend has been maintained or increased every year since the Group was listed on the London Stock Exchange in 1994.

Building a resilient business

Our strong performance in 2010 reflects the substantial effort we have put into making RM a more resilient business which is not dependent on any one product or market. In a year when we have seen significant policy changes made by the UK Government which affect our UK Learning Technologies business, our resilience has allowed us to continue to deliver profitable growth.

Ten years ago, we were a largely domestic educational computer company; today we are a diverse education group, with three distinct business segments, a leading position in our home market, and a growing presence in the US and Australia. This year, less than half of the Group's profit came from Learning Technologies and the most rapidly growing area of our business was Education Resources. In 2010 each of our three segments has grown revenue and profit, and we are establishing international positions for a number of our educational technology products and services. We are vigorously continuing to drive this process.

Inspiring engaging learning through innovation

Our continued success is built on innovation: by developing and delivering ever more effective education products and services, we help our customers deliver inspiring and engaging learning. Innovation is essential to all of our activities: from Learning Technologies, where our learning platform software is increasingly recognised by international customers as world-leading; through Education Resources, where we introduced over 350 new and unique products in 2010; to Assessment and Data, where international qualification providers such as the ACCA and International Baccalaureate Organisation have chosen us as their strategic partners.

Our commitment to innovation is underlined by our 'Entrepreneur of the Year' scheme, which Terry Sweeney introduced in his first year as Chief Executive. 'Entrepreneur of the Year' challenges all of our people to come up with new ideas, which both meet real customer needs and represent a significant market opportunity. Our 2010 Entrepreneurs of the Year are bringing new potential to the Group; the products proposed by our first winners will reach the market in 2011.

Financial highlights

	Year to 30 September		
	2010	2009	change
Revenue	£380.1m	£346.9m	+10%
Committed revenues*			
at year-end	£385m	£419m	-8%
Adjusted [†] operating profit	£19.9m	£17.7m	+12%
Operating profit	£24.1m	£16.1m	+50%
Adjusted [†] basic EPS	16.3p	15.3p	+7%
Dividend [§] per share	6.64p	6.17p	+8%
Net cash	£2.3m	£5.0m	
Net funds/(debt) less deferred consideration	£0.5m	£(0.7)m	

* Order book; deferred income; contracts at preferred bidder, selected bidder, or equivalent

[†] Adjusted profit and EPS are before amortisation of acquisition related intangible assets, exceptional charges & exceptional pension credit in 2010, and acquisition integration costs in 2009

[§] Paid and proposed

Board

Iain McIntosh joined the Board and was appointed CFO on 1 April 2010. Iain has held a number of senior finance positions in both listed and private companies, serving most recently as CFO of Axon, the FTSE250 business transformation consultancy. He brings with him energy and vision which will help RM deliver further profitable growth in the future. Iain succeeds Mike Greig, who has retired as RM's Finance Director after over twenty years in the role. In his time with the Group, Mike made a major contribution to building the company that is RM today. On behalf of the Board, I thank Mike for his inestimable contribution and wish him well for the future.

People

The commitment, capability and enthusiasm of the people who work at RM are the very best reasons for my confidence in RM's future prosperity. They make RM the place that it is, and they are responsible for developing and delivering the products and services that make us an essential partner for our customers. In this year's annual survey, 80% (2009: 80%) of our people said they were proud to work here. Their commitment is an enormous asset to RM and delivers enormous benefits for our customers, on behalf of the Board, I thank them all for another excellent year.

Well-positioned for the future

The Board is confident that RM enters 2011 well positioned for the future both in the UK and internationally, and is excited about the Group's prospects.

The new UK Government has clearly indicated that education is a priority area for public spending, with English schools budgets set to grow modestly over the next four years. It is likely that the UK Learning Technology market will be subdued in the immediate future. However, RM is the clear market leader and, in the medium term, the use of ICT in education will continue to increase. Our Education Resources business is largely funded from 'frontline' school budgets and we see significant opportunities for further growth. Assessment and Data is well-positioned to benefit from the pipeline of opportunities we can see for it.

Looking more widely, our strategy is to maintain our leading UK Learning Technologies position, and grow market share for our Education Resources and Assessment and Data businesses. Each of our businesses has world-leading intellectual property, embodied in RM-'own' products and services. We are increasingly building channels that will allow us to take these products and services to market in a number of territories around the world.

Education is an important sector in every country in the world. Our aim is to be a global leader in education solutions. The Board is confident that RM has the market positions, the people and the vision needed to achieve this.

John Leighfield

22 November 2010

Business review

Strategy and operations

RM achieved double digit revenue and adjusted operating profit growth in 2010. During the year we delivered more for our customers than ever before, and made further progress in the strategic development of the RM Group.

Our strategy

We have set three priorities:

- Grow a broadly-based and global education business
- Deliver superior products and services that help teachers to teach and learners to learn
- Simplify so we can operate cost-effectively in the current economic climate and can better serve our customers

Delivering profitable growth

RM delivered record results in 2010, with growth in revenue, profit and cash.

Group revenue increased by 10% to £380.1m (2009: £346.9m), with growth in each of our three operating segments. Revenue from outside the UK increased to £49.6m (2009: £41.5m). Education Resources grew most rapidly and now represents 22% (2009: 18%) of Group revenue and 39% (2009: 40%) of adjusted operating profit in the year. Building Schools for the Future (BSF) represented 14% (2009: 11%) of Group revenue.

Adjusted operating profit (excluding amortisation of acquisition related intangible assets, exceptional charges and exceptional pension credit) increased by 12% to £19.9m (2009: £17.7m). Adjusted operating profit margin increased by 0.1 percentage points to 5.2% (2009: 5.1%).

Exceptional costs related to the Department for Education's review of the BSF scheme were £1.5m.

The statutory measure of profit before tax was £23.9m (2009: £16.3m). This increase does not reflect underlying business performance as it includes both an exceptional credit arising from a curtailment gain on RM's defined benefit pension scheme deficit, and the BSF-related exceptional charges.

Cash generation in the year was strong, with cash generated by operations of £23.7m (2009: £14.9m), equivalent to 140% of profit from operations (excluding pension credit) (2009: 93%). Net funds less deferred consideration at the year-end stood at £0.5m (2009: £(0.7)m).

Delivering educational excellence

In 2010, we delivered more new school ICT installations, processed more examination scripts, and shipped more classroom resources and learning technologies products than ever before. During the year we completed major ICT installations in 56 BSF schools, in addition to providing new networks in a further 750 schools; our Assessment and Data segment supported the on-screen marking of 5.5 million examination scripts; and Education Resources revenue increased by 30%.

Our strategy

Our aim is to build a growing international business which is known by its shareholders for delivering profitable growth, by its people as a great place to work, and by its education customers for contributing to their success.

We have set three priorities:

- Grow a broadly-based and global education business
- Deliver superior products and services that help teachers to teach and learners to learn
- Simplify so we can operate cost-effectively in the current economic climate and can better serve our customers

Market context

Since its election in May 2010, the UK Coalition Government has set out both its first Budget and a four-year Spending Review. In both of these, the settlement for education was generally more favourable than that for other areas of public spending, underlining the continued priority placed on education.

The Budget largely maintained the previous administration's education spending plans, whilst also freezing public sector pay (including teachers' salaries) for two years. The Spending Review protected frontline schools budgets, which will show small real-terms increases year-on-year, and confirmed that a schools capital spending programme will continue (though reduced to levels of spending similar to those before the beginning of the BSF programme).

Overall, the combination of Government priority, a broadly supportive budget environment, and increasing demand for education driven by demographic change, provides a solid backdrop for RM's UK operations.

In the US, education technology is relatively under-developed compared to the UK (as an indicator, research from Futuresource suggests that only 36% of classrooms are equipped with interactive whiteboards, compared with 77% in the UK). The Federal National Education Technology Plan reflects a commitment to improving this position. RM's market position is currently small relative to the total market opportunity, and our contacts with policy makers suggest that UK educational technology expertise is well-regarded. We view this as a positive environment for further growth.

In other markets across the world, education technology is also relatively under-developed (the Futuresource research shows interactive whiteboard penetration at 46% in Australia, 10% in EMEA and 4% in China). Areas of particular interest to RM are: Australia, which has a strong and stable economy, a commitment to education investment, and where we already have an established operation; and Europe, where we see strong and stable education spending, and where, through DACTA, we have an established distribution network. We are also pursuing opportunities in India and China, and expect initial business from these territories in 2011.

Learning Technologies – strategy and operations

Learning Technologies provides schools with classroom technology (including learning platforms, computer systems and interactive teaching equipment) and infrastructure (including networking, MIS software, access control and cashless catering). RM is the UK market leader for these kinds of products and services, and is building a strong position providing selected products and services in the US and in the Asia Pacific region.

Our strategy is:

- Maintain our leading UK position with new propositions to address new requirements
- Enhance our US capability through organic growth and selective acquisitions
- Grow our emerging international learning platform business in English-speaking territories

In 2010, revenue increased by 4% to £273.9m (2009: £263.7m), with growth in the UK, US and the Asia Pacific region. Adjusted operating profit increased by 16% to £9.3m (2009: £8.0m). Adjusted operating profit margin increased by 0.4 percentage points.

In the UK, which accounts for the large majority of Learning Technologies revenue, demand for our products and services held up as expected, against a backdrop of increasing pressures on public spending. Overall revenue growth was 3%, with an increase in revenues arising from BSF projects offsetting a decline in other business, reflecting a reduction in hardware and distribution shipments. During the year, new, extended and renewed contracts added £119m to committed revenues, of which £84m is BSF business.

Looking ahead, the year ahead will be a period of significant change for schools and we anticipate a decline in revenues in 2011. However, we have substantial revenue visibility and our operations are well-aligned with policy developments.

Business review

Strategy and operations continued



Learning Technologies

Lake Washington School District

Lake Washington School District has introduced a new online service for students, staff and parents. Called Communicator, the service is a communications and collaboration tool that provides all involved with education in the School District with an efficient and easy way of sharing information and managing work. Communicator is built on RM Learning Platform technology.



In terms of policy development, we identify the following key trends as significant to RM:

- Protection of frontline schools budgets: RM's 'transactional' business is largely driven by individual school's decisions and budgets.
- Focus of attention swinging back to individual schools: RM already has a well-established individual schools sales channel, and we have restructured our Strategic Projects sales team to reduce cost.
- New capital spending programme: The Department for Education has indicated that it intends to continue refurbishing and refreshing the English school building estate, though with reduction in total education capital expenditure. Our market-leading position in the BSF market means we have relevant products and capabilities and we are already a leading supplier to Academy schools.

In the US, revenue growth was 7% (9% in US\$ terms). The provision of interactive classroom technology to Cobb County, our largest US customer, is now largely complete and we are working to establish a scalable business exploiting a wider range of RM Group intellectual property. During the year we secured our first learning platform sale in Lake Washington School District; we have subsequently started working with two further school districts and are successfully building a pipeline for this product. We are also continuing to see significant interest in RM Easiteach Next Generation, our platform-independent whole-class teaching software product. We continue to invest to improve our operational capability and have also established a high-profile Advisory Board, featuring nationally-recognised educational ICT experts.

In the Asia Pacific region, where our business is largely centred on Australia, revenue growth was 20%. Whilst we classify our Asia Pacific region activities in Learning Technologies, the business draws products and intellectual property from across the RM Group. We are moving our business from a legacy position of providing school MIS systems, to a more broadly-based education business. Good progress continued during the year with an 87% increase in non-MIS revenue. Looking ahead, we see further opportunities for growth in Australia and are exploring other markets in the region, notably China.

Education Resources – strategy and operations

Education Resources provides schools with curriculum-focused classroom resources including teaching equipment & materials, furniture and educational software. RM is a rapidly growing supplier of these kinds of products in the UK, with a range of RM-‘own’ products which have significant international potential.

Our strategy is:

- Grow UK market share
- Accelerate development of ‘own’ products
- Develop international channels for education resources products

In 2010, revenue increased by 30% to £83.3m (2009: £63.9m). This revenue growth came principally from TTS Group, our general classroom resources business, which achieved significant market share gain by both introducing new products and broadening its distribution capabilities through trade partners.

Operating profit increased by 10% to £7.7m, reflecting investment to consolidate growth and build a strong and sustainable business. Operating margin of 9.3% (2009: 11.1%) reflects action during 2010 to prepare the business for further growth. There were one-off costs related to rationalising our property portfolio and integrating the Pisces business we acquired last year. We have also strengthened the team and increased the distribution capacity at TTS, the largest of our Education Resources businesses.

We continue to concentrate on developing unique and exclusive products with real education value. TTS introduced over 350 ‘own’ products during the year and has plans to increase this in 2011. Lightbox Education launched Easiteach Next Generation, the latest version of our interactive classroom software, for which we now have a global network of OEM partners.

Looking ahead, we are well-positioned to respond to UK education policy changes. Sales in our Education Resources business are largely driven by individual school’s decisions, where budgets have been protected. We also see further opportunities to increase market share, both by expanding the range of product/curriculum areas we address and by enhancing distribution through significant trade partners already active in the education market.

Internationally, we are also finding opportunities for our products. During the year we entered into a joint venture with LEGO to provide LEGO Education products across Europe. The new company, LEGO Education Europe, is 51% owned by LEGO and 49% by RM, and holds exclusive distribution rights for ten years. It will start trading on 1 January 2011. In the US, we have established an indirect distribution channel, through Learning Resources Inc, a major education resources distributor.



Educational Resources

Easi-Speak

Styled like a professional microphone, Easi-Speak is a simple electronic recording device. Pupils can record sound, for instance commentary on a field trip, transfer it to a computer, and use it for Pod-casting or on a Web page. Easi-Speak was conceived by TTS Group and was their biggest selling electronic product in 2010.



Business review

Strategy and operations continued



Assessment and Data

International Baccalaureate

The International Baccalaureate (IB) offers three high quality and challenging educational programmes for a worldwide community of schools. Over 40 years, the IB's programmes have gained a reputation for their high academic standards, for preparing students for life in a globalized 21st century, and for helping to develop future citizens who will create a better, more peaceful world. The International Baccalaureate uses RM's on-screen marking services.



Assessment and Data – strategy and operations

Assessment and Data provides systems, platforms and outsourcing for testing and qualifications, and performs the collection, analysis and distribution of educational performance data. RM has long-term strategic relationships with a number of UK qualifications providers and Government Departments & Agencies, and is building an international presence.

Our strategy is:

- Further penetrate UK on-screen marking and data services market
- Grow emerging international on-screen marking business
- Establish on-screen testing capability

In 2010, revenue increased by 18% to £22.9m (2009: £19.3m), reflecting increased volume from existing clients and initial business from new clients. Adjusted operating profit increased by 9% to £2.8m (2009: £2.6m). Adjusted operating margin was 12.2% (2009: 13.2%), due to the contract maturity profile.

We continue to identify new clients for our technology and outsourcing capabilities. Significant new relationships in the year include International Baccalaureate Organisation (an international provider of school-age qualifications) and the ACCA (a leading international accounting body). These relationships are extremely important to the future success of the Assessment and Data business, as they typically increase the amount of their activities they handle on-screen as their confidence grows.

In the UK, the Coalition Government has indicated that assessment remains an important part of education policy. There is also a continuing movement to providing increasing amounts of education performance data to teachers, policy makers and parents. These trends are strongly supportive of further growth. Internationally we are also seeing interest in our technologies and capabilities and are currently bidding for projects in Europe and the Asia Pacific region.

Summary and Outlook

Continued growth in our higher margin segments, combined with a greater focus on cost control, mean that we approach the year ahead with confidence.

Clearly the UK public sector environment is in a period of significant funding and policy change. However, the overall funding environment is better than many anticipated and shows modest real-terms growth over the next four years. RM has demonstrated over more than three decades that it can react positively to changes in the education landscape, providing compelling products and services that customers value.

Internationally, we see plenty of opportunity for RM products and services and we are putting in place the strategies and resources that will allow us to continue to build a sustainable and scalable business.

We have made good progress in 2010, delivering profitable growth for our shareholders. We enter 2011 a diverse and resilient business, well-positioned to serve the global education market.



Learning Technologies

South Lanarkshire Council

South Lanarkshire Council is responsible for 124 primary schools, 17 secondary schools and 8 additional support needs schools. ICT is a key part of the way the Council delivers education and they have pioneered the use of managed services. South Lanarkshire Council is an RM customer and renewed for a further three years in 2010.



Business review

Responsible business

RM seeks to be a business that is known by its shareholders for delivering profitable growth, by its education customers for contributing to their success, and by its people as a great place to work.

Vision and Values

Our Vision and Values reflect the way we choose to do business.

Vision:

RM is about improving the life chances of people – worldwide – by delivering outstanding education products and services that help teachers to teach and learners to learn.

Values:

- Customer Success
- High Standards
- Innovation & Improvement
- Openness
- Respect for Others
- Enjoying Ourselves

Community

Aim:

To engage with both the local communities where we operate, and the education community which we serve as a supplier.

RM operates across the UK and the rest of the world. In each of our locations we aim to be a responsible corporate citizen. Through our volunteer scheme, which allows any of our people to spend a small amount of work time supporting a local charity, a number of employees spent time in 2010 working in their local communities. RM Education Solutions India runs a Scholarship Scheme, designed to encourage university education amongst poor and deserving students in Kerala. In 2010, two students were selected for scholarships, and the programme now supports eight students who will be funded through computer science and technology degree courses.

Each year in the UK, RM Education also supports a number of charities on a national basis. These activities are co-ordinated by the RM Foundation Committee, a group of volunteer employees. All our RM Education people are invited to vote annually on a shortlist of local organisations to identify the charities we will support during the year. In 2010, the chosen charities were Whizz Kidz, which supports young people with mobility impairments, and Helen and Douglas House, a hospice for children and young people.

RM's vision is about improving life chances and we aim to be an active member of the educational community as well as a supplier to it. Two of our Non-Executive Directors, Sir Mike Tomlinson and Professor Sir Tim Brighouse, are senior educationalists, and they provide a crucial educational perspective to the Group's strategy development and decision making. The Board also invites senior education figures to join Board meetings to provide updates on emerging educational policy and practice. In the US we have established an Education Advisory Board, comprising six senior educationalists to help us understand the specific needs of US schools. We also have an active programme of engagement with relevant government departments and agencies, and RM people are regularly invited to participate in government and community-run forums aimed at providing information for policy makers.

RM supports organisations which aim to help improve education such as The Prince's Teaching Institute (which seeks to improve the quality of teaching), Teach First (which encourages top graduates to consider teaching as a first career), and the 21st Century Learning Alliance (a group comprising policy makers and suppliers which aims to encourage the effective use of technology in learning).

RM also aims to act as a leader of our industry, by representing the needs of education customers in our trade associations. We are members of, and chair, the Executive Council of BESA (the British Education Suppliers Association).

Our success is ultimately dependant on providing our customers with products and services that genuinely meet their needs, and improve teaching and learning. We see deep education expertise as one of the key sources of our competitive advantage and aim to develop it at all levels across the Group. Our people are encouraged to serve as School Governors or participate in education in other ways, and many staff have personal objectives to spend time in schools with teachers and pupils. Each year our TTS business has over 100,000 conversations with teachers and advisors.

As described in the Financial Review, RM paid and collected tax on behalf of HMRC in the UK amounting to £54.6m (2009: £51.3m).

People

Aim:
To be recognised as a great place to work.

In 2010, we were again recognised by the Corporate Research Foundation as one of the UK's Top Employers; this year we were named the UK's Top ICT Employer.

We are proud to receive external recognition as a great place to work, much more important though are the views of the more than 3,000 people who choose to build their careers here. Our 2010 company survey showed an overall people satisfaction rating of 74%, an increase on last year. 80% of our people said they were proud to work for the organisation (compared with 80% last year and 69% in comparable companies).

We work hard to continually improve RM as a place to work. Our annual company survey is designed to help the Group's leadership team understand how well we measure up to the high standards our people expect. The results of the survey are analysed by the leadership team and used as the basis of improvement programmes to address areas where we aren't doing well enough.

We believe that as many of our people as possible should have a stake in RM's success. The majority of people receive an element of performance-related pay, based on personal objectives, customer satisfaction and customer success, as well as an annual allocation of company shares. At more senior levels in the organisation, stock options and share-based long-term incentive plans are important tools for motivation and retention.

At the heart of the way RM operates are the Group's Vision and Values, which have been an enduring part of our culture throughout our history. 'Living the values' is an important characteristic of RM people and something that we actively seek to reinforce. An Entrepreneur of the Year programme recognises innovative business thinking and allows people to directly share in the profits generated by their ideas. Customer Satisfaction awards recognise people who offer exceptional support to our customers.

Environment

Aim:
To minimise our impact on the environment.

Whilst RM's operations have a relatively low impact on the environment, we believe it is important to minimise that impact as far as possible. We also work to help our customers reduce their impact by providing low energy consumption computer hardware and by offering RM UtilEyes, a service that monitors their energy consumption.

The Green RM programme within RM Education, which is led by a team of committed individuals from across the business, acts as a focus for the Group's environmental activities. Acting as our environmental conscience, the Green RM team works to ensure we act in a responsible and sustainable way. During 2010, the Green RM programme has focused on:

- Promoting green travel: We have significantly reduced the average CO₂ emissions and increased the fuel economy of RM Education's car fleet by 8% to an average consumption of 53.9 miles per gallon.
- Increasing recycling: Food, packaging, printer toner cartridges and battery recycling facilities were introduced at RM's largest facility in Abingdon, UK, where approximately 70% of waste is now recycled.
- Reducing the impact of our manufacturing activities: We have focused on improving packaging, recycling waste from our manufacturing facilities, and working with our suppliers to reduce the amount of components sent by air-freight.
- Introducing real-time monitoring systems: RM's UtilEyes monitoring system was introduced in our Abingdon head office, allowing us to closely monitor gas, electricity and water usage, and making it easier to identify potential improvements. We plan to introduce it across all of the Group's major facilities in 2011.

	2010	2009
Average car fleet mpg	53.9mpg	49.8mpg
Average CO ₂ rating of new vehicles	115g/km	142g/km
Electricity consumption (Abingdon facilities)	3.4GWh	3.6GWh

Whilst the level of RM's energy consumption in 2010 means that the Group will not participate in the first stage of the UK CRC Energy Efficiency Scheme, RM continues to take steps to reduce its energy impact and act upon the current Environment Agency early action metrics recommended for CRC Participants.

Business review

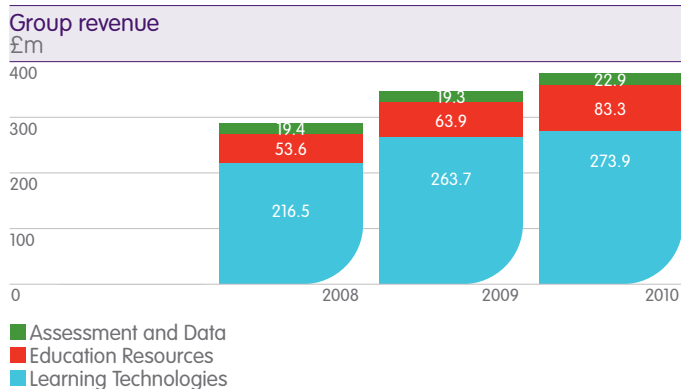
Finance

RM is an increasingly international business. In 2010, 13% of total Group revenue arose from outside the UK, an increase from 1% five years ago. The US business accounts for 7% of total Group revenues and the Asia Pacific region for 2%.

Group revenue and profit

Group revenue increased by 10% to £380.1m (2009: £346.9m). Details of the performance of each of our three segments is given in the Strategy and operations part of this Business review.

The chart below shows the revenue split across each of the Group's three operating segments, each of which showed year-on-year growth.



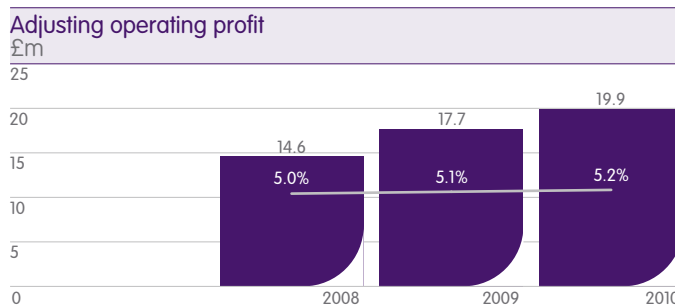
RM is an increasingly international business. In 2010, 13% of total Group revenue arose from outside the UK, an increase from 1% five years ago. The US business accounts for 7% of total Group revenues and the Asia Pacific region for 2%.

Profit before tax increased by 47% to £23.9m (2009: £16.3m) though this comparison is flattered by the inclusion of an exceptional pension credit in the income statement in 2010, as explained in the Pensions section of this part of the Business review.

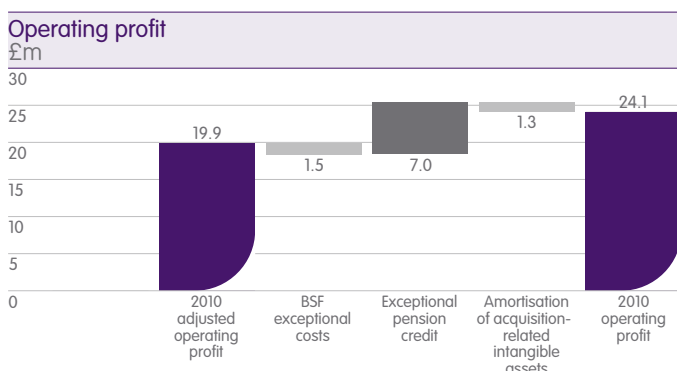
Adjusted operating profit (excluding amortisation of acquisition related intangible assets, exceptional charges & exceptional pension credit in 2010, and acquisition integration costs in 2009) increased by 12% to £19.9m (2009: £17.7m), this is our preferred measure of profit as it provides a better view of underlying business performance than profit before tax. Adjusted operating profit margin increased slightly to 5.2% (2009: 5.1%).

Adjusted profit before tax increased by 10% to £19.6m (2009: £17.9m).

The chart below shows progress in adjusted operating profit over the last three years.



The chart below shows a reconciliation between adjusted operating profit and operating profit. The adjustment for exceptional charges and exceptional pension credit are explained in the Exceptional Costs and Pension sections of this part of the Business review.



The Strategy and operations part of the Business review provides details of revenue and adjusted operating profit performance for each of the Group's three segments.

Revenue visibility

Committed revenues (order book, deferred income, and contracts at preferred bidder, selected bidder or equivalent) stood at £385m at year-end (2009: £419m). Of the committed revenues at year-end, 53% relates to BSF projects, 36% to other Learning Technologies activities, 7% to Assessment and Data activities, and 4% to Education Resources business. 46% of committed revenues are due within one year, 22% in one to two years, and 32% beyond two years.

During the year, the committed revenues position was impacted by the Department for Education's (DfE) review of the Building Schools for the Future (BSF) programme, which resulted in some projects which were previously included no longer going ahead.

Exceptional charges

Exceptional charges of £1.5m in the year related to the Group's actions in response to the DfE's review of the BSF programme. As a result of this review, future BSF procurement activity was stopped and some projects at preferred bidder stage were scaled back. As a consequence, we restructured our strategic projects sales activity and wrote-off previously capitalised post-preferred bidder costs relating to projects which will now no longer go ahead as anticipated.

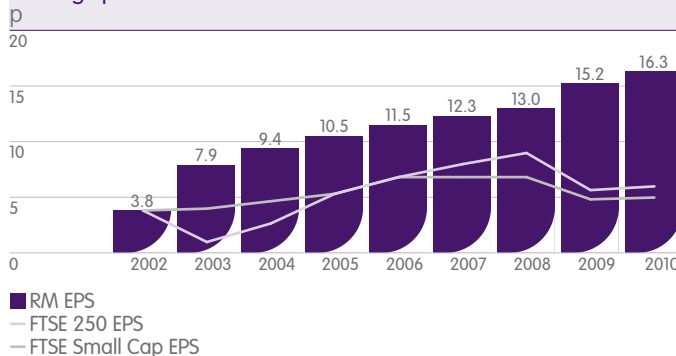
£1.1m of the charge relates to the cost of redundancies arising from restructuring our strategic project sales team.

Shareholder return

Adjusted basic earnings per share grew 7% to 16.3p (2009: 15.3p). Since 2002, adjusted diluted earnings per share has increased from 3.8p to 16.3p in 2010.

The chart below shows that RM's earnings performance is ahead of the performance of both the FTSE 250 and FTSE Small Cap indices over the period from 2002 to 2010. The compound annual growth rate in EPS over the last three years has been 10%.

Earnings performance

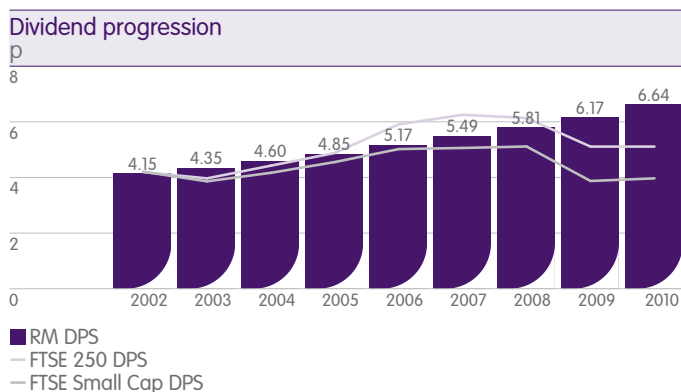


Total dividend (paid and proposed) will increase by 7.6% to 6.64p (2009: 6.17p). This comprises an already paid interim dividend of 1.39p per share, and a proposed final dividend of 5.25p per share. The estimated total cost of dividends paid and proposed for 2010 is £5.8m (2009: £5.4m). Dividend cover is over 2.5-times.

Business review

Finance continued

The chart below shows that RM's dividend progression is ahead of both the FTSE 250 and FTSE Small Cap indices over the period from 2002 to 2010. The compound annual growth rate of the dividend over the last three years has been 7%.



RM's share price at the close of business on 30 September 2010 was 140.5p (2009: 157.5p). Market capitalisation at the same date was £131.3m (2009: £146.7m).

Cash and cash flow

Cash generation was strong, with cash generated by operations of £23.7m (2009: £14.9m), equivalent to 140% (2009: 93%) of profit from operations (excluding pension credit in 2010).

During the year the Group purchased two million of its own shares for a total cost of £3.4m. These shares are held by the RM plc Employee Share Trust and will be used to fulfil share-based payment awards.

Bank facilities

The Group has in place facilities to manage its cash requirements.

A £25m facility with HSBC, committed to 2013, provides flexibility and finance for acquisitions. At year-end £11.5m (2009: £8.3m) was drawn on this facility, relating to previous acquisitions. The covenants on this facility require the net debt to be less than 2.5xEBITDA and the net facility interest to be less than EBITDA/4, and the Group is comfortably within these.

The Group also has in place annual facilities to fund seasonal working capital requirements. None of these were drawn down at 30 September 2010 (2009: nil). On 18 November 2010, the Group renewed an annual unsecured overdraft of \$39.5m (set at a minimum of £25m) with HSBC. This is in addition to a £3m facility with Barclays Bank.

Tax

RM's tax charge, measured as a percentage of adjusted profit before tax, was 23.4% (2009: 21.3%). This tax rate has been below the standard UK corporation tax rate for a number of years, principally because of the benefit the Group gains from enhanced tax deductions on qualifying research & development activities. The tax charge for 2010 also benefited from finalising revised research & development tax claims for prior periods, following an extension to this relief. Without this, the rate would have been 26.2%.

In total, RM paid and collected tax on behalf of HMRC in the UK amounting to £54.6m (2009: £51.3m). This includes corporation tax of £2.3m (2009: £2.9m), employment taxes of £28.5m (2009: £27.4m) and VAT and other indirect taxes of £23.8m (2009: £21.0m).

Treasury

The Board approves significant treasury transactions and reviews treasury policy on a regular basis. The treasury activities are controlled and monitored by the CFO and are carried out in accordance with the approved policies. Surplus cash, which is predominantly held in Sterling, is invested for appropriate periods with institutions that have a high credit rating and have been approved by the Board. The objectives of the Treasury function are principally:

- To provide protection from the effects of foreign currency volatility. The Group has exposures arising from buying products and components in US Dollars and Euros, and paying salaries in US Dollars and Indian Rupees. These exposures are hedged through the use of forward foreign exchange contracts. The Group has operations in Australia, India and the US; these remain small relative to Group as a whole, so the foreign exchange risk arising on translation is also small.
- To provide the Group with cost effective and appropriate liquidity. The Group's cash funds vary throughout the year due to the seasonality of the business and its aim is to maximise returns from surplus cash through very low risk investments with defined institutions. The Group also works with banks to ensure that cost effective committed borrowing facilities are available to meet any forecast funding requirements that arise from our seasonal trading pattern.

Pensions

The Group has a defined benefit pension scheme in the UK which has been closed to new entrants since January 2003. Existing members continue to make contributions and accrue benefits under the scheme. The scheme is currently in deficit.

During the year, RM and the Trustees agreed the 31 May 2009 triennial valuation. In doing so, a number of actions designed to reduce the risk to the Group of the scheme deficit were also agreed. These actions comprise: a 1 percentage point increase in employee contributions; a reduction in the cap on salary increases contributing to pensions; and the continuation of annual deficit reduction payments of £1.7m pa until 2017. The effect of these actions is a curtailment gain of £7.0m (net of related costs), which is treated as an exceptional credit in the income statement.

Changes in market-driven assumptions, including inflation and interest rates, offset the benefit of the curtailment gain. At September 2010 the IAS 19 deficit (pre tax) was £12.4m (30 September 2009: £12.8m).

Change of year end

From 2011, RM intends to change its financial year end from 30 September to 30 November. This will separate both annual financial year planning and financial year end activity from the busiest operational period of the Group's year.

The change of year end will mean that 2011 will be a fourteen-month year running from 1 October 2010 to 30 November 2011. RM will report interim results for the six months to March 2011 as usual and annual results for the fourteen-month period. Additional information will be included in next year's Annual Report to aid year-on-year comparisons.

Board of Directors



John Leighfield



Terry Sweeney



Iain McIntosh



Rob Sirs



John Windeler



Professor Sir Tim Brighouse



Sir Bryan Carsberg



Jo Connell DL



Sir Mike Tomlinson

John Leighfield CBE – Chairman (n)

John Leighfield (age 72) was appointed Chairman in 1994, having joined RM as a Non-Executive Director in 1993. Until April 1993 he was Executive Chairman of AT&T ISTEEL. He is a Non-Executive Director of Getmapping plc. He is Chairman of the Council and Pro-Chancellor of Warwick University. He is past President of the British Computer Society, the Computer Software and Services Association and the Institute for the Management of Information Systems. He is a Past Master of the Worshipful Company of Information Technologists. He is a member of the Court of the Company of Educators.

Terry Sweeney – Chief Executive

Terry Sweeney (age 43) joined the Board in June 2008 and was appointed Chief Executive in October 2008. He joined RM in 1998 and was appointed as Hardware Solutions Director in 2002, and Managing Director – Education Resources and Software in 2006. He has been instrumental in RM's successful entry into the education resources market and has driven the Group's international expansion. Terry Sweeney has a degree in Electrical and Electronic Engineering from City University, an MBA from Oxford Brookes University and attended the Harvard Business School Advanced Management Program in 2007.

Iain McIntosh – Chief Financial Officer

Iain McIntosh FCA (age 47) joined RM in November 2009 and was appointed to the Board as a Director on 1 April 2010. Before joining RM, he held senior finance positions in listed and unlisted companies, including CFO of Liberata (2001 – 2003), CFO of Alexander Mann Group (2004 – 2006) and, most recently, CFO of Axon (2006 – 2009). Iain initially qualified as a Chartered Accountant and then spent four years as a Management Consultant with McKinsey & Co. Iain McIntosh has an MA in Politics, Philosophy and Economics from New College Oxford.

Rob Sirs – Group Managing Director – Education Resources

Rob Sirs (age 49) was appointed to the Board as a Director in March 2004, having been Group Director – Products & Services since 2002. He joined RM in 1990 and has performed a number of senior services, software development and general management roles, including PC Division Director, RM Schools Managing Director, and Chief Operating Officer. He attended the Harvard University Business School Advanced Management Program. Prior to RM, Rob worked for Andersen Consulting and Mars. Rob is a director of the Cabot Learning Federation.

John Windeler – Senior Independent Non-Executive Director (a) (r) (n)

John Windeler (age 67) was appointed to the Board as a Non-Executive Director in October 2002. He was appointed Senior Independent Director in October 2007. He was Chairman of Alliance & Leicester plc and a Non-Executive Director of BMS Associates Ltd. Previously he was with Irving Trust for 20 years, becoming an Executive Vice President in 1983. He also held several senior positions within National Australia Bank between 1989 and 1994. During July 2006 he joined the Board of Millen Group as Chairman. He is a member of the Board of Governors of DeMontfort University and has a BA in English and an MBA in Finance, both from Ohio State University.

Professor Sir Tim Brighouse – Independent Non-Executive Director (n)

Professor Sir Tim Brighouse (age 70) was appointed to the Board as a Non-Executive Director in May 2004. Tim is one of the UK's leading educationalists and chairs the Group's Education Advisory Council. He is the former Chief Education Officer of Birmingham City Council, a member of the Governing Council of the National College for School Leadership and a visiting Professor at the University of London's Institute of Education. He also served on RM's Board between October 2002 and January 2003, but stood down on his appointment as London Schools Commissioner.

Sir Bryan Carsberg – Independent Non-Executive Director (a) (r) (n)

Sir Bryan Carsberg (age 71) was appointed to the Board as a Non-Executive Director in September 2002. He was a Non-Executive Director of Nynex Cablecomms/Cable & Wireless Communications plc from 1996 to 2000. He is a Non-Executive Director of Novae Group plc, a Non-Executive Director of Inmarsat plc, an independent member of the Equality of Access Board of BT Group plc, a former Director General of OFTEL and a former Director General of Fair Trading. He is Chairman of Council and Senior Pro-Chancellor of Loughborough University. He served as Secretary General of the International Accounting Standards Committee from 1996 to 2001, is a chartered accountant and has been a professor of accounting at the University of Manchester and the London School of Economics.

Jo Connell DL – Independent Non-Executive Director (a) (r) (n)

Jo Connell (age 62) was appointed to the Board as a Non-Executive Director in December 2007. Until 2003, she was Managing Director of Xansa plc, the outsourcing and technology company, having served on the Board since 1991. She is a former Non-Executive Director of THUS plc and a former Non-Executive Director of Synstar plc. Jo is Chair of Governors and Pro-Chancellor of the University of Hertfordshire, Chairman of the Hospice of St Francis, and Deputy Master of the Worshipful Company of Information Technologists.

Sir Mike Tomlinson – Independent Non-Executive Director (r)

Sir Mike Tomlinson (age 68) was appointed to the Board as a Non-Executive Director in February 2004. Mike is one of the UK's leading educationalists and formerly chaired the Department for Education and Skills Working Group on educational reform for 14- to 19-year olds. He was Her Majesty's Chief Inspector for Schools from December 2000 until April 2002, during which time he was responsible for the work of Ofsted. He was, from 2002 to 2007, Chair of The Learning Trust, a not-for-profit body responsible for running the education services for Hackney and is a member of the Governing Body of the University of Hertfordshire.

(a) Audit Committee Member

(r) Remuneration Committee Member

(n) Nominations Committee Member

Directors' Report

The Directors present their Report and the Group's audited financial statements for the year ended 30 September 2010.

Principal activities

The principal activities of the Group are the supply of educational products and services to schools, colleges & universities, local government and central government departments & agencies.

Review of the business and future developments

The Directors are required, under the Companies Act 2006, to present a fair review of the business, its position at the year end, and any likely future developments. This review comprises: this Directors' Report; the Business review (pages 12 – 23); the Audit Committee Report (pages 34 – 37); and the Remuneration Report (pages 38 – 50).

Dividends

The Directors propose the payment of a final dividend per share of 5.25p, bringing the total dividend for the year to 6.64p per share (2009: 6.17p). Subject to approval at the Annual General Meeting (AGM), the final dividend will be paid on 4 February 2011 to shareholders on the register on 7 January 2011.

Directors

The following Directors served during the year and to the date of this Report:

- John Leighfield (Chairman)
- Terry Sweeney (Chief Executive)
- Mike Greig (Executive Director until 31 March 2010)
- Iain McIntosh (Executive Director from 1 April 2010)
- Rob Sirs (Executive Director)
- John Windeler (Senior Independent Non-Executive Director)
- Professor Sir Tim Brighouse (Independent Non-Executive Director)
- Sir Bryan Carsberg (Independent Non-Executive Director)
- Jo Connell (Independent Non-Executive Director)
- Sir Mike Tomlinson (Independent Non-Executive Director)

Iain McIntosh was appointed to the Board as CFO on 1 April 2010, succeeding Mike Greig who retired from the Board on 31 March 2010. Biographies of the Directors, including details of committee membership are given on page 25.

Details of Directors' remuneration and of their interests in the share capital of the Company (including interests in share options and share-based incentive programmes) are set out in the Remuneration Report on pages 38 – 50 of this Report.

The Group holds Directors' and Officers' liability insurance, with an indemnity limit of £10m, covering legal liabilities for wrongful acts committed by them. This insurance was in force throughout the year and remains in force at the date of this Report. The Group has indemnified the Directors against liability relating to proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. This indemnity was in place throughout the year and remains in place at the date of this Report.

No Director of the Company was materially interested in a contract of significance (other than a service contract) involving the Company or any of its subsidiary undertakings during the year.

Re-election of Directors

The Company's Articles of Association currently require that one-third of all Directors retire, by rotation, each year. This year, Mike Tomlinson, Jo Connell and Terry Sweeney will offer themselves for re-election at the AGM. In addition, Iain McIntosh, who was appointed a Director during the year, will offer himself for election at the AGM.

As required by The Combined Code on Corporate Governance June 2008, the Group's Chairman confirms that Mike Tomlinson and Jo Connell continue to perform effectively and to demonstrate commitment to their roles as non-Executive Directors.

The Directors who are proposed for re-election or election have either a letter of appointment or a service contract, details of which can be found in the Remuneration Report. Biographical details for those Directors standing for re-election or election are provided on page 25 of this Report.

The Company intends to propose a Special Resolution at its AGM amending its Articles of Association to require all Directors to face annual re-election. This reflects guidance set out in The UK Corporate Governance Code June 2010, which will apply to the Company for its financial year commencing 1 October 2010. Whilst RM is a "smaller company" under the terms of The UK Corporate Governance Code, the Board is adopting annual re-election as best practice.

Re-appointment of Sir Bryan Carsberg as an Independent Non-Executive Director

Following a recommendation by the Nominations Committee, the Board has re-appointed Sir Bryan Carsberg as an Independent Non-Executive Director for a further three years from 1 September 2011 – taking his term to 12 years in total. An explanation of the Nominations Committee's recommendation is provided in the Nominations Committee section of the Corporate Governance Report.

Sir Bryan will offer himself for re-election at the Group's AGM and his re-appointment is subject to re-election annually thereafter.

Directors' statement on disclosure of information to auditors

The Directors, having made enquiries to fellow Directors and the Company's auditors, state that:

- So far as they are aware, there is no relevant audit information of which the Company's auditors are unaware.
- They have taken all reasonable steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Research and Development

The Group undertakes an extensive research and development programme, with the objectives of making significant technical advances to enhance the performance of existing product areas, developing new products for markets, and enhancing access to potential new markets. This activity involves considerable innovation.

Expenditure of £12.4m was incurred in 2010 (2009: £13.7m). All research and development costs incurred in 2010 were written off because they did not meet the criteria for capitalisation. In addition, the Group performs research and development activities directly related to specific projects, which are included in cost of sales for these projects.

Employment policies

Objectives

RM's policy is that all staff should work towards agreed job-related objectives and personal development objectives. For all of the Company's people, an element of pay is linked to the achievement of these objectives.

The Executive Committee sets Group-wide Corporate Objectives at the start of each year. These objectives are designed to reinforce the Group's culture as well as drive financial performance. The Corporate Objectives are introduced and explained to all staff through an annual Company Brief programme. Individual employees' personal objectives are cascaded from the Corporate Objectives.

The Executive Committee reports progress against the Corporate Objectives at quarterly senior leadership team meetings. These progress reports are onward briefed to all staff. At the annual Company Brief, the Chief Executive reviews progress against objectives for the previous year and presents an objectives 'scorecard'.

For senior staff the Group has identified a set of preferred management competences, which are used in employee development and recruitment. The Executive Committee and a group of divisional directors and senior managers participate in a '360 degree' feedback process in order to understand the extent to which their work behaviour supports the Group's values.

Appraisal

RM's policy is that all employees should participate in an appraisal process; this involves both regular informal review meetings and a formal half-yearly review of performance to assess progress against personal objectives and to identify personal and professional development needs. In 2010, the very large majority of staff participated in a formal appraisal session. For senior staff, appraisal meetings address the development of the Group's preferred management competences as well as personal objectives. Senior staff are assessed on their management competences and rated relative to their peers. These ratings are used as an input into career development discussions.

Personal Development

Technical and personal skills training are provided for employees at all levels in RM Education. Directors and managers receive training in RM's key management methods. Self-directed learning through teaching manuals and computer programs and formal training courses are used to provide technical training for support employees.

All new RM Education employees attend an induction programme designed to reinforce the Group's commitment to customer satisfaction and behaving in an environmentally responsible manner.

Communications

The Group has an open communications policy designed to involve employees and keep them informed about the performance of the business and about matters affecting them as employees.

Employees receive news about the Group and its operations through formal and informal briefing meetings, Chief Executive Blog and Podcast, frequent email notices, internal notice boards and through RMi (the Group's intranet).

All RM Education plc office-based employees, including Directors and managers, share open plan office accommodation, which provides good opportunities for informal communication about issues concerning the Group's operations and development.

Directors' Report continued

Employment policies continued

RM Education has formally adopted a Communications Charter. This Charter, which was drafted following input from staff, is published on the Group's intranet and sets out in detail the kinds of communication staff can expect and are entitled to. The Communications Charter is a 'pre-existing agreement' that has been approved by the Company's employees under the Information and Communications regulations that came into force on 6 April 2005.

Equal opportunities

RM is an equal opportunities employer. Applications for employment are always fully considered irrespective of gender, ethnic origin, race, age, religion, sexual orientation or disability. In the event of employees becoming disabled, every effort is made to ensure that their employment continues and that appropriate training is arranged. It is RM's policy that the training, career development and promotion of disabled employees should, so far as is possible, be identical to that of other employees.

Other employment policies

RM has a wide range of other written policies, designed to ensure that it operates in a legal and ethical manner. These include policies related to health and safety, 'whistle blowing', business gifts, grievance, career planning, parental leave, sabbatical, systems and network security. All of RM Education's employment policies are published on RMi.

Health and safety

The Board of RM fully recognises its responsibility for the health and safety of the Group's people, customers and of others who may be affected by its activities.

RM has continued to improve its health and safety programme by providing development opportunities for staff, closely monitoring performance, and bringing all Group companies into a programme of internal audit and inspection.

During the year, the Group recorded 99 minor incidents and 3 RIDDOR incidents.

Creditor payment policy

The Group agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms, subject to their being met by the supplier.

Trade creditor days, which have not been adjusted for the seasonal nature of the business of the Group, for the year ended 30 September 2010 were 49 days (2009: 37 days) based on the ratio of trade creditors at the year end to the amounts invoiced by suppliers during the year.

Charitable donations

During the year the Group made various charitable donations totalling £75,000 (2009: £98,000). A further £14,000 was given to locally based community support projects (2009: £14,000). The Group made no political donations during this year or the previous year.

Significant agreements

The Group enters into long-term contracts to supply ICT products and services to its customers. Wherever possible, these contracts do not have change of control provisions; where they do, the change of control provisions are limited to giving the customer the right to terminate the contract without cost to the Group.

The Group has a five-year £25m acquisition credit facility with HSBC dated 29 July 2008. This facility has a change of control provision, and could be cancelled in the event of change of ownership of the Company.

Substantial shareholdings

On 16 November 2010 the Company had received notifications that the following parties were interested in accordance with DTR 5:

	Number of shares	Percentage of ISC as at 16 Nov	No. of shares Direct	No. of shares Indirect
Schroders Investment Management	18,579,673	19.89%	–	18,579,673
Aberforth Partners Ltd	6,737,802	7.21%	–	6,737,802
Aviva plc	5,416,992	5.80%	1,811,735	3,605,257
Ameriprise Financial Inc	5,064,000	5.42%	182,000	4,882,000
Invesco Ltd	4,881,154	5.22%	–	4,881,154
Aberdeen Asset Management PLC	4,549,104	4.87%	–	4,549,104
Legal & General	3,668,935	3.93%	3,348,631	320,304

Share capital

As at 30 September 2010, the Company's share capital comprised a single class of Ordinary Shares of 2 pence each. Details of the authorised and issued share capital of the Company, together with information about shares issued during the year, is set out in note 23 to the financial statements.

The rights and obligations attaching to each Ordinary Share are set out in the Company's Articles of Association, which are available from Companies House in the UK, or by writing to the Company Secretary. None of the ordinary shares carries any special rights with regard to control of the Company; none of the ordinary shares carries restricted voting rights.

The RM plc Employee Share Trust is a trust for the benefit of RM employees; it acquires and holds shares required for providing awards and grants under the RM Performance Share Plan, RM CIP and the RM Deferred Bonus Plan. The RM 2002 UK Employee Benefit Trust is a trust for the benefit of RM employees; it acquires and holds shares awarded under the RM plc 2002 Staff Share Scheme. In both cases, voting rights for shares held on behalf of specific employees by these trusts are exercised by the individual employee. Voting rights for other shares held by the trusts are not exercised. Details of share-based payments are included in note 27 to the Financial Statements and in the Remuneration Report.

There are no restrictions on the transfer of ordinary shares in the Company, other than those imposed on all employees under the Company's share dealing code. The Company is not aware of any agreements between shareholders which might result in restrictions on the transfer of ordinary shares.

Acquisition of Company's own shares

At the end of the year, the Directors had authority to purchase through the market up to 9,317,161 of the Company's ordinary shares, being 10% of the issued share capital, at prices ranging between the nominal value and an amount equal to the higher of 5% above the average of the middle-market quotations of the Company's ordinary share for the five business days immediately preceding the day on which such share is contracted to be purchased and that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003.

This authority expires at the conclusion of the 2011 Annual General Meeting or on 1 April 2011, whichever is the earlier. The Directors will seek to renew this authority at the next AGM.

No shares were purchased under this authority during the year or during the prior year.

Use of financial instruments

Information about the Company's use of financial instruments is given in note 21 to the financial statements.

Articles of Association

The Company's Articles of Association are available from Companies House in the UK, or by writing to the Company Secretary. Amendments to the Articles of Association can only be made by means of a Special Resolution at a general meeting of the shareholders of the Company.

Annual General Meeting

The AGM of the Company will take place at 2pm on Monday 17 January 2011 at 140 Milton Park, Abingdon, Oxfordshire OX14 4RS. Details of the resolutions to be proposed at the AGM are contained in the Notice of Annual General Meeting sent to shareholders with this Annual Report.

By order of the Board

A.J. Robson

Company Secretary
22 November 2010

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts 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, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- make an assessment of the Company's ability to continue as a going concern.

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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's Web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Business review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

T. Sweeney
Chief Executive
22 November 2010

I. McIntosh
Chief Financial Officer
22 November 2010

Corporate Governance Report

Compliance

The Group has throughout the year, complied with The Combined Code on Corporate Governance June 2008 as published by the Financial Reporting Council (The Code).

The Company has applied the Principles of Good Governance set out in section 1 of The Code. Further explanation of how the principles have been applied is set out in the following text, in connection with Directors' remuneration, in the relevant section of the Remuneration Report and, in connection with internal controls and principal risks in the relevant section of the Audit Committee Report.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review. The financial position of the Group, its cash flows and borrowing facilities are described in the Business review: Finance. The Group's risk management policies are outlined in the Audit Committee Report and notes 19, 20 and 21 to the financial statements outline the Group's financial assets and liabilities, including details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors have assessed forecast future cash flows over the coming year and are satisfied that the Group's agreed working capital facilities are sufficient to meet these cash flows. Given the Group's continued seasonality and Building Schools for the Future contractual commitments, cash flows are forecast to be at their highest outflow between July and September.

The Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Board of Directors

The Directors who served on the Board during the year are set out in the Directors' Report on page 26; details of Directors' remuneration are given in the Remuneration Report. Biographical details for currently-serving Directors are provided on page 25, showing the wide range of knowledge, skills and experience they provide to the Group.

The Senior Independent Director is John Windeler.

John Leighfield, the Group's Chairman, is not considered independent either by the Company or under the terms of The Code. He was independent at the time of his appointment. The other Non-Executive Directors who served during the year are all considered independent by the Company and under the terms of The Code.

Throughout the year the composition of the Board complied with The Code, with at least half of the Board, excluding the Chairman, consisting of Independent Non-Executive Directors.

The roles of Chairman and Chief Executive are exercised by different individuals and the division of responsibilities between the Chairman and Chief Executive has been formally defined.

The Board has formally adopted a schedule of matters that are brought to it for discussion and decision. This schedule includes overall Group strategy, acquisition policy, internal controls, major capital investment and risk management, and is intended to ensure that the Board maintains full and effective control over appropriate strategic, financial and compliance issues and oversees operational activities.

The Board delegates the operational management of the Group to the Executive Committee.

There is an established procedure for all Directors to take independent professional advice, at the expense of the Group, as necessary in the pursuit of their duties.

Directors' conflicts of interest

At its AGM on 19 January 2009, shareholders approved amendments to the Company's Articles of Association to allow the Board to authorise situational conflicts in accordance with Section 175 of the 2006 Companies Act. The Board has not considered any situational conflicts during the year.

Board Committees

There are four Board committees: Audit, Remuneration, Nominations and Transactions; each of which, apart from the Transactions Committee, comprises only Non-Executive Directors.

During the year, the Audit Committee was chaired by Sir Bryan Carsberg and comprised three, independent Non-Executive Directors. The Audit Committee meets at least three times a year. The Company's external auditors, the Chairman, Chief Financial Officer, Group Financial Controller and the Head of Internal Audit normally attend part of these meetings. The Audit Committee is responsible for reviewing the accounting policies, internal control assessment and the financial information contained in the annual and interim reports. It provides an opportunity for the Non-Executive Directors to make independent judgements and contributions thus furthering the effectiveness of RM's internal financial controls. Further details of the Audit Committee's activities are given in the Audit Committee Report. The terms of reference for the Audit Committee are published on www.rm.com

Corporate Governance Report continued

During the year, the Remuneration Committee was chaired by Sir Mike Tomlinson and comprised four independent Non-Executive Directors and, for part of the period, the Group Chairman. In response to emerging best practice, the Group Chairman stood down from the Remuneration Committee during the year. The Remuneration Committee meets at least four times a year. Executive Directors and senior managers may be invited to attend Committee meetings, but will not be present during any discussion of their own pay arrangements. The Remuneration Committee sets the remuneration of RM's Executive Directors and senior management. It also considers grants and performance conditions under RM's share-based payment schemes and reviews RM's employment strategy generally. Further details of the Remuneration Committee's activities are given in the Remuneration Report. The terms of reference for the Remuneration Committee are published on www.rm.com

During the year, the Nominations Committee was chaired by John Leighfield (or, in his absence, John Windeler) and comprised the Group Chairman and four independent Non-Executive Directors. The Nominations Committee recommends to the Board candidates for appointment as Directors. It meets at least once a year, with more frequent meetings when the Group is actively selecting Directors. Further details of the Nominations Committee's activities are given in the Nominations Committee section of this Corporate Governance report. The terms of reference for the Nomination Committee are published on www.rm.com

During the year, the Transactions Committee was chaired by John Leighfield and comprised the Group Chairman plus any one independent Non-Executive Director and any one Executive Director. The Transactions Committee meets at such times as the Chairman of the Committee requires. During 2010 it met 10 times. The Transactions Committee approves, enters into and authorises the execution of all deeds and documents and does everything that is necessary to give effect to any 'substantial transaction' that has already been approved in principle by the Board. The terms of reference for the Transactions Committee are published on www.rm.com

Board meetings

There is a formal schedule of nine Board meetings a year. Board members also receive updates about Group activities by email, and communicate informally by telephone and email.

Directors receive a detailed information pack, one week before each Board meeting, which contains background papers on all the agenda items. Executive managers are regularly invited to Board meetings to present and discuss strategic topics with the Directors. During the year, the Non-Executive Directors met without the Executive Directors present. The Non-Executive Directors, led by the Senior Independent Non-Executive Director, also met to appraise the Chairman's performance.

Directors' Attendance

The number of Board and Committee meetings attended by the Directors during the year was as follows:

	Main Board	Audit Committee	Remuneration Committee	Nominations Committee
Executive				
T. Sweeney	10/10	–	–	–
M. Greig*	5/5	–	–	–
I. McIntosh†	5/5	–	–	–
R. Sirs	8/10	–	–	–
Non-Executive				
J. Leighfield	10/10	–	4/4	3/3
J. Windeler	10/10	3/3	5/5	3/3
T. Brighouse	9/10	–	–	3/3
B. Carsberg	10/10	3/3	5/5	3/3
J. Connell	10/10	3/3	5/5	3/3
M. Tomlinson	9/10	–	5/5	–

* retired 31 March 2010
† appointed 1 April 2010

Board effectiveness

The Board has put in place a formal process for annually reviewing its effectiveness and the effectiveness of its committees. Reviews are led by the Chairman and use a process agreed by the Board as a whole. Each Board member provides an individual evaluation of performance against a series of criteria and general comments on the Board's performance. In 2010, a small number of suggestions for improvement were identified and these will be implemented forthwith.

An assessment of the effectiveness of individual members of the Board was also carried out.

Executive Committee

During the year, the Executive Committee comprised Terry Sweeney (Chairman), Mike Greig (until 31 March 2010), Iain McIntosh (from 30 November 2009) and Rob Sirs. The Committee met weekly, with the Group's Human Resources Director and senior operational Directors invited to attend. The Executive Committee is responsible for implementing the strategy set out by the Group Board, preparing strategic proposals to be considered by the Board, and providing day-to-day operational management and control for the business.

Nominations Committee

The Nominations Committee met three times during the year. During these meetings, the Committee discussed succession planning for the Board in general and the re-appointment of Sir Bryan Carsberg as an Independent Non-Executive Director and Chair of the Audit Committee.

All discussions regarding the re-appointment of Sir Bryan Carsberg took place without him present. The Committee concluded, and the Board subsequently agreed, that Sir Bryan should be re-appointed to the Board as an Independent Non-Executive Director for a further three years from 1 September 2011 and continue in his role as Chair of the Audit Committee. Sir Bryan's reappointment will be subject to election at the Group's AGM and annually thereafter. Sir Bryan was first appointed to the Board on 1 September 2002.

Section A.3.1 of The Combined Code on Corporate Governance June 2008 states that serving on a board for more than nine years may affect the independence of a Non-Executive Director. Section A.7.2 of The Combined Code on Corporate Governance June 2008 states that a Non-Executive Director can serve for more than nine years, provided that they are subject to annual election.

The Nominations Committee believes, and the Board agrees, that Sir Bryan remains independent in his actions and judgement. Sir Bryan brings to the Board exceptional accounting, financial and regulatory knowledge. As Chair of the Audit Committee, he has provided invaluable guidance to the Company. The Board considers that these skills and abilities should be retained in the interests of the Company and its shareholders.

Sir Bryan was Secretary General of the International Accounting Standards Committee from 1996 to 2001, a former Director General of OFTEL, and a former Director-General of the Office of Fair Trading. He has served as Professor of Accounting at the University of Manchester and the London School of Economics.

The Nominations Committee recognises the need to secure, in due course, a further suitably qualified Independent Non-Executive Director, who has the potential to succeed Sir Bryan as Chair of the Audit Committee.

Relations with shareholders

RM maintains regular contact with institutional shareholders, fund managers and investment analysts through an active investor relations programme. The Company was nominated in the Grand Prix for Best Smaller Company Investor Relations category in the 2006 and 2008 IR Magazine Awards.

As part of this programme the Group's Chief Executive and CFO provide detailed briefings for investment analysts and institutional shareholders at the time of the Group's interim and annual results announcements; hold regular meetings with analysts, institutional shareholders and fund managers during the year; and typically host two analyst seminars and two investor seminars during the year. The Group Chairman attends at least one group meeting with investment analysts during the year. The Senior Independent Director is available to meet with major shareholders as required. The Chair of the Remuneration Committee consults with major shareholders annually about any significant proposed changes to remuneration policy.

Private investors are encouraged to participate in the Annual General Meeting. In order to improve communications with investors in general and private investors in particular, the Group maintains a detailed investor relations Web site at www.rm.com/investors

The Board is provided with detailed, independently produced reports providing non-attributable feedback from analysts, institutional shareholders and fund managers following results announcements and analyst/investor seminars. Discussion of these reports is included as a formal agenda item at Board meetings. The Board is also provided with regular updates about investor relations activities and receives analysts' notes about RM as they are published.

All Directors are available at the Group's AGM to address any shareholder questions.

RM has identified a senior manager (the Director of Corporate Affairs) with responsibility for managing the Group's investor relations programme.

Audit Committee Report

The Audit Committee operates under terms of reference approved by the Board, with the purposes of:

- appointing the Group's internal and external auditors;
- reviewing the performance of and relationship with the Group's external auditors (including considering fee levels and the provision of non-audit work);
- reviewing the performance of the Group's internal audit function;
- reviewing the Group's financial reporting and internal control processes;
- monitoring the integrity of the Group's financial statements and announcements regarding performance;
- ensuring that a system is operated for the assessment and management of key risks.

Composition and qualifications of the Audit Committee

During the year the Audit Committee comprised Sir Bryan Carsberg MSc(Econ), FCA (Chair), John Windeler BA, MBA and Jo Connell, all of whom are independent Non-Executive Directors. The Group considers that Sir Bryan Carsberg, as a previous Secretary General of the International Accounting Standards Committee and a former Professor of Accounting, has significant recent technical accounting experience.

John Leighfield (Chairman), Mike Greig MA, MSc, FCMA (Group Finance Director until 31 March 2010), Iain McIntosh MA, FCA (CFO from 1 April 2010), Douglas Muir BSc, FCA (Group Financial Controller) and Edward Warwick MEng, ACA (Head of Internal Audit) are invited to attend Audit Committee meetings.

Schedule of meetings

The Audit Committee met three times during the year. Two of these meetings were part of the regular schedule of meetings set out in the Committee's terms of reference.

Audit Committee meetings have formal agendas, which cover all of the areas of responsibility set out in the Committee's terms of reference. These agendas include meetings with the external auditors without Executive Directors or managers of the Company present.

Appointment of external auditors

The Audit Committee recommended, and shareholders approved at the Group's AGM on 18 January 2010, the re-appointment of Deloitte LLP as the Group's external auditors. A resolution proposing that Deloitte LLP be reappointed as auditors of the Company will be proposed at the next AGM.

Deloitte have been the Group's auditors since 2002. The external auditors are required to rotate the audit partner responsible for the Group and subsidiary audits every five years and the current lead audit partner has been in place since 2008. There are no contractual obligations restricting the Group's choice of external auditor.

Oversight of external audit

The Audit Committee has reviewed the scope and results of the audit services, and the cost effectiveness and independence and objectivity of the external auditors.

Internal audit

The Audit Committee has approved the appointment of RM's Group Chief Accountant Edward Warwick MEng, ACA as Head of Internal Audit. The Audit Committee, with the advice and support of the Head of Internal Audit, sets an internal audit plan. The Head of Internal Audit reports on progress against this plan at Audit Committee meetings.

Policy on non-audit work

The Audit Committee has considered the issue of the provision of non-audit work by the external auditors and, in March 2003, agreed a policy intended to ensure that the objectivity of the external auditors is not compromised. The policy sets a limit for fees for non-audit work and states that non-audit work should only be undertaken by the external auditors where there is a clear commercial benefit doing so; any significant activity must be approved, in advance, by at least two Audit Committee Members. Since March 2003, the Audit Committee has revised the policy to include a cap on fees for non-audit work of 25% of the annual audit fee.

In practice, this policy has resulted in a steady reduction in non-audit work undertaken by the Group's external auditors. In 2010, the Group's external auditors also reviewed the Group's interim results and provided an opinion on compliance with banking covenants. Fees for non-audit work in the year were 18% of the annual audit fee.

Internal control

The Combined Code requires the Directors to review, at least annually, the effectiveness of the Group's system of internal control, and to report to shareholders that they have done so. The Audit Committee provides the information required by the Board to do this. The Board attaches considerable importance to the Group's systems of internal control and risk management and confirms that, throughout the period covered by these accounts and up to the date of their approval, it has reviewed these areas.

The Board recognises that exposure to risk is an inherent part of creating value. The Group's internal controls are designed to meet the particular requirements of the Group and address the risks to which it is exposed. In this context, the controls can provide reasonable but not absolute assurance against material misstatement or loss. The internal controls are designed to manage rather than eliminate risk.

The processes to identify, assess and manage the risks to the Group's continued success are an integral part of the system of internal control. These processes include systems to assess operational risks, linkage with the business planning process, monthly forecasting, appointment of senior managers and controls over capital expenditure. Principal risks are identified in the statement of risks section within this report.

The key features of the internal control system that operated throughout the period covered by the accounts are described below.

Control environment – The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority to executive management. Individuals are formally made aware of their level of authority and their budgetary responsibility which enables them to identify and monitor financial performance. There are established policies and procedures, which are subject to regular review. The Boards of the operating companies work within strict terms of reference and any matters outside those terms or the agreed business plan are referred to the Group Board for approval. The Group's selection and recruitment procedures are set to exacting criteria and the performance management process is supportive of these same criteria.

Identification and evaluation of business risks and control objectives – The Board has the primary responsibility for identifying the principal business risks facing the Group and developing appropriate policies to manage those risks. It delegates responsibility for operational risks to the Chief Executive and the Executive Committee. The Executive Committee meets weekly with an agenda of specific operational measures for review.

Information systems – Executive managers are required to produce a business plan for approval at the beginning of each financial year and detailed financial forecasts are formally compiled quarterly and reviewed by the Board. Consolidated management accounts are produced each month and results measured against plan and previous year to identify any significant variations.

Main control procedures – The financial systems and procedures established lead the Board to a high level of confidence in the completeness and accuracy of the recording of financial transactions. The well established processes in place and the level of analytical detail given within the management accounts facilitate the identification of unreliable data. The Group's treasury activities are operated within a defined policy designed to control the Group's cash and to minimise its exposure to foreign exchange risk.

Monitoring – The Audit Committee meets periodically to review reports from management and the external auditors so as to derive reasonable assurance on behalf of the Board that financial control procedures are in place and operate effectively. An internal audit function reports directly to the Audit Committee and has annual plans agreed by the Audit Committee.

'Whistle blowing' policy

The Group has adopted a formal 'whistle blowing' policy, which allows staff to raise concerns about possible improprieties. No concerns were raised during the year.

Statement of risks

As with any business, RM is exposed to risks as an inherent part of creating value for shareholders. As described above, the Group has put in place processes designed to identify these principal risks and to manage and mitigate the effect of them. The Audit Committee is responsible for ensuring that risks are properly considered and the Board is responsible for deciding what risks should be taken and how best to manage and mitigate the risks.

The Audit Committee is satisfied that the Group's risk management and internal control processes provide a high level of confidence that the Executive Committee has identified and addressed the principal risks affecting RM.

The most significant risks the Group is exposed to are set out on pages 36 – 37.

Sir Bryan Carsberg

Chairman, Audit Committee
22 November 2010

Principal risks

Risk	Mitigation
<p>Public policy The majority of RM's business is funded from government sources. Changes in political administration – or changes in policy priorities – might result in a reduction in education spending.</p> <p>Global economic conditions might result in a reduction in budgets available for public spending generally and education spending specifically.</p>	<p>The Group seeks to understand the education policy environment by regular monitoring of policy positions in all of its major markets and by building relationships with education policy makers.</p> <p>The Group seeks to increase the diversity of its revenue streams both by developing a broad product portfolio and building its position in territories other than the UK.</p>
<p>Education practice Educational practices and priorities may change and, as a result, RM's products and services might no longer meet customer requirements.</p>	<p>The Group seeks to maintain a deep level of knowledge of current education practice and priorities by maintaining close relationships with customers.</p>
<p>Global competition in IT markets The IT hardware market is subject to intense global competition. RM has to react to continual average selling price reductions and margin pressures, as well as to US Dollar rate fluctuations.</p>	<p>The Group seeks to reduce its exposure to commodity hardware sales and has a programme of foreign exchange hedging activity.</p>
<p>Execution RM provides sophisticated products and services, which require a high level of technical expertise to develop and support, and on which its customers place a high level of reliance.</p> <p>RM is engaged in the delivery of large, multi-year education projects, typically involving the development and integration of complex ICT systems, and may have liability for failure to deliver on time.</p>	<p>The Group invests in maintaining a high level of technical expertise. The Group has in place a range of customer satisfaction programmes, which includes management processes designed to address the causes of customers' dissatisfaction.</p> <p>The Group enters into major projects only after they have been approved by the Transaction Committee.</p> <p>Strong internal management control processes are in place to govern the delivery of education projects, including regular reviews by the Executive Committee and detailed progress reporting to the Board.</p>
<p>Product safety RM is involved in the supply of physical education resources that will be used by children of all ages and abilities.</p>	<p>The Group's product development processes take full account of international safety regulations.</p>
<p>Data RM is engaged in storing and processing sensitive educational data (for example, exam papers and scripts, and school and pupil records), where accuracy, privacy and security are very important.</p>	<p>The Group's IS function has invested in developing secure Data Centres, and has been successfully certified to ISO/IEC 27001:2005 for the provision of systems, information and hosting services to RM Education plc.</p>
<p>People RM's business depends on highly skilled employees.</p>	<p>The Group seeks to be an excellent employer and regularly monitors the satisfaction of its employees. It has been identified as one of the UK's Top Employers and as the UK's Top IT Employer. RM also has an active senior career planning and succession planning programme.</p>

Risk	Mitigation
<p>Innovation</p> <p>The IT market is subject to rapid, and often unpredictable, change. As a result of inappropriate technology choices, RM's products and services might become unattractive to its chosen customer base.</p> <p>RM's continued success depends on developing a continuous stream of innovative and effective education products.</p>	<p>The Group closely monitors technology developments, invests continually in keeping its products up to date, undertakes extensive testing for new products and services, and maintains strong relationships with key technology providers.</p> <p>The Group invests in continuous product development and works closely with teachers and educators to understand opportunities and requirements.</p>
<p>Financial</p> <p>RM has international activities (principally in the US, India and Australia) and is exposed to foreign currency risk.</p> <p>RM is exposed to counterparty risk on liquid assets.</p>	<p>The Group enters into US\$ and Indian Rupee denominated hedging contracts with approved banking organisations.</p> <p>No more than one-third of the Group's cash may be held with any one bank. Cash and cash reserves are with safe and secure banks.</p>
<p>Pension</p> <p>RM operates a defined benefits pension scheme in the UK (closed to new entrants), which is in deficit.</p>	<p>The financial position of the scheme is reviewed at least bi-annually, when management meets with the scheme actuary.</p> <p>The Group has actively managed its exposure to pension risk by agreeing changes in the scheme with members.</p>
<p>Acquisitions</p> <p>RM has acquired, and anticipates continuing to acquire, other businesses.</p>	<p>The Group carries out a detailed analysis of potential acquisitions. Subsequent to acquisition, the business performance of new subsidiary companies is reviewed quarterly by the Executive Committee, and the Group's internal audit function carries out regular reviews to ensure that appropriate controls and management structures are in place.</p>
<p>Business recovery</p> <p>RM would be significantly impacted if, as a result of a natural disaster, act of God, act of terrorism or other similar event, its buildings, systems and infrastructure could not function for a long period.</p>	<p>The group has established an Information Security Committee to oversee the security aspects of the Group's information systems. This covers data integrity and protection, defence against external threats and disaster recovery.</p> <p>The Group has made significant investments in protecting itself against the consequences of a disaster and has piloted its plans for dealing with a disaster.</p> <p>The Group has comprehensive property insurance covering all of its properties.</p>

Remuneration Report

This report sets out the Group's remuneration policy and principles under which RM's Directors are remunerated. It provides details of remuneration and share interests of all Executive and Non-Executive Directors for the year ended 30 September 2010.

As reported in the Business review, RM's financial results for 2010 were excellent, with increases in revenue, profits and earnings.

Remuneration highlights for the year are as follows:

- Executive Directors achieved bonus awards which totalled £375,000 (average of 54% of maximum achievable).
- The Co-Investment Plan (CIP) awarded a 50% scaled back award on the EPS measure only for the shares held by the Executives for the criteria set in 2007.

Changes to Remuneration in 2010

The Remuneration Committee reviews the Group's remuneration policy and practices annually to ensure continued alignment between the Executive Directors' and shareholders' interests. Hewitt New Bridge Street (HNBS) is appointed by the Remuneration Committee to advise on executive remuneration and neither HNBS nor its parent company, Aon Hewitt, provides other services to the Company. During the year, the Remuneration Committee reviewed the executive remuneration arrangements to test whether they continue to support the Remuneration Committee's remuneration philosophy. As a result of the review, the Remuneration Committee decided to:

- With effect from 1 November 2010 increase Executive Directors' salaries by 2%, the average rate of increase for the workforce.
- Potentially introduce provisions for clawback of annual bonus payments and PSP awards.
- Remove the share price underpin to the EPS performance condition attaching to future long-term incentive awards and amend the basis of the application of the share price underpin for existing awards.
- Carefully consider EPS performance conditions for the 2010 PSP award in light of the Government Spending Review.

As a result of these changes the Remuneration Committee believes that remuneration policies and measures are appropriate and in line with the Company's business outlook, circumstances and strategy and they comply fully with the latest investor guidelines and best practice.

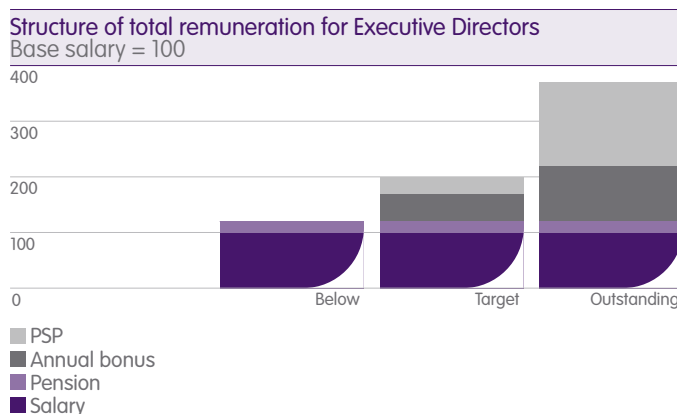
Further details of the changes are given in this report.

1. Remuneration policy

RM's remuneration policy is designed to attract, retain and motivate senior executives, both to achieve the Group's business objectives and to deliver outstanding shareholder returns, and alignment of interest between executives and shareholders. To achieve this, RM's remuneration policy aims to provide 'median' reward compared to RM's comparator group when acceptable levels of performance have been delivered. For the achievement of outstanding performance, it aims to deliver 'upper quartile' remuneration compared to the comparator group. The maximum incentive awards are made only when improved business performance, customer satisfaction and superior shareholder returns have been realised.

Furthermore, Executive Directors are required to hold shares worth at least 100% of their base salary and to defer up to 40% of any bonus received into company shares which is restricted for three years, thereby ensuring there is strong alignment of interest between executives and shareholders.

The graph below shows the way RM structure the total remuneration for the Executive Directors:



	Below target	At target	Outstanding
Non-variable:			
Salary	Median Standard	Median Standard	Median Standard
Pension			
Variable:			
Annual bonus	Nil	50% of salary	100% of salary
Performance Share Plan	Nil	25% of salary	100% of salary

Under these arrangements, the package is designed to be focused on performance. If outstanding performance is achieved, the value of the total package doubles in comparison with an on-target performance and more than trebles what it would be in the event that the Group has not met the targets set. These increases are derived entirely from the incentive arrangements so that Executive Directors have the opportunity to earn high levels of reward, but only if they enhance shareholder returns by meeting the Company's short-term and long-term targets. The remuneration policy therefore seeks to ensure that the Executive Directors are focused on the achievement of key company objectives as well as developing a significant shareholding. The Remuneration Committee is satisfied that this model provides appropriate alignment with Company performance and shareholder returns and therefore acts as a real motivator to the Executive Directors.

The Remuneration Committee supports any Executive Director who wishes to serve as a Non-Executive Director on the board of one other company. The Remuneration Committee believes that this can offer the Executive valuable additional experience, which then benefits RM. Currently Rob Sirs serves as a Non-Executive Director on the Board of the Cabot Learning Federation.

In setting Executive Directors' reward, the Remuneration Committee takes account of the level and structure of reward elsewhere within the Company. The Remuneration Committee strongly believes that all employees should share in the success of the Group. In particular, this approach is evidenced by the following:

- Base salary levels for Executive Directors are reviewed in line with the increases for the workforce generally.
- Through the RM plc 2002 Staff Share Scheme all RM UK employees, who have been in service for at least seven months at the date of the annual award, are eligible to receive free shares.
- Employees can earn bonuses linked to profit and/or customer advocacy, and personal objectives.
- Selected senior executives are invited to participate in the Performance Share Plan.

The Remuneration Committee has reviewed the level of risk inherent in the remuneration policy and is satisfied that there is an appropriate balance between encouraging entrepreneurial behaviour from Executive Directors, whilst at the same time ensuring that there are no areas of the policy which encourage undue risk taking. In relation to the target setting process and other matters arising in relation to the operation of the annual bonus and long-term incentive plans, the Remuneration Committee keeps in mind that the structure should not encourage excessive risk taking.

Remuneration policy composition: purpose and measures

Executive Directors' remuneration comprises base salary, annual bonus and a long-term incentive plan linked to the Company's performance over a three-year period. In line with industry practice, Executive Directors are provided with a range of benefits including pension, private medical insurance, life assurance, permanent health insurance and a company car (or equivalent cash allowance). The role, purpose, and performance measures for each of these elements of the package are summarised in the table below.

Element	Purpose	Performance targets
Base salary	To attract and retain	Role and contribution
Pension and benefits	Competitive fixed benefits to provide security and protection, and to retain	Role
Annual bonus (2010)	Provide upside potential to motivate and to reward achievement of short-term business plan	<ul style="list-style-type: none"> • 50% on PBT • 20% on customer advocacy • 20% on market share and strategic development • 10% personal objectives
<ul style="list-style-type: none"> • 100% of salary maximum (of which 40% paid in shares and deferred for three years) 	Deferral supports retention and shareholder alignment	
Performance Share Plan (2010)	Rewards for achievement of long-term goals, and to encourage leadership and strategic actions. Supports retention and strong alignment with shareholders	<ul style="list-style-type: none"> • 50% on Relative Total Shareholder Return (TSR) • 50% on EPS
<ul style="list-style-type: none"> • Maximum award of 100% salary 		
Shareholding Requirement	Ensure alignment between the interests of Executive Directors and shareholders	
<ul style="list-style-type: none"> • Minimum shareholding of 100% of salary 		

The Remuneration Committee reserves the flexibility to adjust the performance conditions from time to time, should this be necessary, in the light of market or Company developments.

Remuneration Report continued

1. Remuneration policy continued

a) Base salaries

The policy of the Remuneration Committee is that base salary is only one element of the entire package and should be considered within this context. The leverage and alignment (with the strategy and investors' interests) of the package comes entirely from the bonus and long-term incentives. The Remuneration Committee aims to set base salaries at median in the market to achieve the desired leverage. If the performance targets for the bonus and long-term incentives are exceeded then the executive has the opportunity to more than treble the value of their remuneration package, but this is delivered by the variable element in the package, not the salary.

The Remuneration Committee benchmarks remuneration packages regularly by reference to a group of appropriate peers in terms of size, complexity and business field. For 2010 the base salary levels of Executive Directors have been increased by 2%. This is the average level of base salary increase for the workforce generally and is also considered appropriate in light of the current inflationary environment (with RPI at around 5%).

b) Annual bonus

The annual bonus potential is 100% of base salary with 40% of any bonus paid deferred into shares for three years calculated by using the RM share price on the date of the bonus payment.

The bonus payment made to the executives depends on the performance conditions, set by the Remuneration Committee at the beginning of the year, being met. The performance targets reflect the factors that we believe to be critical to RM's business success and the Remuneration Committee is satisfied that the targets set are stretching and aligned to shareholders' interests.

The performance measures for 2011 are set out below. The attainment of the targets is independently audited prior to any rewards being made.

Bonus measures for 2011

Recognising the principal driver of bonus payments should be the Company's profit performance, the balance of the performance metrics is weighted towards profit before taxation (up to 50% of base salary).

From October 2009 a new customer advocacy measure replaced the customer satisfaction measure that had been in place for the previous seven years. The new measure uses a Net Promoter Score by asking customers to score RM Education on how likely they are to recommend RM Education. The benefits of this measure are the ability to benchmark the score with other companies and a more extensive and objective response from customers. Achieving maximum customer advocacy targets could result in an annual bonus payment of up to 20% of base salary.

The Remuneration Committee also believes that it is in shareholders' interests that bonuses take account of business development and consider a variety of measures to inform its judgement on whether or not it is clear that targets have been met. Achieving market share targets could result in an annual bonus payment of up to 20% of base salary.

Personal objectives are set by the CEO with Remuneration Committee approval and related to business critical issues in the executives' specific area. The CEO's personal objectives are set by the Chairman of the Board and approved by the Remuneration Committee. Achieving personal targets could result in a bonus payment of up to 10% of base salary.

The critical targets for 2011 are therefore increases in adjusted profit before taxation (PBT), customer advocacy, business development and attainment of personal objectives relating to RM's overall success. For each target there is a range from threshold via target to stretch. The targets are designed so that Executive Directors have the opportunity to earn high rewards, relative to competitors, but only if stretching targets are met.

If PBT is below threshold, there will be a provision to reduce the level of bonus payable under the customer advocacy and business development points of the bonus plan (potentially to zero).

With effect from 2011, it is intended that the annual bonus plan will be subject to a clawback provision.

Bonus outcomes for 2010

In 2010 the maximum bonus Executive Directors could earn was 100% of salary. Based on the performance for the year just passed, Terry Sweeney, Iain McIntosh and Rob Sirs each received on average an annual bonus of 54% of their salary (of which 40% was deferred into shares). This was based on growth in PBT at just above the target level set at the start of the year. The PBT performance was also sufficient to trigger the financial threshold for the customer advocacy and market share targets to be taken into consideration, with both metrics also paying out at just above the target level. Finally, personal objectives also paid out at an above target level.

c) Long-term incentives

At the January 2010 AGM the Remuneration Committee introduced the RM plc Performance Share Plan (PSP). The PSP provides a competitive long-term incentive which will target exceptional growth in earnings and relative returns to shareholders. Executives may receive an award of shares worth up to 120%, or even up to 150% in exceptional circumstances, of salary in any one year, which will vest subject to performance at the end of three years. In the first year of operation, awards for Executive Directors were capped at 100% of salary.

For awards to be made after the announcement of preliminary results in November 2010, the Remuneration Committee has considered carefully the grant levels and the performance conditions.

In relation to the grant levels, the Remuneration Committee has looked at the overall remuneration of the executives and has concluded that awards for all Executive Directors will be retained at 100% of base salary.

During the year, the Remuneration Committee has carefully reviewed the performance conditions attached to awards made under the PSP. For awards made in March 2010, 50% of the award will vest subject to relative Total Shareholder Return (TSR) performance and 50% of the award will vest according to Earnings Per Share (EPS) performance, which only comes into operation if the share price at vesting is at least equal to 100% of the share price at the start of the performance period ('the share price underpin'). The share price underpin also applies to the EPS condition attached to outstanding awards under the CIP, granted in 2007 and 2008.

Having considered the share price underpin in detail, the Remuneration Committee concluded that the underpin creates a poor link between reward and performance, particularly as there is already a share price-related performance condition relating to total shareholder return for one half of the award. The Remuneration Committee considers the EPS targets to be sufficiently challenging in their own right without the need for this additional measure. Accordingly, having consulted with major shareholders, the Remuneration Committee decided that there should be no share price underpin attached to PSP awards to be made in November 2010 and for all future PSP awards.

Additionally, the Remuneration Committee decided to amend the terms of the share price underpin attached to both outstanding awards under the CIP and the March 2010 award under the PSP.

In removing the underpin, the Remuneration Committee took the following into consideration:

- For the 2007 award, analysts' forecasts for 2010 represent a level of profitability that would be at an all time high and equate to growth of 28% over the three-year performance period.
- Awards under the CIP are made on a co-investment basis. In the case of both awards based on the share price at the time of the review, Executives have lost a significant amount of the value on their invested shares so, in this regard, there has been alignment of interest.
- The maximum value of the CIP awards is relatively modest.

However, to balance this change in executives' favour, in relation to the 2007 CIP awards vesting in 2010, the Remuneration Committee decided to scale-back any awards that would be vesting by 50%.

For the CIP award granted in 2008 and the PSP award granted in March 2010, the Remuneration Committee will also have discretion to scale back awards vested by reference to the EPS performance condition, taking into account the shortfall between the share price at the date of vesting and the original share price underpin.

Furthermore, in the case of both outstanding awards under the CIP and the March 2010 award under the PSP, in circumstances where there is a scale back due to the original share price underpin not being achieved, there will be a requirement for the executives to retain the vested shares (on a net of tax basis) for a further year after vesting.

For awards due to be made in November 2010 the Remuneration Committee has considered the performance conditions and concluded that TSR and EPS remain appropriate metrics.

The Remuneration Committee considers that the mix of EPS and TSR performance conditions remain appropriate measures for the following reasons:

- The TSR condition provides a balance to the EPS condition by rewarding relative share price performance and ensures that a share price based discipline in the package is retained following the removal of the share price underpin.
- The EPS target rewards sustained increases in earnings and profitability.

For the TSR performance condition the TSR comparator group will remain the FTSE Small Cap index (excluding financial companies) as at the date of grant.

The Remuneration Committee has considered carefully the EPS range to be attached to awards, taking account of the Government Spending Review and based on analyst forecasts available at the time. The Remuneration Committee considers that the range is equivalently demanding to the EPS growth range set in previous years.

Remuneration Report continued

1. Remuneration policy continued

The following table summarises the precise performance targets to be attached to awards granted in November 2010 to Executive Directors:

	EPS		TSR	
	Adjusted EPS	Proportion of award vesting (% salary)	Position relative to FTSE Small Cap Group excluding financial companies	Proportion of award vesting (% salary)
Threshold	Below 17.5p	Nil	Below median	Nil
	17.5p	12.5%	At median	12.5%
Maximum	20p or more	50%	Upper quartile or above	50%

There will be incremental vesting between median and upper quartile performance.

With effect from awards made in November 2010, it is intended that the PSP will be subject to a clawback provision. The Company will have the right to reclaim all or some of the value of vested PSP awards from Executive Directors and other senior executives in circumstances where there has been misconduct on the part of any employee.

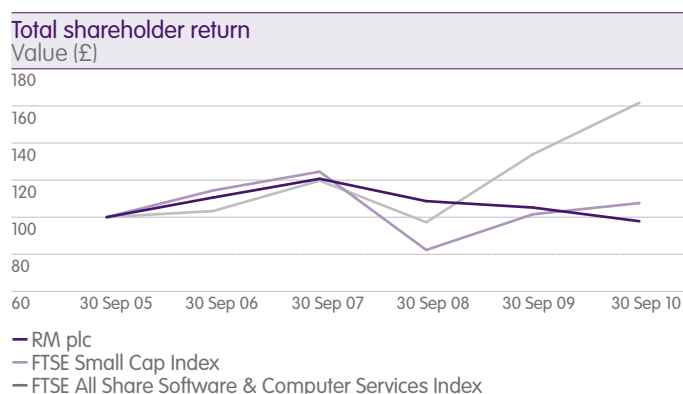
All performance conditions are independently calculated by HNBS and approved by the Remuneration Committee.

Long-term incentive outcomes for 2010

The 2007 CIP award vests based on results for 2010 and matched shares at Nil for 1, on the basis of the TSR results over the preceding three years, and matched shares at 2.4 for 1, for EPS growth over the same period (the level of EPS growth achieved was RPI+6.1% against the RPI+3%-8.5% range).

As discussed above, to create alignment with investors, for awards vesting in 2010 the Remuneration Committee decided to scale-back any awards that would be vesting under the EPS condition by 50%, recognising the Remuneration Committee's decision to remove the share price underpin.

2. Performance graph



Source: Thomson Reuters

Note: This graph shows the value, by 30 September 2010, of £100 invested in RM plc on 30 September 2005 compared with the value of £100 invested in the FTSE Small Cap Index and the FTSE All Share Software and Computer Services Index on the same date. The other points plotted are the values at intervening financial year-ends.

These indices have been used as RM is a constituent of both. £100 invested in RM shares on 30 September 2005 would have been worth £97.81 at 30 September 2010. An investor who had invested the same amount in the FTSE Software and Computer Services index and the FTSE Small Cap would have seen their investment increase to £161.66 and £107.60 respectively over the same period.

3. Directors' service contracts and letters of appointment

The Remuneration Committee's policy on Executive Directors' service contracts is for them to contain a maximum notice period of one year. All Executive Directors' service contracts can be terminated on one year's notice. Each service contract expires at the respective normal retirement date of the Director, but is subject to earlier termination for cause or if notice is given under the contract. The contracts are designed to allow for flexibility to deal with each case on its own particular merits in accordance with the law and policy as they have developed at the relevant time. In the event that the Company wishes to terminate the employment of a Director, it will take into account the Director's obligations to mitigate their own losses when deciding on an appropriate level of compensation.

a) Terry Sweeney

Terry Sweeney has a service contract, dated 11 August 2008, which provides for 12 months' notice on the part of the Company and six months by the Director. The contract ends automatically when he reaches his retirement age of 60. Under the terms of his contract, the Company may, at its sole and absolute discretion, pay salary in lieu of any required period of notice.

b) Iain McIntosh

Iain McIntosh has a service contract, dated 22 October 2009, which provides for 12 months' notice on the part of the Company and six months by the Director. The contract ends automatically when he reaches his retirement age of 65. Under the terms of his contract, the Company may, at its sole and absolute discretion, pay salary in lieu of any required period of notice.

c) Rob Sirs

Rob Sirs has a service contract, dated 13 February 2002, which provides for 12 months' notice on the part of the Company and six months by the Director. The contract ends automatically when he reaches his retirement age of 65. Under the terms of his contract, the Company may, at its sole and absolute discretion, pay salary in lieu of any required period of notice.

d) Chairman and Non-Executive Directors

The Chairman and the Non-Executive Directors do not have service contracts with the Company. Their appointments are governed by letters of appointment, which are for a specified term – copies of which will be available for inspection at the AGM. Each Non-Executive Director's date of appointment as a Non-Executive Director of the Company and most recent date of reappointment are shown in the table.

There have not been any changes to Non-Executive Directors' fees since a review of market practice in 2007. At this time annual fees for the basic fiduciary duties of a Non-Executive Director were increased to £25,000 per annum. Additional fees were also introduced to recognise responsibility and time commitment associated with chairing or membership of Board Committees and the role of the Senior Independent Director. These changes mean that the total average annual payment for a Non-Executive Director is £37,000, which is broadly in line with the comparator group that is used for benchmarking the salaries of Executive Directors. Non-Executive Directors are also entitled to reimbursement of reasonable business expenses.

	Date of appointment as a Non-Executive Director	Date of last reappointment	Specified term
J.P. Leighfield	3 November 1993	1 May 2010	1 year and 1 month
B. Carsberg*	1 September 2002	1 September 2010	1 year
J.R. Windeler	1 October 2002	1 October 2008	3 years
M.J. Tomlinson	2 February 2004	28 January 2010	3 years
T.R.P. Brighthouse	20 May 2004	1 February 2010	3 years
J. Connell†	20 December 2007	–	3 years

* B. Carsberg's appointment has been extended for an additional three years.

† J. Connell's appointment has been extended for an additional three years.

Audited Information

4. Directors' remuneration

The total amounts for Directors' remuneration and other benefits were as follows:

	2010 £000	2009 £000
Emoluments	1,415	1,389
Gains on exercise of share options	211	45
Amounts receivable under long-term incentive schemes	128	192
	1,754	1,626

Remuneration Report continued

Directors' emoluments in respect of the Directors of the Company who served during the year ended 30 September 2010 were as follows:

Name	Salaries and fees £000	Taxable benefits £000	Annual bonuses* £000	2010 Total £000	2009 Total £000
Executive					
T. Sweeney	287	11	172	470	442
I.P. McIntosh (from 01/04/10)	100	6	59	165	–
R.A. Sirs	234	11	144	389	363
M.D. Greig (until 31/03/10)	93	6	–	99	293
Non-Executive					
J.P. Leighfield	78	26	–	104	109
J. Connell	36	–	–	36	34
B. Carsberg	43	–	–	43	43
J.R. Windeler	34	–	–	34	34
T.R.P. Brighthouse	33	–	–	33	33
M.J. Tomlinson	42	–	–	42	38
	980	60	375	1,415	1,389

* 60% is paid in cash and 40% deferred into shares payable after three years.

Taxable benefits comprise principally the provision of a company car, car and fuel allowance payments and private healthcare.

The highest paid Director (Terry Sweeney) received gains on exercise of share options of £nil (2009: (Rob Sirs) £45,000) and amounts receivable under long-term incentive schemes of £27,000 (2009: (Rob Sirs) £90,000).

On 31 March 2010 Mike Greig resigned as Group Finance Director and took early retirement. The Remuneration Committee considered Mike to be a "good leaver" and as a result, the bonus awards deferred from previous years vested on his retirement.

Following the annual review of salaries the Remuneration Committee agreed to increase Executive Directors salaries by 2%, the average level of base salary increase for the workforce generally. The following base salaries (before pension sacrifice) are effective from 1 November 2010.

Terry Sweeney	£311,100
Iain McIntosh	£214,200
Rob Sirs	£255,000

5. Directors' long-term incentive plans

a) CIP

The CIP is the predecessor plan to the PSP. The performance conditions for the first operation of the Plan were approved by shareholders at the Group's annual general meeting in January 2003. These conditions were that the grant of matching shares be subject to two performance conditions over a three-year period. A maximum of three matching shares can be awarded for each committed share, with half of the matching shares subject to a condition based on real growth in EPS (excluding goodwill and before exceptional charges) and half subject to a relative TSR measure comparing the Company's TSR to the TSR of the companies comprising the FTSE Software and Computer Services Index, as at the time of grant. The precise performance conditions for outstanding awards are set out below.

As discussed earlier, following a detailed review of performance conditions in 2010 the Remuneration Committee consulted with shareholders and decided to remove the share price underpin attached to the EPS condition.

	December 2008 grant	December 2007 grant
EPS condition	Less than RPI + 3.0% = Nil	Less than RPI + 3.0% = Nil
3-year average	RPI + 3.0% = 0.5 for 1 match	RPI + 3.0% = 0.5 for 1 match
annual EPS growth (50% of grant)	RPI + 8.5% = 1.5 for 1 match (sliding scale)	RPI + 8.5% = 1.5 for 1 match (sliding scale)
Relative TSR condition	Versus FTSE S&CS	Versus FTSE S&CS
(50% of grant)	Median = 0.5 for 1 match Upper quartile = 1.5 for 1 match (sliding scale)	Median = 0.5 for 1 match Upper quartile = 1.5 for 1 match (sliding scale)

b) Performance Share Plan

The Performance Share Plan is described in section 1(c) of this Remuneration Report. The performance conditions for the first award made under the Plan in March 2010 were based on EPS and TSR measured over a three-year period.

	EPS		TSR	
	Annual compound growth	Proportion of award vesting (% salary)	Position relative to FTSE Small Cap Group excluding financial companies	Proportion of award vesting (% salary)
Threshold	Less than RPI + 3%	Nil	Below median	Nil
Maximum	RPI + 3%	12.5%	At median	12.5%
	RPI + 8.5%	50%	Upper quartile	50%

Audited Information

c) The Directors' interests in the CIP and Performance Share Plan are listed below:

CIP

Date of award	Maximum number of matching shares* at 01/10/09	Market price on award date	Performance period for matching shares	Number of matching shares released	Release date	Market price on release date	Maximum number of matching shares* at 30/09/10
T. Sweeney							
05/01/07	47,673	211.5p	01/10/06 – 30/09/09	17,004	15/12/09	159.375p	–
14/12/07	44,670	200.0p	01/10/07 – 30/09/10	–	–	–	44,670
16/12/08	126,915	148.0p	01/10/08 – 30/09/11	–	–	–	126,915
R.A. Sirs							
05/01/07	94,083	211.5p	01/10/06 – 30/09/09	33,557	15/12/09	159.375p	–
14/12/07	103,950	200.0p	01/10/07 – 30/09/10	–	–	–	103,950
16/12/08	167,229	148.0p	01/10/08 – 30/09/11	–	–	–	167,229

* The number of matching shares is the maximum (a match of 3 for 1) that could be received by the Executive Director if performance conditions outlined in the policy section are fully met.

Awards made in January 2007 vested during the year. The TSR of the Company was below the median of the constituents of the FTSE Software & Computer Services index and therefore the performance condition was not met. Following the Remuneration Committee's decision to exercise its discretion and waive the underpin condition relating to the share price, the EPS growth over the performance period matched shares at 1.07 for 1.

Remuneration Report continued

Performance Share Plan

Date of award	Maximum number of awarded shares at 01/10/09	Market price on award date	Performance period for awarded shares	Number of awarded shares released	Release date	Market price on release date	Maximum number of awarded shares at 30/09/10
T. Sweeney 04/03/10	–	171p	01/10/09 – 30/09/12	–	–	–	195,904
R.A. Sirs 04/03/10	–	171p	01/10/09 – 30/09/12	–	–	–	154,020
I.P. McIntosh 04/03/10	–	171p	01/10/09 – 30/09/12	–	–	–	140,349

d) On 9 January 2009, Rob Sirs was granted a restricted stock award over 137,363 2p ordinary shares in RM plc. The number of shares awarded was equivalent to 100% of his salary at 182p per share, the closing price on 15 September 2008, the date on which the award was confirmed by the Remuneration Committee. Subject to the Remuneration Committee's satisfaction with the Group's underlying financial performance and Rob Sirs' continued employment, the award will vest on 15 September 2011.

6. Directors' share options

The Remuneration Committee has determined that Executive Directors will not be granted share options in 2010. However, Executive Directors have been granted options in previous years.

a) The Company operates three executive share option schemes: the RM plc 1994 Executive Share Option Scheme (the '1994 Scheme'), which was adopted at the time of the Group's flotation in December 1994; the RM plc 2001 Executive Share Option Scheme (the '2001 Scheme'), which was adopted at the annual general meeting held on 24 January 2001; and the RM plc 2004 Executive Share Option Scheme (the '2004 Scheme') which was adopted at the annual general meeting held on 28 January 2004. Performance conditions are set each year in light of the Company's prospects over the coming three-year period including giving consideration to analysts' consensus forecasts for EPS growth. RM share options are not offered at a discount.

1994 Scheme

Under the 1994 Scheme, which is now closed, Ordinary or Super options were granted at market value at the time of grant and are normally exercisable between three and ten years from the date of grant. The proviso is, however, that the increase in the Company's EPS over a three-year period exceeds RPI by 6% for Ordinary options and 10% for Super options. Executive Directors only received Super options with no re-testing of the performance condition on these.

2001 Scheme

Under the 2001 Scheme, options were granted at the market value at the time of grant and were exercisable three years after the date of the grant, provided performance conditions were met. The performance conditions related to the Group's EPS (excluding goodwill and before exceptional charges) growth relative to RPI, with the number of options exercisable varying on a sliding scale depending on the extent to which EPS exceeds RPI. The 2001 Scheme had a life of three years, and closed in 2004.

The performance conditions for share options granted under the 2001 Scheme are summarised in the following table:

Grant date	Performance condition	% of options vesting (with sliding scale)
November 2001 and March 2002	3-year growth EPS	
	RPI + 3%	25
	RPI + 22%	100
June 2002	2003 EPS = 5.51p + RPI	37.5
	2003 EPS = 6.12p + RPI	50
	2004 EPS = 7.96p + RPI	37.5
	2004 EPS = 8.84p + RPI	50
December 2002	3-year growth EPS	
	RPI + 3%	25
	RPI + 22%	100
December 2003	3-year growth EPS	
	RPI + 7.5%	33
	RPI + 17.5%	100

There is no re-testing of the performance conditions.

2004 Scheme

Shareholder approval was obtained in January 2004 for an extension of the 2001 Scheme with a reduced overall dilution limit of 13% (down from 15% in the 2001 Scheme). RM has also committed to keep future years' annual option grants to less than 1% pa dilution. Maximum grants under the scheme are 200% of basic salary. No options have been granted to Executive Directors under the 2004 Scheme. No options will be granted to Executive Directors under this scheme during 2010.

As described elsewhere in this report, it is intended that the 2004 Scheme will only be used at Director level in exceptional circumstances (for example, recruitment). In the event that the scheme is used for grants up to 100% of salary, vesting will require EPS growth of RPI + 3% pa (from the November 2007 grant) over the fixed three-year performance period. For larger grants, a sliding scale would be applied, requiring more stretching levels of performance for full vesting. Following advice on the potential profit and loss impact the Remuneration Committee have decided that future awards granted under this scheme will be subject to a cap on the potential gain at vesting – which will be set at the time of each award. There will be no re-testing of performance conditions.

The performance conditions for share options granted under the 2004 Scheme are summarised in the following table:

Grant date	Performance condition	% of options vesting (no sliding scale)
10 December 2004	3-year growth EPS	
	RPI + 5%	100
30 November 2005	3-year growth EPS	
	RPI + 5%	100
6 December 2006	3-year growth EPS	
	RPI + 5%	100
15 June 2007	3-year growth EPS	
	RPI + 5%	100
28 November 2007	3-year growth EPS	
	RPI + 5%	100
1 August 2008	3-year growth EPS	
	RPI + 3%	100
3 December 2008	3-year growth EPS	
	RPI + 3%	100
18 February 2009	3-year growth EPS	
	RPI + 3%	100
26 May 2009	3-year growth EPS	
	RPI + 3%	100
2 December 2009	3-year growth EPS	
	RPI + 3%	100

* The gain on the option will be restricted to 2.5 times the exercise price of the option

The total number of options currently outstanding is 3,825,200 which represents 4.10% of RM's shares in issue at 30 September 2010.

Remuneration Report continued

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b) The Directors' interests in share options are listed below:

At 01/10/09	Granted in year	Exercised in year	Lapsed in year	At 30/09/10	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
T. Sweeney								
3,750	Nil	Nil	3,750	Nil	£7.615	–	06/12/02	06/12/09
7,002	Nil	Nil	7,002	Nil	£5.600	–	24/05/03	24/05/10
100,000	Nil	Nil	Nil	100,000	£1.973	–	28/11/10	28/11/17
110,752	Nil	Nil	10,752	100,000				
R.A. Sirs								
15,000	Nil	Nil	15,000	Nil	£7.615	–	06/12/02	06/12/09
32,001	Nil	Nil	32,001	Nil	£5.600	–	24/05/03	24/05/10
10,350	Nil	Nil	Nil	10,350	£0.735	–	05/03/05	05/03/12
50,000	Nil	50,000	Nil	Nil	£0.785	£1.818	04/12/05	04/12/12
12,000	Nil	Nil	Nil	12,000	£1.445	–	01/12/06	01/12/13
119,351	Nil	50,000	47,001	22,350				
M.D. Greig								
17,500	Nil	Nil	17,500	Nil	£7.615	–	06/12/02	06/12/09
36,000	Nil	Nil	36,000	Nil	£5.600	–	24/05/03	24/05/10
111,413	Nil	111,413	Nil	Nil	£0.715	£1.614	21/06/05	21/06/12
66,626	Nil	66,626	Nil	Nil	£0.785	£1.614	04/12/05	04/12/12
12,000	Nil	12,000	Nil	Nil	£1.445	£1.818	01/12/06	01/12/13
243,539	Nil	190,039	53,500	Nil				

The gains on exercise of options were as follows:

Terry Sweeney	£nil
Rob Sirs	£51,625
Mike Greig	£159,772

There have been no changes in the Directors' interests in the shares of the Company during the period 1 October 2010 to 19 November 2010.

The market price of the ordinary shares at 30 September 2010 was 140.5p per share and the range during the year was 128p to 195p per share.

7. Directors' shareholdings

The beneficial interests of the Directors in the ordinary shares of RM plc as at 30 September 2010 were:

	30 September 2010	30 September 2009
J.P. Leighfield	140,000	140,000
T. Sweeney	131,300	79,407
I.P. McIntosh	–	–
R.A. Sirs	180,482	174,802
J. Connell	–	–
B. Carsberg	–	–
J.R. Windeler	32,000	32,000
M.J. Tomlinson	–	–
T.R.P. Brighouse	25,000	15,000

8. Directors' pensions

a) Terry Sweeney and Rob Sirs are members of the Group's defined benefit pension scheme, the Research Machines plc 1988 Pension Scheme. This scheme provides a pension of 1/60ths of a member's final pensionable salary for each year of service, subject to HMRC limits. Only base salary is pensionable.

Normal retirement age is 60 in respect of benefits accrued prior to 1 May 2002. For benefits accrued after 1 May 2002 normal retirement age is 65, but members were able to choose to maintain the normal retirement age at 60 subject to paying a higher rate of contributions:

Member contributions % salary	Normal retirement age (Pre 1 May 2002 benefits)	Normal retirement age (Post 1 May 2002 benefits)
8.3% (7.3% to 31/08/10)	60	65
14.10% (13.10% to 31/08/10)	60	60

Terry Sweeney pays contributions at the higher rate whilst Rob Sirs pays at the lower rate.

The scheme also provides life insurance cover and dependant pensions. Member contributions are notionally held in individual accounts that are increased in line with the fund's investment returns. Benefits received under the scheme are guaranteed to have a value at least as high as the value of these individual accounts at retirement.

b) Iain McIntosh is a member of the Group's main UK defined contribution pension scheme.

Audited Information

c) The table below shows at the year end: the accrued pension should the Directors leave employment; the increase in the accrued pension during the year; the increase excluding inflation, and the transfer value of that increase less member contributions and any increase/(decrease) in this value assessed on the transfer value basis of the scheme.

	T. Sweeney (age 43) £000	R.A. Sirs (age 49) £000	M.D. Greig* (age 54) £000
Accrued annual pension at 30 September 2009	23	66	63
Increase in accrued pension during the year	2	4	(16)
Accrued annual pension at 30 September 2010	25	70	47
Increase in accrued pension (net of inflation)	1	1	–
Transfer value of accrued pension at 30 September 2009	283	847	943
Increase in transfer value (net of Director's contributions)	60	160	313
Transfer value of accrued pension at 30 September 2010	343	1,007	1,256
Transfer value of increase (net of inflation and Director's contributions)	11	10	–

* Mike Greig took early retirement on 31 March 2010 and his pension was reduced accordingly. His calculations are based on his pension in payment at 30 September 2010.

All Directors are members of the SMART Scheme (pension salary sacrifice) and as such do not make employee contributions.

Payments of £21,000 were paid by the Company to a defined contribution pension scheme, in respect of Iain McIntosh, during the year.

9. Compliance with regulations

This report has been prepared in accordance with Schedule 8 of the Large and Medium-Sized Companies and Group (Accounts and Reports) Regulations 2008. The report also meets the relevant requirements of the Listing Rules of the UK Listing Authority and illustrates how the principles of the UK Corporate Governance Code relating to Directors' remuneration are applied by the Company.

This report has been approved by the Board, and shareholders will be asked to consider and approve it at the annual general meeting to be held on 17 January 2011.

The Group's auditors are required to comment on whether certain parts of the Group's Remuneration Report have been prepared in accordance with Schedule 8 of the Large and Medium-Sized Companies and Group (Accounts and Reports) Regulations 2008. Accordingly, sections 4, 5(c), 6(b) and 8(c) have been audited by Deloitte LLP.

Remuneration Report continued

10. Remuneration Committee

The Remuneration Committee operates under terms of reference approved by the Board with the purposes of determining, on behalf of the Board and shareholders, the fee level for the Chairman and all elements of the remuneration of the Company's Executive Directors and their direct reports and of overseeing major changes to the overall reward policy structure throughout the Group. In particular there is oversight of incentive plans operated throughout the Company so as to ensure that these plans are structured appropriately and that there is a joined-up strategy with the incentive arrangements for the most senior executives. The Remuneration Committee's terms of reference can be found on the Group's Web site at www.rm.com/investors. The Remuneration Committee undertakes an annual appraisal and addresses any areas that have been highlighted for improvement.

None of the members of the Remuneration Committee has any personal financial interest in the Company other than through fees received or as a shareholder. They are not involved in the day-to-day running of the business and have no personal conflicts of interest.

The Remuneration Committee believes in regular dialogue with shareholders on remuneration matters and actively meets with leading shareholders to discuss the Company's reward programmes.

The fees of Non-Executive Directors are a matter for the consideration of the Board as a whole. Each Director receives a fee for being a Director. If Remuneration Committee work, or other work performed on behalf of the Company requires additional time commitment, then the Directors are paid on a per diem basis.

a) Composition of the Remuneration Committee

RM's Remuneration Committee comprises Sir Mike Tomlinson (Chair), Sir Bryan Carsberg, John Windeler and Jo Connell, all of whom are independent Non-Executive Directors, and for part of the year John Leighfield, who was considered independent at the time of his appointment to the Board. John Leighfield stood down from the Remuneration Committee during the year in response to emerging best practice.

b) Schedule of meetings

The Remuneration Committee met five times during the year.

Details of attendance at Remuneration Committee meetings are as follows: Sir Mike Tomlinson, five meetings; Sir Bryan Carsberg, five meetings; John Windeler, five meetings; Jo Connell, five meetings and John Leighfield, four meetings.

c) Advisers to the Remuneration Committee

During 2010, the Remuneration Committee asked a number of Group employees and external consultants for their views and advice.

Terry Sweeney, RM's CEO, attends meetings of the Remuneration Committee by invitation to provide background and context on matters relating to the remuneration of the other Executive Directors, but does not participate in discussions relating to his own remuneration. The Remuneration Committee also received views and advice from Iain McIntosh (Chief Financial Officer), Rob Sirs (Chief Operating Officer), Mike Greig (Group Finance Director until 31 March 2010) and Russell Govan (Human Resources Director). Similarly, none of these individuals is present when matters relating to their own remuneration are discussed.

Hewitt New Bridge Street, who were appointed by the Remuneration Committee during 2010, provided advice on the Executive Directors' remuneration and information on market practice. HNBS provides no other services to the Company.

This report has been approved by the Board of Directors and signed on its behalf by:

M.J. Tomlinson

Chair, Remuneration Committee
22 November 2010

Independent Auditors' Report

to the members of RM plc

We have audited the financial statements of RM plc for the year ended 30 September 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Corporate Governance Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

John Clennett (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Reading, United Kingdom
22 November 2010

If you have obtained this document as a .pdf download from RM's investor relations Web site (www.rm.com/investors), please note the following:

Neither an audit nor a review provides assurance on the maintenance and integrity of the Web site, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Consolidated income statement

for the year ended 30 September 2010

	Notes	Adjusted £000	Adjustments £000	2010 Total £000	Adjusted £000	Adjustments £000	2009 Total £000
Revenue	3	380,124	–	380,124	346,917	–	346,917
Cost of sales		(280,403)	–	(280,403)	(255,680)	–	(255,680)
Gross profit		99,721	–	99,721	91,237	–	91,237
Selling and distribution costs		(45,792)	–	(45,792)	(39,839)	–	(39,839)
Research and development expenses		(12,404)	–	(12,404)	(13,731)	–	(13,731)
Administrative expenses		(21,724)	–	(21,724)	(20,024)	–	(20,024)
– Amortisation of acquisition related intangible assets		–	(1,273)	(1,273)	–	(1,483)	(1,483)
– Exceptional costs relating to curtailment of Building Schools for the Future programme		–	(1,474)	(1,474)	–	–	–
– Exceptional pension credit		–	7,056	7,056	–	–	–
– Acquisition integration costs		–	–	–	–	(89)	(89)
Share of results of associates		67	(28)	39	22	(19)	3
		(79,853)	4,281	(75,572)	(73,572)	(1,591)	(75,163)
Profit from operations	5	19,868	4,281	24,149	17,665	(1,591)	16,074
Investment income	3 & 7	1,091	–	1,091	1,192	–	1,192
Finance costs	8	(1,321)	–	(1,321)	(947)	–	(947)
Profit before tax		19,638	4,281	23,919	17,910	(1,591)	16,319
Tax	9	(4,602)	(1,158)	(5,760)	(3,809)	448	(3,361)
Profit for the year attributable to equity holders of the parent		15,036	3,123	18,159	14,101	(1,143)	12,958
Earnings per ordinary share:	10						
Basic		16.3p	3.4p	19.7p	15.3p	(1.3)p	14.0p
Diluted		16.3p	3.4p	19.7p	15.2p	(1.2)p	14.0p
Paid and proposed dividends per share:	11						
Interim				1.39p			1.32p
Final				5.25p			4.85p

Adjustments relate to: amortisation of acquisition related intangible assets of £1,273,000 (2009: £1,483,000); amortisation of acquisition related intangible assets on associates of £28,000 (2009: £19,000); exceptional costs relating to the curtailment of the Building Schools for the Future programme of £1,474,000 (2009: £nil); an exceptional pension credit on the Group's defined benefit pension scheme, shown net of related costs, of £7,056,000 (2009: £nil) and acquisition integration costs of £nil (2009: £89,000).

All activities relate to continuing operations.

The accompanying notes are an integral part of this consolidated income statement.

Consolidated statement of comprehensive income

for the year ended 30 September 2010

	Notes	2010 £000	2009 £000
Profit for the year		18,159	12,958
Exchange gains on translation of foreign operations		505	957
Actuarial gains and (losses) on defined benefit pension scheme	28	(7,913)	(14,582)
Fair value loss on interest rate swap		(128)	(61)
Current tax on items taken directly to equity		(9)	31
Deferred tax on items taken directly to equity	9	2,218	3,893
Other comprehensive income/(expense) for the year		(5,327)	(9,762)
Total comprehensive income for the year attributable to equity holders of the parent		12,832	3,196

Total tax credited to equity was £2,209,000 (2009: credit of £3,924,000).

The Company has no other recognised income and expense other than the profit for the year as shown in the statement of changes in equity, consequently a Company statement of comprehensive income has not been prepared.

The accompanying notes are an integral part of this consolidated income statement.

Consolidated balance sheet

as at 30 September 2010

	Notes	2010 £000	2009 £000
Non-current assets			
Goodwill	12	34,220	33,818
Acquisition related intangible assets	13	3,690	4,981
Other intangible assets	13	3,186	2,654
Property, plant and equipment	14	21,054	21,321
Interest in associates	16	1,013	967
Deferred tax assets	9d	4,859	5,227
		68,022	68,968
Current assets			
Inventories	17	25,079	19,905
Trade and other receivables	19	97,838	86,164
Tax assets	9e	877	–
Cash and cash equivalents	21	13,814	13,297
		137,608	119,366
Total assets		205,630	188,334
Current liabilities			
Trade and other payables	20	(106,554)	(96,829)
Provisions	22	(536)	–
Tax liabilities	9e	(1,878)	(1,320)
		(108,968)	(98,149)
Net current assets		28,640	21,217
Non-current liabilities			
Retirement benefit obligation	28	(12,380)	(12,786)
Bank loans	21	(11,507)	(8,281)
Deferred tax liabilities	9d	(34)	(51)
Other payables	20	(5,918)	(7,654)
Provisions	22	(678)	(589)
		(30,517)	(29,361)
Total liabilities		(139,485)	(127,510)
Net assets		66,145	60,824
Equity attributable to equity holders of the parent			
Share capital	23	1,868	1,863
Share premium account		26,918	26,725
Own shares	24	(3,805)	(1,246)
Capital redemption reserve		94	94
Hedging reserve		(189)	(61)
Translation reserve		1,629	1,124
Retained earnings		39,630	32,325
Total equity		66,145	60,824

These financial statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 22 November 2010.

T. Sweeney
Director

I. McIntosh
Director

The accompanying notes form an integral part of this consolidated balance sheet.

Company balance sheet

as at 30 September 2010

	Notes	2010 £000	2009 £000
Non-current assets			
Investments	15	55,640	54,793
		55,640	54,793
Current assets			
Trade and other receivables	19	10,108	16,826
Tax asset		28	–
		10,136	16,826
Total assets		65,776	71,619
Current liabilities			
Trade and other payables	20	(686)	(2,802)
Tax liabilities		–	(229)
		(686)	(3,031)
Net current assets		9,450	13,795
Non-current liabilities			
Other payables	20	(195)	(585)
		(195)	(585)
Total liabilities		(881)	(3,616)
Net assets		64,895	68,003
Equity attributable to equity holders of the parent			
Share capital	23	1,868	1,863
Share premium account		26,918	26,725
Own shares	24	(3,805)	(1,246)
Capital redemption reserve		94	94
Retained earnings		39,820	40,567
Total equity		64,895	68,003

These financial statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 22 November 2010.

T. Sweeney
Director

I. McIntosh
Director

The accompanying notes form an integral part of this Company balance sheet.

Consolidated cash flow statement

for the year ended 30 September 2010

	Notes	2010 £000	2009 £000
Profit from operations		24,149	16,074
Adjustments for:			
Loss/(gain) on foreign exchange derivatives		160	(160)
Share of results of associates		(39)	–
Amortisation of acquisition related intangible assets	13	1,273	1,511
Amortisation of other intangible assets	13	1,180	914
Depreciation of property, plant and equipment	14	7,554	8,331
Gain on disposal of property, plant and equipment		(322)	(499)
Loss on disposal of other intangible assets		–	123
Increase in provisions		737	61
Share-based payment charge		1,417	1,021
Exceptional pension credit	5	(7,267)	–
Operating cash flows before movements in working capital		28,842	27,376
(Increase)/decrease in inventories		(5,174)	1,129
Increase in receivables		(11,773)	(12,814)
Increase/(decrease) in payables		11,825	(798)
Cash generated by operations		23,720	14,893
Defined benefit pension contribution in excess of current service cost	28	(1,682)	(2,773)
Tax paid		(3,526)	(3,272)
Income on sale of finance lease debt	7	795	622
Interest paid:			
– bank overdrafts and loans	8	(627)	(464)
– other	8	(64)	(67)
Net cash inflow from operating activities		18,616	8,939
Investing activities			
Interest received		65	226
Proceeds on disposal of property, plant and equipment		583	949
Purchases of property, plant and equipment		(7,744)	(7,737)
Purchases of other intangible assets		(1,525)	(1,398)
Acquisition of subsidiaries and business combinations, net of cash acquired		–	(3,418)
Net cash used in investing activities		(8,621)	(11,378)
Financing activities			
Dividends paid	11	(5,764)	(5,425)
Proceeds from share capital issue, net of share issue costs		198	91
Repayment of borrowings assumed in acquisitions		–	(2,477)
Increase in borrowings		3,161	7,419
Purchase of own shares		(3,362)	(1,347)
Repayment of loan notes and deferred consideration		(3,841)	(1,059)
Net cash used in financing activities		(9,608)	(2,798)
Net increase/(decrease) in cash and cash equivalents		387	(5,237)
Cash and cash equivalents at the beginning of year		13,297	18,291
Effect of foreign exchange rate changes		130	243
Cash and cash equivalents at the end of year		13,814	13,297

Group net funds

for the year ended 30 September 2010

	Non-cash movements				2010 £000
	2009 £000	Cash flow £000	Foreign exchange £000	Other £000	
Cash and cash equivalents	13,297	387	130	–	13,814
Borrowings	(8,281)	(3,161)	(65)	–	(11,507)
Net cash	5,016	(2,774)	65	–	2,307
Loan notes	(3,606)	2,161	–	66	(1,379)
Net funds	1,410	(613)	65	66	928
Deferred consideration	(2,120)	1,680	–	50	(390)
Net funds less deferred consideration	(710)	1,067	65	116	538

Company cash flow statement

for the year ended 30 September 2010

	Notes	2010 £000	2009 £000
Loss from operations		(821)	(545)
Adjustment for impairment of investment in subsidiary		292	–
Operating cash flows before movements in working capital		(529)	(545)
Decrease/(increase) in receivables		6,917	(18,278)
Dividends received – inter-group restructuring		410	14,714
Decrease in payables		(39)	(1,303)
Cash generated/(used) by operations		6,759	(5,412)
Dividends received – trading		4,177	12,875
Interest paid		(64)	(102)
Net cash inflow from operating activities		10,872	7,361
Investing activities			
Interest received		526	159
Net cash inflow from investing activities		526	159
Financing activities			
Dividends paid	11	(5,764)	(5,425)
Proceeds from share capital issue, net of share issue costs		198	91
Purchase of own shares		(3,362)	(1,347)
Repayment of loan notes and deferred consideration		(2,470)	(839)
Net cash used in financing activities		(11,398)	(7,520)
Net increase in cash and cash equivalents		–	–
Cash and cash equivalents at the beginning and end of year		–	–

Consolidated statement of changes in equity

for the year ended 30 September 2010

	Notes	Share capital £000	Share premium account £000	Own shares £000	Capital redemption reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Group									
At 1 October 2008		1,863	26,578	(1,323)	94	–	167	35,908	63,287
Profit for the year		–	–	–	–	–	–	12,958	12,958
Other comprehensive income									
Exchange differences on translation of foreign operations		–	–	–	–	–	957	–	957
Actuarial gains and (losses) on defined benefit scheme		–	–	–	–	–	–	(14,582)	(14,582)
Fair value loss on interest rate swap		–	–	–	–	(61)	–	–	(61)
Tax credit on items taken directly to equity		–	–	–	–	–	–	3,924	3,924
Total other comprehensive income		–	–	–	–	(61)	957	(10,658)	(9,762)
Purchase of shares	24	–	–	(1,207)	–	–	–	–	(1,207)
Share issues		–	91	–	–	–	–	–	91
Transfer in respect of issue of shares to employee trusts		–	56	–	–	–	–	(56)	–
Share-based payment awards exercised in year		–	–	1,284	–	–	–	(1,423)	(139)
Share-based payment fair value charges	6	–	–	–	–	–	–	1,021	1,021
Dividends paid	11	–	–	–	–	–	–	(5,425)	(5,425)
At 1 October 2009		1,863	26,725	(1,246)	94	(61)	1,124	32,325	60,824
Profit for the year		–	–	–	–	–	–	18,159	18,159
Other comprehensive income									
Exchange differences on translation of foreign operations		–	–	–	–	–	505	–	505
Actuarial gains and (losses) on defined benefit scheme		–	–	–	–	–	–	(7,913)	(7,913)
Fair value loss on interest rate swap		–	–	–	–	(128)	–	–	(128)
Tax credit on items taken directly to equity		–	–	–	–	–	–	2,209	2,209
Total other comprehensive income		–	–	–	–	(128)	505	(5,704)	(5,327)
Purchase of shares	24	–	–	(3,213)	–	–	–	–	(3,213)
Share issues		5	193	–	–	–	–	–	198
Share-based payment awards exercised in year		–	–	654	–	–	–	(803)	(149)
Share-based payment fair value charges	6	–	–	–	–	–	–	1,417	1,417
Dividends paid	11	–	–	–	–	–	–	(5,764)	(5,764)
At 30 September 2010		1,868	26,918	(3,805)	94	(189)	1,629	39,630	66,145

Company statement of changes in equity

for the year ended 30 September 2010

	Notes	Share capital £000	Share premium account £000	Own shares £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Company							
At 1 October 2008		1,863	26,578	(1,323)	94	34,064	61,276
Profit for the year		–	–	–	–	12,386	12,386
Total other comprehensive income		–	–	–	–	–	–
Purchase of shares	24	–	–	(1,207)	–	–	(1,207)
Share issues		–	147	–	–	–	147
Share-based payment awards exercised in year		–	–	1,284	–	(1,479)	(195)
Share-based payment fair value charges	6	–	–	–	–	1,021	1,021
Dividends paid	11	–	–	–	–	(5,425)	(5,425)
At 1 October 2009		1,863	26,725	(1,246)	94	40,567	68,003
Profit for the year		–	–	–	–	4,403	4,403
Total other comprehensive income		–	–	–	–	–	–
Purchase of shares	24	–	–	(3,213)	–	–	(3,213)
Share issues		5	193	–	–	–	198
Share-based payment awards exercised in year		–	–	654	–	(803)	(149)
Share-based payment fair value charges	6	–	–	–	–	1,417	1,417
Dividends paid	11	–	–	–	–	(5,764)	(5,764)
At 30 September 2010		1,868	26,918	(3,805)	94	39,820	64,895

As permitted by section 408 of the Companies Act 2006, no separate income statement is presented in respect of the parent company. The Company made a profit for the year amounting to £4.4 million (2009: £12.4 million).

Notes to the report and accounts

1. General information

RM plc is a company incorporated in the United Kingdom under the Companies Act 2006. It is the parent company of a group of companies, the nature of whose operations and its principal activities are set out in the Business review.

The accounting policies are drawn up in accordance with those International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted for use in the EU and therefore comply with Article 4 of the EU IAS Regulation applied in accordance with the provisions of the Companies Act 2006.

Income statement presentation

The income statement is presented in three columns. This presentation is intended to give a better guide to business performance by separately identifying: the amortisation charge relating to acquisition related intangible assets; exceptional costs relating to the curtailment of the Building Schools for the Future programme; and an exceptional pension credit on the Group's defined benefit pension scheme. (2009: amortisation charge relating to acquisition related intangible assets and acquisition integration costs). The columns extend down the income statement to allow the tax and earnings per share impacts of these transactions to be understood.

Adoption of new and revised International Financial Reporting Standards

The IFRIC interpretations, amendments to existing standards and new standards that are mandatory and relevant for the Group's accounting periods beginning on or after 1 October 2009 have been adopted. Adoption of these standards has impacted the disclosures on the results and financial position as follows:

- IAS 1 (revised) Presentation of Financial Statements, effective for periods commencing on or after 1 January 2009, requires the presentation of a statement of changes in equity as a primary statement, separate from the Income statement and Statement of comprehensive income. As a result, a Consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.
- IFRS 8 'Operating segments', became effective for periods commencing on or after 1 January 2009. The standard was early adopted by RM plc in 2008.

Additionally the following new standards and interpretations have been adopted in the current year but have not impacted the reported results or the financial position:

- IAS 23 'Borrowing costs' amendment became effective for periods commencing on or after 1 January 2009 and requires borrowing costs which meet certain criteria to be capitalised. The Group does not currently have any material borrowings or interest costs, which are covered by this standard
- Amendments to IFRS 2 'Share-based payment' and IFRS 7 'Financial instruments: Disclosures' became effective and did not have a material impact on the Group
- IFRIC 9 and IAS 39 Embedded derivatives
- IFRIC 12 Service concession arrangements
- IFRIC 14 IAS 19 Employee benefits – The limit on a defined benefit asset, minimum funding requirements and their interaction
- IFRIC 15 Arrangements for the construction or real estate
- IFRS 3 (revised 2008) Business combinations
- IAS 27 (revised 2008) Consolidated and separate financial statements
- IAS 39 (amended) Eligible hedged items
- IFRS 1 Cost of an Investment in a subsidiary, jointly controlled entity or associate
- IFRS 2 (amended) Vesting conditions and cancellations

1. General information continued

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 1 (amended) Additional exemptions for first-time adopters
- IFRS 2 (amended) Group cash-settled share-based payment transaction
- IFRS 9 Financial instruments
- IAS 24 (revised) Related party disclosure
- IAS 32 (amended) Classification of rights issue
- IFRIC 14 (amended) Prepayments of a minimum funding requirement
- IFRIC 17 Distributions of non-cash assets to owners
- IFRIC 18 Transfer of assets from customers
- IFRIC 19 Extinguishing financial liabilities with equity instruments
- Improvements to IFRSs 2010 (May 2010) and 2009 (April 2009)

The Directors are finalising their analysis and do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial adoption.

The principal IFRS accounting policies adopted by the Group are listed below.

2. Principal accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments, share-based payments and pension assets and liabilities which are measured at fair value. The preparation of financial statements, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review. The financial position of the Group, its cash flows and borrowing facilities are described in the Business review: Finance. The Group's risk management policies are outlined in the Business review: Risk and notes 19, 20 and 21 to the financial statements outline the Group's financial assets and liabilities, including details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors have assessed forecast future cash flows over the coming year and are satisfied that the Group's agreed working capital facilities are sufficient to meet these cash flows. Given the Group's continued seasonality and long term education project contractual commitments, cash flows are forecast to be at their highest outflow between July and September.

Shareholder approval was gained at the Company's 18 January 2010 Annual General Meeting to amend its Articles of Association to change the calculation of borrowing limits to align with the Association of British Insurers (ABI) Investment Committee Guidelines. In accordance with the ABI Guidelines, this approval removed the requirement that in calculating the adjusted share capital and reserves, for the purposes of establishing borrowing limits, a deduction is made for the book values of goodwill and other intangible assets shown on the Group balance sheet. The Group's forecast funding requirements are comfortably within the borrowing limits established using the revised Articles.

Considering the above, the Directors believe that the Group is well placed to manage its business risks successfully despite the continued current uncertain economic outlook and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the report and accounts continued

2. Principal accounting policies continued

Consolidation

The Group financial statements incorporate the financial statements of the Company and all its subsidiaries for the periods during which they were members of the Group. Associates are incorporated within the financial statements by equity accounting, taking the Group's share of their post tax result and net assets.

Inter-company balances and transactions between Group companies are eliminated on consolidation. On acquisition, assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition with any excess of the cost of acquisition over this value being capitalised as goodwill.

Investment in subsidiaries and associates

In the Company accounts, investments in subsidiaries and associates are stated at cost less any provision for impairment where appropriate.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred or assumed in exchange for control. The acquired company's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or jointly control, through participation in the financial and operating policy decisions of the investee.

The acquisition of interests in associates is accounted for using the equity method. Investments in associates are carried at cost, adjusted by post-acquisition changes in the Group's share of the associate's net assets. Where the Group's share of losses of an associate equal or exceed its interest in the associate the Group does not recognise any further losses unless it has incurred obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue

Revenue represents amounts receivable for goods supplied and services provided to third-parties net of VAT and other sales-related taxes.

Revenue from the sale of goods and services is recognised upon transfer to the customer of the significant risks and rewards of ownership. This is generally when goods are despatched to, or services performed for, customers. Revenue on hardware, perpetual software licences and the minimum volume element of software contracts is recognised on shipment providing there are no unfulfilled obligations that are essential to the functionality of the delivered product. If such obligations exist, revenue is recognised as they are fulfilled. Revenue from term licences is spread over the period of the licence, reflecting the Group's obligation to support the relevant software products or update their content over the term of the licence. Revenue from contracts for maintenance, support and annually and other periodically contracted products and services is recognised on a pro-rata basis over the contract period. Revenue from installation, consultancy and other services is recognised when the service has been provided. Investment income is recognised in the income statement in the period in which it arises.

Appropriate provisions for returns, trade discounts and other allowances are deducted from revenue.

Revenue on long-term contracts is recognised while contracts are in progress. Revenue is recognised proportionally to the stage of completion of the contract, based on the fair value of goods and services provided to date, taking into account the sign-off of milestone delivery by customers.

2. Principal accounting policies continued

Long-term contracts

Long-term contracts represent those accounted for in accordance with the principles of IAS 11 Construction Contracts and related linkage with IAS 18 Revenue.

Profit on long-term contracts is recognised when the outcome of the contract can be assessed with reasonable certainty, including assessment of contingent and uncertain future expenses. Thereafter profit is recognised based upon the expected outcome of the contract and the revenue recognised at the balance sheet date as a proportion of total contract revenue.

If the outcome of a long-term contract cannot be assessed with reasonable certainty, no profit is recognised. Any expected loss on a contract as a whole, is recognised as soon as it is foreseen. The loss is calculated using a discounted cash flow model utilising a discount rate that reflects an estimate of the markets' assessment of the time value of money and the risks specific to the liability. Any unwinding of the discount is included in the income statement in finance costs.

Where the cumulative fair value of goods and services provided exceeds amounts invoiced the balance is included within trade and other receivables as long-term contract balances. Where amounts invoiced exceed the fair value of goods and services provided the excess is first set off against long-term contract balances and then included in amounts due to long-term contract customers within trade and other payables.

Pre-contract costs are expensed until the awarding of the contract to the Group is considered to be virtually certain which is not before the Group has been appointed sole preferred bidder. Once virtual certainty has been established and the contract is expected to be awarded within a reasonable timescale and pre-contract costs are expected to be recovered from the contract's net cash flows, then pre-contract costs are recognised as an asset and accounted for as long-term contract costs.

Property, plant and equipment

Property, plant and equipment assets are stated at cost, less depreciation and provision for impairment where appropriate.

Property, plant and equipment are depreciated by equal annual instalments to write down the assets to their estimated disposal value at the end of their useful lives as follows:

Freehold property	Up to 50 years
Leasehold building improvements	Up to 25 years
Plant and equipment	3-10 years
Computer equipment	2-5 years
Vehicles	2-4 years

Computer units produced by the Group which are used for the purposes of administration, research and development and customer demonstrations are capitalised and carried at cost less accumulated depreciation.

Intangible assets

All intangible assets, except goodwill, are stated at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill

Goodwill represents the amount by which the fair value of the cost of a business combination exceeds the fair value of net assets acquired. Goodwill is not amortised and is stated at cost less any accumulated impairment losses. For business combinations occurring before 1 October 2004, the Group's transition date to IFRS, the cost of goodwill is deemed to be the UKGAAP net book value at this date.

The recoverable amount of goodwill is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. Impairment charges are deducted from the carrying value and recognised immediately in profit or loss. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Notes to the report and accounts continued

2. Principal accounting policies continued

Intangible assets continued

Research and development costs

Research and development costs associated with the development of software products or enhancements and their related intellectual property rights are expensed as incurred until all of the following criteria can be demonstrated, in which case they are capitalised as an intangible asset:

- a. the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- b. an intention to complete the intangible asset and use or sell it.
- c. ability to use or sell the intangible asset.
- d. how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- f. an ability to measure reliably the expenditure attributable to the intangible asset during its development.

The technological feasibility for the Group's software products is assessed on an individual basis and is generally reached shortly before the products are released to manufacturing, and late in the development cycle. Capitalised development costs are amortised on a straight-line basis over their useful lives, once the product is available for use. Useful lives are assessed on a project-by-project basis.

Other intangible assets

Intangible assets purchased separately, such as software licences that do not form an integral part of hardware and the costs of internally generated software for the Group's use, are capitalised at cost and amortised over their useful lives of 2-5 years.

For business combinations occurring after 1 October 2004, net assets acquired includes an assessment of the fair value of separately identifiable acquisition related intangible assets, in addition to other assets, liabilities and contingent liabilities purchased. These are amortised over their useful lives which are individually assessed.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

2. Principal accounting policies continued

Financial instruments

Trade and other receivables

Trade and other receivables are not interest bearing and are stated at their original invoiced value reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. Bank overdrafts are included in cash and cash equivalents only to the extent that the Group has the right of set-off.

Trade and other payables

Trade payables on normal terms are not interest bearing and are stated at original invoiced amount.

Derivative financial instruments

Derivative financial instruments are initially recorded at cost and then for reporting purposes re-measured to fair value at subsequent balance sheet dates. Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of forecast transactions, or are designated and effective as fair value hedges, are recognised directly in equity. Amounts deferred in this way are recognised in the income statement in the same period in which the hedged firm commitments or forecast transactions are recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss, on the hedging instrument recognised in equity, is retained there until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

Inventories

Finished goods and work-in-progress are valued at weighted average cost on a first in first out basis, including appropriate labour costs and other overheads. Raw materials and bought in finished goods are valued at purchase price. All inventories are reduced to net realisable value where lower than cost. Provision is made for obsolete, slow moving and defective items where appropriate.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probably that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Leasing activity

The Group offers customers the option to finance lease assets. Where these transactions are entered into, the lease debt is subsequently sold to a finance institution. At this stage profit on sale of the lease debt is recognised as a financing item within investment income.

Operating leases

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

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. This is only when management is committed to the sale and the asset is expected to be sold within one year.

Share-based payments

The Group operates a number of executive and employee share schemes. For all grants of share-based payments, the fair value as at the date of grant is calculated using a pricing model and the corresponding expense is recognised over the vesting period. At vesting the cumulative expense is adjusted to take into account the number of awards actually vesting as a result of survivorship and where this reflects non-market-based performance conditions.

Notes to the report and accounts continued

2. Principal accounting policies continued

Employee benefits

The Group has both defined benefit and defined contribution pension schemes. For the defined benefit plan, based on the advice of a qualified independent actuary at each balance sheet date and using the projected unit method, the employers' portion of past and current service cost is charged to operating profit, with the interest cost, net of expected return on assets in the plan, reported as a financing item. Actuarial gains or losses are recognised directly in equity such that the balance sheet reflects the scheme's surplus or deficit as at the balance sheet date.

Contributions to defined contribution plans are charged to operating profit as they become payable. An accrual is maintained for paid holiday entitlements which have been accrued by employees during a period but not taken during that period.

Employee share trusts

Employee share trusts, which hold ordinary shares of the Company in connection with certain share schemes, are consolidated into the financial statements where the Company controls the trust. Any consideration paid to the trusts for the purchase of the Company's own shares is shown as a movement in shareholders' equity.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences except in respect of investments in subsidiaries where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis.

Deferred tax is measured on an undiscounted basis, and at the tax rates that are expected to apply in the periods in which the asset or liability is settled. It is recognised in the income statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

Foreign currencies

The Group presents its financial statements in Sterling because this is the currency in its primary operating environment. Balance sheet items of subsidiary undertakings whose functional currency is not Sterling are translated into Sterling at the year-end rates of exchange. Income statement items and the cash flows of subsidiary undertakings are translated at the average rates for the year. Exchange differences on the translation of subsidiary opening net assets at closing rates of exchange and the differences arising between the translation of profits at average and closing exchange rates are recorded as movements in the currency translation reserve.

Transactions denominated in foreign currencies are translated into Sterling at rates prevailing at the dates of the individual transactions. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the balance sheet date. Exchange gains and losses arising are charged or credited to the income statement within operating costs. Foreign currency non-monetary amounts are translated at rates prevailing at the time of establishing the fair value of the asset or liability.

Dividends

Dividends are recognised as a liability in the period in which the shareholders' right to receive payment has been established.

2. Principal accounting policies continued

Key sources of estimation uncertainty and critical accounting judgements

In applying the Group's accounting policies the Directors are required to make judgements, estimates and assumptions. Actual results may differ from these estimates. The Group's key risks are set out in the Business review and give rise to the following estimations and judgements which are disclosed within the relevant note to the Report and Accounts:

- Goodwill valuation and impairment – see note 12
- Long-term contract outcome – see note 18
- Retirement benefit scheme valuation – see note 28

3. Revenue

An analysis of the Group's revenue is as follows:

	2010 £000	2009 £000
Revenue from supply of products and services	380,124	346,917
Investment income	1,091	1,192
Total revenue	381,215	348,109

4. Operating segments

The Group's business is supplying products and services to the education sector. The Group's operating segments are Learning Technologies which includes US and Asia Pacific operations; Education Resources; and Assessment and Data Services. These segments are the basis on which the Group reports its primary segment information. Further details of products and services provided by each segment are given in the Business review: Our Business. Results of overseas operations are included below on the basis of the nature of the products and services provided.

The following disclosure shows the result and total assets of these segments:

Segmental result

	Learning Technologies £000	Education Resources £000	Assessment and Data Services £000	Total £000
2010				
Revenue	273,950	83,288	22,886	380,124
Adjusted operating profit*	9,326	7,746	2,796	19,868
Investment income (note 7)				1,091
Finance costs (note 8)				(1,321)
Adjusted profit before tax*				19,638
Amortisation of acquisition related intangible assets				(1,273)
Exceptional costs relating to curtailment of BSF programme				(1,474)
Exceptional pension credit				7,056
Amortisation of acquisition related intangible assets – associate				(28)
Profit before tax				23,919
Group profit before tax				23,880
Share of associate result				39
Profit before tax				23,919

* Before amortisation of acquisition related intangible assets; exceptional costs relating to the curtailment of the BSF programme; and an exceptional pension credit on the Group's defined benefit pension scheme, shown net of related costs (2009: amortisation of acquisition related intangible assets and acquisition integration costs).

Notes to the report and accounts continued

4. Operating segments continued

	Learning Technologies (Restated) £000	Education Resources (Restated) £000	Assessment and Data Services (Restated) £000	Total (Restated) £000
2009				
Revenue	263,699	63,881	19,337	346,917
Adjusted operating profit*	8,037	7,072	2,556	17,665
Investment income (note 7)				1,192
Finance costs (note 8)				(947)
Adjusted profit before tax*				17,910
Amortisation of acquisition related intangible assets				(1,483)
Acquisition integration costs				(89)
Amortisation of acquisition related intangible assets – associate				(19)
Profit before tax				16,319
Group profit before tax				16,316
Share of associate result				3
Profit before tax				16,319

* Before amortisation of acquisition related intangible assets; exceptional costs relating to the curtailment of the BSF programme; and an exceptional pension credit on the Group's defined benefit pension scheme, shown net of related costs (2009: amortisation of acquisition related intangible assets and acquisition integration costs).

Comparative prior year segmental results have been restated to reflect certain changes to the measurement of their performance. Changes include the movement of £1.0m of investment income from previously stated divisional profit to investment income which aligns segmental profit with adjusted operating profit; and a basis change for the allocation of corporate costs between segments (which reduces adjusted operating profit of Learning Technologies by £1.2m and increases adjusted operating profit of Education Resources and Assessment and Data Services by £0.8m and £0.4m respectively).

Segmental assets

Segmental assets include all assets except for tax balances and cash and cash equivalents which are shown as non-segmental balances:

	Learning Technologies £000	Education Resources £000	Assessment and Data Services £000	Total £000
2010				
Total assets				
– Segmental	111,146	63,579	11,355	186,080
– Other				19,550
				205,630
2009				
Total assets				
– Segmental	103,532	60,088	6,190	169,810
– Other				18,524
				188,334

The Group's operations are predominately located in the United Kingdom, with operations also in the United States of America, India and Australia. The Group sells to the markets of these countries and also the European, North American, Asian and Australasian continents. Revenues of £49.6m (2009: £41.5m) were earned on non-UK sales and include RM Learning Technologies sales of £34.0m (2009: £30.7m) largely in the United States of America, £14.3m (2009: £10.8m) of RM Education Resources sales largely in Europe and £1.3m (2009: £nil) of RM Assessment and Data Services sales largely in Europe.

5. Profit from operations

Profit is stated after charging/(crediting):

	2010 £000	2009 £000
Depreciation of property, plant and equipment:		
– charged in cost of sales	4,271	6,148
– charged in operating expenses	3,283	2,183
	7,554	8,331
Amortisation:		
– other intangible assets	1,180	914
– acquisition related intangible assets – associate (see analysis below)	28	28
– acquisition related intangible assets	1,273	1,483
	2,481	2,425
Administrative expenses	21,724	20,024
Amortisation of acquisition related intangible assets	1,273	1,483
Exceptional costs relating to curtailment of BSF programme	1,474	–
Exceptional pension credit	(7,056)	–
Acquisition integration costs	–	89
Total administrative expense	17,415	21,596
Redundancy costs	1,097	–
Write off of capitalised bid costs	377	–
Exceptional costs relating to curtailment of BSF programme	1,474	–
Curtailment gain	(7,267)	–
Cost related to pension consultation exercise	211	–
Exceptional pension credit	(7,056)	–
Research and development costs	12,404	13,731
Profit on sale of property, plant and equipment	(322)	(499)
Loss on disposal of intangible assets	–	123
Staff costs (see note 6)	119,931	112,165
Operating lease expense	6,586	5,336
Foreign exchange loss	64	18
Building Schools for the Future:		
– non-exceptional bid costs	1,966	3,882
– operating profit	(2,263)	(1,315)
– net (income)/expenditure	(297)	2,567
Movement in stock obsolescence provision	297	474
Movement in trade receivables impairment provision	585	331

Notes to the report and accounts continued

5. Profit from operations continued

The Group undertakes a programme of research and development, in which advancement of technical knowledge and innovative solutions are used to substantially improve the performance of product areas, to develop new products related to existing markets and to enhance access to potential new markets. During the periods reported the Group has reviewed its research and development expenditure against the criteria outlined in the Accounting Policies. No material expenditure is considered to have met the capitalisation criteria. Consequently capitalised research and development expenditure is £nil (2009: £nil).

Auditors' remuneration:

	2010 £000	2009 £000
Fees payable to the Company's auditor and its associates for:		
– The audit of the Company's annual accounts	9	13
– The audit of the Company's subsidiaries, pursuant to legislation	273	269
	282	282
Fees payable to the Company's auditor and its associates for other non-audit services:		
– Review of the interim financial statements	18	18
– Other services pursuant to legislation	33	2
	51	20
Fees payable in respect of the audit of the defined benefit pension scheme	7	7
	340	309

A description of the work of the Audit Committee is set out in their report and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

6. Staff costs

The average monthly number of persons (including Executive Directors and temporary employees) employed by the Group during the year was as follows:

	2010 Number Employed	2009 Number Employed
Research and development, products and services	2,156	2,091
Marketing and sales	381	321
Corporate services	327	299
	2,864	2,711

Their aggregate employment costs comprised:

	2010 £000	2009 £000
Wages and salaries	102,706	96,971
Social security costs	8,497	7,904
Other pension costs	7,311	6,269
Share-based payment charge – equity settled	1,417	1,021
	119,931	112,165

There are no staff (2009: nil) employed by the Company.

Information in relation to the Directors' remuneration is shown in the Remuneration Report.

Note 27 contains details of the share-based payments to employees, including share options, co-investment schemes, deferred bonus and staff-share schemes.

An accrual is maintained for employees' holiday entitlements which have accrued to them but have not been taken at the period end. As at 30 September 2010 the accrual stood at £1.5m (2009: £1.2m).

7. Investment income

	2010 £000	2009 £000
Bank interest	92	226
Income from sale of finance lease debt	795	622
Other finance income	204	344
	1,091	1,192

8. Finance costs

	2010 £000	2009 £000
Interest on bank overdrafts and loans	627	464
Interest on loan notes	64	67
Net finance costs on defined benefit pension scheme	630	416
	1,321	947

9. Tax**a) Income statement**

Analysis of tax charged in income statement:

	2010 £000	2009 £000
Current taxation		
UK corporation tax	4,185	3,558
Adjustment in respect of prior years	(620)	(995)
Overseas tax – current year	(374)	1,111
Total current tax	3,191	3,674
Deferred taxation		
Temporary differences	2,491	(311)
Adjustment in respect of prior years	78	(2)
Total deferred tax	2,569	(313)
Total income statement tax charge	5,760	3,361

In addition to the amount charged to the income statement, £2,209,000 of tax has been credited to equity through the Statement of comprehensive income (2009: £3,924,000). The amount comprises a tax credit on the equity component of share-based payments of £57,000 (2009: charge of £28,000), a tax charge on a net investment hedge of £66,000 (2009: £131,000), a tax credit on actuarial gains and losses of £2,216,000 (2009: £4,083,000) and a tax credit of £2,000 on other balances.

Further analysis of the Group's deferred tax assets and liabilities is shown in the following tables.

Notes to the report and accounts continued

9. Tax continued

b) Reconciliation to standard UK tax rate

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit on ordinary activities before tax is as follows:

	2010 £000	2009 £000
Profit on ordinary activities before tax	23,919	16,319
Tax at 28% (2009: 28%) thereon:	6,697	4,569
Effects of:		
– impact of change in tax rate on carried forward deferred tax asset	165	–
– other expenses not deductible for tax purposes	340	296
– other temporary timing differences	335	144
– research and development tax credit – current year	(890)	(680)
– research and development tax credit – prior period adjustment	(548)	(672)
– effect of (losses)/profits in various overseas tax jurisdictions	(345)	30
– prior period adjustments – other	6	(326)
Tax	5,760	3,361

c) Effective tax rate

The Group's effective tax rate of 23.4% (2009: 21.3%) has been calculated excluding the impact of amortisation of acquisition related intangible assets; exceptional costs relating to the curtailment of the BSF programme; and an exceptional pension credit on the Group's defined benefit pension scheme, shown net of related costs (2009: amortisation of acquisition related intangible assets and acquisition integration costs) from profit before tax:

	Adjusted £000	Adjustments £000	2010 Total £000	Adjusted £000	Adjustments £000	2009 Total £000
Profit before tax	19,638	4,281	23,919	17,910	(1,591)	16,319
Tax charge/(credit)	4,602	1,158	5,760	3,809	(448)	3,361
Effective rate	23.4%	27.0%	24.1%	21.3%	28.2%	20.6%

The tax rate on adjusted profit for 2010 benefited by 2.8% (2009: 3.7%) from finalising prior year research and development tax credits and would have been 26.2% (2009: 25.0%) without this benefit.

The tax charge on adjustments to profit of £1,158,000 includes a deferred tax charge of £2,035,000 on the exceptional pension credit; a current tax credit of £472,000 on other exceptional costs (2009: Both £nil); a deferred tax credit of £328,000 and a current tax credit of £47,000 on the amortisation of acquisition related intangible assets (2009: deferred tax credit £371,000, current tax credit £77,000) and a deferred tax credit of £30,000 relating to the future change in the UK corporate tax rate to 27% (2009: £nil). Deferred tax has been recognised on acquisition related intangibles at the rate applicable in the jurisdiction in which they arise. This results in the tax rate on the amortisation differing from the standard UK rate of corporation tax.

9. Tax continued

d) Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

	Accelerated tax depreciation £000	Retirement benefit obligations £000	Share-based payment £000	Short-term timing differences £000	Acquisition related intangible assets £000	Total £000
At 1 October 2008	1,129	157	839	612	(1,288)	1,449
Credit/(charge) to income	142	(660)	(4)	455	380	313
Credit/(charge) to equity	–	4,083	(190)	–	–	3,893
Acquisition of subsidiaries in the year	–	–	–	5	(484)	(479)
At 1 October 2009	1,271	3,580	645	1,072	(1,392)	5,176
(Charge)/credit to income	(195)	(2,454)	(75)	(203)	358	(2,569)
Credit/(charge) to equity	–	2,216	10	–	(8)	2,218
At 30 September 2010	1,076	3,342	580	869	(1,042)	4,825

In addition to the deferred tax credit of £10,000 to equity on share based payments (2009: charge of £190,000), there is a current tax credit to equity of £47,000 (2009: £31,000) for the current tax deduction available upon the exercise of equity settled remuneration. Therefore the total credit to equity on share based payment charges included within the Statement of comprehensive income is £57,000 (2009: charge of £159,000).

Deferred tax assets have been recognised at the rate which has been substantively enacted at balance date. In the UK this is the standard rate of corporation tax which from 1 April 2011 will reduce from 28% to 27%. This reduction in rate has resulted in a credit to deferred tax of £164,000.

Certain deferred tax assets and liabilities have been offset above. The following analysis shows the deferred tax balances before offset, as shown in the balance sheet:

	2010 £000	2009 £000
Deferred tax assets	4,859	5,227
Deferred tax liabilities	(34)	(51)
	4,825	5,176

At the balance sheet date, the Group has unused tax losses of £300,000 (2009: £300,000) which are available for offset against future profits. A deferred tax asset has not been recognised in respect of any of this amount due to uncertainty surrounding the future use of these losses (2009: £nil).

No deferred tax liability is recognised on temporary differences of £390,000 (2009: £265,000) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

e) Tax assets/liabilities

Corporation tax balances are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following is an analysis of the current tax assets and liabilities for financial reporting purposes:

	2010 £000	2009 £000
Current tax assets	877	–
Current tax liabilities	(1,878)	(1,320)
	(1,001)	(1,320)

Notes to the report and accounts continued

10. Earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share is shown below: As explained in note 1, earnings per share have also been presented.

Basic earnings per ordinary share:

	Profit after tax £000	2010 Weighted average number of shares 000	Pence per share	Profit after tax £000	2009 Weighted average number of shares 000	Pence per share
Basic earnings per ordinary share	18,159	92,121	19.7	92,408	12,958	14.0
Effect of adjustments*	(3,123)	–	(3.4)	–	1,143	1.3
Adjusted basic earnings per ordinary share*	15,036	92,121	16.3	92,408	14,101	15.3

Diluted earnings per ordinary share:

	Profit after tax £000	2010 Weighted average number of shares 000	Pence per share	Profit after tax £000	2009 Weighted average number of shares 000	Pence per share
Basic earnings per ordinary share	18,159	92,121	19.7	92,408	12,958	14.0
Effect of dilutive potential ordinary shares: share options	–	92	–	240	–	–
Diluted earnings per ordinary share	18,159	92,213	19.7	92,648	12,958	14.0
Effect of adjustments*	(3,123)	–	(3.4)	–	1,143	1.2
Adjusted diluted earnings per ordinary share*	15,036	92,213	16.3	92,648	14,101	15.2

During 2010 and 2009 the Group benefited from finalising claims in respect of prior year UK Research and Development tax credits. The following basic earnings per share workings show this impact:

	Profit after tax £000	2010 Weighted average number of shares 000	Pence per share	Profit after tax £000	2009 Weighted average number of shares 000	Pence per share
Basic earnings per ordinary share	18,159	92,121	19.7	12,958	92,408	14.0
Effect of prior year Research and Development tax credit benefits	(548)	–	(0.6)	(672)	–	(0.7)
Basic earnings per ordinary share before effect of prior year Research and Development tax credit benefits	17,611	92,121	19.1	12,286	92,408	13.3
Effect of other adjustments*	(3,123)	–	(3.4)	1,143	–	1.2
Adjusted basic earnings per ordinary share before effect of prior year Research and Development tax credit benefits*	14,488	92,121	15.7	13,429	92,408	14.5

* Adjustments made to profit after tax are explained within the income statement.

11. Dividends

Amounts recognised as distributions to equity holders in the year:

	2010 £000	2009 £000
Final dividend for the year ended 30 September 2009 of 4.85p (2008: 4.55p) per share	4,492	4,206
Interim dividend for the year ended 30 September 2010 of 1.39p (2009: 1.32p) per share	1,272	1,219
	5,764	5,425

The proposed final dividend of 5.25p per share was approved by the Board on 19 November 2010. The dividend is subject to approval by shareholders at the Annual General Meeting and the expected cost of £4.8m has not been included as a liability as at 30 September 2010.

12. Goodwill

	£000
Cost	
At 1 October 2008	32,131
Additions	3,894
Exchange differences	511
Change in estimated loan notes payable	(177)
Change in estimated deferred consideration payable	(32)
Restatement of provisional fair values	(40)
At 1 October 2009	36,287
Exchange differences	270
Change in estimated deferred consideration payable	132
At 30 September 2010	36,689
Accumulated impairment losses	
At 1 October 2008, 1 October 2009 and 30 September 2010	(2,469)
Carrying amount	
At 30 September 2010	34,220
At 30 September 2009	33,818

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2010 £000	2009 £000
Learning Technologies:		
– Europe	5,978	5,978
– United States	1,701	1,680
– Rest of World	2,225	1,976
Learning Technologies	9,904	9,634
Assessment and Data Services	2,956	2,956
Education Resources	21,360	21,228
	34,220	33,818

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rate used to discount the forecast cash flows is 10% (2009: 15%) for all cash generating units. The growth rates are based on internal growth forecasts of between 3% and 8% (2009: 3% and 12%).

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by the management for the next three years and extrapolates cash flows for the following two years based on forecast growth rates of the CGU's. The terminal rate used for the value in use calculation is 3% (2009: 3%).

Notes to the report and accounts continued

13. Intangible assets

	Acquisition related intangible assets					Total £000
	Customer relationships £000	Brands £000	Intellectual property & database assets £000	Sub-total £000	Other software assets* £000	
Group						
Cost						
At 1 October 2008	4,349	1,080	1,171	6,600	18,352	24,952
Additions	–	–	–	–	1,398	1,398
Exchange differences	66	21	(65)	22	51	73
Acquired on acquisition of subsidiary/business combination	756	364	381	1,501	–	1,501
Disposals	–	–	–	–	(500)	(500)
At 1 October 2009	5,171	1,465	1,487	8,123	19,301	27,424
Additions	–	–	8	8	1,517	1,525
Transfer from property, plant and equipment	–	–	–	–	277	277
Exchange differences	21	3	–	24	20	44
Change in estimated deferred consideration payable	(50)	–	–	(50)	–	(50)
Disposals	–	–	–	–	(30)	(30)
At 30 September 2010	5,142	1,468	1,495	8,105	21,085	29,190
Amortisation						
At 1 October 2008	1,198	208	253	1,659	16,110	17,769
Charge for the year	1,005	225	253	1,483	914	2,397
On disposals	–	–	–	–	(377)	(377)
At 1 October 2009	2,203	433	506	3,142	16,647	19,789
Charge for the year	862	183	228	1,273	1,180	2,453
Transfer from property, plant and equipment	–	–	–	–	89	89
Exchange differences	–	–	–	–	13	13
On disposals	–	–	–	–	(30)	(30)
At 30 September 2010	3,065	616	734	4,415	17,899	22,314
Carrying amount						
At 30 September 2010	2,077	852	761	3,690	3,186	6,876
At 30 September 2009	2,968	1,032	981	4,981	2,654	7,635

* Purchased and internally developed software assets amounted to net book values of £0.9 million and £2.3 million respectively (2009: £1.2 million and £1.5 million). This included respective additions of £0.4 million and £1.1 million (2009: £0.4 million and £0.9 million).

14. Property, plant and equipment

The movement in the year was as follows:

	Freehold land and buildings £000	Short leasehold improvements £000	Plant and equipment £000	Computer equipment £000	Vehicles £000	Total £000
Group						
Cost						
At 1 October 2008	–	2,847	7,677	41,523	6,691	58,738
Additions	–	124	855	4,896	2,010	7,885
Acquired on acquisition of subsidiaries/ business combinations	–	27	190	15	401	633
Assets reclassified from held for sale	2,803	–	–	–	–	2,803
Transfer	–	(8)	22	(14)	–	–
Exchange differences	–	35	93	197	52	377
Disposals	–	(53)	(471)	(7,942)	(1,949)	(10,415)
At 1 October 2009	2,803	2,972	8,366	38,675	7,205	60,021
Additions	14	937	1,256	3,490	2,103	7,800
Transfer to intangible assets	–	–	–	(277)	–	(277)
Exchange differences	–	31	(49)	161	24	167
Disposals	–	–	(224)	(221)	(1,444)	(1,889)
At 30 September 2010	2,817	3,940	9,349	41,828	7,888	65,822
Accumulated depreciation						
At 1 October 2008	–	1,699	5,512	28,808	2,837	38,856
Charge for the year	114	187	813	5,513	1,704	8,331
On assets reclassified from held for sale	223	–	–	–	–	223
Transfer	–	(4)	4	–	–	–
Exchange differences	–	11	58	151	16	236
Eliminated on disposals	–	(6)	(377)	(7,080)	(1,483)	(8,946)
At 1 October 2009	337	1,887	6,010	27,392	3,074	38,700
Charge for the year	121	296	851	4,341	1,945	7,554
Transfer to intangible assets	–	–	–	(89)	–	(89)
Exchange differences	–	24	84	132	(9)	231
Eliminated on disposals	–	–	(212)	(168)	(1,248)	(1,628)
At 30 September 2010	458	2,207	6,733	31,608	3,762	44,768
Carrying amount						
At 30 September 2010	2,359	1,733	2,616	10,220	4,126	21,054
At 30 September 2009	2,466	1,085	2,356	11,283	4,131	21,321

Non-current assets held for sale

In 2008 the Group reclassified a building owned by Education Resources company, TTS Group Ltd, to held-for-sale. The building, which is used by TTS Group Ltd for warehousing and offices was actively marketed for sale during 2008 but was not sold. In 2009, the Group determined to continue occupation and therefore re-instated the building to Property, plant and equipment. In doing so, depreciation had been recognised from the point of transfer.

Notes to the report and accounts continued

15. Investment in subsidiary undertakings

All principal subsidiaries of the Group are involved in the education market and are consolidated into the financial statements.

At 30 September 2010 these were as follows:

	Principal activity	Country of incorporation	Proportion of voting rights and shares held
AMI Education Solutions Ltd	Software, services and systems	England	100%
Caz Software Pty Ltd*	Software, services and systems	Australia	100%
Computrac LLC*	Software, services and systems	USA	100%
DACTA Ltd	Resource supply	England	100%
Isis Concepts Ltd	Resource supply	England	100%
RM Asia-Pacific Pty Ltd	Software, services and systems	Australia	100%
RM Data Solutions Ltd	Data analysis and reporting	England	100%
RM Education plc	Software, services and systems	England	100%
RM Educational Software Inc	Software	USA	100%
RM Education Solutions India Pvt Ltd*	Software and Corporate Services	India	100%
SpaceKraft Ltd	Resource supply	England	100%
TTS Group Ltd	Resource supply	England	100%
First Hand Technology Ltd	Resource supply	England	100%

* Held through subsidiary undertaking

In the Company, equity investments in subsidiary undertakings are held at cost less provision for impairment:

	Investment in share capital £000	Capital contribution – share-based payments £000	Loan £000	Total £000
Company				
Cost				
At 1 October 2008	55,826	4,698	7,077	67,601
Acquisition of subsidiaries	2,575	–	–	2,575
Increase in investment in subsidiary company	2,003	–	–	2,003
Repayment of capital following inter-group restructuring	(14,714)	–	–	(14,714)
Decrease in fair value of issuable loan notes and deferred consideration	(209)	–	–	(209)
Share-based payments	–	1,021	–	1,021
At 1 October 2009	45,481	5,719	7,077	58,277
Repayment of capital following inter-group restructuring	(410)	–	–	(410)
Decrease in fair value of issuable loan notes and deferred consideration	132	–	–	132
Share-based payments	–	1,417	–	1,417
At 30 September 2010	45,203	7,136	7,077	59,416
Impairment				
At 1 October 2008 and 1 October 2009	(3,484)	–	–	(3,484)
Impairment in cost of investment of subsidiary	(292)	–	–	(292)
At 30 September 2010	(3,776)	–	–	(3,776)
Carrying value				
At 30 September 2010	41,427	7,136	7,077	55,640
At 30 September 2009	41,997	5,719	7,077	54,793

Loans to subsidiary undertakings are not repayable in the foreseeable future.

16. Interests in associates

The Group's associates at 30 September 2010 are as follows:

	Most recent year end	Country of incorporation	Proportion of voting rights and shares held %
Inclusive Group Ltd	30 June 2010	England	25%

Summary financial information for associates accounted for under the equity method, extracted on a 100% basis from a consolidation of Inclusive Group Ltd for the year ended 30 June 2010:

	2010 £000	2009 £000
Revenues	5,947	5,510
Profit	309	64
Total assets	1,150	1,813
Total liabilities	(760)	(1,027)
Net assets	390	786

At 30 September 2010 the Group's interests in associates was stated at £1,013,000 (2009: £967,000) being the Inclusive purchase price of £1,014,000 less the Group's share of post-investment loss of £1,000 (2009: loss of £47,000).

17. Inventories

	2010 £000	2009 £000
Group		
Components	9,461	7,101
Work in progress	193	182
Finished goods	15,425	12,622
	25,079	19,905

18. Long-term contracts

The following disclosure relates to long-term contracts accounted for under the principles of IAS 11 Construction contracts and related linkage to IAS 18 Revenue. These contracts do not represent the Group's only long-duration business.

	2010 £000	2009 £000
Group		
Contracts in progress at the balance sheet date:		
Contract cost incurred plus recognised profits less recognised losses to date	358,466	269,640
Less: progress billings	(345,151)	(256,418)
	13,315	13,222
Amounts due from contract customers included in trade and other receivables	13,856	13,222
Amounts due from contract customers included in trade and other payables	(541)	–
	13,315	13,222

Total revenue recognised from long-term contracts amounted to £90.5 million (2009: £78.4 million).

At 30 September 2010, £0.7 million (2009: £0.3 million) amounts due from contract customers are due for settlement after more than 12 months.

Long-term contract outcome – estimation uncertainty

The Group's long-term contracts represent a significant part of the Group's business. As a result of the accounting for these contracts, as outlined in note 2 it is necessary for the Directors to assess the outcome of each contract and also estimate future costs and revenues to establish ultimate contract profitability. Profit is then recognised based on these judgements and therefore, depending on the maturity of the contract portfolio, a greater or lesser proportion of Group profit will arise from long-term contracts.

Notes to the report and accounts continued

19. Trade and other receivables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Current				
Financial assets:				
Trade receivables	75,076	64,826	–	–
Long-term contract balances (Note 18)	13,856	13,222	–	–
Other receivables	1,914	1,302	88	–
Derivative financial instruments: forward foreign exchange contracts	73	160	–	–
Accrued income	1,636	1,173	–	–
Amounts owed by subsidiary undertakings	–	–	10,020	16,826
	92,555	80,683	10,108	16,826
Non financial assets:				
Prepayments	5,283	5,481	–	–
	97,838	86,164	10,108	16,826
Currency profile of receivables:				
Sterling	88,899	75,971	10,108	16,826
US Dollar	5,110	7,583	–	–
Euro	1,870	2,030	–	–
Australian Dollar	1,154	406	–	–
New Zealand Dollar	–	8	–	–
Danish Krona	455	–	–	–
Indian Rupee	350	166	–	–
	97,838	86,164	10,108	16,826

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

The average credit period taken on sales of goods is 46 days (2009: 49 days). An allowance has been made for estimated irrecoverable amounts of trade receivables of £1.0 million (2009: £0.5 million) based on management's knowledge of the customer, externally available information and expected payment likelihood. This allowance has been determined by reference to specific receivable balances and past default experience. New customers are subject to credit checks, using third-party databases prior to orders being accepted.

Analysis of type of customer:

	2010 £000	2009 £000
Group		
Government customers	56,251	56,501
Commercial customers	18,825	8,325
	75,076	64,826

Analysis of allowance for estimated irrecoverable amounts of trade receivables:

	2010 £000	2009 £000
Group		
At 1 October	523	239
Charge to income statement	585	331
Utilised	(84)	(47)
At 30 September	1,024	523

19. Trade and other receivables continued

Ageing of trade receivables:

	2010 £000	2009 £000
Group		
Neither impaired nor past due	45,632	44,918
Not impaired but overdue by less than 60 days	23,801	14,644
Not impaired but overdue by between 60 and 90 days	2,753	2,499
Not impaired but overdue by more than 90 days	3,885	3,163
Impaired	29	125
Allowance for estimated irrecoverable amounts	(1,024)	(523)
	75,076	64,826

Included within trade receivables are £0.7 million (2009: £2.7 million) of receivables relating to finance lease debt awaiting sale to a financial institution, which completed shortly after the balance sheet date. Upon sale the margin implicit will be recognised as a financing item within investment income.

All impaired receivables are overdue by more than 90 days.

20. Trade and other payables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Current				
Financial liabilities:				
Trade payables	34,379	27,239	–	–
Amounts due to subsidiary undertakings	–	–	10	10
Other taxation and social security	12,341	10,202	–	–
Other payables – other	2,780	3,097	–	–
Derivative financial instruments:				
Forward foreign exchange contracts	73	–	–	–
Interest rate swap	189	61	–	–
Accruals	30,623	29,217	6	42
Long-term contract balances (Note 18)	541	–	–	–
Loan notes	1,379	2,220	475	1,215
Deferred consideration	195	1,535	195	1,535
	82,500	73,571	686	2,802
Non financial liabilities:				
Deferred income	24,054	23,258	–	–
	106,554	96,829	686	2,802
Non-current				
Financial liabilities:				
Other payables – deferred consideration	195	585	195	585
Loan notes	–	1,386	–	–
	195	1,971	195	585
Non financial liabilities:				
Deferred income:				
– due after one year but within two years	3,014	3,840	–	–
– due after two years but within five years	2,633	1,843	–	–
– due after five years	76	–	–	–
	5,918	7,654	195	585

Notes to the report and accounts continued

20. Trade and other payables continued

The currency profile of payables is shown below:

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Currency profile of payables:				
Sterling	99,595	93,507	881	3,387
US Dollar	8,799	9,077	–	–
Australian Dollar	1,328	1,353	–	–
Euro	2,371	78	–	–
New Zealand Dollar	22	39	–	–
Indian Rupee	357	429	–	–
	112,472	104,483	881	3,387

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 40 days (2009: 36 days). The Companies Act 2006 requires creditor days to be calculated using the year end trade creditors balance as a ratio of expenditure in the year. However due to the Group's seasonality, average creditor days are considered by management to give a better reflection of the Group's payment profile. Creditor days calculated in accordance with the Companies Act is 49 days (2009: 37 days).

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Following the re-estimation of amounts payable, calculated based on the performance of historic acquisitions, the Group settled £2,161,000 of loan notes and £1,680,000 of deferred consideration during the year. Loan notes are not secured on assets of the Group and are repayable subject to the performance conditions relating to the acquisition being met.

The maturity profile of payables is presented below:

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Maturity profile of payables:				
– due within one year	106,554	96,829	686	2,802
– due after one year but within two years	3,209	7,654	195	585
– due after two years but within five years	2,633	–	–	–
– due after five years	76	–	–	–
	112,472	104,483	881	3,387

21. Financial instruments

Carrying of financial assets and financial liabilities:

	Notes	Group		Company	
		2010 £000	2009 (Restated) £000	2010 £000	2009 £000
Financial assets					
Trade and other receivables	19	92,555	80,683	10,108	16,826
Cash and cash equivalents		13,814	13,297	–	–
		106,369	93,980	10,108	16,826

All financial assets are classified as loans and receivables except for the forward foreign exchange contract of £73,000 (2009: £160,000) which is classified as at fair value through profit or loss.

The Directors consider that the carrying amount of financial assets approximates their fair value.

21. Financial instruments continued

	Notes	Group		Company	
		2010 £000	2009 (Restated) £000	2010 £000	2009 £000
Financial liabilities					
Trade and other payables (current)	20	82,500	73,571	686	2,802
Trade and other payables (non current)	20	195	1,971	195	585
Bank loans		11,507	8,281	–	–
		94,202	83,823	881	3,387

All financial liabilities are classified as financial liabilities at amortised cost except for the forward foreign exchange contract of £73,000 (2009: £nil) which is classified as at fair value through profit or loss and the interest rate swap of £189,000 (2009: £61,000) which is designated and effective as a cash flow hedge.

Prepayments of £5,481,000 and deferred income of £28,943,000 have been reclassified from financial assets to non financial assets and financial liabilities to non financial liabilities respectively as disclosed in the prior year to better reflect the nature of the balances.

The main risks arising from the Group's financial assets and liabilities are market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Board reviews and agrees policies on a regular basis for managing the risks associated with these assets and liabilities.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken and the Group does not hold or issue derivative financial instruments for speculative purposes.

Foreign currency risk

a) Translation

The Group has operations in Australia, the United States of America and India and trades within Europe, hence exposing the Group to foreign exchange risk on non-Sterling assets, liabilities and cash flows. The Group's acquisition borrowing facility includes an amount of £6,568,000 (\$10,350,000) denominated in US dollars and also long-term inter-group loans denominated in US dollars and Australian dollars and the Group applies net investment hedging to these balances.

The Group also maintains foreign currency denominated cash accounts, but only holds balances required to settle its payables.

b) Transaction

Operations are also subject to foreign exchange risk from transactions in currencies other than their functional currency, and once recognised, the revaluation of foreign currency denominated assets and liabilities. Principally, this relates to transactions arising in US dollars and Indian Rupees. Specifically, the Group purchases significant amounts of its components in US dollars and operating costs in the Group's subsidiary RM Education Solutions India are in Indian Rupees.

In order to manage these risks the Group enters into derivative transactions in the form of forward foreign currency contracts. To manage the US dollar to Sterling risk, the forward foreign currency contracts are designed to cover 80-90% of forecast currency denominated purchases and the contracts are renewed on a revolving basis of approximately three months. To manage the Indian Rupee to Sterling risk, the contracts are designed to cover 70% of forecast Rupee costs and are renewed on a revolving basis of approximately six months.

At the balance sheet date, total notional amount of outstanding forward foreign exchange contracts that the Group has committed to are as below:

	2010		2009	
	Nominal value £000	Fair value £000	Nominal value £000	Fair value gains £000
Forward foreign currency exchange contracts	10,709	–	5,893	160

The fair value of the derivative financial instruments is estimated by discounting the future contracted cashflow, using readily available market data and represents a level 2 measurement in the fair value hierarchy under IFRS 7. These fair value gains/(losses) are included within Trade and other receivables or Trade and other payables.

Notes to the report and accounts continued

21. Financial instruments continued

These instruments have not been designated as effective hedges in accordance with IAS 39 Financial Instruments. Changes in the fair value of currency instruments amounting to £0.2 million have therefore been debited (2009: £0.2 million credit) to income. Commercially effective hedges may continue to lead to income statement volatility in the future.

c) Foreign exchange rate sensitivity

The following table details how the Group's income and equity would increase/(decrease) if there was a 10% increase in the amount of the respective currency which could be purchased with £1 Sterling (assuming all other variables remain constant), for example from \$1.57:£1 to \$1.73:£1 at the balance sheet date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates and is shown after considering the impact of the Group's foreign exchange forward contracts and net investment hedge positions. A positive number indicates an increase in profit and equity where Sterling strengthens 10% against the relevant currency. For a 10% weakening of Sterling against the relevant currency, there would be a comparable impact on the profit and equity and the balances below would be negative.

	2010		2009	
	Income sensitivity £000	Equity sensitivity £000	Income sensitivity £000	Equity sensitivity £000
10% increase in foreign exchange rates against sterling				
US Dollar	335	432	(235)	(264)
Australian Dollar	16	(80)	124	66
Indian Rupee	1	(356)	(4)	(8)
Euro	46	(108)	–	–
Other	(39)	(33)	(38)	(28)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. The Group has operations in the United States of America, Australia and India and trades in Europe and is consequently exposed to translation and translation risks in the underlying currencies of these territories. The Group also purchases a substantial proportion of inventory denominated in US Dollars and is exposed to foreign exchange risks on these purchases.

Interest rate risk

The only significant interest bearing financial assets held by the Group are cash and cash equivalents which comprise cash held by the Group and Company and short-term bank deposits with an original maturity of three months or less. Surplus sterling balances are invested in the money market, or with financial institutions on maturing terms from within 24 hours up to a period of three months with interest earned based on the relevant national inter-bank rates available at the time of investing. During the year, the average cash and cash equivalents was £0.7m (2009: £4.6m), and the maximum bank overdraft was £26.8m (2009: £19.3m), excluding amounts drawn under the acquisition facility. The interest and currency profile of cash and cash equivalents is shown below:

	2010			2009		
	Floating rate £000	Interest free £000	Total £000	Floating rate £000	Interest free £000	Total £000
Sterling	2,405	5,830	8,235	4,333	1,489	5,822
US Dollar	455	2,976	3,431	1,731	3,758	5,489
Australian Dollar	26	910	936	86	922	1,008
Euro	325	350	675	179	53	232
Danish Krona	–	99	99	–	117	117
Indian Rupee	201	221	422	495	111	606
New Zealand Dollar	–	16	16	–	22	22
South African Rand	–	–	–	–	1	1
	3,412	10,402	13,814	6,824	6,473	13,297

The Group's interest bearing financial liabilities are loan notes and an acquisition facility. A working capital overdraft facility has been used during the year but was not drawn-down at 30 September. Loan notes issued on acquisitions carry interest linked to national inter-bank rates. The interest rate risk on these instruments is not considered significant.

21. Financial instruments continued

Interest payable on the acquisition facility is linked, normally on a quarterly basis, to either national inter-bank rates or HSBC base rates, with the chosen rate being at the Group's discretion. On 13 July 2009 the Group entered into a US\$10,000,000 interest rate swap contract maturing in July 2012 to sell a proportion of this floating rate liability in exchange for a quarterly settled fixed rate liability of 2.03%. The liability fair value of this contract at 30 September 2010 has been designated as an effective hedge against outstanding US Dollar borrowings on the acquisition facility. The loss arising of £128,000 (2009: £61,000) has been included in the hedging reserve.

In addition a commitment fee and £0.1 million arrangement fee are also payable, spread on a quarterly basis over the duration of the facility.

The weighted average effective interest rates at the balance sheet date were as follows:

	2010		2009	
	Floating rate £000	Weighted average interest rate %	Floating rate £000	Weighted average interest rate %
Financial assets:				
Cash and cash equivalents	13,814	0.30	13,297	1.20
Financial liabilities:				
Bank loans	(11,507)	1.25	(8,281)	2.32
Issued loan notes	(1,379)	5.12	(3,606)	5.12
Net funds	928		1,410	
Deferred consideration	(390)	–	(2,120)	–
Net funds less deferred consideration	538		(710)	

Interest rate risk sensitivity (assuming all other variables remain constant):

	2010		2009	
	Income sensitivity £000	Equity sensitivity £000	Income sensitivity £000	Equity sensitivity £000
1% increase in interest rates	34	34	47	47
1% decrease in interest rates	(34)	(34)	(47)	(47)

Credit risk

The Group's principal financial assets are bank balances and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. Credit checks are performed on new customers and before credit limits are increased. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers and in the majority, ultimately backed by Government institutions.

The Group's maximum exposure to credit risk at 30 September 2010 is £106.4 million (2009: £94.0 million). The Group does not hold any collateral.

Liquidity risk

Cash is managed to ensure that sufficient liquid funds are available with a variety of counterparties, through short-, medium- and long-term cash flow forecasting.

The Group meets its seasonal working capital requirements through overdraft facilities. At 30 September 2010 none of these facilities were drawn-down (2009: £nil). The Group has an annual unsecured overdraft facility of \$39.5 million (set at a minimum of £25 million) with HSBC, which was renewed on 18 November 2010. In addition to the HSBC working capital facilities, the Group also has a £3 million working capital facility with Barclays Bank which is reviewed annually each March. These facilities combined give £28 million of working capital funding.

The Group also has a committed acquisition borrowing facility of £25 million with HSBC which expires in July 2013. At 30 September 2010 £11.5 million of this facility was drawn down (30 September 2009: £8.3 million), with the increase in the year being used to fund the payment of loan notes and deferred consideration (note 20). The drawn down facility of £11.5 million comprises £4.9 million in Sterling and £6.6 million in US dollars (\$10.4 million). The facility can be repaid before expiry, at the discretion of the Group.

Notes to the report and accounts continued

21. Financial instruments continued

Capital risk management

The Group manages capital employed as shareholders' equity less net funds less deferred consideration:

	2010 £000	2009 £000
Group		
Shareholders' equity	66,145	60,824
Less: net funds less deferred consideration	(538)	710
Capital employed	65,607	61,534

At the balance sheet date, the Group had borrowings under the acquisition facility. The Group also utilised facilities to finance its seasonal working capital requirements although none were drawn at 30 September 2010.

The financial covenants relating to the acquisition facility are reviewed regularly by management and reported quarterly to HSBC. The covenants contain measurements against net debt, which is to be less than 2.5 times earnings before interest, tax, depreciation and amortisation (EBITDA) and net debt interest, which is to be less than 0.25 times EBITDA. Based on the results for 2010 and management's plan for 2011 and subsequent years, there is adequate headroom over these covenant measures.

The Group's risk management policies, including financial and market risks, are explained in the Audit Committee Report.

22. Provisions

	Redundancy provision £000	Dilapidation provision £000	Total £000
At 1 October 2008	–	488	488
Increase in provision	–	61	61
Change in provisional fair value adjustments on acquisition of subsidiary	–	40	40
At 1 October 2009	–	589	589
Increase in provision	536	201	737
Utilisation of provision	–	(112)	(112)
At 30 September 2010	536	678	1,214

The Company has £nil provision at 30 September 2010 (2009: £nil).

Dilapidation provisions relate to amounts held for dilapidation rectification on property lease contracts and are expected to be utilised over the remaining lives (3.7 years on average) of the leases.

Redundancy provisions relate to employee related costs arising due to the curtailment of the BSF programme and are all expected to be utilised during the following financial period.

The above balances reconcile to the balance as follows:

	2010 £000	2009 £000
Current provision	536	–
Non-current provision	678	589
	1,214	589

23. Share capital

Authorised ordinary shares of 2p each:

	2010		2009	
	Number 000	£000	Number 000	£000
	125,000	2,500	125,000	2,500

Allotted, called-up and fully paid ordinary shares of 2p each:

	Number 000	£000
At 1 October 2008	93,083	1,863
Issued on options	89	–
At 1 October 2009	93,172	1,863
Issued on options	248	5
At 30 September 2010	93,420	1,868

248,439 (2009: 88,900) ordinary shares of 2p each were allotted in the year, for consideration of £198,000 (2009: £91,000).

The Company has the authority to repurchase 9,317,161 shares (2009: 9,309,471) and repurchased nil shares during the year (2009: nil).

The Company has one class of ordinary shares which carries no right to fixed income.

24. Own shares

The RM plc Employee Share Trust (EST) was established in March 2003 to hedge the future obligations of the Group in respect of shares awarded under the RM plc Co-investment Plan, RM plc Performance Share Plan and Deferred bonus plan. The trustee of the EST, Computershare Trustees (C.I.) Ltd, purchases the Company's ordinary shares in the open market with financing provided by the Company, as required, on the basis of regular reviews of the anticipated share-based payment liabilities of the Group. The EST has waived any entitlement to the receipt of dividends in respect of all of its holding of the Company's ordinary shares. The EST's waiver of dividends may be revoked or varied at any time.

	Number	Cost £000
At 1 October 2008	723,117	1,323
Acquired in period	805,856	1,207
Disposed on exercise of co-investment plan and deferred bonus plan	(755,294)	(1,284)
At 1 October 2009	773,679	1,246
Acquired in period	1,941,697	3,213
Disposed on exercise of co-investment plan and deferred bonus plan	(409,026)	(654)
At 30 September 2010	2,306,350	3,805

These shares are shown at weighted average cost within equity in the Company balance sheet.

In addition to the £3.2m (2009: £1.2m) purchase of own-shares held, a further £0.2m (2009: £0.1m) was spent on own-shares during the year in respect of the Group's obligations under the RM plc Staff Share Scheme (note 28). These shares are for the benefit of employees and are not shown in the Group's balance sheet. The total amount spent on own shares was therefore £3.4m (2009: £1.3m).

Notes to the report and accounts continued

25. Commitments

a) Operating leases

The Group leases certain assets under operating leases and recognised expenses in the year of:

	2010 £000	2009 £000
Minimum lease payments under operating leases recognised as an expense in the year	6,586	5,336

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

	2010 £000	2009 £000
Within one year	4,560	4,197
In the second to fifth years inclusive	13,182	13,061
After five years	7,034	7,170

Operating lease payments represent rentals payable by the Group for certain of its office properties and include the period up to the first break clause of the lease. The terms of these leases are subject to renegotiation on an average term of 3.7 years (2009: 3.2 years) and rentals are fixed for an average of 4.9 years (2009: 4.0 years). If all rights of renewals within the operating leases are included, the leases have an average term of 11.2 years (2009: 9.1 years).

Minimum expected sub-lease payments receivable, until earliest termination, are £nil (2009: £0.1 million).

b) Capital commitments

The Group has the following capital expenditure commitments:

	2010 £000	2009 £000
Contracted for but not provided for	3,518	1,969

26. Guarantees and contingent liabilities

a) Guarantees

The Company has entered into guarantees relating to the performance and liabilities of its subsidiaries' major contracts. The Directors are not aware of any circumstances that have given rise to any liability under such guarantees and consider the possibility of any arising to be remote. A fair value of £nil (2009: £nil) has been applied to these guarantees.

b) Contingent liabilities

The Group has provided performance guarantees and indemnities relating to performance bonds and letters of credit issued by its banks on its behalf, in the ordinary course of business. The Directors are not aware of any circumstances that have given rise to any liability under such guarantees and indemnities and consider the possibility of any arising to be remote. A fair value of £nil (2009: £nil) has been applied to these guarantees and indemnities.

c) Restricted cash

A balance of £96,000 of restricted cash is held within cash and cash equivalents. This represents a guarantee that has been provided on rental premises and the Directors are not expecting the restricted cash to become payable.

27. Share-based payments

The Group operates a number of executive and employee equity settled share-based payment schemes including co-investment plans, performance share plans and deferred bonus plans, share options and staff share schemes. The fair values of these schemes have been assessed using Black-Scholes and Monte-Carlo models, as appropriate to the scheme, at the date of grant. The fair values of the schemes are expensed over the period between grant and vesting.

Share-based payment awards exercised in the year disclosed in the statement of changes in equity represents the impact on Retained earnings of releasing the fair value charge accrued under IFRS 2 Share-based Payment, which for the co-investment scheme and deferred bonus scheme is partially matched by the release of own-shares held.

a) Employee share option schemes

The Group has in place share option schemes which issue options over shares in the Company. Options are exercisable at a price equal to the average quoted market price of the Company's shares over a 5 working day period up to the date of grant. The vesting period for options is three years. There are various performance conditions attaching to share option grants, including EPS related conditions. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of share options outstanding during the year are as follows:

	Number of share options £	Weighted average exercise price £	Exercise price range £
Outstanding at 1 October 2008	5,451,513	2.96	0.72-7.62
Granted during the period	761,000	1.61	
Lapsed during the period	(1,654,210)	3.63	
Exercised during the period	(88,900)	1.04	
Outstanding at 1 October 2009	4,469,403	2.53	0.72-7.62
Granted during the period	647,000	1.65	
Lapsed during the period	(1,042,764)	5.34	
Exercised during the period	(248,439)	0.80	
Outstanding at 30 September 2010	3,825,200	1.72	0.79-2.05

The options outstanding at 30 September 2010 had a weighted average contractual life of 6.9 years (2009: 6.0 years).

Included within the above balances are options over 62,700 shares (2009: 1,015,077 shares) for which a charge has not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002.

In the year to 30 September 2010, options were granted on 2 December 2009 (2009: 3 December 2008, 18 February 2009 and 26 May 2009). The estimated fair value of the options granted is £0.29 per option, (2009: £0.31 per option for 3 December 2008, £0.35 per option for 18 February 2009 and £0.36 per option for 26 May 2009). These fair values are determined using a Black-Scholes model and are charged to income evenly over the vesting period. Inputs to the model are as follows:

	2 December 2009	26 May 2009	18 February 2009	3 December 2008
Share price at grant	1.72	1.74	1.76	1.58
Exercise price	1.65	1.70	1.74	1.59
Expected volatility	23%	31%	30%	30%
Expected life	5 years	5 years	5 years	5 years
Risk free rate	2.7%	2.6%	2.5%	3.0%
Expected dividends	3.6%	3.4%	3.3%	3.7%

Expected volatility was determined by calculating the historic volatility of the Company's share price over the previous five years. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes to the report and accounts continued

27. Share-based payments continued

b) Co-investment plans

The Group has in place co-investment plans for the remuneration of senior management. Plan participants commit shares worth up to 33% of their base salary which are matched by the Group with up to three matching shares per committed share provided subject to various vesting conditions, including EPS and total shareholder return conditions. The vesting period for the plan is three years. If the vesting conditions are not met or the participants leave the Group's employment then the participant's co-invested shares are returned to them. Details of co-invested shares during the year are included below:

	Maximum number of matching shares	Market price on grant
Outstanding at 1 October 2008	2,845,176	
Granted during the period	1,411,632	£1.47
Lapsed during the period	(222,042)	
Exercised during the period	(1,229,202)	
Outstanding at 1 October 2009	2,805,564	
Lapsed during the period	(946,206)	
Exercised during the period	(284,928)	
Outstanding at 30 September 2010	1,574,430	

The weighted average market price at the date of vesting of co-investment matching shares during the year was £1.59 (2009: £1.48). The plans outstanding at 30 September 2010 had a weighted average contractual life of 0.9 years (2009: 1.3 years).

In the year to 30 September 2010 no co-investment rights were granted (2009: 16 December 2008 with EPS fair value of £0.37 and TSR fair value of £0.50 per committed share). On 11 November 2009, as disclosed within the Remuneration Report within the Group's 2009 Report and Accounts, the Remuneration Committee used its discretion to waive the share price underpin performance condition in relation to the EPS proportion of the award on the plan granted in December 2007 and vesting in December 2009. Under IFRS 2 Share-based Payment, this has been treated as a modification of the award and an additional fair value of £1.48 per EPS committed share was added to the charge for this plan. The fair value was calculated using a Monte-Carlo model and the resultant charge recorded to income in the year.

In March 2003 the Company established the RM plc Share Trust to hedge the future obligations of the Group in respect of shares awarded under the RM plc Co-Investment Plan. The trustees periodically purchase shares on the open market using funds provided by the Group. These shares are used to hedge the estimated liability but until vesting represent own shares held – see note 24.

c) Performance share plans

During the year the Company introduced a performance share plan (to replace the co-investment plan) for the remuneration of senior management. Plan participants are normally awarded shares worth up to 100% of their base salary which are subject to various vesting conditions, including EPS and total shareholder return conditions. The vesting period for the plan is three years. If the vesting conditions are not met or the participants leave the Group's employment then the award lapses. Details of performance share plan shares during the year are included below:

	Maximum number of awarded shares	Market price on grant
Outstanding at 1 October 2009	–	
Granted during the period	1,704,728	£1.71
Lapsed during the period	(150,583)	
Exercised during the period	–	
Outstanding at 30 September 2010	1,554,145	

The plan outstanding at 30 September 2010 had a weighted average contractual life of 2.4 years.

27. Share-based payments continued

c) Performance share plans continued

In the year to 30 September 2010 performance share plan rights were granted on 4 March 2010. The fair values are determined using Monte-Carlo models which give £0.63 per share for EPS vesting conditions and for TSR vesting conditions, £0.32 per share and are charged to income evenly over the vesting period with adjustments made for non-market based vesting conditions. Inputs to the models are as follows:

	4 March 2010	
	EPS	TSR
Share price at grant	1.71	1.71
Exercise price	Nil	Nil
Expected life	3 years	3 years
Expected dividends	3.6%	3.6%

The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability and exercise restrictions.

Comparator company volatility is assessed using annualised, daily historic TSR growth assessed over a period prior to the date of grant that corresponds to the performance period of three years. The company correlation uses historic pairwise correlations of the companies over a three year period. The fair value of the TSR element is based on a large number of stochastic projections of Company and comparator TSR.

In order to hedge the Group's liability to provide shares in the Company under the performance share plans the trustees periodically purchase shares on the open market using funds provided by the Group. These shares are used to hedge the estimated liability but until vesting represent own shares held – see note 24.

d) Deferred bonus plan

The Group has in place a deferred bonus plan for the remuneration of Executive Directors. Under the plan 40% of their annual cash bonus will be deferred in ordinary shares for a period of three years and vest at the expiry of the same period. Any unvested shares will lapse immediately if the Executive Director ceases to be an employee of the Group in circumstances where they would not be considered to be a "good leaver" under the rules of the plan.

Details of deferred bonus grants outstanding during the year are as follows:

	Number of bonus shares	Market price on setting entitlement	Market price on grant
Outstanding at 1 October 2008	238,577	–	–
Granted during the period in relation to 2008	64,050	£1.58	£1.47
Restricted stock award granted	137,363	£1.82	£1.67
Bonus award granted	60,830	£1.48	£1.71
Released during the period	(140,686)		
Lapsed during the period	(3,220)		
Outstanding at 1 October 2009	356,914		
Granted during the period in relation to 2009	87,533	£1.63	£1.59
Released during the period	(124,098)		
Lapsed during the period	(470)		
Outstanding at 30 September 2010	319,879		

The number of shares outstanding at 30 September 2010 had a weighted average contractual life of 1.2 years (2009: 1.9 years).

Notes to the report and accounts continued

27. Share based payments continued

d) Deferred bonus plan continued

In the year to 30 September 2010 an award was granted under the deferred bonus plan on 15 December 2009 (2009: 16 December 2008, 9 January 2009 being a one-off restricted stock award and 30 January 2009 being a one-off bonus award). The estimated fair value of the grant is £1.51 per bonus share (2009: £1.34 per bonus share, £1.52 per bonus share and £1.56 per bonus share respectively). This fair value is determined using a Black-Scholes model and charged to income evenly over the vesting period adjusted for expected survivorship. Inputs to the model are as follows:

	15 December 2009	30 January 2009	9 January 2009	16 December 2008
Share price at grant	£1.59	£1.71	£1.67	£1.47
Exercise price	Nil	Nil	Nil	Nil
Expected life	3 years	3 years	3 years	3 years
Risk free rate	2.0%	2.0%	2.1%	2.6%
Expected dividends	3.9%	3.4%	3.5%	4.0%

The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

In order to hedge the Group's liability to provide shares in the Company under the deferred bonus plans the trustees periodically purchase shares on the open market using funds provided by the Group. These shares are used to hedge the estimated liability but until vesting represent own shares held – see note 24.

e) Staff share schemes

The RM plc 2002 Staff Share Scheme annually grants shares in RM plc to almost all employees. The shares vest to the employees after a minimum of three years, but normally after five years. The scheme is an HMRC approved employee share scheme constituted under a trust deed and was introduced to replace the RML Staff Share Scheme.

In the year to 30 September 2010 staff shares were granted on 26 March 2010 (2009: 23 March 2009). The fair value of the shares granted is equal to the market value of £1.72 per share (2009: £1.65 per share). The expected life used in the model has been set at three years being the minimum vesting period.

At grant the Trustees of the scheme purchase shares on the open market and hold these in trust on behalf of the employees. The schemes hold the following shares in RM plc:

	Number of shares	Weighted average cost £000
RM plc 2002 Staff Share Scheme	429,282	747
RML Staff Share Scheme	1,361	1
At 1 October 2008	430,643	748
Purchased	84,910	139
Vested	(37,934)	(91)
RM plc 2002 Staff Share Scheme	477,619	796
RML Staff Share Scheme	1,361	1
At 1 October 2009	478,980	797
Purchased	86,510	149
Vested	(41,856)	(89)
RM plc 2002 Staff Share Scheme	522,273	856
RML Staff Share Scheme	1,361	1
At 30 September 2010	523,634	857

These shares are held for the benefit of staff and are therefore not consolidated into the Group or Company balance sheets.

27. Share based payments continued

Performance conditions – estimation uncertainty

Assigning a fair value charge to share-based payments requires estimation of the number of instruments which are likely to vest and, for non-market based performance conditions, continuing reassessment of these estimates.

28. Retirement benefit schemes

Defined contribution schemes

The Group operates or contributes to a number of defined contribution schemes for the benefit of qualifying employees in its subsidiary companies. The assets of these schemes are held separately from those of the Group. The total cost charged to income of £4.3 million (2009: £3.7 million) represents contributions payable to these schemes by the Group at rates specified in employment contracts. As at 30 September 2010 £0.4 million (2009: £0.3 million) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit scheme

The Group operates one defined benefit pension scheme, the Research Machines plc 1988 Pension Scheme. The scheme provides benefit to qualifying employees and former employees of RM Education plc, 3T Productions Ltd and Softease Ltd, but was closed to new members with effect from 1 January 2003. Following the formation of RM Education's trading division: Lightbox Education, 3T Productions Ltd and Softease Ltd ceased to have any qualifying employees in the scheme, with staff moving to the employment of RM Education plc. Under the scheme employees are entitled to retirement benefits of 1/60th of final salary for each qualifying year on attainment of retirement age of 60 or 65 years and additional benefits based on the value of individual accounts. No other post-retirement benefits are provided. The scheme is a funded scheme.

The assets of the scheme are held separately from those of the Group in a trustee-administered fund.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out for statutory funding purposes at 31 May 2009 by a qualified independent actuary. IAS 19 Employee Benefits liabilities have been rolled forward based on this valuation's base data. Plan assets are measured at bid-price at 30 September 2010. The present value of the defined benefit obligation and the related current service cost was measured using the projected unit credit method.

In concluding the 31 May 2009 triennial valuation the Group undertook a strategic review of the pension benefits offered to employees. As part of this review, active members of the Scheme were consulted over a proposal to lower the cap applied to their pension contribution salaries from 5.0% to 2.5% per annum and an increase in the amount they contribute (normally via salary sacrifice) for this benefit by 1% of pension contribution salary. Members agreed to the proposals and following conclusion of the consultation on 1 September 2010 benefits were amended. The result of lowering the cap was a £7.3m reduction in IAS 19 Employee Benefits liabilities, which is shown as a credit in the income statement net of £0.2m costs relating to the exercise. The roll forward for IAS 19 Employee Benefits and the triennial valuation liabilities at 31 May 2009 include the impact of the cap reduction.

As at 31 May 2009, taking into account the impact of the contribution salary cap reduction to 2.5% per annum, the triennial valuation for statutory funding purposes showed a deficit of £16.6 million (31 May 2006: £12.7 million). The Group agreed with the Scheme Trustees to repay this amount via deficit catch up payments of £1.7 million per annum until 31 May 2017.

The cost of future provision, on a valuation basis as a percentage of pension contribution salary, is 19.0% for Normal Retirement Age 60 (2009: 20.9%, 2006: 21.4%, 2003: 20.4%) and 13.0% for Normal Retirement Age 65 (2009: 15.1%, 2006: 15.3%, 2003: 13.1%). The costs post 2006 and pre 2010 take into account the benefit of the implementation of the earlier contribution salary cap at 5% per annum.

The UK Government has recently announced that it will switch from using the Retail Prices Index to the Consumer Prices Index for setting minimum requirements for increasing pensions in payment and for revaluing deferred benefits from defined benefit occupational pension schemes. The Directors have obtained legal opinion on adoption of the changes and have determined that at this stage it is unclear how the amending legislation will be introduced and further details will be needed from the Government before the Company and Scheme Trustees can take action. As a result the benefits at 30 September 2010 continue to be valued in line with Retail Price Inflation. The impact of any change will be reviewed subsequent to further information becoming available and is likely to result in a reduction to liabilities at that date.

Notes to the report and accounts continued

28. Retirement benefit schemes continued

IAS 19 valuation

Defined benefit pension scheme charges/(credits) recognised in income are as follows:

	2010 £000	2009 £000
Current service cost, recognised within operating profit	3,247	2,579
Curtailment gain	(7,267)	–
Operating (income)/charge	(4,020)	2,579
Interest cost	5,716	5,200
Expected return on scheme assets	(5,086)	(4,784)
Expense recognised within finance cost	630	416
	(3,390)	2,995

Of the £3.2m (2009: £2.6m) current service cost, £1.7m (2009: £1.6m) is included in cost of sales and £1.5m (2009: £1.0m) in operating expenses.

The amount included within the balance sheet arising from the Group's obligations in respect of its defined benefit scheme, and the expected rate of return on scheme assets are as follows:

	2010		2009	
	%	£000	%	£000
Equities	7.20%	51,109	7.20%	46,585
Bonds	3.90%	51,183	4.00%	43,295
Total fair value of scheme assets		102,292		89,880
Present value of defined benefit obligations		(114,672)		(102,666)
Deficit in scheme and liability recognised in balance sheet		(12,380)		(12,786)
Related deferred tax asset		3,342		3,580
Net pension deficit		(9,038)		(9,206)

The actual return on scheme assets in the year was a gain of £8.8 million (2009: gain of £9.3 million). The expected return on scheme equity assets is based upon the expected out-performance of equities over government bonds over the long term and includes an allowance for future expenses. The bond rate is based on the addition of a risk loading to the long term risk free rate of return and also includes an allowance for future expenses.

Amounts recognised directly in equity in respect of the defined benefit pension scheme are as follows:

	2010 £000	2009 £000
Actuarial gains and (losses)	(7,913)	(13,482)
Experience gains and (losses)	–	(1,100)
	(7,913)	(14,582)

Cumulative actuarial gains and losses recognised in the statement of recognised income and expense since 1 October 2004 are losses of £22.7m (2009: losses of £14.8m).

28. Retirement benefit schemes continued

Key assumptions used:

	2010	2009
Rate of increase in salaries	2.40%	3.50%
Rate of increase of pensions in payment	3.20%	3.00%
Rate of increase of pensions in deferment	3.20%	3.00%
Discount rate	5.30%	5.60%
Inflation assumption	3.25%	3.00%

Mortality assumptions have been updated to align with the assumptions used in the triennial valuation and are the SAPS 03 Normal year of birth, medium cohort tables with a 1% mortality improvement underpin (2009: PA 92 medium cohort tables). These give average life expectancies as follows:

	2010		2009	
	Male	Female	Male	Female
Pensioner member age 65 (current life expectancy)	21.3	24.1	21.8	24.7
Non-pensioner member age 45 (life expectancy at 65)	23.2	26.0	23.0	25.8

Movements in fair value of scheme assets were as follows:

	2010 £000	2009 £000
At 1 October	89,880	76,244
Expected return on scheme assets	5,086	4,784
Actuarial gains and (losses) – actual return less expected return	3,695	4,540
Contributions from sponsoring companies:		
– In respect of current service cost	3,247	2,579
– In excess of current service cost	1,682	2,773
	4,929	5,352
Contributions from scheme members	18	24
Benefits paid	(1,316)	(1,064)
At 30 September	102,292	89,880

Movements in fair value of defined benefit obligations were as follows:

	2010 £000	2009 £000
At 1 October	102,666	76,805
Current service costs	3,247	2,579
Past service cost not yet recognised in balance sheet	–	–
Exceptional credit from lowering inflation cap to 2.5% per annum	(7,267)	–
Interest cost	5,716	5,200
Contributions from scheme members	18	24
Actuarial (gains) and losses	11,608	19,122
Benefits paid	(1,316)	(1,064)
At 30 September	114,672	102,666

Costs of £0.2 million have been offset against the exceptional credit within the income statement, being the costs of the strategic review and consultation exercise.

Notes to the report and accounts continued

28. Retirement benefit schemes continued

The history of experience adjustments is as follows:

	2010	2009	2008	2007	2006
Difference between expected and actual return on scheme assets:					
– amount (£000)	3,695	4,540	(15,189)	1,102	2,025
– as a percentage of scheme assets	4%	5%	(20)%	1%	3%
Experience gains and (losses) on scheme liabilities:					
– amount (£000)	–	(1,100)	–	–	1,813
– as a percentage of scheme liabilities	–	(1)%	–	–	2%

The amounts of contributions expected to be paid to the scheme during the financial year ending 30 September 2011 are approximately £4.9 million.

Defined benefit pension parameters

The defined benefit pension scheme accounting entries require a number of estimates to be made including the discount rate applied to liabilities, the current and past service costs and appropriate mortality assumptions. The financial position and performance of the scheme are sensitive to these parameters owing to the long duration of the liabilities.

Sensitivity to these assumptions are shown in the table below:

	Current assumption	Increase/ (decrease) in pre-tax deficit £000
Discount rate increase of 0.1%	5.30%	(2,732)
Inflation increase of 0.1%	3.25%	1,644
1 year additional life expectancy	SAPS normal with 1% mortality improvement underpin	2,003

If the above assumptions were decreased by 0.1%, this would result in an equal and opposite effect on the pre-tax deficit.

29. Related party transactions

The remuneration of the key management personnel of the Group, recognised in the income statement, is set out below in aggregate. Key management are defined as the executive and Non-Executive Directors of the Company and other persons classified as “persons discharging management responsibility under the rules of the Financial Services Authority”. Further information about the remuneration of individual directors is provided in the audited part of the Remuneration Report.

	2010 £000	2009 £000
Short-term employee benefits	3,280	2,692
Post-employment benefits	283	214
Other long-term benefits	610	296
Share-based payments	91	115
	4,264	3,317

There were no other significant related party transactions which have not been eliminated on consolidation.

29. Related party transactions continued**Transactions between the Company and its subsidiaries**

A list of the Company's principal subsidiaries is set out in note 15. Transactions with subsidiaries relate principally to management recharges, inter-group dividends and interest. The table below shows transactions between the Company and its subsidiaries impacting profit for the year:

	2010 £000	2009 £000
Management recharges	(515)	(521)
Net intercompany interest	525	125
Dividends received	4,177	12,875

Total outstanding balances held with subsidiaries are listed in notes 19 and 20.

The Company also operates several share-based payment schemes for the benefit of employees of Group companies. A fair value charge of £1.4 million (2009: £1.0 million) for these schemes has been recharged to the employing Group company.

30. Subsequent events disclosure

Following a detailed review and consultation with major shareholders, on 20 October 2010 the Board agreed to the change of year end from 30 September to 30 November for the Company and Group which is applicable to the accounting period beginning 1 October 2010. Further details are given in the business review.

Shareholder information

Financial calendar

Ex-dividend date for 2010 final dividend	5 January 2011
Record date for 2010 final dividend	7 January 2011
Annual general meeting	17 January 2011
Payment of 2010 final dividend	4 February 2011
Announcement of 2011 interim results	May 2011
Preliminary announcement of 2011 results*	January/February 2012

* Year end is changing from 30 September to 30 November.

Corporate Web site

Information about the Group's activities is available from RM at www.rm.com

Investor information

Information for investors is available at www.rm.com/investors
Enquiries can be directed to Phil Hemmings, Director of Corporate Affairs, at the Group head office address or at phehmings@rm.com

Registrars and shareholding information

Shareholders can access the details of their holdings in RM plc via the Shareholder Services option within the investor section of the corporate Web site at www.rm.com/investors. Shareholders can also make changes to their address details and dividend mandates online.

All enquiries about individual shareholder matters should be made to the Registrars either via email at ssd@capitaregistrars.com or telephone: 0871 664 0300 (calls cost 10p per minute plus network extras). To help shareholders, the Capita Web site at www.capitaregistrars.com contains a shareholders' frequently asked questions section.

Electronic communication

Shareholders are able to receive company communication via email. By registering your email address, you will receive emails with a web link to information posted on our Web site. This can include our report and accounts, notice of meetings and other information we communicate to our shareholders.

Electronic communication brings numerous benefits including:

- Environmental: helping us reduce our impact on the environment
- Security: your documents cannot be lost in the post or read by others
- Faster notification of information and updates
- Easy access: check your shareholding and account transactions online at any time
- Convenience: change your name, address or dividend mandate details online

To sign-up to receive e-communications simply go to Capita Registrars' Share Portal at www.capitashareportal.com and follow the instructions.

Beneficial shareholders with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holders of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to Capita Registrars, or to the Company directly.

Multiple accounts on the shareholder register

If you have received two or more copies of this document, it may be because there is more than one account in your name on the shareholder register. This may be due to either your name or address appearing on each account in a slightly different way. For security reasons, Capita will not amalgamate the accounts without your written consent. If you would like to amalgamate your multiple accounts into one account, please write to Capita Registrars.

Directors

J.P. Leighfield	Chairman
T. Sweeney	Chief Executive Officer
I.P. McIntosh	Chief Financial Officer
R.A. Sirs	Group Managing Director – Education Resources
J.R. Windeler	Senior Independent Non-Executive Director
T.R.P. Brighthouse	Independent Non-Executive Director
B. Carsberg	Independent Non-Executive Director
J. Connell	Independent Non-Executive Director
M.J. Tomlinson	Independent Non-Executive Director

Company Secretary

A.J. Robson

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Registrars

Capita Registrars
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Stockbrokers

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1 Finsbury Avenue
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Solicitors

Allen & Overy LLP
One Bishops Square
London E1 6AD



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Five year summary

£000 (except where otherwise stated)	2006	2007	2008	2009	2010
Revenue	262,310	270,910	289,473	346,917	380,124
Operating profit*	12,856	13,495	14,600	17,665	19,868
Profit before tax*	14,597	15,515	16,427	17,910	19,638
Profit after tax*	10,489	13,405	11,326	12,958	15,036
Tax rate**	28%	27%	26%	21%	23%
Basic earnings per share*	11.6p	12.4p	13.1p	15.3p	16.3p
Dividends per share**	5.17p	5.49p	5.81p	6.17p	6.64p
Balance sheet:					
– total equity	42,275	57,912	63,287	60,824	66,145
– net cash and cash equivalents	30,092	29,321	17,291	5,016	2,307
– net funds less deferred consideration	28,505	27,365	12,387	(710)	538
– capital employed ⁺	13,770	30,547	50,900	61,534	65,607
Operating profit* as a percentage of revenue	4.9%	5.0%	5.0%	5.1%	5.2%
Profit before tax* as a percentage of revenue	5.6%	5.7%	5.7%	5.2%	5.2%
Average number of employees	2,124	2,230	2,373	2,711	2,864

* Before amortisation of acquisition related intangible assets and other adjustments.

** Tax rate as a percentage of profit before amortisation of acquisition related intangible assets and other adjustments.

+ As described in note 21 the Group measures capital employed as shareholders' equity less net funds less deferred consideration.

** Paid and proposed.

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