RM plc
Annual Report and Accounts
for the year ended 30 November 2012

RM Education
Inspiring
Engaging
Learning

Board of Directors

Martyn Ratcliffe
Chairman

David Brooks
Chief Operating Officer

Iain McIntosh
Chief Financial Officer

Lord Andrew Adonis
Independent Non-Executive Director

Jo Connell OBE, DL
Independent Non-Executive Director

Deena Mattar
Independent Non-Executive Director

Sir Mike Tomlinson
Independent Non-Executive Director

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Chairman's Statement

The past year has been one of significant change within RM and the Board is pleased with the progress made, particularly in the context of public sector budget constraints. Following the restructuring in 2011, the increased focus on working capital resulting in a very strong cash position at the year end and the launch of some exciting new cloud-based products in 2012, RM now has an excellent platform for the future as a leading provider of products, solutions and services into the UK education market.

Despite the difficult market conditions, revenue from retained operations increased slightly to £285.9 million compared with £283.7 million for the same period last year, with the benefit from the Building Schools for the Future ('BSF') programme within the Managed Services division and a strong performance from the Education Resources division being offset by a decline in the Education Technology and Education Software divisions. Profit before tax was £8.4 million (2011: £(18.5) million loss for the 12 months to 30 November; £(23.4) million loss for the 14 months to 30 November) and adjusted profit before tax was £13.1 million compared to £14.6 million in the same period last year, a reduction in part due to the increased investment in new market opportunities. Further details are set out in the Chief Operating Officer's Report and Review of Operations. Earnings per share were 5.4 pence (2011: (21.2) pence loss for the 12 months to November; (25.3) pence loss for the 14 months to November). Furthermore, with a significant improvement in working capital management, cash flow has been particularly strong with net funds, including proceeds from disposals and after payment of an additional £5 million to the pension fund, at 30 November 2012 of £37.8 million (30 November 2011: £11.3 million). This cash balance is the highest since 2003.

Following last year's strategic review, the Board defined three primary objectives for 2012:

- Completion of the restructuring programme, including the disposals of non-core business operations;
- Stabilisation following the restructuring programme; and
- Innovation and development of new offerings.

Progress against the Board's objectives has been very positive. The disposal of loss-making and non-core business activities was completed in the first half of the year, realising cash receipts of £6.3 million since the strategic review in September 2011. The redundancy programme achieved the necessary streamlining of the Group, reducing headcount from 2,699 in September 2011 before the strategic review to 2,250 in November 2012.

The strategic focus of the Group has now evolved from operational restructuring to reinvigorating innovation to develop new offerings and opportunities for the education sector. The future strategy of the Group will be based around RM's unparalleled distribution channel into UK schools, which comprises both a direct marketing and a direct sales capability. Through these channels, RM launched three new initiatives in the year:

- RM Unify: The market response to RM Unify, a cloud-based platform for application and content distribution, has been excellent, addressing the limitations of historic learning platforms through an innovative solution which provides schools with an increasing range of RM and third-party applications through a flexible business model.
- RM Books: The innovative RM e-books service has also been well received and is increasingly being recognised as being the first e-books solution that satisfies the very different requirements of a school environment in managing e-book deployment. While the catalyst for the major transition from printed textbooks to e-books will probably be curriculum changes, many of the leading education publishers are now providing digital content to RM Books. RM Unify provides an ideal distribution channel into schools for RM Books.
- RM At Home: While a more modest activity to extend the RM Education Resources channel distribution, the launch of RM Schoolfinder, a free service which consolidates information on schools for parents, and a number of associated key partner web links, are increasing the traffic to RM At Home.

While costs associated with the development of these offerings have been expensed, continued investment will be required in the next few years to build on these and other new opportunities. In the medium term, RM's new offerings potentially provide exciting channels for distribution of digital content and applications. Building on the Group's leading position in the UK education sector, these new offerings reposition RM at the forefront of providing innovative solutions to the education market.

In line with the dividend policy, subject to shareholder approval, a final dividend of 2.25 pence per share is proposed, making a total dividend (paid and proposed) of 3.00 pence per share (2011: 3.00 pence). The dividend will be payable on 15 May 2013 to shareholders on the register on 19 April 2013.

Chairman's Statement continued

Board Changes

The Board announced the appointment of Mr David Brooks as Chief Operating Officer and a Director of RM plc, with effect from 1 July 2012. Mr Brooks originally joined RM as a graduate and has gained extensive experience in the education sector across many parts of the RM Group. Having been successful in his role as Chief Operating Officer, the Board has now decided that Mr Brooks should be promoted to Chief Executive Officer with effect from 1 March 2013.

Mr Martyn Ratcliffe was appointed Non-Executive Chairman on 1 June 2011 and became Executive Chairman on 25 October 2011. Since that time Mr Ratcliffe has led the successful restructuring of the Group and the development and launch of the new initiatives. Mr Ratcliffe has advised the Board that it is now an appropriate time to effect a transition and that he will step down as Chairman and a Director in the summer. A search for a new Non-Executive Chairman will commence shortly.

After 9 years of service, Sir Bryan Carsberg retired from the Board as a Non-Executive Director and Chair of the Audit Committee at the 2012 annual general meeting. Ms Deena Mattar succeeded him as Chair of the Audit Committee.

Sir Mike Tomlinson has advised the Board that, having been a Non-Executive Director for 9 years, he will be retiring from the Board and not therefore standing for re-election at the forthcoming annual general meeting. Ms Jo Connell will succeed him as Chair of the Remuneration Committee.

Summary

In summary, 2012 has been a challenging but very successful year for RM with significant progress achieved. The actions taken since the strategic review have stabilised the Group and have established a stronger platform for the future, with some innovative new offerings being launched. Furthermore, despite the market environment and the internal organisational changes, RM has maintained its unparalleled position in the UK education market which is a reflection of the resilience and commitment of the management and staff throughout the Group.

Looking forward, the Board anticipates that difficult market conditions will continue for the foreseeable future. The decline in the Group's BSF contract profile in 2014 and beyond, together with the anticipated decline in hardware/infrastructure revenue and margin, is not insignificant. As a result, and as previously stated, the Board anticipates Group revenue will continue to decline for some period. However, in the medium term, the investment in new offerings provides the potential to leverage the unique relationship between RM and its customer base, in higher value sectors of the education market. Such creativity and innovation, based on a more robust foundation and a leading market position, offers an exciting opportunity in the future as RM transitions to the digital education era.

Martyn Ratcliffe
Chairman
21 February 2013

Chief Operating Officer's Report and Review of Operations

For the year to November 2012, the Group has been structured in four operating divisions, each with a Managing Director and management team. Wherever appropriate, staff functions are provided by a central service in order to benefit from economies of scale and consistency across the Group. In addition approximately 23% of the Group headcount is based in India, providing support services and software development to the operating divisions.

In order to aid year on year comparisons, the following divisional commentary and figures draw on proforma comparative information for the 12 month period to 30 November 2011 ('2011') for the reorganised structure.

Education Technology

The Education Technology division is a UK-focused business supplying IT hardware, networks, internet services and related installation and support. As anticipated, market conditions in the UK education sector, and in the wider hardware and infrastructure market, remain difficult with continued funding pressures on customers and technology price deflation. As a result, overall revenue in the Education Technology division declined by approximately 13% to £109.0 million (2011: £125.7 million) and adjusted operating profit margins fell from 6.6% to 3.3%. In terms of seasonality, the Education Technology hardware and network businesses, together with related services, operate at a broadly consistent level throughout three-quarters of the year with a significant seasonal increase over the summer, while the internet hosting business is relatively constant throughout the year.

Reviewing the performance and trends in the three main operating areas:

- Revenue derived from Hardware (RM-branded and third-party computing products, together with maintenance and warranty and other third-party classroom equipment) accounted for approximately 61% of the division's revenue. RM-branded computer product shipments continue to decline more rapidly than revenues from third-party products, which due to the lower margin on third-party products has an impact on overall gross margins. Demand for hardware products and underlying gross margins are anticipated to remain under pressure in the year ahead.
- Network Solutions and the Internet Hosting Group contributed approximately 27% of the Education Technology division revenue. Network Solutions, which provides network management software to over 4,000 schools saw its revenues decline year on year. Underlying gross margins in this business are anticipated to experience continued pressure with declines in the contributions from BSF projects. The Internet Hosting Group, maintained its market position as a service provider to approximately 7,000 schools.
- The remaining revenue of the Education Technology division is derived from associated installation and support services.

In the Academy and Free Schools market RM has won c. 20-25% of the tendered business by value. Despite low margin levels associated with UK hardware/infrastructure businesses, the division has a strategic importance to the RM Group, providing the major direct sales channel to UK schools and supplying products and services to the Managed Services division. The increased focus on working capital has resulted in gross inventory levels being reduced by 25% year on year and debtor collection performance improving. Furthermore, the division has started a process of significant rationalisation of the previously diverse range of product offerings and a review of margin leakage and pricing methodologies, in order to mitigate the effects of the challenging market environment.

In terms of future market trends, the increasing interest in schools towards adoption of "Bring Your Own Device" ("BYOD") policies offers RM an opportunity both to supply hardware technology and network/infrastructure solutions to facilitate this complex transition for the Group's customers. At the same time, as schools adopt BYOD, the demand for hardware purchased by schools themselves may decline. The BYOD evolution is being monitored closely by the Board.

Managed Services

The Managed Services division comprises implementation, management and support of IT infrastructure within schools and colleges, including the Group's BSF contracts. Revenues in 2012 increased by approximately 32% to £81.4 million (2011: £61.5 million) as the BSF programme reached its peak. While 2013 will benefit from some delays in 2012, due to the contract roll-out schedule it is anticipated that BSF revenue will decline significantly thereafter with only modest revenue from BSF implementations after 2014.

The Managed Services division is subject to long-term project accounting and revenues and profits were negatively impacted by delays to builders completing BSF projects resulting in invoicing milestones being deferred to future periods. In addition, the decision to migrate away from the current learning platform offerings, described in more detail under Education Software, has

Chief Operating Officer's Report and Review of Operations continued

led to increased costs forecast to be incurred in meeting existing obligations under long-term contracts with these legacy costs being recovered over a declining customer user base. This has resulted in adjusted operating margins in the year reducing to 3.5% from 10.0%, although some margin recovery is anticipated in the year ahead.

Education Resources

Following the restructuring of the Group and the disposal programme, the Education Resources division now comprises just two operating businesses: TTS and RM-SpaceKraft. The division had an excellent year despite the difficult market backdrop with revenue growing by approximately 3% to £59.8 million (2011: £58.0 million) in a declining UK market. TTS accounted for approximately 93% of the divisional total revenue and delivered all of the revenue growth. Adjusted operating margins increased strongly to 14.9% compared with 9.3% in the prior year, reflecting the benefits of new systems implemented in TTS last year, reduced overheads and the continuous operational improvement programme. Working capital utilisation in TTS has been a major focus during the year, with inventory levels at 30 November 2012, approximately 20% lower compared with the prior year, while increasing revenue and improving on-time delivery performance.

TTS is the Group's primary direct marketing channel, providing a highly successful and very profitable catalogue-based business model. During the period, TTS continued to extend its marketing reach outside of its core UK primary and early years segments with new initiatives including the launch of a new Key Stage 3 catalogue aimed at the secondary school market. TTS export revenues also grew significantly this year, albeit from a low base and this success was recognised by the company receiving a Queen's Award for International Trade. In addition, a new 'RM At Home' website was launched in June 2012, initially offering a focused range of products directly to parents. Furthermore, the RM School Finder, which was launched as a free online service in 2012 to help parents evaluate prospective schools for their children, provides enhanced traffic to the RM At Home website. While revenues from this new channel have been immaterial to date, collaboration with other websites, particularly related to property relocation, have progressively increased traffic to RM School Finder and subsequently to the RM At Home website

In summary, TTS is a well-managed, growing business with good margins and significantly improved return on capital following the actions taken on inventory and supply chain management. The biggest risk to the business relates to one significant customer programme with an annually renewed contract which represents over 10% of divisional revenues. To mitigate this risk, build on the success of the TTS platform and continue to increase its market share, the Group will continue to invest in expanding the TTS offerings and broaden the sectors serviced.

RM-SpaceKraft is a modest business, supplying products and installation services for the Special Educational Needs market. Revenues declined in the year and with budgetary reductions in this area, the Board anticipates this market sector to remain challenging.

Education Software

The Education Software division comprises Assessment Services, Data Solutions, School Management Systems ('SMS'), Learning platforms, Software Publishing (including Easiteach and RM Easimaths) and other software (excluding network-related software which is within the Education Technology division). Distribution for the Education Software division's offerings, excluding Assessment Services and Data Solutions which have a separate direct sales capability, is primarily through the Group's other divisional sales operations.

The market for education software has been changing rapidly in recent years and RM had not previously adapted its business model to reflect the market evolution. Recognising this change, in 2012 the Board has invested in RM Unify and RM Books, which have been well received by customers and content providers and these new, innovative solutions will provide a platform for the future. As anticipated, these new offerings had no material contribution in 2012 and, relative to the Group revenue, are not anticipated to be significant in 2013. As a result, overall revenues in the Education Software division declined by approximately 7% to £35.7 million (2011: £38.5 million) and adjusted operating margins reduced to 3.8% compared with 8.4% last year, when the division also benefited from enhanced margins realised at the end of a long-term contract.

The largest contributor of revenue to the division (approximately 44% of the division's revenues) is the Assessment Services business, which did grow in the year due to increasing volumes from existing customers and some new customer wins. This business provides e-marking and e-testing solutions and services for examining boards where RM has established a strong position in the UK as the leading independent service provider (i.e. not under the same ownership of an examining board) and is now building an international presence to offset the limited future growth in the UK market. A further new international pilot contract was signed in Slovenia and, since the year end, a further new pilot project has also been secured in Singapore, although it is anticipated that international opportunities will evolve more as a software rather than service-oriented activity. In summary, the Group's strong, independent market position provides a continuing opportunity for the future.

Data Solutions provides database-oriented consultancy solutions and services to public sector organisations primarily, but not exclusively, in the UK education sector. The business is highly dependent on one public sector customer and the renewal of this contract, for which a tender is in progress, is critical to the future of this activity. However, a two year extension to December 2014 for the current contract has been signed since the year end and investment is being made to enable RM to submit an attractive, competitive response to the new tender.

Revenue from School Management Systems was flat following customer losses in 2011 while Learning Software and other business declined by approximately 34% reflecting the significant changes in this market. The next generation of the division's maths product, RM Easimaths, was launched in January 2012 as a hosted service for schools and will in future be distributed via RM Unify. However, the remaining portfolio of curriculum software products, which has been declining for some years, has been reviewed and a number of product lines are being phased out.

The UK market for learning platform software is changing rapidly in the current budgetary environment and there is an accelerating trend away from adoption of large, integrated learning platform applications which are expensive to deploy and maintain. As a result, this product line experienced further revenue decline in the period, a trend that is anticipated to continue, although a contract extension was awarded to RM by the Scottish Government to extend the Glow platform until December 2013. However, schools and other educational establishments do still require the benefits of a single secure point of access to their systems and resources and RM Unify, a new product launched by RM this year, provides an exciting opportunity for a service to enable technology solutions to replace learning platforms. RM Unify incorporates a cloud-based 'launchpad' and 'application store' enabling schools to procure a variety of applications in a secure, single sign on environment. As part of the Glow extension, RM Unify will be made available to schools in Scotland and the roll-out is progressing well with positive user feedback. In addition, RM Unify has been chosen by a number of existing Managed Services customers as the replacement platform for their learning platform and is now included in the majority of bids that the Education Technology and Managed Services divisions submit. Customer response to RM Unify has been excellent and RM's strategy is to progressively migrate learning platform customers to the new RM Unify platform and not to continue to sell the existing learning platform solutions. However, there are obligations under various long-term contracts to continue to provide current solutions for several years. As noted in the report on the Managed Services division, these contracts are now forecast to bear nearly all the costs related to supporting learning platforms, negatively impacting on their lifetime profitability.

In September 2012, RM launched another new initiative, RM Books, a cloud-based channel for accessing electronic textbooks for schools. RM Books provides the first e-book solution designed for UK schools. While e-book adoption in schools is currently limited, the increasing adoption of e-books in the wider market provides the Board with confidence in the future of RM Books. With the many benefits to be derived from digital textbooks, demand in schools for this exciting technology change is anticipated to accelerate in the future, particularly when curriculum changes take effect and schools need to invest in new textbooks. RM Books, which is also a standard offering on RM Unify, is being positioned to benefit from this market evolution. As part of the service offering, RM is providing all schools that register for RM Books, access to several hundred free e-books, including English literature classics. In parallel, distribution agreements with a significant number of UK textbook publishers have now been established including Cambridge University Press, Encyclopaedia Britannica, Harper Collins, Hodder Education and Oxford University Press. RM continues to invest in enhancing and expanding the platform to maximise the potential opportunity.

RM Unify and RM Books are exciting new innovations for RM, where medium-term success will be dependent on near-term investment to maximise adoption of these offerings and extend the range of digital content provided. These two initiatives are also compatible with the increasing trend towards schools' adoption of BYOD. The costs to date of developing RM Unify and RM Books have been expensed in the period and the Board anticipate continuing to invest in these new business opportunities over the next few years.

Chief Operating Officer's Report and Review of Operations continued

RM India

The Group's operation in Trivandrum, India, RM Education Solutions India ('RMESI'), which is owned by RM, was established in 2003. At 30 November 2012, RMESI accounted for approximately 23% of Group headcount (2011: 20%). The Board considers that this proportion is broadly the right balance between onshore and offshore resources.

RMESI provides services solely to RM Group companies. Approximately 46% of RMESI employees are engaged in software development for the operating divisions, and 28% in customer and operational support with the remainder providing back office shared service support (e.g. customer order entry, IT, finance and HR) and administration.

Organisation Evolution

The organisational structure introduced at the start of 2012 has enabled the Board to better evaluate the profitability and potential of each of the businesses and thereby to define appropriate future strategies. Having completed this process, in order to leverage the Group's distribution channel and associated infrastructure and deliver more integrated offerings across Education Technology, Managed Services and Education Software (excluding the Assessment & Data elements), from 1 December 2012 the sales and product marketing functions of these divisions have now been merged into a single Commercial Education Technology group supported by an integrated Operations Education Technology group. This structural evolution not only leverages RM's direct sales channel to schools but also provides further opportunities for operational efficiency and the benefits of increased scale. The Assessment and Data Services business and Education Resources division are not affected by these changes.

David Brooks
Chief Operating Officer
21 February 2013

Group Financial Performance & Chief Financial Officer's Report

In 2011, RM changed its financial year end from 30 September to 30 November. As a result, the comparative financial statements are for the 14 month period to 30 November 2011. However to aid year-on-year comparisons, proforma information for the 12 months to 30 November 2011 is also provided.

To provide a better guide to underlying business performance, the income statement amortisation charges relating to acquisition related intangible assets, share-based payment charges and other items of a non-operational nature have been disclosed in an adjustments column in the income statement to give 'Adjusted' results.

Group revenues were £288.7 million (2011: £350.8 million for the 14 month period and £310.1 million for the 12 month period, both including exited business activities). As anticipated, this represented a 6.9% decline on proforma total revenues of £310.1 million for the 12 months to 30 November 2011. Excluding exited operations, despite the difficult market conditions, revenues increased by 0.8% to £285.9 million from £283.7 million for the proforma 12 months to 30 November 2011.

The Group incurred an unadjusted statutory profit before tax of £8.4 million (2011: loss of £(23.4) million for the 14 months to 30 November 2011 and £(18.5) million for the 12 months to 30 November 2011). Significant exceptional items included £5.7 million adjustments relating to the impairment of the value of goodwill and intangible assets and loss on the sale resulting from completion of the sale of operations announced in last year's strategic review. In addition, the Group received a £0.7 million settlement from a legal claim brought against a supplier with respect to allegations of historic price fixing and a net exceptional credit of £1.3 million principally due to closing the pension scheme to future accrual of benefits. Adjusted operating profit was £13.6 million compared to £14.1 million proforma profit for the 12 months to 30 November 2011. Adjusted operating losses from exited businesses fell from £5.5 million for the proforma 12 months to 30 November 2011 to £0.5 million in the year to 30 November 2012. Adjusted operating profit margins from retained businesses declined from 6.9% for the year to 30 November 2011 to 4.9%, including investments and associated costs.

The total tax charge within the Income Statement for the year was £3.5 million (14 months to 30 November 2011: credit of £0.3 million). The Group's tax charge for the period, measured as a percentage of profit/loss before tax, was 41% (2011: 1% tax credit). This increase is principally due to many of the adjustments to operating profit not being tax deductable. Excluding the impact of such adjustments, the tax charge on adjusted profit before tax was at an effective rate of 24% compared to 32% for the proforma 12 months to 30 November 2011. Statutory basic and diluted earnings per share were 5.4 pence (2011: loss per share of (25.3) pence). The total dividend paid and proposed has been maintained at 3.00 pence per share (2011: 3.00 pence). This comprises an already paid interim dividend of 0.75 pence per share, and, subject to shareholder approval, a proposed final dividend of 2.25 pence per share. The estimated total cost of dividends paid and proposed for 2012 is £2.8 million (2011: £2.7 million).

Average Group headcount for the year was 2,305 (2011: 2,799). At 30 November 2012 headcount was 2,250 a 5% reduction from 2,358 on 30 November 2011 and a 17% reduction from 2,699 on 30 September 2011. The November 2012 headcount comprises 1,963 permanent and 287 temporary or contract staff, of which 1,722 were located in the UK, 528 in India and elsewhere.

Despite challenging trading conditions, cash generation was particularly strong with cash generated by operations for the year of £33.5 million (2011: £24.8 million for the 14 month period and £39.5 million for the 12 month period). In addition, proceeds for businesses sold in the period totalled £2.5 million (2011: £3.8 million) and the Group made an additional one off payment of £5.0 million into the defined benefit pension scheme (see below). As a result, cash and cash equivalents increased to £37.8 million (30 November 2011: £24.5 million) with net funds of £37.8 million, (30 November 2011: £11.3 million net funds less deferred consideration). This is the second highest net funds position at year end in RM's history, surpassed only by the position at September 2003. Seasonal cash flows reach a low point over the peak summer period and the low point in net funds during the period was £6.5 million (2011: maximum net debt £(22.4) million).

Consequently, the Group's £30 million unsecured revolving credit facility, signed in January 2012 and £3 million annual overdraft facility, both with Barclays Bank, have not been utilised in the year, despite the increase in pension deficit recovery payments set out below. The £13 million drawn at 30 November 2011 of the former committed £25 million HSBC acquisition facility was repaid in the year. The committed Barclays facility has been extended until 27 March 2016. The principal financial covenants remain at 2.5 times net debt/earnings before interest, taxation, depreciation and amortisation ('EBITDA') and 4.0 times interest cover. The interest rate over LIBOR is 2.75%, which can reduce to 2.5% from January 2013 whenever net debt/EBITDA falls below 0.5 times.

Group Financial Performance & Chief Financial Officer's Report continued

To encourage management focus on capital efficiency, the Group tracks its utilisation of Operating Net Assets. This measure excludes the following items beyond the control of divisional management: goodwill, acquisition related intangible assets, investments, net funds, corporation taxes and retirement benefit obligations relating to the defined benefit pension scheme. At 30 November 2012 there were Operating Net Liabilities of £16.2 million compared with Operating Net Assets of £5.2 million at 30 November 2011, representing a significant improvement in capital efficiency. Applying a 10% pre tax cost of capital to Operating Net Assets each month and deducting this capital charge from adjusted operating profit allows a measure of Operating Economic Profit to be calculated. This represents the value added over and above the cost of employing the capital used to run the business. Operating Economic Profit for the year increased 22% from £11.1 million for the year to to 30 November 2011 to £13.5 million for the year to 30 November 2012. Specific elements of improvement include inventory levels (excluding that held by exited businesses) reducing by 21% year on year and trade receivables reducing by 4%.

The RM defined benefit pension scheme was closed to new entrants in 2003. Agreement was reached with the Trustees also to close the scheme to future accrual of benefits from 31 October 2012. At 30 November 2012 the IAS 19 scheme deficit (pre tax) was £20.4 million (2011: £21.2 million). The triennial valuation of the scheme's position at 31 May 2012 for statutory funding purposes showed a scheme deficit of £53.5 million (31 May 2009: £16.6 million). This significant increase in deficit was primarily due to a deterioration in market assumptions, such as government gilt yields, used to value the scheme's liabilities. A deficit recovery plan over 15 years has been agreed with the Trustees which includes provision of a parent company guarantee to the recovery plan, an initial payment of £5.0 million which was made in October 2012 and annual deficit recovery payments of £4.0 million for the year to 31 May 2013, and £3.6 million subsequently. Total deficit recovery payments in excess of current service cost for the year were £7.2 million (2011: £1.8 million for the 14 month period and £1.6 million for the 12 month period).

Iain McIntosh
Chief Financial Officer
21 February 2013

Directors' Biographies

Martyn Ratcliffe – Chairman
(n)
Martyn Ratcliffe (51) was appointed Non-Executive Chairman of RM plc on 1 June 2011 and Executive Chairman on 25 October 2011. He is also Chairman of the Nomination Committee of the Board. Mr Ratcliffe has been Chairman of Microgen plc since 1998 and Chairman of Sagentia Group plc since April 2010. Mr Ratcliffe has advised the Board that he will be stepping down in the summer.

David Brooks – Chief Operating Officer
David Brooks (43) was appointed Chief Operating Officer and a Director of RM plc on 1 July 2012. The Board has now decided that Mr Brooks should be promoted to Chief Executive Officer with effect from 1 March 2013. He originally joined RM as a graduate and has gained extensive experience in the education sector across many parts of the RM Group. Prior to becoming Chief Operating Officer, he had been Managing Director of the Education Software Division.

Iain McIntosh – Chief Financial Officer
Iain McIntosh FCA (50) joined RM on 30 November 2009 and was appointed to the Board as a Director on 1 April 2010. Before joining RM, he held equivalent positions in listed and private equity backed IT and service companies, most recently as CFO of FTSE 250 listed Axon Group plc. Mr McIntosh initially qualified as a Chartered Accountant and then spent four years as a Management Consultant with McKinsey & Co.

Lord Andrew Adonis – Independent Non-Executive Director
(a) (r) (n)
Lord Andrew Adonis (49) joined the Board on 1 October 2011. He served 12 years in government as a Minister and special adviser, including Secretary of State for Transport, Minister for Schools, Head of the No.10 Policy Unit, and senior No. 10 adviser on education, public services and constitutional reform. Before joining government, he was Public Policy Editor of the Financial Times. Lord Adonis is also a Non-Executive Director of Dods (Group) PLC and a number of charitable organisations.

Jo Connell OBE, DL – Senior Independent Non-Executive Director
(a) (r) (n)
Jo Connell (65) was appointed to the Board as a Non-Executive Director in December 2007 and is to be appointed Chair of the Remuneration Committee after the next annual general meeting. Until 2003, she was Managing Director of Xansa plc, the outsourcing and technology company, having served on the Board since 1991. Ms Connell is Chair of Governors and Pro-Chancellor of the University of Hertfordshire, Chairman of Ofcom's Advisory Committee for Older and Disabled People and a former Non-Executive Director of THUS plc and Synstar plc.

Deena Mattar – Independent Non-Executive Director
(a) (r) (n)
Deena Mattar FCA (47) joined the Board on 1 June 2011 as a Non-Executive Director and was appointed Chair of the Audit Committee on 26 March 2012. She served as Group Finance Director of Kier Group plc from 2001 to 2010, having joined the Group in 1998 as Finance Director of Kier National. Prior to this she held senior positions at KPMG. Ms Mattar is also a Non-Executive Director of Invensys plc, Lamprell plc and Wates Group Ltd.

Sir Mike Tomlinson – Independent Non-Executive Director
(a) (r) (n)
Sir Mike Tomlinson (70) was appointed to the Board as a Non-Executive Director in February 2004. He 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 and 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 is Chair of Myscience, responsible for the National and Regional Science Learning Centres and the National STEM Centre. Sir Mike is retiring from the Board at the forthcoming annual general meeting.

Committee membership as at the date of this report.

(a) Audit Committee Member
(r) Remuneration Committee Member
(n) Nomination Committee Member

Report of the Directors

The Directors submit their report together with the audited consolidated and Company financial statements for the year ended 30 November 2012.

Results and dividends

The results for the period are set out in the financial statements and notes that appear on pages 40 to 101. As explained in the Chairman's Statement, the Directors propose the payment of a final dividend of 2.25 pence per share, making a total of 3.00 pence per share for the period (2011: 3.00 pence).

Principal activities

The Group's principal activity is the provision of products and services to the UK and international education markets. In the period covered by this report the Group's products and services were provided through the following four segments:

Education Technology: IT hardware, network, internet services and related installation and support;

Managed Services: implementation, management and support of IT infrastructure in schools and colleges, including Building Schools for the Future ('BSF') contracts;

Education Resources: an added-value distribution business offering a wide range of curriculum products and materials to schools, including special educational needs environments; and

Education Software: assessment, data solutions, school management systems ('SMS'), RM Books, RM Unify, learning platforms and other software.

Review of the business

The information that fulfils the requirements of the Business Review can be found in the Chairman's Statement, the Chief Operating Officer's Report, the Chief Financial Officer's Report, the Audit Committee Report and the Remuneration Report, which are incorporated into this report by reference.

The Corporate Governance Report is incorporated into this Report of the Directors by reference.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks are reviewed by the Board and appropriate processes put in place to monitor and mitigate them. The key business risks for the Group are set out in the table on pages 11 to 13.

Directors' responsibilities statement

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

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Company financial statements on the same basis. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Report of the Directors, Remuneration Report and Corporate Governance Report that complies with that law and those regulations.

Each of the Directors, whose names and functions are listed at the front of this report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and performance of the Group; and

- the information contained in pages 01 to 08 of this Annual Report includes a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

A copy of the Group financial statements is posted on the Group's website www.rm.com. The Directors are responsible for the maintenance and integrity of the Group's website and the financial information included on the website. Information published on the website is accessible in many countries with differing legal requirements but only legislation in the United Kingdom governing the preparation and dissemination of financial statements applies to the Group.

Principal risks and uncertainties table

	Risk	Mitigation
Public policy	The majority of RM's business is funded from UK government sources. Changes in political administration, or changes in policy priorities, might result in a reduction in education spending. Global economic conditions might result in a reduction in budgets available for public spending generally and education spending specifically.	The Group seeks to understand the education policy environment by regular monitoring of policy positions and by building relationships with education policy makers. The Group seeks to increase the diversity of its revenue streams by developing a broad product and service portfolio.
Education practice	Education practices and priorities may change and, as a result, RM's products and services may no longer meet customer requirements.	The Group seeks to maintain knowledge of current education practice and priorities by maintaining close relationships with customers.
Competition in IT markets and international supply chain	The IT hardware market is subject to intense global competition. RM has to react to continual selling price reductions and margin pressures, as well as to US Dollar rate fluctuations on purchase of goods.	The Group seeks to reduce its exposure to commodity hardware sales and has a programme of foreign exchange hedging activity. The Group has also sought to diversify away from hardware dependent activities.
Operational 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. 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.	The Group invests in maintaining a high level of technical expertise. The Group has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction. Internal management control processes are in place to govern the delivery of projects, including regular reviews by relevant management.

Report of the Directors continued

	Risk	Mitigation
Product safety	RM is involved in the supply of electrical goods, physical education resources and other products that will be used by children of all ages and abilities.	The Group's product development processes take account of international safety regulations.
Data and business continuity	RM is engaged in storing and processing sensitive data, where accuracy, privacy and security are important. The Group would be significantly impacted if, as a result of a disaster, one of its major buildings, systems or infrastructure components could not function for a long period of time.	The Group's IS function has invested in developing its Data Centres, and has been successfully certified to ISO/IEC 27001:2005 for the provision of systems, information and hosting services. 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. The Group seeks to protect itself against the consequences of a disaster by implementing a series of back up and safety measures. The Group has property insurance covering its properties.
People	RM's business depends on highly skilled employees.	The Group seeks to be an attractive employer and regularly monitors the engagement of its employees. The Group has talent management and career planning programmes.
Innovation	The IT market is subject to rapid, and often unpredictable, change. As a result of inappropriate technology choices, the Group's products and services might become unattractive to its customer base. The Group's continued success depends on developing and/or sourcing a stream of innovative and effective products for the education market.	The Group monitors technology and market developments and invests to keep its existing products and services up-to-date as well as seeking out new opportunities and initiatives. Recent examples include RM Books and RM Unify. The Group works with teachers and educators to understand opportunities and requirements.
Financial – foreign exchange	The Group is exposed to foreign currency risk with respect to purchases of goods in US Dollars and from its operations in India.	The Group enters into US Dollar and Indian Rupee denominated hedging contracts with approved banking organisations.

	Risk	Mitigation
Financial – liquidity	Changes in the banking environment increase the risk of the Group failing to obtain adequate banking facilities to support its financing requirements. The Group is exposed to counterparty risk on liquid assets.	The Group has agreed a committed revolving credit facility with Barclays Bank which expires on 27 March 2016. Cash and cash reserves are deposited with highly rated banks.
Pension	The Group operates a defined benefit pension scheme in the UK, which is in deficit. The scheme deficit can adversely impact the net assets position of the trading subsidiary RM Education Ltd.	The Scheme was closed to new entrants in 2003 and closed to future accrual of benefits in October 2012.
Financial – capital	The Group's ability to pay dividends to shareholders depends on having sufficient distributable reserves in the holding company, RM plc. Losses incurred as a result of significant increases in the pension scheme deficit could impair the ability of RM Education Ltd to pay dividends up to RM plc.	The Group monitors the level of distributable reserves in subsidiary companies and considers their ability to make dividend payments to the holding company.
Acquisitions	Acquisitions do not realise the value originally expected.	The Group carries out analysis of potential acquisitions. Prior to any acquisition an integration plan will be developed and reviewed following completion of the acquisition.
Dependence on key contracts	The performance of certain divisions is dependent on the winning and extension of long-term contracts with government, local authorities, examination boards and commercial customers.	The Group invests in maintaining a high level of technical expertise. The Group has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction.

Report of the Directors continued

Going concern

The Directors, having made appropriate enquiries, consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

Employment policies

The Group is committed to offering equal employment opportunities and its policies are designed to attract, retain and motivate the best staff regardless of gender, sexual orientation, race, religion, age or disability. The Group gives proper consideration to applications for employment when these are received from disabled persons and will employ them in posts whenever suitable vacancies arise. Employees who become disabled will be retained whenever possible through retraining, use of appropriate technology and making available suitable alternative employment.

The Group encourages the participation of all employees in the operation and development of the business and has a policy of regular communications. The Group incentivises employees and senior management through the payment of bonuses linked to performance objectives, together with the other components of remuneration detailed in the Remuneration Report.

The Group 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', anti bribery and corruption, business gifts, grievance, career planning, parental leave, systems and network security. All of RM's employment policies are published internally,

Environmental policy

The Group recognises that its activities must be carried out in an environmentally friendly and compliant manner. Good standards of environmental performance are adopted to minimise the potential negative environmental impact of products and processes and also to promote sustainability. These actions include: efficient utility usage, waste reduction/recycling and use of energy saving features in products.

Health and safety

The Group has implemented a health and safety management system which aims to continually improve health and safety implementation and is designed to meet the requirements of OHSAS 18001. The following objectives are incorporated into the management system:

- Accident reduction
- Raising health and safety awareness
- Effective training
- Risk reduction and management

Donations

The Group made various charitable donations totaling £80,000 (2011: £126,000), the majority of which relates to legacy commitments made prior to 2011 which expire in 2013. These commitments are explained in more detail in note 29 to the report and accounts.

No political donations have been made.

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.

Substantial shareholdings

On 19 February 2013 the Company had received notifications that the following parties were interested in accordance with DTR 5:

Shareholder	No. of shares	Percentage of Issued Share Capital as at 19 February	No. of shares Direct	No. of shares Indirect
Schroder Investment Management Ltd*	18,544,667	19.83%	18,544,667	–
Clients of Aberforth Partners LLP**	10,747,354	11.49%	–	10,747,354
Artemis Investment Management LLP***	7,275,000	7.78%	4,550,000	2,725,000
The Wellcome Trust Ltd	5,038,232	5.39%	–	5,038,232
M. R. Ratcliffe	3,127,267	3.34%	3,127,267	–
Legal & General Investment Management Ltd	3,104,280	3.32%	2,822,124	282,156
Alliance Trust PLC	3,016,887	3.23%	3,016,887	–
Standard Life Investments Ltd	2,818,038	3.01%	2,803,864	14,174

* Included within Schroder Investment Management Ltd's interest are 4,934,932 (5.28%) shares for which it does not hold voting rights.

** Aberforth Partners LLP has a further indirect interest in 8,126,032 shares over which they do not control the voting rights.

*** Included within Artemis Investment Management LLP's interest are 2,725,000 shares (2.91%) for which it does not hold voting rights.

The Takeovers Directive

The Company has one class of share capital, ordinary shares. All the shares rank pari passu. There are no special control rights in relation to the Company's shares. As at 30 November 2012, the RM plc Employee Share Trust owned 1,797,362 ordinary shares in the Company (1.92% of the issued share capital); any voting or other similar decisions relating to those shares would be taken by the Trustees, who may take account of any recommendation of the Board of the Company.

Share options granted to the Chairman under the 2004 RM plc share option plan vest if there is a general offer for the Company under Rule 9.1 of the Plan or a compulsory acquisition under Rule 9.2 of the Plan and the offer price exceeds 100p whether in cash or any other form of consideration.

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, but some significant contracts do include such provisions.

In January 2012 the Group entered into a £30 million revolving credit facility with Barclays Bank. This facility has a change of control provision and is subject to termination in the event of change of control of the Company.

Repurchase of own shares

At the annual general meeting held on 26 March 2012, members renewed the authority under section 701 of the Companies Act 2006 to make market purchases on the London Stock Exchange of up to 9,346,780 ordinary shares of 2p each, being 10% of the issued share capital of the Company. The minimum price which may be paid for each share is the nominal value. The maximum price which may be paid for a share is an amount equal to the higher of (1) 5% above the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased and (2) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. This authority has not been used since the annual general meeting.

The Directors will seek to renew this authority at the next annual general meeting scheduled for 24 April 2013.

Significant contracts

There did not exist at any time during the period any contract involving the Company or any of its subsidiaries in which a Director of the Company was directly or is materially interested or any contract which was either a contract of significance with a controlling shareholder or a contract for the provision of service by a controlling shareholder. Related party transactions are disclosed in note 29.

Report of the Directors continued

Directors

Details of Directors who have held office during the period and up to the date of signing these financial statements are given below:

Lord Andrew Adonis
Sir Bryan Carsberg (retired 26 March 2012)
Jo Connell
Iain McIntosh
Deena Mattar
Martyn Ratcliffe
Rob Sirs (resigned 31 January 2012)
Sir Mike Tomlinson
David Brooks (appointed 1 July 2012)

Martyn Ratcliffe has advised the Board that he will be stepping down as Chairman and as a Director of the Company in the summer. A search for a new Non-Executive Chairman will commence shortly.

Sir Mike Tomlinson has completed over nine years as a Director and, accordingly, has advised the Board that he does not intend to seek re-election at the next annual general meeting. Jo Connell is to replace him as Chair of the Remuneration Committee following the annual general meeting.

Biographical details of the current Directors are given on page 09. As stated at the last annual general meeting, at the forthcoming annual general meeting all continuing Directors will stand for re-election in accordance with best practice and guidance set out in the UK Corporate Governance Code 2010 as issued by the Financial Reporting Council in June 2010 ('UK Corporate Governance Code 2010'). 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.

The Company has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors. The Directors also have the benefit of a Deed of Indemnity in respect of liabilities which may attach to them in their capacity as Directors of the Company. These provisions are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006.

Treasury and foreign exchange

The Group has in place appropriate treasury policies and procedures, which are approved by the Board. The treasury function manages interest rates for both borrowings and cash deposits for the Group and is also responsible for ensuring there is sufficient headroom against any banking covenants contained within its credit facilities, and for ensuring there are appropriate facilities available to meet the Group's strategic plans.

In order to mitigate and manage exchange rate risk, the Group routinely enters into forward contracts and continues to monitor exchange rate risk in respect of foreign currency exposures.

All these treasury policies and procedures are regularly monitored and reviewed. It is the Group's policy not to undertake speculative transactions which create additional exposures over and above those arising from normal trading activity.

Creditor payment policy

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

Independent auditor and disclosure of information to auditor

As far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and each of the Directors have taken reasonable steps in order to make themselves aware of relevant audit information and to establish that the Company's auditor is aware of that information.

The auditor, KPMG Audit Plc, has indicated its willingness to continue in office, and a resolution that it be re-appointed will be proposed at the next annual general meeting.

Annual general meeting

The forthcoming annual general meeting will be held on 24 April 2013 at 140 Eastern Avenue, Abingdon, Oxfordshire OX14 4SB, at a time set out in the annual general meeting notice. The notice of the annual general meeting contains the full text of resolutions to be proposed.

By Order of the Board

Greg Davidson
Company Secretary
21 February 2013

Corporate Governance Report

Statement of compliance

The Group has applied the principles set out in the UK Corporate Governance Code 2010. The Company has complied with the UK Corporate Governance Code 2010 throughout the 12 month period ended 30 November 2012, other than the exceptions which are noted in the table below.

Compliance with the UK Corporate Governance Code 2010

	Code of Best Practice – Principles	RM Statement of compliance
A	**DIRECTORS**	
1	**The role of the Board** Every company should be headed by an effective board, which is collectively responsible for the success of the company.	The Directors' responsibilities are outlined in the Report of the Directors. The Board meets regularly on a formal basis plus additional ad hoc meetings as necessary.
2	**Division of responsibilities** There should be a clear division of responsibilities at the head of the company between the running of the Board and the executive responsibility for the running of the Company's business. No one individual should have unfettered powers of decision.	The role of Chairman and Chief Executive was exercised by the same individual throughout the period. As noted in last year's Report, it is recognised that this is out of line with best practice and specific steps were taken by the Board during the period to address this. In particular, on 1 July 2012, Mr David Brooks was appointed Chief Operating Officer and he now oversees the day-to-day running of the Group. In addition, each Division of the Company has its own Managing Director. As such, while the Chairman is primarily responsible for strategy, corporate development and running of the Board, the effective day-to-day management and running of the Group is undertaken by the Chief Operating Officer, the Chief Financial Officer and the Divisional Managing Directors.
3	**The Chairman** The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role.	The Chairman sets the Board's agenda and ensures that adequate time is available for the discussion of all agenda items. The Chairman promotes a culture of openness and debate. He also ensures constructive relations between the Executive Directors and the Non-Executive Directors. The Chairman ensures effective communication with shareholders. On appointment the Chairman met the independence criteria.

Corporate Governance Report continued

	Code of Best Practice – Principles	RM Statement of compliance
4	**Non-Executive Directors** As part of their role as members of a unitary Board, Non-Executive Directors should constructively challenge and help develop proposals on strategy.	The Non-Executive Directors scrutinise the performance of management and monitor the reporting of performance. Ms Connell is Senior Independent Director and is available to shareholders if they have concerns which contact through the normal channels has failed to resolve. The Chairman holds meetings with the Non-Executive Directors without the other Executive Director(s) present when considered appropriate. The Senior Independent Director meets with the Non-Executive Directors without the Chairman being present on such occasions as she considers appropriate.
B	**EFFECTIVENESS**	
1	**The composition of the Board** The Board and its Committees should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.	The Board consists of the Chairman, Chief Operating Officer and Chief Financial Officer plus, currently, four Non-Executive Directors. All of the Non-Executive Directors are considered by the Board to be independent of the management of the Company and free from any business or other relationship which could materially interfere with the exercise of their independent judgment.The Directors have a combination of financial, business and educational expertise which is suited to the nature of the Company.
2	**Appointments to the Board** There should be a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.	A separate Nomination Committee comprised of all Non-Executive Directors and the Chairman, is responsible for identifying and nominating candidates to fill Board vacancies. The Board is committed to the changes to the UK Corporate Governance Code 2010 in relation to board diversity announced by the Financial Reporting Council in October 2011.
3	**Commitment** All Directors should be able to allocate sufficient time to the Company to discharge their responsibilities effectively.	The Board ensures that on appointment and thereafter all Directors have sufficient time to carry out their duties.
4	**Development** All Directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge.	All Non-Executive Directors receive an induction on joining the Board. All Non-Executive Directors have extensive experience and possess relevant skills and knowledge to perform their duties.

	Code of Best Practice – Principles	RM Statement of compliance
5	**Information and support** The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.	The Board is supplied with monthly management accounts and detailed operational reviews. All Directors have access to the advice and services of the Company Secretary or suitably qualified alternative, and all the Directors are able to take independent professional advice, if necessary, at the Company's expense. All Directors are also invited to attend meetings of the Operating Board and have access to managers within the Group.
6	**Evaluation** The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors.	Evaluation is an ongoing process. A performance evaluation is undertaken for all Directors from time to time. The Chief Operating Officer and Chief Financial Officer each receive an annual performance appraisal as part of the Senior Management Bonus Scheme. The performance of each Board Committee is reviewed on an annual basis. The performance of the Chairman is assessed by the Non-Executive Directors led by the Senior Independent Director. The performance of the Chief Operating Officer and Chief Financial Officer is assessed by the Chairman, in consultation with the Non-Executive Directors.
7	**Re-election** All Directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.	All Directors are appointed for specific terms subject to annual re-election.
C	**ACCOUNTABILITY**	
1	**Financial and business reporting** The Board should present a balanced and understandable assessment of the Company's position and prospects.	In preparing the Annual Report to shareholders, the Directors seek to present a summarised but fair, balanced and easily understood assessment of the Group's performance and provide guidance on its future prospects.
2	**Risk management and internal control** The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems.	The Company operates a risk management and internal control process which is reviewed at least on an annual basis by the Audit Committee and endorsed by the Board.
3	**Audit Committee and auditor** The Board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditors.	The Audit Committee is comprised of Non-Executive Directors and meets at least three times a year. The Chairman, Chief Operating Officer and Chief Financial Officer are invited to attend. The Audit Committee meets separately with the Company's auditor without the other Directors present. Further details are set out in the Audit Committee Report.

Corporate Governance Report continued

Code of Best Practice – Principles	RM Statement of compliance
D REMUNERATION	
1 The level and components of remuneration Levels of remuneration should be sufficient to attract, retain and motivate Directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.	Each of the Chief Operating Officer's and Chief Financial Officer's remuneration consists of basic salary and a variable annual bonus. Basic salaries are reviewed annually in the light of individual performance and market comparisons for similar jobs. Annual bonuses may be paid, at the sole discretion of the Remuneration Committee, at a target level of up to 55% with an overall cap of 110% of basic salary. The annual bonus payment is determined on the basis of individual and Company performance. In addition there are long-term incentive schemes in place as detailed in the Remuneration Report. These long-term incentive schemes include the Performance Share Plan and Share Option Plans. The remuneration of the Chairman comprises a base salary and share options only. His remuneration is reviewed annually by the Remuneration Committee in light of performance and market comparisons. The Chairman does not receive any other benefits or participate in the annual bonus scheme. Any bonus is entirely at the discretion of the Remuneration Committee and would only apply in exceptional circumstances. The Chairman was granted share options as set out in the Report of the Directors. As at 30 November 2012, neither the Chief Operating Officer nor the Chief Financial Officer held any Non-Executive positions with other companies for which either of them receives remuneration.
2 Procedure There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his or her own remuneration.	Remuneration packages for individual Directors are set by the Remuneration Committee after, if required, receiving information from independent sources and the Company's Human Resources function. The Chairman, Chief Operating Officer and Chief Financial Officer may be invited to attend the Committee's meetings.
E RELATIONS WITH SHAREHOLDERS	
1 Dialogue with shareholders There should be a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.	The Executive Directors meet on a regular basis with the Company's major shareholders. Non-Executive Directors are available to meet institutional shareholders on an ad hoc basis.
2 Constructive use of the AGM The Board should use the AGM to communicate with investors and to encourage their participation.	All Directors make themselves available at the annual general meeting to respond to any questions raised by the investors in attendance.

Board of Directors

The Board of Directors meets regularly to review strategic, operational and financial matters, including proposed acquisitions and divestments, and has a formal schedule of matters reserved to it for decision. It approves the interim and annual financial statements, the annual financial plan, significant contracts and capital investment in addition to reviewing the effectiveness of the internal control systems and business risks faced by the Group. Where appropriate, it has delegated authority to committees of Directors.

Board committees

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

During the period, the Audit Committee was chaired by Sir Bryan Carsberg until 26 March 2012 and, since that date, it has been chaired by Deena Mattar. The Audit Committee was comprised solely of independent Non-Executive Directors. The Audit Committee meets at least three times a year. The Company's external auditor, the Chairman, Chief Operating Officer, Chief Financial Officer, Company Secretary, and the Group Financial Controller, who is Head of Internal Audit, normally attend 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 judgments 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.

During the period the Remuneration Committee was chaired by Sir Mike Tomlinson and comprised solely independent Non-Executive Directors. Following the annual general meeting scheduled for 24 April 2013, Jo Connell will become Chair of the Remuneration Committee. 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 the 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.

The Nomination Committee is chaired by the Chairman and includes all of the independent Non-Executive Directors. The Nomination 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. The terms of reference for the Nomination Committee are published on www.rm.com.

The Transactions Committee comprises the Chairman plus any one independent Non-Executive Director and any one Executive Director. The Transactions Committee meets at such times as are required. 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 attendance

Details of the number of meetings of the Board, including sub-committees and individual attendances by Directors are set out in the table below.

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held in the period	12	3	4	2
Lord Andrew Adonis	8	1	3	2
David Brooks*1	3	–	–	–
Sir Bryan Carsberg*2	4	1	1	–
Jo Connell	12	3	4	2
Deena Mattar	12	3	4	2
Iain McIntosh	12	–	–	–
Martyn Ratcliffe	11	–	–	2
Rob Sirs*3	1	–	–	–
Sir Mike Tomlinson	11	2	4	2

*1 Appointed on 1 July 2012

*2 Retired on 26 March 2012

*3 Resigned on 31 January 2012

Corporate Governance Report continued

Operating Board

The Operating Board was introduced in January 2012. During the period it was chaired by the Chairman but, with effect from 1 January 2013, is chaired by the Chief Operating Officer. The Operating Board comprises the Chairman, Chief Operating Officer, Chief Financial Officer and other senior managers within the Group. The Operating Board normally meets on a monthly basis to discuss policy and operational issues. Those issues outside the delegated authority levels set by the Group Board are referred to the Group Board for its decision. All Non-Executive Directors are invited to attend the Operating Board.

Relations with shareholders

In order to maintain dialogue with institutional shareholders the Executive Directors meet with them following interim and final results announcements, or as appropriate, with other Directors available to meet institutional shareholders on request. Where practicable the Annual Report is sent to shareholders at least 20 working days before the annual general meeting and each issue for consideration at the annual general meeting is proposed as a separate resolution. All Directors generally attend the annual general meeting.

Social, ethical and environmental risks

The Board takes regular account of the significance of social, ethical and environmental ('SEE') matters related to the Group's business of providing IT services and solutions (including software, managed services and consultancy) to educational institutions.

The Board considers that it has received adequate information to enable it to assess significant risks to the Company's short and long-term value arising from SEE matters and has concluded that the risks associated with SEE matters are minimal. The Board will continue to monitor those risks on an ongoing basis and will implement appropriate policies and procedures if those risks become significant.

Internal control

The Group maintains an ongoing process in respect of internal control to safeguard shareholders' investments and the Group's assets and to facilitate the effective and efficient operation of the Group.

These processes enable the Group to respond appropriately, and in a timely fashion, to significant business, operational, financial, compliance and other risks, in line with the UK Corporate Governance Code 2010, which may otherwise prevent the achievement of the Group's objectives.

The Group recognises that it operates in a highly competitive market that can be affected by factors and events outside its control. Details of the risks faced by the Group are set out in the table on pages 11 to 13. It is committed to mitigating risks arising wherever possible and accepts that internal controls, applied and monitored, are an essential tool in achieving this objective.

The key elements of Group internal control, which have been effective during 2012 and up to the date of approval of these financial statements, are set out below:

- The existence of a clear organisational structure with defined lines of responsibility and delegation of authority from the board to its executive directors and operating divisions
- A procedure for the regular review of reporting business issues and risks by operating divisions
- Regular review meetings with the operating management
- A planning and management reporting system operated by each division and the executive directors
- The establishment of prudent operating and financial policies

The Directors have overall responsibility for establishing financial and other reporting procedures to provide them with a reasonable basis on which to make proper judgments as to the financial position and prospects of the Group, and have responsibility for establishing the Group's system of internal control and for monitoring its effectiveness. The Group's systems are designed to provide Directors with reasonable assurance that physical and financial assets are safeguarded, transactions are authorised and properly recorded and material errors and irregularities are either prevented or detected with the minimum delay. However, systems of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.

The key features of the systems of internal financial control include:

- A financial planning process with an annual financial plan approved by the board. The plan is regularly updated providing an updated forecast for the year
- Monthly comparison of actual results against plan
- Written procedures detailing operational and financial internal control policies which are reviewed on a regular basis
- Regular reporting to the board on treasury and legal matters
- Defined investment control guidelines and procedures
- Periodic reviews by the audit committee of the group's systems and procedures

The majority of the Group's financial and management information is processed and stored on computer systems. The Group is dependent on systems that require sophisticated computer networks. The Group has established controls and procedures over the security of data held on such systems, including business continuity arrangements.

On behalf of the Board, the Audit Committee has reviewed the operation and effectiveness of this framework of internal control for the period and up to the date of approval of the Annual Report.

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 period the Audit Committee comprised Sir Bryan Carsberg MSc(Econ), FCA (Chair until 26 March 2012), Deena Mattar BSc (Econ), FCA (Chair from 26 March 2012), Jo Connell, Sir Mike Tomlinson and Lord Andrew Adonis all of whom are independent Non-Executive Directors. The Group considers that Deena Mattar as an FCA and former FTSE250 Finance Director has significant recent technical accounting experience.

Martyn Ratcliffe (Chairman), David Brooks (Chief Operating Officer), Iain McIntosh MA, FCA (Chief Financial Officer), Philip Deakin MPhil, FCA (Group Financial Controller and Head of Internal Audit) and Uche Ibekwa MChem MCIIA (Internal Audit Manager) and other management as appropriate are invited to attend Audit Committee meetings.

Schedule of meetings

The Audit Committee met three times during the period. All 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 auditor

The Audit Committee recommended, and shareholders approved at the Group's annual general meeting on 26 March 2012, the re-appointment of KPMG Audit Plc as Group external auditor.

A resolution proposing that KPMG Audit Plc be reappointed as auditor of the Company will be proposed at the next annual general meeting.

KPMG Audit Plc has been the Group's auditors since 2011. The external auditor is required to rotate the audit partner responsible for the Group audit every five years and the current lead audit partner has been in place since 2011.

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 auditor.

Internal audit

The Audit Committee has approved the appointment of RM's Group Financial Controller, Philip Deakin MPhil, FCA as Head of Internal Audit. For the purposes of this role, the Group Financial Controller reports directly to the Chair of the Audit Committee. 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 auditor and has agreed a policy intended to ensure that the objectivity of the external auditor 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 auditor where there is a clear commercial benefit in doing so. Any significant activity must be approved, in advance, by at least two Audit Committee Members.

The Audit Committee's policy is to include a cap on fees for non-audit work of 25% of the annual audit fee. This fee incorporates a review of the Group's interim results. Fees for total non-audit work in the period were 16% of the annual audit fee.

Internal control

Control environment – The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority to Executive management. A revised Group-wide approval matrix has been implemented in the year.

Individuals are 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 terms of reference and any matters outside those terms or the agreed business plan are referred to the Group Board for approval.

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 Operating Board which meets monthly.

Public reporting – The Audit Committee reviews and comments upon both the Group's Annual and Interim reports prepared by management.

Management information – Executive managers are required to produce a business plan for approval at the beginning of each financial year and detailed financial reporting and cashflow forecasts are formally compiled monthly and reviewed by the Board. Consolidated management accounts are produced each month and results measured against plan and the previous year to identify significant variances.

Main control procedures – The existing finance systems and procedures allow the Board to derive confidence in the completeness and accuracy of the recording of financial transactions. The 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 and liquidity risk.

Monitoring – The Audit Committee meets periodically to review reports from management and the external auditor 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.

Anti-bribery

RM conducts all its business in an honest and ethical manner and seeks to ensure that all associates and business partners do the same.

The Bribery Act 2010 sets clear standards of behaviour, which govern the Group's operations. The Group has implemented policies and procedures to ensure that it is transparent and ethical in all business dealings. The Group has an anti-corruption and anti-bribery policy which sets out the legal standards the Group enforces as part of its ongoing commitment to implement adequate procedures to guard against illegal practices.

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 are appropriate to the business and Executive management has identified and addressed the principal risks affecting RM.

The most significant risks the Group is exposed to are set out in the Report of the Directors.

Deena Mattar
Chair, Audit Committee
21 February 2013

Remuneration Report

This report by the Remuneration Committee for the year ended 30 November 2012 has been approved by the Board for submission to shareholders for their approval at the forthcoming annual general meeting.

1. The 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 Executive Directors and Senior Executives and of overseeing major policy changes to the overall reward structure throughout the Group. In particular, the Committee keeps under review incentive plans operated throughout the Group so as to ensure that these plans are structured appropriately and that the incentive arrangements for all Senior Executives are coherent. The Remuneration Committee's terms of reference can be found on the Group's website at www.rm.com. The Remuneration Committee undertakes an annual appraisal of remuneration policy and addresses any areas for improvement.

2. Membership of the Committee

The membership of the Remuneration Committee during the year ended 30 November 2012 comprised Sir Mike Tomlinson (Chair), Ms Jo Connell, Sir Bryan Carsberg (until 26 March 2012), Ms Deena Mattar and Lord Andrew Adonis, all of whom are independent Non-Executive Directors. The other directors attend meetings by invitation. Following the retirement of Sir Mike Tomlinson on 24 April 2013, Ms Jo Connell will become Chair of the Committee.

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 which could materially interfere with the exercise of their independent judgment.

As and when required, Hewitt New Bridge Street provide advice on the Executive Directors' remuneration and information on market practice.

3. Remuneration policy

The Remuneration Committee is responsible for the remuneration of Executive Directors and Senior Executives across the Group.

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 Senior 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, future investment, customer satisfaction and superior shareholder returns have been realised.

Under these arrangements, the variable component of the remuneration package is designed to be focused on performance. In the event that the Group has not met the targets set none of the variable elements is earned. If outstanding performance is achieved, the value of the total package could double in comparison with an on-target performance. These incentive arrangements enable Senior Executives to have the opportunity to earn high levels of reward, but only if they enhance shareholder returns by meeting the Group's short-term and long-term targets. The remuneration policy therefore seeks to ensure that the Senior Executives are focused on the achievement of key company objectives. The Remuneration Committee is satisfied that this model provides appropriate alignment with Group performance and shareholder returns and therefore acts as a motivator to Senior Executives.

The Remuneration Committee, together with the entire Board, also recognises the need for investment in the long-term future of the Company, not just performance in a single year. Since such measures are difficult to quantify, the Remuneration Committee retains the ability to adjust annual bonus payments to ensure that balance is maintained between short-term performance and longer-term investment.

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 Senior Executives, 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 considers that the structure should not encourage excessive risk taking.

The remuneration of the Chairman in 2012 comprised a base salary. The Chairman does not receive any other benefits or participate in the annual bonus scheme. Any bonus payable is entirely at the discretion of the Remuneration Committee and would only apply in exceptional circumstances.

4. Components of remuneration for Executive Directors

a) Base salaries

The policy of the Remuneration Committee is that base salary is one element of the entire package. The leverage and alignment (with the strategy and shareholders' interests) of the remuneration package are derived from the variable remuneration. The Remuneration Committee aims to set base salaries at median in the market. During the year there were no increases in base salary for Martyn Ratcliffe or Iain McIntosh and the increase for David Brooks reflects his appointment as Chief Operating Officer. However, certain benefits in kind were removed for David Brooks and Iain McIntosh and base salaries adjusted to reflect the loss of such benefits. In addition, Iain McIntosh's holiday entitlement was reduced to accord with the standard Group entitlement for other staff.

b) Annual bonus

The annual bonus potential is limited to 110% of base salary.

The bonus payment made to the Senior Executives depends on performance conditions set by the Remuneration Committee at the beginning of the year. The performance targets align with the Board's defined strategy and the Remuneration Committee is satisfied that the targets set are appropriate and aligned with shareholders' interests.

Bonus outcomes for 2012

In 2012 the maximum bonus Executive Directors earned was 55% of salary. The bonus calculated for David Brooks was pro rated and took account of his new role from July 2012. The total amount of bonus received by David Brooks was 36% of his annual salary. Iain McIntosh received 55% of his annual salary as a bonus.

c) Long-term incentives

The RM plc Performance Share Plan (PSP), which is the Group's principal long-term incentive scheme, provides a competitive long-term incentive which will target exceptional improvement in returns to shareholders. Senior Executives may receive an award of shares worth up to 120%, (or up to 150% in exceptional circumstances), of salary in any one year, which will vest subject to performance at the end of three years.

The vesting of all awards and the receipt of shares will be dependent on continued employment and the satisfaction of conditions linked to the performance of the Company. Details of the performance conditions that apply to awards already made can be found at section 7 (b).

d) Benefits

Benefits comprise principally of the provision of a company car and fuel allowance, pension and private health insurance.

The Chairman is not eligible for any of these benefits.

5. 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. Each service contract expires at the respective normal retirement date of the Executive 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 an Executive Director, it will take into account the Executive Director's obligations to mitigate their own losses when deciding on an appropriate level of compensation.

Remuneration Report continued

Details of the Directors' service contracts and/or letters of appointment who served for all or part of the year ended 30 November 2012 are shown in the table below:

	Initial agreement date	Expiry date of current agreement	Notice to be given by employer	Notice to be given by individual
Current Directors*				
Lord Andrew Adonis	1 October 2011	30 September 2014	3 months	3 months
David Brooks	1 July 2012	Indefinite	12 months	12 months
Jo Connell	20 December 2007	20 December 2013	3 months	3 months
Iain McIntosh	22 October 2009	Indefinite	12 months	12 months
Deena Mattar	1 June 2011	31 May 2014	3 months	3 months
Martyn Ratcliffe	1 June 2011	Indefinite	6 months	6 months
Sir Mike Tomlinson	2 February 2004	24 April 2013	3 months	3 months
Past Directors*				
Sir Bryan Carsberg	1 September 2002	-	3 months	3 months
Rob Sirs	13 February 2002	-	12 months	6 months

* As at the date of this Report.

Audited information

6. Directors' remuneration

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

	12 months to 30 November 2012 £000	14 months to 30 November 2012 £000
Emoluments	**1,297**	1,546
Gains on exercise of share options	**-**	10
Amounts receivable under long-term incentive schemes	**-**	60
	1,297	1,616

Directors' emoluments in respect of the Directors of the Company who served during the year ended 30 November 2012 were as follows::

Name	Salaries and fees £000	Taxable benefits £000	Annual bonuses £000	Termination payments £000	12 months to 30 November 2012 Total £000	14 months to 30 November 2011 Total £000
Executive						
David Brooks (from 01/07/12)	96	4	58	-	158	-
Iain McIntosh	195	10	124	-	329	240
Martyn Ratcliffe	285	-	-	-	285	-
Rob Sirs (until 31/01/12)	47	2	-	313	362	288
Terry Sweeney	-	-	-	-	-	714
Non-Executive						
Lord Andrew Adonis	36	-	-	-	36	6
Sir Tim Brighouse	-	-	-	-	-	39
Sir Bryan Carsberg (until 26/03/12)	14	-	-	-	14	50
Jo Connell	38	-	-	-	38	43
John Leighfield	-	-	-	-	-	70
Deena Mattar	36	-	-	-	36	17
Sir Mike Tomlinson	39	-	-	-	39	45
John Windeler	-	-	-	-	-	34
	786	16	182	313	1,297	1,546

Rob Sirs resigned on 31 January 2012 and received payments totalling £312,697 in full settlement under the terms of his contract with the Company.

The highest paid Director was Rob Sirs who received no gains on exercise of share options. (2011: Terry Sweeney: £Nil). Under long-term incentive schemes Mr Sirs received no gains (2011: Terry Sweeney: £28,000).

The fees of Non-Executive Directors are a matter for the consideration of the Board as a whole. From 1 October 2011 all Non-Executive Directors became members of all Board Committees and moved to a flat rate annual fee of £36,000. The Chairs of the Audit and Remuneration Committees receive an additional annual fee of £5,000 and £3,000 respectively and the Senior Independent Non-Executive Director receives an additional annual fee of £2,000. The Chairman did not receive any remuneration for membership of Committees during the period.

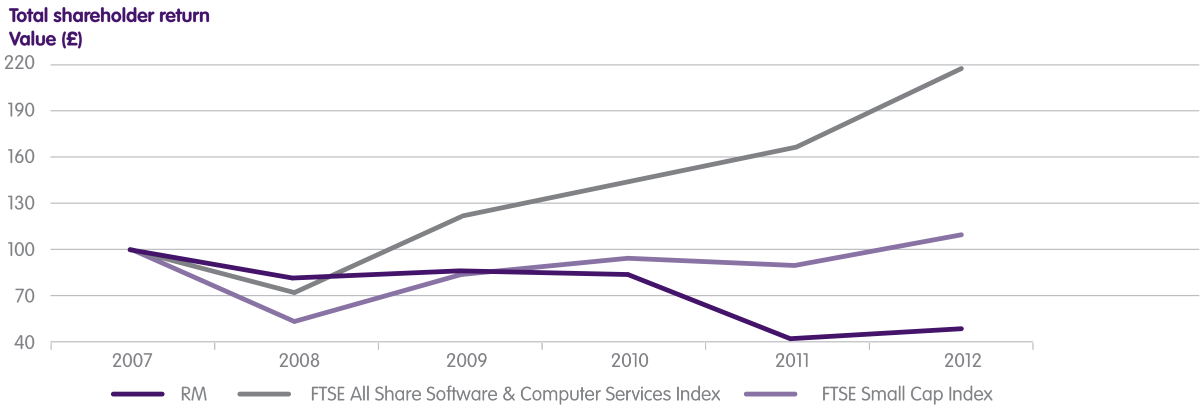
Mr Brooks became a Director on 1 July 2012 and his remuneration reflects the period from that date until 30 November 2012. Mr Brooks' annual base salary (before pension sacrifice) is £250,000.

Mr Ratcliffe waived all remuneration in 2011, from the date of his appointment as Chairman on 1 June 2011 until 30 November 2011.

Remuneration Report continued

7. Directors' long-term incentive plans

Performance graph



This graph shows the value, by 30 November 2012, of £100 invested in RM plc on 30 November 2007 compared with the value of £100 invested in the FTSE Small Cap Index and the FTSE All Share Software & 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 November 2007 would have been worth £49.14 at 30 November 2012. An investor who had invested the same amount in the FTSE All Share Software and Computer Services Index and the FTSE Small Cap Index would have seen their investment increase to £216.65 and £109.86 respectively over the same period

a) Co-Investment Plan

The Co-Investment Plan (CIP) is the predecessor plan to the PSP. The final award under the CIP was made in 2008 and lapsed in December 2011 as the Earning Per Share (EPS) and Total Shareholder Return (TSR) performance conditions attached to the award were not met. In accordance with the rules the CIP terminated on 29 January 2013 and therefore no further awards will be made.

b) Performance Share Plan

The performance conditions for the March and December 2010 awards made under the Plan were based on EPS and TSR measured over a three year period and will vest on a sliding scale.

March 2010

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

December 2010

	EPS		TSR	
		Proportion of award vesting	Position relative to FTSE Small Cap	Proportion of award vesting
	Less than 17.5p	Nil	Below median	Nil
Threshold	17.5p	25%	At median	25%
Maximum	Between 17.5p and 20p	25% to 100%	Between Median and Upper quartile	25% to 100%

At the time of these awards the Remuneration Committee considered that the mix of EPS and TSR performance conditions remained appropriate measures for the following reasons:

- The TSR condition provided a balance to the EPS condition by rewarding relative share price performance and ensured that there was a share price based discipline in the package.
- The EPS target rewards sustained increases in earnings and profitability.

For the TSR performance condition the TSR comparator group remained the FTSE Small Cap Index as at the date of grant.

December 2011 and February 2012

The performance conditions for the December 2011 and February 2012 awards made to other Senior Executives (including the Chief Financial Officer but excluding the Chairman) were based on share price, namely 50% of the shares awarded will vest if the share price is £1.00 or better for 20 consecutive trading days at any point between the date of grant and 30 November 2015. A further 50% of the shares awarded will vest if the share price is £1.25 or higher for 20 consecutive trading days at any point between the date of grant and 30 November 2016. No award can vest before 2 December 2014. If either or both performance conditions are met before that date, then vesting shall take place on 2 December 2014. If either or both performance conditions are met after 2 December 2014 but before 1 December 2016, then vesting shall take place within 90 days of the performance condition being achieved at the absolute discretion of the Board.

The Remuneration Committee considers that the share price targets are appropriate measures and are clearly in shareholders' interests for the following reasons:

- For the first 50% of shares to vest an increase of 36% in the value of the share price from the date of grant is required.
- For the second 50% of shares to vest an increase of 70% in the value of the share price from the date of grant is required.

Remuneration Report continued

August 2012

The performance conditions for the August 2012 award made to the Chief Operating Officer were based on TSR measured against the FTSE Small Cap Index over a three year period and will vest on a sliding scale.

TSR ranking of the Company against the Comparator Group over the Performance Period	Percentage of Award that vests (i.e. expressed as a percentage of total number of shares originally subject to the Award)
Below median	0%
Median	25%
Between median and upper quartile	Between 25% and 100%
Upper quartile or above	100%

c) Deferred Bonus Plan

Under this plan 40% of any annual cash bonus payable to the Senior Executives was deferred in ordinary shares for a period of three years and vested at the expiry of the same period. If a Senior Executive ceases to be an employee of the Group and is deemed not to be a 'good leaver' under the rules of this plan then any shares held will lapse on the leave date. Following a review by the Remuneration Committee during 2011 it was decided to make no further awards under this plan and this plan will be terminated when the outstanding matters have been completed.

Audited information

d) Directors' interests

The Directors' interests in the Co-Investment Plan, Performance Share Plan and Deferred Bonus Plan are listed below:

Co-Investment Plan

Date of award	Maximum number of matching shares at 01/12/11	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 30/11/12**
David Brooks							
16/12/08	11,571	148.0p	01/10/08 – 30/09/11	–	–	–	**–**
Rob Sirs							
16/12/08	167,229	148.0p	01/10/08 – 30/09/11	–	–	–	**–**
Terry Sweeney							
16/12/08	126,915	148.0p	01/10/08 – 30/09/11	–	–	–	**–**

*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 are fully met.

Awards made in December 2008 lapsed during the year as described in section 7 a) and this scheme has now been terminated.

Performance Share Plan

Date of award	Maximum number of awarded shares at 01/12/11	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 30/11/12
David Brooks							
04/03/10	46,354	171p	01/10/09 – 30/09/12	–	–	–	**46,354**
10/12/10	105,960	151p	01/10/10 – 30/11/13	–	–	–	**105,960**
01/12/11	250,000	73.5p	01/12/11 – 30/11/16	–	–	–	**250,000**
06/08/12	–	80p	01/06/12 – 31/05/15	–	–	–	**250,000**
Iain McIntosh							
04/03/10	140,349	171p	01/10/09 – 30/09/12	–	–	–	**140,349**
10/12/10	139,072	151p	01/10/10 – 30/11/13	–	–	–	**139,072**
01/12/11	300,000	73.5p	01/12/11 – 30/11/16	–	–	–	**300,000**
Rob Sirs*							
04/03/10	154,020	171p	01/10/09 – 30/09/12	–	–	–	**98,401**
10/12/10	165,562	151p	01/10/10 – 30/11/13	–	–	–	**60,997**
01/12/11	500,000	73.5p	01/12/11 – 30/11/16	–	–	–	**-**
Terry Sweeney**							
04/03/10	195,904	171p	01/10/09 – 30/09/12	–	–	–	**114,277**
10/12/10	63,785	151p	01/10/10 – 30/11/13	–	–	–	**63,785**

* Following Rob Sirs' resignation the maximum number of awarded shares were either reduced on a pro rated basis or lapsed in total.
**Following Terry Sweeney's resignation by mutual agreement the maximum number of awarded shares was reduced on a pro rated basis.

Deferred Bonus Plan

Date of award	Total shares deferred at 01/12/11	Market price on award date	Deferred period for shares	Number of deferred shares released	Release date	Market price on release date	Total shares deferred at 30/11/12
Iain McIntosh							
15/12/10	25,151	£1.60	01/10/10 – 30/09/13	–	–	–	**25,151**
Rob Sirs							
16/12/08	33,211	£1.47	01/10/08 – 30/09/11	33,211	07/02/12	£0.73	**–**
15/12/09	28,737	£1.59	01/10/09 – 30/09/12	28,737	07/02/12	£0.73	**–**
15/12/10	36,567	£1.60	01/10/10 – 30/09/13	36,567	07/02/12	£0.73	**–**

Remuneration Report continued

8. Directors' share options

The Remuneration Committee has determined that Senior Executives will not be granted share options, except in exceptional circumstances. Senior Executives have been granted options in previous years and an exceptional share option grant was made to the Chairman on 26 October 2011.

a) Share option scheme

The Company currently operates two executive share option schemes: the RM plc 2001 Executive Share Option Scheme (2001 Scheme); and the RM plc 2004 Executive Share Option Scheme (2004 Scheme). RM share options are not offered at a discount.

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 (set under UKGAAP 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 growth exceeds RPI. The 2001 Scheme had a life of three years, and closed in 2004.

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. Neither of these provisions applied to the Chairman's October 2011 Share Option grant which was approved by shareholders at the 2012 annual general meeting.

It is intended that the 2004 Scheme will only be used at Director level in exceptional circumstances. There will be no re-testing of performance conditions.

No further 2004 Scheme awards will be made as under the rules of the scheme no options may be granted after 28 January 2013.

Audited information

b) Directors' interests

The Directors' interests in share options are listed below

At 01/12/11	Granted in year	Exercised in year	Lapsed in year	At 30/11/12	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
David Brooks								
10,000	–	–	–	10,000	£1.742	–	06/12/09	06/12/16
20,000	–	–	–	20,000	£1.973	–	28/11/10	28/11/17
30,000	–	–	–	30,000				
Martyn Ratcliffe								
1,000,000	–	–	–	1,000,000	£0.51125	–	26/10/14	26/10/21
Rob Sirs								
12,000	Nil	Nil	12,000	–	£1.445	–	01/12/06	31/01/13
Terry Sweeney								
100,000	Nil	Nil	100,000	–	£1.973	–	28/11/10	18/11/12

The performance conditions for share options granted to Directors which were unexpired during the year are as follows:

2001 Scheme

Grant date	Performance condition	% of options vesting (with sliding scale)
December 2002	3-year growth EPS	
	RPI + 3% RPI + 22%	25% 100%
December 2003	3-year growth EPS	
	RPI + 7.5% RPI + 17.5%	33% 100%

2004 Scheme

Grant date	Performance condition	% of Options vesting
6 December 2006	3-year growth EPS RPI + 5%	100% (no sliding scale)
28 November 2007	3-year growth EPS RPI + 3%*	100% (no sliding scale)
26 October 2011	Closing mid-market share price must exceed 100 pence per share, in 20 consecutive trading days, prior to 30 November 2015 and for each two share options awarded Martyn Ratcliffe must have purchased five RM shares prior to 30 November 2012.	On a sliding scale up to 100% depending on the number of shares purchased by Martyn Ratcliffe.

* 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 3,112,900 which represents 3.33% of RM's shares in issue at 30 November 2012.

There were no gains on exercise of options during the year.

The market price of the ordinary shares at 30 November 2012 was 83.25p per share and the range during the period was 58.00p to 93.50p per share.

Remuneration Report continued

9. Directors' shareholdings

The beneficial interests of the Directors in the ordinary shares of RM plc as at 30 November 2012 were:

	30 November 2012	30 November 2011*
Lord Andrew Adonis	**–**	–
David Brooks	**8,508**	8,508
Jo Connell	**35,000**	35,000
Iain McIntosh	**50,151**	50,151
Deena Mattar	**20,495**	20,495
Martyn Ratcliffe	**3,127,267**	1,527,267
Sir Mike Tomlinson	**–**	–

*or date of appointment if later.

No changes to the Directors' shareholdings or share options took place between 1 December 2012 and the date of this Report.

10. Directors' pensions

a) Defined benefit scheme

David Brooks and Rob Sirs were active members of the Group's defined benefit pension scheme, the Research Machines plc 1988 Pension Scheme during the period. 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%	60	65
14.1%	60	60

David Brooks paid contributions at the higher rate whilst Rob Sirs paid at the lower rate.

The scheme also provides 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. The scheme closed to future accrual of benefits on 31 October 2012.

b) Defined contribution scheme

Iain McIntosh was a member of the Group's main UK defined contribution pension scheme throughout 2012 and David Brooks joined the scheme from 1 November 2012.

Audited information

c) Directors' accrued pensions

The table below shows at the year end: the accrued pension had the Directors left employment at 30 November 2012; the increase in the accrued pension during the period; 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. Transfer values have been calculated in accordance with the Occupational Pension Schemes (Transfer Value) Regulations 1996.

	David Brooks (age 43) £000	Rob Sir (age 51) £000
Accrued annual pension at 30 November 2011	25	75
Increase in accrued pension during the period	3	–
Accrued annual pension at 30 November 2012	28	75
Increase in accrued pension (net of inflation)	2	–
Transfer value of accrued pension at 30 November 2011	382	1,198
Increase/(decrease) in transfer value (net of Director's contributions)	11	(28)
Transfer value of accrued pension at 30 November 2012	393	1,170
Transfer value of increase (net of inflation and Director's contributions)	29	8

Subsequent to 31 January 2012 Rob Sirs ceased pensionable service. As noted above in this Report, the scheme closed to future accrual of benefits on 31 October 2012 and consequently the figures above include pension accrued prior to this date only.

All Executive Directors, except for the Chairman, were members of the SMART Scheme (Save Money and Reduce Tax - pension salary sacrifice) and as such do not make employee contributions.

Payments of £49,983 (£16,473 Employer's contribution and £33,510 personal contribution under SMART) in respect of Iain McIntosh and £4,396 (£1,458 Employer's contribution and £2,938 personal contribution under SMART) in respect of David Brooks were paid by the Company to a defined contribution pension scheme during the period.

11. 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.

The Group's auditors are required to comment on whether certain sections of the 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 6, 7(d), 8(b) and 10(c) have been audited by KPMG Audit Plc.

The Remuneration Committee believes in dialogue with shareholders on remuneration matters and, when appropriate, consults with leading shareholders about aspects of the Company's reward programmes.

By Order of the Board

Sir Mike Tomlinson
Chair, Remuneration Committee
21 February 2013

Independent Auditor's Report

We have audited the financial statements of RM plc for the year ended 30 November 2012 set out on pages 40 to 101. We have not audited the proforma information on pages 102 to 106. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and as regards the parent 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 parent Company's affairs as at 30 November 2012 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 EU;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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 Report of the Directors for the financial period 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 parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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, set out on page 14, in relation to going concern;
- the part of the Corporate Governance Report on page 17 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Tudor Aw
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
Arlington Business Park, Theale,
Reading, RG7 4SD, United Kingdom
21 February 2013

Consolidated income statement

for the year ended 30 November 2012

	Notes	Adjusted £000	Adjustments £000	Year ended 30 November 2012 Total £000	Adjusted £000	Adjustments £000	14 months ended 30 November 2011 Total £000
Revenue	3	**288,688**	**–**	**288,688**	350,785	–	350,785
Cost of sales		**(217,868)**	**–**	**(217,868)**	(260,113)	–	(260,113)
Gross profit		**70,820**	**–**	**70,820**	90,672	–	90,672
Operating expenses	5	**(57,249)**	**–**	**(57,249)**	(80,655)	–	(80,655)
– Amortisation of acquisition related intangible assets		**–**	**(244)**	**(244)**	–	(728)	(728)
– Impairment of goodwill, acquisition related intangible assets, other intangible assets and investments		**–**	**(3,212)**	**(3,212)**	–	(12,370)	(12,370)
– Loss on sale of operations		**–**	**(2,448)**	**(2,448)**	–	(4,391)	(4,391)
– Share-based payment charges		**–**	**(129)**	**(129)**	–	(1,378)	(1,378)
– Restructuring costs		**–**	**(312)**	**(312)**	–	(8,773)	(8,773)
– Increase in provision for dilapidations on leased properties and onerous lease contracts		**–**	**(457)**	**(457)**	–	(5,986)	(5,986)
– Exceptional credit on settlement		**–**	**715**	**715**	–	–	–
– Release of deferred consideration		**–**	**195**	**195**	–	–	–
– Exceptional net credit on defined benefit pension scheme		**–**	**1,324**	**1,324**	–	–	–
Share of results of associate and joint venture		**–**	**–**	**–**	32	(32)	–
		(57,249)	**(4,568)**	**(61,817)**	(80,623)	(33,658)	(114,281)
Profit/(loss) from operations	5	**13,571**	**(4,568)**	**9,003**	10,049	(33,658)	(23,609)
Investment income	3 & 7	**926**	**–**	**926**	1,079	–	1,079
Finance costs	8	**(1,359)**	**(181)**	**(1,540)**	(850)	–	(850)
Profit/(loss) before tax		**13,138**	**(4,749)**	**8,389**	10,278	(33,658)	(23,380)
Tax	9	**(3,160)**	**(301)**	**(3,461)**	(3,616)	3,887	271
Profit/(loss) for the period attributable to equity holders of the parent		**9,978**	**(5,050)**	**4,928**	6,662	(29,771)	(23,109)
Earnings/(loss) per ordinary share:	10						
Basic		**10.9p**	**(5.5)p**	**5.4p**	7.3p	(32.6)p	(25.3)p
Diluted		**10.9p**	**(5.5)p**	**5.4p**	7.3p	(32.6)p	(25.3)p
Paid and proposed dividends per share:	11						
Interim				**0.75p**			1.47p
Final				**2.25p**			1.53p

Adjustments to profit have been presented to give a better guide to business performance (refer to Note 1).

All activities relate to continuing operations.

Consolidated statement of comprehensive income

for the year ended 30 November 2012

	Notes	**Year ended 30 November 2012 £000**	14 months ended 30 November 2011 £000
Profit/(loss) for the period		**4,928**	(23,109)
Exchange differences on translation of foreign operations		**(171)**	(105)
Transfer of exchange reserves to income statement on sale of foreign operations		**–**	(1,409)
Actuarial gains and (losses) on defined benefit pension scheme	28	**(7,603)**	(10,215)
Fair value gain on hedged financial instruments		**5**	145
Current tax on items taken directly to equity		**2,086**	(67)
Deferred tax on items taken directly to equity	9d	**(605)**	2,049
Other comprehensive expense for the period		**(6,288)**	(9,602)
Total comprehensive expense for the period attributable to equity holders of the parent		**(1,360)**	(32,711)

Total tax credited to equity in the period was £1,481,000 (2011: £1,982,000).

Consolidated balance sheet

as at 30 November 2012

	Notes	At 30 November 2012 £000	At 30 November 2011 £000
Non-current assets			
Goodwill	12	**14,395**	17,349
Acquisition related intangible assets	13	**960**	1,202
Other intangible assets	13	**2,278**	3,607
Property, plant and equipment	14	**11,440**	16,600
Interest in associate		**58**	316
Other receivables	18	**1,911**	2,590
Deferred tax assets	9d	**6,331**	6,973
		37,373	48,637
Current assets			
Inventories	16	**14,787**	18,827
Trade and other receivables	18	**58,000**	62,270
Tax assets	9e	**847**	2,058
Cash and cash equivalents	20	**37,823**	24,529
Assets held for sale	24b	**–**	6,791
		111,457	114,475
Total assets		**148,830**	163,112
Current liabilities			
Trade and other payables	19	**(87,343)**	(77,781)
Provisions	21	**(4,108)**	(7,752)
Liabilities directly associated with assets held for sale	24b	**–**	(2,914)
		(91,451)	(88,447)
Net current assets		**20,006**	26,028
Non-current liabilities			
Retirement benefit obligation	28	**(20,433)**	(21,174)
Bank loans	20	**–**	(13,026)
Other payables	19	**(6,785)**	(6,286)
Provisions	21	**(4,929)**	(5,661)
		(32,147)	(46,147)
Total liabilities		**(123,598)**	(134,594)
Net assets		**25,232**	28,518
Equity attributable to equity holders of the parent			
Share capital	22	**1,870**	1,869
Share premium account		**26,997**	26,963
Own shares	23	**(2,972)**	(3,202)
Capital redemption reserve		**94**	94
Hedging reserve		**(39)**	(44)
Translation reserve		**(56)**	115
Retained earnings		**(662)**	2,723
Total equity		**25,232**	28,518

These financial statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 21 February 2013.

Martyn Ratcliffe
Director

Iain McIntosh
Director

Company balance sheet

as at 30 November 2012

	Notes	At 30 November 2012 £000	At 30 November 2011 £000
Non-current assets			
Investments	15	**55,654**	58,735
Trade and other receivables	18	**1,661**	712
		57,315	59,447
Current assets			
Trade and other receivables		**–**	31
Tax assets		**94**	48
		94	79
Total assets		**57,409**	59,526
Current liabilities			
Trade and other payables	19	**(3,686)**	(4,700)
		(3,686)	(4,700)
Net current liabilities		**(3,592)**	(4,621)
Non-current liabilities			
Provisions	21	**(629)**	(126)
		(629)	(126)
Total liabilities		**(4,315)**	(4,826)
Net assets		**53,094**	54,700
Equity attributable to equity holders of the parent			
Share capital	22	**1,870**	1,869
Share premium account		**26,997**	26,963
Own shares	23	**(2,972)**	(3,202)
Capital redemption reserve		**94**	94
Retained earnings		**27,105**	28,976
Total equity		**53,094**	54,700

These financial statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 21 February 2013.

Martyn Ratcliffe
Director

Iain McIntosh
Director

FINANCIAL STATEMENTS

Consolidated cash flow statement

for the year ended 30 November 2012

	Notes	Year ended 30 November 2012 £000	14 months ended 30 November 2011 £000
Profit/(loss) from operations		**9,003**	(23,609)
Adjustments for:			
(Gain)/loss on foreign exchange derivatives		**(250)**	234
Impairment of investment in associate	15	**258**	660
Amortisation of acquisition related intangible assets	13	**244**	728
Impairment of acquisition related intangible assets	13	**–**	443
Impairment of goodwill	12	**2,954**	10,992
Amortisation of other intangible assets	13	**1,254**	1,272
Impairment of other intangible assets	13	**–**	275
Depreciation of property, plant and equipment	14	**5,701**	8,173
Impairment of property, plant and equipment	14	**144**	–
Loss/(gain) on disposal of property, plant and equipment		**302**	(147)
Loss on disposal of other intangible assets		**496**	62
Loss on sale of operations	24a	**2,448**	4,391
Increase in provisions		**841**	11,660
Release of deferred consideration		**(195)**	–
Share–based payment charges		**129**	1,378
Exceptional pension credit	28	**(1,824)**	–
Operating cash flows before movements in working capital		**21,505**	16,512
Decrease in inventories		**3,610**	3,079
Decrease in receivables		**3,895**	29,589
Increase/(decrease) in payables		**4,529**	(24,337)
Cash generated by operations		**33,539**	24,843
Defined benefit pension contribution in excess of current service cost	28	**(7,279)**	(1,768)
Tax paid		**(59)**	(2,341)
Income on sale of finance lease debt	7	**644**	817
Interest paid:			
– bank overdrafts and loans	8	**(92)**	(483)
– borrowing facility arrangement fee and commitment fee	8	**(658)**	–
– other	8	**–**	(20)
Net cash inflow from operating activities		**26,095**	21,048
Investing activities			
Interest received		**258**	141
Proceeds on disposal of property, plant and equipment		**856**	483
Purchases of property, plant and equipment		**(1,852)**	(4,526)
Purchases of other intangible assets		**(400)**	(2,055)
Proceeds from sale of operations		**2,481**	3,775
Amounts advanced to third party		**(919)**	–
Amounts received from/(advanced to) joint venture undertaking		**1,878**	(1,880)
Net cash generated by/(used in) investing activities		**2,302**	(4,062)
Financing activities			
Dividends paid	11	**(2,090)**	(6,128)
Proceeds from share capital issue, net of share issue costs		**35**	46
(Repayment of)/increase in borrowings		**(13,005)**	1,507
Purchase of own shares		**–**	(212)
Repayment of loan notes and deferred consideration		**–**	(1,574)
Net cash used in financing activities		**(15,060)**	(6,361)
Net increase in cash and cash equivalents		**13,337**	10,625
Cash and cash equivalents at the beginning of period		**24,529**	13,814
Effect of foreign exchange rate changes		**(43)**	90
Cash and cash equivalents at the end of period		**37,823**	24,529

Consolidated net funds

for the year ended 30 November 2012

	At 30 November 2011 £000	Cash flow £000	Non–cash movements: Foreign exchange £000	Non–cash movements: Other £000	**At 30 November 2012 £000**
Cash and cash equivalents	24,529	13,337	(43)	–	**37,823**
Bank loans	(13,026)	13,005	21	–	**–**
Net cash	11,503	26,342	(22)	–	**37,823**
Loan notes	–	–	–	–	**–**
Net funds	11,503	26,342	(22)	–	**37,823**
Deferred consideration	(195)	–	–	195	**–**
Net funds less deferred consideration	11,308	26,342	(22)	195	**37,823**

Company cash flow statement

for the year ended 30 November 2012

	Notes	**Year ended 30 November 2012 £000**	14 months ended 30 November 2011 £000
Loss from operations		**(21)**	(10,150)
Adjustments for:			
Impairment of investment in subsidiaries		**4,638**	7,565
Loss on disposal of investment in subsidiaries		**1,300**	1,243
Impairment of investment in associate		**258**	698
Operating cash flows before movements in working capital		**6,175**	(644)
Increase in receivables		**–**	(655)
(Decrease)/increase in payables		**(12,346)**	2,484
Cash (used in)/generated by operations		**(6,171)**	1,185
Dividends received – trading		**6,480**	4,410
Interest paid		**–**	(20)
Net cash inflow from operating activities		**309**	5,575
Investing activities			
Amounts advanced to third parties		**(919)**	–
Interest received		**295**	486
Net cash (used in)/generated by investing activities		**(624)**	486
Financing activities			
Dividends paid	11	**(2,090)**	(6,128)
Proceeds from share capital issue, net of share issue costs		**35**	46
Proceeds from disposal of investments		**2,370**	903
Purchase of own shares		**–**	(212)
Repayment of loan notes and deferred consideration		**–**	(670)
Net cash generated by/(used in) financing activities		**315**	(6,061)
Net increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at the beginning and end of period		**–**	–

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

for the year ended 30 November 2012

	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
At 1 October 2010		1,868	26,918	(3,805)	94	(189)	1,629	39,630	66,145
Loss for the period		–	–	–	–	–	–	(23,109)	(23,109)
Other comprehensive income									
Exchange differences on translation of foreign operations		–	–	–	–	–	(105)	–	(105)
Transfer of exchange reserves to income statement on sale of foreign operations		–	–	–	–	–	(1,409)	–	(1,409)
Actuarial gains and (losses) on defined benefit scheme		–	–	–	–	–	–	(10,215)	(10,215)
Fair value gain on interest rate swap		–	–	–	–	145	–	–	145
Tax credit on items taken directly to equity		–	–	–	–	–	–	1,982	1,982
Total other comprehensive income/(expense)		–	–	–	–	145	(1,514)	(8,233)	(9,602)
Transactions with owners of the Company									
Purchase of shares	23	–	–	(212)	–	–	–	–	(212)
Share issues	22	1	45	–	–	–	–	–	46
Share-based payment awards exercised in period		–	–	815	–	–	–	(815)	–
Share-based payment fair value charges	6	–	–	–	–	–	–	1,378	1,378
Dividends paid	11	–	–	–	–	–	–	(6,128)	(6,128)
At 30 November 2011		1,869	26,963	(3,202)	94	(44)	115	2,723	28,518
Profit for the year		–	–	–	–	–	–	4,928	**4,928**
Other comprehensive income									
Exchange differences on translation of foreign operations		–	–	–	–	–	(171)	–	**(171)**
Actuarial gains and (losses) on defined benefit scheme		–	–	–	–	–	–	(7,603)	**(7,603)**
Fair value gain on hedged financial instruments		–	–	–	–	5	–	–	**5**
Tax credit on items taken directly to equity		–	–	–	–	–	–	1,481	**1,481**
Total other comprehensive income/(expense)		–	–	–	–	5	(171)	(6,122)	**(6,288)**
Transactions with owners of the Company									
Share issues	22	1	34	–	–	–	–	–	**35**
Share-based payment awards exercised in year		–	–	230	–	–	–	(230)	**–**
Share-based payment fair value charges	6	–	–	–	–	–	–	129	**129**
Dividends paid	11	–	–	–	–	–	–	(2,090)	**(2,090)**
At 30 November 2012		**1,870**	**26,997**	**(2,972)**	**94**	**(39)**	**(56)**	**(662)**	**25,232**

Company statement of changes in equity

for the year ended 30 November 2012

	Notes	Share capital £000	Share premium account £000	Own shares £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
At 1 October 2010		1,868	26,918	(3,805)	94	39,820	64,895
Loss for the period		–	–	–	–	(5,279)	(5,279)
Total other comprehensive income		–	–	–	–	–	–
Transactions with owners of the Company							
Purchase of shares	23	–	–	(212)	–	–	(212)
Share issues		1	45	–	–	–	46
Share-based payment awards exercised in the period		–	–	815	–	(815)	–
Share-based payment fair value charges	6	–	–	–	–	1,378	1,378
Dividends paid	11	–	–	–	–	(6,128)	(6,128)
At 30 November 2011		1,869	26,963	(3,202)	94	28,976	54,700
Profit for the year		–	–	–	–	320	**320**
Total other comprehensive income		–	–	–	–	–	**–**
Transactions with owners of the Company							
Share issues	22	1	34	–	–	–	**35**
Share-based payment awards exercised in the year		–	–	230	–	(230)	**–**
Share-based payment fair value charges	6	–	–	–	–	129	**129**
Dividends paid	11	–	–	–	–	(2,090)	**(2,090)**
At 30 November 2012		**1,870**	**26,997**	**(2,972)**	**94**	**27,105**	**53,094**

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 ended 30 November 2012 amounting to £0.3m (14 months ended 30 November 2011: loss of £5.3m).

Notes to the report and accounts

1. General information

RM plc is a company incorporated in the United Kingdom. It is the parent company of a group of companies, the nature of whose operations and its principal activities are set out in the Report of the Directors.

In the prior period, the financial year end of the Company and its subsidiaries changed from 30 September to 30 November. Following the change of accounting reference date, these audited accounts disclose the financial performance and cash flows for the year ended 30 November 2012 and the financial position as at 30 November 2012. As a result, the comparative financial information which is for the 14 months ended 30 November 2011 covers an indirectly comparable time period. Proforma financial information for the comparable year ended 30 November 2011 has been included within an appendix to this Report and Accounts and is unaudited.

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 following adjustments to profit: the amortisation of acquisition related intangible assets; the impairment of goodwill, acquisition related intangible assets, other intangible assets and investments; the loss on sale of operations; share-based payment charges; restructuring costs; increase in provision for dilapidations on leased properties and onerous lease contracts; exceptional credit on settlement; release of deferred consideration; and an exceptional net pension credit on the Group's defined benefit pension scheme. 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 December 2011 have been adopted. The following new standards and interpretations have been adopted in the current period but have not impacted the reported results or the financial position:

- IAS 34 Interim Financial Reporting, significant events and transactions
- IFRS 7 Financial Instruments: Disclosures, transfers of financial assets

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 7 Financial Instruments, Disclosures – offsetting financial assets and financial liabilities
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements, classification of the requirements for comparative data
- IAS 1 Presentation of Financial Statements, presentation of items of other comprehensive income
- IAS 19 (revised) Employee Benefits
- IAS 27 (revised) Consolidated and Separate Financial Statements
- IAS 32 Financial Instruments: Presentation, tax effect of distribution to holders of equity instruments offsetting financial assets and liabilities
- IAS 34 Interim Financial Reporting – segment information for total assets and liabilities

The Directors are finalising their analysis and do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments
- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures
- IAS 19 (revised) will impact the measurement of the various components representing movements in the defined benefit pension obligation and associated disclosures, but not the Group's total obligation. It is likely that following the replacement of expected returns on plan assets with a net finance cost in the income statement, the profit for the period will be reduced and accordingly other comprehensive income increased, although this will ultimately depend on the scheme's financial position, investment returns and liability assumptions at the time

The Company intends to implement FRS 101 Reduced Disclosure Framework for the year ended 30 November 2013 unless objections are received from shareholders holding in aggregate 5% or more of the total allotted shares in the Company. Objections must be received in writing addressed to the Company Secretary at RM plc at its registered office by 24 April 2013. This will not affect the recognition and measurement of the financial information presented however will reduce disclosures within the RM plc company financial statements for future periods. This will not affect the consolidated financial statements of the Group.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

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

Notes to the report and accounts continued

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 and disposal groups held for sale which are measured at the lower of their carrying amount and fair value less costs to sell. 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 Chief Financial Officer's Report and the Report of the Directors. The Group's risk management policies are outlined in the Principal risks and uncertainties table in the Report of the Directors. Notes 18, 19, and 20 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 for the foreseeable future, being a period of at least a year following the approval of the Accounts, 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.

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.

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.

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition 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.

2. Principal accounting policies continued

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The identification of disposal groups includes the allocation of goodwill from the relevant cash generating unit subject to the transaction.

Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

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 and perpetual software licences is recognised on shipment providing there are no unfulfilled obligations that are essential to the functionality of the delivered product and with consideration of any significant credit risk uncertainty. 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. For multiple element arrangements revenue is allocated to each element on a fair value basis. The portion of the revenue allocated to an element is recognised when the revenue recognition criteria for that element have been met. Appropriate provisions for returns, trade discounts and other allowances are deducted from revenue.

Investment income is recognised in the income statement in the period in which it arises.

Notes to the report and accounts continued

2. Principal accounting policies continued

Long-term contracts

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.

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

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 market's 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.

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 UK GAAP 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.

2. Principal accounting policies 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:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- An intention to complete the intangible asset and use or sell it
- Ability to use or sell the intangible asset
- 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
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- 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 2-8 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.

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.

Notes to the report and accounts continued

2. Principal accounting policies continued

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.

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 (or 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 (or 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 (or cash generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

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

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% to 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

2. Principal accounting policies continued

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

Inventories

Finished goods and work-in-progress are valued at 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

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Onerous contracts

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

Dilapidations provision

A dilapidations provision is recognised when the Group has an obligation to rectify, repair or reinstate a leased premises to a certain condition in accordance with the lease agreement. The provision is measured at the present value of the estimated cost of rectifying, repairing or reinstating the leased premises at a specified future date. To the extent that future economic benefits associated with leasehold improvements are expected to flow to the Group, this cost is capitalised within the leasehold improvement category of property, plant and equipment and is depreciated over its useful economic life.

Notes to the report and accounts continued

2. Principal accounting policies continued

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.

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.

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.

2. Principal accounting policies continued

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 period-end rates of exchange. Income statement items and the cash flows of subsidiary undertakings are translated at the average rates for the period. 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.

Key sources of estimation uncertainty and critical accounting judgments

In applying the Group's accounting policies the Directors are required to make judgments, estimates and assumptions. Actual results may differ from these estimates. The Group's key risks are set out in the Report of the Directors and give rise to the following estimations and judgments 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 17
- Retirement benefit scheme valuation – see note 28
- Onerous lease provision – see note 21.

3. Revenue

An analysis of transactions accounted for under IAS 18 Revenue is shown below:

	12 months 2012 £000	14 months 2011 £000
Revenue from supply of products	**153,401**	184,460
Revenue from rendering of services	**114,878**	140,768
Revenue from the sale of licences and receipt of royalties	**20,409**	25,557
Investment income	**926**	1,079
Total revenue per IAS 18 Revenue	**289,614**	351,864

Notes to the report and accounts continued

4. Operating segments

The Group's business is supplying products, services and solutions to the UK and international education markets.

Following the September 2011 Strategic Review, from 1 December 2011 the Group was restructured into four operating divisions: Education Technology, Managed Services, Education Resources and Education Software. From 1 December 2011, the Group changed the presentation of financial information included in the consolidated management accounts to reflect the new reporting structure with this information being presented to the chief operating decision maker. Segmental information for the Group is reported on this basis for the year ended 30 November 2012 and prior period financial information has been restated to be in line with this new basis.

The nature of the products/services sold within each segment is explained below:

- Education Technology – a UK focused business supplying schools with IT hardware, networks, internet services and related installation and support
- Managed Services – implementation, management and support of IT infrastructure within schools and colleges, including the Building Schools for the Future contracts
- Education Resources – provides schools with curriculum focused classroom resources including teaching equipment and materials
- Education Software – comprises Assessment Services, Data Solutions, School Management Systems, Learning Platforms and other software. The largest contributor of revenue to the division is the Assessment business, providing e-marking and e-testing solutions and services for examining boards

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

Segmental result

	Education Technology £000	Managed Services £000	Education Resources £000	Education Software £000	Corporate Services £000	Total retained operations £000	Exited operations** £000	Total £000
Year ended 30 November 2012								
Revenue	109,036	81,368	59,809	35,662	–	285,875	2,813	288,688
Adjusted operating profit/(loss)*	3,609	2,855	8,927	1,353	(2,722)	14,022	(451)	13,571
Investment income								926
Finance costs								(1,359)
Adjusted profit before tax*								13,138
Adjustments*								(4,749)
Profit before tax								8,389

* Refer to note 1 for an explanation of adjustments to profit.

** Exited operations represent operations sold following the September 2011 strategic review.

4. Operating segments continued

Segmental result

	Education Technology £000	Managed Services £000	Education Resources £000	Education Software £000	Corporate Services £000	Total retained operations £000	Exited operations** £000	Total £000
14 months ended 30 November 2011 Revenue	143,152	69,261	64,491	43,902	-	320,806	29,979	350,785
Adjusted operating profit/(loss)*	7,326	6,449	4,952	2,750	(3,853)	17,624	(7,575)	10,049
Investment income								1,079
Finance costs								(850)
Adjusted profit before tax*								10,278
Adjustments*								(33,658)
Loss before tax								(23,380)

* Refer to note 1 for an explanation of adjustments to profit.
** Exited operations represent operations sold following the September 2011 strategic review.

Inter-segment revenue has been eliminated in the segment in which it is generated hence the revenue disclosed above is that earned by the Group from third parties.

Notes to the report and accounts continued

4. Operating segments continued

Segmental assets

Segmental assets include all assets except for tax balances, balance due from joint venture and investment undertakings and cash and cash equivalents which are shown as non-segmental balances:

	Education Technology £000	Managed Services £000	Education Resources £000	Education Software £000	Corporate Services £000	Total retained operations £000	Exited operations** £000	Total £000
2012								
Total assets								
– Segmental	**33,350**	**20,339**	**36,524**	**11,248**	**116**	**101,577**	**–**	**101,577**
– Other								**47,253**
								148,830

	Education Technology £000	Managed Services £000	Education Resources £000	Education Software £000	Corporate Services £000	Total retained operations £000	Exited operations** £000	Total £000
2011								
Total assets								
– Segmental	38,190	23,432	41,045	16,909	20	119,596	6,791	126,387
– Other								36,725
								163,112

** Exited operations represent operations sold following the September 2011 strategic review.

The Group's operations are predominately located in the United Kingdom, with operations also in India. The Group sells to the markets of these countries and also the European, North American, Asian and Australasian continents. Revenues of £10.6m (2011: £30.2m) were earned on non-UK sales and include Education Technology sales of £0.3m (2011: £2.6m) largely in Europe, £7.2m (2011: £6.1m) of Education Resources sales largely in Europe, £3.1m (2011: £3.7m) of Education Software sales largely in Europe and £nil (2011: £17.8m) of exited operations sales, largely in the United States.

Included within the disclosed segmental assets are non-current assets (excluding financial instruments, deferred tax assets and other financial assets) of £28.3m (2011: £41.3m) located in the United Kingdom and £0.8m (2011: £1.0m) located in India.

5. Profit from operations

Profit is stated after charging/(crediting):

	12 months 2012 £000	14 months 2011 £000
Depreciation of property, plant and equipment:		
– charged in cost of sales	**2,913**	3,885
– charged in operating expenses	**2,788**	4,288
	5,701	8,173
Amortisation:		
– other intangible assets	**1,254**	1,272
– acquisition related intangible assets – associate	**–**	32
– acquisition related intangible assets	**244**	728
	1,498	2,032
Impairment:		
– goodwill	**2,954**	10,992
– acquisition related intangible assets	**–**	443
– other intangible assets	**–**	275
– investment in associate	**258**	660
	3,212	12,370
Selling and distribution costs	**30,944**	46,815
Research and development costs	**8,162**	13,452
Administrative expenses – adjusted	**18,143**	20,388
Operating expenses – adjusted	**57,249**	80,655
Administrative expenses – adjusted	**18,143**	20,388
Amortisation of acquisition related intangible assets	**244**	728
Impairment of goodwill, acquisition related intangible assets, other intangible assets and investments	**3,212**	12,370
Loss on sale of operations	**2,448**	4,391
Share-based payment charges	**129**	1,378
Restructuring costs	**312**	8,773
Increase in provision for dilapidations on leased properties and onerous lease contracts	**457**	5,986
Exceptional credit on settlement	**(715)**	–
Release of deferred consideration	**(195)**	–
Exceptional net credit on defined benefit scheme	**(1,324)**	–
Total administrative expense	**22,711**	54,014
Loss/(profit) on sale of property, plant and equipment	**302**	(147)
Loss on disposal of other intangible assets	**496**	62
Staff costs (see note 6)	**82,030**	128,874
Operating lease expense	**4,675**	6,986
Foreign exchange loss	**130**	35
Amount of inventories recognised as an expense	**108,736**	141,146
(Decrease)/increase in stock obsolescence provision	**(1,522)**	563

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 (2011: £nil).

Auditor's remuneration:

	12 months 2012 £000	14 months 2011 £000
Fees payable to the Company's auditor and its associates for:		
– The audit of the Company's annual accounts	**8**	8
– The audit of the Company's subsidiaries, pursuant to legislation	**176**	211
	184	219
– Review of the interim financial statements	**14**	14
Fees payable to the Company's auditor and its associates for other non-audit services:		
– Other services pursuant to legislation	**11**	20
– Corporate pensions advisory	**20**	93
	31	113
	229	346

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 auditor.

6. Staff costs

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

	12 months 2012 Number employed	14 months 2011 Number employed
Research and development, products and services	**1,854**	2,131
Marketing and sales	**243**	389
Corporate services	**208**	279
	2,305	2,799

6. Staff costs continued

Their aggregate employment costs comprised:

	12 months 2012 £000	14 months 2011 £000
Wages and salaries	**71,631**	110,126
Social security costs	**6,004**	8,960
Other pension costs	**4,266**	8,410
Share-based payment charge – equity settled	**129**	1,378
	82,030	128,874

There are no staff (2011: 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 payment awards to employees.

7. Investment income

	12 months 2012 £000	14 months 2011 £000
Bank interest	**258**	141
Income from sale of finance lease debt	**644**	817
Other finance income	**24**	121
	926	1,079

8. Finance costs

	12 months 2012 £000	14 months 2011 £000
Interest on bank overdrafts and loans	**176**	483
Interest on loan notes	**–**	20
Borrowing facility arrangement fee and commitment fee	**424**	–
Unwind of discount on provisions	**181**	–
Net finance costs on defined benefit pension scheme	**759**	347
	1,540	850

Notes to the report and accounts continued

9. Tax

a) Consolidated income statement

Analysis of tax charged in income statement:

	12 months 2012 £000	14 months 2011 £000
Current taxation		
UK corporation tax	**3,124**	(489)
Adjustment in respect of prior years	**(154)**	(194)
Overseas tax – current year	**411**	184
Total current tax charge/(credit)	**3,381**	(499)
Deferred taxation		
Temporary differences	**348**	189
Adjustment in respect of prior years	**(288)**	(175)
Overseas tax – current year	**20**	214
Total deferred tax charge	**80**	228
Total income statement tax charge/(credit)	**3,461**	(271)

b) Other comprehensive income

Analysis of tax charged in other comprehensive income:

	12 months 2012 £000	14 months 2011 £000
UK corporation tax – defined benefit pension scheme	**(2,086)**	–
Deferred tax – defined benefit pension scheme	**594**	(2,339)
UK corporation tax – share based payments	**–**	(6)
Deferred tax – share based payments	**11**	290
UK corporation tax – foreign investment hedge	**–**	73
Total other comprehensive income credit	**(1,481)**	(1,982)

Further analysis of the Group's deferred tax assets and liabilities is shown below.

9. Tax continued

c) 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 before tax is as follows:

	Adjusted £000	Adjustments £000	Total £000
Year ended 30 November 2012			
Profit/(loss) before tax	**13,138**	**(4,749)**	**8,389**
Tax at 24.67% thereon:	**3,241**	**(1,172)**	**2,069**
Effects of:			
– impact of change in tax rate on carried forward deferred tax asset	**157**	**(19)**	**138**
– other expenses not deductible for tax purposes	**100**	**32**	**132**
– temporary differences unrecognised for deferred tax	**107**	**–**	**107**
– other temporary timing differences	**211**	**112**	**323**
– research and development tax credit – current period	**(468)**	**–**	**(468)**
– effect of profits/losses in various overseas tax jurisdictions	**312**	**–**	**312**
– impairments	**(58)**	**792**	**734**
– loss on sale of operations	**–**	**556**	**556**
– prior period adjustments – other	**(442)**	**–**	**(442)**
Tax charge	**3,160**	**301**	**3,461**
Effective tax rate	**24.1%**	**(6.3)%**	**41.3%**

	Adjusted £000	Adjustments £000	Total £000
14 months ended 30 November 2011			
Profit/(loss) before tax	10,278	(33,658)	(23,380)
Tax at 26.86% thereon:	2,761	(9,041)	(6,280)
Effects of:			
– impact of change in tax rate on carried forward deferred tax asset	145	(42)	103
– other expenses not deductible for tax purposes	228	150	378
– temporary differences unrecognised for deferred tax	1,388	191	1,579
– other temporary timing differences	54	367	421
– research and development tax credit – current period	(775)	–	(775)
– research and development tax credit – prior period adjustment	(76)	–	(76)
– effect of profits/losses in various overseas tax jurisdictions	184	–	184
– impairments	–	3,215	3,215
– loss on sale of operations	–	1,273	1,273
– prior period adjustments – other	(293)	–	(293)
Tax charge/(credit)	3,616	(3,887)	(271)
Effective tax rate	35.2%	11.5%	1.2%

Notes to the report and accounts continued

9. Tax continued

c) Reconciliation to standard UK tax rate continued

Factors that may affect future tax charges

The Autumn Statement on 5 December 2012 included an announcement that the UK corporation tax rate will reduce to 21% by 2014. Prior to that statement, a reduction in the rate from 26% to 25% (effective from 1 April 2012) had been substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 30 November 2012 has been calculated based on the rate of 23% which had been substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax asset accordingly.

d) Deferred tax

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

Group	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 2010	1,076	3,342	580	869	(1,042)	4,825
(Charge)/credit to income	14	(387)	(138)	(77)	360	(228)
(Charge)/credit to equity	–	2,339	(290)	–	–	2,049
Disposed on sale of business	–	–	–	–	156	156
Reclassified to held for sale	(16)	–	(2)	(38)	227	171
At 30 November 2011	1,074	5,294	150	754	(299)	6,973
(Charge)/credit to income	137	–	(110)	(185)	78	(80)
(Charge)/credit to equity	–	(594)	(11)	–	–	(605)
Disposed on sale of business	12	–	1	30	–	43
At 30 November 2012	**1,223**	**4,700**	**30**	**599**	**(221)**	**6,331**

Certain deferred tax assets and liabilities have been offset above.

The following analysis shows the deferred tax balances as shown in the balance sheet:

Group	2012 £000	2011 £000
Deferred tax assets	**6,331**	6,973
Deferred tax liabilities	–	–
	6,331	6,973

The Group has recognised deferred tax assets in jurisdictions where these are expected to be recoverable against profits in future periods. At the balance sheet date, the Group has an unrecognised gross deferred tax asset of £2.4m (2011: £2.3m) which is available for offset against future profits within the United States of America. Included within this balance are unrecognised tax losses of £1.7m (2011: £1.8m). 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 (2011: £nil).

9. Tax continued

d) Deferred tax continued

No deferred tax liability is recognised on temporary differences of £240,000 (2011: £343,000) 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:

Group	**2012 £000**	2011 £000
Current tax assets	**847**	2,058
Current tax liabilities	**–**	–
	847	2,058

10. Earnings per ordinary share

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

Basic earnings per ordinary share:

	Year ended 30 November 2012			14 months ended 30 November 2011		
	Profit after tax £000	**Weighted average number of shares '000**	**Pence per share**	(Loss)/profit after tax £000	Weighted average number of shares '000	Pence per share
Basic earnings/(loss) per ordinary share	**4,928**	**91,543**	**5.4**	(23,109)	91,260	(25.3)
Effect of adjustments*	**5,050**	**–**	**5.5**	29,771		32.6
Adjusted basic earnings per ordinary share*	**9,978**	**91,543**	**10.9**	6,662	91,260	7.3

* Adjustments made to profit after tax are as set out within the consolidated income statement.

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10. Earnings per ordinary share continued

Diluted earnings per ordinary share:

	Year ended 30 November 2012			14 months ended 30 November 2011		
	Profit after tax £000	Weighted average number of shares '000	Pence per share	(Loss)/profit after tax £000	Weighted average number of shares '000	Pence per share
Basic earnings/(loss) per ordinary share	**4,928**	**91,543**	**5.4**	(23,109)	91,260	(25.3)
Effect of dilutive potential ordinary shares: share options	**–**	**116**	**–**	–	27	–
Diluted earnings/(loss) per ordinary share	**4,928**	**91,659**	**5.4**	(23,109)	91,287	(25.3)
Effect of adjustments*	**5,050**	**–**	**5.5**	29,771		32.6
Adjusted diluted earnings per ordinary share*	**9,978**	**91,659**	**10.9**	6,662	91,287	7.3

* Adjustments made to profit after tax are as set out within the consolidated income statement.

11. Dividends

Amounts recognised as distributions to equity holders in the year:

	12 months 2012 £000	14 months 2011 £000
Final dividend for the 14 months ended 30 November 2011 of 1.53p (2010: 5.25p) per share	**1,402**	4,786
Interim dividend for the year ended 30 November 2012 of 0.75p (2011: 1.47p) per share	**688**	1,342
	2,090	6,128

The proposed final dividend of 2.25p per share was approved by the Board on 20 February 2013. The dividend is subject to approval by shareholders at the annual general meeting and the expected cost of £2.1m has not been included as a liability as at 30 November 2012.

12. Goodwill

Group	£000
Cost	
At 1 October 2010	36,689
Exchange differences	176
Derecognised on disposal of operations	(4,103)
Derecognised on dissolution of subsidiary	(1,247)
Assets reclassified as held for sale	(6,532)
At 30 November 2011	24,983
Derecognised on dissolution of subsidiary	(1,222)
At 30 November 2012	**23,761**
Accumulated impairment losses	
At 1 October 2010	2,469
Impairment losses in the period	10,992
Derecognised on dissolution of subsidiary	(1,247)
Assets reclassified as held for sale	(4,580)
At 30 November 2011	7,634
Impairment losses in the year	2,954
Derecognised on dissolution of subsidiary	(1,222)
At 30 November 2012	**9,366**
Carrying amount	
At 30 November 2012	**14,395**
At 30 November 2011	17,349

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. As explained within note 4, for the year to 30 November 2012 the Group has operated under four operating divisions: Education Technology, Managed Services, Education Resources and Education Software which each consist of various business units. The Group's CGUs are at the business unit level and it is this level to which goodwill has been allocated.

Notes to the report and accounts continued

12. **Goodwill** continued

The carrying amount of goodwill has been allocated as follows:

Group	**Pre-tax discount rate**	**2012 £000**
Education Software:		
– RM Data Solutions	**10.1%**	**2,956**
Education Resources:		
– TTS Group	**13.3%**	**11,111**
– RM-SpaceKraft	**13.1%**	**328**
		14,395

Group	Pre-tax discount rate	2011 £000
Education Software:		
– RM Data Solutions	13.8%	2,956
– RM Education – RM Software	13.8%	1,550
Education Resources:		
– TTS Group	13.5%	11,111
– RM-SpaceKraft	13.4%	1,732
		17,349

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Following continuing challenging market conditions and ongoing tightening of public sector budgets, impairment indicators were evident. The following impairments have been recognised in the year:

Education Software

- After considering the likely future cash flows of RM Data Solutions Ltd, it was determined that no impairment was required. The business is heavily reliant on one public sector contract and the impairment analysis is performed on the basis that the contract is retained. In the event this contract is not renewed, a goodwill impairment charge will be recorded
- Following a review of forecast future cash flows, the goodwill on RM Education Ltd's (formerly RM Education plc's) software business has been fully impaired

12. Goodwill continued

Education Resources

- Following a review of the forecast future cash flows, no impairment was required on Group subsidiary TTS Group Ltd.
- An impairment of £1.4m has been recognised in relation to goodwill allocated to Space Kraft Ltd. This has arisen due to a reduction in public sector spending, which has led to a reduction in forecast net future cash flows.

The total impact of the items identified above is an impairment charge on the carrying value of goodwill of £3.0m (2011: £11.0m), which has been recognised in the year within operating expenses in the consolidated income statement.

The recoverable amounts of the CGUs are determined from value in use. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates.

The Group monitors its post-tax Weighted Average Cost of Capital and those of its competitors using market data. In considering the discount rates applying to CGUs, the Directors have considered the relative sizes, risks and the inter-dependencies of its CGUs and their relatively narrow operation within the education products and services market. The impairment reviews use a discount rate adjusted for pre-tax cash flows. Analysis of the sensitivity of the resultant impairment reviews to changes in the discount rate is included below.

The Group prepares cash flow forecasts derived from the most recent financial plan approved by the Board and extrapolates cash flows for the following two years based on forecast growth rates of the CGUs. The growth rates are based on internal growth forecasts of between 0% and 3% (2011: -7% and 3%). The terminal rates used for the value in use calculation are between 0% and 3% (2011: between 0% and 3%).

Sensitivity analysis

No reasonably possible change in a key assumption would produce a significant movement in the carrying value of goodwill allocated to a CGU and therefore no sensitivity analysis is presented.

Notes to the report and accounts continued

13. Intangible assets

Group	Customer relationships £000	Brands £000	Intellectual property & database assets £000	Acquisition related intangible assets sub-total £000	Other software assets* £000	Total £000
Cost						
At 1 October 2010	5,142	1,468	1,495	8,105	21,085	29,190
Additions	–	–	–	–	2,055	2,055
Exchange differences	–	–	–	–	(29)	(29)
Disposals	–	–	–	–	(10,377)	(10,377)
Disposal on sale of operations	(1,053)	(288)	(265)	(1,606)	–	(1,606)
Assets reclassified as held for sale	(2,490)	(616)	(905)	(4,011)	(84)	(4,095)
At 30 November 2011	1,599	564	325	2,488	12,650	15,138
Additions	–	–	–	–	422	422
Exchange differences	–	–	–	–	(14)	(14)
Disposals	–	–	–	–	(2,722)	(2,722)
At 30 November 2012	**1,599**	**564**	**325**	**2,488**	**10,336**	**12,824**
Accumulated amortisation and impairment						
At 1 October 2010	3,065	616	734	4,415	17,899	22,314
Charge for the period	404	118	206	728	1,272	2,000
Impairment loss	109	86	248	443	275	718
Exchange differences	–	–	–	–	(28)	(28)
Disposals	–	–	–	–	(10,315)	(10,315)
Disposal on sale of operations	(782)	(189)	(224)	(1,195)	–	(1,195)
Assets reclassified as held for sale	(1,952)	(511)	(642)	(3,105)	(60)	(3,165)
At 30 November 2011	844	120	322	1,286	9,043	10,329
Charge for the year	152	89	3	244	1,254	1,498
Exchange differences	(2)	–	–	(2)	(13)	(15)
Disposals	–	–	–	–	(2,226)	(2,226)
At 30 November 2012	**994**	**209**	**325**	**1,528**	**8,058**	**9,586**
Carrying amount						
At 30 November 2012	**605**	**355**	**–**	**960**	**2,278**	**3,238**
At 30 November 2011	755	444	3	1,202	3,607	4,809

*Purchased and internally developed software assets amounted to net book values of £0.2m and £2.1m respectively (2011: £0.6m and £3.0m). This included respective additions of £nil and £0.4m (2011: £0.2m and £1.8m). The net book value of capitalised research and development expenditure is £nil (2011: £nil).

13. Intangible assets continued

In the prior period, an impairment loss on acquisition related intangible assets of £443,000 and an impairment loss on other software assets of £275,000 were recognised within operating expenses in the consolidated income statement. These arose following the Group's September 2011 strategic review where certain operations were identified as being non-core to the Group's continuing strategy and an active disposal programme was initiated, with a number of subsidiaries and businesses being sold at 30 November 2011 and others identified as held for sale. The acquisition intangible assets were impaired under the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The other software assets were fully impaired following the disposal of businesses that benefitted from the assets' use. The prior period impairments are allocated to the segmental assets as follows: Learning Technologies £436,000, Education Resources £282,000. No impairment was recognised in the year ended 30 November 2012.

14. Property, plant and equipment

The movement in the period was as follows:

Group	Freehold land and buildings £000	Short leasehold improvements £000	Plant and equipment £000	Computer equipment £000	Vehicles £000	Total £000
Cost						
At 1 October 2010	2,817	3,940	9,349	41,828	7,888	65,822
Additions	97	1,046	1,265	2,010	995	5,413
Exchange differences	–	(41)	(103)	(82)	(31)	(257)
Transfer between categories	(134)	–	17	117	–	–
Disposals	–	(79)	(887)	(4,524)	(1,963)	(7,453)
Disposal on sale of operations	–	(165)	(366)	(1,090)	(120)	(1,741)
Assets reclassified as held for sale	–	(79)	(92)	(211)	(484)	(866)
At 30 November 2011	2,780	4,622	9,183	38,048	6,285	60,918
Additions	2	191	617	542	522	1,874
Exchange differences	–	(24)	(66)	(35)	(10)	(135)
Disposals	(3)	(296)	(548)	(25,008)	(2,583)	(28,438)
At 30 November 2012	**2,779**	**4,493**	**9,186**	**13,547**	**4,214**	**34,219**
Accumulated depreciation						
At 1 October 2010	458	2,207	6,733	31,608	3,762	44,768
Charge for the period	112	383	911	4,859	1,908	8,173
Exchange differences	–	(8)	(60)	(52)	(17)	(137)
Transfers between categories	119	–	(46)	(73)	–	–
Disposals	–	(50)	(901)	(4,007)	(1,633)	(6,591)
Disposal on sale of operations	–	(111)	(234)	(908)	(95)	(1,348)
Assets reclassified as held for sale	–	–	(77)	(175)	(295)	(547)
At 30 November 2011	689	2,421	6,326	31,252	3,630	44,318
Charge for the year	98	495	786	3,251	1,071	5,701
Exchange differences	–	(6)	(41)	(51)	(6)	(104)
Impairment loss	–	68	76	–	–	144
Disposals	(2)	(225)	(387)	(24,291)	(2,375)	(27,280)
At 30 November 2012	**785**	**2,753**	**6,760**	**10,161**	**2,320**	**22,779**
Carrying amount						
At 30 November 2012	**1,994**	**1,740**	**2,426**	**3,386**	**1,894**	**11,440**
At 30 November 2011	2,091	2,201	2,857	6,796	2,655	16,600

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 November 2012 these were as follows:

Group	Principal activity	Country of incorporation	Class of share	Proportion of voting rights and shares held
DACTA Ltd	Resource supply	England	Ordinary	100%
RM Books Ltd	Software services	England	Ordinary	100%
RM Group US LLC	Software, services and systems	USA	Ordinary	100%
RM Data Solutions Ltd	Data analysis and reporting	England	Ordinary	100%
RM Education Ltd (formerly RM Education plc)	Software, services and systems	England	Ordinary	100%
RM Education Solutions India Pvt Ltd*	Software and Corporate Services	India	Ordinary	100%
Space Kraft Ltd	Resource supply	England	Ordinary	100%
TTS Group Ltd	Resource supply	England	Ordinary	100%

* Held through subsidiary undertaking

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

Company	Investment in share capital £000	Capital contribution: share-based payments £000	Quasi-equity loan £000	Total £000
Cost				
At 1 October 2010	45,203	7,136	7,077	59,416
Increase in investment in subsidiary	12,000	–	–	12,000
Disposal of investments	(2,020)	–	–	(2,020)
Share-based payments	–	1,378	–	1,378
At 30 November 2011	55,183	8,514	7,077	70,774
Increase in investment in subsidiary	4,700	–	–	4,700
Disposal of investments	(13,602)	(102)	–	(13,704)
Share-based payments	–	129	–	129
At 30 November 2012	**46,281**	**8,541**	**7,077**	**61,899**
Impairment				
At 1 October 2010	3,776	–	–	3,776
Impairment in cost of investment of subsidiaries	7,565	–	–	7,565
Impairment in cost of investment in associate	698	–	–	698
At 30 November 2011	12,039	–	–	12,039
Impairment in cost of investment of subsidiaries	4,638	–	–	4,638
Impairment in cost of investment in associate	258	–	–	258
Disposal of investments	(10,690)	–	–	(10,690)
At 30 November 2012	**6,245**	**–**	**–**	**6,245**
Carrying value				
At 30 November 2012	**40,036**	**8,541**	**7,077**	**55,654**
At 30 November 2011	43,144	8,514	7,077	58,735

15. Investment in subsidiary undertakings continued

Loans to subsidiary undertakings are not repayable in the foreseeable future and are considered to form part of the Company's investment.

An impairment loss on the investment in subsidiaries of £4.6m (2011: £7.6m) and £0.3m (2011: £0.7m) on the investment in an associate has been recognised in the year within operating expenses in the parent company income statement. These impairments arose due to a reduction in profitability of certain businesses due to difficult market conditions and ongoing tightening of public sector budgets (2011: The impairments arose following the Group's September 2011 Strategic Review where certain operations were identified as being non-core to the Group's continuing strategy and an active disposal programme was initiated, with a number of subsidiaries and businesses being sold or held for sale at 30 November 2011).

Refer to note 12 for further information on the impairment reviews performed and calculation of recoverable amount.

A further investment of £4.7m (2011: £12.0m) was made during the year in Group subsidiary RM Education Ltd (formerly RM Education plc) in order to offset continuing reductions in the subsidiary's capital position from the inclusion of the retirement benefit obligation within its balance sheet (refer to note 28).

16. Inventories

Group	2012 £000	2011 £000
Components	**3,425**	4,840
Work in progress	**151**	165
Finished goods	**11,211**	13,822
	14,787	18,827

17. Long-term contracts

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

Group	2012 £000	2011 £000
Contracts in progress at the balance sheet date:		
Contract cost incurred plus recognised profits less recognised losses to date	**408,519**	321,597
Less: progress billings	**(417,417)**	(319,085)
	(8,898)	2,512
Amounts due from contract customers included in trade and other receivables	**8,748**	9,407
Amounts due to contract customers included in trade and other payables	**(17,646)**	(6,895)
	(8,898)	2,512

Total revenue recognised from long-term contracts amounted to £109.2m (2011: £101.1m).

Notes to the report and accounts continued

17. Long-term contracts continued

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 contracted revenues to establish ultimate contract profitability. Key judgments include performance indicator outcomes, future inflation rates and implementation/software development costs. Profit is then recognised based on these judgments and therefore, depending on the maturity of the contract portfolio, a greater or lesser proportion of Group profit will arise from long-term contracts.

18. Trade and other receivables

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Current				
Financial assets:				
Trade receivables	**41,978**	43,938	**–**	–
Long–term contract balances (Note 17)	**8,748**	9,407	**–**	–
Other receivables	**759**	2,046	**–**	31
Derivative financial instruments: forward foreign exchange contracts	**1**	67	**–**	–
Accrued income	**334**	782	**–**	–
	51,820	56,240	**–**	31
Non financial assets:				
Prepayments	**6,180**	6,030	**–**	–
	58,000	62,270	**–**	31
Non–current				
Financial assets:				
Other receivables – amount owed by joint venture undertaking	**–**	1,878	**–**	–
Other receivables – other	**1,911**	712	**1,661**	712
	1,911	2,590	**1,661**	712

Other non-current receivables includes £1.7m (2011: £0.7m) of gross amounts receivable from the Group's equity investments in BSF delivery companies, Newham Learning Partnership (PSP) Ltd and Essex Schools (Holdings) Ltd.

The currency profile of receivables is shown below:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Sterling	**58,941**	61,746	**1,661**	743
US Dollar	**626**	941	**–**	–
Euro	**65**	1,878	**–**	–
Indian Rupee	**279**	295	**–**	–
	59,911	64,860	**1,661**	743

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

18. Trade and other receivables continued

The average credit period on sales of goods is 46 days (2011: 62 days). An allowance has been made for estimated irrecoverable amounts of trade receivables of £1.6m (2011: £2.2m) based on management's knowledge of the customers, 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 trade receivables by type of customer:

Group	2012 £000	2011 £000
Government customers	**27,540**	23,974
Commercial customers	**14,438**	19,964
	41,978	43,938

Analysis of allowance for estimated irrecoverable amounts of trade receivables:

Group	2012 £000	2011 £000
At start of period	**2,194**	1,024
(Charge)/credit to income statement	**(98)**	1,734
Utilised	**(472)**	(421)
Transfer to held for sale	**–**	(143)
At end of period	**1,624**	2,194

Ageing of trade receivables:

Group	2012 £000	2011 £000
Neither impaired nor past due	**34,734**	19,839
Not impaired but overdue by less than 60 days	**5,359**	15,520
Not impaired but overdue by between 60 and 90 days	**733**	4,320
Not impaired but overdue by more than 90 days	**814**	4,695
Impaired	**1,962**	1,758
Allowance for estimated irrecoverable amounts	**(1,624)**	(2,194)
	41,978	43,938

Included within trade receivables are £0.4m (2011: £0.6m) 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.

Notes to the report and accounts continued

19. Trade and other payables

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Current				
Financial liabilities:				
Trade payables	14,302	16,206	–	–
Amounts due to subsidiary undertakings	–	–	3,686	4,505
Other taxation and social security	5,857	5,307	–	–
Other payables	574	2,628	–	–
Derivative financial instruments:				–
– forward foreign exchange contracts	31	273	–	–
– interest rate swap	–	72	–	–
Accruals	22,533	22,327	–	–
Long-term contract balances (Note 17)	17,646	6,895	–	–
Deferred consideration	–	195	–	195
	60,943	53,903	3,686	4,700
Non financial liabilities:				
Deferred income	26,400	23,878	–	–
	87,343	77,781	3,686	4,700

	Group		Company	
Non-current				
Non financial liabilities:				
Deferred income:				
– due after one year but within two years	3,799	3,627	–	–
– due after two years but within five years	2,986	2,576	–	–
– due after five years	–	83	–	–
	6,785	6,286	–	–

The currency profile of payables is shown below:

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Currency profile of payables:				
Sterling	92,200	81,258	3,686	4,700
US Dollar	1,279	2,005	–	–
Euro	98	20	–	–
Indian Rupee	551	784	–	–
	94,128	84,067	3,686	4,700

19. Trade and other payables continued

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 32 days (2011: 35 days). The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 require creditor days to be calculated using the year end trade creditors balance as a ratio of expenditure in the period. 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 2006 is 25 days (2011: 28 days).

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

No loan notes or deferred consideration were settled during the year (2011: £1.4m and £0.2m respectively). Following the measurement of performance conditions, the remaining deferred consideration balance of £195,000 was derecognised through the consolidated income statement.

The maturity profile of payables is presented below:

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Maturity profile of payables:				
– due within one year	**87,343**	77,781	**3,686**	4,700
– due after one year but within two years	**3,799**	3,627	**–**	–
– due after two years but within five years	**2,986**	2,576	**–**	–
– due after five years	**–**	83	**–**	–
	94,128	84,067	**3,686**	4,700

Notes to the report and accounts continued

20. Financial instruments

Carrying of financial assets and financial liabilities:

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**£000**	£000	**£000**	£000
Financial assets					
Trade and other receivables (current)	18	**51,820**	56,240	**–**	31
Trade and other receivables (non-current)	18	**1,911**	2,590	**1,661**	712
Assets held for sale (current)		**–**	6,791	**–**	–
Cash and cash equivalents		**37,823**	24,529	**–**	–
		91,554	96,150	**1,661**	743

All financial assets are classified as loans and receivables except for the forward foreign exchange contract of £1,000 (2011: £67,000) 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.

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**£000**	£000	**£000**	£000
Financial liabilities					
Trade and other payables (current)	19	**60,943**	53,903	**3,686**	4,700
Liabilities directly associated with assets classified as held for sale		**–**	2,914	**–**	–
Provisions (current)	21	**4,108**	7,752	**–**	126
Provisions (non–current)	21	**4,929**	5,661	**629**	–
Bank loans		**–**	13,026	**–**	–
		69,980	83,256	**4,315**	4,826

All liabilities classified as financial liabilities are held at amortised cost except for forward foreign exchange contracts of £31,000 (2011: £273,000) which are classified at fair value through profit or loss and the interest rate swap of £nil (2011: £72,000) which is designated and effective as a cash flow hedge.

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.

20. Financial instruments continued

Foreign currency risk

a) Translation

During the year the Group has held operations in 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 has £nil borrowings denominated in foreign currencies (2011: the Group's acquisition borrowing facility included an amount of £6.6m ($10.4m) denominated in US Dollars) and the Group also has long-term intra-group loans of £9.5m ($15.2m) (2011: £10.2m ($16.0m)) denominated in US Dollars and the Group applies net investment hedging to the 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 Pvt Ltd 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 80% of forecast Rupee costs and are renewed on a revolving basis of approximately eleven to twelve months.

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

	2012		2011	
Group	**Nominal value £000**	**Fair value £000**	Nominal value £000	Fair value £000
Forward foreign currency exchange contracts	**5,816**	**(30)**	14,300	(206)

The fair value of the derivative financial instruments is estimated by discounting the future contracted cash flow, 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 and trade and other payables respectively.

Of these, forward foreign currency exchange contracts with a nominal value of £0.1 million (2011: £9.8 million) have been designated as effective hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The movement in fair value of hedged derivative financial instruments was a credit of £1,000 (2011: credit of £27,000) which has been recognised in other comprehensive income and presented in the hedging reserve in equity.

The remaining forward foreign currency exchange contracts with a nominal value of £6.1 million (2011: £4.5 million) have not been designated as effective hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The movement in the fair value of these instruments of £32,000 (2011: £232,000) have therefore been charged to income.

Commercially effective hedges may continue to lead to income statement volatility in the future, particularly if the hedges do not meet the criteria of an effective hedge in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Notes to the report and accounts continued

20. Financial instruments continued

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 $1.60:£1 to $1.76:£1 at the balance sheet date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period 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 and a negative number indicates a reduction in profit and equity. For a 10% weakening of Sterling against the relevant currency, there would be a comparable but opposite impact on the profit and equity.

Group	**12 months to 30 November 2012 Income sensitivity £000**	**2012 Equity sensitivity £000**	14 months to 30 November 2011 Income sensitivity £000	2011 Equity sensitivity £000
10% increase in foreign exchange rates against Sterling:				
US Dollar	**318**	**977**	94	844
Indian Rupee	**28**	**(134)**	66	(154)
Euro	**3**	**(36)**	(169)	(165)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period end exposure does not reflect the exposure during the period, as the analysis does not reflect management's proactive monitoring methods for exchange risk.

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, average cash and cash equivalents were £23.7m (2011: £6.1m), and the maximum bank overdraft was £nil (2011: £11.8m), excluding amounts drawn under the acquisition facility. The interest and currency profile of cash and cash equivalents is shown below:

	2012			2011		
Group	**Floating rate £000**	**Interest free £000**	**Total £000**	Floating rate £000	Interest free £000	Total £000
Sterling	**34,200**	**2,393**	**36,593**	18,761	1,189	19,950
US Dollar	**–**	**974**	**974**	1	3,931	3,932
Euro	**–**	**72**	**72**	–	180	180
Danish Kroner	**–**	**1**	**1**	–	16	16
Indian Rupee	**57**	**126**	**183**	74	369	443
Polish Zloty	**–**	**–**	**–**	–	8	8
	34,257	**3,566**	**37,823**	18,836	5,693	24,529

20. Financial instruments continued

The Group's main interest bearing financial liability is a committed Barclays revolving credit facility. The £30m revolving credit facility, signed on 27 January 2012 replaced the $39.5m uncommitted HSBC Sterling dealing line and $25m committed acquisition facility. In addition to the revolving credit facility, the Group also has a £3m working capital facility held with Barclays. Neither the committed revolving credit facility nor the working capital overdraft facility has been utilised during the year.

Interest payable on any utilised revolving credit facility is fixed at 2.8% above LIBOR until 27 January 2013 and reduces to 2.5% above LiBOR for the remainder of the three year committed term subject to certain financial ratios. A commitment fee of 1.2% is payable on the unutilised balance and an arrangement fee of £0.4m has been paid and is recognised in the consolidated income statement on an effective interest rate basis over the duration of the facility.

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

Group	2012 Floating rate £000	2012 Weighted average interest rate %	2011 Floating rate £000	2011 Weighted average interest rate %
Financial assets:				
Cash and cash equivalents	**34,257**	**0.29**	18,836	0.27
Trade and other receivables (non-current)	**1,911**	**11.28**	2,590	5.77
Financial liabilities:				
Bank loans	**–**	**–**	(13,026)	1.24
Deferred consideration	**–**	**–**	(195)	–

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

Group	12 months to 30 November 2012 Income sensitivity £000	2012 Equity sensitivity £000	14 months to 30 November 2011 Income sensitivity £000	2011 Equity sensitivity £000
1% increase in interest rates	**154**	**154**	51	51
1% decrease in interest rates	**(154)**	**(154)**	(51)	(51)

Notes to the report and accounts continued

20. Financial instruments continued

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 a large proportion are ultimately backed by the UK Government.

The Group's maximum exposure to credit risk at 30 November 2012 is £91.6m (2011: £83.4m). 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, to meet short, medium and long-term cash flow forecasting requirements.

The Group meets its seasonal working capital requirements from current funds. At the balance sheet date, the Group has a £30m three year committed revolving credit facility held with Barclays Bank. In addition to the revolving credit facility, the Group also has a £3m working capital facility with Barclays Bank which is reviewed annually each March. These facilities combined gave £33m of working capital funding capacity during the year. At 30 November 2012 none of these facilities were drawn-down (2011: £nil).

The acquisition facility was fully repaid during the year resulting in £nil loan balance at the balance sheet date (2011: £13.0m).

Capital risk management

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

Group	2012 £000	2011 £000
Shareholders' equity	**25,232**	28,518
Less: net funds less deferred consideration	**(37,823)**	(11,308)
Capital employed	**(12,591)**	17,210

During the year to 30 November 2012, the Group did not utilise any borrowings under the credit facilities.

The financial covenants were all comfortably met during the year ended 30 November 2012 and in the period to the signing of the accounts. The covenants under the Group's new facility, agreed with Barclays Bank on 27 January 2012 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 2012 and management's plan for 2013 and subsequent years, there is adequate headroom over these covenant measures.

During 2012 return on capital has been measured using economic profit on operating and non-operating assets at costs of capital which are monitored compared with market data.

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

21. Provisions

Group	Restructuring provisions £000	Onerous leases and dilapidations provisions £000	Other £000	Total £000
At 1 October 2010	**536**	**678**	–	1,214
Increase in provisions	**4,838**	**6,897**	2,147	13,882
Utilisation of provisions	**(1,590)**	**–**	–	(1,590)
Transfer to held for sale	**(15)**	**(78)**	–	(93)
At 30 November 2011	**3,769**	**7,497**	2,147	13,413
Increase in provisions	**464**	**776**	1,003	2,243
Utilisation of provisions	**(3,103)**	**(1,656)**	(187)	(4,946)
Release of provisions	**(677)**	**(389)**	(788)	(1,854)
Unwind of discount	**-**	**181**	-	181
At 30 November 2012	**453**	**6,409**	2,175	9,037

The Company has £629,000 provisions at 30 November 2012 (2011: £126,000), relating to warranties on businesses sold.

Restructuring provisions relate to employee related costs arising from restructuring to meet the future needs of the Group and are all expected to be utilised during the following financial year.

In the prior period, as part of the strategic review and with the subsequent business disposal and consolidation programme, a full assessment was made of the Group's use of its leased property portfolio. As a result, the Group identified that, with its reduced space requirements, additional provision of £6.9m was required for ongoing lease obligations and associated costs for premises expected to be vacated. In the current year, a further provision of £0.8m was required. These provisions are expected to be utilised over the remaining lives of the leases, which is an average of 3.8 (2011: 3.2) years. Of the provision at balance date, £4.2m (2011: £5.1m) relates to onerous leases.

Provisions for onerous leases and dilapidations have been recognised at the present value of the expected obligation at discount rates of 3% reflecting a risk free discount rate, applicable to the liabilities. These discounts will unwind to their undiscounted value over the remaining lives of the leases via a finance charge within the income statement.

Included within the increase in other provisions and the release of other provisions are £503,000 (2011: £1,454,000) and £716,000 (2011: £nil) respectively that have been recognised on the exit of operations included within the loss on sale of operations within the consolidated income statement and consolidated cash flow statement.

The above balances reconcile to the balance sheet as follows:

Group	2012 £000	2011 £000
Current provision	**4,108**	7,752
Non-current provision	**4,929**	5,661
	9,037	13,413

Notes to the report and accounts continued

22. Share capital

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

Company and Group	Number '000	£000
At 1 October 2010	93,420	1,868
Issued on options	48	1
At 30 November 2011	93,468	1,869
Issued on options	47	1
At 30 November 2012	93,515	1,870

47,650 (2011: 47,750) ordinary shares of 2p each were allotted in the period, for consideration of £35,000 (2011: £46,000).
The Company has the authority to repurchase 9,346,780 shares (2011: 9,342,005) and repurchased nil shares during the period (2011: nil).

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

23. 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 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.

Company and Group	Number	Cost £000
At 1 October 2010	2,306,350	3,805
Acquired in period	136,609	212
Disposed on exercise of co-investment plan and deferred bonus plan	(500,402)	(815)
At 30 November 2011	1,942,557	3,202
Disposed on exercise of co-investment plan and deferred bonus plan	(145,195)	(230)
At 30 November 2012	**1,797,362**	**2,972**

These shares are shown at weighted average cost within equity in the Group and Company balance sheets.

24. Held for sale and exited businesses

As a result of the September 2011 strategic review, the Board concluded that several Group subsidiaries and businesses would be disposed. These have been determined to not meet the IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations definition of discontinued operations.

a) Loss on disposals

On 19 January 2012, 100% of the equity of AMI Education Solutions Ltd, containing the Easytrace business was sold to Jonas Computing (UK) Ltd for £0.7m plus an adjustment for net assets at completion. On 4 January 2012, the Group entered into a sale agreement to dispose of its 49% stake in Lego Education Europe Ltd and the business assets including employment contracts of Dacta Ltd to Lego A/S for €4.4m, which included repayment of a loan of €2.2m. On 10 May 2012, the Group entered into a sale agreement to dispose of its subsidiary Isis Concepts Ltd for a cash consideration of £0.2m.

The net assets disposed and the impact on the income statement of these disposals are detailed below:

Group	AMI £000	Lego Education £000	Isis £000	RM Asia Pacific £000	US hardware £000	Total £000
12 months to 30 November 2012						
Goodwill	–	1,952	–	–	–	1,952
Acquisition related intangible assets	906	–	–	–	–	906
Other intangible assets	1	–	–	–	–	1
Interest in joint venture	–	37	–	–	–	37
Property, plant and equipment	143	–	132	–	–	275
Deferred tax assets	–	–	11	–	–	11
Inventories	266	–	890	–	–	1,156
Trade and other receivables	973	–	1,787	–	–	2,760
Trade and other payables	(695)	(204)	(993)	–	–	(1,892)
Deferred tax liabilities	(227)	–	–	–	–	(227)
Net assets disposed	1,367	1,785	1,827	–	–	4,979
Other exit costs/(income)	–	–	–	708	(705)	3
Total consideration	549	1,780	205	–	–	2,534
Loss on disposal	**(818)**	**(5)**	**(1,622)**	**(708)**	**705**	**(2,448)**

Other exit costs principally relate to asset impairments, termination and exit costs and provisions.

Notes to the report and accounts continued

24. Held for sale and exited businesses continued

b) Held for sale operations

At the prior period balance sheet date, certain businesses identified for disposal were being actively marketed for sale but had not been disposed. These were recorded as held for sale at 30 November 2011. These businesses were all subsequently sold during the year ended 30 November 2012 (as disclosed above in note 24(a)) and hence the net assets held for sale at 30 November 2012 are £nil (2011: £3.9m).

The major classes of assets and liabilities comprising the operations classified as held for sale at 30 November 2011 were as follows:

	Net assets before impairment on classification to held for sale £000	Impairment on classification to held for sale £000	Net assets held for sale at 30 November 2011 £000
Goodwill	6,532	(4,580)	1,952
Intangible assets	1,373	(443)	930
Property, plant and equipment	319	–	319
Deferred tax assets	33	–	33
Investment in joint venture	37	–	37
Inventories	727	–	727
Trade and other receivables	2,793	–	2,793
Total assets held for sale	11,814	(5,023)	6,791
Trade and other payables	(2,617)	–	(2,617)
Provisions	(93)	–	(93)
Deferred tax liabilities	(204)	–	(204)
Total liabilities directly associated with assets held for sale	(2,914)	–	(2,914)
Net assets of disposal group	8,900	(5,023)	3,877

25. Commitments

a) Operating leases

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

Group	12 months to 30 November 2012 £000	14 months to 30 November 2011 £000
Minimum lease payments under operating leases recognised as an expense in the year/period	**4,675**	6,986

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:

Group	2012 £000	2011 £000
Within one year	**2,804**	2,984
In the second to fifth years inclusive	**7,749**	9,289
After five years	**4,601**	6,308

Operating lease payments represent rentals payable by the Group for certain of its office properties and include the period up to the earliest commercial exit date which is normally the first break clause of the lease. The balances disclosed above exclude commitments of £2.4m (2011: £3.1m) which have been included within onerous lease provisions at the balance sheet date. The terms of these leases are subject to renegotiation on an average term of 3.8 years (2011: 3.3 years) and rentals are fixed for an average of 3.6 years (2011: 3.6 years). If all rights of renewals within the operating leases are included, the leases have an average term of 13.4 years (2011: 12.5 years).

b) Capital commitments

The Group has the following capital expenditure commitments:

Group	2012 £000	2011 £000
Contracted for but not provided for	**191**	1,257

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 (2011: £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 (2011: £nil) has been applied to these guarantees and indemnities.

Notes to the report and accounts continued

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, 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 period 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. There are various performance conditions attaching to share option grants which are yet to vest, including EPS, share price and share purchase conditions. Options are forfeited if the employee leaves the Group before the options vest.

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

Group	Number of share options	Weighted average exercise price £	Weighted average share price at exercise £	Exercise price range £
Outstanding at 1 October 2010	3,825,200	1.72		0.79 – 2.05
Granted during the period	1,000,000	0.51		
Lapsed during the period	(486,033)	1.72		
Exercised during the period	(47,750)	0.96	1.54	
Outstanding at 30 November 2011	4,291,417	1.45		0.51 – 2.05
Lapsed during the period	(1,130,867)	1.71		
Exercised during the period	(47,650)	0.73	0.77	
Outstanding at 30 November 2012	**3,112,900**	**1.37**		**0.51 – 2.05**

Included within the total outstanding options at 30 November 2012 are 1,710,900 (30 November 2011: 2,286,750) options which are exercisable.

The options outstanding at 30 November 2012 had a weighted average contractual life of 6.0 years (2011: 6.7 years).

In the 12 months ended 30 November 2012, no option grants were made. In the prior period an option grant was made on 26 October 2011 to Martyn Ratcliffe on his appointment as Chairman. The estimated fair value of the options granted were £0.16 per option, determined using a Monte Carlo model owing to the share price and share purchase performance conditions within the award. It has been assumed that the share purchase condition will be met.

27. Share-based payments continued

b) Co-investment plans

The Group has in place co-investment plans for the remuneration of senior management. In the period to 30 November 2012, no co-investment rights were granted (2011: none). Details of co-investment plan maximum matching share commitments are included below:

Group	Maximum number of matching shares
Outstanding at 1 October 2010	1,574,430
Lapsed during the period	(466,282)
Exercised during the period	(243,098)
Outstanding at 30 November 2011	865,050
Lapsed during the period	(865,050)
Outstanding at 30 November 2012	**–**

All of the above instruments lapsed on 16 December 2011 owing to the non-achievement of the plan performance conditions.

c) Performance share plans

The Group uses performance share plans for the remuneration of senior executives and senior management. Details of senior executive awards are contained within the Remuneration Report. Senior management participation has been subject to various vesting conditions, including EPS, total shareholder return and share price conditions. If the vesting conditions are either not met or the participants leave the Group's employment then in most circumstances the award lapses. Details of performance share plan shares during the period are included below:

Group	Maximum number of awarded shares	Market price on grant £
Outstanding at 1 October 2010	1,554,145	
Granted during the period	2,333,269	1.51
Lapsed during the period	(907,674)	
Exercised during the period	(7,248)	
Outstanding at 30 November 2011	2,972,492	
Granted during the period	3,230,000	0.75
Lapsed during the period	(1,110,987)	
Exercised during the period	–	
Outstanding at 30 November 2012	**5,091,505**	

The plan outstanding at 30 November 2012 had a weighted average contractual life of 1.4 years (2011: 1.8 years).

Notes to the report and accounts continued

27. Share-based payments continued

c) Performance share plans

In the period to 30 November 2012, 2,730,000 performance share plan rights were granted to executive and senior management on 1 December 2011 and 250,000 on 29 February 2012 (2011: 10 December 2010). Both awards were made under the same share price based performance conditions and performance periods. The fair values are determined using Monte Carlo models which give fair values of £0.47 per share for share price performance conditions until 2015 and £0.40 per share for share price performance conditions until 2016 (2011: £1.29 per share for EPS vesting conditions and £0.86 per share for TSR vesting conditions). A further 250,000 share plan rights were granted on 6 August 2012 to David Brooks on his appointment to Chief Operating Officer. The fair value is determined using the Monte Carlo simulation which gave £0.48 for the TSR vesting conditions. The fair values 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:

	1 December 2011		29 February 2012		6 August 2012
Group	2015	2016	2015	2016	TSR
Share price at grant (£)	0.74	0.74	0.83	0.83	0.80
Exercise price (£)	Nil	Nil	Nil	Nil	Nil
Expected life	4 years	5 years	4 years	5 years	3 years
Expected dividends	3.60%	3.60%	3.60%	3.60%	2.44%

The expected life used in the modelling 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 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. 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 23.

27. Share-based payments continued

d) Deferred bonus plan

The Group has in place a deferred bonus plan for the remuneration of Executive Directors. This plan was not used for the year ended 30 November 2012. Under historic plans 40% of the Directors' annual cash bonus was deferred in ordinary shares for a period of three years and vested at the expiry of the same period. Any unvested shares 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 period are as follows:

Group	Number of bonus shares	Market price on setting entitlement £	Market price on grant £
Outstanding at 1 October 2010	319,879		
Granted during the period in relation to 2010	120,476	1.57	1.60
Released during the period	(250,056)		
Lapsed during the period	(3,690)		
Outstanding at 30 November 2011	186,609		
Released during the period	(145,195)		
Lapsed during the period	(1,340)		
Outstanding at 30 November 2012	**40,074**		

The number of shares outstanding at 30 November 2012 had a weighted average contractual life of 1.2 years (2011: 1.1 years).

In the 12 months ended 30 November 2012 no awards have been granted under the deferred bonus plan (2011: 15 December 2010). Inputs to the model are as follows:

Group	15 December 2010
Share price at grant	£1.60
Exercise price	Nil
Expected life	3 years
Risk free rate	0.9%
Expected dividends	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 23.

Notes to the report and accounts continued

27. Share-based payments continued

e) Staff share schemes

The RM plc 2002 Staff Share Scheme has historically made annual grants of shares in RM plc to almost all employees. No award was made in the year to 30 November 2012. 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.

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:

Group	Number of shares	Weighted average cost £000
RM plc 2002 Staff Share Scheme	522,273	856
RML Staff Share Scheme	1,361	1
At 1 October 2010	523,634	857
Vested	(67,064)	(110)
RM plc 2002 Staff Share Scheme	455,209	747
RML Staff Share Scheme	1,361	1
At 30 November 2011	456,570	748
Vested	(96,375)	(159)
RM plc 2002 Staff Share Scheme	358,834	588
RML Staff Share Scheme	1,361	1
At 30 November 2012	**360,195**	**589**

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

Performance conditions – estimation uncertainty

Assigning a fair value charge to share-based payments requires: estimation of the projected share price; the number of instruments which are likely to vest; other non-market based performance conditions. Assigning a fair value charge requires continuing reassessment of these estimates.

28. Retirement benefit schemes

a) 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 £3.7m (2011: £5.1m) represents contributions payable to these schemes by the Group at rates specified in employment contracts. As at 30 November 2012 £0.4m (2011: £0.3m) due in respect of the current reporting period had not been paid over to the schemes.

b) Local government pension schemes

Through its long-term contract portfolio the Group has TUPE employees who retain membership of Local Government Pension schemes. The Group makes payments to these schemes for current service costs in accordance with its contractual obligations which are capped and collared. The Group has insignificant deficit risk for these schemes.

c) Defined benefit scheme

The Group operates one defined benefit pension scheme, the Research Machines plc 1988 Pension Scheme. The scheme provides benefits to qualifying employees and former employees of RM Education Ltd, 3T Productions Ltd and Softease Ltd, but was closed to new members with effect from 1 January 2003. Under the scheme, employees are entitled to retirement benefits of 1/60th of final pensionable 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 2012 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 November 2012. The present value of the defined benefit obligation and the related current service cost was measured using the projected unit credit method.

As at 31 May 2012, the triennial valuation for statutory funding purposes showed a deficit of £53.5 million (31 May 2009: £16.6 million). The Group agreed with the Scheme Trustees to repay this amount via deficit catch up payments of £5 million in October 2012, £4 million per annum until 31 May 2013 and thereafter at £3.6m per annum until 31 May 2027.

Following employee consultation and negotiation with Scheme Trustees, the Group announced on 31 October 2012 that the scheme would close to future accrual of benefits. As a result of the closure to accrual, a £1.8m curtailment gain has been recognised in the consolidated income statement.

During the period until closure to accrual, the cost of future provision, on a valuation basis as a percentage of pension contribution salary, was 31.6% for Normal Retirement Age 60 (2009: 20.9%, 2006: 21.4%, 2003: 20.4%) and 23.6% 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 a contribution salary cap at 5% per annum and from 2010 the lowering of the cap to 2.5%.

RM plc has entered into a guarantee to irrevocably undertake with the Trustees that, if ever the subsidiary company, RM Education Ltd, does not pay any amount when due in respect of its Guaranteed Obligations, it must immediately on demand by the Trustees pay that amount (that was due but unpaid) as if it were the principal obligor. The guarantee for the catch up payments remains in place on condition that the assumptions underlying the valuation in 2012 are the same for all subsequent triennial valuations undertaken.

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:

Group	**12 months 2012 £000**	14 months 2011 £000
Current service cost, recognised within operating profit	**2,241**	3,122
Curtailment gain	**(1,824)**	–
Operating charge	**417**	3,122
Interest cost	**6,379**	7,137
Expected return on scheme assets	**(5,620)**	(6,790)
Expense recognised within finance costs	**759**	347
	1,176	3,469

Of the £2.2m (2011: £3.1m) current service cost, £1.0m (2011: £1.6m) is included in cost of sales and £1.2m (2011: £1.5m) in operating expenses. The curtailment gain of £1.8m is included within the exceptional net credit on the defined benefit scheme in the consolidated income statement. This exceptional item is shown net of a pension related obligation of £0.5m to be met directly by the Group, not through the pension scheme.

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:

	2012		2011	
Group	**%**	**£000**	%	£000
Equities	**6.5%**	**64,858**	6.5%	54,594
Bonds, gilts and cash	**3.2%**	**64,857**	3.4%	56,821
Total fair value of scheme assets		**129,715**		111,415
Present value of defined benefit obligations		**(150,148)**		(132,589)
Deficit in scheme and liability recognised in balance sheet		**(20,433)**		(21,174)
Related deferred tax asset		**4,700**		5,294
Net pension deficit		**(15,733)**		(15,880)

The actual return on scheme assets in the period was a gain of £10.4m (2011: gain of £5.9m). 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.

28. Retirement benefit schemes continued

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

Group	12 months 2012 £000	14 months 2011 £000
Actuarial gains and (losses)	**(10,855)**	(10,215)
Experience gains and (losses)	**3,252**	-
	(7,603)	(10,215)

Cumulative actuarial gains and losses recognised in the statement of recognised income and expense since 1 October 2004 are losses of £40.5m (2011: losses of £32.9m).

Key assumptions used:

	12 months 2012	14 months 2011
Rate of increase in salaries	**2.4%**	2.4%
Rate of increase of pensions	**1.35%, 2.8%, 2.0%**	1.3%, 2.9%, 2.0%
(pre 6 April 1997, pre 1 June 2005, post 31 May 2005)		
Discount rate	**4.5%**	4.8%
Inflation assumption:		
- CPI	**2.2%**	2.3%
- RPI	**2.9%**	3.0%

Mortality assumptions align with those used in the triennial valuation and are the SAPS 03 Normal year of birth, medium cohort tables with a 1% mortality improvement underpin. These give average life expectancies as follows:

	2012		2011	
	Male	**Female**	Male	Female
Pensioner member age 65 (current life expectancy)	**22.4**	**24.8**	21.3	24.1
Non-pensioner member age 45 (life expectancy at 65)	**24.1**	**26.8**	23.2	26.0

Notes to the report and accounts continued

28. Retirement benefit schemes continued

Movements in fair value of scheme assets were as follows:

Group	12 months 2012 £000	14 months 2011 £000
At start of period	**111,415**	102,292
Expected return on scheme assets	**5,620**	6,790
Actuarial gains and (losses) – actual return less expected return	**4,714**	(927)
Contributions from sponsoring companies:		
– In respect of current service cost	**2,241**	3,122
– In excess of current service cost	**7,279**	1,768
	9,520	4,890
Contributions from scheme members	**10**	36
Benefits paid	**(1,564)**	(1,666)
At end of period	**129,715**	111,415

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

Group	12 months 2012 £000	14 months 2011 £000
At start of period	**132,589**	114,672
Current service costs	**2,241**	3,122
Curtailment gain – exceptional credit from closure to future accrual	**(1,824)**	–
Interest cost	**6,379**	7,137
Contributions from scheme members	**10**	36
Actuarial (gains) and losses:		
– Movement from RPI to CPI	**–**	(4,714)
– Other	**12,317**	14,002
	12,317	9,288
Benefits paid	**(1,564)**	(1,666)
At end of period	**150,148**	132,589

The history of experience adjustments is as follows:

Group	12 months 2012	14 months 2011	12 months 2010	12 months 2009	12 months 2008
Difference between expected and actual return on scheme assets:					
– amount (£000)	**4,793**	(927)	3,695	4,540	(15,189)
– as a percentage of scheme assets	**4%**	(1)%	4%	5%	(20)%
Experience gains and (losses) on scheme liabilities:					
– amount (£000)	**3,252**	–	–	(1,100)	–
– as a percentage of scheme liabilities	**2%**	–	–	(1)%	–

The amount of contributions expected to be paid to the Scheme during the year to 30 November 2013 have been set at £4.0m per annum until 31 May 2013 and thereafter at £3.6m per annum until 31 May 2027.

28. Retirement benefit schemes continued

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 is shown in the table below:

Group	Current assumption	Increase/ (decrease) in pre-tax deficit £000
Discount rate increase of 0.1%	**4.5%**	**(3,584)**
Inflation increase of 0.1%	**2.85%**	**3,278**
1 year additional life expectancy	**SAPS 03 Normal with 1% mortality improvement underpin**	**2,532**

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

29. Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not included in this note. Transactions between the Group and its joint venture are disclosed below.

a) Remuneration of key management personnel

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, including waived remuneration, is provided in the audited section of the Remuneration Report.

Group	12 months 2012 £000	14 months 2011 £000
Short-term employee benefits	**2,570**	2,716
Post-employment benefits	**222**	392
Termination payments	**313**	365
Share-based payments	**141**	694
	3,246	4,167

Share-based payments includes charges made under the long-term incentive deferred bonus, performance share, co-investment and share option plans. There are no other long-term incentive plans.

Notes to the report and accounts continued

29. Related party transactions continued

b) Transactions between the Group and Joint venture

During its period of ownership, the Group provided services of £nil (2011: £1.5m) to its joint venture undertaking Lego Education Europe Ltd and at 30 November 2012, a trading balance of £nil was receivable from the joint venture (2011: £0.1m). The joint venture undertaking was sold during the year ended 30 November 2012 (refer to note 24). The Group provided financing of £1.9m in the prior period to the joint venture on which interest was charged at an effective interest rate of 3.13%. This was fully repaid to the Group during the year ended 30 November 2012 as part of the terms of the sale of the joint venture.

c) 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, intra-group dividends and interest. The table below shows transactions between the Company and its subsidiaries impacting profit for the period:

Company	**12 months 2012 £000**	14 months 2011 £000
Management recharges	**(501)**	(626)
Net intercompany interest income	**116**	474
Dividends received	**6,480**	4,410

Total outstanding balances held with subsidiaries are listed in notes 18 and 19.

The Company also operates several share-based payment schemes for the benefit of employees of Group companies, as outlined above. A fair value charge of £0.1m (2011: £1.4m) for these schemes has been recharged to the employing Group company.

d) Sponsorship and donations

RSA and RSA Tipton Academy

In 2008 the Group agreed to support the building costs of the RSA Tipton Academy ('Academy') via an agreement with the Royal Society of Arts ('RSA'). In total £160,000 has been paid to the RSA and the Academy for this purpose. During the year, the Academy has purchased products and services from the Group to the value of £138,000. The Group's remaining commitments to the Academy are to jointly fund an ICT role and provide information technology hardware at cost up to 31 July 2013.

RM Board Director Sir Mike Tomlinson became Chair of Governors at the Academy in 2008 (a non-fee earning position), after the initial arrangements with the Academy were negotiated. He did not participate in any of these negotiations. He ceased being Chair of the Governors in July 2012.

21st Century Learning Trust

During the year ended 30 November 2012 the Group ceased its sponsorship of teaching fellowships spending £nil (2011: £9,000) through 21st Century Learning, a trust in respect of which Board Director Sir Mike Tomlinson is a Co-Chair (in a non-fee earning position).

e) Other related party transactions

Microgen plc

During 2012 the Group has entered into two contracts with Microgen plc to purchase products and software development services. One contract relates to upgrading internal business reporting analysis capability and the other to product and software development services for RM Books and RM Unify. RM Chairman, Martyn Ratcliffe, is Chairman of, and equity holder in, Microgen plc. The cost of software and services provided to the Group by Microgen plc was £364,000 (2011: £nil). Martyn Ratcliffe did not participate in the negotiation of these contracts.

29. Related party transactions continued

Cabot Learning Federation

Former RM Board Director Rob Sirs was a Director of the Cabot Learning Federation, an Academy provider. Cabot Academies have purchased products and services from RM of approximately £32,000 (2011: £65,000) in the year to 30 November 2012, with these being at arms-length prices and following competitive tendering.

Teach First

The Group purchased services to the value of £nil (2011: £10,000) in the year to 30 November 2012 from Teach First Trust where RM Board Director Lord Andrew Adonis is a Trustee (in a non-fee earning position).

City & Guilds

RM Board Director Sir Mike Tomlinson is Chair of the Quality & Standards Committee of City & Guilds. City & Guilds purchased services and products of £nil (2011: £158,000) in the year to 30 November 2012.

Dods (Group) PLC

RM Board Director Lord Andrew Adonis is a Director of Dods (Group) PLC. The Group has purchased products and services from Dods of £nil (2011: £1,000) in the period to 30 November 2012, with these being at arms-length prices.

Isis Concepts Ltd

On 10 May 2012, RM plc completed the sale of ISIS Concepts Ltd ('ISIS') to ISIS Concepts Holdings Ltd ('ISIS HoldCo'). ISIS HoldCo was a new company formed by Nick Topliss, who owned ISIS prior to it being purchased by the Group in 2009 and who acted as Managing Director of ISIS during the period of RM plc's ownership. Rob Sirs, a former Director of RM plc also invested in ISIS HoldCo. The transaction followed an extensive marketing process through third party advisors. As part of the transaction, RM agreed to provide a short-term working capital loan facility of up to £850,000, secured on freehold property and other assets valued in excess of that figure. That loan facility has since been repaid in full.

PricewaterhouseCoopers LLP

The Group uses PricewaterhouseCoopers LLP to provide certain consultancy and assurance services, but excluding external audit services. RM Board Director Iain McIntosh's wife is an equity partner in PricewaterhouseCoopers. She has not been involved in any services provided to the Group.

The Group encourages its Directors and employees to be Governors, Trustees or equivalent of educational establishments. The Group trades with these establishments in the normal course of its business.

30. Subsequent events disclosure

Subsequent to the balance sheet date, on 23 January 2013 the Group signed an extended £30m committed revolving credit facility with Barclays Bank which has a termination date of March 2016.

Proforma financial information

for the year ended 30 November 2012

As explained in note 1, the financial year end of the Company and its subsidiaries changed from 30 September to 30 November in 2011. In order to present data for comparable time periods, proforma financial information showing the Group's financial performance and cash flows for the year ended 30 November 2012 is presented below with comparative financial information for the year ended 30 November 2011. This data has been prepared as if the Group had always had a 30 November year end.

This proforma financial information is unaudited.

Proforma consolidated income statement

for the year ended 30 November 2012

	Notes	Adjusted £000	Adjustments £000	**Year ended 30 November 2012** Total £000	Adjusted £000	Adjustments £000	Year ended 30 November 2011 Total £000
Revenue		**288,688**	**–**	**288,688**	310,055	–	310,055
Cost of sales		**(217,868)**	**–**	**(217,868)**	(228,686)	–	(228,686)
Gross profit		**70,820**	**–**	**70,820**	81,369	–	81,369
Operating expenses		**(57,249)**		**(57,249)**	(67,264)	–	(67,264)
– Amortisation of acquisition related intangible assets		**–**	**(244)**	**(244)**	–	(604)	(604)
– Impairment of goodwill, acquisition related intangible assets, other intangible assets and investments		**–**	**(3,212)**	**(3,212)**	–	(12,370)	(12,370)
– Loss on sale of operations		**–**	**(2,448)**	**(2,448)**	–	(4,391)	(4,391)
– Share-based payment charges		**–**	**(129)**	**(129)**	–	(1,087)	(1,087)
– Restructuring costs		**–**	**(312)**	**(312)**	–	(8,576)	(8,576)
– Increase in provision for dilapidations on leased properties and onerous lease contracts		**–**	**(457)**	**(457)**	–	(5,986)	(5,986)
– Exceptional credit on settlement		**–**	**715**	**715**	–	–	–
– Release of deferred consideration		**–**	**195**	**195**	–	–	–
– Exceptional net credit on defined benefit pension scheme		**–**	**1,324**	**1,324**	–	–	–
Share of results of associate and joint venture		**–**	**–**	**–**	37	(28)	9
		(57,249)	**(4,568)**	**(61,817)**	(67,227)	(33,042)	(100,269)
Profit/(loss) from operations		**13,571**	**(4,568)**	**9,003**	14,142	(33,042)	(18,900)
Investment income		**926**	**–**	**926**	940	–	940
Finance costs		**(1,359)**	**(181)**	**(1,540)**	(510)	–	(510)
Profit/(loss) before tax		**13,138**	**(4,749)**	**8,389**	14,572	(33,042)	(18,470)
Tax	33	**(3,160)**	**(301)**	**(3,461)**	(4,724)	3,868	(856)
Profit/(loss) for the year attributable to equity holders of the parent		**9,978**	**(5,050)**	**4,928**	9,848	(29,174)	(19,326)
Earnings/(loss) per ordinary share:							
Basic		**10.9p**	**(5.5)p**	**5.4p**	10.8p	(32.0)p	(21.2)p
Diluted		**10.9p**	**(5.5)p**	**5.4p**	10.8p	(32.0)p	(21.2)p

Proforma consolidated cash flow statement

for the year ended 30 November 2012

	Year ended 30 November 2012 £000	Year ended 30 November 2011 £000
Profit/(loss) from operations	**9,003**	(18,900)
Adjustments for:		
(Gain)/loss on foreign exchange derivatives	**(250)**	607
Share of results of associate and joint venture	**–**	(9)
Impairment of investment in associate	**258**	660
Amortisation of acquisition related intangible assets	**244**	604
Impairment of acquisition related intangible assets	**–**	443
Impairment of goodwill	**2,954**	10,992
Amortisation of other intangible assets	**1,254**	1,114
Impairment of other intangible assets	**–**	275
Depreciation of property, plant and equipment	**5,701**	7,051
Impairment of property, plant and equipment	**144**	–
Loss/(gain) on disposal of property, plant and equipment	**302**	(125)
Loss on disposal of other intangible assets	**496**	62
Loss on sale on operations	**2,448**	4,391
Increase in provisions	**841**	11,660
Release of deferred consideration	**(195)**	–
Share-based payment charges	**129**	1,087
Exceptional pension credit	**(1,824)**	–
Operating cash flows before movements in working capital	**21,505**	19,912
Decrease in inventories	**3,610**	3,461
Decrease in receivables	**3,895**	9,316
Increase in payables	**4,529**	6,801
Cash generated by operations	**33,539**	39,490
Defined benefit pension contribution in excess of current service cost	**(7,279)**	(1,638)
Tax paid	**(59)**	(1,698)
Income on sale of finance lease debt	**644**	683
Interest paid:		
– bank overdrafts and loans	**(92)**	(396)
– borrowing facility arrangement fee and commitment fee	**(658)**	–
– other	**–**	(12)
Net cash inflow from operating activities	**26,095**	36,429
Investing activities		
Interest received	**258**	136
Proceeds on disposal of property, plant and equipment	**856**	412
Purchases of property, plant and equipment	**(1,852)**	(4,055)
Purchases of other intangible assets	**(400)**	(1,579)
Proceeds from sale of operations	**2,481**	3,775
Amounts advanced to third party	**(919)**	–
Amounts received from/(advanced to) joint venture undertaking	**1,878**	(1,880)
Net cash used in investing activities	**2,302**	(3,191)

Proforma consolidated cash flow statement continued

for the year ended 30 November 2012

	Year ended 30 November 2012 £000	Year ended 30 November 2011 £000
Financing activities		
Dividends paid	(2,090)	(6,128)
Proceeds from share capital issue, net of share issue costs	35	46
(Repayment of)/increase in borrowings	(13,005)	670
Purchase of own shares	–	(212)
Repayment of loan notes and deferred consideration	–	(670)
Net cash used in financing activities	(15,060)	(6,294)
Net increase in cash and cash equivalents	13,337	26,944
Cash and cash equivalents at the beginning of year	24,529	(2,414)
Effect of foreign exchange rate changes	(43)	(1)
Cash and cash equivalents at the end of year	37,823	24,529

31. General information

Notes to the proforma financial statements

The proforma financial information for the year ended 30 November 2012 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The proforma financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 30 November 2012.

32. Operating segments

As explained in note 4, the Group was restructured into four operating divisions and the segmental results within this proforma information is presented in accordance with the Group's revised management structure. Comparative financial performance for the year ended 30 November 2011 has been provided under this new basis.

Segmental result

Year ended 30 November 2012	**Education Technology £000**	**Managed Services £000**	**Education Resources £000**	**Education Software £000**	**Corporate Services £000**	**Total retained operations £000**	**Exited operations** ** **£000**	**Total £000**
Revenue	**109,036**	**81,368**	**59,809**	**35,662**	**-**	**285,875**	**2,813**	**288,688**
Adjusted operating profit/(loss)*	**3,609**	**2,855**	**8,927**	**1,353**	**(2,722)**	**14,022**	**(451)**	**13,571**
Investment income								926
Finance costs								(1,359)
Adjusted profit before tax*								**13,138**
Adjustments*								(4,749)
Profit before tax								**8,389**

Year ended 30 November 2011	Education Technology £000	Managed Services £000	Education Resources £000	Education Software £000	Corporate Services £000	Total retained operations £000	Exited operations** £000	Total £000
Revenue	125,712	61,487	57,961	38,538	-	283,698	26,357	310,055
Adjusted operating profit/(loss)*	8,303	6,137	5,415	3,229	(3,420)	19,664	(5,522)	14,142
Investment income								940
Finance costs								(510)
Adjusted profit before tax*								14,572
Adjustments*								(33,042)
Loss before tax								(18,470)

* Adjustments to profit are as stated within the proforma consolidated income statement.

** Exited operations represent the results from operations sold following the September 2011 strategic review.

Notes to the proforma financial statements continued

33. Tax

The effective tax rate for the 12 months ended 30 November 2012 is shown below:

	Adjusted £000	Adjustments £000	Year ended 30 November 2012 Total £000	Adjusted £000	Adjustments £000	Year ended 30 November 2011 Total £000
Profit/(loss) before tax	**13,138**	**(4,749)**	**8,389**	14,572	(33,042)	(18,470)
Tax (charge)/credit	**(3,160)**	**(301)**	**(3,461)**	(4,724)	3,868	(856)
Effective tax rate	**24.1%**	**(6.3)%**	**41.3%**	32.4%	11.7%	(4.6)%

Shareholder Information

Financial calendar

Ex-dividend date for 2012 final dividend	17 April 2013
Record date for 2012 final dividend	19 April 2013
Annual general meeting	24 April 2013
Payment of 2012 final dividend	15 May 2013
Announcement of 2013 interim results	July 2013
Preliminary announcement of 2013 results	February 2014

Corporate website

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 Greg Davidson, Company Secretary, at the Group head office address or at companysecretary@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 website 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; lines are open 8.30am to 5.30pm, Monday to Friday). To help shareholders, the Capita website 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 website. 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.

Shareholder Information continued

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Greg Davidson

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