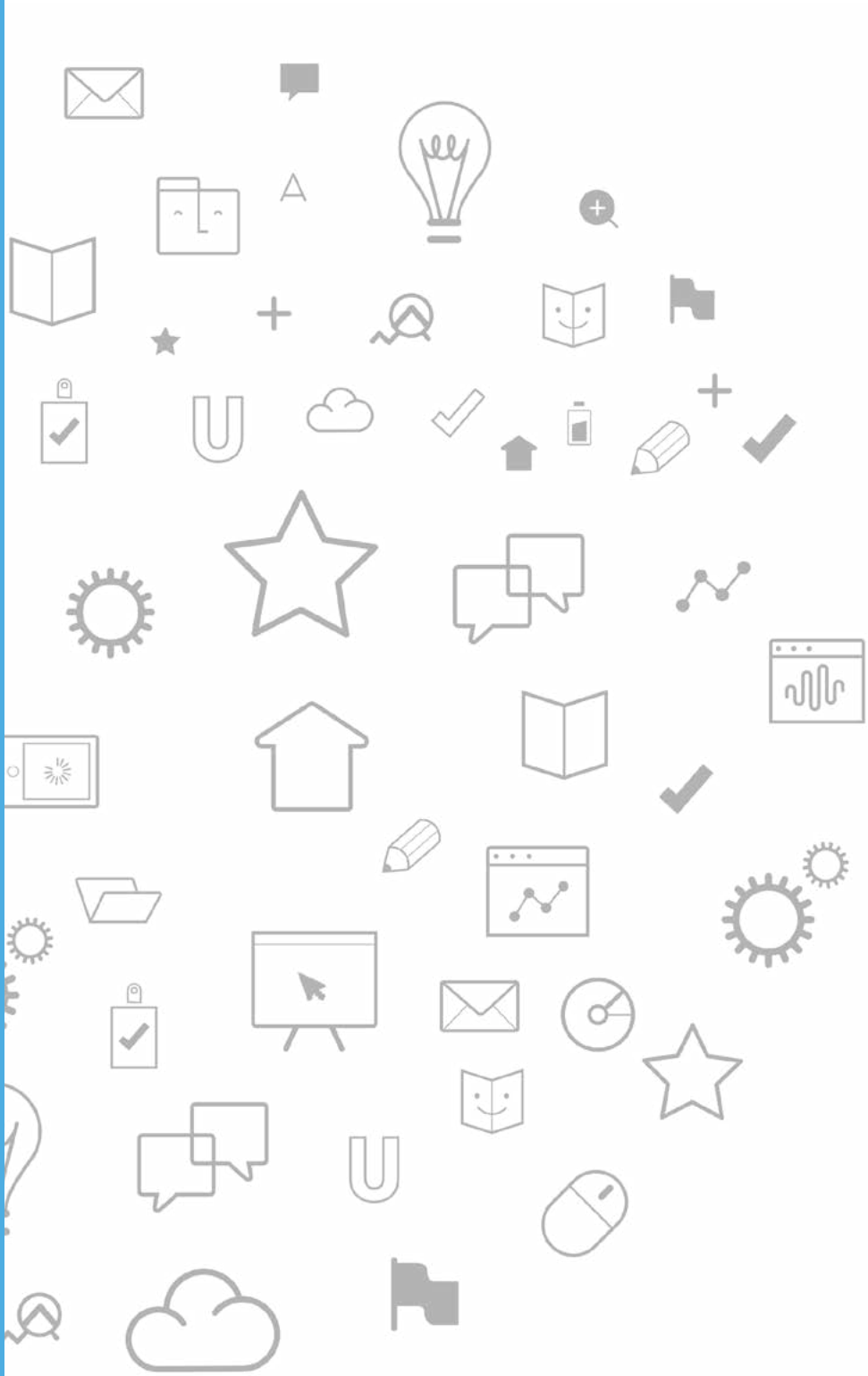




RMTM plc

Annual report and financial statements

Year ended 30 November 2018



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➤ HIGHLIGHTS OF 2018

Group revenue +19%; adjusted operating profits +29%



**PLATFORM FOR
LONG-TERM
GROWTH**

- **Revenue growth of 19%** benefiting from full year revenues from the acquisition of Consortium and 2% organic growth
- **International revenue growth of 30%** driven by RM Results and RM Resources
- **Good progress in all three divisions**
 - RM Resources increased revenues 45% including full year benefit of the acquisition and strong international sales growth
 - RM Results won 7 new contracts in target markets
 - RM Education significantly improved operating margins to 11.6%
- **Adjusted operating profits increased 29%** with growth across all three divisions delivering operating margins up 1pp to 12.4%
- **Free cash flow of £13.8m** reducing net debt to £5.8m
- **Full year proposed dividend increased by 15% to 7.60p**

➤ WHAT WE DO

We improve the life chances of people – worldwide – by delivering great education products and services that help teachers to teach and learners to learn

RM plc is a leading supplier of technology and resources to the education sector. Our products and services are used in most parts of UK education from early years settings, primary and secondary schools and colleges to major exam boards and central government. RM has increased its revenues and adjusted operating margins and delivered a high return on capital employed.

The Group has three Operating Divisions, each with its own managing director and management team, with corporate services functions provided centrally. Approximately 38% of Group headcount is based in India, providing support services and software development to the Operating Divisions.

Further information and investor updates can be found at www.rmplc.com

A good year for RM

Performance

2018 was a good year for RM. Revenues increased by 19% to £221m and adjusted operating profit was up by 29% to £27.5m. Adjusted diluted earnings per share rose by 22% to 25.8 pps and strong cash generation reduced net debt to £5.8m.

Consortium, acquired in 2017, is now integrated into the RM Resources Division and each of the two brands, TTS and Consortium, delivered revenue growth in the year. The international business in RM Resources was strong and grew by 41%. Margins remain at double-digit levels and the Board has approved an investment to consolidate the five distribution centres into a single automated facility in 2021.

RM Results delivered modest revenue growth but improved profitability. The Division was much strengthened with seven new contract wins in the year, of which six are international, and the renewal of several important long-term contracts.

RM Education revenues declined, as expected, but profit grew strongly. Double-digit operating margins benefited from cost efficiencies.

The Group's defined benefit pension schemes' IAS 19 net deficit has reduced to £2.3m.

Dividend

The Board is recommending a final dividend of 5.70 pence per share which would constitute, at 7.60 pence per share in total, an increase of 15% over the prior year.

Outlook

The RM Group has undergone substantial change in recent years. The newly consolidated RM Resources stands to benefit from distribution synergies to counteract anticipated price pressure as customers move increasingly online, RM Results is much invigorated both in UK and overseas, and RM Education, having dealt with substantial legacy issues, has developed its continuing businesses.

Notwithstanding macroeconomic uncertainties, the Group enters 2019 in a good position.






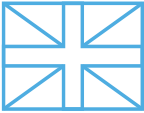
John Poulter

Chairman

4 February 2019



> OPERATING DIVISIONS

<p>RM RESOURCES</p> <p>Curriculum and education resources for schools and nurseries in the UK and internationally</p> <p>page 06</p>	<p>Revenue £121.6m</p> <p>Operating profit £16.6m</p> <p>Operating margin 13.7%</p>	<p>#1 </p> <p></p> <p>20% five-year CAGR in international sales</p>
<p>RM RESULTS</p> <p>Technology experts in end-to-end global high stakes e-assessment</p> <p>page 08</p>	<p>Revenue £31.8m</p> <p>Operating profit £8.2m</p> <p>Operating margin 25.6%</p>	<p>#1 </p> <p></p> <p>50% of customers international</p>
<p>RM EDUCATION</p> <p>Software, services and technology to UK schools and colleges</p> <p>page 10</p>	<p>Revenue £67.6m</p> <p>Operating profit £7.8m</p> <p>Operating margin 11.6%</p>	<p>#1 </p> <p></p> <p>National presence and scale</p>



c. 30,000
customers



tts
National curriculum
resources specialist



50,000
products



c. 545
FTE staff



Full suite
provider



consortium
Regional education
supplies generalist



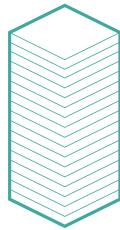
4,000
own-designed
products



8%
staff based in India



c. 20
customers



c. 13m
exam scripts
processed per annum



Using AI in
digital assessment



c. 400
FTE staff




High visibility
revenue



Global target markets
(Language testing, professional bodies,
general exams, higher education)



>50%
staff based in India



c. 8,000
customers




Safeguarding
pupils online



c. 800
FTE staff



>70%
annuity
revenue



c. 700
outsourced
IT customers



Cloud-based
digital platforms



>35%
staff based in India

Curriculum and education resources for schools and nurseries in the UK and internationally

RM Resources' strategy is to grow its market share in the provision of resources to schools, early years and special educational needs markets via online sales, a direct sales force and direct catalogue, both in the UK and internationally.

Underpinned by our own designed products, growth in international sales to overseas resellers and international schools is expected to continue.

Key attributes

- c. 30,000 customers
- 50,000 products
- 4,000 own designed products
- c. 545 FTE staff
- Growing international revenue

What we do

- Education supplies and curriculum resources that enhance learning environments
- Supply UK and international schools with an extensive range of education resources
- Market leader in early years and primary schools

How we add value

- Unique own designed curriculum resources
- Map our products closely to the curriculum
- Whole school proposition including commodities and classroom and curriculum resources

Why customers choose us

- We pioneer a continual stream of new products strongly linked to customer need
- Ability to meet whole spectrum of school purchasing requirements
- Unique cross-curricular products
- We are 100% education focused



Technology experts in end-to-end global high stakes e-assessment

RM Results' strategy is to grow the e-assessment business through expanding the scope of solutions to existing customers and to win new customers in both the UK and overseas markets. Software and services are provided through a combination of proprietary and third-party, in-house and outsourced arrangements.

Key attributes

- c. 20 customers
- UK's largest provider of on-screen marking of high stakes schools' exams
- Systems to help create the English schools performance tables
- c. 400 FTE staff, over 50% in India
- Four target markets (language testing, professional bodies, general exams, higher education)

What we do

- IT software and services to enable on-screen exam marking (e-marking) and testing (e-testing)
- Management and analysis of high stakes and high volume educational data
- c. 13m exam scripts processed per annum
- Work with the most respected education assessment brands in the world

How we add value

- Improve quality and speed of each customer's exam lifecycle
- Provision of secure, seamless and hassle-free e-marking, e-testing and data analysis
- High visibility of future revenues

Why customers choose us

- Trusted supplier
- We manage the end-to-end e-marking and e-testing lifecycle
- We innovate via proprietary and best-in-class partner solutions
- We understand the relationship between high stakes assessment and technology

RM Assessor³

Marking worklist Team management Standardisation setup

Live marking

QIG March 15 Beta: 146A-TEXT1/TEXT1 GCE D&T TEXT1, TEXT1

Get new responses

Submit responses

Offline 9 days
Jacqueline Fernandes
My supervisor
Send message

Mike Taylor
Assistant Examiner
Approved

Practice
Completed: 12/10/2015

Standardisation
Completed: 12/10/2015

49/150 submitted
Marking
16 days until
Target: 30/01/2016

15 Live

0 At Risk

0 Supervisor Remark

Enquiry Upon Result
Process

At-Risk Process

6996398 Modified: 08/01/2016, 10:57 AM 100%	6996363 Marking not started	6996572 Modified: 14/01/2016, 10:57 AM	6996459 Marking not started
6996736 Modified: 14/01/2016, 10:57 AM 72%	6017... Marking not started	6996537 Marking not started	6996439 Marking not started
6996740 Marking not started	6996741 Marking not started	6996742 Marking not started	

Software, services and technology to UK schools and colleges

RM Education's strategy is to build on its strong presence and brand pedigree in UK schools and colleges, where it delivers ICT software and services to a high standard, by investing in and growing annuity based solutions that enable education leadership teams to improve outcomes.

Recurring annuity revenues are in excess of 70% reflecting the continued improvements over recent years.

Key attributes

- c. 8,000 customers
- Full IT outsourcing to c. 700 customers
- Direct sales business model
- UK market leader
- c. 800 FTE staff, over 35% in India
- Annuity-based revenues over 70%

What we do

- IT outsourcing, cloud and support services to ensure reliable, secure, consistent technology
- Fully managed connectivity services to enhance digital learning
- Software that addresses some of the most pressing issues of insight, efficiency and safeguarding

How we add value

- Delivering cost effective, reliable, secure technology
- Help schools to make the most of their IT investment
- Protecting pupil safety and data

Why customers choose us

- Trusted and established brand
- Our depth and breadth of technology understanding
- National footprint



RM Unify

Discover the wide range of educational app content available through RM Unify* at BETT this year.



CHIEF EXECUTIVE OFFICER'S STATEMENT

2018 was a year of strong growth for RM. Revenue increased by 19%, adjusted operating profit by 29% and statutory profit after tax by 32%. All three Divisions made excellent progress and international business across the Group increased by 30% on prior year.

OPERATING REVIEW

In RM Resources, the integration of the Consortium business, acquired in 2017, progressed as planned with both Consortium and TTS brands growing organically in 2018. The business grew organically in a tough market and strongly internationally. In the year, as part of Phase 2 of the integration of the Consortium business, we announced a programme to consolidate the current estate of five distribution centres to a single, automated centre by the end of 2021 which will deliver operational and financial benefits.

RM Results won seven new contracts in the year, six of them with international customers. We also renewed several contracts with long-term customers. During the year the e-marking software, RM Assessor3, won in the digital category at the London Design Awards and is being rolled out successfully across our customer base. Overall revenues improved slightly, driven by international sales which offset legacy data contract exits.

Though revenue decreased in RM Education, we have won over a hundred new managed services customers. We also agreed a new five year contractual relationship with the largest customer in the Connectivity business. Renewal rates continue to be high, in addition to which, we are investing more heavily in increased sales and marketing capability to help drive improved new customer acquisition. In the year, a restructuring removed significant run rate costs enabling the Division to improve margins.

FUTURE STRATEGY

We continue to expect that tight budgets and funding uncertainty will keep the UK market subdued. However, improved margins, good cash generation and a strong balance sheet mean we are well placed to enable the Group to deliver long-term shareholder value. Though structured in three operating Divisions, with autonomous approaches to their markets, going forward the Group will focus on four strategic themes to deliver profitable growth.

These themes are:-

1. Intellectual property ("IP") and technology development
2. International growth
3. Innovate with our customers
4. Efficiency and simplicity

We will consider the potential to accelerate this strategy through acquisitions where appropriate.



IP AND TECHNOLOGY DEVELOPMENT

RM is focused on the Education market and therefore we have a depth of understanding and expertise. Across all three Divisions we have market leading IP. The intention is to increase our investment in developing our own IP and our software development capability. In addition, we will further develop our technology depth and breadth including Artificial Intelligence capability, e-assessment and data analytics. Finally, we will look to exploit our current IP with new customers.

Case studies

RM Results – Auto-marking exams

Background: one word hand-written answers on exam papers are expensive and slow for our customers to get marked.

Solution: multiple Artificial Intelligence solutions have been brought together to read the words and mark reliably with little or no human intervention.

Result: over 90% of questions can be marked via computer.

RM Resources – TTS own developed product

Background: customers are looking for curriculum relevant products to drive improved learning outcomes.

Solution: increased investment in own developed TTS products across all subject areas and to be sold only through our channels.

Result: own developed products represent over 40% of TTS sales and the rate of new product releases has increased significantly.



INTERNATIONAL GROWTH

RM's international business has doubled in the last four years and sales to international markets are now almost £30m. We had strong growth internationally in 2018 in RM Resources (41%) and RM Results (28%). To maintain our success internationally we are increasing investment in our international sales and marketing capability as well as continuing to take our best existing IP to overseas markets.

Case Studies

RM Resources – Robotics revolution in European schools

Background: the trend in some European countries is to include coding within their early years and primary school curriculum.

Solution: the product proposition has been supplemented by the creation of multi-lingual content, mapped to the local curriculum.

Result: significant initial increases in penetration of our coding products.

RM Results – E-marking to the world

Background: examination bodies across the globe are looking to digitise a largely paper-based system to improve quality and efficiency.

Solution: RM has developed an award-winning e-marking solution, RM Assessor3 that is proven to improve marking quality for high-stakes exams.

Result: six new international contracts for RM Assessor3 across four continents have been awarded in 2018.



INNOVATE WITH OUR CUSTOMERS

A key theme of our strategy is working closely with our customers, many of whom are long standing. Going forward, we look to provide customers with further insight into their business through the use of data analytics. The opportunity for our customers is to improve the life chances for their young people. As a trusted partner we expect to challenge their business processes and learning environments and see how we might help improve them over time. We will also look for new technology solutions to make it as easy as possible for our customers to do business with us.

Case studies

RM Results – Analysing the exam cycle

Background: exams in schools often happen in a summer peak, with millions of papers to be marked in short timescales and with increasing challenges to find enough markers. Our customers are looking at ways of de-risking the process.

Solution: bringing together knowledge from years of exam cycles, and the use of data analytics, we are helping customers streamline the process and predict how to improve and de-risk timescales.

Result: our customers have much better insight into the exam cycle and are able to intervene to speed up marking and remove unnecessary complexity.

RM Resources – Easy online buying

Background: our customers are increasingly looking to place orders on their in-school financial management systems, which can link into the e-procurement hubs of their educational suppliers.

Solution: RM has integrated most of the common school finance systems into our website, so that a school can simply click a single button to order educational supplies once they are listed on their financial management systems.

Result: this saves customers' time and develops habitual loyalty to RM.



EFFICIENCY AND SIMPLICITY

Budgets remain tough across the whole Education market. Customers need to save money and are always looking for more cost effective ways of doing things. In addition, with the transition to online marketing, it is clear RM needs to continue to drive cost out and be efficient as possible. Over one third of RM's staff are based in our India office in Trivandrum. We will continue to look for ways of successfully offshoring processes across the Group. In addition, we will use the application of automation where appropriate to ensure that repeatable, rules-based processes need limited human intervention. Finally, we will invest to simplify many of our business processes, improve efficiencies and consolidate our supply chain.

Case studies

RM Education – Remote network management

Background: many of our customers need cost savings in order to consider moving from an in-house IT team to an outsourced service. The reliance on a few on-site staff to manage the ICT makes these savings difficult to realise.

Solution: provide a fully remote network manager service that can manage the school network without needing to be physically onsite.

Result: the customer receives a more cost-efficient service that isn't reliant on a few key individuals and draws from expert knowledge across an array of IT specialisms.

RM Resources – Distribution centre consolidation

Background: following the acquisition of Consortium in 2017, we have five distribution centres across three locations.

Solution: to move to a single, automated distribution site as part of Phase 2 of the integration.

Result: a single automated site will reduce operating costs and significantly improve service levels in a market that is price sensitive.

EMPLOYEES

Average Group headcount for the year was 1,936 (2017: 1,787), which is comprised of 1,750 (2017: 1,633) permanent and 186 (2017: 154) temporary or contract staff, of which 1,257 (2017: 1,172) were located in the UK and 679 (2017: 615) in India. At 30 November 2018 headcount was 1,952 (2017: 1,907).

The following table sets out a more detailed summary of the permanent staff employed as at 30 November 2018:

	Male	Female
Executive Directors	2 (100%)	0 (0%)
Senior Managers (excluding Executive Directors)	50 (81%)	12 (19%)
All employees	1,103 (62%)	657 (38%)

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, disability or educational background. 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 are 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 and systems and network security. All of RM's employment policies are published internally.

The Corporate Governance Report sets out the Company's Diversity Policy.

RM INDIA

As at 30 November 2018, RM's operation in Trivandrum accounted for 38% of Group headcount (2017: 32%). Headcount increased through the year as the RM Resources Division transitioned some of its support operation to India and RM Results increased headcount to support new contract wins and new software development.

The Indian operation provides services solely to RM Group companies. Activities include software development, customer and operational support, back office shared service support (e.g. customer order entry, IT, finance and HR) and administration.

ENVIRONMENTAL MATTERS

The Group's impact on the environment, and its policy in relation to such matters, are noted in the Directors' Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. The Company has a structured approach to the assessment and management of risks. A detailed risk register is maintained, in which risks are categorised under the following categories: political, strategic, operational and financial. The full register is reviewed at least annually by each Division to ensure that the risks that could potentially affect each Division are properly captured. The register also includes a summary of the steps taken to manage or mitigate against those risks and the person or people responsible for the relevant actions. This register is then consolidated and Group-wide risks added, to ensure that the register covers the entire Group's operations. This is then reviewed by the Executive Committee, the Audit Committee and the Board. As such, the Board confirms that it has carried out a robust assessment of the principal risks facing the Group and appropriate processes have been put in place to monitor and mitigate them. Further details are also set out in the Corporate Governance Report.

The key business risks for the Group are set out in the table below.

Risk and categorisation	Description and likely impact	Mitigation
Public policy (Political Risk)	<p>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, leading to a decline in market size.</p> <p>UK government funding in the education sector is constrained by fiscal policy.</p> <p>Global economic conditions might result in a reduction in budgets available for public spending generally and education spending specifically.</p>	<p>The Company reviews the education policy environment by regular monitoring of policy positions and by building relationships with education policy makers.</p> <p>The Group's three Divisions have diverse revenue streams and product/service offerings.</p> <p>The Company's strategy is to focus on areas of education spend which are important to meet customers' objectives. Where the revenue of an individual business is in decline, management seeks to ensure that the cost base is adjusted accordingly.</p>
Education practice (Political Risk)	<p>Education practices and priorities may change and, as a result, RM's products and services may no longer meet customer requirements, leading to a risk of lower revenue.</p>	<p>The Company maintains knowledge of current education practice and priorities by maintaining close relationships with customers.</p>
Impact of UK's exit from the European Union (Political Risk)	<p>If there is an adverse change in the economic and/or fiscal environment as a result of the UK's exit from the EU without a suitable period for planning and implementation, costs could increase and/or revenues reduce as a result. This could include cost increases as a result of the devaluation of Sterling.</p>	<p>The currency elements of this risk is managed through currency hedging against exchange rate movements, typically 9-12 months into the future. The Group is also working to rebalance its exposure by growing its foreign currency denominated sales ahead of its costs to reduce the currency imbalance and more naturally hedge this risk.</p> <p>The Group has also undertaken a review of the wider risks associated with the UK's exit from the EU, including in the event of a 'no deal' scenario. The Group is managing the principal risk areas identified and will continue to monitor developments.</p>

Risk and categorisation	Description and likely impact	Mitigation
Operational execution (Operational Risk)	<p>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. Any significant operational/system failure would result in reputational damage and increased costs.</p> <p>RM is engaged in the delivery of large, multi-year projects, typically involving the development and integration of complex IT systems, and may have liability for failure to deliver on time.</p>	<p>The Company invests in maintaining a high level of technical expertise.</p> <p>Internal management control processes are in place to govern the delivery of all projects (including internal projects), including regular reviews by relevant management. The operational and financial performance of projects, including future obligations, the expected costs of these and potential risks are regularly monitored by management and, as appropriate, the Board.</p>
Data and business continuity (Operational Risk)	<p>RM is engaged in storing and processing personal data, where accuracy, privacy and security are important. Any significant security breach could damage reputation and impact future profit streams.</p> <p>The Group would be significantly impacted if, as a result of a major incident, one of its key buildings, systems or infrastructure components could not function for a long period of time.</p>	<p>The Company'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.</p> <p>The Company has established a Group Security and Business Continuity Committee to oversee the security aspects of the Group's information systems. This covers data integrity and protection, defence against external threats (including cyber risks) and disaster recovery.</p> <p>The Group seeks to protect itself against the consequences of a major incident by implementing a series of back up and safety measures.</p> <p>The Group has property and business interruption insurance cover.</p>
People (Operational Risk)	<p>RM's business depends on highly skilled employees. Failing to recruit and retain such employees could impact operationally on RM's ability to deliver contractual commitments.</p>	<p>The Company seeks to be an attractive employer and regularly monitors the engagement of its employees. The Company has talent management and career planning programmes.</p>
Integration Risk	<p>An inability to deliver, or a significant delay in implementation of, the second phase of synergies planned in relation to the acquisition of Consortium and/or the loss of customers as a result of related disruption. That second phase includes in particular the consolidation of the RM Resources property estate.</p>	<p>The Company has established a formal internal steering committee to oversee the ongoing integration of Consortium and the consolidation of the RM Resources property estate. In addition, the Company has retained external advisors in relation to such matters.</p> <p>Integration risks are proactively managed and a number of mechanisms are in place to monitor the ongoing impact of the various activities, including staff consultations and satisfaction surveys and ongoing customer feedback.</p> <p>Financial reports are generated each month to ensure that spend on integration activities and resulting expected benefits remain within budget.</p> <p>The Board is kept apprised of the current status of the integration work on a regular and ongoing basis.</p>

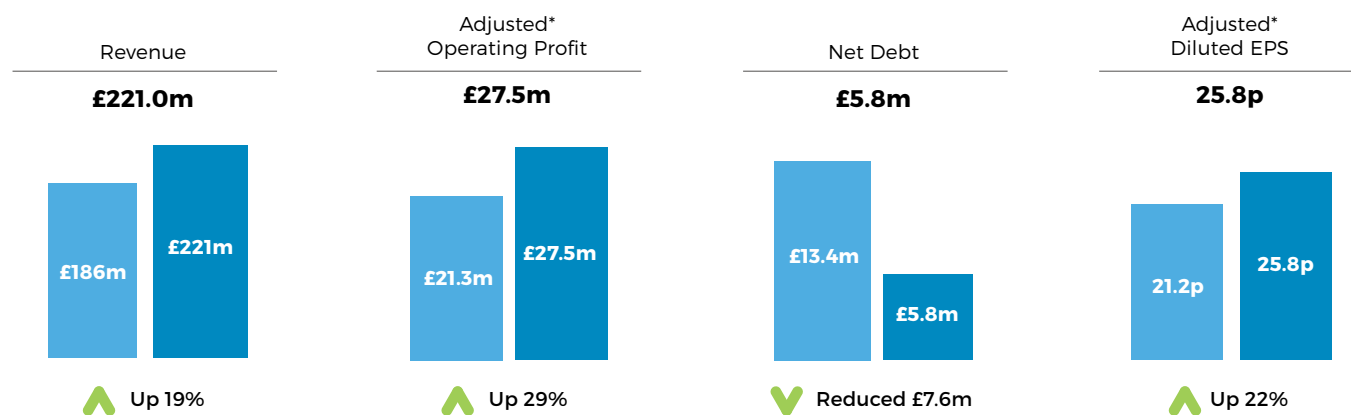
Risk and categorisation	Description and likely impact	Mitigation
Innovation (Strategic Risk)	<p>The IT market and elements of the education resources market are subject to rapid, and often unpredictable, change. As a result of inappropriate technology and product choices or a failure to adopt and develop new technologies quickly enough, the Group's products and services might become unattractive to its customer base, or new market opportunities be missed.</p> <p>The Group's continued success depends on developing and/or sourcing a stream of innovative and effective products for the education market and marketing these effectively to customers.</p>	<p>The Company actively monitors technology and market developments and invests to keep its existing products, services and sales methods up-to-date, as well as seeking out new opportunities and initiatives.</p> <p>The Group works with teachers and educators to understand opportunities and requirements.</p>
Dependence on key contracts (Strategic Risk)	<p>The performance of the RM Education and RM Results Divisions are dependent on the winning and extension of long-term contracts with government, local authorities, examination boards and commercial customers.</p>	<p>The Company invests in maintaining a high level of technical expertise and on building effective working relationships with its customers. The Company has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction.</p>
Pensions (Financial Risk)	<p>The Group operates two defined benefit pension schemes in the UK (the "RM Scheme" and the "CARE Scheme" respectively) and participates in a third defined benefit pension scheme (the "Platinum Scheme").</p> <p>Scheme deficits can adversely impact the net assets position of the trading subsidiaries RM Education Ltd and The Consortium for Purchasing and Distribution Ltd.</p>	<p>The RM Scheme was closed to new entrants in 2003 and closed to future accrual of benefits in 2012.</p> <p>The CARE Scheme was closed to new entrants in 2006 and closed to future accrual of benefits in 2011.</p> <p>The Company evaluates risk mitigation proposals with the trustees of these respective Schemes.</p> <p>The Platinum Scheme is a multi-employer scheme over which the Company has no direct control. However, due to the small number of the Company's employees who are in this Scheme, the risk to the Company from this Scheme is limited.</p>
Dividends (Financial Risk)	<p>The Company's ability to pay dividends to shareholders depends on having sufficient distributable reserves in the holding company, RM plc. The Group is reliant on continued dividend distribution from subsidiaries and ensuring no significant impairment of RM plc's carrying assets.</p>	<p>The Company monitors the level of distributable reserves in RM plc and subsidiary companies and considers their ability to make dividend payments, via the holding company, to the shareholders.</p>

David Brooks

Chief Executive Officer
4 February 2019

> CHIEF FINANCIAL OFFICER'S STATEMENT

RM has made good progress across our key financial measures in 2018. Revenues grew in the year both on an underlying basis and through the full year benefits of the 2017 Consortium acquisition. Operating margins grew, enabling strong growth in our adjusted operating profits and adjusted diluted earnings per share. Importantly the growth in operating profits was in all three Divisions. These improvements in adjusted earnings also flowed through to increases in statutory profit before and after tax. Solid cash generation has enabled us to reduce our net debt levels.



* Adjusted operating profit is before the amortisation of acquisition related intangible assets; GMP pension equalisation costs; acquisition related costs; net increase of provisions for onerous lease contracts and restructuring costs.

GROUP FINANCIAL PERFORMANCE

Group revenue grew by 19% to £221.0m (2017: £185.9m) supported by the full year benefit of the acquisition of Consortium (2018: £59.7m vs 2017: £27.8) and 2% underlying growth when excluding Consortium revenues.

£m	2018			2017*		
	Adjusted	Adjustment	Statutory	Adjusted	Adjustment	Statutory
Revenue	221.0	-	221.0	185.9	-	185.9
Operating profit	27.5	(4.9)	22.6	21.3	(5.1)	16.2
Profit before tax	26.0	(5.0)	21.0	19.7	(5.1)	14.6
Tax	(4.7)	0.6	(4.1)	(2.4)	0.7	(1.7)
Profit after tax	21.2	(4.3)	16.9	17.3	(4.5)	12.9

* 2017 adjusted earnings have been re-presented to reflect the share-based payment charge in adjusted earnings. These charges were previously reported as an adjustment.

Revenues increased notably in our international markets which grew 30% (+£6.1m) on the prior year driven by new customer wins in RM Results and strong sales growth in RM Resources.

Adjusted operating profit margins increased this year from 11.4% in 2017 to 12.4%. Adjusted operating profit increased to £27.5m (2017: £21.3m) and now includes the £1.0m costs (2017: £0.8m) of share-based payments which were treated as an exceptional item in previous years.

To provide a better understanding of underlying business performance, amortisation charges associated with the acquisition, related intangible assets, restructuring provision movements, acquisition costs, GMP pension equalisation costs and other items of an exceptional nature have been disclosed in an adjustments column in the income statement to give 'Adjusted' results. Note 5 to the financial statements identifies these adjustments highlighting recurring and non-recurring items.

Statutory operating profit increased to £22.6m (2017: £16.2m), with adjustments of £2.5m for a restructuring provision in RM Resources associated with the decision to consolidate the property estate and the resulting redundancy provision, £1.2m of amortisation of acquisition related intangible assets and a £1.2m charge for the costs associated with the High Court decision in October 2018 to implement the alignment of guaranteed minimum payments (GMP) between men and women in defined benefit pension schemes.

The Group generated a statutory profit before tax of £21.0m (2017: £14.6m) with a net interest charge of £1.5m which includes £0.5m of non-cash charges associated with the discounting of the defined benefit pension schemes.

The total tax charge within the income statement for the year was £4.1m (2017: £1.7m). The Group's tax charge for the year, measured as a percentage of profit before tax, was 19.5% (2017: 11.9%). The increase is principally due to the absence of a reduction of £1.2m in the transfer pricing provision in 2017 associated with cross border intra-group transactions between the UK and India. Statutory profit after tax increased to £16.9m (2017: £12.9m).

Adjusted diluted earnings per share were 25.8 pence (2017: 21.2 pence). Statutory basic earnings per share were 20.7 pence (2017: 15.8 pence) and statutory diluted earnings per share were 20.6 pence (2017: 15.7 pence).

RM generated cash from operations for the year of £24.2m (2017: £17.9m). Free cash flow in the year was £13.8m which enabled net debt to be reduced at the end of the year to £5.8m (2017: £13.4m).

Over the next two years RM expects discretionary capital expenditure to rise to circa £10m per annum. This spend is focused on key strategic areas including Phase 2 of the Consortium integration which will consolidate the current five distribution centres into a single automated facility, a Group-wide IT system implementation and development of e-assessment IP in RM Results. These projects are scheduled to conclude in 2021 and deliver good financial and operational benefits.

Dividends

The total dividend paid and proposed for the year has been increased by 15% to 7.60 pence per share (2017: 6.60 pence). This is comprised of the interim dividend of 1.90 pence per share paid in September 2018 and, subject to shareholder approval, a proposed final dividend of 5.70 pence per share. The estimated total cost of ordinary dividends paid and proposed for 2018 is £6.2m (2017: £5.4m).

The Board is committed to a long-term sustainable dividend policy and the Company has £29.6m of distributable reserves as at 30 November 2018 available to support the dividend policy.

RM plc is a non-trading investment holding company and derives its profits from dividends paid by subsidiary companies. The Directors consider the Group's capital structure and dividend policy at least twice a year, ahead of announcing results and during the annual budgeting process, looking at longer-term sustainability. The Directors do so in the context of the Company's ability to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value.

The dividend policy is influenced by a number of the principal risks identified in the table of 'Principal Risks and Uncertainties' set out below which could have a negative impact on the performance of the Group or its ability to distribute profits.

Defined Benefit Pension Schemes ("Schemes")

The Company operates two defined benefit pension schemes (the "RM Scheme" and "CARE Scheme") and participates in a third, multi-employer, defined benefit pension scheme (the "Platinum Scheme"). Both of the RM Scheme and the CARE Scheme are closed to future accrual of benefits. While the Platinum Scheme remains open to future accrual of benefits, the number of Group employees participating in that Scheme is very small and so the impact of that Scheme on the Group is limited.

The IAS 19 net deficit (pre-tax) across the Group decreased by £17.9m to £2.3m (Nov 2017: £20.2m) with both the RM Scheme and the Platinum Scheme being in surplus. This reduction was driven a decrease in the liabilities of the Schemes and the benefit of Company contributions.

The Group deficit recovery plan cash flow requirements across all Schemes in 2018 was £4.6m pa. The Group is currently in discussions with the Trustee of the RM Scheme regarding the triennial review as at 31 May 2018 and expects to reach agreement in the first half of 2019. The next review date for the Platinum Scheme is in December 2018 and the next triennial review for the CARE Scheme is due in December 2019.

RM RESOURCES

RM Resources revenues increased by 45% to £121.6m. This includes the full year benefit of the acquisition of Consortium that was concluded in July 2017. TTS revenues grew 11% to £61.9m (2016: £55.9m) whilst Consortium added £59.7m in its first full year post acquisition (2017: £27.8m for five months).

Divisional adjusted operating profit increased to £16.6m (2017: £11.6m) as the Division's profitability benefited from the increase in revenues outlined above. Operating margins decreased slightly to 13.7% (2017: 13.9%) as £3m of synergy benefits delivered were offset by the full year impact of the lower operating margins in Consortium and an increased proportion of revenues delivered through frameworks or exclusive contracts at lower gross margins.

UK

UK direct education revenues increased by 47% to £95.8m (2017: £65.2m) driven by the acquisition of Consortium and 3% growth in TTS UK education direct marketing revenues. The underlying UK growth across the brands is encouraging in a market that we believe declined slightly and that was delivered against a backdrop of significant integration activity.

In the UK business, there are a number of legacy revenue streams that amounted to £6.7m related to activities in which we have stopped continued investment. This includes closure of the UK trade channel where we sold own developed products through other UK distributors with revenues of £2.9m. It was announced in the year that we would close this channel (with the exception of Northern Ireland) at the end of 2018 which would mean that in 2019 our own developed products can only be purchased in the UK through our own brand channels. It is expected that this will strengthen the UK proposition as the market leading full suite provider of curriculum and commodity products.

There is a further £3.8m of UK legacy revenues that were acquired as part of the Consortium acquisition which are outside education in areas such as Care, Procurement frameworks and Office equipment leasing. These revenues declined 17% on a 12 month pro-forma basis and we expect the decline to continue going forward.

The Division continues to invest in its online channels. Online orders make up approximately half of UK direct education sales. We expect the proportional growth in online sales to continue in future years, as more customers use it as their preferred method of ordering. This trend will continue to put pressure on pricing and it is key to the strategy of the Division that it is run efficiently and investment continues to, in part, focus on delivering a low cost operation with excellent customer service levels.

International

The international business is made up of two key channels, international distributors, through which we sell our own designed products to over 80 countries, and international English curriculum schools to whom we sell a wider portfolio of education supplies. Revenues from international distributors and international schools increased by 41% to £19.1m (2017: £13.5m). This was driven by strong growth of our own designed products through distributor channels (+61%) including part delivery of a large one-time order in South America (£1.4m) and increased sales to international schools (+15%).

RM RESULTS

Revenue grew slightly to £31.8m (2017: £31.6m) with revenue from e-assessment growing by 4%, which offset the planned exit of a number of legacy contracts in Data (-14%). Adjusted operating profit increased by 5% on the prior year to £8.2m (2017: £7.8m).

Adjusted operating margins increased to 25.6% (2017: 24.5%) benefitting primarily from one time benefits of improvements in the long-term contract margins delivered as a result of operational improvements across the contract portfolio and allocation of software development into new product IP. This was further supported by the successful roll-out of the latest release of e-marking software, Aessor3.

RM Results signed seven new contracts in 2018, six of which were with international customers. The order book value of these contracts is above £4m with the potential to materially increase that value through increased volumes and broader phases of implementation and delivery still to be contracted.

The Division also successfully secured several important contract renewals and extensions with existing customers in the year.

The outlook remains positive in this Division with the contract performance in 2018 and strong pipeline creating a robust platform for long-term growth. Progress continues to be made in developing further intellectual property in the e-assessment portfolio and M&A opportunities will continue to be assessed to look to accelerate strategic development.

RM EDUCATION

Revenues in the Division declined by 4% to £67.6m (2017: £70.6m) driven primarily by the planned contract completion of several long-term contracts. Adjusted operating profit margins improved, increasing to 11.6% (2017: 9.3%), benefitting from a reduction in the cost base and a resulting one-time benefit in the long-term contract

lifetime margins which more than offset restructuring costs in the year. Adjusted operating profit increased to £7.8m (2017: £6.6m).

The Division is made up of Services (63% of revenue) – which includes IT outsourcing, support contracts and 3rd party technology management, Digital Platforms (14%) – software offerings which are predominantly cloud-based and Connectivity (18%) – fully managed broadband services for Schools and Colleges. The Division has a number of legacy services and contracts that are either in contractual run-off, or we have stopped continued investment in them. In 2018 they constituted 5% of revenues and are expected to have materially concluded by 2020.

A key focus of the Division is to build its annuity revenue offerings which now account for over 70% of the revenue portfolio.

The following divisional metrics exclude the impact of the legacy revenues to show the underlying trends.

Services

The Services offering is primarily the provision of IT outsourcing services to UK schools and colleges but also includes support contracts to school IT teams and the provision, implementation and management of 3rd party technology. Services revenues decreased by 3% to £42.6m (2017: £43.9m) resulting from a 12% reduction in the proportion of spend under aggregated long-term contracts which traditionally had higher service provision requirements and resulting average spend. Retention rates in the year were 96% and in addition, 99 new schools signed managed services contracts in the year (2017: 46) resulting in 10% growth in schools outsourced. Furthermore a consolidated school group signed a 3 year managed services contract just after the year end adding a further 38 schools.

A proportion of RM Education's managed service contracts are subject to long-term project accounting policies. Consequently, as these contracts complete in the year or progress towards completion, profits benefit from the effects of good operational performance, risk mitigation at completion and wider reductions in the Division's cost base.

Digital Platforms

The Digital Platform offering covers a number of key cloud-based products such as RM Integris (RM's school management system), RM Unify, our authentication and portal system and RM SafetyNet, our internet filtering and safeguarding system as well as other content, finance and network software offerings. Digital Platforms revenues increased by 7% to £9.6m (2017: £8.9m) driven by growth in RM Integris and network software. Customer retention rates of core Digital Platform products were in excess of 90% in the year.

Connectivity

The Connectivity offering provides managed broadband connections to schools and colleges. Revenues decreased by 3% to £11.8m (2017: £12.3m) resulting from a £0.8m reduction of unbundled sales of IP addresses. Underlying managed connectivity services revenues increased by 3% in the year to £11.5m benefiting from an increase in school contracts year on year.

During the year we signed a new five year agreement with the Division's largest aggregated customer which provides continuity of our revenue stream whilst also enabling direct contractual relationship with the schools.

IMPACT OF THE EU REFERENDUM VOTE

The Company continues to monitor the evolving impacts of the referendum decision on UK's membership of the EU. The Group has European sales of £12.4m, of which £8.5m relate to physical product sales in RM Resources and £3.9m relate to software and services sales in RM Results and RM Education. The Group has undertaken a review of the potential changes resulting from the UK's exit from the EU, including in the event of a 'no deal' scenario. This review focused on the principal risk areas of customers and markets, supply chain, people, treasury, legal, data and regulation and customs and tax. Following this review, although we believe the likely impact to be unfavourable, we continue to believe that it will not have a materially adverse effect on the Group as a whole, whilst assuming that the UK government does not fundamentally change its approach to education funding. We continue to monitor the evolving nature of the negotiations.

The Group has foreign currency denominated costs that outweigh foreign currency denominated revenues and therefore increased currency volatility creates an exposure. This is primarily attributed to US Dollar and Indian rupee exposure. This risk is managed through currency hedging against exchange rate movements, typically 9-12 months into the future. The Group is also working to rebalance its exposure by growing its foreign currency denominated sales ahead of its costs to reduce the currency imbalance and more naturally hedge this risk.



RM plc

RM[™]
Education

My Account

Menu +



Cloud Journeys: Introduction

James Browning
Head of Infrastructure and Connectivity

Meet James Browning, Head of Infrastructure and Connectivity at RM Education. He works within our infrastructure team helping to make

GOING CONCERN

The financial position, cash flows and liquidity position are described in the financial statements and the associated notes. In addition, the notes to the financial statements include RM's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit and liquidity risk. During the year, the Group's revolving credit facility reduced from £75m, at the beginning of the year, to £65m on 31 December 2018 and will reduce again to £60m on 30 June 2019. The current bank credit facility ends on 30 June 2020 but has an option to extend for a further two years with lender consent and the Board has no reason to believe that the facility would not be extended. The Group ended the year with a net debt of £5.8m which is a reduction of £7.6m on the prior year end position of £13.4m. The average net debt position during the year was £24.1m with the highest borrowing point being £32.8m.

Having reviewed the future budgets and projections for the business, the principal risks that could impact on the Group's liquidity and solvency over the next 12 months and its current financial position, the Board believes that RM is well placed to manage its business risks successfully and remain in compliance with the financial covenants associated with its borrowings. Therefore, the Board has a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason, the Company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

FINANCIAL VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, in addition to an assessment of going concern, the Directors have also considered the prospects of the Group and Company over a longer time period. The period of assessment chosen is three years, which is consistent with the time period over which the Group's medium-term financial budgets are prepared. These financial budgets include income statements, balance sheets and cash flow statements. They have been assessed by the Board in conjunction with the principal risks of the Group, which are documented within the Principal Risks and Uncertainties section above, along with their mitigating actions.

The Board considers that the principal risks which have the potential to threaten the Group's business models, future performance, solvency or liquidity over the three year period are:

1. Public policy risk – UK education policy priority changes or restrictions in government funding due to fiscal policy.
2. Operational execution – including:
 - Major adverse performance in a key contract or product which results in negative publicity and which damages the Group's brand.
 - Delays to key projects where we are investing more significant levels of discretionary capital expenditure.
3. Business continuity – an event impacting the Group's major buildings, systems or infrastructure components. This would include a major incident at one of the RM Resources main warehouses.
4. Strategic risks
 - Loss of a significant contract which underpins an element of a Division's activity.
 - Significant reduction in gross margins.
 - Impact of a 'no-deal' Brexit and resulting possible changes in the fiscal and economic environment

Having assessed the above risks, singularly and in combination, and via sensitivity analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of assessment and are not aware of any reason that viability would be an issue.

Neil Martin
Chief Financial Officer
4 February 2019

> DIRECTORS' BIOGRAPHIES

JOHN POULTER

Chairman (a) (r) (n)

John Poulter was appointed as Non-Executive Chairman of RM plc on 1 May 2013. He is also Chairman of the Nomination Committee of the Board. Mr Poulter is a former Chairman of 4imprint Group plc and a former Chairman and former Chief Executive of Spectris plc. He has also been a Non-Executive Director of a number of public and private companies including FTSE 250 constituents BTP plc, RAC plc and Kidde plc.

ANDY BLUNDELL

Independent Non-Executive Director (a) (r) (n)

Andy Blundell joined the Board as a Non-Executive Director on 25 May 2017. He is also Chief Executive Officer of Communisys who he joined in January 2008, where he held earlier roles as Managing Director of Print Sourcing and Group Sales Director. Formerly, he was a Managing Director at Bemrose Booth Ltd and a Managing Director at De La Rue plc.

DAVID BROOKS

Chief Executive Officer

David Brooks was appointed Chief Executive Officer of RM plc on 1 March 2013, having been appointed to the Board as Chief Operating Officer on 1 July 2012. He originally joined RM, with a degree in computing, on the Group's graduate scheme. He has gained extensive experience in several senior roles across the RM Group.

PATRICK MARTELL

Independent Non-Executive Director (a) (r) (n)

Patrick Martell joined the Board on 1 January 2014 as a Non-Executive Director and was appointed Chairman of the Remuneration Committee on 19 March 2014. Mr Martell is a former Group CEO of St Ives plc, having joined in 1980. He was appointed to the Board of St Ives plc on 1 August 2003 and held the position of Managing Director, Media Products and Managing Director, UK Operations from 2006 to 2009, at which point he was appointed Group CEO. Mr Martell is currently Chief Executive of the Business Intelligence Division of Informa plc.

NEIL MARTIN

Chief Financial Officer

Neil Martin joined the Company and the Board on 28 September 2015. Prior to joining RM, he was CFO for UK and Ireland for the Adecco Group, the leading provider of HR solutions listed on the Swiss Stock Exchange. He was CFO at the UK listed, IT staffing company, Spring plc until it was acquired by Adecco in 2009. Mr Martin started his career by spending seven years at Exxon Mobil.

DEENA MATTAR

Senior Independent Non-Executive Director (a) (r) (n)

Deena Mattar FCA joined the Board on 1 June 2011 as a Non-Executive Director and was appointed Chairman 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 and Chairman of the Audit Committee of Wates Group Ltd, an Independent Non-Executive on the Partnership Oversight Board of Grant Thornton UK LLP and, until its sale to Schneider Electric, she was a Non-Executive Director and Chairman of the Audit Committee for Invensys plc. She is also a former Non-Executive Director of Lamprell plc.

Committee membership as at the date of this report:

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

> DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated and Company financial statements for the year ended 30 November 2018.

The Corporate Governance Report is incorporated into this report by reference.

DIVIDENDS

The total dividend paid and proposed for the year has been increased by 15% to 7.60 pence per share (2017: 6.60 pence). This is comprised of the interim dividend of 1.90 pence per share paid in September 2018 and, subject to shareholder approval, a final dividend of 5.70 pence per share.

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.

ENVIRONMENTAL POLICY AND REPORTING

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.

The Group is required to report Scope 1 and 2 emissions for all Group companies within the Annual Report and has elected to report emissions for the year to 30 September 2018.

Set out below are all of the emission sources required to be reported under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

The GHG Protocol Corporate Accounting and Reporting Standard (revised edition) has been applied. The figures include emissions arising from all financially controlled assets, as well as business travel arising from air and other vehicle use.

All emissions factors have been selected from the emissions conversion factors published annually by the Department for Business, Energy & Industrial Strategy (which can be found at <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018>).

Emissions by scope

Scope	Source	Country	Year ended 30 September 2018		Year ended 30 September 2017	
			Tonnes CO ₂ e	Absolute totals Tonnes CO ₂ e	Tonnes CO ₂ e	Absolute totals Tonnes CO ₂ e
Scope 1	Air travel	UK	735		624	
	Air travel	India	396		296	
	Van/car travel	UK	481		515	
	Van/car travel	India	120		124	
	Gas	UK	789	2,522	420	1,979
Scope 2	Electricity and gas	UK	804		857	
	Electricity and gas	India	21	826	186	1,044
Total				3,348		3,023

Emissions have also been analysed using an intensity metric, which will enable the Company to monitor how well emissions are controlled on an annual basis, independent of fluctuations in the levels of activity. The metric used is 'emissions per full-time equivalent (FTE) employee'. The Group's emissions per employee are shown in the table below.

Tonnes CO ₂ e/employee	Year ended 30 September 2018	Year ended 30 September 2017
Scope 1	1.33	1.15
Scope 2	0.43	0.60
Total	1.76	1.75

DATA PROTECTION

Given the nature of its operations, the Company has always taken data protection matters very seriously. The security and integrity of customer data is critical and its importance to the Group is noted in the table of "Principal Risks and Uncertainties" in the Strategic Report.

The Company has a formal Group Security and Business Continuity Committee (GSBCC), which oversees data protection matters. That Committee is chaired by the Chief Financial Officer and attendees include the Group's Data Protection Officer (DPO), Chief Information Officer, Group HR Director and representatives from each of the Divisions.

As part of its ongoing programme of GDPR-compliance, the Group has formal data protection policies which all staff are required to adhere to, ongoing training is provided to all staff, security vetting of relevant suppliers and other third parties is conducted and contracts are governed to ensure that all relevant legal requirements are addressed.

The DPO works independently of management in fulfilment of the statutory duties required of that role and, should any issues arise, he can escalate these directly to the Board via the Company Secretary. As well as attending the GSBCC, the DPO provides regular (at least quarterly) updates to the Executive Committee on data protection matters. At those updates, reports are provided of all relevant data protection matters, including those relating to security and any legal and regulatory developments.

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 health and safety management system:

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

POLITICAL DONATIONS

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

RESEARCH AND DEVELOPMENT

The Company continues to develop and maintain its existing software development products whilst staff work to develop new and more effective systems and products. The Company incurred £6.7m of research and development in the year, which was expensed in the income statement (2017: £6.8m). This relates to product enhancement and research.

SUBSTANTIAL SHAREHOLDINGS

On 4 February 2019 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 4 February 2019	No. of shares Direct	No. of shares Indirect
Aberforth Partners	14,669,375	17.49%	0	14,669,375
Schroders Investment Management Ltd	13,194,974	15.73%	0	13,194,974
Artemis Investment Management LLP	12,620,997	15.05%	0	12,620,997
Majedie Asset Management Ltd	5,280,817	6.30%	0	5,280,817
The Wellcome Trust Ltd	4,798,752	5.72%	0	4,798,752
Ennismore Fund Management Limited	3,315,000	3.95%	0	3,315,000
Fidelity International	3,109,433	3.71%	0	3,109,433

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 2018, the RM plc Employee Share Trust owned 2,013,176 ordinary shares in the Company (2.40% 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.

The Group enters into long-term contracts to supply IT 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 February 2017, the Company entered into a revolving credit facility with Barclays Bank plc and HSBC Bank plc, which expires in June 2020. The initial facility was for £75m, with the amount of funds available reducing to £70m from 30 June 2018, £65m from 30 December 2018 and £60m from 30 June 2019. That facility is subject to termination in the event of a change of control of the Company or the de-listing of any part of the share capital of the Company from the Official List.

REPURCHASE OF OWN SHARES

At the Annual General Meeting held on 21 March 2018, members renewed the authority under section 701 of the Companies Act 2006 to make market purchases on the London Stock Exchange of up to 8,265,001 ordinary shares, 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 27 March 2019.

OVERSEAS BRANCHES

The Group has an overseas branch in Singapore.

DIRECTORS

Details of those Directors who have held office during the financial year and up to the date of signing this report and any changes since the start of the financial year are given below:

John Poulter

Andy Blundell

David Brooks

Patrick Martell

Neil Martin

Deena Mattar

Biographical details of the current Directors are given in the Directors' Biographies section of the Annual Report. At the forthcoming Annual General Meeting all Directors will stand for re-election in accordance with best practice and guidance set out in the UK Corporate Governance Code. All Directors have either a letter of appointment or a service contract, details of which can be found in the Remuneration Report.

The Group has provided indemnity insurance for one or more of the Directors during the financial year and at the date of signing this Report. 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.

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.

A resolution to reappoint KPMG LLP as auditor of the Company will be proposed at the next Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare Group and Company 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 applicable law 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 their profit or loss 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, relevant and reliable;
- 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;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

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

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

A copy of the Group financial statements is posted on the Group's website www.rmplc.com.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting will be held on 27 March 2019 at 140 Eastern Avenue, Abingdon, Oxfordshire OX14 4SB, at the 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

4 February 2019

CORPORATE GOVERNANCE REPORT

INTRODUCTION FROM THE CHAIRMAN

As Chairman, I am responsible for ensuring that the Company has high standards of corporate governance. On behalf of the Board, I confirm that the Company has complied with the provisions of the UK Corporate Governance Code 2016 (the “Code”) throughout the 12 month period ended 30 November 2018. How we have applied the principles of the Code is set out in the table below.

The Code itself provides a framework for corporate governance and, irrespective of the Code, the Board tries to foster throughout the organisation a culture of open and honest communication, constructive challenge and proper division of responsibilities, all set within a structure containing appropriate checks and balances. The Board sees this as a positive contributor to effective business operations.

This Corporate Governance Report provides a summary of the arrangements that are in place and the above is intended to set the context within which those arrangements operate and the importance placed on them by the Board.

John Poulter

Chairman

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2016

Code of Best Practice – Principles	RM Statement of compliance
A DIRECTORS	
A1 The Role of the Board	
Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.	The Directors' responsibilities are outlined in the Directors' Report. The Board meets regularly on a formal basis plus additional ad hoc meetings as necessary. Further details of the operation of the Board and the structure of internal governance arrangements are referred to below.
A2 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.	There is a clear distinction between the role of the Non-Executive Directors on the Board, which is chaired by the Chairman, and the Chief Executive Officer and Chief Financial Officer, who have executive responsibility for the running of the Company's business.
A3 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. The Chairman meets the independence criteria.
A4 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 strategic proposals for the Group and monitor performance on an ongoing basis. The controls in place to ensure the integrity of financial information and systems of risk management are described elsewhere in the Annual Report. Deena Mattar 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 Executive Directors present when considered appropriate and the performance of Non-Executive Directors, including the Chairman, is assessed as noted in paragraph B6 below.
B EFFECTIVENESS	
B1 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 Chief Executive Officer and Chief Financial Officer plus, currently, four Non-Executive Directors including the Chairman. 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 and business expertise which is suited to the nature of the Company.

B2 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, including the Chairman, is responsible for identifying and nominating candidates to fill Board vacancies. While the Chairman chairs the Nomination Committee, the Senior Independent Director would do so if the Committee was dealing with the appointment of a new Chairman.

An external search consultancy, which had no other connection to the Company (other than in relation to similar previous appointments), was appointed during the year to assist with the appointment of a new Non-Executive Director. That appointment has not yet been made.

B3 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.

B4 Development

All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.

All Directors receive an induction on joining the Board. All Directors have extensive experience and possess relevant skills and knowledge to perform their duties.

B5 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. The Board is also informed of any key developments or issues that require their consideration as and when they arise and management ensures that further information and/or clarification is provided to the Board as required from time to time.

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 Executive Committee and have access to managers within the Group.

B6 Evaluation

The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

The performance of the Board and each Board Committee is reviewed on an annual basis and a review was conducted during the year ended 30 November 2018.

The performance of the Chairman is assessed by the Non-Executive Directors led by the Senior Independent Director. The Senior Independent Director also meets with the Non-Executive Directors without the Chairman being present on such other occasions as considered appropriate.

The performance of the Chief Executive Officer is assessed by the Chairman, in consultation with the other Non-Executive Directors. The performance of the Chief Financial Officer is assessed by the Chief Executive Officer, in consultation with the Chairman and other Non-Executive Directors.

The Chairman also holds meetings with the Non-Executive Directors without the Executive Directors present when considered appropriate.

B7 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 by shareholders at each Annual General Meeting.

C ACCOUNTABILITY**C1 Financial and Business Reporting**

The board should present a fair, balanced and understandable assessment of the company's position and prospects.

In preparing the Annual Report, the Directors consider that they present a fair, balanced and understandable assessment of the Group's performance and position and provide appropriate guidance on its future prospects. The Company's strategy is summarised in the Strategic Report.

C2 Risk Management and Internal Control

The board is responsible for determining the nature and extent of the principal 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, further details of which are given elsewhere in this Report. The control environment addresses, inter alia, financial, operational and compliance matters. These processes are reviewed at least on an annual basis. Further details are provided in the Audit Committee Report.

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company.

The Strategic Report sets out further details of those risks and provides a summary as to how they are managed or mitigated. Having carried out that assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due. Further details of that assessment are provided in the Strategic Report.

C3 Audit Committee and Auditors

The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, 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 Chief Executive Officer, Chief Financial Officer and other members of the internal finance team and internal audit are invited to attend. The Audit Committee meets separately with the Company's auditor without the Executive Directors present. Further details are set out below and in the Audit Committee Report.

D REMUNERATION**D1 The Level and Components of Remuneration**

Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.

The Remuneration Committee carefully considers the elements of remuneration paid to the Executive Directors and the basis on which they are paid. In all cases, remuneration is designed to promote the long-term success of the Company. The Remuneration Report sets out further details.

During the period, neither the Chief Executive Officer nor the Chief Financial Officer held any Non-Executive positions with other companies.

D2 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. Further details are provided in the Remuneration Report.

The Chief Executive Officer and Chief Financial Officer may be invited to attend the Committee's meetings but are not involved in deciding their own remuneration. The Chairman of the Remuneration Committee is available to discuss remuneration with shareholders as required.

E RELATIONS WITH SHAREHOLDERS**E1 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 Chief Executive Officer and Chief Financial Officer offer meetings with major shareholders at least twice a year after the announcement of preliminary full year and interim results. The Chairman also meets with shareholders, as appropriate.

Deena Mattar, Senior Independent Director, is available to shareholders if they have concerns which contact through the normal channels has failed to resolve.

All Non-Executive Directors are available to meet institutional shareholders on an ad hoc basis.

The Board is kept apprised of the views of major shareholders through regular dialogue with its brokers and other advisors and from feedback provided by the Executive Directors and Chairman respectively, following meetings held with shareholders.

E2 Constructive Use of General Meetings

The board should use general meetings 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.

The Company complies with all of the requirements of the Code in relation to the timing and operation of all Annual General Meetings.

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. Those matters include the approval of interim and annual financial statements, the annual budget, significant Stock Exchange announcements, 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 three Board committees: Audit, Remuneration and Nomination, each of which comprises only independent Non-Executive Directors.

The Audit Committee is chaired by Deena Mattar. Ms Mattar has considerable financial experience and expertise as further outlined in the Directors' Biographies section of this Annual Report. The Audit Committee is comprised solely of independent Non-Executive Directors. The Audit Committee meets at least three times a year. The Company's external auditor, Chief Executive Officer, Chief Financial Officer, Company Secretary and 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 environment and the financial information contained in the annual and interim reports. The Audit Committee also reviews the arrangements by which staff may, in confidence, raise concerns about possible improprieties, whether of a financial nature or otherwise. The Committee provides an opportunity for the Non-Executive Directors to make independent judgments and contributions, thus furthering the effectiveness of RM's internal 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.rmplc.com.

The Remuneration Committee is chaired by Patrick Martell. The Remuneration Committee is comprised solely of independent Non-Executive Directors. 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 recommends and monitors the level and structure of remuneration for 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.rmplc.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 as required, when the Group is considering the appointment of Directors. The terms of reference for the Nomination Committee are published on www.rmplc.com.

DIVERSITY POLICY

The Company recognises that talented people are core to the success of the business, whatever their age, race, gender, religious or philosophical belief, sexual orientation, physical ability or educational background. The Company is committed to promoting a culture of equal opportunity and diversity through a range of policies, procedures and working practices. The Company wants to ensure that all employees receive fair and equal treatment, and this applies to recruitment and selection, terms and conditions of employment, promotion, training, development opportunities and employment benefits.

The Board has chosen not to set specific representation targets (whether for gender, race or otherwise) at Board level, although it does have due regard to the benefits of diversity within the overriding objective of ensuring that its membership has the appropriate balance of skills, experience and independence.

BOARD ATTENDANCE

Details of the number of meetings of the Board and each Committee 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	2	0
John Poulter	12	3	2	0
Andy Blundell	12	3	2	0
David Brooks	12	-	-	-
Patrick Martell	12	3	2	0
Neil Martin	12	-	-	-
Deena Mattar	12	3	2	0

EXECUTIVE COMMITTEE

The Executive Committee is chaired by the Chief Executive Officer. The Executive Committee comprises the Chief Executive Officer, Chief Financial Officer and other senior managers within the Group. The Executive Committee normally meets on a monthly basis to discuss policy and operational issues. Those issues outside the delegated authority levels set by the Board are referred to the Board for its decision. All Non-Executive Directors are invited to attend the Executive Committee.

RELATIONS WITH SHAREHOLDERS

In order to maintain dialogue with institutional shareholders, the Executive Directors offer to meet with them following interim and final results announcements, or otherwise, as appropriate. Other Directors are available to meet institutional shareholders on request. The Annual Report is made available on the Company's website (www.rmplc.com), and sent to shareholders, as appropriate, at least 21 days before the Annual General Meeting. 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 ISSUES

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 Code, 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 main risks faced by the Group are set out in the "Principal Risks and Uncertainties" table in the Strategic Report. It is committed to mitigating risks arising wherever possible. Internal controls that are considered, applied and monitored appropriately, are an essential tool in achieving this objective.

The key elements of Group internal control, which have been effective during 2018 and up to the date of approval of the 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 appropriate 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 of 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 budget approved by the Board, which budget is regularly updated providing an updated forecast for the year.
- Monthly comparison of actual results against budget.
- 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.
- Regular reviews by the Executive Committee of the Group's systems and procedures, the principal risks facing the Company and the steps taken to mitigate and address those risks.
- Periodic reviews by the Audit Committee of the principal risks facing the Company and mitigating actions as noted above, as well as of the Group's systems and procedures to identify and address those risks.

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.

Both the Board and Audit Committee have 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:

- Monitoring the integrity of the financial statements of the Company and the Group.
- Reviewing the adequacy and effectiveness of the Group's internal financial controls and risk management systems.
- Reviewing and agreeing the Group's adoption of going concern, and the adequacy of the financial viability statement.
- Reviewing the adequacy and security of the Group's arrangements for whistleblowing, the procedures for detecting fraud and the systems and controls for the prevention of bribery and the reporting of non-compliance.
- Monitoring and reviewing the effectiveness of the Group's internal audit processes, the remit of internal audit and its operations.
- Considering and making recommendations on matters relating to the appointment of the Company's external auditor, overseeing the relationship with the Company's external auditor (including recommending remuneration levels and considering non-audit services), assessing the auditor's independence and objectivity, monitoring the quality and effectiveness of the external audit process, reviewing the audit plan and reviewing the findings of the audit with the Company's auditor.

FINANCIAL STATEMENTS

The Audit Committee reviewed the form and content of the Annual Report and the interim results prior to their publication to provide assurance that the disclosure made in the financial statements was properly set in context.

The Audit Committee reviewed and considered the following areas:

- The methods used to account for significant or unusual transactions where different approaches are possible.
- Whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the Company's auditor.
- The consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Group.
- The clarity of disclosure in the Company's financial reports.
- The effect of the proposed introduction of IFRS 15 on the future accounts of the Group.

As part of this process the Audit Committee received reports from the Company's management and the external auditor. The external auditor provided its audit opinion along with its audit findings that were of significance in relation to the audit of the annual financial statements and a high-level review of the interim financial statements. The Audit Committee reviewed these reports with the external auditor.

The Audit Committee considers that the significant accounting judgements upon which the accounts are based relate primarily to long-term contract accounting and the related margin recognition.

Long-term contracts represent a significant part of the Group's business and the accounting is inherently judgemental. To determine the margin to be recognised or loss to be provided, it is necessary to estimate future costs and revenues. Also, the Group may sign variations, extensions and/or new contracts with an existing customer and it is necessary to assess whether or not, for accounting purposes, these should be combined with an existing contract, or treated as a separate contract.

Monthly management accounts and reports are provided to the Board. These management accounts are based on detailed information obtained by management which take into account the following:

- The forecast costs and revenues to complete on contracts and the margin to recognise or loss to be provided.
- Contract variations and extensions and whether they should be combined with existing contractual arrangements and their impact on recognised revenue and margin.

Where a contract has a significant impact on revenue and profit or where there is a significant variation to the contract outturn or a significant judgement is required, this information is typically included in the management accounts and discussed by the Board and the Audit Committee. On a quarterly basis the results to date and forecast of each significant contract is included in the Board papers.

Management reported to the Audit Committee that they were not aware of any material misstatements. The auditor reported to the Audit Committee that they had not found any material misstatements in the course of their work. The Audit Committee was also satisfied that the significant assumptions used for determining the value of assets and liabilities had been appropriately scrutinised, challenged and were sufficiently robust.

The Audit Committee considered and is satisfied that, taken as a whole, the Annual Report 2018 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

COMPOSITION AND QUALIFICATIONS OF THE AUDIT COMMITTEE

During the year ended 30 November 2018, the Audit Committee comprised Deena Mattar BSc (Econ), FCA (Chairman), John Poulter, Andy Blundell and Patrick Martell, all of whom are independent Non-Executive Directors. The Group considers that Deena Mattar as a Fellow of the Institute of Chartered Accountants in England and Wales and former FTSE250 Finance Director has significant recent and relevant financial experience, as further described in the Directors' Biographies section of this Annual Report.

The External Auditor (KPMG), David Brooks (Chief Executive Officer), Neil Martin, ACMA (Chief Financial Officer), Tim Caufield, ACA (Interim Group Financial Controller to 10 January 2018), Jo Bridgman ACA (Group Financial Controller from 23 February 2018) and other management are invited to attend Audit Committee meetings as appropriate.

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 auditor without Executive Directors or managers of the Company present.

APPOINTMENT OF EXTERNAL AUDITOR

The Audit Committee recommended, and shareholders approved at the Company's Annual General Meeting on 21 March 2018, the re-appointment of KPMG LLP as Group external auditor.

KPMG has been the Group's auditor since 2011 which was when the last audit tender was conducted. The external auditor is required to rotate the audit partner responsible for the Group audit every five years and, as such, a new lead audit partner (John Bennett) was appointed in 2016.

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. This includes discussions with the external auditor in relation to areas of key focus and ensuring that the external auditor challenges management appropriately, in particular in relation to matters that require judgement to be exercised. Separately, the external auditor briefs the Committee on new developments that may affect the Company to help ensure that the Company is suitably prepared and up-to-date with all new and forthcoming accounting developments and disclosures (e.g. IFRS 15).

INTERNAL AUDIT

The Audit Committee approved the appointment of RM's Group Financial Controller as Head of Internal Audit (Tim Caufield ACA, Interim Group Financial Controller (to 10 January 2018) and Jo Bridgman, Group Financial Controller (from 23 February 2018)). For the purposes of this role, the Group Financial Controller reported directly to the Chairman of the Audit Committee. The Audit Committee, with the advice and support of the Head of Internal Audit, sets an internal audit plan, focused on financial controls and risk areas. The Head of Internal Audit reports on progress against this plan at Audit Committee meetings. Internal audit activities are undertaken on a peer-to-peer basis, or by contracting a suitably qualified third-party firm of accountants.

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. In exceptional circumstances it may be appropriate for the auditor to carry out non-audit work in excess of this cap. If this is the case the type of work and the fee is considered very carefully by the Audit Committee in advance of appointing the auditor to the work.

Fees for non-audit work in the period were 6.2% of the annual audit fee, which relates to the Banking facility Covenant Compliance review and the interim review. These activities are required to be performed by the Auditor.

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 Group-wide approval matrix is in place. 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 and, following the acquisition of Consortium in June 2017, those reviews involved aligning the governance framework in that business with the governance framework in operation elsewhere in the Group. 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 Executive Committee which meets monthly. Further details in relation to the processes for identifying and managing Group risks are set out in the Strategic Report and Corporate Governance Report.

Public reporting

The Audit Committee reviews and comments upon both the Group's annual and interim results prepared by management, together with any other trading statements that are made.

Management information

Executive managers are required to produce a budget for approval at the beginning of each financial year and detailed financial reporting is formally compiled monthly and reviewed by the Board. Consolidated management accounts are produced each month and results measured against budget and the previous year to identify significant variances. Forecasts are produced each month during the year, with variances to budget being measured.

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 plan is set with the Audit Committee and updates on progress are provided periodically. The internal audit work is performed on a peer-to-peer review basis or by engaging a third-party firm of accountants and is directed by a qualified accountant who is independent of the business divisions.

'WHISTLEBLOWING' POLICY

The Group has adopted a formal 'whistleblowing' 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. Staff certification of compliance with the policy is regularly reported to the Committee.

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 Strategic Report.

Deena Mattar

Chairman, Audit Committee

4 February 2019

> REMUNERATION REPORT

PART A - INTRODUCTION

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 November 2018.

This Report is divided into the following three sections:

- Part A – Introduction
- Part B – Remuneration Policy
- Part C – Implementation Report

The introduction in this Part A provides an overview of the Report, the functioning and membership of the Remuneration Committee, key decisions taken during the year and the remuneration outcomes for the year ended 30 November 2018.

1. THE REMUNERATION COMMITTEE

The Committee operates under terms of reference approved by the Board with the purposes of determining, on behalf of the Board and shareholders, the remuneration of the Executive Directors and senior employees across the Group. The Committee also oversees major policy changes (if any) to the overall reward structure of employees throughout the Group. In particular, the Committee keeps under review incentive plans so as to ensure these plans are structured appropriately and are consistent. The Committee's terms of reference can be found on the Group's website at www.rmplc.com.

2. MEMBERSHIP OF THE COMMITTEE

The membership of the Remuneration Committee during the year ended 30 November 2018 comprised Patrick Martell (Chairman), Andy Blundell, Deena Mattar and John Poulter, all of whom are independent Non-Executive Directors. The other Directors attend meetings as and when required and by invitation.

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 judgement.

3. MAJOR DECISIONS ON DIRECTORS' REMUNERATION

During the year, the following key decisions were considered by the Committee:

- Agreement of the bonuses payable in respect of the financial year ended 30 November 2017.
- Approval of the Remuneration Report for the year ended 30 November 2017.
- The grant of LTIP awards to senior executives in March 2018.

4. REMUNERATION OUTCOMES FOR THE YEAR

The key remuneration outcomes during or in relation to the year ended 30 November 2018 were as follows:

- In August 2018, the LTIP award granted in August 2015 vested in full. The vesting of that award was subject to the Company's relative TSR performance as compared to the FTSE SmallCap (ex IT) index (the "Comparator Group") over the 3-year period from May/June 2015 to May/June 2018. The Company's relative TSR performance placed it in the 81st percentile as compared to the Comparator Group. Vesting was based on a straight line scale between 25% vesting at the 50th percentile and 100% vesting at the 75th percentile (or above). Based on the Company's relative performance, all of the award vested. The Committee applied no discretion.
- In October 2018, the LTIP award granted in October 2015 vested in part. The vesting of that award was subject to the Company's relative TSR performance as compared to the FTSE SmallCap (ex IT) index (the "Comparator Group") over the 3-year period from July/August 2015 to July/August 2018. The Company's relative TSR performance placed it in the 73rd percentile as compared to the Comparator Group. Vesting was based on a straight line scale between 25% vesting at the 50th percentile and 100% vesting at the 75th percentile (or above). Based on the Company's relative performance, 95% of the award vested. The Committee applied no discretion.

- In relation to annual bonuses for the year ended 30 November 2018, the Committee considered the Company's performance relative to the targets set at the start of the year. Group adjusted operating profit before tax was £26.0m, as compared to a target of £24.4m. In light of that performance, the Committee considered it appropriate to set the bonus payable for each of the Executive Directors at 70% of base salary.

5. NEW PERFORMANCE SHARE PLAN

The Company's existing RM plc Performance Share Plan 2010 ("PSP Scheme") will shortly be coming up to its ten year anniversary and, accordingly, shareholders' approval will be sought at the Annual General Meeting on 27 March 2019 to a new LTIP, the RM plc Performance Share Plan 2019 ("New PSP"). The New PSP is materially the same as the PSP Scheme and, in particular, has the same malus and clawback conditions and post-vesting holding periods for Directors as referred to in the Remuneration Report.

The Committee considers that the overall pay outcome for the year ended 30 November 2018 is justified given the overall performance of the business, taking into account its future prospects and position.

Patrick Martell

Chairman, Remuneration Committee
4 February 2019

PART B - REMUNERATION POLICY

1. GENERAL OBJECTIVES

The Remuneration Committee is responsible for the remuneration of the Directors and oversight of the remuneration arrangements for senior employees across the Group.

RM's Remuneration Policy is designed to promote the long-term success of the Company. The Policy is designed to attract, retain and motivate Directors and senior employees, both to achieve the Group's business objectives and to deliver sustained shareholder returns, while also being conscious of the wider climate in relation to executive pay. This includes the perceptions of a range of stakeholders, such as the wider workforce, customers and external commentators. The Policy should ensure that the payments made to Executives reflect their performance and, in particular, are not excessive.

Under these arrangements, the variable component of the remuneration package is designed to be focused on performance. These incentive arrangements enable Executive Directors and senior employees to have the opportunity to earn higher levels of reward if they enhance shareholder returns by meeting the Group's short-term and long-term targets. The Remuneration Policy therefore seeks to ensure that Executive Directors and senior employees are focused on the achievement of key Company objectives. The Committee is satisfied that this model provides appropriate alignment with shareholder interests and therefore acts as an appropriate motivator.

The Committee, together with the entire Board, recognises the need for investment in the long-term future of the Company, not just performance in any single year. Since such measures are difficult to quantify, the Committee retains the discretion to adjust annual bonus payments and/or LTIPs to ensure that the balance of incentives is maintained between short-term performance and longer-term investment, provided that if any discretion is exercised all payments remain subject to the limits and other constraints set out in this Policy.

The Committee has reviewed the level of risk inherent in the Remuneration Policy and is satisfied that there is an appropriate balance between encouraging entrepreneurial behaviour from Executive Directors and senior employees, and 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 Committee considers that the structure does not encourage excessive risk-taking.

2. COMPONENTS OF REMUNERATION FOR EXECUTIVE DIRECTORS

The following table sets out a summary of the various components of remuneration for Executive Directors, their purpose and link to strategy, how it operates, the maximum opportunity available, the nature of any applicable performance metrics and changes (if any) made during the year.

Element	Purpose and link to strategy	Operation
Fixed Pay		
Base Salary (see also note 1 below)	To attract and retain talent by ensuring that salaries are competitive in the market.	<p>Base salaries will be set on appointment at the appropriate level required to fill the role.</p> <p>If there is a probationary period following appointment, the base salary may increase as appropriate following successful completion of that probationary period.</p> <p>Thereafter, base salaries will generally only be increased in line with the increases in pay for the wider workforce (either across single or multiple years), except as justified by other circumstances.</p>
Pension (see also note 2 below)	To attract and retain talent by ensuring that remuneration is competitive in the market.	<p>Entitlement is the same as for other employees within the Group.</p> <p>Cash allowance alternative where individuals are subject to HMRC pension limits (subject to there being the same overall cost to the Group).</p> <p>Pension benefits will not be augmented on exit.</p>
Benefits	To attract and retain talent by ensuring that remuneration is competitive in the market.	<p>The range of benefits is the same as for other employees within the Group.</p> <p>The range of benefits offered to employees is reviewed periodically to ensure that offerings are in line with market practice.</p>

Maximum Opportunity	Performance Metrics	Changes for 2018/19
Base salaries will be determined as outlined in the “Operation” column opposite.	None.	None.
Up to 7% of base salary depending upon level of employee contribution.	None.	None.
Private healthcare. Group income protection. Life assurance. Car allowance. Mobile phone allowance. Other benefits may be added if also available to any other employees.	None.	None.

Element	Purpose and link to strategy	Operation
Variable Pay		
Annual Bonus	Provides an element of at risk pay, which incentivises good annual financial results.	<p>Members of the Committee keep the performance of the business under continuous review, through regular financial and business reporting and these reviews feed directly into annual and 3-yearly financial and strategic planning.</p> <p>Formal reviews are then conducted to ensure that targets are set that support short-term and long-term business strategy with such targets being intended to:</p> <ul style="list-style-type: none"> • be stretching but realistic; • reflect expectations of the investor community; • avoid unnecessary risk-taking; and • encourage long-term planning and decision-making.
LTIPs	Incentivises Directors to achieve returns for shareholders over a longer time frame.	<p>Awards are granted to Executives and senior management typically no more than once per year, with the vesting of awards being based on criteria designed to align with shareholder interests and encourage long-term performance.</p> <p>Where LTIP awards vest, a post-vesting holding period of 2 years will apply (save that Directors may sell sufficient shares on vesting/exercise to satisfy the income tax/National Insurance liability that arises). Once LTIPs have vested/been exercised, dividends or dividend equivalents can be paid on the relevant shares.</p> <p>LTIP awards are not pensionable.</p> <p>LTIP awards are subject to malus and clawback provisions (see further below).</p> <p>LTIP awards will not automatically vest on a change in control of the Company. In relation to any such change in control, an assessment will be made as to the level of vesting (if any) that is appropriate, taking into account (among other things) the extent to which the relevant performance targets have been met, as well as how much of the relevant performance period(s) has passed.</p>

Notes:

1. Since the end of the financial year, having applied the principles set out in the table above, the Committee has increased the base salary of David Brooks to £365,000 and Neil Martin to £297,762, with effect from 1 February 2019.
2. Group company RM Education Ltd operates a defined benefit pension scheme. This closed to new members in 2003 and, in respect of current members, closed to future accrual of benefits on 31 October 2012. David Brooks, CEO, has past benefits accrued as at 31 October 2012. His entitlements under that scheme are calculated on the same basis as those of other members. Since 1 November 2012, Mr Brooks has been a member of a defined contribution pension scheme.

<p>55% of base salary for on-target performance, with a maximum figure for over-performance of 110% of base salary.</p> <p>At threshold performance, bonuses will be paid at no more than 20% of the maximum opportunity.</p> <p>Any bonuses in excess of 100% of base salary will be paid in the form of shares that must be held for a minimum of 2 years.</p> <p>Annual bonuses are not pensionable.</p> <p>Annual bonuses are subject to malus and clawback provisions (see further below).</p>	<p>Set by the Committee at the beginning of each year as outlined in the “Operation” column opposite.</p> <p>Details of performance targets will be disclosed retrospectively in the following year’s Remuneration Report.</p> <p>If personal targets are set, those targets will be subject to an underpin based on Company performance.</p>	None.
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<p>150% of base salary.</p>	<p>Set by the Committee at the date of grant to align with shareholders’ interests.</p> <p>The vesting period for LTIPs will be a minimum of 3 years.</p> <p>Details of performance targets will be disclosed retrospectively in the Remuneration Report following the year in which LTIPs are granted. (See note 3 below)</p> <p>At threshold performance, no more than 25% of the award will vest.</p> <p>All targets will be subject to an underpin based on the underlying performance of the Company.</p>	None.
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3. It is anticipated that, during the year ending 30 November 2019, awards will be made to David Brooks and Neil Martin, respectively, under the RM plc Performance Share Plan 2010. Those awards will be awards of options with an exercise price of £0.00 and the face value of the awards will be c. 100% of base salary. In terms of the targets for those awards:
- 50% shall be based on the Company’s growth in adjusted earnings per share (EPS) between the year ended 30 November 2018 and the year ended 30 November 2021. Vesting will occur on a sliding scale between a compound annual growth rate (CAGR) in EPS of 5% per annum (25%) and a CAGR in EPS of 15% per annum (100%), namely 30.1 pence and 39.5 pence respectively.
 - 50% shall be based on the Company’s relative TSR performance for the period from January/February 2019 to January/February 2022. The Company’s TSR performance shall be measured against the TSR performance of the companies (Comparator Group) within the FTSE Small Cap (ex IT) Index over the above period and must be at least at the median of a ranking of the TSR of each of the members of the Comparator Group. Vesting will occur on a sliding scale between median (25%) and upper quartile (100%).

3. SHAREHOLDING POLICY

The Committee has implemented the following shareholding policy for all Executive Directors in order to further align their interests with those of the Company's shareholders:

1. Within five years of the first opportunity for an LTIP to vest following being appointed to the Board, Executive Directors are required to build up, and retain, ordinary shares in the Company equivalent in value to at least 200% of their base annual salary.
2. If Executive Directors do not hold the appropriate level of shares, they may not sell shares other than to satisfy income tax/national insurance liabilities that arise in relation to the vesting/exercise of LTIP awards. In all cases, any such sale will be subject to the normal Listing Rules and Disclosure and Transparency Rules' requirements for directors' dealings.

4. POLICY ON RECRUITMENT

The ongoing remuneration arrangements for a newly recruited or promoted Executive Director will reflect the Remuneration Policy in place at the time of the appointment.

The initial base salary will be set to reflect the individual's experience, salary levels within the Company and market levels. There may be a probationary period, following which salary levels may be increased. For external appointments, the Committee may also offer additional cash and/or share-based elements to replace any remuneration forfeited, when it considers this to be in the best interests of the Company and its shareholders. The terms of any such payments offered will reflect the nature, time horizons and performance requirements of remuneration forfeited. For internal appointments, any commitments made before appointment and not relating to appointment will be allowed to pay out according to their terms. For external and internal appointments, the Committee may agree that the Company will meet certain reasonable relocation expenses as appropriate, provided that these are incurred and claimed within 12 months of appointment.

5. MALUS AND CLAWBACK

Malus and clawback provisions are in place, and will continue to be maintained, in relation to the variable, performance related remuneration of the Executive Directors (annual bonus and LTIPs).

As the payment of annual bonuses are at the discretion of the Committee, the malus provisions in force are such that the payment of those bonuses are such that the Committee can reduce the payment if they consider that there is any reason that makes it appropriate to do so.

This includes (without limitation) in the circumstances applicable to clawback as outlined below but could also include any other matters that the Committee considers appropriate.

In respect of each award under the PSP Scheme and the New PSP, if approved by shareholders, the clawback applies where there is a deliberate act of fraud (whether by the Executive Directors or anybody else) that results in the misstatement of the Company's results. The clawback operates to the later of (a) one year from the relevant PSP award vesting and (b) the completion of the next audit of the Group's accounts after the award vests.

In respect of annual bonuses, the payment of all bonuses is at the discretion of the Remuneration Committee and the clawback applies where the Company suffers significant financial or reputational damage as a result of gross or serious misconduct, fraudulent misrepresentation or the Executive being convicted of a criminal offence. The clawback operates for a period of up to 18 months after the end of the relevant financial year to which the bonus relates.

6. PAYMENT UNDER PREVIOUS POLICIES

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed (i) under a previous Policy, in which case the provisions of that Policy shall continue to apply until such payments have been made (ii) before the Policy or the relevant legislation came into effect or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, 'payments' includes the satisfaction of awards of variable remuneration and, in relation to share-based awards, the terms of the payment which are agreed at the time the award is granted.

7. DISCRETIONS

The Remuneration Committee retains discretion with regards to the variable elements of pay (annual bonuses and LTIP awards), in relation to:

- The timing, size and type of awards and holding periods (subject always to the limits set out in the applicable Remuneration Policy).
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends).

- Adjustment of targets and measures if events occur which cause it to determine that the conditions are no longer appropriate.
- Amending plan rules in accordance with their terms or as required by law or regulation.

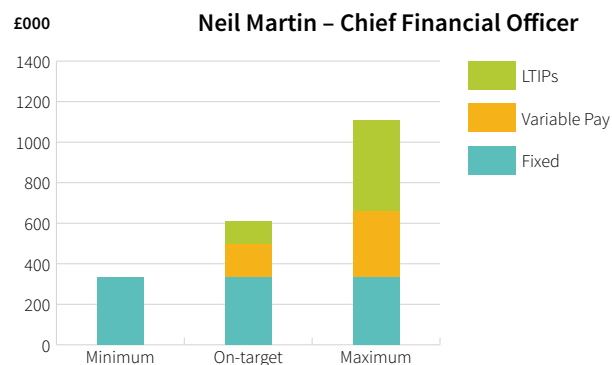
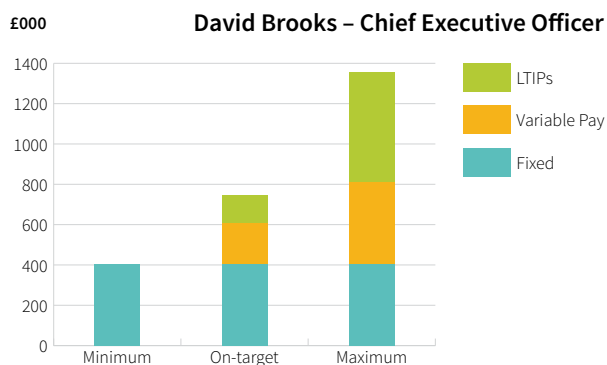
However, the Committee acknowledges the concerns of interested stakeholders that the discretion afforded to remuneration committees in quoted companies should not be too broad or enable the payment of inappropriate or excessive amounts, especially where payments to Executive Directors are not aligned with the experience of shareholders. As such, any exercise of discretion by the Committee will be kept to a minimum, other than in exceptional circumstances and, further, any exercise of discretion that results in an increase in payment will be explained to shareholders in the following Remuneration Report.

8. NON-EXECUTIVE DIRECTOR FEES

The fees payable to Non-Executive Directors are considered periodically by reference to comparable roles in companies of a similar size and complexity as the Company. Prior to 2018, the last such review was conducted in 2011. Fees were reviewed during the year ended 30 November 2018 and increased to be more in line with current market rates. Fees are not performance-related. Out-of-pocket expenses (such as travel costs) incurred in performing those duties are reimbursed by the Company. Any review of the fees paid to Non-Executive Directors will take into account the changes in pay arrangements for the wider workforce (over the intervening period since the last review of such fees), as well as the market for Non-Executive Directors, to ensure that the right balance is struck between attracting good candidates and paying fees that are appropriate.

9. ILLUSTRATION OF REMUNERATION POLICY

The graphs below provide estimates of the potential future reward for each of the Executive Directors based on their current roles, the Remuneration Policy outlined above and base salaries as at 1 February 2019. However, it is noted that the illustrations show maximum LTIP awards at 150% of base salary, whereas the typical value of LTIP awards is lower (e.g. as is shown in Part C of this Remuneration Report, the value of the last LTIP awards made were 98% of base salary for David Brooks and 98% of base salary for Neil Martin). The illustrations for LTIP awards assume no change in share price between the date of grant of an award and the date of vesting.



Explanations:

	Base	Benefits	Pension	Total
Fixed (£000)	365	15	26	406
On-target	On-target is assumed to be an annual bonus equal to 55% of base salary and an LTIP award of 25% of maximum			
Maximum	<ul style="list-style-type: none"> • Full pay-out of annual variable pay i.e., 110% of base salary • Maximum vesting of LTIP awards 			

Explanations:

	Base	Benefits	Pension	Total
Fixed (£000)	297	15	21	333
On-target	On-target is assumed to be an annual bonus equal to 55% of base salary and an LTIP award of 25% of maximum			
Maximum	<ul style="list-style-type: none"> • Full pay-out of annual variable pay i.e., 110% of base salary • Maximum vesting of LTIP awards 			

Of the overall remuneration package possible for each of the “Minimum”, “On-target” and “Maximum” payouts described, the following sets out the respective proportions for the fixed, variable and LTIP components:

Minimum: 100% fixed pay. **On-target:** 55% fixed pay, 27% variable pay & 18% LTIPs. **Maximum:** 30% fixed pay, 30%, variable pay & 40% LTIPs.

10. COMPARISON OF REMUNERATION POLICY

This Policy sets out the remuneration structure applicable to Directors of the Company. Salary levels and incentive arrangements applicable to other Group employees are determined by reference to local employment conditions for comparative roles.

Budgeted salary increases for Group employees are taken into consideration when determining increases for the Executive Directors and base salaries for Executive Directors will generally only be increased in line with the increases in pay for the wider workforce (either across single or multiple years), except as justified by other circumstances.

Employees are provided with a competitive benefits package including (as appropriate) private healthcare, Group income protection, life assurance, car allowance, mobile phone allowance and pension. These are the same benefits as those provided to Executive Directors.

The closure to future accrual of benefits of RM Education Ltd's defined benefit pension scheme in October 2012 applied equally to all employees, including Directors.

Consistent with Directors, the majority of employees are eligible to participate in an annual bonus scheme with conditions linked to their personal performance, the performance of their operating subsidiary and the Group overall.

The Group does not consult with employees in respect of the Remuneration Policy. However, the Committee receives regular updates on salary and bonus levels across the Group and is aware of how the remuneration of Directors compares to other employees.

Remuneration consultants have not been engaged during the period. However, the Committee does use market data produced by leading remuneration consultants to compare pay arrangements.

11. DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The Policy in relation to Executive Directors' service contracts is for them to contain a maximum notice period of 12 months. Each service contract is subject to earlier termination for cause.

Details of the Directors' service contracts and/or letters of appointment who served for all or part of the year ended 30 November 2018 are shown in the table below:

	Initial agreement date	Expiry date of current agreement	Notice to be given by employer and individual
John Poulter	1 May 2013	30 April 2022	6 months
Andy Blundell	25 May 2017	24 May 2020	3 months
David Brooks	1 July 2012	Indefinite	12 months
Neil Martin	28 September 2015	Indefinite	12 months
Deena Mattar	1 June 2011	31 May 2020	3 months
Patrick Martell	1 January 2014	31 December 2019	3 months

12. POLICY ON TERMINATION

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at each Annual General Meeting. Notice periods are as set out in paragraph 11 above. No compensation is payable on termination, other than any accrued fees and expenses.

The table below sets out the Company's policy on termination for Executive Directors. This policy is consistent with provisions relating to termination of employment in the Executive Directors' service agreements and with provisions in the incentive plan rules.

	'Good Leaver'	Voluntary Resignation	'Bad Leaver'
Circumstances of departure	<p>Typical reasons include retirement, redundancy, death, ill health, injury, disability or as defined by the Committee.</p> <p>Where departure is on mutually agreed terms, the Committee may treat the departing executive as a 'Good Leaver' in terms of one or more elements of remuneration.</p> <p>The Committee will use this discretion judiciously and, if exercised, details will be disclosed in the following year's Remuneration Report.</p>		Typically termination for cause.
Salary and benefits for notice period	<p>Salary and benefits continue to be paid to the date of termination of employment, including any notice period and/or garden leave period.</p> <p>The Company may terminate employment with immediate effect and, in lieu of the unexpired portion of any notice period, make a series of monthly payments based on salary and benefits (or make a lump sum payment based on salary only).</p>	<p>Salary and benefits continue to be paid to the date of termination of employment, including any notice period and/or garden leave period.</p> <p>The Company may terminate employment with immediate effect and, in lieu of the unexpired portion of any notice period, make a series of monthly payments based on salary and benefits (or make a lump sum payment based on salary only).</p>	Immediate termination with no notice period.
Bonus accrued prior to termination	A time pro-rated bonus award may be made by the Company, with the Committee's approval.	No accrued bonus is payable.	No accrued bonus is payable.

	'Good Leaver'	Voluntary Resignation	'Bad Leaver'
Unvested LTIP awards	<p><i>Normal circumstances</i></p> <p>LTIP awards may vest subject to the performance condition at the end of the normal performance period and, if applicable, released at the end of the holding period.</p> <p>All awards will be time pro-rated.</p> <p><i>Exceptional circumstances (e.g. death or other compassionate grounds).</i></p> <p>LTIP awards may be released on departure, subject to assessment of the performance conditions at that time.</p> <p>All awards will be time pro-rated.</p>	Forfeited.	Forfeited.
Vested LTIP awards subject to a holding period	<p><i>Normal circumstances</i></p> <p>Vested LTIP awards that are subject only to a holding period will be released in full to the executive at the end of the holding period.</p> <p><i>Exceptional circumstances (e.g. death or other compassionate grounds).</i></p> <p>Vested LTIP awards subject to a holding period may be released on departure.</p>	Awards will be released to the executive at the end of the holding period.	Forfeited.
Other	Limited disbursements (e.g. legal costs, relocation costs, untaken holiday, expenses, outplacement support).	None.	None.

PART C - IMPLEMENTATION REPORT

1. DIRECTORS' REMUNERATION - SINGLE FIGURE OF REMUNERATION

The tables below set out a single figure of remuneration for each of the Directors in respect of the year ended 30 November 2018 and, in respect of those Directors, the equivalent figures for the year ended 30 November 2017:

Name	Salary/fees £000		Taxable benefits £000		Annual bonus £000		LTIPs £000		Retirement benefits £000		Termination payments £000		Total £000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Executive														
David Brooks	323 ¹	318 ¹	11	11	226	254	401	109	21 ¹	21 ¹	-	-	982	713
Neil Martin	291 ¹	286 ¹	15	15	204	229	310	-	20 ¹	20 ¹	-	-	840	550
Non-Executive														
John Poulter	131	120	-	-	-	-	-	-	-	-	-	-	131	120
Andy Blundell	39	19	-	-	-	-	-	-	-	-	-	-	39	19
Patrick Martell	43	39	-	-	-	-	-	-	-	-	-	-	43	39
Deena Mattar	48	43	-	-	-	-	-	-	-	-	-	-	48	43
Total	875	855	26	26	430	483	711	109	41	41	-	-	2,083	1,514

Notes:

1. The section below headed "Retirement Benefits" explains how those benefits have been calculated and presented in the above tables.

The following provides details of how the 'Single Figure' has been calculated:

Taxable benefits

These comprise the benefits noted in Part B above other than retirement related benefits. The figure included in the above table in respect of such benefits is calculated based on the taxable value of such benefits.

Annual bonus

At the start of the year, the Committee decided that on-target bonuses for the Executive Directors would be based upon the Company achieving an adjusted operating profit before tax in the year of £24.4m, subject to the Committee being satisfied as to the long-term underlying performance of the business. In particular, the Committee would not reward achievement against target if that achievement was as a result of an abnormal or unplanned level of movement in work-in-progress or as a result of exceptional items.

In relation to annual bonuses for the year ended 30 November 2018, the Committee considered the Company's performance relative to that target. Group adjusted operating profit before tax was £26.0m. In light of that performance, the Committee considered it appropriate to set the bonuses payable at 70% of base salary.

As noted above, any annual bonuses are subject to the Committee being satisfied that the achievement of annual targets is not at the expense of the underlying long-term performance or position of the Company. The Committee was satisfied that this was the case.

LTIPs

On 6 August 2018, the award granted to David Brooks under the PSP Scheme in August 2015 vested in full, reflecting the extent to which the performance criteria were met. The performance criteria was based on the Company's relative TSR performance as compared to the FTSE SmallCap (ex IT) index for the period from May/June 2015 to May/June 2018. The Company's performance placed it at the 81st percentile. Vesting was based on a straight line scale between 25% vesting at the 50th percentile and 100% vesting at the 75th percentile (or above). Based on the Company's relative performance, all of the award vested. The Committee applied no discretion (up or down).

As such, 180,000 Options vested. Based on the share price as at the date of vesting, the value of the award at that date was £401,400. While that figure is shown in the table above, Mr Brooks has not exercised those Options and so not actually realised that value. The actual value he will receive will depend upon the value of those Options as at the date he exercises them. Those Options are exercisable until 1 August 2025.

On 4 October 2018, the LTIP award granted in October 2015 vested in part. The vesting of that award was subject to the Company's relative TSR performance as compared to the FTSE SmallCap (ex IT) index (the "Comparator Group") over the 3-year period from July/August 2015 to July/August 2018. The Company's relative TSR performance placed it in the 73rd percentile as compared to the Comparator Group. Vesting was based on a straight line scale between 25% vesting at the 50th percentile and 100% vesting at the 75th percentile (or above). Based on the Company's relative performance, 95% of the award vested. The Committee applied no discretion.

As such, 152,000 Options vested. Based on the share price as at the date of vesting, the value of the award at that date was £310,080. While that figure is shown in the table above, Mr Martin has not exercised those Options and so not actually realised that value. The actual value he will receive will depend upon the value of those Options as at the date he exercises them. Those Options are exercisable until 30 September 2025.

Past Directors

There were no payments made to past Directors in the year.

Retirement benefits

David Brooks and Neil Martin are both members of a defined contribution pension scheme operated by RM Education Ltd. The Group would ordinarily make a contribution to that scheme of 7% of base salary (the same as for other employees). However, due to HMRC limits, the amount paid into the scheme for David Brooks and Neil Martin is lower, with the balance paid instead as a non-pensionable cash allowance. To make the figures in the above tables more meaningful, the 'Retirement Benefits' are stated prior to those adjustments.

David Brooks is also a member of RM Education Ltd's defined benefit pension scheme which closed to future accrual with effect from 31 October 2012. During the year, the increase in Mr Brooks' accrued pension under that scheme was nil. The transfer value of accrued benefits under that scheme as at 30 November 2018 was £791,676 (2017: £759,646). Mr Brooks' normal retirement age is 60.

Termination payments

There were no termination payments in the year.

2. DIRECTORS' LONG-TERM INCENTIVE PLANS

During the year ended 30 November 2018, the following long-term incentive awards were made.

Name	Type of share award	Grant date	Face value of award £000	Percentage that would vest at threshold performance	Maximum percentage of the face value where this is more than the face value	The end of the period over which the performance conditions have to be fulfilled	A summary of performance targets and measures
David Brooks	PSP ¹	13 March 2018	318 ²	25% for EPS element 25% for TSR element	n/a	February 2020	50% on EPS performance ³ 50% on relative TSR performance ⁴
Neil Martin	PSP ¹	13 March 2018	286 ²	25% for EPS element 25% for TSR element	n/a	February 2020	50% on EPS performance ³ 50% on relative TSR performance ⁴

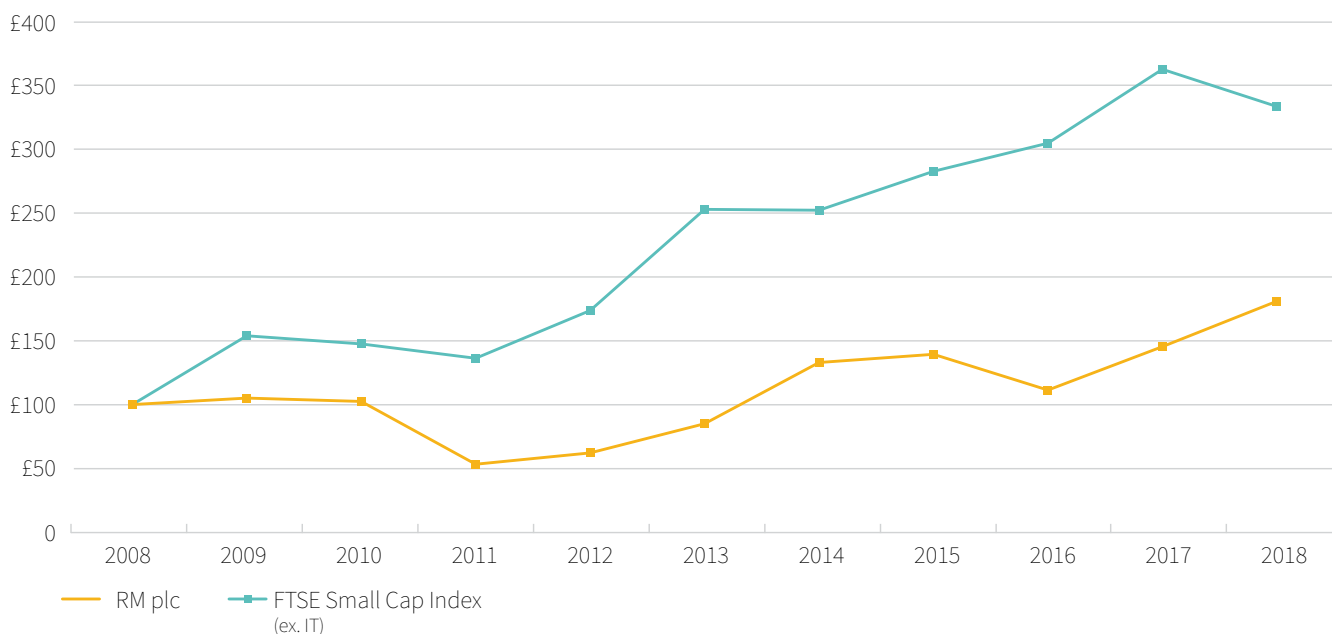
Notes:

1. Awards granted under the PSP Scheme.
2. The face value of the award has been calculated by multiplying the maximum number of shares in the award (150,000 shares for David Brooks and 135,000 shares for Neil Martin) by the share price on the date of grant of the award (212.00 pence).
3. 50% of the award is based on the Company's growth in adjusted earnings per share (EPS) between the year ended 30 November 2017 and the year ended 30 November 2020. Vesting will occur on a sliding scale between a compound annual growth rate (CAGR) in EPS of 7.5% per annum (25%) and a CAGR in EPS of 17.5% per annum (100%), namely 26.1 pence and 34.1 pence respectively.
4. 50% of the award is based on the Company's relative TSR performance for the period from January/February 2018 to January/February 2021. The Company's TSR performance shall be measured against the TSR performance of the companies (Comparator Group) within the FTSE SmallCap (ex. IT) Index over the above period and must be at least at the median of a ranking of the TSR of each of the members of the Comparator Group. Vesting will occur on a sliding scale between median (25%) and upper quartile (100%).

3. PERFORMANCE GRAPH

The following graph shows the value, by 30 November 2018, of £100 invested in RM plc on 30 November 2008 compared with the value of £100 invested in the FTSE Small Cap (ex. IT) Index on the same date. The reason for selecting that index is that this is the one that is most closely aligned to the market capitalisation and relative position of the Company. The other points plotted are the values at intervening financial year ends.

Total Shareholder Return



4. HISTORICAL CHIEF EXECUTIVE OFFICER PAY

The table below sets out details of:

- The total pay for each of the persons who have performed the role of Chief Executive for the current year and the preceding nine financial years. The Single Figure is calculated using the same methodology as that used for the “Single Figure of Remuneration” table in paragraph 1 above.
- The pay-out of incentive awards as a proportion of the maximum opportunity for the period.

	2009	2010	2011 ¹	2012 ²	2013 ³	2014	2015	2016	2017	2018
Single Figure (£000)	548	517	426	286	379	576	1,246	655	713	983
Annual variable element award rates against maximum opportunity	48%	56%	0%	0%	58% ⁴	75%	50%	45%	73%	64%
Long-term incentive vesting rates against maximum opportunity	0%	40%	0%	0%	0%	0%	91%	100%	36%	100%

Notes:

1. Terry Sweeney to 24 October 2011 (single figure: £369,000). Rob Sirs from 25 October 2011 to 30 November 2011 (single figure: £57,000).
2. Rob Sirs from 1 December 2011 to 31 January 2012 (single figure: £49,000). Martyn Ratcliffe from 1 February 2012 to 30 November 2012 (single figure: £237,000).
3. Martyn Ratcliffe from 1 December 2012 to 28 February 2013 (single figure: £52,000). David Brooks from 1 March 2013 (single figure: £327,000). Figures pro-rated to reflect the period during which Mr Ratcliffe and Mr Brooks respectively fulfilled the role of Chief Executive Officer.
4. Relates to David Brooks only. Martyn Ratcliffe had no annual variable remuneration.

5. RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out, in respect of the year ended 30 November 2018 and the immediately preceding financial year, the total remuneration paid to all employees as compared to other significant distributions and payments.

	2018 £m	2017 £m
Total remuneration to employees	65.5	61.1
Total remuneration to Directors	2.1	1.5
Dividends paid	5.6	5.0
Corporation tax paid	3.1	2.0
Defined benefit pension cash contribution	4.6	4.2

6. PERCENTAGE CHANGE IN REMUNERATION OF DIRECTOR UNDERTAKING THE ROLE OF CHIEF EXECUTIVE OFFICER

Comparing 2017 to 2018	Salary	Benefits	Bonus ¹
% change in CEO remuneration	2.0	-0.9	64.7
% change in comparator group remuneration	2.8 ²	7.2 ³	71.2 ³

Notes:

1. Bonus includes annual bonus only and not any other payments made to employees described as a 'bonus' (e.g. Christmas bonuses or commission). Bonuses in this paragraph 6 relate to those actually paid in 2017 & 2018. The bonuses referred to in the 'Single Figure' table at paragraph 1 relate to the years ended 30 November 2017 (paid in February 2018) and 30 November 2018 (to be paid in February 2019).
2. The comparator group for changes in base salary comprises all of the Company's employees (both UK and India).
3. The comparator group comprises all of the Company's UK-based employees but excludes those employed by Consortium, as it was acquired on 30 June 2017 and so not within the Group for a full year in 2017.

7. STATEMENT OF SHAREHOLDER VOTING

Voting at the Annual General Meeting held on 21 March 2018 in respect of the remuneration report for the year ended 30 November 2017, and for the remuneration policy, respectively, was as follows:

	% of votes in favour	% of votes against	Number of votes withheld
Resolution to approve the remuneration policy	99.98	0.01	506,109
Resolution to approve the remuneration report	99.98	0.01	505,970

8. DIRECTORS' SHAREHOLDINGS

The beneficial interests of the Directors (including connected persons as defined for the purposes of section 96B(2) of the Financial Services and Markets Act 2000) in the ordinary shares of RM plc as at 30 November 2017 were:

	Holding as at 30 November 2018	Current holding as % of base salary ¹	Shareholding policy met ²	Holding as at 30 November 2017
John Poulter	87,500	-	-	87,500
Andy Blundell	6,312	-	-	6,312
David Brooks	345,648	220%	Yes	345,648
Patrick Martell	5,000	-	-	5,000
Neil Martin	35,000	25%	No	35,000
Deena Mattar	17,933	-	-	17,933

Notes:

1. Calculated based on the average share price for the period 1 December 2017 to 30 November 2018 (£2.06) and base salaries as at 1 January 2019.
2. The 'Shareholding policy' is set out in paragraph 3 of Part B of this Report.
3. There have been no changes in any of the above shareholdings between 30 November 2018 and the date of this Report.

9. DIRECTORS' INTERESTS IN SHARE PLANS

As at 30 November 2018, the Executive Directors had the following interests in the Company's share plans¹:

PSP Awards²

David Brooks	Date of Grant	No. of Shares/Options	Performance Conditions
	9 March 2017	175,000	See notes 3, 4 & 5
13 March 2018	150,000	See note 6	

Neil Martin	Date of Grant	No. of Shares/Options	Performance Conditions
	9 March 2017	160,000	See notes 3, 4 & 5
13 March 2018	135,000	See note 6	

Notes:

- To avoid duplication, and in accordance with Section 17(b)(iii) of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the figures in the above table do not include the shares or share-based awards referred to in paragraph 1 (*Directors' Remuneration – Single Figure of Remuneration*) or in the table in paragraph 8 (*Directors' Shareholdings*) above.
- Granted under the PSP Scheme. All PSP awards are subject to a minimum vesting period of 3 years.
- 50% of this award is based on the Company's growth in adjusted earnings per share (EPS) between the year ended 30 November 2016 and the year ended 30 November 2019. Vesting will occur on a sliding scale between a compound annual growth rate (CAGR) in EPS of 7.5% per annum (25%) and a CAGR in EPS of 17.5% per annum (100%), namely 21.7 pence and 28.2 pence respectively.
- 50% of the award is based on the Company's relative TSR performance for the period from January/February 2017 to January/February 2020. The Company's TSR performance shall be measured against the TSR performance of the companies (Comparator Group) within the FTSE Small Cap (ex IT) Index over the above period and must be at least at the median of a ranking of the TSR of each of the members of the Comparator Group. Vesting will occur on a sliding scale between median (50%) and upper quartile (100%).
- The PSP awards granted in 2017 and 2018 were both awards of options, with an exercise price of £0.00 per option. If the options granted in March 2017 vest, they would be exercisable in the period 11 March 2020 to 29 October 2027. If the options granted in March 2018 vest, they would be exercisable in the period 16 March 2021 to 26 October 2027.
- The performance conditions and other information relevant to these awards are set out in paragraph 2 (*Directors' long-term incentive plans*) above.

10. DETAILS OF DIRECTORS' SERVICE CONTRACTS

Relevant information relating to the Service Contracts of the Directors is set out in Part B of this Report (Remuneration Policy).

11. REMUNERATION COMMITTEE DETAILS

Details of the Remuneration Committee and its membership are contained in Part A of this Report (Introduction).

No remuneration consultants were used during the year.

12. 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, as amended by the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. 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 parts of the Group's Remuneration Report have been prepared in accordance with Schedule 8 of the Large and Medium-Sized Companies and Group (Accounts and Reports) Regulations 2008. Accordingly, the following sections of this Part C of this Report have been audited by KPMG LLP:

- The "Single Figure of Remuneration" table in paragraph 1.
- Total pension entitlements, as described in the notes to paragraph 1.
- Directors' shareholdings, as set out in paragraph 8.
- Directors' interests in share plans, as set out in paragraph 9.

By Order of the Board

Patrick Martell

Chairman, Remuneration Committee

4 February 2019

> INDEPENDENT AUDITOR'S REPORT

to the members of RM plc

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of RM plc ("the Company") for the year ended 30 November 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Balance sheets, Consolidated and Company Cash Flow Statements and the related Notes, including the accounting policies in Note 2.

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 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 24 March 2011. The period of total uninterrupted engagement is for the 8 financial years ended 30 November 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

OVERVIEW

Materiality:	£1.12m (2017: £0.95m)
Group financial statements as a whole	4.5% (2017: 4.9%) of normalised profit before tax

Coverage	97% (2017: 99%) of Group profit before tax
-----------------	--

Key audit matters	vs 2017
Recurring risks	
Long-term contracts	◀▶
Recoverability of parent company's investment in subsidiaries	◀▶

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

THE RISK

OUR RESPONSE

Long-term contracts

Revenue **£40.7m**
(2017: £46m);

Receivables **£0.1m**
(2017: £0.0m);

Payables **£4.6m**
(2017: £10.2m)

Refer to page 42
(Audit Committee
Report), page 80
(accounting policy)
and page 101
(financial disclosures).

Forecast-based valuation:

Long-term contracts including Building Schools for the Future implementation and managed service contracts and e-marking software and services contracts, represent a significant part of the Group's business and the accounting is inherently judgemental.

To determine the margin to be recognised or loss to be provided, it is necessary to estimate future costs, including contingent and uncertain future expenses.

The effect of these matters is that, as part of our risk assessment, we determined that the margin to be recognised or loss to be provided has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

The Group may also sign variations, extensions and/or new contracts with an existing customer and it is necessary to assess whether or not, for accounting purposes, these should be combined with an existing contract.

Our procedures included:

Control design: evaluating controls over the allocation of costs to a specific contract, including their operating effectiveness;

Test of details: a number of long-term contracts based on the magnitude of revenue recognised in the year and risk indicators (such as contracts with a significant change in the estimate of lifetime revenue, margin or risk provision, loss making contracts and contracts with a large work in progress balance).

For the contracts selected:

- Reading any variations, extensions and new contracts and consider, amongst other matters, whether the new agreement provides value to the customer on a stand-alone basis (and therefore should be treated as a separate contract) or whether, together with an existing contract, it is effectively a single project with an overall profit margin (and therefore should be accounted for as a revision to the existing contract);
- Assessing the completeness and accuracy of costs to complete, including those for specified contract risks, by reading the contract and, if available, customer correspondence and obtaining evidence to support selected inputs.

Historical accuracy: comparing actual outturn to previous forecast for a number of contracts to support the accuracy of Directors' estimation; and

Assessing transparency: assessing the adequacy of the Group's disclosure about estimation uncertainty regarding long-term contract outcome.

Our results

The results of our testing were satisfactory and we considered the amount of revenue, receivables and payables recognised in respect of long-term contracts balances to be acceptable.

THE RISK

Recoverability of parent company's investment in subsidiaries

Investments £125.1m (2017: £125.0m)

Refer to page 42 (Audit Committee Report), page 79 (accounting policy) and page 99 (financial disclosures).

Low risk, high value

The carrying amount of the parent company's investments in subsidiaries represents 92% (2017: 89%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.

OUR RESPONSE

Our procedures included:

Benchmarking assumptions: Challenging the assumptions used in the cash flows included in the budgets based on our knowledge of the Group and the markets in which the subsidiaries operate;

Historical comparisons: Assessing the reasonableness of the budgets by considering the historical accuracy of the previous forecasts;

Comparing valuations: Comparing the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows; and

Assessing transparency: assessing the adequacy of the parent company's disclosures in respect of the investment in subsidiaries.

Our results

We found the resulting estimate of the recoverable amount of the parent company's investment in subsidiaries to be acceptable.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

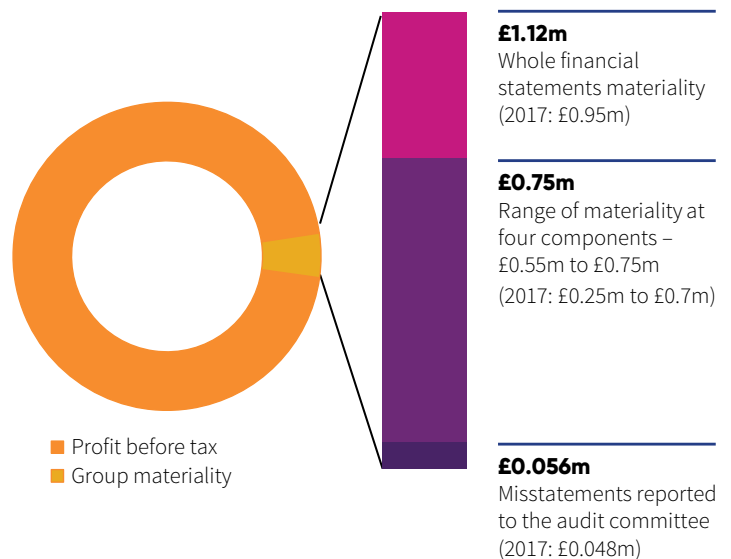
The materiality for the Group financial statements as a whole was set at £1.12m (2017: £0.95m) determined with reference to a benchmark of Group profit before taxation, normalised to exclude highlighted items as disclosed in Note 5 of the financial statements with the exception of amortisation of acquisition related intangible assets.

Materiality for the parent company financial statements as a whole was set at £0.75m (2017: £0.7m), determined with reference to a benchmark of company total assets, of which it represents 0.6% (2017: 0.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £56,000 (2017: £48,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Normalised profit before tax
£24.7m (2017: £19.2m)

Group materiality
£1.12m (2017: £0.95m)



Of the Group's twelve (2017: twelve) reporting components, we subjected four (2017: four) to full scope audits for Group reporting purposes and zero (2017: one) to specified risk-focused audit procedures. The components for which we performed specified risk-focused procedures were not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual risks that needed to be addressed. The components within the scope of our work accounted for the percentages illustrated opposite

The remaining 0% (2017: 0%) total Group revenue, 3% (2017: 1%) of the total profits and losses that made up Group profit before tax and 12% (2017: 9%) of total Group assets is represented by eight (2017: seven) reporting components, none of which individually represented more than 4% (2017: 5%) of any total Group revenue, Group profit before tax or total Group assets. For the remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit engagement team performed the work on all components, including the parent company. The Group audit team determined the component materialities, which ranged from £0.55m to £0.75m (2017: £0.25m to £0.7m), having regard to the mix of size and risk profile of the Group across the components, and performed procedures on the items excluded from normalised Group profit before tax.



- Full scope for group audit purposes 2018
- Specified risk - focused audit procedures 2018
- Full scope for group audit purposes 2017
- Specified risk - focused audit procedures 2017
- Residual components

4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 25 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Financial Viability Statement on page 25 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

- the directors' explanation in the Financial Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Financial Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.

We have nothing to report in these respects.

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 31, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations

8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

**John Bennett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
Arlington Business Park, Theale,
Reading, RG7 4SD

4 February 2019

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 30 November 2018			Year ended 30 November 2017		
		Adjusted £000	Adjustments £000	Total £000	Adjusted* £000	Adjustments* £000	Total £000
Revenue	3	220,977	-	220,977	185,863	-	185,863
Cost of sales		(129,664)	-	(129,664)	(112,857)	-	(112,857)
Gross profit		91,313	-	91,313	73,006	-	73,006
Operating expenses	5	(63,819)	(4,927)	(68,746)	(51,729)	(5,083)	(56,812)
Profit from operations		27,494	(4,927)	22,567	21,277	(5,083)	16,194
Investment income	7	164	-	164	365	-	365
Finance costs	8	(1,679)	(25)	(1,704)	(1,920)	(45)	(1,965)
Profit before tax		25,979	(4,952)	21,027	19,722	(5,128)	14,594
Tax	9	(4,734)	634	(4,100)	(2,401)	658	(1,743)
Profit for the year		21,245	(4,318)	16,927	17,321	(4,470)	12,851
Earnings per ordinary share	10						
- basic		26.0p		20.7p	21.3p		15.8p
- diluted		25.8p		20.6p	21.2p		15.7p
Paid and proposed dividends per share	11						
- interim				1.90p			1.65p
- final				5.70p			4.95p

* Re-presented for share-based payment reclassification (see Note 2)

Adjustments to results have been presented to give a better guide to business performance (see Note 5).

All amounts were derived from continuing operations.

The Notes on pages 79 to 122 form an integral part of these financial statements.

➤ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 30 November 2018 £000	Year ended 30 November 2017 £000
Profit for the year		16,927	12,851
Items that will not be reclassified subsequently to profit or loss			
Defined Benefit Pension Scheme remeasurements	24	15,693	17,960
Tax on items that will not be reclassified subsequently to profit or loss	9	(2,716)	(3,123)
Items that are or may be reclassified subsequently to profit or loss			
Fair value gain/(loss) on hedged instruments		822	(1,306)
Exchange loss on translation of overseas operations		(127)	(36)
Tax on items that are or may be reclassified subsequently to profit or loss	9	-	(80)
Other comprehensive income		13,672	13,415
Total comprehensive income for the year attributable to equity holders		30,599	26,266

The notes on pages 79 to 122 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

		At 30 November 2018	At 30 November 2017
	Note	£000	£000
Non-current assets			
Goodwill	12	45,164	45,164
Intangible assets	13	18,465	20,377
Property, plant and equipment	14	9,184	10,369
Defined Benefit Pension Scheme surplus	24	1,253	495
Other receivables	18	930	1,144
Deferred tax assets	9	3,385	6,484
		78,381	84,033
Current assets			
Inventories	16	17,787	19,413
Trade and other receivables	18	34,878	29,147
Tax assets		424	-
Cash and short-term deposits		2,634	1,797
		55,723	50,357
Total assets		134,104	134,390
Current liabilities			
Trade and other payables	21	(54,637)	(57,636)
Tax liabilities		(1,600)	(632)
Provisions	22	(5,082)	(3,436)
Overdraft		(1,922)	(2,028)
		(63,241)	(63,732)
Net current liabilities		(7,518)	(13,375)
Non-current liabilities			
Other payables	21	(283)	(852)
Provisions	22	(2,708)	(3,019)
Deferred tax liability	9	(2,817)	(2,993)
Defined Benefit Pension Scheme obligation	24	(3,557)	(20,731)
Borrowings	20	(6,506)	(13,188)
		(15,871)	(40,783)
Total liabilities		(79,112)	(104,515)
Net assets		54,992	29,875
Equity attributable to shareholders			
Share capital	23	1,917	1,890
Share premium account		27,080	27,035
Own shares	25	(1,423)	(1,406)
Capital redemption reserve		94	94
Hedging reserve		395	(427)
Translation reserve		(286)	(159)
Retained earnings		27,215	2,848
Total equity		54,992	29,875

The notes on pages 79 to 122 form an integral part of these financial statements.

These Financial Statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 4 February 2019.

On behalf of the Board of Directors,

David Brooks
Director

Neil Martin
Director

➤ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Own shares	Capital redemption reserve	Hedging reserve	Translation reserve	Retained earnings	Total
Note	£000	£000	£000	£000	£000	£000	£000	£000
At 1 December 2016	1,890	27,035	(1,987)	94	879	(123)	(19,992)	7,796
Profit for the year	-	-	-	-	-	-	12,851	12,851
Other comprehensive (expense)/income	-	-	-	-	(1,306)	(36)	14,757	13,415
Total comprehensive (expense)/income	-	-	-	-	(1,306)	(36)	27,608	26,266
Transactions with owners of the Company								
Share-based payment awards exercised	-	-	581	-	-	-	(581)	-
Share-based payment fair value charges	26	-	-	-	-	-	821	821
Ordinary dividends paid	11	-	-	-	-	-	(5,008)	(5,008)
At 30 November 2017	1,890	27,035	(1,406)	94	(427)	(159)	2,848	29,875
Profit for the year	-	-	-	-	-	-	16,927	16,927
Other comprehensive income/(expense)	-	-	-	-	822	(127)	12,977	13,672
Total comprehensive income/(expense)	-	-	-	-	822	(127)	29,904	30,599
Transactions with owners of the Company								
Shares issued	25	27	(27)	-	-	-	-	-
Share options exercised	-	45	-	-	-	-	-	45
Share-based payment awards exercised	25	-	10	-	-	-	(931)	(921)
Share-based payment fair value charges	26	-	-	-	-	-	993	993
Deferred Tax on Share-based payments	-	-	-	-	-	-	2	2
Ordinary dividends paid	11	-	-	-	-	-	(5,601)	(5,601)
At 30 November 2018	1,917	27,080	(1,423)	94	395	(286)	27,215	54,992

The notes on pages 79 to 122 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

		Year ended 30 November 2018	Year ended 30 November 2017 Restated**
	Note	£000	£000
Profit before tax		21,027	14,594
Investment income	7	(164)	(365)
Finance costs	8	1,704	1,965
Profit from operations		22,567	16,194
Adjustments for:			
Pension GMP		1,200	-
Impairment of non-acquisition related intangible assets	13	-	33
Amortisation of intangible assets	13	2,165	1,107
Depreciation and impairment of property, plant and equipment	14	1,920	2,289
Loss on disposal of other intangible assets		-	21
Loss on disposal of property, plant and equipment		95	135
Loss/(gain) on foreign exchange derivatives		79	(1,306)
Share-based payment charge		993	821
Increase in provisions		3,598	1,997
Defined Benefit Pension Scheme administration cost	24	645	552
Operating cash flows before movements in working capital		33,262	21,843
Decrease/(increase) in inventories		1,626	(27)
(Increase)/decrease in receivables		(5,668)	5,443
Decrease in trade and other payables		(2,805)	(7,129)
Utilisation of onerous lease and dilapidations provisions	22	(694)	(308)
Utilisation of employee-related restructuring provisions	22	(1,569)	(1,697)
Utilisation of other provisions	22	-	(236)
Cash generated from operations		24,152	17,889
Defined Benefit Pension Scheme cash contributions	24	(4,591)	(4,187)
Tax paid		(3,134)	(2,019)
Income on sale of finance lease debt		-	9
Net cash inflow from operating activities		16,427	11,692
Investing activities			
Interest received		109	307
Repayment of loans by third parties		12	16
Acquisition net of cash acquired	19	-	(58,407)
Acquisition related costs		(335)	(191)
Proceeds on disposal of property, plant and equipment		-	12
Purchases of property, plant and equipment	14	(1,049)	(1,150)
Purchases of other intangible assets	13	(69)	(176)
Amounts transferred from short-term deposits		-	3,014
Net cash used in investing activities		(1,332)	(56,575)
Financing activities			
Dividends paid	11	(5,601)	(5,008)
(Repayment)/drawdown of borrowings	20	(7,000)	14,000
Borrowing facilities arrangement and commitment fees		(303)	(1,098)
Interest paid		(439)	(224)
Share options exercised		45	-
Share-based payment awards exercised		(921)	-
Net cash (used in)/generated by financing activities		(14,219)	7,670
Net increase/(decrease) in cash and cash equivalents		876	(37,213)
Cash and cash equivalents at the beginning of the year		(231)	36,973
Effect of foreign exchange rate changes		67	9
Cash and cash equivalents at the end of the year*		712	(231)

* Cash and cash equivalents include bank overdrafts as these form an integral part of the Group's cash management.

**The cash flow for the year ended 30 November 2017 has been re-presented to correctly classify acquisition related costs as a component of cash generated from operations. This has reduced operating cash flows and cash used in investing activities by £2.8m.

The notes on pages 79 to 122 form an integral part of these financial statements.

> COMPANY BALANCE SHEET

	Note	At 30 November 2018 £000	At 30 November 2017 £000
Non-current assets			
Investments	15	125,112	125,040
Other receivables	18	867	894
		125,979	125,934
Current assets			
Trade and other receivables	18	9,745	14,620
Tax assets		539	320
		10,284	14,940
Total assets		136,263	140,874
Current liabilities			
Accruals	21	(73)	(258)
Trade and other payables	21	(71,007)	(64,533)
		(71,080)	(64,791)
Net current liabilities		(60,796)	(49,851)
Non-current liabilities			
Borrowings	20	(6,506)	(13,188)
Provisions	22	-	(5,301)
		(6,506)	(18,489)
Total liabilities		(77,586)	(83,280)
Net assets		58,677	57,594
Equity attributable to equity holders			
Share capital	23	1,917	1,890
Share premium account		27,080	27,035
Own shares	25	(1,423)	(1,406)
Capital redemption reserve		94	94
Retained earnings		31,009	29,981
Total equity		58,677	57,594

The notes on pages 79 to 122 form an integral part of these financial statements.

These Financial Statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 4 February 2019.

On behalf of the Board of Directors,

David Brooks
Director

Neil Martin
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Own shares	Capital redemption reserve	Retained earnings	Total
Note	£000	£000	£000	£000	£000	£000
At 1 December 2016	1,890	27,035	(1,987)	94	24,042	51,074
Profit for the year	-	-	-	-	10,707	10,707
Total comprehensive income	-	-	-	-	10,707	10,707
Transactions with owners of the Company						
Share-based payment awards exercised	-	-	581	-	(581)	-
Share-based payment fair value charges	26	-	-	-	821	821
Ordinary dividends paid	11	-	-	-	(5,008)	(5,008)
At 30 November 2017	1,890	27,035	(1,406)	94	29,981	57,594
Profit for the year	-	-	-	-	6,567	6,567
Total comprehensive income	-	-	-	-	6,567	6,567
Transactions with owners of the Company						
Shares issued	25	27	(27)	-	-	-
Share options exercised	-	45	-	-	-	45
Share-based payment awards exercised	25	-	10	-	(931)	(921)
Share-based payment fair value charges	26	-	-	-	993	993
Ordinary dividends paid	11	-	-	-	(5,601)	(5,601)
At 30 November 2018	1,917	27,080	(1,423)	94	31,009	58,677

The notes on pages 79 to 122 form an integral part of these financial statements.

As permitted by section 408 of the Companies Act 2006, no separate income statement is presented for the parent company, RM plc.

> COMPANY CASH FLOW STATEMENT

	Note	Year ended 30 November 2018 £000	Year ended 30 November 2017 £000
Profit before tax		6,106	10,528
Investment income		(9,125)	(14,108)
Finance costs		2,228	871
Loss from operations		(791)	(2,709)
Adjustments for:			
Increase in provisions	22	154	273
Operating cash flows before movements in working capital		(637)	(2,436)
Increase/(decrease) in receivables	18	4,902	(1,672)
Increase in payables		6,849	43,526
Utilisation of provision	22	(5,455)	-
Cash generated from operations		5,659	39,418
Dividends received		9,000	13,800
Net cash generated from operating activities		14,659	53,218
Investing activities			
Increase in investments		-	(58,956)
Acquisition related costs		-	(2,278)
Interest received		125	7
Net cash generated from/(used in) investing activities		125	(61,227)
Financing activities			
Dividends paid	11	(5,601)	(5,008)
Share options exercised		45	-
(Repayment)/drawdown of borrowings	20	(7,000)	14,000
Borrowing facilities arrangement and commitment fees		(2,228)	(983)
Net cash generated used in financing activities		(14,784)	8,009
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

The notes on pages 79 to 122 form an integral part of these financial statements.

➤ NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

RM plc ('Company') is incorporated in England and Wales and listed on the London Stock Exchange. It is the parent company of a group of companies ('Group') whose business activities and financial position, together with the factors likely to affect its future development, performance and position, and risk management policies are presented in the Strategic Report and the Directors' Report.

Consolidated income statement presentation

The Directors assess the performance of the Group using an adjusted operating profit and profit before tax. The Directors use this measurement basis as it excludes the effect of transactions that could distort the understanding of the Group's performance for the year and comparability between periods. This includes making certain adjustments for income and expense which are one-off in nature, or non-cash items and those with potential variability year on year which might mask underlying performance. Further details are provided in Note 5.

2. SIGNIFICANT ACCOUNTING POLICIES

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.

These accounting policies have been consistently applied to the years presented.

The financial statements are prepared on a going concern basis. The Directors' reasons for continuing to adopt this basis are set out in the Going Concern section of the Strategic Report.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments, share-based payments and pension assets and liabilities which are measured at fair value. The preparation of financial statements, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date

of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Alternative Performance Measures (APMs)

In response to the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA) and the Financial Reporting Council (FRC), additional information on the APMs used by the Group is provided below.

The following APMs are used by the Group:

- Adjusted operating profit
- Adjusted profit before tax;

Further explanation of what each APM comprises and reconciliations between Statutory reported measures and adjusted measures are shown in Note 5.

The Board believes that presentation of the Group results in this way is relevant to an understanding of the Group's financial performance, as adjustment items are identified by virtue of their size, nature and/or incidence. This presentation is consistent with the way that financial performance is measured by management, reported to the Board, the basis of financial measures for senior management's compensation schemes and assists in providing supplementary information that assists the user to understand better the financial performance, position and trends of the Group. In determining whether an event or transaction is an adjustment, the Board considers both quantitative and qualitative factors such as the frequency and predictability of occurrence.

During the year, the Group has refined its policy in relation to adjustment items so as to streamline its application, simplify the Group's reporting and ensure consistency between Adjusted and Adjustment performance. In particular, the Board considers the recognition of share-based payments should be included in arriving at Adjusted profits. In prior periods such payments have been excluded in arriving at Adjusted profit. On this basis prior year results have been re-presented for share-based payment reclassification, giving rise to a decrease in the Group's Adjusted Operating profit of £0.8m, and a decrease in the Group's Adjusted Profit before tax of £0.8m. There is no impact on the Statutory performance of the Group or the Group's condensed consolidated balance sheet, further detail is set out in Note 5.

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.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investment in subsidiaries

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

Business combinations

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Acquisitions before 1 January 2010

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

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 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 straight line 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. In practise, the majority of the multiple element arrangements are long-term contracts (see below). 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. Where customer payments are received in advance of the recognition of revenue, the amount is included within deferred income and is aged dependent upon the estimated recognition profile.

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.

Where an existing contract is extended, renewed or replaced, an assessment is made to assess the similarity between the original contract and the extension, renewal or replacement. Where the terms are substantially the same or similar, the Group treat the arrangement as an extension to the original contract. Where there are material changes that arrangement is treated, in effect, as a new and therefore separate contract.

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.

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. 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.

Research and development costs

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

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

The technological feasibility for the Group's software products is assessed on an individual basis and is generally reached shortly before the products or services are released, 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

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Brand	15 years
Website platform	5 years
Other software assets	2 – 8 years

Property, plant and equipment

Property, plant and equipment assets are stated at cost, less accumulated depreciation and any accumulated impairment losses 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

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.

The 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, except those specifically detailed in Note 18. Trade and other receivables are recognised initially at fair value and subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Accrued income is recognised when services are performed and revenue recognised in advance of an invoice being raised.

Cash and short-term deposits

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

Borrowings

Borrowings relate to an unsecured revolving cash facility, detailed in Note 29.

Trade and other payables

Trade payables on normal terms are not interest bearing. Trade and other payables are recognised initially at fair value and subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposure.

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, as to 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. 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.

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. Stocks are recognised when the Group has the rights and obligations of ownership, which in the case of supply from the Far East may be from the point of production or the point of shipment. 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 a 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.

Leases

Where assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the lower of the fair value or the present value of the minimum lease payments during the lease term determined at the inception of the lease. The assets are depreciated over the shorter of the lease term or their useful life. Obligations relating to finance leases, net of finance charges in respect of future periods, are included, as appropriate, under other payables due within or after one year. The finance charge element of rentals is charged to finance costs in the income statement over the lease term.

All other leases are classified as operating leases, the rentals of which are charged to the income statement 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. Where the vesting period is shortened after the date of grant, the remaining expense is recognised over the shortened vesting period. Over the vesting period and at vesting the cumulative expense is adjusted to take into account the number of awards expected to or actually vesting as a result of survivorship and where this reflects non-market-based performance conditions. Share-based payment charges which are incurred by a subsidiary undertaking are included as an increase in Investments in subsidiary undertakings within the parent company, and a capital contribution in the subsidiary.

Employee benefits

The Group has both defined benefit and defined contribution pension schemes. There are three defined benefit pension schemes, the Research Machines plc 1988 Pension Scheme (the "RM Scheme") and, following the acquisition of Consortium in June 2017, the Consortium CARE Scheme (the "CARE Scheme") and the Platinum Scheme. The RM Scheme and the CARE Scheme are both operated for employees and former employees of the Group only. The Platinum Scheme is a multi-employer scheme, with Consortium being just one of a number of employers. The Group plays no active part in managing that Scheme, although the number of the Group's employees in that Scheme is small and so the impact/risk to the Group from that Scheme is limited.

For all defined benefit pension schemes, based on the advice of a qualified independent actuary at each balance sheet date and using the projected unit method, the administrative expenses and current service costs are charged to operating profit, with the interest cost, net of interest on scheme assets, reported as a financing item.

Defined benefit pension scheme remeasurements are recognised as a component of other comprehensive income 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.

Employee Share Trust

The Employee Share Trust, which holds ordinary shares of the Company in connection with certain share schemes, is consolidated into the financial statements. Any consideration paid to the Trust for the purchase of the Company's own shares is shown as a movement in shareholders' equity.

Own Shares Held

The "Own Shares Reserve" figure is calculated based on the number of shares held by the Employee Share Trust ("EST") as at 30 November 2018 (being 2,013,176 shares) multiplied by the weighted average cost of those shares.

Translation reserve

The translation reserve comprises all foreign exchange differences from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

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.

Current tax balances are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

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

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

Foreign currencies

The Group presents its financial statements in Sterling because this is the currency in its primary operating environment. Balance sheet items of subsidiary undertakings whose functional currency is not Sterling are translated into Sterling at the 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

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

- Long-term contract outcome – see Note 17
- Retirement benefit scheme valuation – see Note 24

Key sources of critical accounting judgements

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

- Long-term contract outcome – see Note 17
- Goodwill, intangible asset and investment valuation and impairment. The judgemental area is on the combination of Cash Generating Units ('CGU') into a single CGU for RM Resources – Note 12 and Note 15.

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 Company's accounting periods beginning on or after 1 December 2017 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:

- IFRS 9 Financial Instruments

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/endorsed (and in some cases had not yet been adopted by the EU):

- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
- IFRS 16 Leases

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 Company and Group in future periods except potentially IFRS 15 (revenue and deferred income) and IFRS 16 (leases). An exercise to determine the impact of IFRS 16 is planned during the coming financial year and the Company will update the shareholders on the impact during 2019.

IFRS 15 is effective for accounting periods commencing on or after 1 January 2018, with the year ending 30 November 2019 being the first year the standard will be effective for the Group. Our planned adoption method will be the modified retrospective method. In the year the Group continued with a detailed assessment to determine the impact of adopting IFRS 15 which has included the engagement of third-party advisors. We are currently finalising a detailed review of the Group's contract portfolio. The Directors anticipate the most significant impact will be on long-term contracts within the RM Results and RM Education operating divisions, where there are multiple components to be delivered over the course of the contract, under one agreement. IFRS 15 requires additional consideration to be given to whether the components or promises within a contract are distinct and therefore separate from a revenue standpoint or whether they should be bundled together to form one larger 'performance obligation'.

Long-term contracts that include development activity were recognised in accordance with the principles of IAS 18 and IAS 11. Development revenues are currently recognised over the development period based on a stage completion basis. Under IFRS 15, the performance criteria distinguishes the contractual right of control over the development work. Where the customer retains the development intellectual property rights ('IPR'), the revenue will be recognised over the period of development activity as the control of the IPR remains with the customer. This is not anticipated to have a financial impact on the period. Where RM Group retains the IPR of the development work undertaken then the costs of the development will be capitalised and revenue and costs recognised over the subsequent license period. This will have the impact of deferring revenue on these contracts.

For goods, RM Group currently recognises revenues on despatch. IFRS 15 requires revenue to be recognised when control has passed to the customer and as such revenue will be recognised when received by the customer or their representative. This is not anticipated to have a significant impact.

For services the Group currently recognises revenues upon the transfer of risks and rewards to the customer. For services that are provided over a defined period, this is generally recognised over the life of the contract. This will include provision of software, services support and maintenance activity. The revenue on these types of activity is expected to remain unchanged with the exception that this will be recognised more evenly over the period of the contract as the control over the volume use of software is in the control of the customer. Within a financial accounting year this is not anticipated to have a significant impact due the timeframe in which these activities occur. However there will be an earlier recognition of revenue within each financial year. For contracts that are currently recognised as long-term contracts but include the provision of goods or services revenue will be applied as control is passed to the customer as described above.

3. REVENUE

	Year ended 30 November 2018	Year ended 30 November 2017
	£000	£000
Revenue from supply of products	135,291	98,538
Revenue from rendering of services	64,080	69,365
Revenue from the sale of licences and receipt of royalties	21,606	17,960
Total revenue	220,977	185,863

4. OPERATING SEGMENTS

The Group's business is supplying products, services and solutions to the UK and international education markets. Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segmental performance is focused on the nature of each type of activity.

The Group is structured into three operating divisions: RM Resources, RM Results and RM Education.

A full description of each revenue generating division, together with comments on its performance and outlook, is given in the Strategic Report. Corporate Services consists of central business costs associated with being a listed company and non-division specific pension costs.

This Segmental analysis shows the result and assets of these divisions. Revenue is that earned by the Group from third parties. Net financing costs and tax are not allocated to segments as the funding, cash and tax management of the Group are activities carried out by the central treasury and tax functions.

Segmental results

	RM Resources	RM Results	RM Education	Corporate Services	Total
Year ended 30 November 2018	£000	£000	£000	£000	£000
Revenue					
UK	**102,515	25,299	66,736	-	194,550
Europe	8,475	3,343	572	-	12,390
North America	2,876	-	185	-	3,061
Asia	1,390	1,495	-	-	2,885
Middle East	3,164	-	123	-	3,287
Rest of the world	3,151	1,653	-	-	4,804
	121,571	31,790	67,616	-	220,977
Adjusted profit from operations	16,626	8,154	7,813	(5,099)	27,494
Investment income					164
Adjusted finance costs					(1,679)
Adjusted profit before tax					25,979
Adjustments (see Note 5)					(4,952)
Profit before tax					21,027
Year ended 30 November 2017	RM Resources	RM Results	RM Education	Corporate Services	Total
	£000	£000	£000	£000	£000
Revenue					
UK	**70,150	26,566	68,828	-	165,544
Europe	5,957	3,258	678	-	9,893
North America	1,539	-	231	-	1,770
Asia	1,226	204	691	-	2,121
Middle East	3,054	-	8	-	3,062
Rest of the world	1,706	1,590	177	-	3,473
	83,632	31,618	70,613	-	185,863
Adjusted* profit from operations	11,604	7,761	6,552	(4,640)	21,277
Investment income					365
Adjusted finance costs					(1,920)
Adjusted* profit before tax					19,722
Adjustments* (see Note 5)					(5,128)
Profit before tax					14,594

* Re-presented for share-based payment reclassification (see Note 2)

** Included in UK are international sales via UK distributors of £2,479,000 (2017: £2,354,000).

There are no customers that individually represent over 10% of the Group's turnover.

Segmental assets

At 30 November 2018	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Segmental	105,170	7,833	13,197	177	126,377
Other					7,727
Total assets					134,104

At 30 November 2017	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Segmental	103,935	6,324	15,627	205	126,091
Other					8,299
Total assets					134,390

Included within the disclosed segmental assets are non-current assets (excluding deferred tax assets) of £74,559,000 (2017: £73,364,000) located in the United Kingdom and £438,000 (2017: £692,000) located in India. Other non-segmented assets includes other receivables, tax assets and cash and short-term deposits.

5. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	Note	Year ended 30 November 2018 £000	Year ended 30 November 2017 £000
Amortisation of intangible assets	13	2,165	1,108
		2,165	1,108
Depreciation of property, plant and equipment:			
- charged in cost of sales		492	447
- charged in operating expenses		1,428	1,474
	14	1,920	1,921
Impairment of other intangible assets	13	-	33
Impairment of property, plant and equipment	14	-	368
		1,920	2,322
Selling and distribution costs		28,889	24,804
Research and development costs		6,748	6,837
Administrative expenses - adjusted		28,182	20,088
Operating expenses - adjusted		63,819	51,729
Adjustments* to administrative expenses (see consolidated income statement)		4,927	5,083
Total operating expenses		68,746	56,812
Loss on disposal of property, plant and equipment		95	135
Loss on disposal of other intangible assets		-	21
Cost of inventories recognised as an expense		98,848	78,513
Staff costs	6	64,786	62,147
Operating lease expense		3,892	3,970
Operating lease income		(598)	(569)
Foreign exchange loss/(gain)		226	(1,205)
Inventory write-offs		288	261
(Decrease)/increase in inventory obsolescence provision		(129)	90
Fees payable to the Company's auditor			
Fees payable to the Company's auditor for the audit of these Financial Statements:			
- the audit of the Company's Financial Statements		18	16
- the audit of the Company's subsidiaries pursuant to legislation		233	254
Other fees payable to the Company's auditor:			
- other services pursuant to legislation		16	15
- corporate finance services		-	100
		267	385

Adjustments to administrative expenses

	Year ended 30 November 2018	Year ended 30 November 2017*
	£000	£000
Amortisation of acquisition-related intangible assets	1,207	503
Pension GMP	1,200	-
Net increase of provisions for onerous lease contracts	-	353
Acquisition related costs	-	2,643
Restructuring costs	2,520	1,584
	4,927	5,083

* Prior year re-presented for share-based payment reclassification (see Note 2)

Recurring items:

These are items which occur regularly but which management judge to have a distorting effect on the underlying results of the Group or are not regularly monitored for the purpose of determining business performance. The recurring item relates to the amortisation of acquisition related intangible assets. The prior year period has been re-presented to no longer show share-based payment charges as an adjustment.

Recurring items are adjusted each year irrespective of materiality to ensure consistent treatment.

Highlighted items:

These are items which are non-recurring and are identified by virtue of either their size or their nature. These items can include, but are not restricted to, impairment of held for sale assets and related transaction costs; changes in the provision for onerous lease contracts; the gain/loss on sale of operations and restructuring and acquisition costs. As these items are one-off or non-operational in nature, management considers that they would distort the Group's underlying business performance.

During the year, the Group announced an estates strategy review that will mean relocating a number of activities in the RM Resources division to one location resulting in a restructuring charge associated with the relocations of £2.5m.

During the year the Group provided for the estimated liability of equalising GMPs in our defined benefit pension schemes of £1.2m (see Note 24).

In the prior year an onerous provision was created for the top floor of the head office property and an onerous provision release was made for the continued sub-letting of one of the Group's properties.

In the prior year, the Group incurred professional advisor costs relating to the acquisition and integration of Consortium. Restructuring costs were incurred during the prior year which also relate to the integration of Consortium

6. STAFF NUMBERS AND COSTS

The average number of persons (including directors) employed by the Group during the year was as follows:

	Year ended 30 November 2018	Year ended 30 November 2017
	Number	Number
Research and development, products and services	1,344	1,267
Marketing and sales	309	252
Corporate services	229	215
	1,882	1,734

The above figures have been calculated on a Full Time Equivalent basis. The actual average number for the year is 1,936.

Aggregate emoluments of persons employed by the Group comprised:

	Year ended 30 November 2018	Year ended 30 November 2017
	£000	£000
Wages and salaries	53,833	50,775
Termination costs	978	1,506
Social security costs	4,499	4,378
Other pension costs	4,483	4,667
Share-based payments (Note 26)	993	821
	64,786	62,147

7. INVESTMENT INCOME

	Year ended 30 November 2018	Year ended 30 November 2017
	£000	£000
Bank interest	20	47
Income on sale of finance lease debt	-	168
Other finance income	144	150
	164	365

8. FINANCE COSTS

		Year ended 30 November 2018	Year ended 30 November 2017
	Note	£000	£000
Borrowing facilities arrangement fees and commitment fees		583	524
Net finance costs on defined benefit pension scheme	24	507	1,049
Unwind of discount on long-term contract provisions		48	49
Unwind of discount on onerous lease and dilapidations provisions	22	85	91
Interest on bank loans and overdrafts		481	229
Other finance costs		-	23
		1,704	1,965

9. TAX

a) Analysis of tax charge in the consolidated income statement

	Year ended 30 November 2018 £000	Year ended 30 November 2017 £000
Current taxation		
UK corporation tax	4,289	2,976
Adjustment in respect of prior years	(313)	(1,555)
Overseas tax	395	387
Total current tax charge	4,371	1,808
Deferred taxation		
Temporary differences	(273)	(6)
Adjustment in respect of prior years	2	104
Overseas tax	-	(163)
Total deferred (credit)	(271)	(65)
Total consolidated income statement tax charge	4,100	1,743

b) Analysis of tax charge in the consolidated statement of comprehensive income

	Year ended 30 November 2018 £000	Year ended 30 November 2017 £000
UK corporation tax		
Defined Benefit Pension Scheme	(380)	(428)
Shared based payments	-	-
Deferred tax		
Defined Benefit Pension Scheme movements	3,048	3,481
Defined Benefit Pension Scheme escrow	(6)	-
Share-based payments	-	80
Deferred tax relating to the change in rate	54	70
Total consolidated statement of comprehensive income tax charge	2,716	3,203

c) Reconciliation of consolidated income statement tax charge

The tax charge in the consolidated income statement reconciles to the effective rate applied by the Group as follows:

	Year ended 30 November 2018			Year ended 30 November 2017		
	Adjusted £000	Adjustments £000	Total £000	Adjusted* £000	Adjustments* £000	Total £000
Profit on ordinary activities before tax	25,979	(4,952)	21,027	19,722	(5,128)	14,594
Tax at 19% (2017: 19.33%) thereon:	4,936	(941)	3,995	3,812	(991)	2,821
Effects of:						
- other expenses not deductible for tax purposes	106	284	390	211	321	532
- other temporary timing differences	(193)	23	(170)	(72)	12	(60)
- effect of profits/(losses) in various overseas tax jurisdictions	192	-	192	(100)	-	(100)
- Prior period adjustments - UK	(307)	-	(307)	(280)	-	(280)
- Prior period adjustments - overseas	-	-	-	(1,170)	-	(1,170)
Tax charge in the consolidated income statement	4,734	(634)	4,100	2,401	(658)	1,743

* Re-presented for share-based payment reclassification (see Note 2)

The reduction in the prior year is principally due to a reduction of £1.2m in the transfer pricing provision associated with cross border intra-group transactions between the UK and India which has been agreed with the relevant tax authorities and a reduction in the UK corporate tax rate. There are no remaining material provisions in the Group.

Factors that may affect future tax charges

The standard rate of corporation tax in the UK for the period is 19%. A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 November 2018 has been calculated based on these rates.

d) Deferred tax

The Group has recognised deferred tax assets as these are anticipated to be recoverable against profits in future periods. The major deferred tax assets and liabilities recognised by the Group and movements thereon are as follows:

Group	Accelerated tax	Defined	Share-based	Short-term timing	Acquisition related	Total
	depreciation	Benefit Pension				
	£000	Scheme obligation £000	£000	£000	£000	£000
At 1 December 2016	846	5,912	254	1,781	-	8,793
(Credit)/charge to income	(13)	-	59	(65)	84	65
Charge to equity	-	(3,481)	(80)	(70)	-	(3,631)
Acquired Deferred tax assets/(liabilities)	321	1,009	-	11	(3,077)	(1,736)
At 30 November 2017	1,154	3,440	233	1,657	(2,993)	3,491
(Credit)/charge to income	(133)	-	161	36	204	268
(Charge)/credit to equity	-	(3,048)	2	(48)	-	(3,094)
Acquired Deferred tax liabilities	-	-	-	(97)	-	(97)
At 30 November 2018	1,021	392	396	1,548	(2,789)	568

Certain deferred tax assets and liabilities have been offset above.

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 relating to tax losses of £2,383,000 (2017: £4,137,000) which is available for offset against future profits within the United States of America. Movement from the prior period reflects the enactment of the Tax Cuts and Jobs Act in December 2017 which reduced the US Federal tax rate from 35% to 21% from 1 January 2018. 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.

No deferred tax liability is recognised on temporary differences of £449,000 (2017: £506,000) 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.

10. EARNINGS PER ORDINARY SHARE

	Year ended 30 November 2018			Year ended 30 November 2017		
	Profit for	Weighted average	Pence per share	Profit for	Weighted average	Pence per share
	the year	number of shares		the year	number of shares	
	£000	'000		£000	'000	
Basic earnings per ordinary share						
Basic earnings	16,927	81,779	20.7	12,851	81,455	15.8
Adjustments* (see Note 5)	4,318	-	5.3	4,470	-	5.5
Adjusted basic earnings	21,245	81,779	26.0	17,321	81,455	21.3
Diluted earnings per ordinary share						
Basic earnings	16,927	81,779	20.7	12,851	81,455	15.8
Effect of dilutive potential ordinary shares: share-based payment awards	-	460	(0.1)	-	179	(0.1)
Diluted earnings	16,927	82,239	20.6	12,851	81,634	15.7
Adjustments* (see Note 5)	4,318	-	5.2	4,470	-	5.5
Adjusted diluted earnings	21,245	82,239	25.8	17,321	81,634	21.2

* Re-presented for share-based payment reclassification (see Note 2)

11. DIVIDENDS

Amounts recognised as distributions to equity holders were:

	Year ended 30 November 2018	Year ended 30 November 2017
	£000	£000
Final dividend for the year ended 30 November 2017 – 4.95p per share (2016: 4.50p)	4,047	3,660
Interim dividend for the year ended 30 November 2018 – 1.90p per share (2017: 1.65p)	1,554	1,348
	5,601	5,008

The proposed final dividend of 5.70p per share for the year ended 30 November 2018 was approved by the Board on 4 February 2019. The dividend is subject to approval by Shareholders at the annual general meeting. The anticipated cost of this dividend is £4,666,125 which is not included as a liability at 30 November 2018.

12. GOODWILL

Group	£000
Cost	
At 1 December 2016	23,761
Acquired during the year	31,097
At 30 November 2017	54,858
At 1 December 2017	54,858
At 30 November 2018	54,858
Accumulated impairment losses	
At 1 December 2016, 30 November 2017 and 30 November 2018	(9,694)
Carrying amount	
At 30 November 2018	45,164
At 30 November 2017	45,164

The carrying amount of goodwill is allocated as follows:

Group	Year ended 30 November 2018 £000	Year ended 30 November 2017 £000
RM Resources	42,208	42,208
RM Results	2,956	2,956
	45,164	45,164

Further information pertaining to the performance and future strategy of the divisions can be found within the Strategic Report.

A review of the forecast future cash flows of RM Resources and of RM Results indicated no impairment was required.

The recoverable amounts of the Cash Generating Units ('CGU') are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates.

The Group consider RM Resources to be one CGU as operating profit is reported and budgeted in this way to the Board. During the period, the assets and operations of the TTS CGU and the Consortium CGU in RM Resources have been integrated resulting in the 2 CGUs now forming one single CGU. There is judgment involved in assessing the level the Group monitors results to determine the CGUs.

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 annual financial budget approved by the Board, which also contains forecasts for the two years following, and extrapolates cash flows based on internal forecasts with terminal rates of 2.0% (2017: 2.5%). Pre-tax discount rates used are 13.6% (2017: 12.6%)

Sensitivity analysis

The sensitivity of goodwill carrying values to reasonably possible changes in key assumptions has been performed. A reasonably possible change of 1% in the discount rate or a 1% reduction in the growth rate beyond 2021 would not change the conclusion of the impairment review.

13. OTHER INTANGIBLE ASSETS

Group	Customer relationships £000	Brands £000	Intellectual property & database assets £000	Website platform £000	Other software assets £000	Total £000
Cost						
At 1 December 2016	644	110	325	-	3,418	4,497
Acquired on 30 June 2017	-	18,100	-	2,520	-	20,620
Additions	-	-	-	-	176	176
Transfers between categories	-	-	-	-	38	38
Disposals	-	-	-	-	(340)	(340)
At 30 November 2017	644	18,210	325	2,520	3,292	24,991
Additions	-	-	-	-	69	69
Transfers between categories	-	-	-	-	188	188
Exchange differences	-	-	-	-	(13)	(13)
At 30 November 2018	644	18,210	325	2,520	3,536	25,235
Accumulated amortisation and impairment losses						
At 1 December 2016	644	110	325	-	2,714	3,793
Charge for the year	-	503	-	211	394	1,108
Impairments	-	-	-	-	33	33
Exchange differences	-	-	-	-	(1)	(1)
Disposals	-	-	-	-	(319)	(319)
At 30 November 2017	644	613	325	211	2,821	4,614
Charge for the year	-	1,206	-	504	455	2,165
Exchange differences	-	-	-	-	(9)	(9)
At 30 November 2018	644	1,819	325	715	3,267	6,770
Carrying amount						
At 30 November 2018	-	16,391	-	1,805	269	18,465
At 30 November 2017	-	17,597	-	2,309	471	20,377

14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land & buildings £000	Short leasehold improvements £000	Plant & equipment £000	Computer equipment £000	Vehicles £000	Total £000
Cost						
At 1 December 2016	3,017	6,081	4,438	8,934	915	23,385
Acquired on 30 June 2017	5,000	275	72	126	-	5,473
Additions	8	59	344	660	79	1,150
Transfers between categories	-	-	(38)	-	-	(38)
Exchange differences	-	(4)	(6)	-	(1)	(11)
Disposals	(21)	(166)	(661)	(1,458)	(393)	(2,699)
At 30 November 2017	8,004	6,245	4,149	8,262	600	27,260
Additions	-	112	343	565	29	1,049
Transfers between categories	-	-	(24)	(164)	-	(188)
Exchange differences	-	(24)	(37)	(44)	(8)	(113)
Disposals	-	(260)	(309)	(128)	(373)	(1,070)
At 30 November 2018	8,004	6,073	4,122	8,491	248	26,938
Accumulated depreciation and impairment						
At 1 December 2016	906	4,644	3,916	7,082	618	17,166
Charge for the year	160	511	369	837	44	1,921
Impairment loss	-	356	3	9	-	368
Exchange differences	-	(6)	(5)	(1)	-	(12)
Disposals	(9)	(155)	(552)	(1,452)	(384)	(2,552)
At 30 November 2017	1,057	5,350	3,731	6,475	278	16,891
Charge for the year	206	506	346	824	38	1,920
Exchange differences	-	(15)	(28)	(36)	(3)	(82)
Disposals	-	(304)	(210)	(304)	(157)	(975)
At 30 November 2018	1,263	5,537	3,839	6,959	156	17,754
Carrying value						
At 30 November 2018	6,741	536	283	1,532	92	9,184
At 30 November 2017	6,947	895	418	1,787	322	10,369

15. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company at 30 November 2018 were:

Name	Principal activity	Country of incorporation	Class of share	% held
RM Education Limited	Software, services & systems	England	Ordinary	100%
TTS Group Limited	Resource supply	England	Ordinary	100%
RM Education Solutions India Pvt Limited *	Software and corporate services	India	Ordinary	100%
RM Books Limited	Software services	England	Ordinary	100%
RM Group US LLC	Non-trading	USA	Ordinary	100%
RM Education Inc.*	Non-trading	USA	Ordinary	100%
RM Pension Scheme Trustee Limited	Corporate Trustee	England	Ordinary	100%
RM Schools Limited *	Dormant	England	Ordinary	100%
Hedgelane Limited	Property holding	England	Ordinary	100%
Hammond Bridge Limited *	Non-trading	England	Ordinary	100%
The Consortium for Purchasing and Distribution Limited *	Purchasing and distribution	England	Ordinary	100%

* Held through subsidiary undertaking.

All UK subsidiary companies are registered at 140 Eastern Avenue, Milton Park, Abingdon, Oxon OX14 4SB.

RM Group US LLC is registered at 1431 Airport Drive, Suite 400 Ball Ground, Atlanta, GA 301074288 USA.

RM Education Inc. is registered at 129 Bridle Path, Marston Mills, MA 02648 USA .

RM Education Solutions India Pvt Limited is registered at Unit No.8A, Carnival Techno Park Technopark, Kariyavattom, PO Trivandrum, Thiruvananthapuram, Kerala 695581, India.

During the year The Consortium Ltd*, Hammond Bridge Trustees Ltd*, Studentpacks Ltd* and Supply Zone Ltd* were liquidated.

The investment in subsidiary undertakings comprises:

Company	Note	Investment in share capital £000	Capital contribution shared-based payments £000	Total £000
Cost				
At 1 December 2016		53,505	11,846	65,351
Acquisition	19	58,956	-	58,956
Share-based payments		-	821	821
At 30 November 2017		112,461	12,667	125,128
Share-based payments		-	72	72
At 30 November 2018		112,461	12,739	125,200
Impairment				
At 1 December 2016		88	-	88
At 30 November 2017		88	-	88
At 30 November 2018		88	-	88
Carrying value				
At 30 November 2018		112,373	12,739	125,112
At 30 November 2017		112,373	12,667	125,040

At 30 November 2018 an impairment review was undertaken which indicated that no impairment in the investments held by the Company was required (2017: nil). The impairment review was performed using the same assumptions used in the impairment review performed in relation to the Group's assets which are disclosed in Note 12 of the consolidated financial statements. The impairment review is sensitive to a change in key assumptions used in the value in use calculations relating to the discount rate and future growth rates.

A reasonably possible change of 1% in the discount rate or a 1% reduction in the growth rate beyond would not change the conclusion of the impairment review.

16. INVENTORIES

Group	2018 £000	2017 £000
Components	40	56
Finished goods	17,747	19,357
	17,787	19,413

Any inventory that is not expected to be turned over within 24 months has been provided for.

17. LONG-TERM CONTRACTS

Group	Note	2018 £000	2017 £000
Contract costs incurred plus recognised profits less recognised losses to date		466,627	420,788
Less: Progress billings		(471,126)	(430,968)
		(4,499)	(10,180)
Amounts due from contract customers included in trade and other receivables	18	66	3
Amounts due to contract customers included in trade and other payables	21	(4,565)	(10,183)
		(4,499)	(10,180)

Total revenue from long-term contracts recognised in the year ended 30 November 2018 amounted to £40,713,000 (2017: £46,002,000).

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 judgements include performance indicator outcomes, future inflation rates, implementation/software development costs and whether the contract variations and extensions should be combined with existing arrangements. Profit is then recognised based on these judgements and, depending on the maturity of the contract portfolio, a greater or lesser proportion of Group profit will arise from long-term contracts.

Sensitivity to assumptions has been considered but due to their nature it is not practicable to perform an analysis.

18. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2018 £000	2017 £000	2018 £000	2017 £000
Current					
Financial assets					
Trade receivables		21,239	20,770	-	-
Long-term contract balances	17	66	3	-	-
Other receivables		893	1,146	-	-
Derivative financial instruments		353	-	-	-
Accrued income		2,013	1,366	-	-
Amounts owed by Group undertakings		-	-	9,722	14,605
		24,564	23,285	9,722	14,605
Non-financial assets					
Prepayments		10,314	5,862	23	15
		34,878	29,147	9,745	14,620
Non-current					
Financial assets					
Other receivables		930	1,144	867	894
		35,808	30,291	10,612	15,514
Currency profile of receivables					
Sterling		31,892	29,182	10,612	15,514
US Dollar		3,145	589	-	-
Indian Rupee		771	520	-	-
		35,808	30,291	10,612	15,514

The amounts owed by Group undertakings to the Company are repayable on demand and bear interest at LIBOR plus 2%.

The Directors consider that the carrying amounts of trade and other receivables approximates their fair values.

The Company's Non-current Other receivables are the gross amounts owed by the Company's 9% equity investments in Essex Schools (Holdings) Ltd. The balance is being repaid over a period of 25 years ending in 2036. The interest charged on these receivables is 11.75% pa.

Analysis of trade receivables by type of customer

Group	2018 £000	2017 £000
Government	11,585	12,632
Commercial	9,654	8,138
	21,239	20,770

Trade receivables included an allowance for estimated irrecoverable amounts at 30 November 2018 of £377,000 (2017: £692,000), based on management's knowledge of the customer, externally available information and expected payment likelihood. This allowance has been determined by reference to specific receivable balances and past default experience. New customers are subject to credit checks where available, using third-party databases prior to being accepted. The Group uses the practical expedient of measuring impairment using a provision matrix which is consistent with applying a full credit loss model for the Group.

Ageing of unimpaired trade receivables

Group	2018 £000	2017 £000
Not past due	16,492	15,674
Overdue by less than 60 days	2,188	3,866
Overdue by between 60 and 90 days	906	650
Overdue by more than 90 days	1,653	580
	21,239	20,770

19. ACQUISITIONS OF SUBSIDIARIES

Acquisitions in the prior year

On 30 June 2017, the Group acquired all of the shares in Hedgelane Limited, including its principal trading subsidiary known as Consortium. Consortium is a leading supplier of branded and own-branded products primarily to educational institutions.

The acquisition of Consortium represented a strategic opportunity for RM to enhance significantly the scale and offering of its education resources business. The Board believes that the combination of RM's education resources business, TTS, and Consortium would lead to an expanded, more diversified and better balanced product portfolio, comprising a wide spectrum of higher, value-added, curriculum-focused resources and essential commodity and education resource products. The businesses also have complementary geographic coverage and customer relationships, and combined would have an improved purchasing position and benefit from other significant operational improvement opportunities.

The fair value of the cash consideration for the acquisition was £59.0m. Transaction fees associated with the acquisition and expensed to the consolidated statement of comprehensive income in 2017 were £2.5m.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities in 2017:

Fair value on acquisition

	£000
Acquisition related intangible assets	18,100
Other intangible assets	2,520
Property, plant and equipment	5,473
Inventories	8,695
Trade and other receivables	10,185
Cash and cash equivalents	549
Defined benefit pension scheme surplus	216
Trade and other payables	(9,720)
Defined benefit pension scheme obligation	(6,153)
Current tax liabilities	(4)
Deferred tax	(1,837)
Provisions	(165)
Net assets acquired	27,859
Goodwill	31,097
Consideration paid	58,956
Satisfied by	
Cash	58,956
Total purchase consideration	58,956
Net cash flow on acquisition	58,956
Cash and cash equivalents	(549)
Cash flow on acquisition	58,407

In the period 1 July 2017 to 30 November 2017 Consortium contributed revenue of £27.8m and statutory profit after tax of £0.8m. If the acquisition had occurred on 1 December 2016 Consortium would have contributed revenue of £58.8m and statutory profit after tax of £1.2m in 2017. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 December 2016.

Fair value adjustments

On the acquisition of Consortium, all assets were fair valued and appropriate intangible assets recognised following the principles of IFRS 3.

A deferred tax liability related to these intangible assets was also recognised. Management identified the main material intangible asset as the Consortium own brand. These intangible assets were valued at £18.1m using the Relief from Royalty method and are being amortised over 15 years which is in accordance with the estimated useful economic life (UEL) and IAS 38. The website platform was valued at £2.5m over 5 years by considering the replacement cost.

Goodwill of £31.1m represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The goodwill arising on the acquisition is largely attributable to the synergies and values associated with being part of the enlarged RM Resources proposition.

Stock has been valued in line with Group policy taking into account the recoverability and obsolescence. The properties have been restated to fair market value. Trade and other receivables and payables were all reviewed and are in line with Group policy.

Acquisition related costs

The Group incurred acquisition related costs of £3.2m related to advisor fees, banking arrangements and stamp duty. These costs have been included in the administrative expenses in the Group's consolidation statement of comprehensive income in 2017. Costs relating to debt raising were capitalised and amortised over the life of the loan, see Note 29.

20. BORROWINGS

Group and Company	2018 £000	2017 £000
Bank loan	(7,000)	(14,000)
Add capitalised fees	494	812
Borrowings	(6,506)	(13,188)

The borrowings in the year and details of the facility are detailed in Note 29. Bank and professional service fees relating to securing the loan have been capitalised and are amortised over the length of the loan.

21. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2018 £000	2017 £000	2018 £000	2017 £000
Current liabilities					
Financial liabilities					
Trade payables		23,119	18,524	-	-
Other taxation and social security		4,284	4,765	-	-
Other payables		1,857	535	-	-
Derivative financial instruments		-	389	-	-
Accruals		10,557	12,975	73	258
Long-term contract balances	17	4,565	10,183	-	-
Amounts owed to Group undertakings		-	-	71,007	64,533
		44,382	47,371	71,080	64,791
Non-financial liabilities					
Deferred income		10,255	10,265	-	-
		54,637	57,636	71,080	64,791
Non-current liabilities					
Non-financial liabilities					
Deferred income					
- due after one year but within two years		235	409	-	-
- due after two years but within five years		48	443	-	-
		283	852	-	-
		54,920	58,488	71,080	64,791

The amounts owed to Group undertakings by the Company are payable on demand and bear interest at LIBOR plus 2%.

Currency profile of trade and other payables

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Sterling	52,817	56,988	71,080	64,791
US Dollar	350	97	-	-
Euro	142	96	-	-
Indian Rupee	1,353	1,307	-	-
Other	258	-	-	-
	54,920	58,488	71,080	64,791

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

22. PROVISIONS

Group	Note	Onerous lease	Employee-related	Other	Total
		and dilapidations	restructuring		
		£000	£000	£000	£000
At 1 December 2016		3,157	1,844	1,692	6,693
Acquired on 30 June		165	-	-	165
Utilisation of provisions		(308)	(1,697)	(236)	(2,241)
Release of provisions		(1,115)	-	(568)	(1,683)
Increase in provisions		1,780	831	819	3,430
Unwind of discount	8	91	-	-	91
At 30 November 2017		3,770	978	1,707	6,455
Utilisation of provisions		(694)	(1,569)	-	(2,263)
Release of provisions		(43)	(37)	(479)	(559)
Increase in provisions		400	3,201	471	4,072
Unwind of discount	8	85	-	-	85
At 30 November 2018		3,518	2,573	1,699	7,790

Provisions for onerous leases and dilapidations have been recognised at the present value of the expected obligation at discount rates of 2.6% (2017: 2.6%) per annum 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 cost within the income statement. At 30 November 2018, £925,000 (2017: £1,525,000) of the provision refers to onerous leases, and £2,593,000 (2017: £2,245,000) refers to dilapidations. In the prior year an onerous provision was created for the top floor of the head office property and an onerous provision release was made for the successful sub-letting of one of the Group's properties. Following the acquisition in the prior year, the Group's dilapidation provisions as a whole were reviewed and subsequently increased. During the year the Group has further updated provisions in line with negotiations with landlords.

The average remaining life of the leases at 30 November 2018 is 1.1 years (2017: 2.1 years).

In making their assessment of the required provisions, the Group is required to estimate the likely sub-let income that could be earned over the remaining life of the lease. This requires the Directors to make judgements relating to the likelihood that a property will be sub-let and the income that will be earned.

Employee-related restructuring provisions refer to costs arising from restructuring to meet the future needs of the Group. Of the £2,573,000 provision, £1,070,000 is expected to be utilised during the following financial year.

Other provisions includes one-off items not covered by any other category of which the most significant items are the risk provisions from ended long-term contracts transferred from long-term contract creditors to provisions. During the year the movement on long-term provisions was a net decrease of £257,000 (2017: net increase of £779,000).

Disclosure of provisions

Group	2018	2017
	£000	£000
Current liabilities	5,082	3,436
Non-current liabilities	2,708	3,019
	7,790	6,455

Company

Non-current liabilities	£000
At 1 December 2016	5,028
Increase in provisions	273
At 30 November 2017	5,301
Increase in provisions	154
Utilisation of provisions	(5,455)
At 30 November 2018	-

The above provision relates to the guarantee of an intergroup balance between subsidiary undertakings.

The Directors consider that the carrying amounts of provisions in the Group and the Company approximate their fair value.

23. SHARE CAPITAL

Company and Group	Ordinary shares of 2½p	
Allotted, called-up and fully paid	'000	£000
At 30 November 2016 and 2017	82,650	1,890
Issued in the year	1,200	27
Exercise of share options	25	-
As at 30 November 2018	83,875	1,917

Ordinary shares issued carry no right to fixed income.

24. RETIREMENT BENEFIT SCHEMES

a. Defined contribution scheme

The Group operates or contributes to a number of defined contribution schemes for the benefit of qualifying employees. The assets of these schemes are held separately from those of the Company. The total cost charged to income of £3,997,000 (2017: £4,150,000) represents contributions payable to these schemes by the Group at rates specified in employment contracts. At 30 November 2018 £324,000 (2017: £345,000) due in respect of the current financial year had not been paid over to the schemes.

b. Local government pension schemes

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, most of which are limited through reimbursement rights under the contracts. The total costs charged to income for these schemes was £120,000 (2017: £136,000). The amount due in respect of these schemes at 30 November 2018 was £71,000 (2017: £71,000).

c. Defined benefit pension schemes

The Group has both defined benefit and defined contribution pension schemes. There are three defined benefit pension schemes, the Research Machines plc 1988 Pension Scheme (the "RM Scheme") and, following the acquisition of Consortium in June 2017, the Consortium CARE Scheme (the "CARE Scheme") and the Platinum Scheme (the "Platinum Scheme"). The RM Scheme and the CARE Scheme are both operated for employees and former employees of the Group only. The Platinum Scheme is a multi-employer scheme, with Consortium being just one of a number of employers. The Group plays no active part in managing that Scheme, although the number of the Group's employees in that Scheme is small and so the impact/risk to the Group from that Scheme is limited.

For all three Schemes, based on the advice of a qualified independent actuary at each balance sheet date and using the projected unit method, the administrative expenses and current service costs are charged to operating profit, with the interest cost, net of interest on Scheme assets, reported as a financing item. This year an estimate for Guaranteed Minimum Pensions ('GMPs') has also been expensed (see below for further explanation).

Defined benefit pension scheme remeasurements are recognised as a component of other comprehensive income 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.

Scheme assets are measured at bid-price, where available, at 30 November 2018. The present value of the defined benefit obligation was measured using the projected unit method.

Under the guidance of IFRIC 14, the Group is able to recognise a pension surplus on the balance sheet for all three Schemes. In the year the RM and Platinum Schemes show a surplus and the CARE Scheme is in deficit.

The Research Machines plc 1988 Pension Scheme (RM Scheme)

The Scheme provides benefits to qualifying employees and former employees of RM Education Ltd, but was closed to new members with effect from 1 January 2003 and closed to future accrual of benefits from 31 October 2012. The assets of the Scheme are held separately from RM Education Ltd's assets in a trustee-administered fund. The Trustee is a limited company. Directors of the Trustee company are appointed by RM Education Ltd and by members. The Scheme is a funded scheme.

Under the Scheme, employees were entitled to retirement benefits of 1/60th of final salary for each qualifying year on attainment of retirement age of 60 or 65 years and additional benefits based on the value of individual accounts. No other post-retirement benefits were provided by the Scheme.

The most recent actuarial valuation of Scheme assets and the present value of the defined benefit obligation was carried out for statutory funding purposes at 31 May 2015 by a qualified independent actuary. IAS 19 Employee Benefits (revised) liabilities at 30 November 2018 have been rolled forward based on this valuation's base data.

As at 31 May 2015, the triennial valuation for statutory funding purposes showed a deficit of £41,800,000 (31 May 2012: £53,500,000). The Group agreed with the Scheme Trustee that it will repay this amount via deficit catch-up payments of £4,000,000 in December 2015 and £3,600,000 per annum until 30 September 2024. At 30 November 2018 there were amounts outstanding of £300,000 (2017: £300,000) for one month's deficit payment and £32,000 (2017: £32,000) for Scheme expenses. The next triennial valuation of the Scheme is as at 31 May 2018 and we are currently undergoing negotiations which may result in changes to the level of deficit catch-up payments required.

In addition to the £4,000,000 of catch-up payments in December 2015, a further £4,000,000 contribution was paid in December 2015 into an escrow account established in March 2014, the use of which within the Scheme is required to be agreed by RM Education Limited and the Scheme Trustee.

The parent company RM plc has entered into a Pension Protection Fund compliant guarantee in respect of Scheme liabilities. No liability has been recognised for this within the Company as the Directors consider that the likelihood of it being called upon is remote.

The Consortium CARE Scheme (CARE Scheme)

Until 31 December 2005, The Consortium for Purchasing and Distribution Ltd ("Consortium", acquired by the Company on 30 June 2017) operated the CARE Scheme providing benefits on both a defined benefit (final salary-linked) and a defined contribution basis. From 1 January 2006, the defined benefit (final salary-linked) and defined contribution sections were closed and all employees, subject to the eligibility conditions set out in the Trust Deed and Rules, joined a new defined benefit (Career Average Revalued Earnings) section. As at 28 February 2011 the Scheme was closed to future accruals. The disclosures in this report make allowance for this change.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, Consortium must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The Statutory Funding Objective does not currently impact on the recognition of the Scheme in these accounts. The Scheme is managed by a Board of Trustees appointed in part by the Company and in part from elections by members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing Scheme assets. The Trustees delegate some of these functions to their professional advisors where appropriate. The valuation of the Scheme at 31 December 2016 was a deficit of £4.2m.

Prudential Platinum Pension (Platinum Scheme)

Consortium acquired West Mercia Supplies in April 2012 (prior to the Company acquiring Consortium). Upon acquisition by Consortium of West Mercia Supplies, a pension scheme (the Platinum Scheme) was set up providing benefits on both a defined benefit (final salary-linked) and a defined contribution basis for West Mercia employees. The most recent full actuarial valuation was carried out by the independent actuaries Xafinity (now XPS Pensions Group) on 31 December 2015. Using the assumptions below the results of the full valuation were adjusted and rolled forward to form the basis for the current year valuation. The Scheme is administered within a legally separate trust from Consortium and the Trustees are responsible for ensuring that the correct benefits are paid, that the scheme is appropriately funded and that the scheme assets are appropriately invested. The valuation of the scheme at 31 December 2015 was a deficit of £70,000.

Amounts recognised in the income statement and in the statement of comprehensive income

		Year ended 30 November 2018	Year ended 30 November 2017
	Note	£000	£000
Administrative expenses and taxes		(537)	(552)
Current service costs		(108)	(69)
Operating expense		(645)	(621)
Interest cost		(6,798)	(6,946)
Interest on Scheme assets		6,291	5,897
Net interest expense	8	(507)	(1,049)
Past service costs (GMP)		(1,200)	-
Expense recognised in the income statement		(2,352)	(1,670)
Effect of changes in demographic assumptions		(1,230)	7,920
Effect of changes in financial assumptions		19,884	(4,608)
Effect of experience adjustments		4,126	1,898
Total actuarial gains		22,780	5,210
Return on Scheme assets excluding interest on Scheme assets		(7,087)	12,750
Income recognised in the statement of comprehensive income		15,693	17,960
Income recognised in total comprehensive income		13,341	16,290

GMP equalisation

UK pension schemes are required to pay equal “Guaranteed Minimum Pensions” (“GMPs”) to men and women following the 1990 legal case which led to the Barber judgment. Pensions paid have historically been intrinsically different, for example due to different GMP pension ages (60 for a woman and 65 for a man) and therefore difficult to calculate an estimate for pension equalisation.

The court judgment in October 2018 involving the Lloyds Banking Group’s pension schemes provided greater clarity, stating both that adjustments to benefits would be required, and giving trustees some details of the methods that could be acceptable for doing so.

The data available on the proportion of the liabilities that relate to post 1988 GMPs is the best data currently available to estimate the quantum of Scheme liabilities that need to be equalised. The Schemes will adopt an approach to GMP equalisation in a way that is generally structured to minimise the costs of achieving this.

Our proposed approach can be broadly summarised as follows:

- Calculate proportion of Scheme’s obligations relating to Post 1988 GMP
- Estimate the proportion of GMPs relating to benefits that need to be equalised (post 1990 GMPs) based on a break down of the Scheme rules and individual data for each Scheme
- Estimate of the cost of removing GMP inequalities in the Scheme

This has resulted in a one-off charge of £1m for the Research Machines plc 1988 Pension Scheme, and an exceptional charge of £0.2m for the Consortium CARE Scheme (see Note 5). As the members of the Platinum Scheme joined during 2012 and didn’t transfer benefits from previous schemes with them, there are no GMPs in the scheme and therefore no adjustment for equalisation is necessary.

In the Director’s view, the range of outcomes is not material even though this is an estimate at this stage.

Reconciliation of the Scheme assets and obligations through the year

	RM Scheme £000	CARE Scheme £000	Platinum Scheme £000	Year ended 30 November 2018 £000	Year ended 30 November 2017 £000
Assets					
At start of year	206,888	15,788	1,973	224,649	190,983
Acquired during the year	-	-	-	-	17,605
Interest on Scheme assets	5,821	411	59	6,291	5,897
Return on Scheme assets excluding interest on Scheme assets	(6,274)	(681)	(132)	(7,087)	12,750
Administrative expenses	(511)	-	(26)	(537)	(552)
Contributions from Group	3,984	382	225	4,591	4,187
Contributions from employees	-	-	19	19	9
Benefits paid	(7,507)	(2,061)	(28)	(9,596)	(6,230)
At end of year	202,401	13,839	2,090	218,330	224,649
Obligations					
At start of year	(223,392)	(20,015)	(1,478)	(244,885)	(225,758)
Acquired during the year	-	-	-	-	(23,542)
Interest cost	(6,233)	(522)	(43)	(6,798)	(6,946)
Actuarial gains	21,270	1,280	230	22,780	5,209
Benefits paid	7,507	2,061	28	9,596	6,230
Past service cost (GMP)	(1,000)	(200)	-	(1,200)	-
Current service costs	-	-	(108)	(108)	(69)
Contributions from employees	-	-	(19)	(19)	(9)
At end of year	(201,848)	(17,396)	(1,390)	(220,634)	(244,885)
Pension deficit	-	(3,557)	-	(3,557)	(20,731)
Pension surplus	553	-	700	1,253	495
Net pension deficit	553	(3,557)	700	(2,304)	(20,236)

Reconciliation of net defined benefit obligation

	Year ended 30 November 2018 £000	Year ended 30 November 2017 £000
Net obligation at the start of the year	(20,236)	(34,775)
Net obligation acquired during the year	-	(5,937)
Cost included in income statement	(2,352)	(1,670)
Scheme remeasurements included in the statement of comprehensive income	15,693	17,959
Cash contribution	4,591	4,187
Net pension deficit	(2,304)	(20,236)

Obligation by participant status

	Year ended 30 November 2018	Year ended 30 November 2017
	£000	£000
Active	1,135	1,212
Vested deferreds	177,305	209,869
Retirees	42,194	33,804
	220,634	244,885

Value of Scheme assets

	Year ended 30 November 2018	Year ended 30 November 2017
	£000	£000
Fair value of Scheme assets with a quoted market price		
Cash and cash equivalents, including escrow	7,696	10,535
Equity instruments	107,006	107,814
Debt instruments	2,090	1,973
Liability driven investments	75,777	77,939
Value of unquoted Scheme assets		
Insurance contract	25,761	26,388
	218,330	224,649

Significant actuarial assumptions

	Year ended 30 November 2018	Year ended 30 November 2017
Discount rate (RM Schemes)	3.30%	2.85%
Discount rate (CARE Scheme)	3.20%	2.75%
Discount rate (Platinum Scheme)	3.40%	2.85%
Rate of RPI price inflation	3.35%	3.20%
Rate of CPI price inflation	2.25%	2.10%
Rate of salary increases (Platinum Scheme)	2.25%	2.10%
Rate of pensions increases		
pre 6 April 1997 service	1.50%	1.50%
pre 1 June 2005 service	3.20%	3.10%
post 31 May 2005 service	2.10%	2.10%
Post retirement mortality table	S2PA CMI 2017 1.25%	S2PA CMI 2016 1.25%
Weighted average duration of defined benefit obligation	23 years	23 years
Assumed life expectancy on retirement at age 65:		
Retiring at the accounting date (male member aged 65)	22.7	22.1
Retiring 20 years after the accounting date (male member aged 45)	24.1	23.5

In the prior year the methodology used in establishing discount rates was changed to better reflect management's estimate of the long-dated credit risk implied in bond yields appropriate for the cash flow liabilities in the Scheme.

Expected cash flows

	Year ended 30 November 2018 £000	Year ended 30 November 2017 £000
Expected employer contributions for the year ended 30 November 2019	4,503	4,611
Expected total benefit payments		
Year 1	3,382	3,102
Year 2	3,559	3,696
Year 3	3,876	4,317
Year 4	4,323	4,590
Year 5	4,682	4,879
Years 6 - 10	30,267	30,083

Sensitivities to assumptions - one item changed with all others held constant

	----- 30 November 2018 -----						30 November 2017
	Base £m	-0.1% discount rate £m	+0.1% discount rate £m	-0.1% RPI £m	+0.1% RPI £m	Life +1 yr £m	Base £m
Analysis of net balance sheet position							
Fair value of Scheme assets	218.3	218.6	218.0	218.1	218.5	219.1	224.7
Present value of Scheme obligations	(220.6)	(225.4)	(216.1)	(217.2)	(224.1)	(227.3)	(244.9)
Net pension deficit	(2.3)	(6.8)	1.9	0.9	(5.6)	(8.2)	(20.2)
Actuarial assumptions							
Discount rate (RM Scheme)	3.30%	3.20%	3.40%	3.30%	3.30%	3.30%	2.85%
Discount rate (CARE Scheme)	3.20%	3.10%	3.30%	3.20%	3.20%	3.20%	2.75%
Discount rate (Platinum Scheme)	3.40%	3.30%	3.50%	3.40%	3.40%	3.40%	2.85%
Rate of RPI	3.35%	3.35%	3.35%	3.25%	3.25%	3.45%	3.20%
Rate of CPI	2.25%	2.25%	2.25%	2.15%	2.15%	2.35%	2.10%
Mortality table	----- S2PA CMI 2017 1.25% -----						S2PA CMI 2016 1.25%
Rating (years)	-	-	-	-	-	(1)	(1)

Liability driven investments are expected to move broadly in line with the rise and fall in liability values, thus providing a degree of protection to the Scheme's funding position.

25. 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 EST has waived any entitlement to the receipt of normal 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	Ordinary shares of 2½p	
	Number '000	£000
At 1 December 2016	1,326	1,987
Shares released to award holders	(413)	(581)
At 30 November 2017	913	1,406
New shares issued	1,200	27
Shares released to award holders	(100)	(10)
At 30 November 2018	2,013	1,423

The valuation of shares is weighted average cost. The maximum number of own shares held in the year was 2,113,055.

26. SHARE-BASED PAYMENTS

The Group operates the following executive and employee equity-settled share-based payment schemes:

- the RM plc 2004 Company Share Option Plan (the "2004 Scheme")
- the RM plc Performance Share Plan 2010 (the "PSP Scheme")

No awards have been made under the 2004 Scheme since 2011 and the final Options outstanding were exercised during the year.

One award was made under the PSP Scheme during the year ended 30 November 2018. The fair values of awards made under this Scheme have been assessed using Black-Scholes and Monte-Carlo models, as appropriate to the Scheme, at the date of grant. The fair values of awards are expensed over the period between grant and vesting.

Share-based payment awards exercised in the period and 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 deferred bonus scheme is partially matched by the release of own shares held.

a) 2004 Company Share Option Plan (the "2004 Scheme")

The Group has in place a share option scheme which issued options over shares in the Company. There have been various performance conditions attached to share option grants including EPS, share price and share purchase conditions. Options are usually forfeited if an employee leaves the Group before the options vest.

Group	Number of share options	Weighted average exercise price	Exercise price range
At 1 December 2016	890,500	£1.90	£1.74 - £2.05
Lapsed during the year	(865,500)	£1.90	
At 30 November 2017	25,000	£1.82	£1.82
Exercised during the year	(25,000)	£1.82	£1.82
At 30 November 2018	-	-	-

b) RM plc Performance Share Plan 2010 (“PSP Scheme”)

The Group uses the PSP Scheme for the remuneration of senior executives and senior management. Details of Directors’ awards are contained within the Remuneration Report. Participation has been subject to various vesting conditions, including EPS, total shareholder return (TSR) and share price conditions. If the participants leave the Group’s employment, in most circumstances the award lapses.

Group	Maximum number of shares	Market price on grant
At 1 December 2016	2,720,000	
Granted during the year	1,215,000	£1.73 - £1.85
Lapsed during the year	(1,251,955)	
Exercised during the year	(413,045)	
At 30 November 2017	2,270,000	
Granted during the year	875,000	£2.12
Lapsed during the year	(228,000)	
Exercised during the year	(542,745)	
At 30 November 2018	2,374,255	

The plans outstanding at 30 November 2018 had a weighted average contractual life of 1.3 years (2017: 1.5 years).

Where total shareholder return (TSR) is used as a performance condition, 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.

Where earnings per share (EPS) is used as a performance condition, the EPS Performance Target is that EPS for the final Financial Year of the measurement period.

In March 2003 the Company established the RM plc Employee Share Trust to hedge the future obligations of the Group in respect of share scheme awards. These shares are used to hedge the estimated liability but until vesting represents own shares held – see Note 25.

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.

27. GUARANTEES AND CONTINGENT LIABILITIES

a) Guarantees

The Company has entered into guarantees relating to the performance and liabilities of certain major contracts of its subsidiaries. Other than disclosed in Note 22 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.

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.

28. COMMITMENTS

a) Operating leases

The Group had outstanding commitments for future minimum lease payments (to the next lease break or to the end of the lease, whichever is sooner) under non-cancellable operating leases which fall due as follows:

Group	2018 £000	2017 £000
Within 1 year	4,139	3,827
In years 2 to 5 inclusive	1,181	5,167
	5,320	8,994

Operating lease commitments represent rentals payable by the Group for certain of its office properties and include the period up to the first break clause of the lease.

Post year end the Group have entered into a lease agreement for 7 years for a new head office premises in Abingdon.

The Company had no operating leases during the year.

Leases as a lessor

One of the above office properties is sublet under an operating lease. The future minimum lease payments under this non-cancellable lease are:

Group	2018 £000	2017 £000
Within 1 year	498	381
In years 2 to 5 inclusive	-	498
	498	879

b) Capital commitments

At 30 November 2018 amounts contracted but not provided for relate to tangible fixed assets for premises in India totalling £527,645. (2017: nil) The Company had no capital commitments during the year.

29. FINANCIAL RISK MANAGEMENT

Carrying value of financial assets and financial liabilities

	Note	Group		Company	
		2018 £000	2017 £000	2018 £000	2017 £000
Financial assets					
Trade and other receivables – current	18	24,564	23,285	9,722	14,605
Trade and other receivables – non-current	18	930	1,144	867	894
Cash and short-term deposits		2,634	1,797	-	-
		28,128	26,226	10,589	15,499
Financial liabilities					
Trade and other payables – current	21	(44,382)	(47,371)	(71,080)	(64,791)
Bank loans and overdrafts		(8,428)	(15,216)	(6,506)	(13,188)
		(52,810)	(62,587)	(77,586)	(77,979)

All financial assets are classified as loans and receivables except for forward foreign exchange contracts of £353,000 (2017: £nil) which are classified as fair value through profit or loss.

All liabilities classified as financial liabilities are held at amortised cost except for forward foreign exchange contracts of £nil (2017: £389,000) which are classified as fair value through profit or loss.

The Directors consider that the carrying amount of all financial assets and financial liabilities approximates their fair value, therefore fair value information for financial assets and financial liabilities not shown at fair value is not disclosed.

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.

The main risks arising from the Company'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.

Foreign currency risk

a) Translation

All financial assets are classified as loans and receivables except for forward foreign exchange contracts of £353,000 (2017: £nil) which are classified as fair value through profit or loss.

All liabilities classified as financial liabilities are held at amortised cost except for forward foreign exchange contracts of £nil (2017: £389,000) which are classified as fair value through profit or loss.

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 a proportion of its inventory 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 purchased are designed to cover 80-100% of forecast currency denominated purchases and the contracts are set up to provide coverage over future fixed price periods, typically for the following 12 months. To manage the Indian Rupee to Sterling risk, the contracts purchased are designed to cover 80-85% of forecast Rupee costs and are renewed on a revolving basis of approximately 11 to 12 months.

The total amount of outstanding forward foreign exchange contracts to which the Group was committed was:

2018					
Currency	Contract type	Forward contract value Currency '000	Forward contract value £000	Mark to market value £000	Fair value £000
US Dollar	Buy	3,725	(2,837)	(2,765)	(72)
Indian Rupee	Buy	507,305	(5,286)	(5,005)	(281)
			(8,123)	(7,770)	(353)

2017					
Currency	Contract type	Forward contract value Currency '000	Forward contract value £000	Mark to market value £000	Fair value £000
US Dollar	Buy	9,353	(6,957)	(7,165)	208
Indian Rupee	Buy	625,974	(7,185)	(7,366)	181
			(14,142)	(14,531)	389

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 contract value of £8,123,000 (2017: £14,143,000) and fair value gain of £353,000 (2017: loss of £389,000) have been designated as effective hedges in accordance with IFRS 9 Financial Instruments: Recognition and Measurement. The movement in fair value of hedged derivative financial instruments during the year was a credit of £742,000 (2017: debit of £1,029,000) which has been recognised in Other comprehensive income and presented in the hedging reserve in equity. In addition the Group retains the gain or loss on realised foreign currency contracts used to hedge non-financial assets which are realised when the asset is recognised.

No forward foreign currency exchange contracts have been designated as ineffective hedges in accordance with IFRS 9 Financial Instruments: Recognition and Measurement at 30 November 2018 (2017: nil).

Commercially effective hedges may lead to income statement volatility in the future, particularly if the hedges do not meet the criteria of an effective hedge in accordance with IFRS 9 Financial Instruments: Recognition and Measurement.

c) Foreign exchange rate sensitivity

The following table details how the Group's income and equity would increase/(decrease) if there were a 10% increase/(decrease) in the amount of the respective currency which could be purchased with Sterling (assuming all other variables remain constant), for example from \$1.30:£1 to \$1.43:£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. A 10% weakening of Sterling against the relevant currency would be estimated to have a comparable but opposite impact on income and equity.

The total amount of outstanding forward foreign exchange contracts to which the Group was committed was:

Group	2018		2017	
	Nominal value	Fair value	Nominal value	Fair value
	£000	£000	£000	£000
Forward foreign exchange contracts	(8,123)	(353)	(14,142)	389

Group	2018		2017	
	Income	Equity	Income	Equity
	£000	£000	£000	£000
10% increase in foreign exchange rates against Sterling:				
US Dollar	(69)	591	95	725
Indian Rupee	27	(208)	64	(190)

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

Interest rate risk

The only significant interest-bearing financial assets or liabilities relate to the Group's borrowings referred to below. During the year, average net debt was £24,135,000 (2017: £4,602,000) and the maximum borrowings position was £32,768,000 (2017: £37,712,000).

The Group has a committed revolving credit facility with HSBC Bank plc and Barclays Bank plc, which was signed on 7 February 2017 and which expires on 30 June 2020. The initial facility is for £75,000,000, with the amount of funds available reducing to £70,000,000 from 30 June 2018, £65,000,000 from 30 December 2018 and £60,000,000 from 30 June 2019. The current bank credit facility ends on 30 June 2020 but has an option to extend for a further 2 years. The extension remains subject to agreement with the lenders but the Board has no reason to believe that the debt would not be renewed. Of the funds available, £5,000,000 is allocated to an on demand working capital facility, leaving the remainder unallocated. Under the facility the Company is bound to covenants of 4 times interest cover/EBITDA and 2.5 times Net Debt/EBITDA. Separate to this, the Group has a number of performance bonds relating to potential liabilities arising in connection with any Local Government Pension Scheme that the Company participates in as a result of its managed services contracts in the RM Education Division.

The interest payable on loans under the revolving credit facility is between 1.30% and 1.90% above LIBOR (the Margin), for the remainder of the committed term subject to certain financial ratios. A commitment fee of 40% of the Margin is payable on the unutilised balance and an arrangement fee of 0.5% of the initial total facility was paid in 2017. The fees are recognised in the consolidated income statement on an effective interest rate basis over the duration of the facility.

The interest and currency profile of cash and short-term deposits is shown below:

Group	2018			2017		
	Floating rate	Interest free	Total	Floating rate	Interest free	Total
	£000	£000	£000	£000	£000	£000
Sterling cash and cash equivalents/(overdraft)	(1,922)	848	(1,074)	(2,631)	1,597	(1,034)
US Dollar	-	1,237	1,237	-	678	678
Euro	-	-	-	-	125	125
Indian Rupee	-	217	217	-	-	-
Singapore Dollar	-	332	332	-	-	-
Cash and cash equivalents	(1,922)	2,634	712	(2,631)	2,400	(231)
Borrowings – Sterling*	7,000	-	7,000	14,000	-	14,000

* Also in Company

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

Group	2018		2017	
	Floating rate	Weighted average interest rate	Floating rate	Weighted average interest rate
	£000	%	£000	%
Financial assets:				
Cash and short-term deposits	2,634	0.37	1,797	0.16
Trade and other receivables (non-current)	930	9.52	1,144	9.52

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

Group	2018		2017	
	Income sensitivity	Equity sensitivity	Income sensitivity	Equity sensitivity
	£000	£000	£000	£000
1% increase in interest rates	208	208	202	202
1% decrease in interest rates	(208)	(208)	(202)	(202)

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. Note 18 includes an analysis of trade receivables by type of customer and of the ageing of unimpaired trade 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 carrying amount of financial assets represents the maximum credit exposure. The Group does not hold any collateral to cover its risks associated with financial assets.

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.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence as to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders and contributions to the defined benefit pension schemes.

30. RELATED PARTY TRANSACTIONS

a) Key management personnel

The remuneration of the Directors and other key management personnel of the Group during the year, in aggregate, was:

Group	Year ended	Year ended
	30 November 2018	30 November 2017
	£000	£000
Short-term employee benefits	2,561	2,510
Post-employment benefits	178	178
Termination payments	84	218
Share-based payment	588	554

Share-based payments above include a fair value charge for executive Directors of £170,836 in respect of awards to David Brooks (2017: £170,000) and £159,000 in respect of Neil Martin (2017: £113,000).

Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Report.

b) Transactions between the Company and its subsidiary undertakings

Company	Year ended	Year ended
	30 November 2018	30 November 2017
	£000	£000
Receipts/(payments)		
Management recharges	(607)	(602)
Net intercompany interest income	(1,153)	(574)
Dividends received	9,000	13,800

Total amounts owed between the Company and its subsidiary undertakings are disclosed in Notes 18 and 21 respectively.

c) Other related party transactions

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.

Spinfield School

Neil Martin, Executive Director, is a governor of Spinfield School. RM Resources made sales of £10,550 (2017: £1,126). At the year end there is a balance of £nil (2017: £83) outstanding.

Grant Thornton LLP

Deena Mattar, Non-executive Director of RM plc, is a non-executive of the Partnership Oversight Board of Grant Thornton. Grant Thornton were chosen from a competitive tender conducted by the Company and Deena Mattar was not involved in that exercise.

The Company has engaged Grant Thornton to provide advice in connection with certain activities.

The following payments were made in the year; £167,252 of integration costs, £40,945 work for IFRS 15, £11,870 relating to work around a new ERP system, and £245,606 relating to estate strategy. £42,000 was accrued at the year-end for further ERP work.

In the prior year the following payments were made; £650,000 of integration costs in TTS and Consortium, which was accrued in the prior year, £48,000 stock work in Consortium and £25,000 accrual for IFRS 15 work.

> SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Ex-dividend date for 2018 final dividend	14 March 2019
Record date for 2018 final dividend	15 March 2019
Annual General Meeting	27 March 2019
Payment of 2018 final dividend	12 April 2019
Announcement of 2019 interim results	July 2019
Preliminary announcement of 2019 results	February 2020

CORPORATE WEBSITE

Information about the Group's activities is available at www.rmplc.com.

INVESTOR INFORMATION

Information for investors is available at www.rmplc.com. 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.rmplc.com. Shareholders can also make changes to their address details and dividend mandates online. All enquiries about individual shareholder matters should be made to the Company's registrar, Link Asset Services, either via email at shareholderenquiries@linkgroup.co.uk or by telephone to 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

To help shareholders, the Link Asset Services' Share Portal at www.signalshares.com contains a frequently asked questions section for shareholders.

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, which include helping us reduce our impact on the environment, increased security (your documents cannot be lost in the post or read by others) and faster notification of information and updates. To sign up to receive e-communications go to Link Asset Services' Share Portal at www.signalshares.com. All you need to register is your investor code, which can be found on your share certificate or your dividend tax voucher. The Share Portal is a secure online site where you can manage your shareholding quickly and easily. You can check your shareholding and account transactions, change your name, address or dividend mandate details online at any time and vote online via the Share Portal.

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 Link Asset Services, 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, Link Asset Services will not amalgamate the accounts without your written consent. If you would like to amalgamate your multiple accounts into one account, please write to Link Asset Services.

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