

15 December 2010

RM plc

Notice of AGM and 2010 Annual Report and Accounts

RM's Annual Report and Accounts 2010 and Notice of Annual General Meeting are now available online at www.rm.com/annualreport

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Dear Shareholder,

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

Strong results in 2010

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

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

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

*** Paid and proposed

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

The Board remains excited about RM's future growth prospects. Reflecting this, we are recommending an 8% increase in full year dividend (paid and proposed) to 6.64p (2009: 6.17p). Subject to approval at the AGM, a final dividend of 5.25p is payable on 4 February 2011, to shareholders on the register on 7 January 2011. RM's dividend has been maintained or increased every year since the Group was listed on the London Stock Exchange in 1994.

Building a resilient business

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

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

Inspiring engaging learning through innovation

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

Board

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

People

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

Well-positioned for the future

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

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

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

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

With best wishes,



John Leighfield, CBE
Chairman – RM plc