



your vision

Together

RMTM plc



works

**Annual Report
and Accounts**
for the year ended 30 November 2013



The RM plc group of businesses creates and maintains an extensive range of innovative and award-winning solutions and services - all designed or selected to meet the specific needs of educational users.



The RM Group comprises the following divisions:

Education Technology

Technology-based software and services, specifically designed for UK schools and other educational establishments, across the following categories:

- **Services:** Outsourcing, support and implementation services, including managed services, onsite support, telephone support and consultancy services.
- **Digital Platforms & Content:** Access to curriculum resources and school management solutions, including RM Unify 'launchpad to the cloud', RM Books e-book system, RM Integris school management systems, RM Easimaths and RM Easiteach.
- **Infrastructure Solutions:** Network software, tools and infrastructure services, such as RM Neon and Community Connect network and device management tools and virtualisation.
- **Internet:** The provision of broadband and e-safety solutions.

Education Resources

This division comprises two operating businesses: TTS and SpaceKraft. TTS provides a whole range of resources for use in schools and other educational settings. TTS is a leading provider of physical resources to UK schools, with over 14,000 product lines and an established leadership position in Primary and Early Years age groups. SpaceKraft is a leading provider of resources and immersive environments to meet the specific requirements of learners with Special Educational Needs.

Assessment and Data Services (ADS)

ADS supplies government ministries, exam boards and professional awarding organisations with technology and expertise to improve efficiency, accuracy and clarity in the assessment cycle, both in the UK and internationally. This includes the systems required to provide the school 'league tables' for English schools.

Branded as 'RM Results', ADS is a business that provides products and services that include secure, innovative systems for creating high-stakes exams and tests, onscreen testing, onscreen marking and the management and analysis of educational data.



For more information
about RM visit

RM[™]plc.com



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Chairman's Statement

2013 has been an eventful but positive year for RM plc.

Trading performance, which is detailed below, showed revenues down as anticipated, but sharply improved profitability, together with good cash generation. The well-signalled decline in the Building Schools for the Future ('BSF') programme was the major contributor to revenue reduction, but was equally a valuable source of profit and cash.

The strategic decision within the Group's Education Technology division to discontinue the manufacture and distribution of computer hardware in order to expand software and service offerings represented a major change, and was received with understanding in the marketplace. The operational reorganisation consequent upon this decision is in the process of implementation and is on track in respect of timing and cost.

The other two divisions, Assessment and Data Services ('ADS') and Education Resources, acquitted themselves well. ADS has extended contractual relationships with existing customers and increased margins. Education Resources has delivered good margins despite a large Corporate Social Responsibility ('CSR') programme, sponsored by a major corporate, not being repeated this year.

The Group has a strong balance sheet with cash and short-term deposits at year end of £63.2 million.

The Board is recommending a final dividend of 2.46 pence per share which would, in total, constitute an increase of 10% over the prior year. In addition, recognising that the Group's cash resources are greater than those required to meet the prudent requirements of the business, the Board is proposing to pay a special dividend of 16.00 pence per share (£15 million) at the same time as the final dividend.

The Board is proposing the establishment of an escrow account to be utilised for initiatives to reduce the risks related to the RM defined benefit pension scheme which was closed to new entrants in 2003 and to accrual of benefits in 2012. It is anticipated that an amount of £8 million will be paid into this account by the Group in 2014.

An eventful but positive year





2013

With reference to the Board, I became Chairman of RM and David Brooks took over as Chief Executive in Spring 2013. Jo Connell will be retiring from the Board at the Annual General Meeting in March 2014. Substantial thanks are due to her for her service to the Group over the past six years. Patrick Martell has been appointed to the Board with effect from 1 January 2014.

I would like to thank our Board members and employees for their successful efforts during a challenging year. The Board is fully committed to building the Group on the strengthened foundations which will result.

Looking forward, the changes to the Education Technology division will, as announced, impact 2014 but create a more robust business for the future. ADS and Education Resources are expected to continue to perform well.

John Poulter

Chairman

3 February 2014

Strategic Report

The Annual Report has been restructured this year in response to the new Companies Act Regulations and Financial Reporting Council's guidance. The Annual Report is split into three main sections: a Narrative Report on the Group's strategy and performance contained in this section, Corporate Governance Reports (set out on pages 18 to 44) and the Financial Statements (set out on pages 45 to 99).

The Group's objective is to create shareholder value through the provision of software, services and resources to the education sector.

The strategies by which the Group pursues this objective are specific to the businesses within the Group and are addressed in the Divisional Reviews contained later in this report.

Group Financial Performance

Group revenues excluding businesses exited in 2012 declined by 8.4% to £261.7 million (2012: £285.9 million, £288.7 million including exited businesses).

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

The Group has adopted the provisions of the recently revised International Accounting Standard 19 ('IAS19R') with respect to treatment of defined benefit pension schemes. This accounting change has no impact on total distributable reserves but does affect where certain costs appear in the Income Statement. The impact of this change on the results for the years ended 30 November 2012 and 2013 are set out in more detail in Note 3.

Adjusted operating profit margins increased from 4.4% in 2012 to 6.6%. Adjusted operating profit increased to £17.2 million (2012: £12.7 million). The Group generated an unadjusted statutory profit before tax of £9.4 million (2012: £7.4 million). Significant exceptional items included £5.1 million of restructuring costs following the strategic review of the Education Technology division and the associated impact on central services. In addition, there was an increase in property-related provisions of £2.6 million, principally related to provision for onerous leases on surplus property.

The total tax charge within the Income Statement for the year was £3.3 million (2012: £3.5 million). The Group's tax charge for the period, measured as a percentage of profit before tax, was 35% (2012: 47%). This decrease is principally due to a higher proportion of 'Adjustments' to operating profit being tax deductible. Excluding the impact of such adjustments, the tax charge on adjusted profit before tax was at an effective rate of 30% (2012: 26%). Statutory basic earnings per share were 6.7 pence (2012: 4.3 pence) and statutory diluted earnings per share were 6.6 pence (2012: 4.3 pence).

RM delivered another year of strong cash generation with cash generated by operations for the year of £34.7 million (2012: £33.5 million). As a result, cash and short term deposits increased to £63.2 million (2012: £37.8 million). The lowest cash position during the year due to seasonal cash flows was £33.0 million (2012: £6.5 million).

Working capital efficiency improved further. Specific elements include inventory levels reducing by 29% year on year and trade receivables reducing by 35%.

Dividends

The total dividend paid and proposed for the year has been increased by 10% to 3.30 pence per share (2012: 3.00 pence). This comprises an already paid interim dividend of 0.84 pence per share and, subject to shareholder approval, a proposed final dividend of 2.46 pence per share. The estimated total cost of normal dividends paid and proposed for 2013 is £3.0 million (2012: £2.8 million).

In addition, recognising that the Group's cash resources are greater than those required to meet the prudent requirements of the business, the Board is proposing to pay a special dividend of 16.00 pence per share (£15 million) at the same time as the annual dividend in April 2014. The Board will also recommend that the special dividend is combined with a share consolidation. This is common in such circumstances and is intended to maintain the comparability of the Company's share price before and after the special dividend.



Strategic Report

continued

Defined Benefit Pension Scheme

The RM Defined Benefit Pension Scheme was closed to new entrants in 2003. An agreement was reached with the Trustees to close the Scheme to future accrual of benefits from 31 October 2012. At 30 November 2013 the IAS 19R scheme deficit (pre-tax) was £15.8 million (2012: £20.4 million). The triennial valuation of the Scheme's position at 31 May 2012 for statutory funding purposes showed a Scheme deficit of £53.5 million. A deficit recovery plan over 15 years was agreed with the Trustees for future annual deficit recovery payments of £3.6 million, these amounts being guaranteed by the parent company. The Group also pays the Scheme's expenses, including the Payment Protection Fund levy. Total cash payments including expenses for the year were £4.4 million (2012: £7.3 million payments in excess of current service cost).

The Board has proposed the establishment of an escrow account to be utilised for initiatives to reduce the risks related to the Scheme. It is anticipated that an amount of £8.0 million will be paid into this account in 2014 in addition to the annual deficit recovery payments.

Divisional Review

The Group is structured in three operating divisions, each with its own Managing Director and management team. Some staff functions are provided centrally. In addition approximately 25% of Group headcount is based in India, providing support services and software development to the operating divisions.

Education Technology

The Education Technology division is a UK-focused business supplying IT and related services to schools and colleges. The sale of personal computing devices was discontinued from December 2013. Going forward the Education Technology division will focus on four distinct product groups: IT Services, Digital Platforms and Content, Infrastructure Solutions and Internet Services. The business has experienced declining transactional volumes for hardware over many years, apart from demand derived from new school openings under the Building Schools for the Future ('BSF') programme which is coming to a close. Existing contractual commitments to provide personal computing devices will be fulfilled and the division will continue to provide third party infrastructure hardware as part of its Infrastructure and Services businesses. The divisional strategy is to continue to develop and encourage adoption of its portfolio of software products and services through new and existing propositions which meet the needs of UK schools.



Market trends affecting the business include increasing interest in schools towards adoption of Bring Your Own Device ('BYOD') policies. This offers RM an opportunity to supply both services and network infrastructure solutions to facilitate this complex transition. In addition, purchasing decisions in England have been increasingly devolved to schools and academy groups and away from central government and local authorities. This required a change in the way RM engages with its market and the review has resulted in an increased focus on marketing and telephone sales over face to face sales, though direct contact will still be necessary when complex solutions are involved.

As anticipated, continued funding pressures in the UK education sector led to overall revenue in the Education Technology division declining by 10.6% to £181.2 million (2012: £202.7 million). However, adjusted operating profit margins increased from 2.6% to 4.8%. In large part this was due to improved margins on long-term contracts within the Services part of the business, including BSF contracts, where profitability in 2012 was negatively impacted by provision for costs forecast to migrate customers from learning platform offerings, combined with lower than expected final costs on projects completing in 2013. Adjusted operating profit was £8.6 million (2012: £5.4 million).

The performance of the four retained product groups and the Personal Computer Hardware business, which is in the process of being exited, are reviewed below.

Services

These include implementation, management and support of IT infrastructure within schools and colleges, including BSF contracts. As anticipated, revenues in 2013 declined with a reduction in new school openings under the BSF programme. Due to the contract roll-out schedule it is anticipated that BSF revenue will decline significantly over the next year with only modest revenue from BSF implementations after 2014. Services revenues decreased by 14% to £85.7 million (2012: £99.1 million).

RM's strong record of extending contractual relationships with existing Services customers has continued, including a new seven year ICT managed services contract signed with South Lanarkshire Council.

Long-term managed services are subject to long-term project accounting policies and revenues and profits were positively affected by good operational performance and cost control in completing BSF contracts.

New service propositions have been launched in the year including a mixed remote/on-site support service for primary schools which allows them to select from a range of service levels and gain the benefits of wider access to knowledge available across RM while maintaining continuity of elements of on-site service.



Strategic Report

continued

Digital Platforms and Content

These include established products such as RM Integris (RM's cloud-based school management system), RM Easimaths curriculum software and RM EasiTeach whole class teaching software but also newer offerings including RM Books and RM Unify. Digital Platforms and Content revenues decreased by 17% to £7.3 million reflecting the run down of learning platforms and reduced curriculum software sales.

Revenue from RM Integris increased following customer wins including schools across Oxfordshire. The strategy is to increase RM's market share in a market dominated by a competitor and with low levels of switching between suppliers. RM Integris is a cloud-based Software as a Service offering with annual licences.

RM Unify is a product launched by RM in 2013 as a technology solution to allow customers easy access to the varied digital, cloud-based, educational specific content and materials now available. RM Unify incorporates a cloud-based 'launchpad' and 'application store' enabling schools to procure and access a wide variety of applications in a secure, single sign-on environment. As part of an extension to a contract with the Scottish Government, RM Unify has been made available to all schools in Scotland. Since the year end RM has also been awarded a new contract to provide RM Unify to all schools in Scotland until January 2016. In addition, RM Unify has been chosen by a number of existing managed services customers as the replacement for their learning platform.

Over 90 third-party applications are now available for use through RM Unify. Revenue is derived from annual school subscriptions and from fees from sales of third party applications. The division's strategy is generally not to develop its own curriculum software but to provide the best of what is available from third parties via RM Unify.



RM Books, launched last year, is still in the early stages of adoption. RM Books provides the first e-book solution designed for UK schools. The launch has been well received by publishers with the majority of leading UK textbook publishers now participating. Approximately 5,000 titles are currently available through RM Books. The service is free to schools with RM taking a share of revenue from content sold through the system. The market penetration of e-books in consumer markets has increased dramatically in recent years but e-book adoption in schools is currently limited. The current focus is on securing a share of 'early adopters' and demonstrating the educational value added. Revenues remain small and RM Books is expected to remain an area of investment going forward.



Infrastructure Solutions

Infrastructure Solutions include sales of RM's Community Connect and Ranger network management tools and related provision of hardware such as routers and wireless systems. Existing products are typically sold as perpetual licences with annual maintenance contracts. Revenues decreased by 7% to £15.7 million (2012: £16.9 million) as demand for established products reduced year on year.

In the year the division invested in a significant new proposition, RM Neon, which has been launched since the year end. RM Neon provides a new generation of network and device monitoring tools to schools and is available via an annual subscription. Consistent with Education Technology's wider strategy, these tools allow network managers to incorporate the best of third party and 'home grown' applications and scripts.

Internet

RM is a broadband and e-safety service provider to approximately 7,000 schools. RM designs and manages networks, procuring and integrating bandwidth and e-safety products from third parties. Competitors include regional educational aggregators and some of the large telecom providers who sell to schools directly. The devolution of purchasing decisions to individual schools is reducing the likelihood of local authorities procuring services centrally on their behalf.

RM's business is dominated by one large regional consortium which accounts for the majority of its revenue. This relationship is underpinned by a contract which runs until 2018 though volumes are variable.

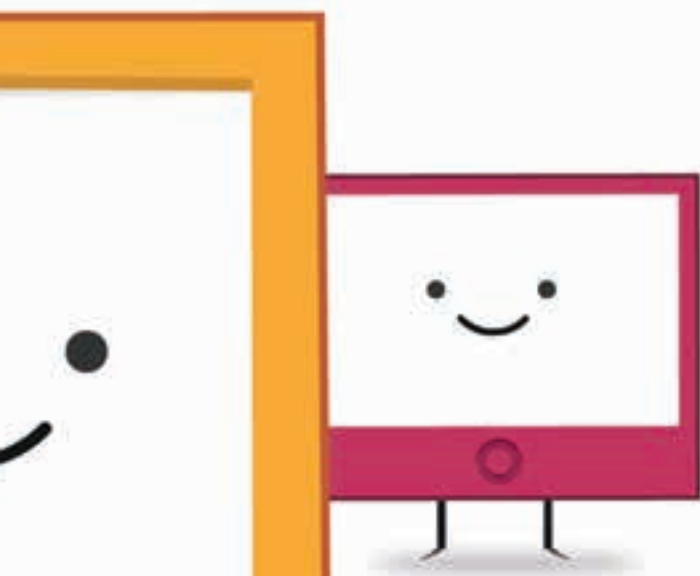
Revenues decreased by 5% to £19.3 million (2012: £20.2 million).

Personal Computing Hardware

Revenue derived from hardware (RM-branded and third party computing products, together with maintenance and warranty and other third party classroom equipment) decreased by 8% to £53.1 million (2012: £57.7 million).

As discussed above, the division will exit the declining and low margin sale and manufacture of personal computing devices over the course of FY14. Where required under wider managed services contracts, RM will contract third parties to provide such devices or offer a procurement service.

The expected rundown in BSF activity combined with exiting personal computing device sales will result in a c.50% reduction in the Education Technology division's revenue between FY13 and FY15. FY14 will be a year of transition with cost reductions lagging reduced revenues as existing commitments are met and manufacturing and warehousing facilities are closed.



Strategic Report

continued



Education Resources

The Education Resources division comprises two operating businesses: TTS and SpaceKraft.

TTS provides resources used in schools through a mainly direct marketing business model with goods supplied from large centralised UK warehouse operations. Products supplied are a mix of third party branded and TTS branded items manufactured by a network of third party suppliers.

The division's strategy is to grow market share in the provision of resources to the UK schools, Early Years and Special Educational Needs markets via direct catalogue and on-line sales and marketing channels as well as through selective supply of products to UK trade and international schools and distributors.

As anticipated, divisional revenue declined year on year with the absence of a contribution from an annual contract providing educational products for a Corporate Social Responsibility ('CSR') programme sponsored by a major UK group which was discontinued by the customer. Revenues fell by 9.7% to £54.0 million (2012: £59.8 million) in a declining UK market.

Despite lower revenues at SpaceKraft, which was loss-making, divisional adjusted operating margins remained strong at 13.3% compared with 14.8% in the prior year. Adjusted operating profit was £7.2 million (2012: £8.8 million). Inventory and supply chain management remained strong. A new warehouse management system was successfully introduced during the year which has improved delivery performance and operational efficiency such as warehouse space utilisation.

TTS UK Catalogues and On-line

Revenues from TTS UK catalogues and on-line sales increased by 2% to £37.0 million (2012: £36.4 million). During the period, TTS experienced the impact of reduced funding streams to Early Years and nurseries, though revenue from primary and secondary schools increased.

A new parent-focused programme was launched in the year. This allows parents to purchase from catalogues distributed by schools with a percentage of revenues provided back to the schools via credits to purchase TTS products.

Product ranges have been expanded through the addition of more high volume products in everyday demand, some of which are provided via direct shipment from third party suppliers.



TTS International

Revenues from international sales to overseas resellers and to international schools increased by 11% to £7.0 million (2012: £6.3 million). This was driven by growth in Europe, the Middle East and Asia.

TTS CSR and Trade

Revenues from UK trade and the provision of a Corporate Social Responsibility programme to a major UK group decreased in aggregate from £13.1 million to £6.6 million. The CSR programme mentioned above represented over 10% of TTS revenues in FY12.

SpaceKraft

SpaceKraft supplies products and installation services for the Special Educational Needs market. Products are a mix of own brand manufactured items and third party sourced. Sales of installations are made direct with other products supplied through catalogues and on-line.

Revenues declined in the year by 15% to £3.4 million (2012: £4.0 million) with budgetary reductions in this area particularly impacting installation services. The business was loss-making in the year. Following a significant cost base reduction exercise, a new management team was appointed to the business in the second half of the year and back-office support activities are being more closely integrated with the TTS business.

Strategic Report

continued

Assessment and Data Services ('ADS')

The ADS business provides onscreen exam marking, onscreen testing and the management and analysis of educational data. Its customers include government ministries, exam boards and professional awarding bodies around the world improving the efficiency, accuracy and clarity of the assessment cycle.

The strategy in the Assessment side of the business is to expand the scope of services to existing customers through provision of leading software products and services and to win new customers in both the UK and overseas. Software is proprietary while other services such as image scanning are outsourced to third parties. Internationally the business is anticipated to evolve through partnerships and software licencing rather than as a service based activity.

The business was successful in securing contract extensions with several existing customers including Cambridge Assessment and the Association of Chartered Certified Accountants. Revenues rose in the year through a combination of increased examination volumes and customer change requests.

Internationally the business is pursuing opportunities for the onscreen marking of paper based exams. In the UK, examination and curricula changes introduced by the English Department for Education will reduce the number of exam retakes while a move away from modular courses to final exam-based assessment will also impact the business in the medium term. There is a long-term trend from paper-based to onscreen testing though this adoption, for school based examinations, is slow.

The Data side of the business is highly dependent on one public sector customer, the Department for Education. RM was successful in winning a new School Performance Data Programme contract which runs to 2018 with an option to extend to 2020. This is the successor to the National Pupil Database contract and includes the capture and publishing of data for the school performance tables in England.



ADS brought together all its propositions under the RM Results brand during the year. While the business has an excellent record in extending existing contractual relationships, the rate of contract wins with new customers and for onscreen testing has been weaker than anticipated and is an important area of focus for the future. Pilots with two new awarding bodies, in the UK and overseas, are underway.

Revenues increased by 13.8% to £26.5 million (2012: £23.3 million). Adjusted operating margins increased further to 15.6% (2012: 10.8%). Adjusted operating profit was £4.1 million (2012: £2.5 million).

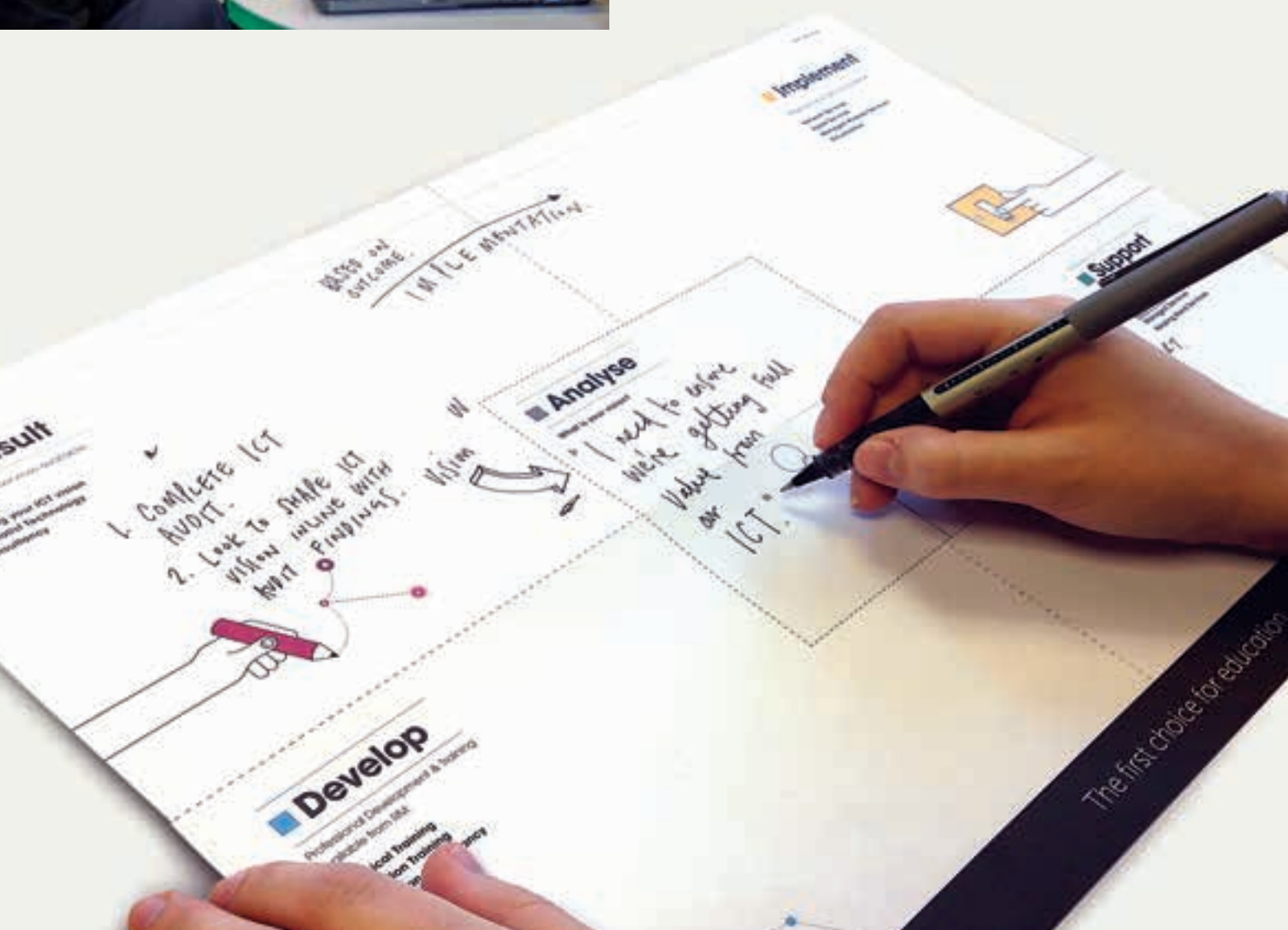




RM India

At 30 November 2013, RM's operation in Trivandrum accounted for approximately 25% of Group headcount (2012: 23%).

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



Strategic Report

continued

Employees

Average Group headcount for the year was 2,148 (2012: 2,305). At 30 November 2013 headcount was 2,018, a 10% reduction from 2,250 on 30 November 2012. The November 2013 headcount comprises 1,820 permanent and 198 temporary or contract staff, of which 1,514 were located in the UK, 504 in India and elsewhere.

The following table sets out a more detailed summary of the permanent staff employed as at 30 November 2013:

	Male	Female
Directors	2 (100%)	0 (0%)
Senior Managers (excluding Directors)	59 (82%)	13 (18%)
All employees	1,192 (65%)	628 (35%)

As a consequence of the strategic review of Education Technology it is anticipated that c.300 temporary and permanent UK roles will be eliminated over the course of FY14.

The Group is committed to offering equal employment opportunities and its policies are designed to attract, retain and motivate the best staff regardless of gender, sexual orientation, race, religion, age or disability. The Group gives proper consideration to applications for employment when these are received from disabled persons and will employ them in posts whenever suitable vacancies arise. Employees who become disabled 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, systems and network security. All of RM's employment policies are published internally.

Going Concern

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

Environmental Matters

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





Make it happen

Strategic Report

continued

Principal Risks and Uncertainties

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

	Risk	Mitigation
Public policy	<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.</p> <p>Global economic conditions might result in a reduction in budgets available for public spending generally and education spending specifically.</p>	<p>The Group seeks to understand the education policy environment by regular monitoring of policy positions and by building relationships with education policy makers.</p> <p>The Group seeks to increase the diversity of its revenue streams by developing a broad product and service portfolio.</p>
Education practice	Education practices and priorities may change and, as a result, RM's products and services may no longer meet customer requirements.	The Group seeks to maintain knowledge of current education practice and priorities by maintaining close relationships with customers.
Operational execution	<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.</p> <p>RM is engaged in the delivery of large, multi-year education projects, typically involving the development and integration of complex ICT systems, and may have liability for failure to deliver on time.</p>	<p>The Group invests in maintaining a high level of technical expertise. The Group has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction.</p> <p>Internal management control processes are in place to govern the delivery of projects, including regular reviews by relevant management.</p>
Product safety	RM is involved in the supply of electrical goods, physical education resources and other products that will be used by children of all ages and abilities.	The Group's product development processes take account of international safety regulations.
Data and business continuity	<p>RM is engaged in storing and processing sensitive data, where accuracy, privacy and security are important.</p> <p>The Group would be significantly impacted if, as a result of a disaster, one of its major buildings, systems or infrastructure components could not function for a long period of time.</p>	<p>The Group's IS function has invested in developing its Data Centres, and has been successfully certified to ISO/IEC 27001:2005 for the provision of systems, information and hosting services.</p> <p>The Group has established an Information Security Committee to oversee the security aspects of the Group's information systems. This covers data integrity and protection, defence against external threats and disaster recovery.</p> <p>The Group seeks to protect itself against the consequences of a disaster by implementing a series of back-up and safety measures.</p> <p>The Group has property damage and business interruption insurance cover.</p>

	Risk	Mitigation
People	RM's business depends on highly skilled employees.	The Group seeks to be an attractive employer and regularly monitors the engagement of its employees. The Group has talent management and career planning programmes.
Innovation	<p>The IT market is subject to rapid, and often unpredictable, change. As a result of inappropriate technology choices, the Group's products and services might become unattractive to its customer base.</p> <p>The Group's continued success depends on developing and/or sourcing a stream of innovative and effective products for the education market.</p>	<p>The Group monitors technology and market developments and invests to keep its existing products and services up-to-date as well as seeking out new opportunities and initiatives. Recent examples include RM Books, RM Unify and RM Neon.</p> <p>The Group works with teachers and educators to understand opportunities and requirements.</p>
Financial – foreign exchange	The Group is exposed to foreign currency risk with respect to purchases of goods in US Dollars and from its operations in India.	The Group enters into US Dollar and Indian Rupee denominated hedging contracts with approved banking organisations.
Financial – liquidity	The Group is exposed to counterparty risk on liquid assets.	Limits are placed on the level of deposit with any one counterparty. Bank selection takes into account credit ratings.
Pension	The Group operates a Defined Benefit Pension Scheme in the UK, which is in deficit. The Scheme deficit can adversely impact the net assets position of the trading subsidiary RM Education Ltd.	<p>The Scheme was closed to new entrants in 2003 and closed to future accrual of benefits in October 2012.</p> <p>The Group evaluates risk mitigation proposals with the Scheme Trustees.</p>
Financial – capital	The Group's ability to pay dividends to shareholders depends on having sufficient distributable reserves in the holding company, RM plc. Losses incurred as a result of significant increases in the pension Scheme deficit could impair the ability of RM Education Ltd to pay dividends up to RM plc.	The Group monitors the level of distributable reserves in subsidiary companies and considers their ability to make dividend payments to the holding company.
Dependence on key contracts	The performance of certain divisions is dependent on the winning and extension of long-term contracts with government, local authorities, examination boards and commercial customers.	The Group invests in maintaining a high level of technical expertise. The Group has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction.

By Order of the Board

David Brooks

Chief Executive Officer
3 February 2014

Directors' Biographies

John Poulter – Chairman

(a) (r) (n)

John Poulter (71) 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 currently Executive Chairman of 4imprint Group plc. He is a former Chairman and former Chief Executive of Spectris plc, a former Non-Executive Chairman of Filtronic plc and a former Non-Executive Chairman of Hampson Industries plc. He has also acted as Non-Executive Director to a number of public and private companies including FTSE 250 constituents BTP plc, RAC plc and Kidde plc.

Lord Andrew Adonis – Independent Non-Executive Director

(a) (r) (n)

Lord Andrew Adonis (50) joined the Board on 1 October 2011. He served 12 years in government as a Minister and special adviser, including Secretary of State for Transport, Minister for Schools, Head of the No. 10 Policy Unit, and senior No. 10 adviser on education, public services and constitutional reform. Before joining government, he was Public Policy Editor of the Financial Times. Lord Adonis is also a Non-Executive Director of Dods (Group) PLC and a number of charitable organisations.

David Brooks – Chief Executive Officer

David Brooks (44) 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 the education sector across many parts of the RM Group and is an alumni of the Harvard Business School Advanced Management Programme.

Jo Connell OBE, DL – Senior Independent Non-Executive Director

(a) (r) (n)

Jo Connell (66) was appointed to the Board as a Non-Executive Director in December 2007. Until 2003, she was Managing Director of Xansa plc, the outsourcing and technology company, having served on the Board since 1991. Until August 2013, Ms Connell was Chair of Governors and Pro-Chancellor of the University of Hertfordshire. She is also Chairman of the Communications Consumer Panel and Ofcom's Advisory Committee for Older and Disabled People and a former Non-Executive Director of THUS plc and Synstar plc. Ms Connell will be retiring as a Director of RM plc at the forthcoming Annual General Meeting.

Iain McIntosh – Chief Financial Officer

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

Patrick Martell – Independent Non-Executive Director

(a) (r) (n)

Patrick Martell (50) joined the Board on 1 January 2014 as a Non-Executive Director. Mr Martell is currently 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.

Deena Mattar – Independent Non-Executive Director

(a) (r) (n)

Deena Mattar FCA (48) joined the Board on 1 June 2011 as a Non-Executive Director and was appointed Chair of the Audit Committee on 26 March 2012. She served as Group Finance Director of Kier Group plc from 2001 to 2010, having joined the Group in 1998 as Finance Director of Kier National. Prior to this she held senior positions at KPMG. Ms Mattar is also a Non-Executive Director of Wates Group Ltd. and, until its recent 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 2013.

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 10% to 3.30 pence per share (2012: 3.00 pence). This comprises an interim dividend of 0.84 pence per share paid in September 2013 and, subject to shareholder approval, a final dividend of 2.46 pence per share.

The Board is proposing to pay a special dividend of 16.00 pence per share at the same time as the annual dividend in April 2014. The Board will also recommend that the special dividend is combined with a share consolidation. This is intended to maintain the comparability of the Company's share price before and after the special dividend.

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

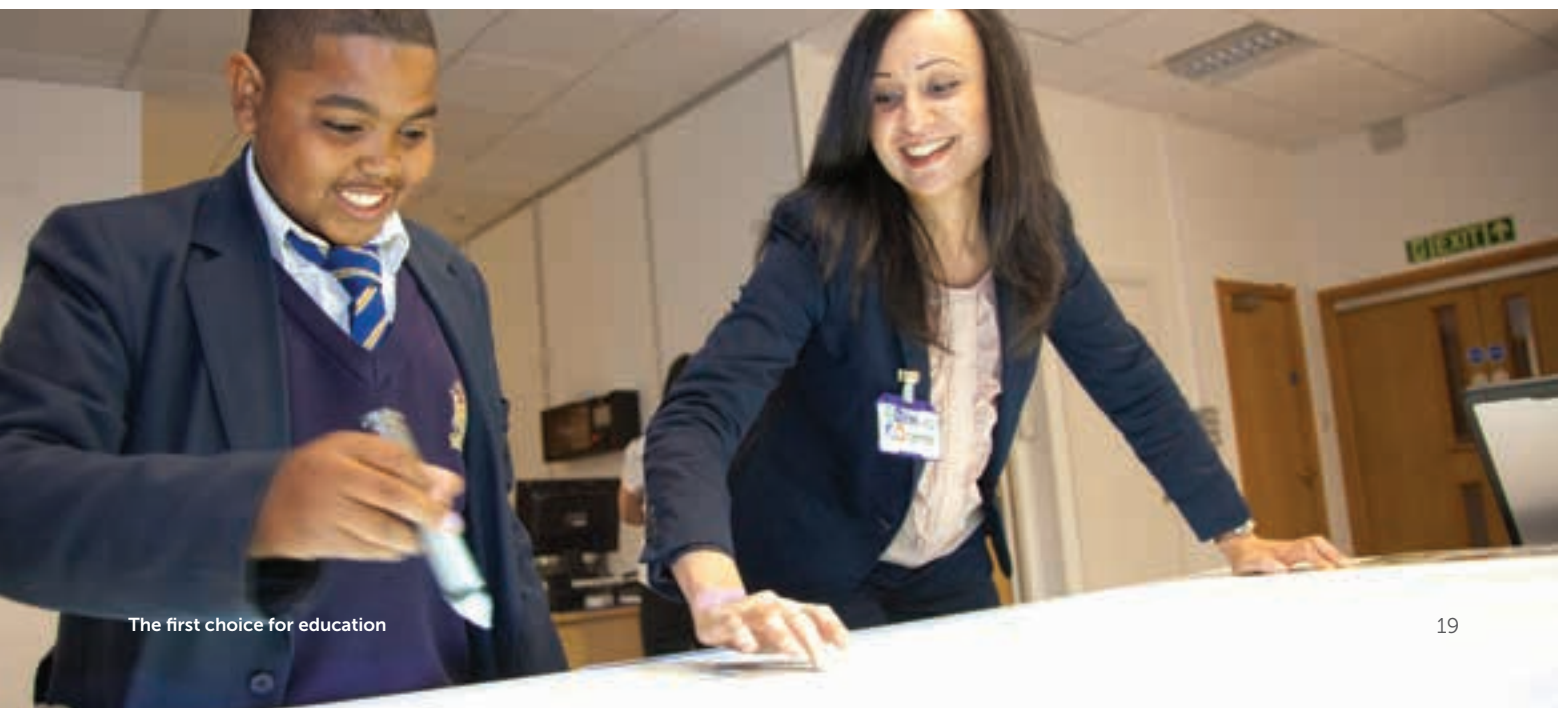
The Group recognises that its activities must be carried out in an environmentally friendly and compliant manner. Good standards of environmental performance are adopted to minimise the potential negative environmental impact of products and processes and also to promote sustainability. These actions 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 2013.

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 Defra (which can be found at www.gov.uk/measuring-and-reporting-environmental-impacts-guidance-for-businesses).



Directors' Report

Emissions by scope:

Scope	Source	Country	Tonnes CO ₂ e 2012/13	Absolute totals Tonnes CO ₂ e
Scope 1	Air travel	UK	527	
	Air travel	India	339	
	Van/car travel	UK	1,017	
	Van/car travel	India	82	
	Gas	UK	846	2,811
Scope 2	Electricity & Gas	UK	3,065	
	Electricity & Gas	India	798	3,863
Total				6,674

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
Scope 1	1.34
Scope 2	1.84
Total	3.17

Health and safety

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

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

Political and charitable donations

The Group made charitable donations totalling £14,542 during the year ended 30 November 2013 (2012: £80,000). There were no political donations.



Substantial shareholdings

On 31 January 2014 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 31 January 2014	No. of shares Direct	No. of shares Indirect
Schroders Investment Management Ltd	15,677,185	16.76%	15,677,185	0
Aberforth Partners	13,326,940	14.25%	0	13,326,940
Artemis Investment Management LLP	10,005,002	10.70%	6,560,530	3,444,472
River and Mercantile Asset Management LLP	8,215,619	8.79%	8,215,619	0
The Wellcome Trust Ltd	7,310,811	7.82%	0	7,310,811
Standard Life Investments Ltd	2,814,190	3.01%	2,800,016	14,174

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 2013, the RM plc Employee Share Trust owned 1,811,652 ordinary shares in the Company (1.94% 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 ICT products and services to its customers. Wherever possible, these contracts do not have change of control provisions, but some significant contracts do include such provisions.

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

Repurchase of own shares

At the Annual General Meeting held on 24 April 2013, members renewed the authority under section 701 of the Companies Act 2006 to make market purchases on the London Stock Exchange of up to 9,351,544 ordinary shares of 2p each, being 10% of the issued share capital of the Company. The minimum price which may be paid for each share is the nominal value. The maximum price which may be paid for a share is an amount equal to the higher of (1) 5% above the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased and (2) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. This authority has not been used since the Annual General Meeting.

The Directors will seek to renew this authority at the next Annual General Meeting scheduled for 19 March 2014.

Discover More.

Directors' Report

continued

Overseas branches

The Group has overseas branches in Italy and 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:

Lord Andrew Adonis
David Brooks
Jo Connell
Iain McIntosh
Patrick Martell (appointed 1 January 2014)
Deena Mattar
John Poulter (appointed 1 May 2013)
Martyn Ratcliffe (retired 30 April 2013)
Sir Mike Tomlinson (retired 24 April 2013)

Biographical details of the current Directors are given on page 18. At the forthcoming Annual General Meeting all continuing Directors will stand for re-election in accordance with best practice and guidance set out in the UK Corporate Governance Codes 2010 and 2012. The Directors who are proposed for re-election or election have either a letter of appointment or a service contract, details of which can be found in the Remuneration Report.

The 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.

As a consequence of an internal restructuring within KPMG, KPMG Audit Plc has notified the Company that it is not seeking reappointment. A resolution will be proposed to appoint KPMG LLP as auditor of the Company from the conclusion of the next Annual General Meeting.

Directors' responsibilities statement

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

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

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

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



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

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

- the Group financial statements, which have been prepared in accordance with IFRSs, as adopted by the EU, give a true, balanced and fair view of the assets, liabilities, financial position and performance of the Group; and
- the information contained in pages 4 to 17 of this Annual Report includes a true, balanced and fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

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

Annual General Meeting

The forthcoming Annual General Meeting will be held on 19 March 2014 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
3 February 2014

Corporate Governance Report

Statement of compliance

The Group has applied the principles set out in the UK Corporate Governance Code 2010 and also the UK Corporate Governance Code 2012 (together the "Codes"). The Company has complied with the Codes throughout the 12 month period ended 30 November 2013, other than the exceptions which are noted in the table below.

Compliance with the UK Corporate Governance Codes 2010 and 2012

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 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.
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. It is acknowledged that the role of Chairman and Chief Executive was exercised by the same individual, Martyn Ratcliffe, until 1 March 2013.
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 the performance of management and monitor the reporting of performance. Jo Connell is Senior Independent Director and is available to shareholders if they have concerns which contact through the normal channels has failed to resolve. The Chairman holds meetings with the Non-Executive Directors without the Executive Directors present when considered appropriate. The Senior Independent Director meets with the Non-Executive Directors without the Chairman being present on such occasions as she considers appropriate.

Code of Best Practice – Principles		RM Statement of compliance
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, five 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, business and educational 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. An external search consultancy, which had no other connection to the Company, assisted with the appointment of Patrick Martell as a Non-Executive Director (appointment effective 1 January 2014).
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 Non-Executive Directors receive an induction on joining the Board. All Non-Executive Directors have extensive experience and possess relevant skills and knowledge to perform their duties.
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.	<p>The Board is supplied with monthly management accounts and detailed operational reviews.</p> <p>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.</p>

Corporate Governance Report

continued

Code of Best Practice – Principles	RM Statement of compliance
B6 Evaluation The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	<p>The performance of the Board and each Board Committee is reviewed on an annual basis. It is acknowledged that a formal review of the Board itself has not taken place during the 12 months to 30 November 2013, as it was not considered appropriate to do so given the change in Chairman during the period. However, a review will be conducted in the forthcoming year and thereafter on an annual basis.</p> <p>The performance of the Chairman is assessed by the Non-Executive Directors led by the Senior Independent Director. The performance of the Chief Executive Officer and Chief Financial Officer is assessed by the Chairman, in consultation with the other Non-Executive Directors.</p>
B7 Re-election All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.	<p>All Directors are appointed for specific terms subject to annual re-election.</p>
C Accountability	
C1 Financial and Business reporting The board should present a fair, balanced and understandable assessment of the company's position and prospects.	<p>In preparing the Annual Report to shareholders, the Directors consider that they present a summarised but fair, balanced and easily understood assessment of the Group's performance and position and provide guidance on its future prospects.</p>
C2 Risk Management and Internal Control The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.	<p>The Company operates a risk management and internal control process which is reviewed at least on an annual basis by the Audit Committee and endorsed by the Board.</p>
C3 Audit Committee and Auditors The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.	<p>The Audit Committee is comprised of Non-Executive Directors and meets at least three times a year. The Chief Executive Officer and Chief Financial Officer are invited to attend. The Audit Committee meets separately with the Company's auditor without the Executive Directors present. Further details are set out in the Audit Committee Report.</p>

Code of Best Practice – Principles

RM Statement of compliance

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

Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Each of the Chief Executive Officer's and Chief Financial Officer's remuneration consists of basic salary and a variable annual bonus. Basic salaries are reviewed annually in the light of individual performance and market comparisons for similar jobs. Annual bonuses may be paid as described in the Remuneration Report.

In addition there are long-term incentive schemes in place as detailed in the Remuneration Report. These long-term incentive schemes include the Performance Share Plan and Share Option Plans.

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. The Chief Executive Officer and Chief Financial Officer may be invited to attend the Committee's meetings.

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

E2 Constructive use of the AGM

The board should use the AGM to communicate with investors and to encourage their participation.

All Directors make themselves available at the Annual General Meeting to respond to any questions raised by the investors in attendance.

Corporate Governance Report

continued

Board of Directors

The Board of Directors meets regularly to review strategic, operational and financial matters, including proposed acquisitions and divestments, and has a formal schedule of matters reserved to it for decision. It approves the interim and annual financial statements, the annual financial plan, significant 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 four Board committees: Audit, Remuneration, Nomination and Transactions; each of which, apart from the Transactions Committee, comprises only Non-Executive Directors.

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

During the period the Remuneration Committee was chaired by Jo Connell and comprised independent Non-Executive Directors. Following the Annual General Meeting scheduled for 19 March 2014, Patrick Martell will become Chair of the Remuneration Committee. Executive Directors and senior managers may be invited to attend Committee meetings, but will not be present during any discussion of their own pay arrangements. The Remuneration Committee sets the remuneration of the Executive Directors and senior management. It also considers grants and performance conditions under RM's share-based payment schemes and reviews RM's employment strategy generally. Further details of the Remuneration Committee's activities are given in the Remuneration Report. The terms of reference for the Remuneration Committee are published on www.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 at least once a year, with more frequent meetings when the Group is actively selecting Directors. The terms of reference for the Nomination Committee are published on www.rmplc.com.

The Transactions Committee comprises the Chairman plus any one independent Non-Executive Director and any one Executive Director. The Transactions Committee meets at such times as are required. The Transactions Committee approves, enters into and authorises the execution of all deeds and documents and does everything that is necessary to give effect to any 'substantial transaction' that has already been approved in principle by the Board. The terms of reference for the Transactions Committee are published on www.rmplc.com.

Board attendance

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

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held in the period	12	3	7	1
Lord Andrew Adonis	11	2	6	0
David Brooks	12	—	—	—
Jo Connell	12	3	7	1
Iain McIntosh	12	—	—	—
Deena Mattar	12	3	7	1
John Poulter ¹	6	2	3	0
Martyn Ratcliffe ²	6	—	—	1
Sir Mike Tomlinson ³	5	1	4	1

¹ Appointed 1 May 2013.

² Retired 30 April 2013.

³ Retired 24 April 2013.

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 Group Board are referred to the Group 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 meet with them following interim and final results announcements, or as appropriate, with other Directors available to meet institutional shareholders on request. Where practicable the Annual Report is sent to shareholders at least 20 working days before the Annual General Meeting and each issue for consideration at the Annual General Meeting is proposed as a separate resolution. All Directors generally attend the Annual General Meeting.

Social, ethical and environmental 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 Codes, which may otherwise prevent the achievement of the Group's objectives.

Corporate Governance Report

continued

The Group recognises that it operates in a highly competitive market that can be affected by factors and events outside its control. Details of the risks faced by the Group are set out in the table on pages 16 to 17. It is committed to mitigating risks arising wherever possible and accepts that internal controls, applied and monitored, are an essential tool in achieving this objective.

The key elements of Group internal control, which have been effective during 2013 and up to the date of approval of these financial statements, are set out below:

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

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

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

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

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

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

Audit Committee Report

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

- Appointing the Group's internal and external auditor
- Reviewing the performance of and relationship with the Group's external auditor (including considering fee levels and the provision of non-audit work)
- Reviewing the performance of the Group's internal audit function
- Reviewing and recommending to the Board the approval of the financial statements released by the Company including a review of accounting policies
- Monitoring and reviewing the effectiveness of the system of internal controls and risk management
- Assessing the effectiveness of the external audit process

Financial statements

The Audit Committee reviewed the form and content of the Annual Report and Interim Report 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 appropriateness of accounting policies used
- Compliance with external and internal financial reporting standards and policies
- Significant items in the Group Financial Statements that require critical accounting judgements, estimates and assumptions such as long-term contract accounting and revenue recognition
- Whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy

As part of this process the Audit Committee received reports from the management and the external auditor. The external auditor provided their audit opinion along with their 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 revenue recognition.

Long-term contracts represent a significant part of the Group's business and the accounting is inherently judgemental. To determine the revenue to be recognised it is necessary to assess how far a contract has progressed. To decide the margin to be recognised or loss to be provided, it is necessary to estimate future costs. 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.

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

- The forecast costs on contracts to complete 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
- Evaluation of contract deliverables and whether the delivery criteria have been met for revenue recognition.

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.

Taking into account the track record and experience of the management team which prepares the costs to complete on long-term contracts and after reviewing the presentations and reports from management and the auditor and consulting with the auditor, the Audit Committee was satisfied that, overall, the financial statements appropriately addressed the critical judgements and key estimates (both in respect to the amounts reported and the disclosures).

Management reported to the Committee that they were not aware of any material misstatements. The auditor reported to the Audit Committee the misstatements that they had found in the course of their work and no material amounts remain unadjusted. 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.

Audit Committee Report

continued

The Audit Committee considered and is satisfied that, taken as a whole, the Annual Report 2013 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 period the Audit Committee comprised Deena Mattar BSc (Econ), FCA (Chair), John Poulter (from 1 May 2013), Jo Connell, Sir Mike Tomlinson (until 24 April 2013) and Lord Andrew Adonis, 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.

David Brooks (Chief Executive Officer), Iain McIntosh MA, FCA (Chief Financial Officer), Philip Deakin MPhil, FCA (Group Financial Controller and Head of Internal Audit) and other management as appropriate are invited to attend Audit Committee meetings. Martyn Ratcliffe, (Executive Chairman to 30 April 2013) also attended while he was a Director of the Company.

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. In addition to the usual activities, the Audit Committee has considered changes to the Corporate Governance Code which will apply to the Company relating to financial reporting and audit and the guidance on Audit Committees issued by the Financial Reporting Council in September 2012.

Appointment of external auditor

The Audit Committee recommended, and shareholders approved at the Group's Annual General Meeting on 24 April 2013, the re-appointment of KPMG Audit Plc as Group external auditor.

As a consequence of an internal restructuring within KPMG, KPMG Audit Plc has notified the Company that it is not seeking reappointment. A resolution is proposed that KPMG LLP be appointed auditor of the Company from the conclusion of the next Annual General Meeting.

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

There are no contractual obligations restricting the Group's choice of external auditor.

Oversight of external audit

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

Internal audit

The Audit Committee has approved the re-appointment of RM's Group Financial Controller, Philip Deakin MPhil, FCA as Head of Internal Audit. For the purposes of this role, the Group Financial Controller reports directly to the Chair of the Audit Committee. The Audit Committee, with the advice and support of the Head of Internal Audit, sets an internal audit plan. The Head of Internal Audit reports on progress against this plan at Audit Committee meetings. Reflecting the current scale and complexity of the Group, from 2014 there will no longer be a full time internal audit function. Rather, internal audit activities will be undertaken on a peer-to-peer basis.

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 total non-audit work in the period were 4.1% of the annual audit fee.

Internal control

Control environment – The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority to Executive management. A 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. 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.

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

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

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

Monitoring – The Audit Committee meets periodically to review reports from management and the external auditor so as to derive reasonable assurance on behalf of the Board that financial control procedures are in place and operate effectively. An internal audit 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 directed by a qualified accountant who is independent of the business division.

'Whistle blowing' policy

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

Anti-bribery

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

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

Statement of risks

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

The Audit Committee is satisfied that the Group's risk management and internal control processes are appropriate to the business and Executive management has identified and addressed the principal risks affecting RM.

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

Deena Mattar

Chair, Audit Committee
3 February 2014

Remuneration Report

Part A — Introduction

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 November 2013.

Following recent changes in law and guidance, 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 and explains any major decisions or changes in remuneration made during the year and the context of those changes (if any). It also summarises the functioning and membership of the Remuneration Committee.

The proposed Remuneration Policy set out in Part B will be put to a binding vote at the next Annual General Meeting and the Implementation Report in Part C will be put to an advisory vote.

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 throughout 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 operated throughout the Group so as to ensure that these plans are structured appropriately and are coherent. The Committee's terms of reference can be found on the Group's website at www.rmplc.com. The Committee undertakes an annual appraisal of remuneration policy and addresses any areas for improvement.

2 Membership of the Committee

The membership of the Remuneration Committee during the year ended 30 November 2013 comprised Sir Mike Tomlinson (until his retirement at the Annual General Meeting on 24 April 2013), Jo Connell, Deena Mattar, Lord Andrew Adonis and John Poulter (appointed 1 May 2013), all of whom are independent Non-Executive Directors. Sir Mike Tomlinson was Chair of the Committee until his retirement, at which point Jo Connell became Chair of the Committee. Following the retirement of Jo Connell at the next Annual General Meeting, Patrick Martell will become Chair of the Committee. The other Directors attend meetings 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 2012.
- David Brooks was appointed Chief Executive Officer with effect from 1 March 2013. At that time, the Committee considered whether it was appropriate to alter Mr Brooks' remuneration. It was decided that this would be reviewed following the end of the financial year.
- Increase in base salary for Iain McIntosh from £229,600 to £235,000 (2.3%), with effect from 1 January 2013. This was consistent with the overall rise in base salaries for other employees across the Group.
- The grant of Performance Share Plan (PSP) awards to Executive Directors and senior management in July 2013.
- Review of remuneration packages.
- Approval of the Remuneration Report for the year ended 30 November 2012.

Part B — Remuneration Policy

1 General Objectives

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

RM's Remuneration Policy is designed to attract, retain and motivate Executive Directors and senior employees, both to achieve the Group's business objectives and to deliver outstanding shareholder returns. To achieve this, RM's Remuneration Policy aims to provide 'median' reward compared to comparator groups when acceptable levels of performance have been delivered. For the achievement of outstanding performance, it aims to deliver 'upper quartile' remuneration compared to comparator groups.

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 high levels of reward but only if they enhance shareholder returns by meeting the Group's short-term and long-term targets. The Remuneration Policy therefore seeks to ensure that 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, also recognises the need for investment in the long-term future of the Company, not just performance in a single

year. Since such measures are difficult to quantify, the Committee retains the discretion to adjust annual bonus payments to ensure that balance is maintained between short-term performance and longer-term investment.

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, whilst at the same time ensuring that there are no areas of the Policy which encourage undue risk taking. In relation to the target setting process and other matters arising in relation to the operation of the annual bonus and long-term incentive plans, the Committee considers that the structure should 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	Maximum Opportunity	Performance Metrics	Changes for 2013/14
Fixed Pay: Base Salary	To attract and retain talent by ensuring that salaries are competitive in the market.	<p>Reviewed annually, with changes usually taking effect from 1 January (see note 1 below). Reviews take account of:</p> <ul style="list-style-type: none"> business performance and the wider economic and market conditions; market position relative to relevant comparator groups; the range of salary increases (if any) across the Group; and individual experience and performance. <p>Reviews may be conducted at other times if appropriate (e.g. on a change in responsibility).</p>	Base salaries will be determined from the outcome of reviews.	None.	N/A (see note 2 below).
Fixed Pay: Pension (see also note 3 below)	To attract and retain talent by ensuring that remuneration is competitive in the market.	Entitlement is the same as for other employees within the Group. Cash allowance alternative where individuals are subject to HMRC pension limits (subject to there being the same overall cost to the Group).	Up to 7% of base salary (depending upon level of employee contribution).	None.	N/A (see note 2 below).

Remuneration Report

continued

Element	Purpose and link to Strategy	Operation	Maximum Opportunity	Performance Metrics	Changes for 2013/14
Fixed Pay: Benefits	To attract and retain talent by ensuring that remuneration is competitive in the market.	Entitlement is the same as for other employees within the Group. The range of benefits offered to employees is reviewed periodically to ensure that offerings are in line with market practice.	Private healthcare. Permanent health insurance. Life assurance. Car allowance. Mobile phone allowance.	None.	n/a (see note 2 below).
Variable Pay: Annual Bonus	Provides an element of at risk pay, which incentivises good annual financial results.	Reviewed annually prior to the start of each financial year to ensure targets support short-term and long-term business strategy. Targets are intended to: <ul style="list-style-type: none"> • be stretching but realistic; • reflect expectations of the investor community; • avoid unnecessary risk taking; and • encourage long-term decision making (e.g. incentivising long-term investments). 	55% of base salary for on-target performance, with a maximum figure for over-performance of 110% of base salary.	Set by the Committee at the beginning of each year to focus on alignment with shareholders' interests.	n/a (see note 2 below).
Variable Pay: LTIPs	Incentivises Directors to achieve returns for shareholders over a longer time frame.		150% of base salary.	Set by the Committee at the date of grant to align with shareholders' interests over a period of not less than 3 years.	n/a (see note 2 below).

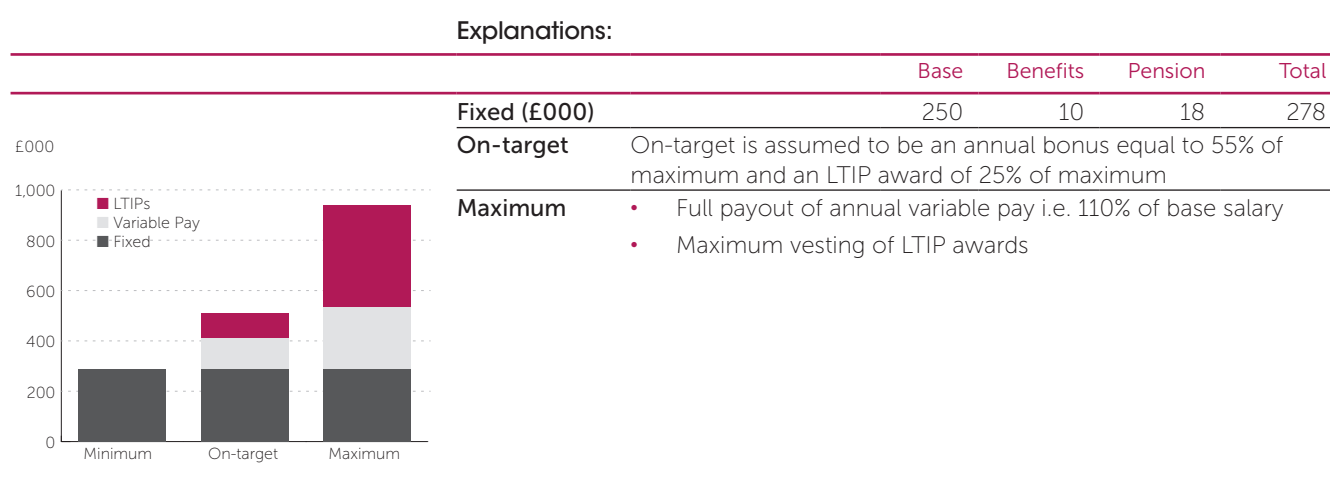
Notes:

- As noted in paragraph 3 of Part A of this Remuneration Report, when David Brooks was appointed Chief Executive Officer, the Committee decided not to alter his remuneration at that time and instead deferred the decision until after the end of the financial year. The Committee has now considered Mr Brooks' performance in the role and, having undertaken a benchmarking exercise, decided to increase base salary to £300,000 with effect from 1 January 2014. The Committee has also undertaken a benchmarking exercise in relation to the base salary for Mr McIntosh and decided that there should be no increase at this time.
- No changes to policy as this is the first Remuneration Policy prepared under the new rules. Any changes to policy in future years would be set out at that time.
- The RM Defined Benefit Pension Scheme is operated by Group company RM Education Limited. This closed to new members in 2003 and, in respect of current members, closed to future accruals on 31 October 2012. David Brooks, Chief Executive Officer, 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.

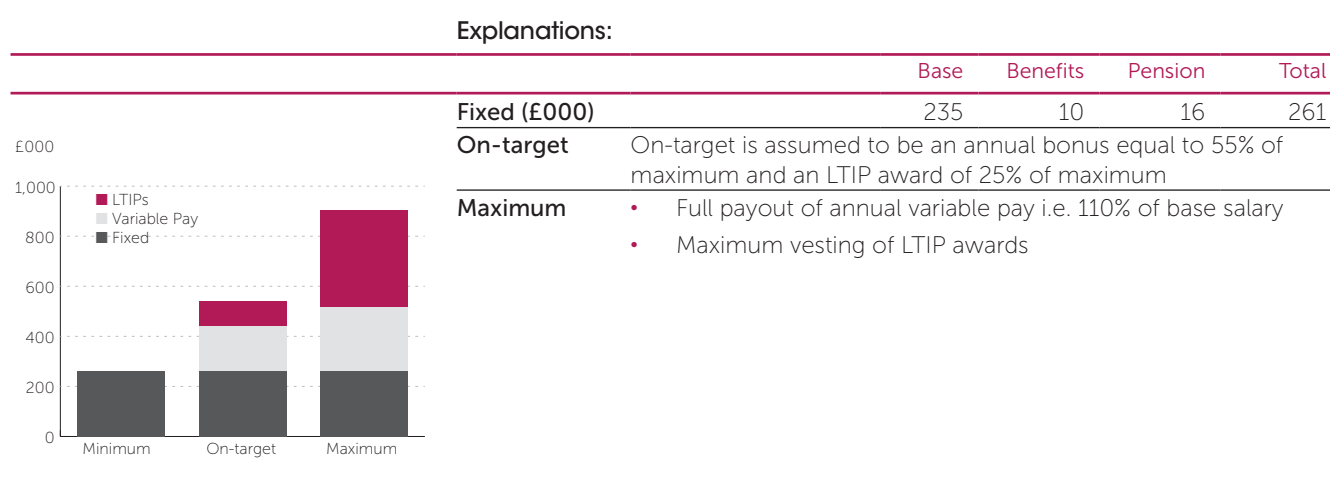
3 Illustration of Remuneration Policy

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 December 2013. 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 paragraph 2 of Part C of this Remuneration Report, the value of LTIP awards made during the year ended 30 November 2013 was 37% of base salary for David Brooks and 39% of base salary for Iain McIntosh).

David Brooks – Chief Executive Officer



Iain McIntosh – Chief Financial Officer



Remuneration Report

continued

4 Comparison of Remuneration Policy

This policy sets out the remuneration structure applicable to Executive Directors of the Group. 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.

Employees are provided with a competitive benefits package including (as appropriate) private healthcare, permanent health insurance, life assurance, car allowance, mobile phone allowance and pension.

The closure to future accrual of RM's Defined Benefit Pension Scheme in October 2012 has 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 Committee 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 employees.

In addition, when setting remuneration levels for the Executive Directors, the Committee takes account of the levels of remuneration received by executive directors of similar companies.

Whilst remuneration consultants have not been engaged during the period, regular benchmarking is undertaken against comparable companies using salary reports and surveys of established remuneration consultants.

5 Directors' Service Contracts and Letters of Appointment

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

Details of the Directors' service contracts and/or letters of appointment who served for all or part of the year ended 30 November 2013 are shown in the table below:

	Initial agreement date	Expiry date of current agreement	Notice to be given by employer and individual
Current Directors¹			
Lord Andrew Adonis	1 October 2011	30 September 2014	3 months
David Brooks	1 July 2012	Indefinite	12 months
Jo Connell	20 December 2007	20 December 2013 ²	6 months
Iain McIntosh	22 October 2009	Indefinite	12 months
Deena Mattar	1 June 2011	31 May 2014	3 months
John Poulter	1 May 2013	30 April 2016	6 months
Patrick Martell ³	1 January 2014	31 December 2016	6 months
Past Directors¹			
Martyn Ratcliffe	1 June 2011	Indefinite	6 months
Sir Mike Tomlinson	2 February 2004	24 April 2013	3 months

Notes:

1. As at the date of this Report.

2. Jo Connell's appointment has been extended to the next Annual General Meeting on 19 March 2014, at which she will retire.

3. Patrick Martell was appointed as a Non-Executive Director with effect from 1 January 2014, which is after the end of the period, but is included in the above table for completeness.

Part C — Implementation Report

1 Directors' Remuneration — Single Figure of Remuneration

The table below sets out a single figure of remuneration for each of the Directors in respect of the year ended 30 November 2013:

Year ended 30 Nov 2013

Name	Salary and fees £000	Taxable benefits £000	Annual bonus £000	LTIPs £000	Retirement Benefits £000	Total £000
Executive						
David Brooks (appointed 1/7/12)	215	10	158	—	53	436
Iain McIntosh	201	10	148	—	50	409
Martyn Ratcliffe (retired 30/4/13)	87	—	—	—	—	87
Non-Executive						
Lord Andrew Adonis	36	—	—	—	—	36
Jo Connell	40	—	—	—	—	40
Deena Mattar	45	—	—	—	—	45
John Poulter (appointed 1/5/13)	70	—	—	—	—	70
Sir Mike Tomlinson (retired 24/4/13)	16	—	—	—	—	16
Total	710	20	306	—	103	1,139

Year ended 30 Nov 2012

Name	Salary and fees £000	Taxable benefits £000	Annual bonus £000	LTIPs £000	Retirement Benefits £000	Total £000
Executive						
David Brooks (appointed 1/7/12)	96	4	58	—	19	177
Iain McIntosh	195	10	124	—	50	379
Martyn Ratcliffe (retired 30/4/13)	237	—	—	—	—	237
Rob Sirs (retired 31/1/12)	47	2	—	—	—	49
Non-Executive						
Lord Andrew Adonis	36	—	—	—	—	36
Sir Bryan Carsberg (retired 26/3/12)	14	—	—	—	—	14
Jo Connell	38	—	—	—	—	38
Deena Mattar	36	—	—	—	—	36
Martyn Ratcliffe (Non-Executive from 1/12/11 to 31/1/12)	48	—	—	—	—	48
Sir Mike Tomlinson (retired 24/4/13)	39	—	—	—	—	39
Total	786	16	182	—	69	1,053

Remuneration Report

continued

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:

As noted in the Remuneration Policy, on-target performance is paid out at 55% of base salary, with over-performance capped at a maximum of 110% of base salary. In respect of the financial year ended 30 November 2013, bonus payments were made at 63% of base salary for both David Brooks and Iain McIntosh. The Remuneration Committee considered it appropriate to pay annual bonuses at those levels on the basis of the financial performance of the Group, strong cash generation and the investment and strategic decisions made during the year to help secure the Group's long-term interests.

LTIPs:

The performance conditions for the PSP awards made to David Brooks and Iain McIntosh in March 2010 and December 2010 were not achieved and, therefore, those awards did not vest.

An award to Iain McIntosh under the Group's Deferred Bonus Plan is due to vest in February 2014. In respect of this award, £39,487 of Mr McIntosh's bonus for the financial year ended 30 September 2010 was deferred into 25,151 shares. Using the closing share price of £1.125 on 30 November 2013, this would result in a payment in February 2014 of £28,295, indicating a loss of £11,192 over the period. As such, and in accordance with section 8(3) of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, a figure of zero is included in the above table.

In October 2011, Martyn Ratcliffe was awarded 1,000,000 share options. These lapsed in full following his retirement in April 2013.

Retirement benefits:

Each of the Executive Directors is a member of a defined contribution pension scheme operated by RM Education Ltd, into which the Group makes a contribution of 7% of base salary. This is subject to each Executive Director contributing at least 10% of base salary, through a salary sacrifice arrangement, which the Group also pays direct into that scheme. David Brooks is also a member of RM'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.

Note: There were no termination or exit payments made during the year.

2 Directors' long-term incentive plans

During the year ended 30 November 2013, the following long-term incentive awards were made:

	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	10 July 2013	92 (37% of base salary) ²	25%	n/a	11 July 2016	Relative TSR performance ³
Iain McIntosh	PSP ¹	10 July 2013	92 (39% of base salary) ²	25%	n/a	11 July 2016	Relative TSR performance ³

Notes:

1. Awards granted under the RM plc Performance Share Plan 2010.

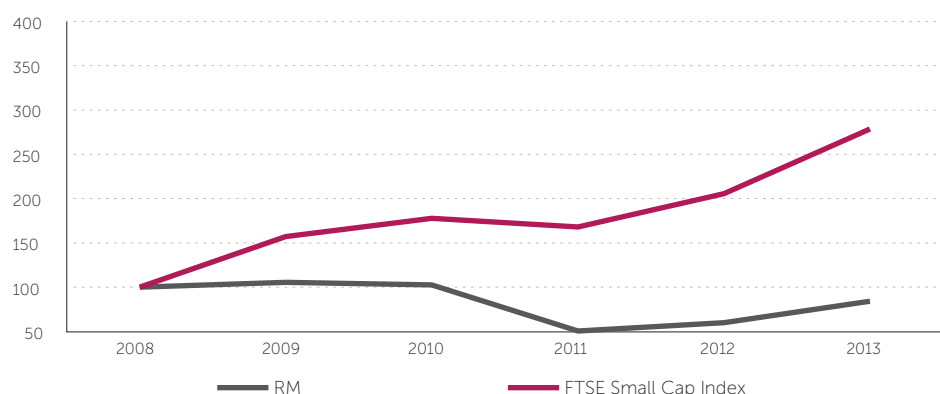
2. The face value of each award has been calculated by multiplying the maximum number of shares in the award (125,000 shares) by the share price on the date of grant of the award (73.5 pence).

3. Targets are based on relative TSR compared with a comparator group of the companies in the FTSE Small Cap index. Threshold vesting is at median performance, maximum vesting at upper quartile performance, with straight line vesting in between these points.

3 Performance graph

The following graph shows the value, by 30 November 2013, of £100 invested in RM plc on 30 November 2008 compared with the value of £100 invested in the FTSE Small Cap Index on the same date. The other points plotted are the values at intervening financial year-ends.

Total shareholder return
Value (£)



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 Officer for the current year and the preceding four 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 payout of incentive awards as a proportion of the maximum opportunity for the period.

	2009	2010	2011 ¹	2012 ²	2013 ³
Single Figure (£000)	548	517	426	286	379
Annual variable element award rates against maximum opportunity	48%	56%	0%	0%	58% ⁴
Long-term incentive vesting rates against maximum opportunity	0%	40%	0%	0%	0%

Notes:

- Terry Sweeney to 24 October 2011 (single figure: £369,000). Rob Sirs from 25 October 2011 to 30 November 2011 (single figure: £57,000).
- 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).
- 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 from the Single Figure table in paragraph 1 of this Part C have been pro-rated to reflect the period during which Mr Ratcliffe and Mr Brooks respectively fulfilled the role of Chief Executive Officer.
- Relates to David Brooks only. Martyn Ratcliffe had no annual variable remuneration.

Remuneration Report

continued

5 Relative importance of spend on pay

The following table sets out, in respect of the year ended 30 November 2013 and the immediately preceding financial year, the total remuneration paid to all employees as compared to other significant distributions and payments.

	2013 (£m)	2012 (£m)
Total remuneration to employees	85.0	82.0
Total remuneration to Directors	1.1	1.1
Dividends paid	2.8	2.1
Corporation tax paid	1.8	0.1
Defined benefit pension cash contribution	4.4 ¹	7.3 ¹

Note:

1. The figure for 2012 is the cash contribution in excess of the current service cost. There were no service costs for 2013 following the closure to accrual of the defined benefit pension scheme in October 2012.

6 Relative changes in pay – Chief Executive Officer and employees

The average increase in pay for employees across the Group between the year ended 30 November 2012 and the year ended 30 November 2013 was 5.2% (3.5% in the UK and 9.5% in India). The table set out in paragraph 4 above shows the historical pay of the person acting as Chief Executive Officer over the last 5 financial years. For the purposes of this section, it is not possible to make a meaningful comparison between the change in pay for employees as a whole and the Chief Executive Officer over the last year due to the change in Chief Executive Officer in the year. However, the table in paragraph 4 above sets out all relevant details.

7 Statement of shareholder voting

Voting at the Annual General Meeting held on 24 April 2013 in respect of the Remuneration Report for the year ended 30 November 2012 was as follows:

	% of votes in favour	% of votes against	Number of votes withheld
Resolution to approve the Remuneration Report	91.88%	8.12%	3,327,995
Resolution to approve the Directors' remuneration policy ¹	n/a	n/a	n/a

Note:

1. The requirement to hold a separate vote on remuneration policy was not in force at the time of the last Annual General Meeting but has been included in the above table to reflect the latest remuneration reporting rules. The equivalent table in future years will include voting figures for that remuneration policy.

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 2013 were:

	30 November 2013	30 November 2012
Lord Andrew Adonis	—	—
David Brooks	4,546	4,546
Jo Connell	35,000	35,000
Iain McIntosh	150,151	50,151
Deena Mattar	20,495	20,495
John Poulter	100,000	—

No changes to the Directors' shareholdings took place between 1 December 2013 and the date of this Report. There are no formal minimum shareholding requirements. In accordance with section 17(b)(iii) of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the above table does not include interests reported elsewhere in this Report.

9 Directors' interests in share plans

As at 30 November 2013, the Executive Directors had the following interests in the Company's share plans¹:

David Brooks

PSP Awards³

Date of Grant	No. of shares	Performance Conditions
1/12/11	250,000	See note 4
6/8/12	250,000	See note 5
10/7/13	125,000	See note 5

Share Options²

Date of Grant	No. of Options	Exercise Price
6/12/06	10,000	£1.742
28/11/07	20,000	£1.973

Iain McIntosh

PSP Awards³

Date of Grant	No. of shares	Performance Conditions
1/12/11	300,000	See note 4
10/7/13	125,000	See note 5

Notes:

1. 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 paragraphs 1 (Directors' Remuneration – Single Figure of Remuneration) or 8 (Directors' Shareholdings) above.
2. Granted under "The RM plc 2004 Inland Revenue Approved Company Share Option Plan and The RM plc 2004 Non-Inland Revenue Approved Company Share Option Plan". All Options lapse if not exercised within 10 years of the date of grant. The Options in the above table have vested and are no longer subject to any performance conditions. Other Options previously granted but which have lapsed due to the performance conditions not having been met are not included.
3. Granted under "The RM plc Performance Share Plan 2010". All PSP awards are subject to a minimum vesting period of 3 years.
4. 50% of the award is subject to the Company's share price achieving £1.00 or more for 20 consecutive trading days. This condition was satisfied during the period. The remaining 50% is subject to the Company's share price achieving £1.25 or more for 20 consecutive trading days between the date of grant and 30 November 2016.
5. Targets are based on relative TSR compared with a comparator group of the companies in the FTSE Small Cap index. Threshold vesting is at median performance, maximum vesting at upper quartile performance, with straight line vesting in between these points.

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).

Remuneration Report

continued

12 Compliance with Regulations

This Report has been prepared in accordance with Schedule 8 of the Large and Medium-Sized Companies and Groups (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 auditor is 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 Groups (Accounts and Reports) Regulations 2008. Accordingly, the following sections of this Part C of this Report have been audited by KPMG Audit Plc:

- The "Single Figure of Remuneration" table in paragraph 1.
- Total retirement benefits, as described in the notes to paragraph 1.
- Scheme interests awarded during the year, as set out in paragraph 2.
- Directors' shareholdings, as set out in paragraph 8.
- Directors' interests in share plans, as set out in paragraph 9.

Conclusion

This is the first Report written under the new rules and the Board welcomes any comments that shareholders may have to help improve Reports in future years.

In the meantime, I hope that this Report meets with the approval of shareholders and I will be available at the Annual General Meeting to answer any questions that you may have.

By Order of the Board

Jo Connell OBE, DL

Chair, Remuneration Committee
3 February 2014

Independent Auditor's Report

to the members of RM plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of RM plc for the year ended 30 November 2013 set out on pages 48 to 99. 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 2013 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.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows.

Long-term contracts (Revenue £91m; Receivables £1m; Payables £28m)

Refer to page 31 (Audit Committee statement), page 57 (accounting policy) and page 77 (financial disclosures).

- **The risk** – Long-term contracts represent a significant part of the Group's business and the accounting is inherently judgemental. To determine the revenue to be recognised it is necessary to assess how far a contract has progressed. To decide the margin to be recognised or loss to be provided, it is necessary to estimate future costs, including contingent amounts in respect of contract risks. 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.

- **Our response** – Our audit procedures included, among others, making an assessment of the Group's ability to forecast costs. We assessed the knowledge and skill of the Group's project accounting staff by attending a project review meeting at which the progress of a number of contracts was discussed. We assessed the range and seniority of those present, the quality and relevance of documents prepared for discussion, the size of the financial variances for which explanations were sought and the extent of relevant technical and commercial information provided. Separately, we compared actual outturn to previous forecast for a number of contracts.

We selected for detailed testing 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 we selected, we read any variations, extensions and new contracts and considered, amongst other matters, whether the new agreement provided 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 was effectively a single project with an overall profit margin (and therefore should be accounted for as a revision to the existing contract). To evaluate whether revenue had been recognised appropriately for the selected contracts, we read the contract, determined the contract deliverables and obtained evidence of whether significant contract requirements had been met (for example, by inspecting a customer sign off). We assessed the completeness and accuracy of costs included in contract estimates, including those for specified contract risks, by reading the contract and customer correspondence, obtaining evidence to support selected inputs and by checking the mathematical accuracy of the Group's calculations.

Where a contract had been selected for detailed work during a prior year's audit and the contract is now a stable managed service phase, we determined whether revenue and margin in the current year was in line with our expectation. We also assessed the adequacy of the Group's disclosure about estimation uncertainty regarding long-term contract outcome.

Independent Auditor's Report

to the members of RM plc only
continued

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 million. This has been calculated with reference to a benchmark of Group profit before taxation. When determining materiality, we adjusted the benchmark for certain of the exceptional items disclosed on the face of the income statement in the Adjustments column to provide a normalised profit before tax from continuing operations based on past results. The exceptional items adjusted for were: the impairment expense relating to goodwill, acquisition related intangible assets, other intangible assets and investments; the gain on sale of operations, the restructuring charge; the increase in provision for dilapidations on leased properties and onerous lease contracts; and the exceptional credit on settlement. We consider the adjusted Group profit before taxation to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. The materiality represents 5% of the adjusted benchmark.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £50,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for Group reporting purposes were performed by component auditors at the key reporting components in the UK. In addition, specified audit procedures were performed by a component auditor in India. These Group procedures covered 98% of total Group revenue; 89% of the total profits and losses that made up Group profit before tax; and 99% of total Group assets.

The audits undertaken for Group reporting purposes at the key reporting components of the Company were all performed to materiality levels set by, or agreed with, the Group audit team. These materiality levels were set individually for each component and ranged from £0.75m to £0.95m.

Detailed audit instructions were sent to the component auditors in the UK and India. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risk of material misstatement detailed above) and set out the information required to be reported back to the Group audit team. Telephone meetings were held with the component auditors in the UK and India.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

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

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our 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 performance, business model and strategy; or
- the section of the Annual Report describing the work of the Group Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 14, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 24 to 27 relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Tudor Aw (Senior Statutory Auditor)

for and on behalf of
KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Arlington Business Park, Theale,
Reading, RG7 4SD
3 February 2014

Consolidated Income Statement

for the year ended 30 November 2013

	Note	Year ended 30 November 2013			Year ended 30 November 2012		
		Adjusted £000	Adjustments £000	Total £000	Adjusted Restated (note 3) £000	Adjustments Restated (note 3) £000	Total Restated (note 3) £000
Revenue	4	261,759	–	261,759	288,688	–	288,688
Cost of sales		(187,793)	–	(187,793)	(217,868)	–	(217,868)
Gross profit		73,966	–	73,966	70,820	–	70,820
Operating expenses	6	(56,757)	–	(56,757)	(58,115)	–	(58,115)
Amortisation of acquisition related intangible assets	15	–	(195)	(195)	–	(244)	(244)
Impairment of goodwill, acquisition related intangible assets and investments	14	–	(328)	(328)	–	(3,212)	(3,212)
Gain/(loss) on sale of operations	8	–	1,387	1,387	–	(2,448)	(2,448)
Share-based payment charges		–	(507)	(507)	–	(129)	(129)
Restructuring costs		–	(5,128)	(5,128)	–	(312)	(312)
Increase in provision for dilapidations on leased properties and onerous lease contracts	23	–	(2,627)	(2,627)	–	(457)	(457)
Exceptional credit on settlement		–	543	543	–	715	715
Release of deferred consideration		–	–	–	–	195	195
Exceptional net credit on Defined Benefit Pension Scheme	25	–	–	–	–	1,324	1,324
		(56,757)	(6,855)	(63,612)	(58,115)	(4,568)	(62,683)
Profit from operations	6	17,209	(6,855)	10,354	12,705	(4,568)	8,137
Investment income	9	730	–	730	926	–	926
Finance costs	10	(1,490)	(159)	(1,649)	(1,510)	(181)	(1,691)
Profit before tax		16,449	(7,014)	9,435	12,121	(4,749)	7,372
Tax	11	(4,910)	1,643	(3,267)	(3,160)	(301)	(3,461)
Profit for the year		11,539	(5,371)	6,168	8,961	(5,050)	3,911
Earnings per ordinary share	12						
— basic		12.6p	(5.9)p	6.7p	9.8p	(5.5)p	4.3p
— diluted		12.4p	(5.8)p	6.6p	9.8p	(5.5)p	4.3p
Paid and proposed dividends per share	13						
— interim				0.84p			0.75p
— final				2.46p			2.25p
— special				16.00p			–

Adjustments to results have been presented to give a better guide to business performance (see note 1).

All amounts were derived from continuing operations.

Consolidated Statement of Comprehensive Income

	Note	Year ended 30 November 2013 £000	Year ended 30 November 2012 Restated (note 3) £000
Profit for the year		6,168	3,911
Items that will not be reclassified subsequently to profit and loss:			
Defined Benefit Pension Scheme remeasurements	25	1,442	(6,586)
Tax on items that will not be reclassified subsequently to profit and loss		(799)	1,492
Items that are or may be reclassified subsequently to profit and loss:			
Fair value (loss)/gain on hedged instruments		(435)	5
Exchange loss on translation of overseas operations		(329)	(171)
Tax on items that are or may be reclassified subsequently to profit and loss		73	(11)
Other comprehensive expense		(48)	(5,271)
Total comprehensive income/(expense) for the year attributable to equity holders		6,120	(1,360)

Consolidated Balance Sheet

at 30 November 2013

	Note	2013 £000	2012 £000
Non-current assets			
Goodwill	14	14,067	14,395
Acquisition related intangible assets	15	764	960
Other intangible assets	15	1,026	2,278
Property, plant and equipment	16	9,099	11,440
Interest in associate	8	–	58
Other receivables	20	1,911	1,911
Deferred tax assets	11	4,622	6,331
		31,489	37,373
Current assets			
Inventories	18	10,549	14,787
Trade and other receivables	20	35,134	55,604
Tax assets		340	847
Cash and short-term deposits	21	63,169	37,823
		109,192	109,061
Total assets		140,681	146,434
Current liabilities			
Trade and other payables	22	(78,917)	(88,098)
Provisions	23	(7,201)	(4,108)
		(86,118)	(92,206)
Net current assets		23,074	16,855
Non-current liabilities			
Retirement benefit obligation	25	(15,828)	(20,433)
Other payables	22	(3,455)	(3,634)
Provisions	23	(6,255)	(4,929)
		(25,538)	(28,996)
Total liabilities		(111,656)	(121,202)
Net assets		29,025	25,232
Equity attributable to equity holders			
Share capital	24	1,870	1,870
Share premium account		26,997	26,997
Own shares	26	(2,972)	(2,972)
Capital redemption reserve		94	94
Hedging reserve		(474)	(39)
Translation reserve		(385)	(56)
Retained earnings		3,895	(662)
Total equity		29,025	25,232

These financial statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 3 February 2014.

On behalf of the Board of Directors

David Brooks
Director

Iain McIntosh
Director

Company Balance Sheet

at 30 November 2013

	Note	2013 £000	2012 £000
Non-current assets			
Investments	17	55,548	55,654
Trade and other receivables	20	1,661	1,661
		57,209	57,315
Current assets			
Trade and other receivables	20	104	–
Tax assets		–	94
		104	94
Total assets		57,313	57,409
Current liabilities			
Trade and other payables	22	–	(3,686)
Net current assets/(liabilities)		104	(3,592)
Non-current liabilities			
Provisions	23	(429)	(629)
Total liabilities		(429)	(4,315)
Net assets		56,884	53,094
Equity attributable to equity holders of the parent			
Share capital	24	1,870	1,870
Share premium account		26,997	26,997
Own shares	26	(2,972)	(2,972)
Capital redemption reserve		94	94
Retained earnings		30,895	27,105
Total equity		56,884	53,094

These financial statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 3 February 2014.

On behalf of the Board of Directors

David Brooks
Director

Iain McIntosh
Director

Consolidated Cash Flow Statement

for the year ended 30 November 2013

		Year ended 30 November 2013 £000	Year ended 30 November 2012 Restated (note 3) £000
Note			
	Profit from operations	10,354	8,137
	Adjustments for:		
	Loss/(gain) on foreign exchange derivatives	75	(250)
	Impairment of investment in associate	–	258
14	Impairment of goodwill	328	2,954
16	Impairment of property, plant and equipment	–	144
15	Amortisation of acquisition related intangible assets	195	244
15	Amortisation of other intangible assets	582	1,254
16	Depreciation of property, plant and equipment	3,919	5,701
8	(Gain)/loss on sale of operations	(1,387)	2,448
	Loss on disposals of other intangible assets	736	496
	(Gain)/loss on disposals of property, plant and equipment	(118)	302
	Share-based payment charge	507	129
	Increase in provisions	7,777	841
25	Defined benefit pension administration cost	391	866
	Exceptional pension fund credit	–	(1,824)
	Release of deferred consideration	–	(195)
	Operating cash flows before movements in working capital	23,359	21,505
	Decrease in inventories	4,238	3,610
	Decrease in receivables	20,383	3,895
	(Decrease)/increase in payables	(13,317)	4,529
	Cash generated by operations	34,663	33,539
	Defined benefit pension cash contribution (2012: in excess of current service cost)	(4,384)	(7,279)
25	Tax paid	(1,790)	(59)
	Borrowing facilities arrangement and commitment fees	(451)	(658)
	Interest paid	(20)	(92)
9	Income on sale of finance lease debt	289	644
	Net cash inflow from operating activities	28,307	26,095
	Investing activities		
9	Interest received	441	258
	Proceeds of sale of operations	336	2,481
	Proceeds on disposal of property, plant and equipment	420	856
16	Purchases of property, plant and equipment	(1,980)	(1,852)
15	Purchases of other intangible assets	(68)	(400)
21	Increase in short-term deposits	(6,000)	–
	Amounts received from joint venture undertaking	–	1,878
	Amounts advanced to third parties	–	(919)
	Net cash (used in)/generated by investing activities	(6,851)	2,302
	Financing activities		
13	Dividends paid	(2,834)	(2,090)
	Net proceeds from sale and leaseback of vehicles	771	–
	Proceeds of share capital issue, net of share issue costs	–	35
	Decrease in borrowings	–	(13,005)
	Net cash used in financing activities	(2,063)	(15,060)
	Net increase in cash and cash equivalents	19,393	13,337
	Cash and cash equivalents at the beginning of the year	37,823	24,529
	Effect of foreign exchange rate changes	(47)	(43)
21	Cash and cash equivalents at the end of the year	57,169	37,823

Company Cash Flow Statement

for the year ended 30 November 2013

	Note	Year ended 30 November 2013 £000	Year ended 30 November 2012 £000
Loss from operations		(426)	(21)
Adjustments for:			
Impairment of investment in subsidiary	17	555	4,638
(Profit)/loss on disposal of investments	8	(77)	1,300
Impairment of investment in associate		–	258
Decrease in provisions	23	(200)	–
Operating cash flows before movements in working capital		(148)	6,175
Increase in receivables		(10)	–
Decrease in payables		(3,686)	(12,346)
Cash used in operations		(3,844)	(6,171)
Dividends received – trading		6,200	6,480
Net cash generated from operating activities		2,356	309
Investing activities			
Amounts advanced to third parties		–	(919)
Interest received		343	295
Net cash generated by/(used in) investing activities		343	(624)
Financing activities			
Dividends paid		(2,834)	(2,090)
Proceeds from share capital issue, net of share issue costs		–	35
Proceeds from disposal of investments		135	2,370
Net cash (used in)/generated by financing activities		(2,699)	315
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		–	–

Consolidated Statement of Changes in Equity

for the year ended 30 November 2013

	Note	Share capital £000	Share premium £000	Own shares £000	Capital redemption reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings Restated (note 3) £000	Total Restated (note 3) £000
At 1 December 2011		1,869	26,963	(3,202)	94	(44)	115	2,723	28,518
Profit for the year		–	–	–	–	–	–	3,911	3,911
Other comprehensive income/(expense)		–	–	–	–	5	(171)	(5,105)	(5,271)
Total comprehensive income		–	–	–	–	5	(171)	(1,194)	(1,360)
Transactions with owners of the Company									
Shares issued	24	1	34	–	–	–	–	–	35
Share-based payment awards exercised		–	–	230	–	–	–	(230)	–
Share-based payment fair value charges	27	–	–	–	–	–	–	129	129
Dividends paid	13	–	–	–	–	–	–	(2,090)	(2,090)
At 30 November 2012		1,870	26,997	(2,972)	94	(39)	(56)	(662)	25,232
Profit for the year		–	–	–	–	–	–	6,168	6,168
Other comprehensive income/(expense)		–	–	–	–	(435)	(329)	716	(48)
Total comprehensive income		–	–	–	–	(435)	(329)	6,884	6,120
Transactions with owners of the Company									
Share-based payment fair value charges	27	–	–	–	–	–	–	507	507
Dividends paid	13	–	–	–	–	–	–	(2,834)	(2,834)
At 30 November 2013		1,870	26,997	(2,972)	94	(474)	(385)	3,895	29,025

Company Statement of Changes in Equity

for the year ended 30 November 2013

	Note	Share capital £000	Share premium £000	Own shares £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 December 2011		1,869	26,963	(3,202)	94	28,976	54,700
Profit for the year		–	–	–	–	320	320
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	320	320
Transactions with owners of the Company							
Shares issued	24	1	34	–	–	–	35
Share-based payment awards exercised		–	–	230	–	(230)	–
Share-based payment fair value charges	27	–	–	–	–	129	129
Dividends paid	13	–	–	–	–	(2,090)	(2,090)
At 30 November 2012		1,870	26,997	(2,972)	94	27,105	53,094
Profit for the year		–	–	–	–	6,117	6,117
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	6,117	6,117
Transactions with owners of the Company							
Share-based payment fair value charges	27	–	–	–	–	507	507
Dividends paid	13	–	–	–	–	(2,834)	(2,834)
At 30 November 2013		1,870	26,997	(2,972)	94	30,895	56,884

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

Notes to the financial statements

1 General information

RM plc ('Company') is incorporated in the United Kingdom and listed on the London Stock Exchange. It is the parent company of a group of companies ('Group'), the nature of whose operations and its principal activities are set out in the Strategic Report and the Directors' Report.

The Group's business activities and financial position, together with the factors likely to affect its future development, performance and position, and risk management policies with the principal risks and uncertainties facing the Group are presented in the Strategic Report and the Directors' Report.

Going concern

The Directors have assessed forecast future cash flows for the foreseeable future, being a period of at least a year following the approval of the Accounts, and are satisfied that the Group's agreed working capital facilities are sufficient to meet these cash flows. Given the Group's continued seasonality and long-term education project contractual commitments, operational cash flows are forecast to be at their highest outflow between July and September.

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

Consolidated income statement presentation

The income statement is presented in three columns. This presentation is intended to give a better guide to business performance by separately identifying the following adjustments to profit: the amortisation of acquisition related intangible assets; the impairment of goodwill; acquisition related intangible assets; other intangible assets and investments; the gain/loss on sale of operations; share-based payment charges; restructuring costs; increase in provision for dilapidations on leased properties and onerous lease contracts; exceptional credit on settlement; release of deferred consideration; and an exceptional net pension credit on the Group's Defined Benefit Pension Scheme. The columns extend down the income statement to allow the tax and earnings per share impacts of these transactions to be understood.

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 unless otherwise specified.

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.

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.

2 Significant accounting policies continued

Investment in subsidiaries

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

Business combinations

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

Revenue

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

Revenue from the sale of goods and services is recognised upon transfer to the customer of the significant risks and rewards of ownership. This is generally when goods are despatched to, or services performed for, customers. Revenue on hardware and perpetual software licences is recognised on shipment providing there are no unfulfilled obligations that are essential to the functionality of the delivered product and with consideration of any significant credit risk uncertainty. If such obligations exist, revenue is recognised as they are fulfilled. Revenue from term licences is spread over the period of the licence, reflecting the Group's obligation to support the relevant software products or update their content over the term of the licence. Revenue from contracts for maintenance, support and annually and other periodically contracted products and services is recognised on a pro-rata basis over the contract period. Revenue from installation, consultancy and other services is recognised when the service has been provided. For multiple element arrangements revenue is allocated to each element on a fair value basis. The portion of the revenue allocated to an element is recognised when the revenue recognition criteria for that element have been met. Appropriate provisions for returns, trade discounts and other allowances are deducted from revenue.

Long-term contracts

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

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

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

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

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

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

Notes to the financial statements

continued

2 Significant accounting policies continued

Intangible assets

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

Goodwill

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

The recoverable amount of goodwill is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. Impairment charges are deducted from the carrying value and recognised immediately in profit or loss. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. 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.
- b. An intention to complete the intangible asset and use or sell it.
- c. Ability to use or sell the intangible asset.
- d. How the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- e. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- f. An ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Intangible assets purchased separately, such as software licences that do not form an integral part of hardware and the costs of internally generated software for the Group's use, are capitalised at cost and amortised over their useful lives of 2–8 years.

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

2 Significant accounting policies continued

Property, plant and equipment

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

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

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

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

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 and are stated at their original invoiced value reduced by appropriate allowances for estimated irrecoverable amounts.

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. Short-term deposits represent cash deposited with a maturity period in excess of three months and where the deposited amounts cannot be recalled on demand.

Trade and other payables

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

Notes to the financial statements

continued

2 Significant accounting policies continued

Derivative financial instruments

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

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

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

Cash flow hedges

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

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

Other non-trading derivatives

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

Inventories

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

Provisions

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

2 Significant accounting policies continued

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

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

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 borrowings due within or after one year. The finance charge element of rentals is charged to finance in the income statement over the lease term.

All other leases are 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 fair value at grant, or the expense, is recognised over the shortened vesting period. At vesting the cumulative expense is adjusted to take into account the number of awards actually vesting as a result of survivorship and where this reflects non-market-based performance conditions. Share based payment charges which are incurred by a subsidiary undertaking are included as 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. For the Defined Benefit Pension Scheme, based on the advice of a qualified independent actuary at each balance sheet date and using the projected unit method, the administrative expenses are charged to operating profit, with the interest cost, net of interest on plan assets, reported as a financing item. Defined Benefit Pension Scheme remeasurements are recognised directly in equity such that the balance sheet reflects the scheme's surplus or deficit as at the balance sheet date.

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

Notes to the financial statements

continued

2 Significant accounting policies continued

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 as the Company controls the trust. Any consideration paid to the trust for the purchase of the Company's own shares is shown as a movement in shareholders' equity.

Taxation

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

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

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.

2 Significant accounting policies continued

Key sources of estimation uncertainty and critical accounting judgements

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

- Long-term contract outcome – see note 19.
- Retirement benefit scheme valuation – see note 25.
- Onerous lease provision – see note 23.
- Goodwill valuation and impairment – see note 14.

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 2012 have been adopted. The following new standards and interpretations have been adopted in the current period but have not impacted the reported results or the financial position:

- IAS 1 *Presentation of Financial Statements*, amendments to presentation of Other comprehensive income
- IAS 12 *Income Taxes*, recovery of underlying assets

IAS 19 (revised), which has been adopted early, has impacted the measurement of the various components representing movements in the defined benefit pension obligation and associated disclosures. Following the replacement of expected returns on plan assets with a net finance cost in the income statement, and scheme administration costs now being included in operating profit, the profit for the period is reduced and accordingly other comprehensive income increased. The effect of this adjustment is disclosed in note 3.

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):

- IAS 1 *Presentation of Financial Statements*, comparative information
- IAS 16 *Property, Plant and Equipment*, servicing equipment
- IAS 27 *Separate Financial Statements*, amended standard and amendments for investment entities
- IAS 28 *Investments in Associates and Joint Ventures*, revised standard
- IAS 32 *Financial Instruments: Presentation*, tax effect of equity distributions, offsetting financial assets and liabilities
- IAS 34 *Interim Financial Reporting*, interim reporting of segment assets
- IAS 36 *Impairment of Assets*, amendments arising from Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 *Financial Instruments*, Recognition and Measurement, novations of derivatives, amendments to hedge accounting
- IFRS 1 *First time Adoption of IFRSs*, low interest rate government loans
- IFRS 7 *Financial Instruments*, Disclosure – offsetting financial assets and financial liabilities, additional hedge accounting disclosures
- IFRS 9 *Financial instruments*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair value measurement*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (endorsed but not yet effective)
- IFRIC 21 *Levies* (not endorsed)

Notes to the financial statements

continued

2 Significant accounting policies continued

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 in future periods. The Directors have identified the below as having the potential to materially impact the financial statements in future periods.

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments;
- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures;

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

3 Prior year adjustments

a. Employee Benefits

The adjustments made as a result of adopting IAS 19 *Employee Benefits* (as revised in June 2011) in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income are as follows:

	Year ended 30 November 2013 Effect £000	Year ended 30 November 2012		
		As reported £000	Adjustment £000	Restated £000
Consolidated Income Statement				
Operating expenses	(391)	(57,249)	(866)	(58,115)
Profit from operations	(391)		(866)	
Finance costs	(486)	(1,540)	(151)	(1,691)
Profit before tax and profit attributable to equity holders	(877)		(1,017)	
Consolidated Statement of Comprehensive Income				
Defined Benefit Pension Scheme remeasurements	877	(7,603)	1,017	(6,586)
Total comprehensive income for the year attributable to equity holders	–		–	

The reduction in profit attributable to equity holders has reduced Basic and Diluted earnings per share by 1.0 pence in the year ended 30 November 2013 (2012: 1.1 pence).

Segmental results

Segmental Adjusted profit in note 5 is stated after the following adjustments to operating expenses:

	Year ended 30 November 2013 £000	Year ended 30 November 2012 £000
Education Technology	352	779
Assessment and Data Services	39	87
	391	866

These adjustments have no impact on the Consolidated Balance Sheet at 30 November 2013 or 30 November 2012.

b. Long-term contracts

The classification of certain balances relating to long-term contracts has been changed this year to improve the Consolidated Balance Sheet presentation by presenting all long-term contract balances together. To give consistency, the equivalent balances as at 30 November 2012 have been restated, as detailed below. This re-presentation of the balances had no impact on reserves or equity.

3 Prior year adjustments continued

30 November 2012				
	Note	As reported £000	Adjustment £000	Restated £000
Trade and other receivables:				
Long-term contract balances	19	8,748	(2,290)	6,458
Accrued income	20	334	(106)	228
Trade and other receivables, Current assets and Total assets			(2,396)	
Trade and other payables: Long-term contract balances	19	(17,646)	(7,872)	(25,518)
Deferred income — current	22	(26,400)	7,117	(19,283)
Trade and other payables and Current liabilities			(755)	
Other payables:				
Deferred income — due after one year but within two years	22	(3,799)	1,405	(2,394)
Deferred income — due after two years but within five years	22	(2,986)	1,746	(1,240)
Other payables, Non-current liabilities and Total liabilities			3,151	
Net assets			—	

4 Revenue

	Year ended 30 November 2013 £000	Year ended 30 November 2012 £000
Revenue from supply of products	136,307	153,401
Revenue from rendering of services	107,494	114,878
Revenue from the sale of licences and receipt of royalties	17,958	20,409
Total revenue	261,759	288,688

5 Operating segments

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

Following a review of the Group's divisional structure in November 2012, from 1 December 2012 the Group was restructured into three operating divisions: Education Technology, Education Resources, and Assessment and Data Services. From 1 December 2012, the Group changed the presentation of financial information included in the consolidated management accounts to reflect the new reporting structure with this information being presented to the chief operating decision maker. Segmental information for the Group is reported on this basis for the year ended 30 November 2013 and prior year financial information has been restated to be in line with this new basis.

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

Education Technology — a UK focused business supplying schools with ICT managed services, internet services, network software, digital platforms, hardware and related services, including implementation and support. The division also includes the implementation, management and support of IT infrastructure as part of the Building Schools for the Future contracts.

Education Resources — provides schools with curriculum focused classroom resources including teaching equipment and materials.

Assessment and Data Services — comprises Assessment Services and Data Solutions with the largest contributor of revenue being the Assessment business, providing e-marking and e-testing solutions and services for examining boards.

Notes to the financial statements

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5 Operating segments continued

The November 2012 review also identified certain central costs and assets which had previously been allocated across the divisions and were considered more appropriately reported within Corporate Services. The segmental results for the year ended 30 November 2013 include these costs and assets within Corporate Services and the segmental results for the year ended 30 November 2012 have been restated to be in line with this new basis.

The following disclosure shows the result and total assets of these segments (2012 is restated based on the new divisional structure, and incorporates the prior year adjustments (note 3)):

The revenue disclosed below is that earned by the Group from third parties.

Segmental results

	Education Technology £000	Education Resources £000	Assessment & Data Services £000	Corporate Services £000	Exited Operations ² £000	Total £000
Year ended 30 November 2013						
Revenue	181,171	54,008	26,545	–	35	261,759
Adjusted profit from operations	8,643	7,164	4,134	(2,738)	6	17,209
Investment income						730
Finance costs						(1,490)
Adjusted profit before tax						16,449
Adjustments ¹						(7,014)
Profit before tax						9,435
Year ended 30 November 2012						
Revenue	202,731	59,809	23,335	–	2,813	288,688
Adjusted profit from operations	5,363	8,825	2,522	(3,554)	(451)	12,705
Investment income						926
Finance costs						(1,510)
Adjusted profit before tax						12,121
Adjustments ¹						(4,749)
Profit before tax						7,372
Segmental assets						
Group						
30 November 2013						
Segmental	33,728	31,794	6,890	221	–	72,633
Other						68,048
Total assets						140,681
30 November 2012						
Segmental	58,074	36,438	6,957	48	–	101,517
Other						44,917
Total assets						146,434

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

² Exited operations represent the results from operations sold following the September 2011 Strategic Review.

The Group's operations are predominately located in the United Kingdom, with operations also in India. The Group sells to the UK market and also in the European, North American, Asian and Australasian continents. Revenues of £11.1 million (2012: £10.6 million) were earned on non-UK sales and include Education Technology sales of £0.5 million (2012: £0.3 million) largely in Europe, £7.6 million (2012: £7.2 million) of Education Resources sales largely in Europe, £3.0 million (2012: £3.1 million) of Assessment and Data Services sales largely in Europe.

Included within the disclosed segmental assets are non-current assets (excluding financial instruments, deferred tax assets and other financial assets) of £26.3 million (2012: £28.3 million) located in the United Kingdom and £0.6 million (2012: £0.8 million) located in India. Other non-segmented assets materially includes deferred tax and cash and short-term deposits.

6 Profit for the year

Profit for the year is stated after charging/(crediting):

	Note	Year ended 30 November 2013 £000	Year ended 30 November 2012 Restated (note 3) £000
Amortisation of acquisition related intangible assets	15	195	244
Amortisation of other intangible assets	15	582	1,254
Impairment of goodwill	14	328	2,954
Impairment of investment in associate		—	258
		1,105	4,710
Depreciation of property, plant and equipment:			
— charged in cost of sales		1,475	2,913
— charged in operating expenses		2,444	2,788
	16	3,919	5,701
Selling and distribution costs		31,204	30,944
Research and development costs		10,665	8,162
Administrative expenses — adjusted		14,888	19,009
Operating expenses — adjusted		56,757	58,115
Adjustments to administrative expenses (see Consolidated Income Statement)		6,855	4,568
Total operating expenses		63,612	62,683
(Gain)/loss on disposals of property, plant and equipment		(118)	302
Loss on disposals of other intangible assets		736	496
Cost of inventories recognised as expense		89,801	108,736
Staff costs	7	84,995	82,030
Operating lease expense		4,348	4,675
Foreign exchange loss		354	130
Increase/(decrease) in stock obsolescence provision		983	(1,522)
Fees payable to the Company's auditor for the audit of these financial statements:			
The audit of the Company's accounts		15	8
The audit of the Company's subsidiaries pursuant to legislation		162	176
Other services pursuant to legislation		14	14
Tax compliance services		7	8
Corporate finance services		4	23
		202	229

Notes to the financial statements

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7 Staff numbers and costs

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

	Year ended 30 November 2013 Number employed	Year ended 30 November 2012 Number employed
Research and development, products and services	1,645	1,854
Marketing and sales	293	243
Corporate services	210	208
	2,148	2,305

Aggregate emoluments of persons employed by the Group comprised:

	Year ended 30 November 2013 £000	Year ended 30 November 2012 £000
Wages and salaries	69,740	71,167
Termination payments	4,942	464
Social security costs	6,227	6,004
Other pension costs	3,579	4,266
Share-based payments (note 27)	507	129
	84,995	82,030

The Company employs no staff (2012: none).

Information regarding the remuneration of the Directors is shown in the Remuneration Report.

8 Sale of operations

As a result of the September 2011 Strategic Review, the Board determined that it would dispose of several Group subsidiaries and businesses.

A gain on sale of £1,387,000 (2012: loss of £2,448,000) has been recognised in the Consolidated Income Statement.

The gain is attributable to adjustments to estimates made on the disposals of the US hardware business (£909,000), RM Asia-Pacific (£100,000) and AMI Education Software Limited (£301,000), all of which were transacted in a prior period, and the sale of the investment in its associated company, Inclusive Limited, in the current period.

The sale of the Group's interest in Inclusive Limited generated net cash of £135,000 and a gain on sale of £77,000.

9 Investment income

	Year ended 30 November 2013 £000	Year ended 30 November 2012 £000
Bank interest	223	258
Income on sale of finance lease debt	289	644
Other finance income	218	24
	730	926

10 Finance costs

		Year ended 30 November 2013 £000	Year ended 30 November 2012 Restated (note 3) £000
	Note		
Interest on bank overdrafts and loans		15	176
Borrowing facilities arrangement fees and commitment fees		495	424
Cost of leasing finance		130	–
Finance lease interest		20	–
Net finance costs on Defined Benefit Pension Scheme	25	830	910
Unwind of discount on provisions		159	181
		1,649	1,691

11 Tax

a) Analysis of tax charge in the Consolidated Income Statement

		Year ended 30 November 2013 £000	Year ended 30 November 2012 £000
Current taxation			
UK corporation tax		1,707	3,124
Adjustment in respect of prior years		859	(154)
Overseas tax		453	411
Total current tax charge		3,019	3,381
Deferred taxation			
Temporary differences		206	348
Adjustment in respect of prior years		93	(288)
Overseas tax		(51)	20
Total deferred tax charge		248	80
Total Consolidated Income Statement tax charge		3,267	3,461

b) Analysis of tax charge/(credit) in the Consolidated Statement of Comprehensive Income

		Year ended 30 November 2013 £000	Year ended 30 November 2012 £000
UK corporation tax			
Defined Benefit Pension Scheme		(735)	(2,086)
Deferred tax			
Defined Benefit Pension Scheme		1,534	594
Share based payments		(73)	11
Total Consolidated Statement of Comprehensive Income tax charge/(credit)		726	(1,481)

Notes to the financial statements

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11 Tax continued

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 2013			Year ended 30 November 2012		
	Adjusted £000	Adjustments £000	Total £000	Adjusted Restated (note 3) £000	Adjustments £000	Total Restated (note 3) £000
Profit on ordinary activities before tax	16,449	(7,014)	9,435	12,121	(4,749)	7,372
Tax at 23.33% (2012: 24.67%) thereon:	3,839	(1,637)	2,202	2,990	(1,172)	1,818
Effects of:						
— change in tax rate on carried forward deferred tax asset	224	(23)	201	157	(19)	138
— other expenses not deductible for tax purposes	373	(186)	187	351	32	383
— temporary timing differences unrecognised for deferred tax	(331)	—	(331)	107	—	107
— other temporary timing differences	—	—	—	211	112	323
— R&D tax credit	(242)	—	(242)	(468)	—	(468)
— impairments	(29)	297	268	(58)	792	734
— overseas tax	124	—	124	312	—	312
— loss on sale of operations	—	(94)	(94)	—	556	556
— prior period adjustments	952	—	952	(442)	—	(442)
Tax charge in the Consolidated Income Statement	4,910	(1,643)	3,267	3,160	301	3,461

Factors that may affect future tax charges

The Budget Statement on 20 March 2013 announced that the UK corporation tax rate will reduce to 21% by 2014 and 20% by 2015. A reduction in the rate from 24% (effective from 1 April 2012) to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012.

This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 30 November 2013 has been calculated based on the rate of 20% which had been substantively enacted at the balance sheet date.

11 Tax continued

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 depreciation £000	Retirement benefit obligations £000	Share-based payments £000	Short-term timing differences £000	Acquisition related intangible assets £000	Total £000
At 1 December 2011	1,074	5,294	150	754	(299)	6,973
(Charge)/credit to income	137	–	(110)	(185)	78	(80)
(Charge)/credit to equity	–	(594)	(11)	–	–	(605)
Disposed on sale of business	12	–	1	30	–	43
At 30 November 2012	1,223	4,700	30	599	(221)	6,331
(Charge)/credit to income	(235)	–	78	(159)	68	(248)
(Charge)/credit to equity	–	(1,534)	73	–	–	(1,461)
At 30 November 2013	988	3,166	181	440	(153)	4,622

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 also has an unrecognised gross deferred tax asset of £1.2 million (2012: £2.4 million) which is available for offset against future profits within the United States of America. Included within this balance are unrecognised tax losses of £1.5 million (2012: £1.7 million). 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 £240,000 (2012: £240,000) 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.

12 Earnings per ordinary share

	Year ended 30 November 2013			Year ended 30 November 2012		
	Profit for the year £000	Weighted average number of shares '000	Pence per share	Profit/(loss) for the year attributable to equity holders £000	Weighted average number of shares '000	Pence per share
Basic earnings per ordinary share:						
Adjustments*	6,168	91,718	6.7	3,911	91,543	4.3
Adjusted basic earnings	5,371	–	5.9	5,050	–	5.5
Diluted earnings per ordinary share:	11,539	91,718	12.6	8,961	91,543	9.8
Basic earnings						
Effect of dilutive potential ordinary shares:	6,168	91,718	6.7	3,911	91,543	4.3
share based payment awards	–	1,153	(0.1)	–	116	–
Diluted earnings per ordinary share:	6,168	92,871	6.6	3,911	91,659	4.3
Adjustments*	5,371	–	5.8	5,050	–	5.5
	11,539	92,871	12.4	8,961	91,659	9.8

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

Notes to the financial statements

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13 Dividends

Amounts recognised as distributions to equity holders were:

	Year ended 30 November 2013 £000	Year ended 30 November 2012 £000
Final dividend for the year ended 30 November 2012 of 2.25p (2011: 1.53p) per share	2,064	1,402
Interim dividend for the year ended 30 November 2013 of 0.84p (2012: 0.75p) per share	770	688
	2,834	2,090

The proposed final dividend of 2.46p per share for the year ended 30 November 2013 was approved by the Board on 31 January 2014. The dividend is subject to approval by shareholders at the annual general meeting. The anticipated cost of this dividend is £2.3 million. The Board is also proposing a special dividend of 16.00p per share, which will cost £15 million; this is also subject to approval by shareholders. Neither of these proposed dividends has been included as a liability at 30 November 2013.

The Board will also recommend that the special dividend is combined with a share consolidation. This is common in such circumstances and is intended to maintain the comparability of the Company's share price before and after a special dividend.

14 Goodwill

Group

	£000
Cost	
At 1 December 2011	24,983
Derecognised on dissolution of subsidiary	(1,222)
At 30 November 2012 and 30 November 2013	23,761
Accumulated impairment losses	
At 1 December 2011	7,634
Impairment loss	2,954
Derecognised on dissolution of subsidiary	(1,222)
At 30 November 2012	9,366
Impairment loss	328
At 30 November 2013	9,694
Carrying amount	
At 30 November 2013	14,067
At 30 November 2012	14,395

The annual impairment test on goodwill resulted in an increase in the impairment for goodwill relating to Space Kraft Limited for the year ended 30 November 2013.

14 Goodwill continued

The carrying amount of goodwill is allocated as follows:

Group

	2013		2012	
	Pre tax discount rate	£000	Pre tax discount rate	£000
Education Resources				
TTS Group	11.8%	11,111	13.3%	11,111
Space Kraft	—	—	13.1%	328
Assessment and Data Services	12.0%	2,956	10.1%	2,956
		14,067		14,395

Education Resources

- Following a review of the forecast future cash flows of TTS Group Limited, no impairment was required.
- An impairment of £0.3m (2012: £1.4m) has been recognised in relation to the goodwill allocated to Space Kraft Limited. This has resulted from a reduction in public sector spending on SEN, which has led to a reduction in forecast net future cash flows.

Assessment and Data Services

- Following the transfer of the trade and assets of RM Data Solutions Limited to RM Education Limited on 1 December 2012 the lowest level at which this goodwill is monitored is the ADS segment.
- The future cash flows of the Assessment and Data Services division have been reviewed and there was no indication of impairment and therefore no impairment required.

Further information pertaining to the performance and future strategy of the Education Resources and Assessment and Data Services divisions can be found within the Strategic Report.

The total impact of the items identified above is an impairment charge on the carrying value of goodwill of £0.3 million (2012: £3.0 million), which has been recognised in the year in the Consolidated Income Statement.

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 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 3 year financial plan approved by the Board, and extrapolates cash flows based on internal forecasts terminal rates of between 0% and 3% (2012: between 0% and 3%).

Sensitivity analysis

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

Notes to the financial statements

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15 Other intangible assets

Group

	Customer relationships £000	Brands £000	Intellectual property & database assets £000	Acquisition related intangible assets sub-total £000	Other software assets £000	Total £000
Cost						
At 1 December 2011	1,599	564	325	2,488	12,650	15,138
Additions	–	–	–	–	422	422
Effect of movements in exchange rates	–	–	–	–	(14)	(14)
Disposals	–	–	–	–	(2,722)	(2,722)
At 30 November 2012	1,599	564	325	2,488	10,336	12,824
Additions	–	–	–	–	68	68
Effect of movements in exchange rates	–	–	–	–	(29)	(29)
Disposals	–	–	–	–	(7,686)	(7,686)
At 30 November 2013	1,599	564	325	2,488	2,689	5,177
Accumulated amortisation and impairment losses						
At 1 December 2011	844	120	322	1,286	9,043	10,329
Charge for the year	152	89	3	244	1,254	1,498
Effect of movements in exchange rates	(2)	–	–	(2)	(13)	(15)
Disposals	–	–	–	–	(2,226)	(2,226)
At 30 November 2012	994	209	325	1,528	8,058	9,586
Charge for the year	124	71	–	195	582	777
Effect of movements in exchange rates	1	–	–	1	(27)	(26)
Disposals	–	–	–	–	(6,950)	(6,950)
At 30 November 2013	1,119	280	325	1,724	1,663	3,387
Carrying amount						
At 30 November 2013	480	284	–	764	1,026	1,790
At 30 November 2012	605	355	–	960	2,278	3,238

The review of other intangible assets at the balance sheet date indicated that there was no additional impairment loss in the year ended 30 November 2013 (2012: £nil).

The carrying values at 30 November 2013 and 30 November 2012 of Acquisition related intangible assets and Other software assets include impairment losses of £443,000 and £275,000 respectively.

Other software assets included purchased and internally developed software assets, the carrying values of which at 30 November 2013 were £0.1 million (2012: £0.2 million) and £0.9 million (2012: £2.1 million) respectively.

The average remaining period over which amortisation will be charged is 2.5 years (2012: 3.5 years) for Acquisition related intangibles and 1 year (2012: 2 years) for Other software assets.

During the year, no material expenditure on research and development is considered to have met the criteria whereby the expenditure is capitalised as an intangible asset (2012: £nil). The carrying amount of capitalised research and development at 30 November 2013 was £nil (2012: £nil).

16 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 2011	2,780	4,622	9,183	38,048	6,285	60,918
Additions	2	191	617	542	522	1,874
Effect of movements in exchange rates	–	(24)	(66)	(35)	(10)	(135)
Disposals	(3)	(296)	(548)	(25,008)	(2,583)	(28,438)
At 30 November 2012	2,779	4,493	9,186	13,547	4,214	34,219
Additions	–	199	175	1,531	75	1,980
Effect of movements in exchange rates	–	(46)	(98)	(143)	(20)	(307)
Assets reclassified	–	48	(48)	1	(1)	–
Disposals	–	(135)	(4,448)	(8,018)	(1,409)	(14,010)
At 30 November 2013	2,779	4,559	4,767	6,918	2,859	21,882
Accumulated depreciation						
At 1 December 2011	689	2,421	6,326	31,252	3,630	44,318
Charge for the year	98	495	786	3,251	1,071	5,701
Impairment loss	–	68	76	–	–	144
Effect of movements in exchange rates	–	(6)	(41)	(51)	(6)	(104)
Disposals	(2)	(225)	(387)	(24,291)	(2,375)	(27,280)
At 30 November 2012	785	2,753	6,760	10,161	2,320	22,779
Charge for the year	98	534	1,022	1,546	719	3,919
Effect of movements in exchange rates	–	(15)	(69)	(112)	(11)	(207)
Assets reclassified	–	12	(12)	2	(2)	–
Disposals	–	(135)	(4,435)	(7,859)	(1,279)	(13,708)
At 30 November 2013	883	3,149	3,266	3,738	1,747	12,783
Carrying value						
At 30 November 2013	1,896	1,410	1,501	3,180	1,112	9,099
At 30 November 2012	1,994	1,740	2,426	3,386	1,894	11,440

Part of the vehicle fleet owned by the Group was sold to a third party during the year for net proceeds of £771,000, and then leased back. The carrying value of vehicles at the year end includes £1,032,000 (2012: £nil) held under finance leases.

17 Investments in subsidiary undertakings

The principal subsidiary undertakings of the Company at 30 November 2013 were:

Name	Principal activity	Country of incorporation	Class of share	% held
RM Books Limited	Software services	England	Ordinary	100%
RM Group US LLC*	Software, services & systems	USA	Ordinary	100%
RM Education Limited	Software, services & systems	England	Ordinary	100%
RM Education Solutions India Pvt Limited*	Software and corporate services	India	Ordinary	100%
RM Leasing Limited (dissolved 28 January 2014)	Leasing	England	Ordinary	100%
Space Kraft Limited	Resource supply	England	Ordinary	100%
TTS Group Limited	Resource supply	England	Ordinary	100%

* Held through subsidiary undertaking.

Notes to the financial statements

continued

17 Investments in subsidiary undertakings continued

The investment in subsidiary undertakings comprises:

Company

	Investment in share capital £000	Capital contribution share-based payments £000	Quasi-equity loan £000	Total £000
Cost				
At 1 December 2011	55,183	8,514	7,077	70,774
Increases	4,700	–	–	4,700
Disposals	(13,602)	(102)	–	(13,704)
Share-based payments	–	129	–	129
At 30 November 2012	46,281	8,541	7,077	61,899
Disposals	(1,014)	–	–	(1,014)
Share-based payments	–	507	–	507
At 30 November 2013	45,267	9,048	7,077	61,392
Impairment				
At 1 December 2011	12,039	–	–	12,039
Impairment loss	4,896	–	–	4,896
Disposals	(10,690)	–	–	(10,690)
At 30 November 2012	6,245	–	–	6,245
Impairment loss	555	–	–	555
Disposals	(956)	–	–	(956)
At 30 November 2013	5,844	–	–	5,844
Carrying value				
At 30 November 2013	39,423	9,048	7,077	55,548
At 30 November 2012	40,036	8,541	7,077	55,654

An impairment loss of £0.6 million (2012: £4.6 million and £0.3 million associated company) was recognised during the year within operating expenses in the Company Income Statement. The impairment relates to the Space Kraft Limited business which has seen a reduction in profitability due to difficult market conditions and an ongoing tightening of public sector SEN budgets.

Refer to note 14 for further information on the impairment reviews performed and the calculation of the recoverable amounts.

The disposal during the period related to the sale of the Company's interest in Inclusive Ltd (note 8).

The quasi-equity loan is to a subsidiary undertaking and bears interest at LIBOR plus 2%, has no specified repayment date and is therefore considered to form part of the Company's investment.

18 Inventories

Group

	2013 £000	2012 £000
Components	845	3,425
Work in progress	87	151
Finished goods	9,617	11,211
	10,549	14,787

19 Long-term contracts

Group

	Note	2013 £000	2012 Restated (note 3) £000
Contracts in progress at the balance sheet date			
Contract costs incurred plus recognised profits less recognised losses to date		375,058	408,519
Less: Progress billings		(402,095)	(427,579)
		(27,037)	(19,060)
Amounts due from contract customers included in trade and other receivables	20	671	6,458
Amounts due to contract customers included in trade and other payables	22	(27,708)	(25,518)
		(27,037)	(19,060)

Total revenue recognised in the year ended 30 November 2013 from long-term contracts amounted to £91.1 million (2012: £109.2 million).

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 therefore, depending on the maturity of the contract portfolio, a greater or lesser proportion of Group profit will arise from long-term contracts.

Notes to the financial statements

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20 Trade and other receivables

	Note	Group		Company	
		2013 £000	2012 Restated (note 3) £000	2013 £000	2012 £000
Current					
Financial assets:					
Trade receivables		27,432	41,978	—	—
Long-term contract balances	19	671	6,458	—	—
Other receivables		474	760	—	—
Accrued income		157	228	—	—
Amounts owed by Group undertakings		—	—	104	—
Non-financial assets:					
Prepayments		6,400	6,180	—	—
		35,134	55,604	104	—
Non-current					
Financial assets:					
Other receivables		1,911	1,911	1,661	1,661
		37,045	57,515	1,765	1,661
Currency profile of receivables					
Sterling		36,748	56,545	1,661	1,661
US Dollar		17	626	—	—
Euro		56	65	—	—
Indian Rupee		224	279	—	—
		37,045	57,515	1,661	1,661

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

Other non-current receivables includes £1.7 million (2012: £1.7 million) of gross amounts receivable from the Group's equity investments in BSF delivery companies, Newham Learning Partnership (PSP) Ltd and Essex Schools (Holdings) Ltd. The interest charged on these receivables is 11.75% pa.

Analysis of trade receivables by type of customer

Group

	2013 £000	2012 £000
Government	10,482	27,540
Commercial	16,950	14,438
	27,432	41,978

Trade receivables included an allowance for estimated irrecoverable amounts at 30 November 2013 of £1,777,000 (2012: £1,624,000), 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.

20 Trade and other receivables continued

Ageing of unimpaired trade receivables

Group

	30 November 2013 £000	30 November 2012 £000
Not past due	21,106	34,734
Overdue by less than 60 days	5,622	5,697
Overdue by between 60 and 90 days	323	733
Overdue by more than 90 days	381	814
	27,432	41,978

21 Cash and short-term deposits

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Cash and cash equivalents	57,169	37,823	—	—
Short-term deposits	6,000	—	—	—
	63,169	37,823	—	—

The short-term deposits are for a period of 6 months at interest rates of 0.80-0.85%.

The interest and currency profile of cash and short-term deposits is shown in note 30.

Notes to the financial statements

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22 Trade and other payables

		Group		Company	
			2012 Restated (note 3) £000		2012 £000
	Note	2013 £000		2013 £000	
Current liabilities					
Financial liabilities:					
Trade payables		12,163	14,302	—	—
Amounts owed to Group undertakings		—	—	—	3,686
Other taxation and social security		3,019	5,857	—	—
Other payables		1,848	574	—	—
Accruals		18,395	22,533	—	—
Obligations under finance leases		350	—	—	—
Derivative financial instruments		544	31	—	—
Long-term contract balances	19	27,708	25,518	—	—
		64,027	68,815	—	3,686
Non-financial liabilities:					
Deferred income		14,890	19,283	—	—
		78,917	88,098	—	3,686
Non-current liabilities					
Financial liabilities:					
Obligations under finance leases		438	—	—	—
Non-financial liabilities:					
Deferred income:					
— due after one year but within two years		1,827	2,394	—	—
— due after two years but within five years		1,190	1,240	—	—
		3,455	3,634	—	—
		82,372	91,732	—	3,686

Currency profile of trade and other payables

	Group		Company	
	2013 £000	2012 Restated (note 3) £000	2013 £000	2012 £000
Sterling	80,284	89,804	—	3,686
US Dollar	1,364	1,279	—	—
Euro	193	98	—	—
Indian rupee	531	551	—	—
	82,372	91,732	—	3,686

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

22 Trade and other payables continued

Obligations under finance leases

The Group sold part of its vehicle fleet to a finance lease provider during the year. Interest rates on finance lease contracts are charged at the Bank of England base rate + 2%, which is fixed at the date of acquiring the asset, and the lease term is four years.

Group

	2013		2012	
	Minimum lease payments £000	Present value of minimum lease payments £000	Minimum lease payments £000	Present value of minimum lease payments £000
Amounts payable under finance lease contracts:				
Within one year	373	350	—	—
In the second to fifth years inclusive	446	438	—	—
	819	788	—	—
Less: finance charges allocated to future periods	(31)	—	—	—
Present value of minimum lease payments	788	788	—	—

23 Provisions

Group

	Employee-related restructuring £000	Onerous lease and dilapidations £000	Other £000	Total £000
At 1 December 2011	3,769	7,497	2,147	13,413
Release of provisions	(677)	(389)	(788)	(1,854)
Utilisation of provisions	(3,103)	(1,656)	(187)	(4,946)
Increase in provisions	464	776	1,003	2,243
Unwind of discount	—	181	—	181
At 30 November 2012	453	6,409	2,175	9,037
Release of provisions	—	—	(1,092)	(1,092)
Increase in provisions	4,942	2,627	320	7,889
Utilisation of provisions	(1,154)	(1,331)	(52)	(2,537)
Effect of movements in exchange rates	—	21	(21)	—
Unwind of discount	—	159	—	159
At 30 November 2013	4,241	7,885	1,330	13,456

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

Provisions for onerous leases and dilapidations have been recognised at the present value of the expected obligation at discount rates of 3% reflecting a risk free discount rate, applicable to the liabilities. These discounts will unwind to their undiscounted value over the remaining lives of the leases via a finance cost within the income statement. At 30 November 2013, £5.6 million (2012: £4.2 million) of the provision refers to onerous leases, and £2.3 million (2012: £2.2 million) refers to dilapidations.

Notes to the financial statements

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23 Provisions continued

As a result of the restructure of the Education Technology division announced in October 2013 the Group expects to provide for an onerous lease provision on one further building in the second half of 2014. The additional provision is expected to be circa £1.5 million.

The average remaining life of the leases at 30 November 2013 is 2.1 years (2012: 3.8 years).

Other provisions includes one off items not covered by any other category. The significant element relates to on-going legal activity in connection with the Defined Benefit Pension Scheme of £0.5 million, and provisions recognised as part of the exit of operations, both of which were included in the previous year. All provisions in this category, other than those held by the parent company, are classified as current.

The release of provisions within Other provisions category includes £1.0 million (2012: £0.7 million) which has been recognised on the exit of operations and included within the gain (2012: loss) on sale of operations in the Consolidated Income Statement and Cash Flow Statement.

Disclosure of provisions:

Group

	2013 £000	2012 £000
Current liabilities	7,201	4,108
Non-current liabilities	6,255	4,929
	13,456	9,037

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

The Company has outstanding provisions relating to warranties on businesses sold in previous years. The remaining expected life of all provisions held by the Company is 1.1 years (2012: 2.1 years)

Company

	£000
Non-current	
At 1 December 2011	126
Increase in provisions	503
At 30 November 2012	629
Release of provisions	(200)
At 30 November 2013	429

24 Share capital

Company and Group

	Number 000	£000
Allotted, called-up and fully paid ordinary shares of 2p each		
At 1 December 2011	93,468	1,869
Issued	47	1
At 30 November 2012 and 30 November 2013	93,515	1,870

The ordinary shares issued carry no right to fixed income.

25 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 £3.6 million (2012: £3.7 million) represents contributions payable to these schemes by the Group at rates specified in employment contracts. At 30 November 2013 £0.5 million (2012: £0.4 million) 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 which are capped and collared. The Group has insignificant deficit risk for these schemes.

c. Defined benefit scheme

The Group operates one defined benefit pension scheme, the Research Machines plc 1988 Pension Scheme. The scheme is a funded scheme. The scheme provides benefits to qualifying employees and former employees of certain of the Group undertakings, 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 those of the Group in a trustee-administered fund.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out for statutory funding purposes at 31 May 2012 by a qualified independent actuary. IAS 19 Employee Benefits liabilities have been rolled forward based on this valuation's base data. Plan assets are measured at bid-price at 30 November 2013. The present value of the defined benefit obligation and the related current service cost up to the date of curtailment of accrual was measured using the projected unit credit method.

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

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 are provided.

The Group holds the entire deficit position of the scheme on its balance sheet as it in substance bears all of the material risks associated with the scheme.

During the period, the Group has adopted IAS 19 *Employee Benefits*, amended June 2011. The transition effect of adoption is shown in note 3 above.

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

Notes to the financial statements

continued

25 Retirement benefit schemes continued

Amounts recognised within operating profit and in the Statement of Comprehensive Income

	Year ended 30 November 2013 £000	Year ended 30 November 2012 Restated (note 3) £000
Amounts recognised within operating profit		
Current service cost	–	2,209
Administrative expenses and taxes	391	866
Curtailment gain	–	(1,824)
Operating expense	391	1,251
Interest cost	6,722	6,327
Interest on plan assets	(5,892)	(5,417)
Net interest expense	830	910
	1,221	2,161
Amounts recognised in the Statement of Comprehensive Income		
Effect of changes in demographic assumptions	–	5,528
Effect of changes in financial assumptions	8,199	10,120
Effect of experience adjustments	–	(3,252)
Total actuarial losses	8,199	12,396
Actual return on plan assets less interest on plan assets	(9,641)	(5,810)
	(1,442)	6,586
Total defined benefit (credit)/cost	(221)	8,747

25 Retirement benefit schemes continued

Reconciliation of the scheme assets and obligations through the year

	Year ended 30 November 2013 £000	Year ended 30 November 2012 Restated (note 3) £000
Assets		
At start of period	129,710	111,415
Interest on plan assets	5,892	5,417
Actual return on plan assets less interest on plan assets	9,641	5,810
Administrative expenses paid from plan assets	(391)	(866)
Contributions from employer	4,384	9,488
Contributions from scheme members	–	10
Benefits paid	(1,548)	(1,564)
At end of period	147,688	129,710
Obligations		
At start of period	150,143	132,589
Current service costs	–	2,209
Curtailment gain resulting from closure to future accrual	–	(1,824)
Interest cost	6,722	6,327
Contributions from scheme members	–	10
Actuarial losses	8,199	12,396
Benefits paid	(1,548)	(1,564)
At end of period	163,516	150,143
Deficit in scheme and liability recognised in the balance sheet	(15,828)	(20,433)

Reconciliation of net defined benefit liability

	Year ended 30 November 2013 £000	Year ended 30 November 2012 Restated (note 3) £000
Net defined benefit liability at the start of the year	(20,433)	(21,174)
Defined benefit cost included in operating profit	(1,221)	(2,161)
Defined Benefit Pension Scheme remeasurements included in Consolidated Statement of Other Comprehensive Income	1,442	(6,586)
Cash outflow in respect of current service cost	–	2,209
Cash outflow in excess of current service cost	4,384	7,279
Net defined benefit liability at the end of the year	(15,828)	(20,433)

Notes to the financial statements

continued

25 Retirement benefit schemes continued

Defined benefit obligation by participant status

	2013 £000	2012 £000
Active members	—	—
Vested deferreds	145,944	132,765
Retirees	17,572	17,383
	163,516	150,148

Fair value of plan assets with a quoted market price

	2013 £000	2012 £000
Cash and cash equivalents	416	98
Equity instruments	74,840	64,820
Debt instruments	72,432	64,792
	147,688	129,710

Membership statistics

31 May 2012

1. Census date	
2. Actives	
a. Number	371
b. Total annual pensionable pay	£12.7m
c. Average annual pensionable pay	£34,247
d. Average age	43 years
e. Average past service	14.1 years
3. Vested deferreds	
a. Number	1,259
b. Average annual pension	£4,135
c. Average age	44 years
4. Retirees	
a. Number	136
b. Average annual pension	£6,880
c. Average age	62 years

25 Retirement benefit schemes continued

Significant actuarial assumptions

	Year ended 30 November 2013 £000	Year ended 30 November 2012 £000
Weighted average to determine benefit obligations		
Discount rate	4.65%	4.50%
Rate of salary increases	n/a	n/a
Rate of RPI price inflation	3.45%	2.85%
Rate of CPI price inflation	2.55%	2.15%
Rate of pensions increases		
pre 6 April 1997 service	1.35%	1.35%
pre 1 June 2005 service	3.30%	2.80%
post 31 May 2005 service	2.25%	2.00%
Post retirement mortality table	S1NA CMI 2011 1.25%	
Weighted average to determine defined benefit cost		
Discount rate	4.50%	4.80%
Rate of salary increases	n/a	n/a
Rate of RPI price inflation	2.85%	3.00%
Rate of CPI price inflation	2.15%	2.30%
Rate of pensions increases (post 31 May 2005 service)	2.00%	2.00%
Post retirement mortality table	S1NA CMI 2011 1.25%	
Weighted average duration of defined benefit obligation	24 years	24 years
Assumed life expectancy on retirement at age 65		
Retiring today (male member aged 65)	22.5	22.4
Retiring in 20 years (male member aged 45)	24.2	24.1
Expected cash flows		£000
Expected employer contributions		4,384
Expected total benefit payments		
Year 1		1,590
Year 2		1,636
Year 3		1,682
Year 4		1,729
Year 5		1,778
Next 5 years		9,671

Notes to the financial statements

continued

25 Retirement benefit schemes continued

Sensitivity analysis

An indication of the sensitivity of the results to changes in the most material assumptions is included below. This sensitivity analysis shows the degree to which the scheme liability would be different if alternative assumptions were substituted.

	2013	2012
1. Discount rate		
a. Discount rate -0.1%	£167.5m	£153.8m
Assumption	4.55%	4.40%
Weighted average duration of defined benefit obligation	24 years	24 years
b. Discount rate +0.1%	£159.6m	£146.6m
Assumption	4.75%	4.60%
Weighted average duration of defined benefit obligation	24 years	24 years
2. RPI inflation rate		
a. RPI inflation rate -0.1%	£160.1m	£147.0m
Assumption	3.35%	2.75%
b. RPI inflation rate +0.1%	£166.9m	£153.4m
Assumption	3.55%	2.95%
3. Mortality: life expectancy plus 1 year	£166.2m	£152.7m

Sensitivities at 30 November 2013 – one item changed with all others held constant

	2012	30 November 2013					
	£m	Base £m	-0.1% discount rate £m	+0.1% discount rate £m	-0.1% RPI £m	+0.1% RPI £m	Life +1 yr £m
Analysis of net balance sheet position							
Fair value of plan assets	129.7	147.7	147.7	147.7	147.7	147.7	147.7
Present value of plan obligations	150.1	163.5	167.5	159.6	160.1	166.9	166.2
Deficit	20.4	15.8	19.8	11.9	12.4	19.2	18.5
	Year ended 30 November 2012	Year ended 30 November 2013					
Actuarial assumptions							
Discount rate	4.50%	4.65%	4.55%	4.75%	4.65%	4.65%	4.65%
Rate of RPI	2.85%	3.45%	3.45%	3.45%	3.35%	3.55%	3.45%
Rate of CPI	2.15%	2.55%	2.55%	2.55%	2.45%	2.65%	2.55%
Mortality table			S1NA CMI 2011 1.25%				
Rating (years)	–	–	–	–	–	–	(1)

26 Own shares

The RM plc Employee Share Trust (EST) was established in March 2003 to hedge the future obligations of the Group in respect of shares awarded under the RM plc Co-Investment Plan, RM plc Performance Share Plan and Deferred Bonus Plan. The trustee of the EST, Computershare Trustees (C.I.) Ltd, purchases the Company's ordinary shares in the open market with financing provided by the Company on the basis of regular reviews of the anticipated share-based payment liabilities of the Group. The EST has waived any entitlement to the receipt of 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. It is anticipated the EST will receive the proposed special dividend.

26 Own shares continued

Company and Group

	Number 000	£000
At 1 December 2011	1,942	3,202
Disposed on exercise of co-investment plan and deferred bonus plan	(145)	(230)
At 30 November 2012	1,797	2,972
Additions	14	–
At 30 November 2013	1,811	2,972

The valuation of the shares is the weighted average cost. There was nil cost of the additional shares provided to the EST in the year.

27 Share-based payments

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

Share-based payment awards exercised in the period disclosed in the statement of changes in equity represents the impact on retained earnings of releasing the fair value charge accrued under IFRS 2 Share-based payment, which for the Deferred Bonus Plan is partially matched by the release of own shares held.

a) Employee Share Option Scheme

The Group has in place share option schemes which issue 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.

Details of share options outstanding are as follows:

Group

	Number of share options	Weighted average exercise price	Weighted average share price at exercise	Exercise price range
At 1 December 2011	4,291,417	£1.45		£0.51–£2.05
Lapsed during the year	(1,130,867)	£1.71		
Exercised during the year	(47,650)	£0.73	£0.77	
At 30 November 2012	3,112,900	£1.37		£0.51–£2.05
Lapsed during the year	(1,569,500)	£0.93		
At 30 November 2013	1,543,400	£1.81		£1.45–£2.05

The options outstanding at 30 November 2013 had a weighted average contractual life of 3.0 years (2012: 6.0 years).

Included within the total outstanding options at 30 November 2013 are 1,543,400 (30 November 2012: 1,710,900) options which are exercisable.

No option grants were made in the current year (2012: nil).

Notes to the financial statements

continued

27 Share-based payments continued

b) Co-investment Plan

All the co-investment plans lapsed during the previous financial period owing to the non-achievement of the plan performance conditions.

c) Performance Share Plan

The Group uses performance share plans for the remuneration of senior executives and senior management. Details of senior executive awards are contained within the Remuneration Report. Senior management participation has been subject to various vesting conditions, including EPS, Total Shareholder Return (TSR) and share price conditions. If the vesting conditions are either not met or the participants leave the Group's employment then in most circumstances the award lapses.

Details of performance share plan shares are as follows:

Group

	Maximum number of matching shares	Market price on grant
At 1 December 2011	2,972,492	
Granted during the year	3,230,000	£0.75
Lapsed during the year	(1,110,987)	
At 30 November 2012	5,091,505	
Granted during the year	1,615,000	£0.74
Lapsed during the year	(1,112,238)	
At 30 November 2013	5,594,267	

The plans outstanding at 30 November 2013 had a weighted average contractual life of 1.3 years (2012: 1.4 years).

In the period to 30 November 2013, 1,615,000 performance share plan rights were granted to executive and senior management (2012: 3,230,000). The fair values are determined using a Monte Carlo model which gives a fair value of £0.44 per share under the TSR performance condition.

Inputs to the model are as follows:

Group

	10 July 2013 TSR
Share price at grant	£0.74
Exercise price	Nil
Expected life	3 years
Expected dividends	4.20%

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

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

27 Share-based payments continued

In March 2003 the Company established the RM plc EST to hedge the future obligations of the Group in respect of shares awarded under the RM plc Co-Investment Plan. In order to hedge the Group's liability to provide shares in the Company under the performance share plans the Trustee periodically purchases shares on the open market using funds provided by the Group. These shares are used to hedge the estimated liability but until vesting represent own shares held – see note 26.

d) Deferred Bonus Plan

The Group has in place a deferred bonus plan for the remuneration of Executive Directors. This plan was not used for the year ended 30 November 2013, and the Board has no plans to utilise this scheme in the future. Under historic plans 40% of the Directors' annual cash bonus was deferred in ordinary shares for a period of three years. Any unvested shares lapse immediately if the Executive Director ceases to be an employee of the Group in circumstances where they would not be considered to be a "good leaver" under the rules of the plan.

Details of deferred bonus grants outstanding are as follows:

Group

	Number of bonus shares	Market price on settlement	Market price on grant
At 1 December 2011	186,609		
Released during the year to 30 November 2012	(145,195)		
Lapsed during the year to 30 November 2012	(1,340)		
At 30 November 2012 and 30 November 2013	40,074		

The number of shares outstanding at 30 November 2013 had a weighted average contractual life of 0.2 years (2012: 1.2 years).

In order to hedge the Group's liability to provide shares in the Company under the deferred bonus plans the Trustee periodically purchase shares on the open market using funds provided by the Group. These shares are used to hedge the estimated liability but until vesting represent own shares held – see note 26.

e) Staff share schemes

The RM plc 2002 Staff Share Scheme, which was introduced to replace the RML Staff Share Scheme, historically made annual grants of shares in RM plc to almost all employees, although no awards were made in the current year or the prior year. At grant, the Trustee of the scheme purchases shares on the open market and holds these in trust on behalf of the employees. The shares vest to the employees after a minimum of three years, but normally after five years. The scheme is an HMRC approved employee share scheme constituted under a trust.

Notes to the financial statements

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27 Share-based payments continued

The schemes hold the following shares:

Group

	Number of shares	Weighted average cost £000
RM plc 2002 Staff Share Scheme	455,209	747
RML Staff Share Scheme	1,361	1
At 1 December 2011	456,570	748
Vested	(96,375)	(159)
At 30 November 2012	360,195	589
RM plc 2002 Staff Share Scheme	358,834	588
RML Staff Share Scheme	1,361	1
At 30 November 2012	360,195	589
Vested	(32,958)	(54)
At 30 November 2013	327,237	535
RM plc 2002 Staff Share Scheme	325,876	534
RML Staff Share Scheme	1,361	1
At 30 November 2013	327,237	535

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, and other non-market based performance conditions. Assigning a fair value charge requires continuing reassessment of these estimates.

28 Guarantees and contingent liabilities

a) Guarantees

The Company has entered into guarantees relating to the performance and liabilities of its subsidiaries' major contracts. The Directors are not aware of any circumstances that have given rise to any liability under such guarantees and consider the possibility of any arising to be remote.

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.

29 Commitments

a) Operating leases

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

Group

	2013 £000	2012 £000
Within 1 year	3,593	3,540
In years 2 to 5 inclusive	6,799	9,412
After year 5	1,461	4,601
	11,853	17,553

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

The balances include commitments for onerous leases. The total commitment reported in the Financial Statements for the year ended 30 November 2012 of £15.2 million excluded onerous leases of £2.4 million, which is now included in the analysis above.

The terms of these leases are subject to renegotiation on average terms of 4.2 years (2012: 3.8 years) and rentals are fixed for an average of 1.7 years (2012: 3.6 years).

The Company had no operating leases during the year.

b) Capital commitments

The Group had the following capital expenditure commitments at 30 November 2013:

Group

	2013 £000	2012 £000
Contracted but not provided for	–	191

Notes to the financial statements

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30 Financial risk management

Carrying value of financial assets and financial liabilities

	Group		Company	
	2013 £000	2012 Restated (note 3) £000	2013 £000	2012 £000
Financial assets				
Trade and other receivables - current	28,734	49,424	104	–
Trade and other receivables - non-current	1,911	1,911	1,661	1,661
Cash and short-term deposits	63,169	37,823	–	–
	93,814	89,158	1,765	1,661
Financial liabilities				
Trade and other payables - current	(64,027)	(68,815)	–	(3,686)
Trade and other payables - non-current	(438)	–	–	–
Provisions - current	(7,201)	(4,108)	–	–
Provisions - non-current	(6,255)	(4,929)	(429)	(629)
	(77,921)	(77,852)	(429)	(4,315)

All financial assets are classified as loans and receivables except for the forward foreign exchange contract of £4,000 (2012: £1,000) which is classified as at fair value through profit or loss.

All liabilities classified as financial liabilities are held at amortised cost except for forward foreign exchange contracts of £544,000 (2012: £31,000) which are classified at fair value through profit or loss.

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

Fair value information for financial assets and financial liabilities not shown at fair value are therefore 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

During the year the Group held operations in the United States of America and India and trades within Europe, hence exposing the Group to foreign exchange risk on non-Sterling assets, liabilities and cash flows. The individual Group companies have long-term intra-group loans of £8.5 million (\$13.9 million) (2012: £9.5 million (\$15.2 million)) denominated in US dollars and the Group applies net investment hedging to the balances.

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

30 Financial risk management continued

b) Transaction

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

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

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

Group

	2013		2012	
	Nominal value £000	Fair value £000	Nominal value £000	Fair value £000
Forward foreign exchange contracts	9,315	(540)	5,816	(30)

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

Of these, forward foreign currency exchange contracts with a nominal value of £8.7 million (2012: £0.1 million) and fair value loss of £528,000 (2012: £1,000 gain) have been designated as effective hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The movement in fair value of hedged derivative financial instruments during the year was a debit of £529,000 (2012: £66,000 debit) which has been recognised in other comprehensive income and presented in the hedging reserve in equity. In addition the Group retain the gain or loss on realised foreign currency contracts used to hedge non-financial assets which are realised when the asset is recognised. A fair value gain of £54,000 (2012: £40,000 loss) has been realised on forward contracts which were designated as effective hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The value of realised forward contracts was a credit of £94,000 (2012: nil) which has been recognised in other comprehensive income and presented in the hedging reserve in equity.

The remaining forward foreign currency exchange contracts, with a nominal value of £0.6 million (2012: £5.7 million) and a fair value loss of £12,000 (2012: £31,000 loss), have not been designated as effective hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The movements in the fair value of these instruments, a credit of £19,000 (2012: £200,000 credit), have therefore been charged to income.

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

Notes to the financial statements

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30 Financial risk management continued

c) Foreign exchange rate sensitivity

The following table details how the Group's income and equity would increase/(decrease) if there was a 10% increase in the amount of the respective currency which could be purchased with £1 Sterling (assuming all other variables remain constant), for example from \$1.60:£1 to \$1.76:£1 at the balance sheet date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates and is shown after considering the impact of the Group's foreign exchange forward contracts and net investment hedge positions. A positive number indicates an increase in profit and equity where Sterling strengthens 10% against the relevant currency and negative a reduction in profit and equity. For a 10% weakening of Sterling against the relevant currency, there would be a comparable but opposite impact on the profit and equity.

Group

	Year ended 30 November 2013		Year ended 30 November 2012	
	Income £000	Equity £000	Income £000	Equity £000
Sensitivity:				
10% increase in foreign exchange rates against Sterling:				
US Dollar	115	637	318	977
Indian Rupee	(14)	(175)	28	(134)
Euro	12	(38)	3	(36)

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

Interest rate risk

The only significant interest bearing financial assets held by the Group are cash and short-term deposits which comprise cash held by the Group and Company and short-term bank deposits with an original maturity of six months or less. Surplus Sterling balances are invested in the money market, or with financial institutions on maturing terms from within 24 hours up to a period of six months with interest earned based on the relevant national inter-bank rates available at the time of investing. During the year, average cash and short-term deposits were £47.6 million (2012: £23.7 million), and the maximum bank overdraft was £nil (2012: £nil).

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

Group

	Floating rate £000	2013 Interest free £000	Total £000	Floating rate £000	2012 Interest free £000	Total £000
Sterling cash and cash equivalents	54,229	1,984	56,213	34,200	2,393	36,593
Sterling short-term deposits	6,000	–	6,000	–	–	–
US Dollar	–	474	474	–	974	974
Euro	–	120	120	–	72	72
Danish Kroner	–	–	–	–	1	1
Indian Rupee	195	143	338	57	126	183
Singapore Dollar	–	24	24	–	–	–
	60,424	2,745	63,169	34,257	3,566	37,823

30 Financial risk management continued

The Group's main interest bearing financial liability is a £30 million committed Barclays revolving credit facility signed on 27 January 2012. The Group also has a £3 million on demand working capital facility held with Barclays. Neither the committed revolving credit facility nor the working capital facility has been utilised during the year. The Group has allocated £0.6 million of the £30 million revolving credit facility to meet its performance bond requirements.

Interest payable on any utilised revolving credit facility is fixed 2.5% above Libor for the remainder of the 3 year committed term subject to certain financial ratios. A commitment fee of 1.2% is payable on the unutilised balance and an arrangement fee of £0.1 million (2012: £0.4 million) has been paid and is recognised in the Consolidated Income Statement on an effective interest rate basis over the duration of the facility.

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

Group

	2013		2012	
	Floating rate £000	Weighted average interest rate %	Floating rate £000	Weighted average interest rate %
Financial assets:				
Cash and short-term deposits	63,169	0.55	37,823	0.27
Trade and other receivables (non-current)	1,911	10.41	1,911	11.28

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

Group

	Year ended 30 November 2013		Year ended 30 November 2012	
	Income sensitivity £000	Equity sensitivity £000	Income sensitivity £000	Equity sensitivity £000
1% increase in interest rates	419	419	154	154
1% decrease in interest rates	(419)	(419)	(154)	(154)

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 20 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.

Notes to the financial statements

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30 Financial Risk Management continued

Liquidity risk

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

The Group meets its seasonal working capital requirements from current funds. At the balance sheet date, the Group has a £30m three year committed facility held with Barclays Bank. The Group also has a £3 million on demand working capital facility with Barclays Bank which is reviewed annually each March. The Group has allocated £0.6 million of the £30 million revolving credit facility to meet its performance bond requirements. These facilities combined gave £32.4 million of working capital funding capacity at the end of the year. At 30 November 2013 none of these facilities were drawn down (2012: £nil).

Capital management

The Group monitors capital using a ratio of adjusted net debt (total liabilities less cash and short term deposits) to adjusted equity (total equity less hedging reserves). The ratio at the end of the year was:

Group

	2013 £000	2012 £000
Total liabilities	111,656	121,202
Less: cash and short-term deposits	(63,169)	(37,823)
Net debt	48,487	83,379
Adjusted equity	29,499	25,271
Net debt to adjusted equity ratio	1.6	3.3

31 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 30 November 2013 £000	Year ended 30 November 2012 £000
Short-term employee benefits	2,855	2,570
Post-employment benefits	327	222
Termination payments	–	313
Share-based payments	281	141

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

31 Related party transactions continued**b) Transactions between the Company and its subsidiary undertakings**

During the year, the Company entered into the following transactions with its subsidiary undertakings:

Company

	Year ended 30 November 2013 £000	Year ended 30 November 2012 £000
Management recharges	(348)	(501)
Net intercompany interest income	122	116
Dividends received	6,200	6,480

Total amounts owed by the Company by and to its subsidiary undertakings are disclosed in notes 20 and 22 respectively.

c) Other related party transactions**Microgen plc**

As disclosed in the financial statements for the period ended 30 November 2012, RM plc has engaged Microgen plc's subsidiary, Microgen Aptitude Limited to perform certain accounting software development services. Former RM plc Board Chairman, Martyn Ratcliffe, is Chairman of, and equity holder in, Microgen plc, the controlling party of Microgen Aptitude Limited. During the current period, the Group incurred costs from Microgen Aptitude Limited of £0.1 million (2012: £0.4 million). Further, the Group has entered into a contract with Microgen to utilise its software and services for RM Books and RM Unify some of whose fees are contingent on transaction volumes. Martyn Ratcliffe did not participate in the negotiation of these contracts.

TSL Education Limited

RM plc Board Director Lord Andrew Adonis is a member of the Advisory Board of TSL Education Limited, from which the Group made purchases of £11,000 during the year.

Wates Group Limited

RM plc Board Director Deena Mattar is a director of Wates Group Limited, to which the Group made sales of £70,000 during the year.

PricewaterhouseCoopers LLP

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

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

Shareholder Information

Financial calendar

Ex-dividend date for 2013 final dividend	12 March 2014
Record date for 2013 final dividend	14 March 2014
Annual General Meeting	19 March 2014
Record date for special dividend	19 March 2014
Ex-dividend date for special dividend	20 March 2014
Payment of 2013 final dividend and special dividend	11 April 2014
Announcement of 2014 interim results	July 2014
Preliminary announcement of 2014 results	February 2015

Corporate website

Information about the Group's activities is available from RM 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 registrars either via email at shareholderenquiries@capita.co.uk or telephone: 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday to Friday). To help shareholders, the Capita website at www.capitaassetservices.com contains a shareholders' frequently asked questions section.

Electronic communication

Shareholders are able to receive Company communication via email. By registering your email address, you will receive emails with a web link to information posted on our website. This can include our Annual 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), faster notification of information and updates, easy access (you can check your shareholding and account transactions online at any time) and convenience (you can change your name, address or dividend mandate details online). To sign-up to receive e-communications go to Capita Asset Services' Share Portal at www.capitashareportal.com.

Beneficial shareholders with 'information rights'

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

Multiple accounts on the shareholder register

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



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"We are RM



helping Teachers to
TEACH & Learners
to LEARN.

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