



RMTM plc

Annual report and
financial statements

Year ended 30 November 2019

STRATEGIC REPORT

Operating Highlights	01
Chairman's Statement	02
Operating Divisions	04
CEO Statement	07
CFO Statement	14

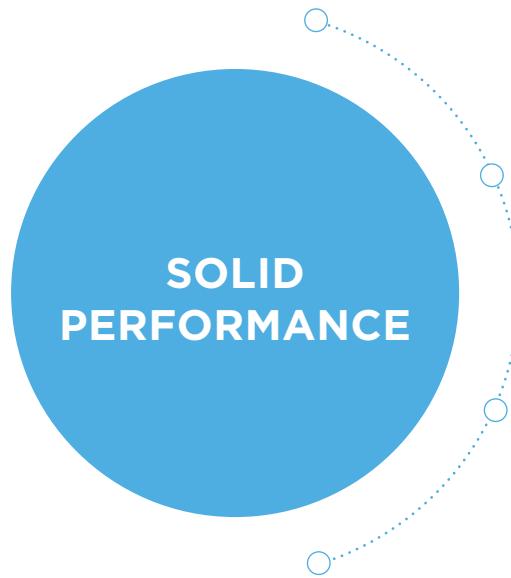
GOVERNANCE

Directors' Biographies	20
Directors' Report	22
Corporate Governance Report	28
Audit Committee Report	38
Remuneration Report	42
Independent Auditor's Report	60
Shareholder Information	128

FINANCIAL STATEMENTS

Consolidated Income Statement	68
Consolidated Statement of Comprehensive Income	69
Consolidated Balance Sheet	70
Consolidated Statement of Changes in Equity	71
Consolidated Cash Flow Statement	72
Company Balance Sheet	73
Company Statement of Changes in Equity	74
Company Cash Flow Statement	75
Notes to the Financial Statements	76

⌚ OPERATING HIGHLIGHTS OF 2019



Steady progress and continued international momentum

⌚ Revenue up 1%

supported by growth in technology divisions offsetting decline in resources and the adverse impact of IFRS 15 adoption

⌚ Adjusted operating profits increased 1%

driven by improvements in the two technology divisions

⌚ International revenue growth of 18%

driven by increased RM Results assessment software revenues

⌚ Acquisition of e-testing company

to augment RM Results software capability to enable full end-to-end digital assessment to customers

⌚ Net debt of £15m (2018: £6m)

including the funding of the acquisition
New £70m credit facility signed

⌚ Paid and proposed dividend increased by 5% to 8.00p

Steady progress

Performance

In 2019, there was marginal growth in each of revenue, adjusted operating profit and adjusted earnings per share. Net debt at year end was £15m after funding the acquisition of the digital assessment software company, SoNET Systems.

RM Resources experienced a challenging year with revenue and profit down, primarily as a result of constrained trading in the UK. Progress continues on the consolidation of five distribution centres into a single automated facility which is expected to be completed by the end of 2021. This project will deliver meaningful operational and financial benefits.

RM Results delivered a strong performance. The revenue and profit growth has been driven by new client wins and enhanced business from existing customers. The acquisition of SoNET during the year brings new technology to the division, allowing it to offer end-to-end digital assessment for the developing demand for online testing and marking of exams.

RM Education revenue growth was driven by a good performance in the Services business. Profit grew strongly, benefiting from management focus on cost efficiency alongside the increased revenue and some one-time benefits.

The Board

Paul Dean has been appointed as of 4 February 2020 and will assume the Chairmanship of the Audit Committee on his appointment. Deena Mattar will retire as a Director later in 2020 having completed 9 years of service as a Director.

Dividend

The Board is recommending a final dividend of 6.0 pence per share which would constitute, at 8.0 pence per share in total, an increase of 5% over the prior year.

Outlook

RM enters 2020 in a sound position and continues to have good cash generative characteristics. The Group remains committed to delivering long-term sustainable growth.

John Poulter

Chairman
3 February 2020



RM RESOURCES

Helping teachers to teach and learners to learn by developing engaging and inspiring resources

RM Resources' strategy is to grow its market share in the provision of resources to schools, early years and special educational needs establishments through a range of channels including catalogue, a direct sales force and online. Growth will continue to be underpinned by differentiation through own-developed and own-brand products and development of well-established international channels and markets.

WHAT WE DO

HOW WE ADD VALUE

THE OPPORTUNITY

RM RESULTS

Driving the global modernisation of assessment

RM Results' strategy is to grow the digital assessment business through expanding the scope of solutions to existing customers and to win new customers globally. Software and services are provided through a growing portfolio of proprietary software covering the end-to-end assessment lifecycle.

WHAT WE DO

HOW WE ADD VALUE

THE OPPORTUNITY

RM EDUCATION

Helping UK schools to improve the impact of technology on teaching and learning

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

WHAT WE DO

HOW WE ADD VALUE

THE OPPORTUNITY



Provide education supplies and curriculum products for schools and nurseries in the UK and internationally



Unique own-designed curriculum resources focused on improving learning outcomes



Offering the whole classroom proposition



Committed increases in education funding in the UK



Strong differentiation of own-developed products and brand pedigree in growing international market



Investment in automated warehouse program provides path to significantly improved efficiency



A global leader in providing digital assessment solutions that support lifelong learning



Improve the quality, efficiency and speed of our customer's assessment lifecycle



Secure, seamless and hassle free e-assessment and data analysis



Market with strong structural growth opportunity in global assessment



End-to-end digital capability opens new channels and opportunities



Increasing technology and automation adoption in global assessment



Software, services and technology provider to UK schools and colleges



Delivering cost effective, reliable, secure technology



Helping schools to make the most of their IT investment



Growth in multi-academy trusts provides aggregated buying in fragmented market



Committed increases in education funding in the UK



Increasing technology adoption in education



CHIEF EXECUTIVE OFFICER'S STATEMENT

In 2019 we made strong progress in our two technology divisions, RM Results and RM Education, while our resources business, RM Resources, continued to see challenging trading. Overall revenue and adjusted operating profit both increased modestly and statutory profit after tax increased more strongly. International revenue across the Group grew well again.

OPERATING REVIEW

RM Resources had a challenging year of trading, particularly in the UK. This included declining legacy revenues from the planned closure of indirect channels and the focus away from non-education resources. Revenue in the UK was lower than last year, but in-line with the wider UK competitive market decline. International revenues, after a very strong 2018, grew marginally year-on-year.

During 2019, we continued the programme to consolidate the current estate of five distribution centres to a single, automated centre. As well as consolidating the division's head office, planning permission has been granted for the new distribution centre and the lease agreement with our development partners has been signed. We are planning to complete the transition to a single automated distribution centre by the end of 2021.

The TTS brand grew in the UK and outperformed the wider UK competitor market set benefitting from its differentiated brand position and own-developed product portfolio. The Consortium brand declined more than this benchmark with trading impacted by some integration issues and the loss of a key customer framework towards the end of the year. The long term strategy for this division remains unchanged as we continue to focus on improving operational efficiency and investing in our differentiated products to drive growth in the UK and international markets.

RM Results had a strong year of revenue growth. This included good organic growth on the back of new client wins and existing customer growth.

In June 2019, we acquired SoNET Systems Pty Ltd ('SoNET'). Headquartered in Melbourne, Australia, SoNET provides Software as a Service platforms principally to the education and government sectors. SoNET's e-testing software augments our existing e-marking capability. This acquisition is enabling RM Results to offer full end-to-end digital assessment services in the online testing and marking of exams to both existing and new customers. The addition of this technology is starting to open new market opportunities and accelerate the growth of the RM Results division.

The pipeline of opportunities for RM Results continues to be strong going into 2020.

Adjusted operating profit in **RM Education** grew strongly in 2019. Revenue was also up, primarily driven by new customer contracts and increased spend from existing customers. In the year we signed a contract with the UK's largest multi-academy trust to deliver IT managed services to all their schools and help them with their journey to the cloud. Customer renewal rates remained high and in the year we continued to look for opportunities to move processes to our off-shored team in India. Moving forward we see an opportunity to sharpen our approach to the market by focusing on the software offerings separately from the services and infrastructure propositions.

OUR STRATEGIC THEMES

At the beginning of 2019, on the back of a trend of improved margins and good cash generation we mapped out a set of four strategic themes. We believe these themes will enable the Group to deliver long-term shareholder value.

The themes are:

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

We will consider the potential to accelerate these strategic themes through acquisitions where appropriate.

Overleaf we define further what we mean by each of the four strategic themes and map out where we see these themes meeting growth opportunity.



IP AND TECHNOLOGY DEVELOPMENT

RM is focused exclusively on the education market and therefore we have a depth of understanding and expertise. Across all three divisions we have market leading IP. We continue to increase our investment in developing our own IP and our product development capability.

An example opportunity

There's strong growth in technology being used in high stakes assessment globally. Education policy makers in countries around the world are looking to digitise their exams systems and move away from relying on paper solutions, leading to quality and reliability improvements.

Our approach

Provide customers with an end-to-end digital assessment offering where the complete exam life-cycle can be delivered without paper.

Evidence of progress

The acquisition of SoNET, in the second half of 2019, has accelerated our ability to bring end-to-end digital assessment to the market. On the back of this, we have been successful in being awarded preferred bidder status with our first new customer, delivering end-to-end digital assessments seamlessly in an integrated platform.



INTERNATIONAL GROWTH

RM's international business grew by 18% in 2019 and has doubled in the last 4 years. We are continuing to invest in our international sales and marketing capability as well as taking our best existing IP to overseas markets.

An example opportunity

The trend is growing in international education systems to include coding and programming within their early years and primary school curriculum.

Our approach

We have developed our own unique range of programmable floor robots that are the perfect starting point for teaching control, directional language and coding.

Evidence of progress

Sales of our robotics range drove an increase of sales of Resources products through international distributors by 17% in 2019.



INNOVATE WITH OUR CUSTOMERS

Many of our customers across the Group are long-standing. We will continue to look for ways to help them challenge their business processes and learning environments and see how we can use technology solutions to make it as easy as possible to do business with us.

An example opportunity

In England, the government is urging schools to turn into academies and move away from local authority control. Groups of academies are forming into multi-academy trusts (MATs). As these MATs grow, they are increasingly buying products and services centrally for all of their schools.

Our approach

We can provide improved quality of service and savings to MATs who are prepared to buy the ICT across all their schools under a central contract. The largest benefits come when we provide the MAT with a fully IT managed service. Our national footprint means we can offer this to the smallest and largest of MATs.

Evidence of progress

In 2019, we signed a contract with the UK's largest MAT to provide a full IT managed service to all their schools. This service includes moving much of the ICT delivery in their schools to the cloud. It helps underpin their approach to collaboration across academies and provides them with significant savings that they can redistribute to teaching and learning priorities.



EFFICIENCY AND SIMPLICITY

Our customers continue to need to save money and are always looking for more cost effective ways of doing things; therefore RM needs to continue to drive cost out and be as efficient as possible. We will continue to look for ways of successfully automating and offshoring processes across the Group. We will also invest to simplify our business processes, improve efficiencies, rationalise inventory and consolidate our supply chain.

An example opportunity

Following the acquisition of Consortium, our Resources division has five separate distribution centres that service our customers in the UK and internationally. This footprint of warehouses is costly and inefficient.

Our approach

We are running a programme to consolidate our distribution centres from five to a single, automated facility in the East Midlands. This will lead to significant cost savings and an improved service to our customers.

Evidence of progress

In 2019, we committed the investment and initiated the programme to consolidate our warehouse estate. This included moving to four centres ahead of schedule, gaining planning permission for the new site, signing the lease with the developer and choosing the automation partner for the new facility.

WORKFORCE

Average Group headcount for the year was 2,011 (2018: 1,936), which is comprised of 1,811 (2018: 1,750) permanent and 200 (2018: 186) temporary or contract staff, of which 1,239 (2018: 1,257) were located in the UK, 754 (2018: 679) in India and 18 in Australia.

At 30 November 2019, headcount was 1,983 (2018: 1,952). The following table sets out a more detailed summary of the permanent staff employed as at 30 November 2019:

	Male	Female
Executive Directors	2 (100%)	0 (0%)
Senior Managers (excluding Executive Directors)	41 (75%)	14 (25%)
All employees	1,106 (61%)	711 (39%)

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

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

The Group has a wide range of other written policies designed to ensure that it operates in a legal and ethical manner. These include policies related to health and safety, 'whistle blowing', anti-bribery and corruption, business gifts, anti-harassment and bullying, equal opportunities, grievance, career planning, parental leave and systems and network security. All of RM's employment policies are published internally.

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

RM INDIA

As at 30 November 2019, RM's operation in Trivandrum accounted for 38% of Group headcount (2018: 38%).

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

ENVIRONMENTAL MATTERS

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

PRINCIPAL AND EMERGING RISKS AND UNCERTAINTIES

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

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

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

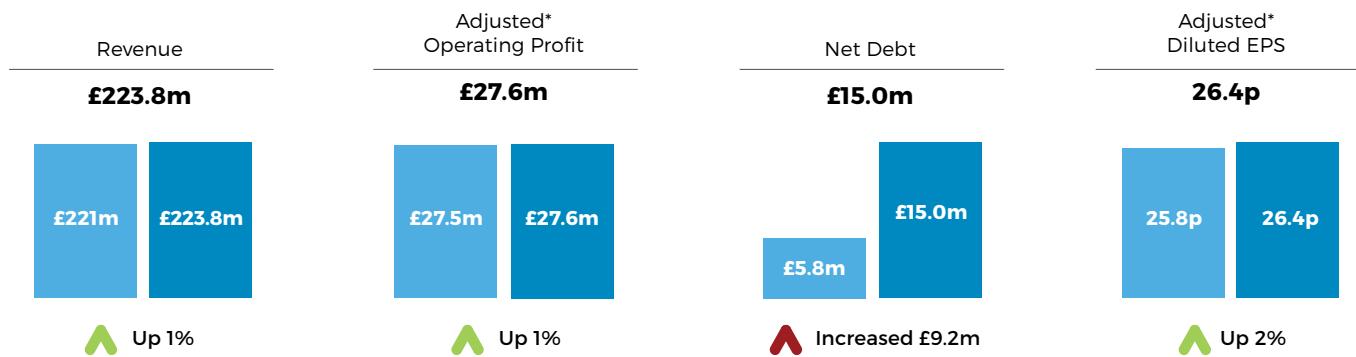
Risk and categorisation	Description and likely impact	Mitigation
Operational execution (Operational Risk)	<p>RM provides sophisticated products and services, which require a high level of technical expertise to develop and support, and on which its customers place a high level of reliance. Any significant operational/system failure would result in reputational damage and increased costs.</p> <p>RM is engaged in the delivery of large, multi-year projects, typically involving the development and integration of complex IT systems, and may have liability for failure to deliver on time.</p> <p>RM's increasing international business make it subject to laws in other countries and higher risk jurisdictions.</p>	<p>The Company invests in maintaining a high level of technical expertise.</p> <p>Internal management control processes are in place to govern the delivery of all projects (including internal projects), including regular reviews by relevant management. The operational and financial performance of projects, including future obligations, the expected costs of these and potential risks are regularly monitored by management and, as appropriate, the Board.</p> <p>The Company has internal policies and procedures across a wide range of areas including bribery and corruption, health and safety, privacy, employment and tax which are regularly monitored and reviewed to ensure we assess and take account of higher risk levels and comply with all relevant laws and regulations.</p>
Data and business continuity (Operational Risk)	<p>RM is engaged in storing and processing personal data, where accuracy, privacy and security are important. Any significant security breach could damage reputation and impact future profit streams.</p> <p>The Group would be significantly impacted if, as a result of a major incident, one of its key buildings, systems, key supply chain partners or infrastructure components could not function for a long period of time or at a key time.</p>	<p>The Company has made a commitment to maintain effective Information Security and Business Continuity management systems and achieve ISO27001 and ISO22301 certifications to demonstrate the robustness and effectiveness of those systems.</p> <p>The Company has a rolling investment programme managed by a dedicated security and compliance function and overseen by the Group Security and Business Continuity Committee, which reports into the Group Executive Committee. This programme covers data integrity and protection, defence against external threats (including cyber risks) and business continuity planning.</p> <p>The Group seeks to protect itself against the consequences of a major incident by implementing a series of back-up and safety measures.</p> <p>The Group has property and business interruption insurance cover.</p>
People (Operational Risk)	<p>RM's business depends on highly skilled employees. Failing to recruit and retain such employees could impact operationally on RM's ability to deliver contractual commitments.</p>	<p>The Company seeks to be an attractive employer and regularly monitors the engagement of its employees. The Company has talent management and career planning programmes.</p>
Transformation (Operational Risk)	<p>Issues in implementing major programs could lead to business disruption and loss of intended benefits.</p>	<p>Steering committees are established for all major programs which will include a member of the Executive Committee. A number of mechanisms are in place to monitor the ongoing impact of the various activities, including where appropriate staff consultations and satisfaction surveys, and ongoing customer feedback.</p> <p>The Board is kept apprised of the current status of such activities and projects on a regular and ongoing basis.</p>

Risk and categorisation	Description and likely impact	Mitigation
Innovation (Strategic Risk)	<p>The IT market and elements of the education resources market are subject to rapid, and often unpredictable, change. As a result of inappropriate technology, product and marketing choices or a failure to adopt and develop new technologies quickly enough, the Group's products and services might become unattractive to its customer base, or new market opportunities missed.</p> <p>The Group's continued success depends on developing and/or sourcing a stream of innovative and effective products for the education market and marketing these effectively to customers.</p>	<p>The Company actively monitors technology and market developments and invests to keep its existing products, services and sales methods up-to-date, as well as seeking out new opportunities and initiatives.</p> <p>The Group works with teachers and educators to understand opportunities and requirements.</p>
Dependence on key contracts (Strategic Risk)	<p>The performance of the RM Education and RM Results divisions is dependent on the winning and extension of long-term contracts with government, local authorities, examination boards and commercial customers.</p>	<p>The Company invests in maintaining a high level of technical expertise and in building effective working relationships with its customers. The Company has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction.</p>
Pensions (Financial Risk)	<p>The Group operates two defined benefit pension schemes in the UK (the 'RM Education Scheme' and the 'CARE Scheme' respectively) both of which are closed to future accrual. It also participates in a third defined benefit pension scheme (the 'Platinum Scheme').</p> <p>Scheme deficits can adversely impact the net assets position of the trading subsidiaries RM Education Ltd and RM Educational Resources Ltd.</p>	<p>The Company evaluates risk mitigation proposals with the trustees of these respective Schemes.</p> <p>The Platinum Scheme is a multi-employer scheme over which the Company has no direct control. However, due to the small number of the Company's employees who are in this Scheme, the risk to the Company from this Scheme is limited.</p>
Treasury (Financial Risk)	<p>The Group is exposed to treasury risks including fluctuating exchange rates and liquidity.</p>	<p>The Company regularly monitors treasury risks. It actively looks to create natural currency hedges where possible balancing foreign currency sales and purchase levels and hedges net balances 9-12 months into the future for material imbalances.</p> <p>The Company remains cautious with liquidity risk and carefully manages its debt leverage position.</p>

David Brooks
Chief Executive Officer
3 February 2020

CHIEF FINANCIAL OFFICER'S STATEMENT

RM delivered a solid financial performance in 2019 with progress across a number key financial measures. Revenues grew marginally in the year, benefiting from good growth in the two technology divisions which more than offset a decline in RM Resources and a £2.4m reduction in revenue associated with the adoption of the IFRS 15 accounting standard. Adjusted operating margins were flat year-on-year which delivered a slight improvement in adjusted operating profit which flowed through to higher adjusted profit after tax and an increased adjusted diluted earnings per share. These improvements in adjusted earnings also flowed through to increases in statutory profit after tax as post-tax adjustments were £1.5m lower than the prior year. Net debt levels increased in the year to £15m following the funding of an acquisition in the second half of 2019. The Group agreed a new three year £70m credit facility, with the option to extend for a further two years.



* Adjusted operating profit is before the amortisation of acquisition related intangible assets; acquisition related costs; one time property related items, Pension GMP equalisation costs and restructuring costs. 2019 results reflect the adoption of IFRS 15. 2018 has not been restated to reflect the new accounting standard.

GROUP FINANCIAL PERFORMANCE

Group revenue increased by 1% to £223.8m (2018: £221.0m) however this includes the adoption of the new accounting standard, IFRS 15, which reduced revenue by £2.4m versus the previous accounting standard. The 2018 numbers have not been adjusted for IFRS 15 as the modified adoption approach was taken.

£m	2019 ¹			2018 ¹		
	Adjusted	Adjustment ²	Statutory	Adjusted	Adjustment ²	Statutory
Revenue	223.8	-	223.8	221.0	-	221.0
Operating profit	27.6	(3.5)	24.2	27.5	(4.9)	22.6
Profit before tax	26.6	(3.5)	23.2	26.0	(5.0)	21.0
Tax	(4.7)	0.6	(4.1)	(4.7)	0.6	(4.1)
Profit after tax	21.9	(2.8)	19.1	21.2	(4.3)	16.9

1. 2019 results reflect the adoption of the new accounting standard IFRS 15. Results in the table for 2018 are presented as reported at the time and not restated as RM took the modified approach to adoption. This approach has been taken throughout the narrative below and explanations are provided in the notes to the accounts to highlight the impacts.

2. Adjustments reflect the amortisation of acquisition related intangible assets; acquisition related costs; one time property related items and restructuring costs and costs associated with GMP equalisation. Further details are defined and reconciled in Note 5 of the notes to the financial statements.

Revenues increased notably in our international markets, up 18% (+£4.9m) on the prior year driven by customer development across new and existing customers in RM Results. This international performance was also supported by 5 months of revenue (£1.7m) following the acquisition of SoNET, an Australian assessment software company acquired in June 2019.

Adjusted operating profit margins remained flat at 12.4% (2018: 12.4%). Adjusted operating profit increased slightly to £27.6m (2018: £27.5m). However, this was also impacted by the adoption of IFRS 15 which reduced operating profit by £1.5m.

In order to provide a better understanding of underlying business performance, some costs are identified as 'adjustments'² to underlying business performance. In 2019 these are broken down as follows:

Amortisation charges associated with acquisition related intangible assets	£1.6m
Acquisition related costs	£0.7m
Restructuring costs	£0.8m
One time property related items	£0.3m
Total adjustments²	£3.5m

Taking into consideration the adjustments of £3.5m (2018: £4.9m), statutory operating profit increased to £24.2m (2018: £22.6m).

The Group generated a statutory profit before tax of £23.2m (2018: £21.0m) with a net interest charge of £1.0m which primarily relates to the Group credit facility.

The total tax charge within the Income Statement for the year was £4.1m (2018: £4.1m). The Group's tax charge for the year, measured as a percentage of profit before tax, was 17.7% (2018: 19.5%). Statutory profit after tax increased 13% to £19.1m (2018: £16.9m).

Adjusted diluted earnings per share increased to 26.4 pence (2018: 25.8 pence). Statutory basic earnings per share were 23.2 pence (2018: 20.7 pence) and statutory diluted earnings per share were 23.0 pence (2018: 20.6 pence).

RM generated cash from operations for the year of £19.9m (2018: £24.2m) which is down on the prior year primarily due to higher inventory levels in RM Resources and utilisation of property and restructuring provisions. This cash generated was utilised to fund the acquisition of SoNET (£7.8m) including purchase cost and acquisition-related fees, capital expenditure of £6.0m (2018: £1.1m), contributions to the defined benefit pension scheme of £4.6m in line with the prior year, tax payments of £3.6m and dividend cash costs of £6.3m which were up 13% on the prior year. As a result, net debt increased to £15.0m at the end of the year (2018: £5.8m).

RM is currently progressing two large capital projects; consolidation of the existing five distribution centres into a single automated facility and a Group-wide IT system implementation. These projects will drive elevated capital expenditure over the next two years, likely to be in excess of £20m. A proportion of this spend will be recovered by the subsequent sale of three freehold properties. Both projects are scheduled to conclude by the end of 2021 and deliver good financial and operational benefits.

Dividend

The total dividend paid and proposed for the year has been increased by 5% to 8.00 pence per share (2018: 7.60 pence). This is comprised of the interim dividend of 2.00 pence per share paid in September 2019 and, subject to shareholder approval, a proposed final dividend of 6.00 pence per share. The estimated total cost of ordinary dividends paid and proposed for 2019 is £6.6m (2018: £6.2m).

The Board is committed to a long-term sustainable dividend policy and the Company has £31.9m of distributable reserves, as at 30 November 2019, available to support the dividend policy.

RM plc is a non-trading investment holding company and derives its profits from dividends paid by subsidiary companies.

The Directors consider the Group's capital structure and dividend policy at least twice a year, ahead of announcing results and during the annual budgeting process, looking at longer-term sustainability. The Directors do so in the context of the Company's ability to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value.

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

Defined Benefit Pension Schemes ('Schemes')

The Company operates two defined benefit pension schemes ('RM Education Scheme' and 'Care Scheme') and participates in a third, multi-employer, defined benefit pension scheme (the 'Platinum Scheme'). Both of the RM Education Scheme and the CARE Scheme are closed to future accrual of benefits. As a result of the intended closure of existing warehouses, the Platinum Scheme will become closed to future accrual of benefits. The number of Group employees participating in that scheme is very small and so the impact of that scheme on the Group is limited. A provision has been made this year to reflect additional pension contributions which may be required to close the scheme.

The IAS 19 net deficit (pre-tax) across the Group increased by £3.7m to £6.0m (2018: £2.3m) with the Platinum Scheme being in surplus. This increase was caused by an increase in the liabilities of the Schemes driven by lower discount rates albeit the extent was mitigated by a change in mortality and inflation assumptions and the continuing Group deficit recovery plan payments.

The Group deficit recovery plan payments across all schemes in 2019 were £4.6m which is in line with the prior year. Following the triennial review at 31 May 2018, the Group agreed with the Trustee of the RM Education Scheme to contribute £3.7m per annum until 31 May 2026 and to transfer the remaining £7m, held in escrow, into the scheme which was completed in 2019. The triennial valuation date for the Care Scheme was 31 December 2019.

RM RESOURCES

RM Resources revenues decreased by 6% to £114.5m (2018: £121.6m), in part, driven by a £3.5m planned reduction in legacy revenue streams. UK education revenue reduced by 4% and was partially offset by a 2% increase in international revenues.

Divisional adjusted operating profit reduced to £13.7m (2018: £16.6m) and operating margins decreased to 12.0% (2018: 13.7%). The reduction was driven by lower revenues with operating costs broadly stable. Cost savings and synergy benefits were offset by higher warehouse and distribution costs as a percentage of revenue associated with required changes to staff contract arrangements, and additional spend in ongoing integration activities.

UK

UK education revenues decreased by 4% to £90.1m (2018: £93.7m). This decline was in line with UK competitive market data representing a difficult economic backdrop driven by continued uncertainty for schools including the announcement of a required increase in teachers' pension funding from 16.5% to 23.6% in 2019. Commitment to fund this pension increase has subsequently been announced by the new government alongside additional school funding of £14bn over the next 3 years.

Revenues arising from the TTS brand grew 4% in the UK benefiting from its clearly differentiated position and innovative, own-developed product portfolio. The Consortium brand saw its revenues decline more than the comparative market set as trading was impacted by some integration related issues and the loss of a customer framework at the end of the year. Delivering an improved performance in this division remains a key focus moving forward and a number of actions were taken towards the end of the 2019.

As outlined in 2018, there are a number of legacy revenue streams in which we have either stopped investment or taken the strategic decision to close immediately to improve the longer term position of our core brands. These revenue streams reduced by £3.5m in 2019 to £2.8m. This included the closure of our UK trade channel, where we sold TTS own-developed products through UK competitors.

This should strengthen our RM Resources brand proposition in the longer term. In addition, there were other non-education legacy revenue streams in the Consortium brand which declined by £1.2m to £2.6m.

The division continues to invest in its online presence and the online channel continues to deliver proportional growth and now makes up over half of UK direct education sales.

International

The international business is made up of two key channels, international distributors, through which we sell own-developed products to over 80 countries, and international English curriculum schools to whom we sell a wider portfolio of education supplies. International revenues increased by 2% to £19.5m (2018: £19.1m). This was driven by continued growth of our own-developed products through distributor channels, more than offsetting a reduction in international schools revenues, primarily impacted by lower new school build projects in Europe and the Middle East.

RM RESULTS

Revenue increased by 19% on the prior year to £37.7m (2018: £31.8m), with 59% of the increase from new and existing International customers (including those acquired as part of the acquisition) and 41% from existing UK customers.

Adjusted operating profit increased by 7% on the prior year to £8.7m (2018: £8.2m), with adjusted operating margins decreasing to 23.2% (2018: 25.6%). The dilution of adjusted operating margin was expected with the adoption of IFRS 15 alongside the impact of the SoNET acquisition which delivered £1.7m of revenues with lower operating margins.

RM Results signed a number of new international contracts in the year and is running pilots with several prospective clients, providing a strong pipeline of opportunities for further international growth. The division has also successfully secured several important contract renewals providing a strong platform for future activity and further investment in new product IP. One client has confirmed their intention to insource and formally notified us that they intend to do this at the end of 2020, this has been taken into account in our outlook.

In June 2019, RM acquired SoNET for a consideration of £7.3m. SoNET's e-testing software augments RM's existing e-marking capability enabling RM Results to offer full end-to-end digital assessment services in the online testing and marking of exams to both existing and new customers.

The outlook remains positive in the division with the contract performance in 2019, strong pipeline and product investment creating a sound platform on which to deliver long term growth. Progress continues to be made in developing a wider intellectual property portfolio and M&A opportunities will continue to be assessed to look to accelerate strategic progress.

RM EDUCATION

Revenues in the division increased by 6% to £71.6m (2018: £67.6m) driven primarily by the performance of Services including higher hardware sales and related installation services. Adjusted operating margins improved to 14.5% (2018: 11.6%) delivering increased adjusted operating profit of £10.4m (2018: £7.8m) benefitting from the higher revenues and good operating leverage from lower costs and some one-time benefits.

The division is made up of Services (85% of revenue) and Digital Platforms (15%) and includes a number of legacy services and contracts that are either in contractual run-off, or in which we have stopped continued investment. In 2019, they constituted 4% of revenues (2018: 5%) and are expected to have materially concluded by 2020.

A key focus of the division is to build its annuity revenue offerings which now account for over 65% of the revenue (2018: 70%). This proportion is down slightly on the previous year due to the strong performance in hardware in 2019 and a high level of some legacy contract spend in its final year.

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

Services

The Services offering is primarily the provision of IT outsourcing and associated technology services (managed services) and managed broadband connectivity to UK schools and colleges. Total Services revenues increased by 6% to £57.6m (2018: £54.3m) with managed services revenues growing 4% to £44.7m and connectivity revenues growing 13% to £12.9m supported, in part, by higher sales of unbundled IP addresses.

Retention rates in the year for managed outsourced services contracts with schools were circa 90% and in addition, 72 new schools signed managed services contracts in the year (2018: 99 schools) resulting in a 5% growth in outsourced school customer numbers across the year.

Digital Software Platforms

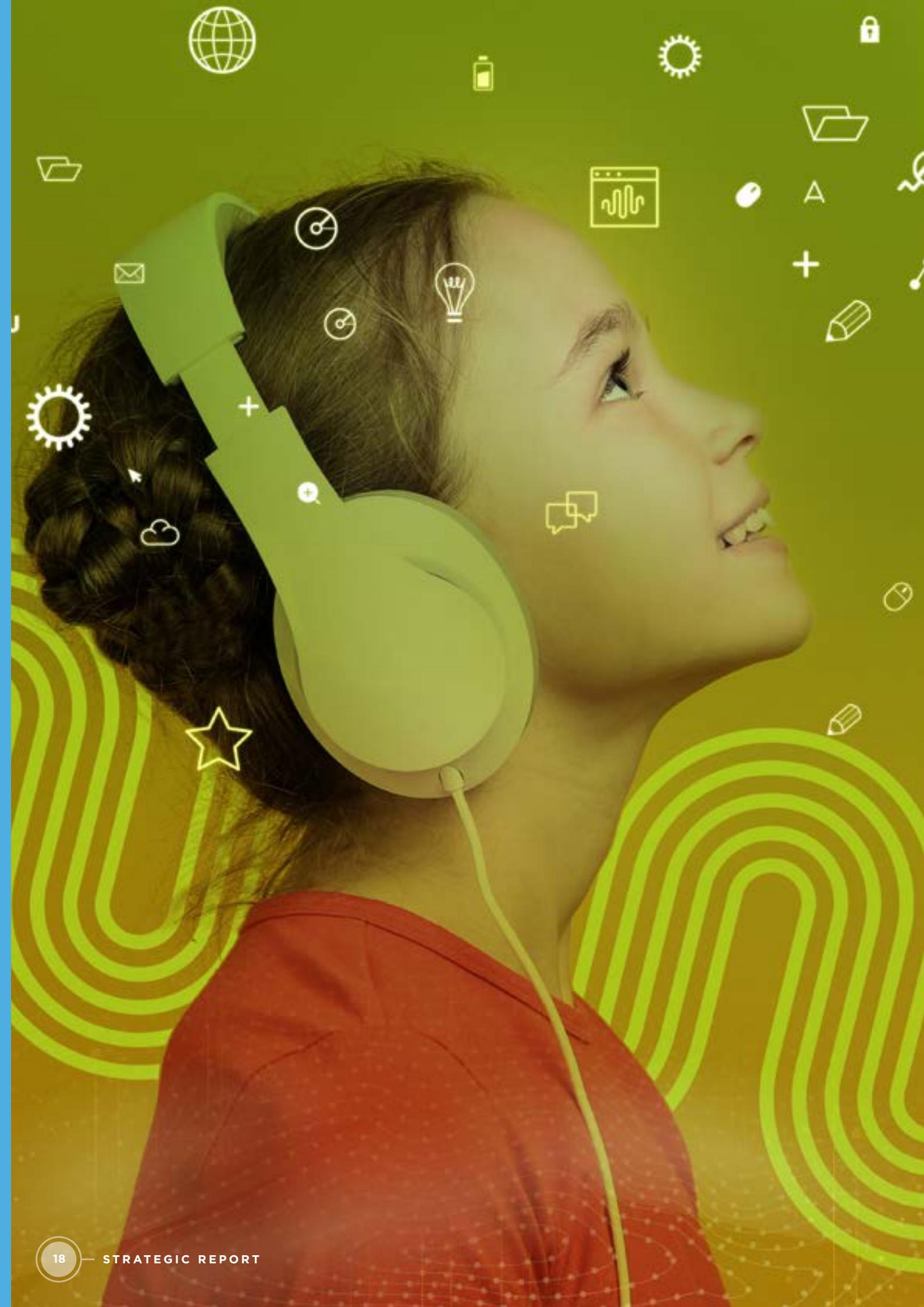
The Digital Software Platform offering covers a number of key cloud-based products such as RM Integris (school management system), RM Unify (authentication and portal system) and RM SafetyNet (internet filtering and safeguarding system) as well as other content, finance and network software offerings. Digital Platforms revenues increased by 4% to £10.1m (2018: £9.7m) driven by growth in RM Integris and network software. Customer retention rates of core Digital Platform products remain consistent and in excess of 90% in the year.

IMPACT OF UK WITHDRAWAL FROM THE EUROPEAN UNION

The Company will continue to monitor the evolving situation regarding the UK withdrawal from the EU on 31 January 2019 given the ongoing risk of a no-deal exit at the end of the transition period if no trade deal is agreed.

The Group has European sales of £14.3m, of which £8.4m relate to physical product sales in RM Resources and £5.9m relate to software and services sales in RM Results and RM Education. The Group has undertaken a review of the potential changes resulting from the UK's exit from the EU, including in the event of a 'no deal' scenario. This review focussed on the principal risk areas of customers and markets, supply chain, people, treasury, legal, data and regulation and customs and tax. Following this review, although we believe the likely impact to be unfavourable, we continue to believe that it will not have a materially adverse effect on the Group as a whole, whilst assuming that the UK government does not fundamentally change its approach to education funding and recent commitments for increased school funding. We continue to monitor the evolving nature of the negotiations.

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



GOING CONCERN

The financial position, cashflows and liquidity position are described in the financial statements and the associated notes. In addition, the notes to the financial statements include RM's objectives, policies and processes for managing its capital, financial risk management objectives, and exposure to credit and liquidity risk. During the year, the Group renegotiated and extended its revolving credit facility. The current facility is for £70m with a £30m accordion clause, enabling the Group to extend the facility to £100m. The facility is committed to June 2022 but has the option of a further two year extension. The associated financial covenants are based on the definition of finance leases prior to the implementation of the new accounting standard, IFRS 16 which RM will adopt in financial year 2020. The Group ended the year with a net debt of £15.0m which is an increase of £9.2m on the prior year end position of £5.8m after costs of acquisition and strategic increases in capital expenditure during the year. The average net debt position during the year was £24.1m with the highest borrowing point being £38.7m.

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

FINANCIAL VIABILITY STATEMENT

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

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

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

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

Neil Martin
Chief Financial Officer
3 February 2020

 **DIRECTORS' BIOGRAPHIES****JOHN POULTER**

Chairman (r) (n)

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

ANDY BLUNDELL

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

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

DAVID BROOKS

Chief Executive Officer

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

PAUL DEAN

Non-Executive Director

Paul Dean joins the Board on 4 February 2020 as a Non-Executive Director and Chairman of the Audit Committee. He is currently Non-Executive Director and Chair of the Audit Committee for Wincanton plc and Focusrite plc, and the Senior Independent Director and Chair of the Audit Committee of Polypipe plc. He was previously the Senior Independent Director and Chair of the Audit Committee at Porvair for 7 years, Group Finance Director of Ultra-Electronics plc from 2008 to 2013 and Group Finance Director of Foseco plc from 2005 to 2008. Paul will be a member of the Audit, Remuneration and Nomination Committees.

PATRICK MARTELL

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

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

NEIL MARTIN

Chief Financial Officer

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

DEENA MATTAR

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

Deena Mattar FCA joined the Board on 1 June 2011 as a Non-Executive Director and was appointed Chairman of the Audit Committee on 26 March 2012. She served as Group Finance Director of Kier Group plc from 2001 to 2010, having joined the Group in 1998 as Finance Director of Kier National. Prior to this she held senior positions at KPMG. Ms Mattar is also an Independent Non-Executive on the Partnership Oversight Board of Grant Thornton UK LLP. She is also a former Non-Executive Director of Lamprell plc, Wates Group Limited and Invensys plc. Deena will retire as a Director later in the year.

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 2019.

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 5.26% to 8.00 pence per share (2018: 7.60 pence). This is comprised of the interim dividend of 2.00 pence per share paid in September 2019 and, subject to shareholder approval, a final dividend of 6.00 pence per share.

TREASURY AND FOREIGN EXCHANGE

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

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

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

ENVIRONMENTAL POLICY AND REPORTING

The Group recognises that its activities must be carried out in an environmentally friendly and compliant manner. Good standards of environmental performance are adopted as we deem it important to promote sustainability and also to minimise the potential negative environmental impact of products and processes. These actions include efficient utility usage, waste reduction/recycling and use of energy saving features in products. The Directors are currently reviewing the Group's overall sustainability strategy with the intention of putting in place more ambitious goals and projects that enhance our sustainable business practices.

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 2019.

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.

All emissions factors have been selected from the emissions conversion factors published annually by the Department for Business, Energy & Industrial Strategy (which can be found at <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2019>).

Emissions by scope

Scope	Source	Country	Year ended 30 September 2019		Year ended 30 September 2018	
			Tonnes CO ₂ €	Absolute totals Tonnes CO ₂ €	Tonnes CO ₂ €	Absolute totals Tonnes CO ₂ €
Scope 1	Van/car travel	UK	409		481	
	Van/car travel	India	6		6	
	Gas	UK	676	1,091	789	1,276
Scope 2 (location based)	Electricity	UK	719		805	
	Electricity	India	595		634	
	Electricity	Australia	17	1,331	0	1,439
Total				2,422		2,715

Note: CO₂€ means CO₂ equivalent

The Group has reduced its emissions in 2019 compared to 2018 by 293 tonnes, a reduction of 11%. This is largely related to changes we have made, such as the adoption of agile working, that has led to a reduction in our requirements for building space across the Group.

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 €/employee	Year ended	Year ended
	30 September 2019	30 September 2018
Scope 1	0.54	0.66
Scope 2	0.67	0.74
Total	1.21	1.40

With enhanced data accuracy, 2018 emissions have been restated.

DATA PROTECTION

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

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

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

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

HEALTH AND SAFETY

The Group has implemented a health and safety management system which aims to continually improve health and safety implementation and is designed to meet the requirements of ISO 45001. The following objectives are incorporated into the health and safety management system:

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

POLITICAL DONATIONS

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

RESEARCH AND DEVELOPMENT

The Company continues to develop and maintain its existing software development products whilst staff work to develop new and more effective systems and products. The Company incurred £6.6m of research and development in the year, which was expensed in the Income Statement (2018: £6.7m). This primarily relates to product research, maintenance and related expenditure which does not meet capitalisation criteria.

SUBSTANTIAL SHAREHOLDINGS

On 31 January 2020 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 2020	No. of shares	
			Direct	Indirect
Schroders Investment Management Ltd	14,389,444	17.16%	0	14,389,444
Aberforth Partners LLP	12,570,713	14.99%	0	12,570,713
Castlefield Fund Partners Ltd	10,240,000	12.21%	0	10,240,000
Canacord Genuity Group Inc	4,725,312	5.63%	0	4,725,312
BlackRock Inc	4,523,809	5.39%	0	4,523,809
Artemis Fund Managers Ltd	4,090,645	4.88%	0	4,090,645
Majedie Asset Management Ltd	3,930,360	4.69%	0	3,930,360

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 2019, the RM plc Employee Share Trust owned 1,398,921 ordinary shares in the Company (1.67% of the issued share capital); any voting or other similar decisions relating to those shares would be taken by the Trustees, who may take account of any recommendation of the Board of the Company.

The Group enters into long-term contracts to supply IT products and services to its customers. Wherever possible, these contracts do not have change of control provisions, but some significant contracts do include such provisions.

In July 2019, the Company entered into a revised agreement extending the term of the revolving credit facility, with Barclays Bank plc and HSBC Bank plc, to June 2022. The principal facility has been increased to £70m. In addition, the Company has a £30m accordion facility, enabling the Company to extend the total facility up to £100m. That facility is subject to termination in the event of a change of control of the Company or the de-listing of any part of the share capital of the Company from the Official List.

REPURCHASE OF OWN SHARES

At the Annual General Meeting held on 27 March 2019, members renewed the authority under section 701 of the Companies Act 2006 to make market purchases on the London Stock Exchange of up to 8,387,501 ordinary shares, being 10% of the issued share capital of the Company. The minimum price which may be paid for each share is the nominal value. The maximum price which may be paid for a share is an amount equal to the higher of (1) 5% above the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased and (2) the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out. 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 26 March 2020.

OVERSEAS BRANCHES

The Group has an overseas branch in Singapore.

DIRECTORS

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

John Poulter

Andy Blundell

David Brooks

Patrick Martell

Neil Martin

Deena Mattar

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

The Group has provided indemnity insurance for one or more of the Directors during the financial year and at the date of signing this Report. The Directors also have the benefit of a Deed of Indemnity in respect of liabilities which may attach to them in their capacity as Directors of the Company. These provisions are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006.

INDEPENDENT AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent 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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

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

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

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

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting will be held on 26 March 2020 at 142B Park Drive, Abingdon, Oxfordshire, OX14 4SE, 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

Mark Lágler

Company Secretary

3 February 2020



CORPORATE GOVERNANCE REPORT

INTRODUCTION FROM THE CHAIRMAN

As Chairman, I am responsible for ensuring that the Company has high standards of corporate governance. While the UK Corporate Governance Code, as published and updated from time to time, sets out a framework for corporate governance, irrespective of that Code, the Board tries to foster throughout the organisation a culture of open and honest communication, constructive challenge, proper division of responsibilities and consideration of all relevant stakeholders, all set within a structure containing appropriate checks and balances. The Board sees this as a positive contributor to effective business operations.

Nonetheless, corporate governance has been an area of considerable focus in recent years, with the Financial Reporting Council issuing a revised Code in 2018 ('2018 Code') following extensive consultation. While we have reported against the 2016 Code (see further below), the Board has used the introduction of the 2018 Code as an opportunity to review the Company's governance framework and any changes that may be necessary or desirable.

The 2018 Code will apply to RM from the start of the financial year commencing 1 December 2019 and so the Company will report in full on its application in the Annual Report for the year ending 30 November 2020. However, we have set out below a few of the key points arising specifically in relation to the 2018 Code that have been considered by the Board already, in order to give investors and other stakeholders the confidence that such matters have been, and will continue to be, properly addressed.

UK Corporate Governance Code 2018

Although the 2018 Code was at first sight a significant departure from previous Codes, a lot of its content was already being covered or reviewed in some way by the Board or within the business. For example:

- In terms of culture and purpose, the Company has a clear and stated vision (as already available at www.rmplc.com):

"We grow through improving life chances of people - worldwide - by delivering great education products and services that help teachers to teach and learners to learn."

In terms of values, the above vision is supported internally by a recently launched set of values and behaviours (known as '5 To Drive'). The '5 To Drive' initiative is a comprehensive internal programme that is intended to drive positive and aligned behaviours throughout the organisation. These behaviours are intended to benefit not just the Company itself and its staff but also all stakeholders with whom we do business. In next year's Annual Report we will provide more detail on the '5 To Drive' programme and alignment within the Company with this.

- The Board has always considered the treatment and engagement of the entire workforce as an issue of importance. A number of processes have been in place in order to assist the Board in monitoring such matters, ranging from Company-wide employee surveys, consideration of key policies and tracking of attrition and labour turnover rates across each part of the business.

Workforce engagement is a key focus area in the 2018 Code and, while the revised Code sets out certain prescribed mechanisms for improving workforce engagement, the Board considers that, notwithstanding those mechanisms, the Board has a collective responsibility in this area. Additionally, being mindful of best practice and the provisions of the new Code, the Board has appointed Patrick Martell as a 'Designated Non-Executive Director' to enhance that engagement, with various initiatives under consideration to achieve that engagement.

- In determining remuneration for the Executive Directors, the Remuneration Committee has always considered the remuneration arrangements for the wider workforce. Pension arrangements have been aligned (with the Executive Directors having identical arrangements to the rest of the workforce). The Remuneration Committee has also been involved in reviewing the remuneration for senior management, an area which is formalised by the 2018 Code. Similarly, the Company's Remuneration Policy was revised and put to shareholders in March 2018, with a number of the recommendations from the 2018 Code having already been incorporated (e.g. post-vesting holding periods).
- In addition, the majority of the Board is independent, there is an annual re-election of all Directors, the Audit, Nomination and Remuneration Committees have at least three members, and there is annual evaluation of the Board, the Chairman and the Committees.

Despite the reviews and steps already taken, the Board is cognisant of the fact that best practice continues to evolve. As such, the Board will continue to monitor and review its governance arrangements under the 2018 Code against best practice being adopted by others and will report more fully in next year's Annual Report.

UK Corporate Governance Code 2016

On behalf of the Board, I confirm that the Company has complied with the provisions of the UK Corporate Governance Code 2016 (the 'Code') throughout the 12 month period ended 30 November 2019. How we have applied the principles of the Code is set out in the table below.

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

John Poulter

Chairman

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2016

Code of Best Practice – Principles		RM Statement of Compliance
A	DIRECTORS	
A1	The Role of the Board	<p>Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.</p> <p>The Directors' responsibilities are outlined in the Directors' Report. The Board meets regularly on a formal basis plus additional ad hoc meetings as necessary. Further details of the operation of the Board and the structure of internal governance arrangements are referred to below.</p>
A2	Division of Responsibilities	<p>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.</p> <p>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.</p>
A3	The Chairman	<p>The Chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.</p> <p>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.</p> <p>The Chairman meets the independence criteria.</p>
A4	Non-Executive Directors	<p>As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.</p> <p>The Non-Executive Directors scrutinise strategic proposals for the Group and monitor performance on an ongoing basis. The controls in place to ensure the integrity of financial information and systems of risk management are described elsewhere in the Annual Report.</p> <p>Deena Mattar is Senior Independent Director and is available to shareholders if they have concerns which contact through the normal channels has failed to resolve.</p> <p>The Chairman holds meetings with the Non-Executive Directors without the Executive Directors present when considered appropriate and the performance of Non-Executive Directors, including the Chairman, is assessed as noted in paragraph B6 below.</p>
B	EFFECTIVENESS	
B1	The Composition of the Board	<p>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.</p> <p>The Board consists of the Chief Executive Officer and Chief Financial Officer plus, currently, four Non-Executive Directors including the Chairman. All of the Non-Executive Directors (including the Non-Executive Director starting on 4 February 2020) 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 judgement. The Directors have a combination of financial and business expertise which is suited to the nature of the Company.</p>

Code of Best Practice – Principles	RM Statement of Compliance
B2 Appointments to the Board	
<p>There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.</p>	<p>A separate Nomination Committee, comprised of all Non-Executive Directors, including the Chairman, is responsible for identifying and nominating candidates to fill Board vacancies. While the Chairman chairs the Nomination Committee, the Senior Independent Director would do so if the Committee was dealing with the appointment of a new Chairman.</p>
	<p>External search consultancies, which have no other connection to the Company (other than in relation to similar previous appointments), were appointed during the year to assist with new Non-Executive Director appointments. Paul Dean has been appointed as a Non-Executive with effect from 4 February 2020. No other appointment has yet been made.</p>
B3 Commitment	
<p>All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.</p>	<p>The Board ensures that on appointment and thereafter all Directors have sufficient time to carry out their duties.</p>
B4 Development	
<p>All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.</p>	<p>All Directors receive an induction on joining the Board. All Directors have extensive experience and possess relevant skills and knowledge to perform their duties.</p>
B5 Information and Support	
<p>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>	<p>The Board is supplied with monthly management accounts and detailed operational reviews. The Board is also informed of any key developments or issues that require their consideration as and when they arise and management ensures that further information and/or clarification is provided to the Board as required from time to time.</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.</p>
B6 Evaluation	
<p>The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.</p>	<p>The performance of the Board and each Board Committee is reviewed on an annual basis and a review was conducted during the year ended 30 November 2019. Certain administrative improvements were identified as a result of this year's review and will be implemented during the year ending 30 November 2020.</p>
	<p>The performance of the Chairman is assessed by the Non-Executive Directors led by the Senior Independent Director. The Senior Independent Director also meets with the Non-Executive Directors without the Chairman being present on such other occasions as considered appropriate.</p>
	<p>The performance of the Chief Executive Officer is assessed by the Chairman, in consultation with the other Non-Executive Directors. The performance of the Chief Financial Officer is assessed by the Chief Executive Officer, in consultation with the Chairman and other Non-Executive Directors.</p>
	<p>The Chairman also holds meetings with the Non-Executive Directors without the Executive Directors present when considered appropriate.</p>
B7 Re-election	
<p>All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.</p>	<p>All Directors are appointed for specific terms subject to annual re-election by shareholders at each Annual General Meeting.</p>

Code of Best Practice – Principles		RM Statement of Compliance
C ACCOUNTABILITY		
C1 Financial and Business Reporting	<p>The board should present a fair, balanced and understandable assessment of the company's position and prospects.</p>	<p>In preparing the Annual Report and Accounts, the Directors consider that they present a fair, balanced and understandable assessment of the Group's performance and position and provide appropriate guidance on its future prospects. The Company's strategy is summarised in the Strategic Report.</p>
C2 Risk Management and Internal Control	<p>The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.</p>	<p>The Company operates a risk management and internal control process, further details of which are given elsewhere in this Annual Report. The control environment addresses, <i>inter alia</i>, financial, operational and compliance matters. These processes are reviewed at least on an annual basis. Further details are provided in the Audit Committee Report.</p> <p>The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company.</p> <p>The Strategic Report sets out further details of those risks and provides a summary as to how they are managed or mitigated. Having carried out that assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due. Further details of that assessment are provided in the Strategic Report.</p>
C3 Audit Committee and Auditors	<p>The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.</p>	<p>The Audit Committee is comprised of Non-Executive Directors and meets at least three times a year. The Chairman, Chief Executive Officer, Chief Financial Officer and other members of the internal finance team and internal audit are invited to attend. The Audit Committee meets separately with the Company's auditor without the Executive Directors present. Further details are set out below and in the Audit Committee Report.</p>
D REMUNERATION		
D1 The Level and Components of Remuneration	<p>Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.</p>	<p>The Remuneration Committee carefully considers the elements of remuneration paid to the Executive Directors and the basis on which they are paid. In all cases, remuneration is designed to promote the long-term success of the Company. The Remuneration Report sets out further details.</p> <p>During the period, neither the Chief Executive Officer nor the Chief Financial Officer held any Non-Executive positions with other companies.</p>
D2 Procedure	<p>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.</p>	<p>Remuneration packages for individual Directors are set by the Remuneration Committee after, if required, receiving information from independent sources and the Company's Human Resources function. Further details are provided in the Remuneration Report.</p> <p>The Chief Executive Officer and Chief Financial Officer may be invited to attend the Committee's meetings but are not involved in deciding their own remuneration. The Chairman of the Remuneration Committee is available to discuss remuneration with shareholders as required.</p>

Code of Best Practice – Principles		RM Statement of Compliance
E	RELATIONS WITH SHAREHOLDERS	
E1	Dialogue with Shareholders	<p>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.</p> <p>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.</p> <p>Deena Mattar, Senior Independent Director, is available to shareholders if they have concerns which contact through the normal channels has failed to resolve.</p> <p>All Non-Executive Directors are available to meet institutional shareholders on an ad hoc basis.</p> <p>The Board is kept appraised of the views of major shareholders through regular dialogue with its brokers and other advisors and from feedback provided by the Executive Directors and Chairman respectively, following meetings held with shareholders.</p>
E2	Constructive Use of General Meetings	<p>The board should use general meetings to communicate with investors and to encourage their participation.</p> <p>All Directors make themselves available at the Annual General Meeting to respond to any questions raised by the investors in attendance.</p> <p>The Company complies with all of the requirements of the Code in relation to the timing and operation of all Annual General Meetings.</p>

BOARD OF DIRECTORS

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

BOARD COMMITTEES

There are three Board committees: Audit, Remuneration and Nomination, each of which comprises only independent Non-Executive Directors.

The Audit Committee is chaired by Deena Mattar. Ms Mattar has considerable financial experience and expertise as further outlined in the Directors' Biographies section of this Annual Report. The Audit Committee is comprised solely of independent Non-Executive Directors. The Audit Committee meets at least three times a year. The Company's external auditor, Chairman, Chief Executive Officer, Chief Financial Officer, Company Secretary and Group Financial Controller, who is Head of Internal Audit, normally attend these meetings. The Audit Committee is responsible for reviewing the accounting policies, internal control environment and the financial information contained in the annual and interim reports. The Audit Committee also reviews the arrangements by which staff may, in confidence, raise concerns about possible improprieties, whether of a financial nature or otherwise. The Committee provides an opportunity for the Non-Executive Directors to make independent judgements and contributions, thus furthering the effectiveness of RM's internal controls. Further details of the Audit Committee's activities are given in the Audit Committee Report. The terms of reference for the Audit Committee are published on www.rmplc.com.

The Remuneration Committee is chaired by Patrick Martell. The Remuneration Committee is comprised solely of independent Non-Executive Directors. Executive Directors and senior managers may be invited to attend Committee meetings but will not be present during any discussion of their own pay arrangements. The Remuneration Committee sets the remuneration of the Executive Directors and recommends and monitors the level and structure of remuneration for senior management. It also considers grants and performance conditions under RM's share-based payment schemes and reviews RM's employment strategy generally. Further details of the Remuneration Committee's activities are given in the Remuneration Report. The terms of reference for the Remuneration Committee are published on www.rmplc.com.

The Nomination Committee is chaired by the Chairman and includes all of the independent Non-Executive Directors. The Nomination Committee recommends to the Board candidates for appointment as Directors. It meets as required, when the Group is considering the appointment of Directors. The terms of reference for the Nomination Committee are published on www.rmplc.com.

DIVERSITY POLICY

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

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

BOARD ATTENDANCE

Details of the number of meetings of the Board and each Committee and individual attendances by Directors are set out in the table below.

Number of meetings held in the period	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held in the period	15	3	2	1
John Poulter	14	2 ¹	2	1
Andy Blundell	15	3	2	1
David Brooks	15	-	-	-
Patrick Martell	15	3	2	1
Neil Martin	15	-	-	-
Deena Mattar	15	3	2	1

¹ John Poulter resigned from the Audit Committee on 25 September 2019.

Where a Director is unable to attend a meeting, the papers are sent in advance and the Director has the opportunity to provide comments.

EXECUTIVE COMMITTEE

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

RELATIONS WITH SHAREHOLDERS

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

SOCIAL, ETHICAL AND ENVIRONMENTAL ISSUES

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

The Board considers that the technology solutions it offers create opportunities for its customers to reduce their environmental impact. It also considers that it has received adequate information to enable it to assess significant risks to the Company's short and long-term value arising from SEE matters and has concluded that the risks associated with SEE matters are minimal. The Board will continue to monitor those risks on an ongoing basis and will implement appropriate policies and procedures if those risks become significant.

INTERNAL CONTROL

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

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

The Group recognises that it operates in a highly competitive market that can be affected by factors and events outside its control. Details of the main risks faced by the Group are set out in the 'Principal and Emerging Risks and Uncertainties' table in the Strategic Report. It is committed to mitigating risks arising wherever possible. Internal controls that are considered, applied and monitored appropriately, are an essential tool in achieving this objective.

The key elements of Group internal control, which have been effective during 2019 and up to the date of approval of the financial statements are set out below:

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

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

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

- A financial planning process with an annual budget approved by the Board, which budget is regularly updated providing an updated forecast for the year.
- Monthly comparison of actual results against budget.
- Written procedures detailing operational and financial internal control policies which are reviewed on a regular basis.
- Existence of an internal audit function led by Group Financial Controller.
- Regular reporting to the Board on treasury and legal matters.
- Defined investment control guidelines and procedures.
- Regular reviews by the Executive Committee of the Group's systems and procedures, the principal risks facing the Company and the steps taken to mitigate and address those risks.
- Periodic reviews by the Audit Committee of the principal risks facing the Company and mitigating actions as noted above, as well as of the Group's systems and procedures to identify and address those risks.

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

Both the Board and Audit Committee have reviewed the operation and effectiveness of this framework of internal control for the period and up to the date of approval of the Annual Report.



 **AUDIT COMMITTEE REPORT**

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

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

FINANCIAL STATEMENTS

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

The Audit Committee reviewed and considered the following areas:

- The methods used to account for significant or unusual transactions where different approaches are possible.
- Whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the Company's auditor.
- The consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Group.
- The clarity of disclosure in the Company's financial reports.
- The effect of the introduction of IFRS 15 on the accounts of the Group and the key judgements involved.
- The effect of the proposed introduction of IFRS 16 on the future accounts of the Group.

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

In relation to the acquisition of SoNET Systems Pty Ltd, certain valuation risks stems from the acquisition, including in relation to the purchase price allocation and the acquisition balance sheet. The Company is required to make a number of judgements which focus on (but are not limited to) the identification of the intangible assets acquired and an assessment of the fair value of the acquired assets and liabilities. The Company engaged a number of advisors (financial and accounting and legal) to assist with the acquisition and to support the valuation of the intangible assets acquired. Given the size, materiality and structure of the acquisition, these are not considered by the Audit Committee to be critical judgements within the Annual Report.

The Audit Committee considers that the significant accounting judgements upon which the accounts are based relate primarily to revenue recognition for long-term contracts under IFRS 15. In these contracts the arrangements may be complex, particularly with respect to variable consideration and service performance measures.

These contracts can involve significant judgements that may impact the recognition of revenue including:

- The identification of performance obligations included within the contract.
- The allocation of revenue to performance obligations including the impact of variable consideration.
- The combination of goods and services into a single performance obligation.
- The measurement of progress for performance obligations satisfied over time.
- The consideration of onerous contract conditions and associated loss provisions.

As part of the adoption of IFRS 15, the Audit Committee received papers and presentations on the key judgements and impact on IFRS 15 on current contracts. The Audit Committee also agreed that regular summaries are presented for their consideration and review for significant complex contracts which highlight the key judgements and estimates made to determine revenue recognition.

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

The Audit Committee considered and is satisfied that, taken as a whole, the Annual Report 2019 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

COMPOSITION AND QUALIFICATIONS OF THE AUDIT COMMITTEE

During the year ended 30 November 2019, the Audit Committee comprised Deena Mattar BSc (Econ), FCA (Chairman), Andy Blundell and Patrick Martell, all of whom are independent Non-Executive Directors. In addition John Poulter (Group Chairman) was a member until 25 September 2019, when he stepped down from the Audit Committee after consideration of the 2018 UK Corporate Governance Code that recommends the Committee should only comprise Non-Executive Directors. The Group considers that Deena Mattar as a Fellow of the Institute of Chartered Accountants in England and Wales and former FTSE250 Finance Director has significant recent and relevant financial experience, as further described in the Directors' Biographies section of this Annual Report.

The External Auditor (KPMG), John Poulter (Chairman), David Brooks (Chief Executive Officer), Neil Martin ACMA (Chief Financial Officer), Jo Bridgman ACA (Group Financial Controller) and other management are invited to attend Audit Committee meetings as appropriate.

SCHEDULE OF MEETINGS

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

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

APPOINTMENT OF EXTERNAL AUDITOR

The Audit Committee recommended, and shareholders approved at the Company's Annual General Meeting on 27 March 2019, the re-appointment of KPMG LLP as Group external auditor.

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

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

OVERSIGHT OF EXTERNAL AUDIT

The Audit Committee has reviewed the scope and results of the audit services, and the cost effectiveness and independence and objectivity of the external auditor. This includes discussions with the external auditor in relation to areas of key focus and ensuring that the external auditor challenges management appropriately, in particular in relation to matters that require judgement to be exercised. Separately, the external auditor briefs the Committee on new developments that may affect the Company to help ensure that the Company is suitably prepared and up-to-date with all new and forthcoming accounting developments and disclosures (e.g. IFRS 16).

INTERNAL AUDIT

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

POLICY ON NON-AUDIT WORK

The Audit Committee has considered the issue of the provision of non-audit work by the external auditor and has agreed a policy intended to ensure that the objectivity of the external auditor is not compromised. The policy sets a limit for fees for non-audit work and states that non-audit work should only be undertaken by the external auditor where there is a clear commercial benefit in doing so. Any significant activity must be approved, in advance, by at least two Audit Committee members.

The Audit Committee's policy is to include a cap on fees for non-audit work of 25% of the annual audit fee. This fee incorporates a review of the Group's interim results. In exceptional circumstances it may be appropriate for the auditor to carry out non-audit work in excess of this cap. If this is the case the type of work and the fee is considered very carefully by the Audit Committee in advance of appointing the auditor to the work.

Fees for non-audit work in the period were 6.7% of the annual audit fee, which relates to the Banking facility Covenant Compliance review and the interim review. These activities are required to be performed by the Auditor.

INTERNAL CONTROL

Control environment

The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority to Executive management. A Group-wide approval matrix is in place. Individuals are made aware of their level of authority and their budgetary responsibility which enables them to identify and monitor financial performance. There are established policies and procedures, which are subject to regular review and, following the acquisition of The Consortium in June 2017, those reviews involved aligning the governance framework in that business with the governance framework in operation elsewhere in the Group. Following the acquisition of SoNET Systems in 2019 the Group governance framework has been materially implemented in this new subsidiary with UK experienced management present in the acquired company for the first six months of acquisition. The Boards of the operating companies work within terms of reference and any matters outside those terms or the agreed business plan are referred to the Group Board for approval.

Identification and evaluation of business risks and control objectives

The Board has the primary responsibility for identifying the principal business risks facing the Group and developing appropriate policies to manage those risks. It delegates responsibility for operational risks to the Executive Committee which meets monthly. Further details in relation to the processes for identifying and managing Group risks are set out in the Strategic Report and Corporate Governance Report.

Public reporting

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

Management information

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

Main control procedures

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

Monitoring

The Audit Committee meets periodically to review reports from management and the external auditor so as to derive reasonable assurance on behalf of the Board that financial control procedures are in place and operate effectively. An internal audit plan is set with the Audit Committee and updates on progress are provided periodically. The internal audit work is performed on a peer-to-peer review basis or by engaging a third-party firm of accountants and is directed by a qualified accountant who is independent of the business divisions.

'WHISTLEBLOWING' POLICY

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

ANTI-BRIBERY

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

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

STATEMENT OF RISKS

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

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

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

Deena Mattar

Chairman, Audit Committee
3 February 2020

REMUNERATION REPORT

PART A - INTRODUCTION

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 November 2019.

This Report is divided into the following three sections:

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

The introduction in Part A provides an overview of the Report, the functioning and membership of the Remuneration Committee, key decisions taken during the year and the remuneration outcomes for the year ended 30 November 2019.

1. THE REMUNERATION COMMITTEE

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

2. MEMBERSHIP OF THE COMMITTEE

The membership of the Remuneration Committee during the year ended 30 November 2019 comprised Patrick Martell (Chairman), Andy Blundell, Deena Mattar and John Poulter, all of whom are independent Non-Executive Directors. The other Directors attend meetings as and when required and by invitation.

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

3. MAJOR DECISIONS ON DIRECTORS' REMUNERATION

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

- Agreement of the bonuses payable in respect of the financial year ended 30 November 2018.
- Approval of the Remuneration Report for the year ended 30 November 2018.
- The grant of LTIP awards to senior executives in March 2019.
- The proposal to put a new Performance Share Plan to shareholders at the AGM in March 2019 (to replace the previous Plan which will shortly be coming to its conclusion).

4. REMUNERATION OUTCOMES FOR THE YEAR

The key remuneration outcomes during or in relation to the year ended 30 November 2019 were as follows:

- During the year, none of the Group's LTIPs were due to vest.
- In relation to annual bonuses for the year ended 30 November 2019, the Committee considered the Company's performance relative to the targets set at the start of the year. Group adjusted profit before tax was £26.6m, as compared to a target of £26.0m. In light of that performance, the Committee considered it appropriate to set the bonus payable for each of the Executive Directors at 45% of base salary.

The Committee considers that the overall pay outcome for the year ended 30 November 2019 is justified given the overall performance of the business, taking into account its future prospects and position.

Patrick Martell

Chairman, Remuneration Committee
3 February 2020

PART B - REMUNERATION POLICY

1. GENERAL OBJECTIVES

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

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

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

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

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

2. COMPONENTS OF REMUNERATION FOR EXECUTIVE DIRECTORS

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

Element	Purpose and link to strategy	Operation
Fixed Pay		
Base Salary (see also note 1 below)	To attract and retain talent by ensuring that salaries are competitive in the market.	Base salaries will be set on appointment at the appropriate level required to fill the role. If there is a probationary period following appointment, the base salary may increase as appropriate following successful completion of that probationary period. Thereafter, base salaries will generally only be increased in line with the increases in pay for the wider workforce (either across single or multiple years), except as justified by other circumstances.
Pension (see also note 2 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). Pension benefits will not be augmented on exit.
Benefits	To attract and retain talent by ensuring that remuneration is competitive in the market.	The range of benefits 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.

Maximum Opportunity	Performance Metrics	Changes for 2019/20
Base salaries will be determined as outlined in the 'Operation' column opposite.	None.	None.
Up to 7% of base salary depending upon level of employee contribution.	None.	None.
Private healthcare.	None.	None.
Group income protection.		
Life assurance.		
Car allowance.		
Mobile phone allowance.		
Other benefits may be added if also available to any other employees.		

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

Notes:

1. Since the end of the financial year, having applied the principles set out in the table above, the Committee has not increased the base salary of David Brooks and Neil Martin.
2. Group company RM Education Ltd operates a defined benefit pension scheme. This closed to new members in 2003 and, in respect of current members, closed to future accrual of benefits on 31 October 2012. David Brooks, CEO, has past benefits accrued as at 31 October 2012. His entitlements under that scheme are calculated on the same basis as those of other members. Since 1 November 2012, Mr Brooks has been a member of a defined contribution pension scheme.

Maximum Opportunity	Performance Metrics	Changes for 2019/20
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 as outlined in the 'Operation' column opposite.	None.
At threshold performance, bonuses will be paid at no more than 20% of the maximum opportunity.	Details of performance targets will be disclosed retrospectively in the following year's Remuneration Report.	
Any bonuses in excess of 100% of base salary will be paid in the form of shares that must be held for a minimum of 2 years.	If personal targets are set, those targets will be subject to an underpin based on Company performance.	
Annual bonuses are not pensionable.		
Annual bonuses are subject to malus and clawback provisions (see further below).		
150% of base salary.	<p>Set by the Committee at the date of grant to align with shareholders' interests.</p> <p>The vesting period for LTIPs will be a minimum of 3 years.</p> <p>Details of performance targets will be disclosed retrospectively in the Remuneration Report following the year in which LTIPs are granted (see note 3 below).</p> <p>At threshold performance, no more than 25% of the award will vest.</p> <p>All targets will be subject to an underpin based on the underlying performance of the Company.</p>	None.

3. It is anticipated that, during the year ending 30 November 2020, awards will be made to David Brooks and Neil Martin, respectively, under the RM plc Performance Share Plan 2019. Those awards will be awards of options with an exercise price of £0.00 and the face value of the awards will be c. 100% of base salary. In terms of the targets for those awards:

- 50% shall be based on the Company's growth in adjusted earnings per share (EPS) between the year ended 30 November 2019 and the year ended 30 November 2022. Vesting will occur on a sliding scale between a compound annual growth rate (CAGR) in EPS of 5% pa (25%) and a CAGR in EPS of 15% pa (100%) namely 30.8 pence and 40.5 pence.
- 50% shall be based on the Company's relative TSR performance for the period from January/February 2020 to January/February 2023. The Company's TSR performance shall be measured against the TSR performance of the companies within the FTSE Small Cap (ex. Investment Trusts) Index ('Comparator Group') over the above period and must be at least at the median of a ranking of the TSR of each of the members of the Comparator Group. Vesting will occur on a sliding scale between median (25%) and upper quartile (100%).

3. SHAREHOLDING POLICY

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

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

4. POLICY ON RECRUITMENT

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

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

5. MALUS AND CLAWBACK

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

As the payment of annual bonuses are at the discretion of the Committee, the malus provisions in force are such that the payment of those bonuses are such that the Committee can reduce the payment if they consider that there is any

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

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

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

6. PAYMENT UNDER PREVIOUS POLICIES

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

7. DISCRETIONS

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

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

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

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

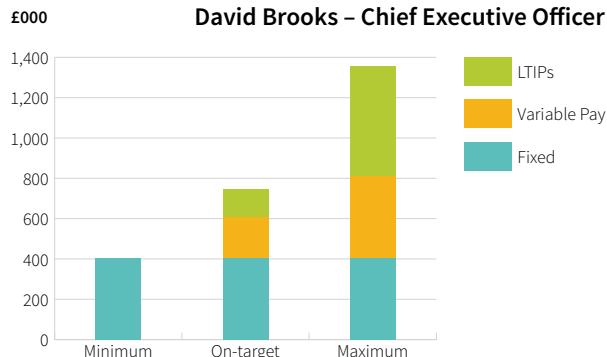
8. NON-EXECUTIVE DIRECTOR FEES

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

9. ILLUSTRATION OF REMUNERATION POLICY

The graphs below provide estimates of the potential future reward for each of the Executive Directors based on their current roles, the Remuneration Policy outlined above and base salaries as at 1 February 2020. However, it is noted that the illustrations show maximum LTIP awards at 150% of base salary, whereas the typical value of LTIP awards is lower (e.g. as is shown in Part C of this Remuneration Report, the value of the last LTIP awards made were 101% of base salary for David Brooks and 99% of base salary for Neil Martin).

The illustrations for LTIP awards assume no change in share price between the date of grant of an award and the date of vesting.

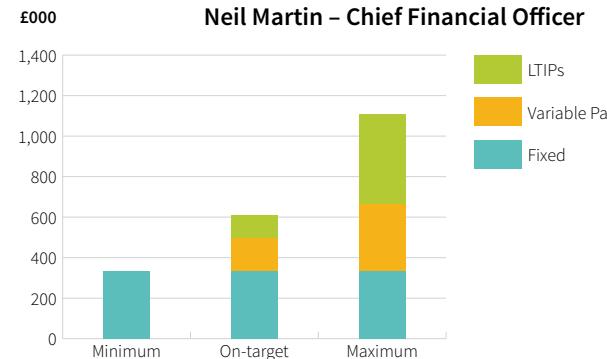


Explanations:

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

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

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



Explanations:

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

10. COMPARISON OF REMUNERATION POLICY

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

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

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

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

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

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

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

11. DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

12. POLICY ON TERMINATION

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

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

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

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

PART C - IMPLEMENTATION REPORT

1. DIRECTORS' REMUNERATION - SINGLE FIGURE OF REMUNERATION

The tables below set out a single figure of remuneration for each of the Directors in respect of the year ended 30 November 2019 and, in respect of those Directors, the equivalent figures for the year ended 30 November 2018:

Name	Salary/fees		Taxable benefits		Annual bonus		LTIPs		Retirement benefits		Termination payments		Total £000	
	2019	2018	£000	£000	2019	2018	£000	2019	2018	£000	2019	2018		
Executive														
David Brooks	358¹	323 ¹	11	11	161	226	-	401	23¹	21 ¹	-	-	553	982
Neil Martin	297¹	291 ¹	15	15	134	204	-	310	21¹	20 ¹	-	-	467	840
Non-Executive														
John Poulter	135	131	-	-	-	-	-	-	-	-	-	-	135	131
Andy Blundell	40	39	-	-	-	-	-	-	-	-	-	-	40	39
Patrick Martell	44	43	-	-	-	-	-	-	-	-	-	-	44	43
Deena Mattar	49	48	-	-	-	-	-	-	-	-	-	-	49	48
Total	923	875	26	26	295	430	-	711	44	41	-	-	1,288	2,083

Notes:

The table has been audited.

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

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

Taxable benefits

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

Annual bonus

At the start of the year, the Committee decided that on-target bonuses for the Executive Directors would be based upon the Company achieving an adjusted profit before tax in the year of £26.0m, subject to the Committee being satisfied as to the long-term underlying performance of the business. In particular, the Committee would not reward achievement against target if that achievement was as a result of an abnormal or unplanned level of movement in work-in-progress or as a result of exceptional items.

In relation to annual bonuses for the year ended 30 November 2019, the Committee considered the Company's performance relative to that target. Group operating profit before tax was £26.6m. In light of that performance, the Committee considered it appropriate to set the bonuses payable at 45% of base salary.

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

LTIPs

During the year none of the Group's LTIPs were due to vest.

Past Directors

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

Retirement benefits

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

David Brooks is also a member of RM Education Ltd's defined benefit pension scheme which closed to future accrual with effect from 31 October 2012. During the year, the increase in Mr Brooks' accrued pension under that scheme was nil. The transfer value of accrued benefits under that scheme as at 30 November 2019 was £1,010,010 (2018: £791,676). Mr Brooks' normal retirement age is 60.

Termination payments

There were no termination payments in the year.

2. DIRECTORS' LONG-TERM INCENTIVE PLANS

During the year ended 30 November 2019, the following long-term incentive awards were made.

Name	Type of share award	Grant date	Face value of award £000	Percentage that would vest at threshold performance	Maximum percentage of the face value where this is more than the face value	The end of the period over which the performance conditions have to be fulfilled	A summary of performance targets and measures
David Brooks	PSP ¹	14 March 2019	363 ²	12.5% for EPS element 12.5% for TSR element	n/a	February 2022	50% on EPS performance ³ 50% on relative TSR performance ⁴
Neil Martin	PSP ¹	14 March 2019	295 ²	12.5% for EPS element 12.5% for TSR element	n/a	February 2022	50% on EPS performance ³ 50% on relative TSR performance ⁴

Notes:

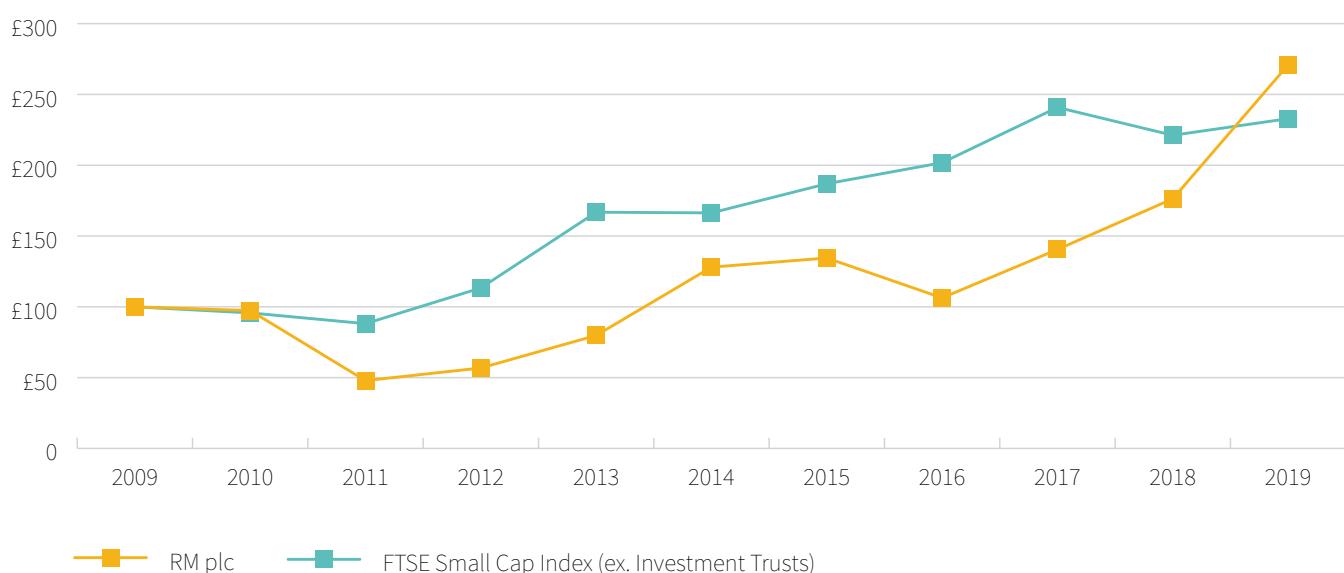
The table has been audited.

1. Awards granted under the PSP Scheme.
2. The face value of the award has been calculated by multiplying the maximum number of shares in the award (150,000 shares for David Brooks and 122,000 shares for Neil Martin) by the share price on the date of grant of the award (242.00 pence).
3. 50% of the award is based on the Company's growth in adjusted earnings per share (EPS) between the year ended 30 November 2018 and the year ended 30 November 2021. Vesting will occur on a sliding scale between a compound annual growth rate (CAGR) in EPS of 5% pa (25%) and a CAGR in EPS of 15% pa (100%), namely 30.1 pence and 39.5 pence respectively.
4. 50% of the award is based on the Company's relative TSR performance for the period from January/February 2019 to January/February 2022. The Company's TSR performance shall be measured against the TSR performance of the companies within the FTSE Small Cap (ex. Investment Trusts) Index ('Comparator Group') over the above period and must be at least at the median of a ranking of the TSR of each of the members of the Comparator Group. Vesting will occur on a sliding scale between median (25%) and upper quartile (100%).

3. PERFORMANCE GRAPH

The following graph shows the value, by 29 November 2019, of £100 invested in RM plc on 30 November 2009 compared with the value of £100 invested in the FTSE Small Cap (ex. Investment Trusts) Index on the same date. The reason for selecting that index is that this is the one that is most closely aligned to the market capitalisation and relative position of the Company. The other points plotted are the values at intervening financial year ends.

Total Shareholder Return



4. HISTORICAL CHIEF EXECUTIVE OFFICER PAY

The table below sets out details of:

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

	2010	2011 ¹	2012 ²	2013 ³	2014	2015	2016	2017	2018	2019
Single Figure (£000)	517	426	286	379	576	1,246	655	713	982	553
Annual variable element award rates against maximum opportunity	56%	0%	0%	58% ⁴	75%	50%	45%	73%	64%	41%
Long-term incentive vesting rates against maximum opportunity	40%	0%	0%	0%	0%	91%	100%	36%	100%	N/A⁵

Notes:

1. Terry Sweeney to 24 October 2011 (single figure: £369,000). Rob Sirs from 25 October 2011 to 30 November 2011 (single figure: £57,000).
2. Rob Sirs from 1 December 2011 to 31 January 2012 (single figure: £49,000). Martyn Ratcliffe from 1 February 2012 to 30 November 2012 (single figure: £237,000).
3. Martyn Ratcliffe from 1 December 2012 to 28 February 2013 (single figure: £52,000). David Brooks from 1 March 2013 (single figure: £327,000). Figures pro-rated to reflect the period during which Mr Ratcliffe and Mr Brooks respectively fulfilled the role of Chief Executive Officer.
4. Relates to David Brooks only. Martyn Ratcliffe had no annual variable remuneration.
5. During the year none of the Group's LTIPs were due to vest.

5. RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out, in respect of the year ended 30 November 2019 and the immediately preceding financial year, the total remuneration paid to all employees as compared to other significant distributions and payments.

	2019 £m	2018 £m
Total remuneration to employees	67.2	64.8
Total remuneration to Directors	1.3	2.1
Dividends paid	6.3	5.6
Corporation tax paid	3.6	3.1
Defined benefit pension cash contribution	4.6	4.6

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

Comparing 2018 to 2019	Salary	Benefits	Bonus ¹
% change in CEO remuneration	10.8	0.0	-11.0
% change in comparator group remuneration	3.1 ²	8.8	12.1

Notes:

1. Bonus includes annual bonus only and not any other payments made to employees described as a 'bonus' (e.g. Christmas bonuses or commission). Bonuses in this paragraph 6 relate to those actually paid in 2018 and 2019. The bonuses referred to in the 'Single Figure' table at paragraph 1 relate to the years ended 30 November 2018 (paid in February 2019) and 30 November 2019 (to be paid in February 2020).
2. The comparator group for changes in base salary comprises all of the Company's employees in the UK and India.

7. STATEMENT OF SHAREHOLDER VOTING

Voting at the Annual General Meeting held on 27 March 2019 in respect of the remuneration report for the year ended 30 November 2018, and at the Annual General Meeting held on 21 March 2018 in respect of the remuneration policy was as follows:

	% of votes in favour	% of votes against	Number of votes withheld
Resolution to approve the remuneration policy	99.98	0.01	506,109
Resolution to approve the remuneration report	97.55	2.39	0

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 2019 were:

	Holding as at 30 November 2019	Current holding as % of base salary ¹	Shareholding policy met ²	Holding as at 30 November 2018
John Poulter	87,500	-	-	87,500
Andy Blundell	6,312	-	-	6,312
David Brooks	440,878	302%	Yes	345,648
Patrick Martell	5,000	-	-	5,000
Neil Martin	115,416	95%	No	35,000
Deena Mattar	17,933	-	-	17,933

Notes:

1. Calculated based on the average share price for the period 1 December 2018 to 30 November 2019 (£2.4583) and base salaries as at 1 January 2020.
2. The 'Shareholding policy' is set out in paragraph 3 of Part B of this Report.
3. There have been no changes in any of the above shareholdings between 30 November 2019 and the date of this Report.

9. DIRECTORS' INTERESTS IN SHARE PLANS

As at 30 November 2019, the Executive Directors had the following interests in the Company's share plans¹:

PSP Awards²

	Date of Grant	No. of Shares/Options	Performance Conditions
David Brooks	9 March 2017	175,000	See notes 3, 4 and 5
	13 March 2018	150,000	See notes 5, 6 and 7
	14 March 2019	150,000	See notes 5 and 8
Neil Martin	Date of Grant	No. of Shares/Options	Performance Conditions
	9 March 2017	160,000	See notes 3, 4 and 5
	13 March 2018	135,000	See notes 5, 6 and 7
	14 March 2019	122,000	See notes 5 and 8

Notes:

1. The table has been audited. To avoid duplication, and in accordance with Section 17(b)(iii) of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the figures in the above table do not include the shares or share-based awards referred to in paragraph 1 (*Directors' Remuneration – Single Figure of Remuneration*) or in the table in paragraph 8 (*Directors' Shareholdings*) above.
2. Granted under 'The RM plc Performance Share Plan 2010'. All PSP awards are subject to a minimum vesting period of 3 years.
3. 50% of this award is based on the Company's growth in adjusted earnings per share (EPS) between the year ended 30 November 2016 and the year ended 30 November 2019. Vesting will occur on a sliding scale between a compound annual growth rate (CAGR) in EPS of 7.5% pa (25%) and a CAGR in EPS of 17.5% pa (100%), namely 21.7 pence and 28.2 pence respectively.
4. 50% of the award is based on the Company's relative TSR performance for the period from January/February 2017 to January/February 2020. The Company's TSR performance shall be measured against the TSR performance of the companies within the FTSE Small Cap (ex. Investment Trusts) Index ('Comparator Group') over the above period and must be at least at the median of a ranking of the TSR of each of the members of the Comparator Group. Vesting will occur on a sliding scale between median (50%) and upper quartile (100%).
5. The PSP awards granted in 2017, 2018 and 2019 were awards of options, with an exercise price of £0.00 per option. If the options granted in March 2017 vest, they would be exercisable in the period 11 March 2020 to 29 October 2027. If the options granted in March 2018 vest, they would be exercisable in the period 16 March 2021 to 26 October 2027. If the options granted in March 2019 vest, they would be exercisable in the period 15 March 2022 to 26 October 2027.
6. 50% of the award is based on the Company's growth in adjusted earnings per share (EPS) between the year ended 30 November 2017 and the year ended 30 November 2020. Vesting will occur on a sliding scale between a compound annual growth rate (CAGR) in EPS of 7.5% pa (25%) and a CAGR in EPS of 17.5% pa (100%), namely 26.1 pence and 34.1 pence respectively.
7. 50% of the award is based on the Company's relative TSR performance for the period from January/February 2018 to January/February 2021. The Company's TSR performance shall be measured against the TSR performance of the companies within the FTSE Small Cap (ex. Investment Trusts) Index ('Comparator Group') over the above period and must be at least at the median of a ranking of the TSR of each of the members of the Comparator Group. Vesting will occur on a sliding scale between median (25%) and upper quartile (100%).
8. The performance conditions and other information relevant to these awards are set out in paragraph 2 (*Directors' long-term incentive plans*) above.

10. DETAILS OF DIRECTORS' SERVICE CONTRACTS

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

11. REMUNERATION COMMITTEE DETAILS

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

No remuneration consultants were used during the year.

12. COMPLIANCE WITH REGULATIONS

This Report has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008, as amended by The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report also meets the relevant requirements of the Listing Rules of the UK Listing Authority and illustrates how the principles of the UK Corporate Governance Code relating to Directors' remuneration are applied by the Company.

The Group's auditors are required to comment on whether certain parts of the Group's Remuneration Report have been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008. Accordingly, the following sections of this Part C of this Report have been audited by KPMG LLP:

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

By Order of the Board

Patrick Martell

Chairman, Remuneration Committee

3 February 2020

INDEPENDENT AUDITOR'S REPORT

to the members of RM plc

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of RM plc ('the Company') for the year ended 30 November 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Balance Sheets, Consolidated and Company Cash Flow Statements and the related notes, including the accounting policies in Note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 November 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

We were first appointed as auditor by the Directors on 24 March 2011. The period of total uninterrupted engagement is for the nine financial years ended 30 November 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

OVERVIEW

Materiality: Group financial statements as a whole	£1.15m (2018: £1.12m) 4.7% (2018: 4.6%) of normalised profit before tax
Coverage	97% (2018: 97%) of total profits and losses that made up Group profit before tax
Key audit matters	vs 2018
Recurring risks	RM Results long-term contracts
	Recoverability of parent company's investment in subsidiaries

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

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

THE RISK	OUR RESPONSE
RM Results long-term contracts	Accounting judgement:

Revenue £37.7m
(2018: £31.8m);

Refer to page 38
(Audit Committee
Report), page 77
(accounting policy)
and page 86
(financial disclosures).

Accounting judgement:

For long-term contracts within the RM Results division, the contractual arrangements can be complex. This can involve significant judgements that may impact the recognition of revenue and contract profits including:

- The identification of the performance obligations included within the contract;
- The combining of goods and services into a single performance obligation;
- The allocation of revenue to performance obligations;
- The consideration of onerous contract conditions and associated loss provisions.

The effect of these matters is that, as part of our risk assessment, we determined that revenue recognised from the long-term contracts within the RM Results division has a high degree of judgement, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

In respect of onerous contract conditions, in conducting our final audit work, we reassessed the potential range of reasonably possible outcomes to be less than that materiality.

Our procedures included:

Control operation:

We tested controls over the allocation of costs to project codes and the approval of those costs which is used in the determination of stand-alone selling price;

Test of details:

We inspected a sample of the long-term contracts based on the magnitude of revenue recognised in the year and risk indicators (such as contracts with material lifetime revenues, loss making contracts, and contracts with material contract fulfilment asset balances).

For the contracts selected:

- We critically assessed the judgements used in the identification of performance obligations by inspecting the contract to understand the promised goods and services and terms and conditions that underpin the revenue and profit recognition assumptions.
- We critically assessed the judgements used in the allocation of revenue to performance obligations, including assessing the stand-alone selling price identified for each performance obligation by agreeing to supporting information including third-party cost invoices.
- We inspected material contract variations and assessed whether the variation was a new contract or an extension to the existing contract and assessed how revenue had been recognised for each.

Assessing transparency:

We considered the adequacy of the Group's disclosures about the revenue recognition policies and the key judgements applied.

Our results

The results of our testing were satisfactory and we found the identification of performance obligations and the allocation of revenue to the performance obligations to be acceptable (result on 2018 KAM: acceptable).

We continue to perform procedures over the revenue from long-term contracts in the RM Education division. However, as these contracts are completing there is lower estimation uncertainty and we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year. The key audit matter in relation to revenue for RM Results has changed in the year due to the identification of separate performance obligations in long-term contracts under IFRS 15 that were previously bundled under IAS 11/18.

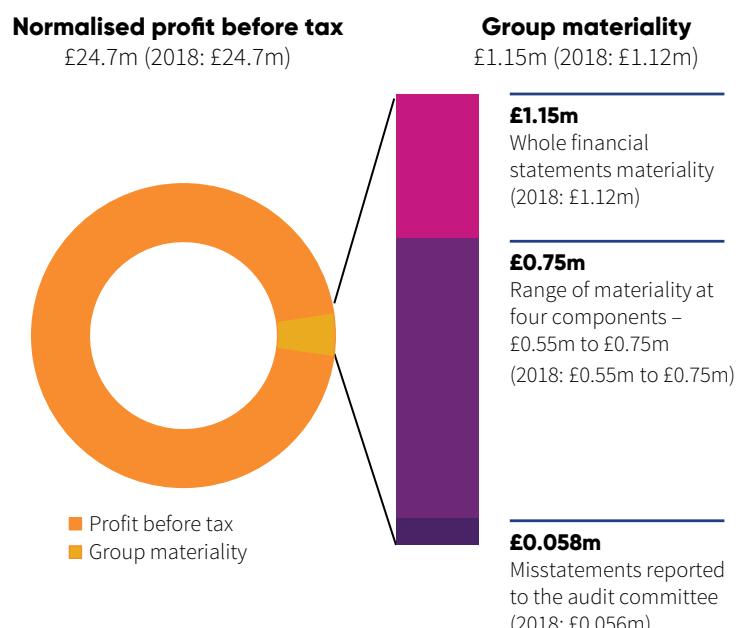
THE RISK	OUR RESPONSE
<p>Recoverability of parent company's investment in subsidiaries</p> <p>Investments £125.8m (2018: £125.1m)</p> <p>Refer to page 38 (Audit Committee Report), page 76 (accounting policy) and page 99 (financial disclosures).</p>	<p>Low risk, high value</p> <p>The carrying amount of the parent Company's investments in subsidiaries represents 84% (2018: 92%) of the Company's total assets.</p> <p>Their recoverability is not at a high risk of significant misstatement or subject to significant judgement however, due to their materiality in the context of the parent Company financial statement, this is considered to be the area that had the greatest effect on our overall parent Company audit.</p> <p>Our procedures included:</p> <p>Benchmarking assumptions: Challenging the assumptions used in the budgeted cash flows based on our knowledge of the Group and the markets in which the subsidiaries operate;</p> <p>Historical comparisons: Assessing the reasonableness of the budgets by considering the historical accuracy of the previous forecasts;</p> <p>Comparing valuations: Comparing the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows; and</p> <p>Assessing transparency: Assessing the adequacy of the parent Company's disclosures in respect of the sensitivity of the investment in subsidiaries to impairment.</p> <p>Our results</p> <p>We found the Group's assessment of the recoverability of the parent Company's investment in subsidiaries to be acceptable (2018 result: acceptable).</p>

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 £1.15m (2018: £1.12m) determined with reference to a benchmark of Group profit before tax, normalised to exclude highlighted items as disclosed in Note 5 of the financial statements with the exception of amortisation of acquisition-related intangible assets.

Materiality for the parent Company financial statements as a whole was set at £0.75m (2018: £0.75m), determined with reference to a benchmark of Company total assets, of which it represents 0.5% (2018: 0.6%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £57,500 (2018: £56,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

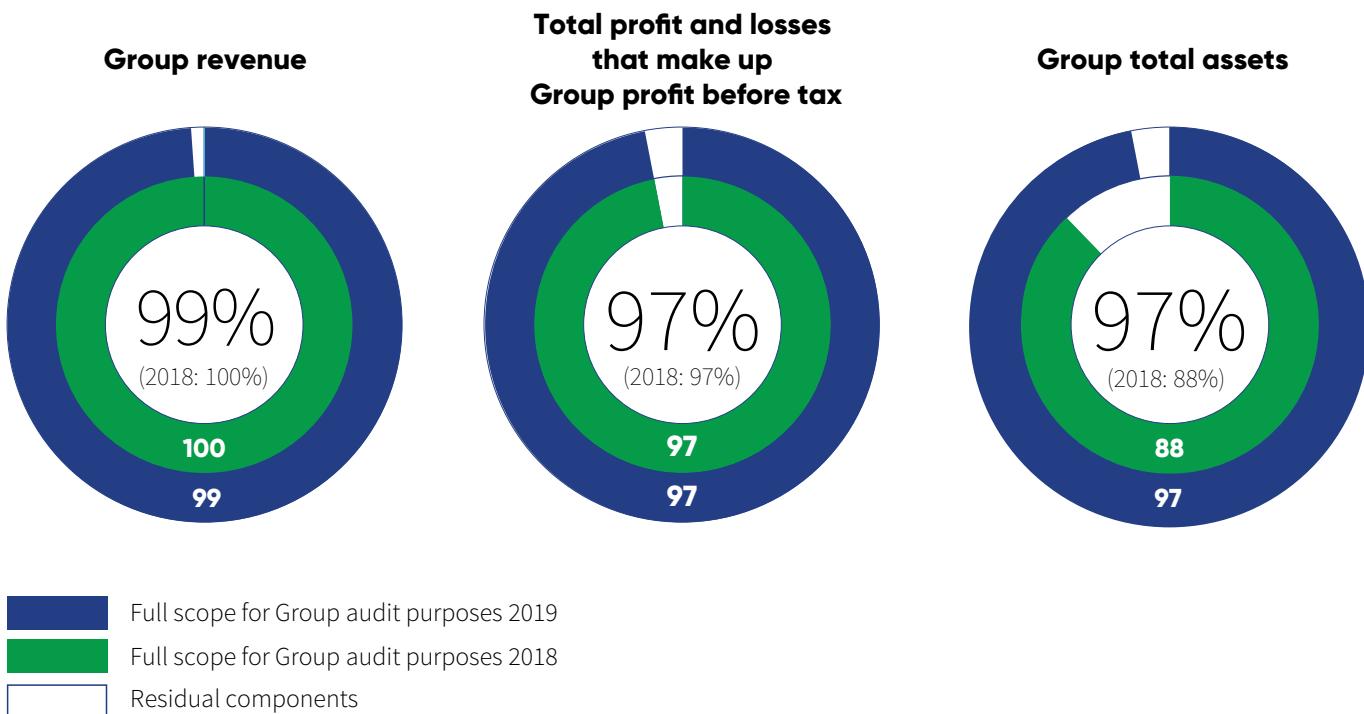


Of the Group's ten (2018: twelve) reporting components, we subjected four (2018: four) to full scope audits for Group reporting.

The components within the scope of our work accounted for the percentages illustrated below.

The remaining 1% (2018: 0%) total Group revenue, 3% (2018: 3%) of the total profits and losses that made up Group profit before tax and 6% (2018:12%) of total Group assets is represented by six (2018: eight) reporting components, none of which individually represented more than 2% (2018: 4%) of any total Group revenue, total profit and losses that made up Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team performed the work on all components, including the audit of the parent Company. The Group team determined the component materialities, which ranged from £0.55m to £0.75m (2018: £0.55m to £0.75m), having regard to the mix of size and risk profile of the Group across the components. The Group team performed procedures on the items excluded from normalised Group profit before tax.



4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

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

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

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

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

- we have anything material to add or draw attention to in relation to the Directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 19 is materially inconsistent with our audit knowledge.

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

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

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

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

Strategic Report and Directors' Report

Based solely on our work on the other information:

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

Directors' Remuneration Report

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

Disclosures of principal risks and longer-term viability

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

- the Directors' confirmation within the Financial Viability Statement on page 19 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal and Emerging Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and

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

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

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

Corporate governance disclosures

We are required to report to you if:

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

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

We have nothing to report in these respects.

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

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

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

We have nothing to report in these respects.

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 25, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

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

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

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

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

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

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

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

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

Chartered Accountants
15 Canada Square, Canary Wharf
London, E14 5GL

3 February 2020





CONSOLIDATED INCOME STATEMENT

		Year ended 30 November 2019			Year ended 30 November 2018		
	Note	Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
Revenue	3	223,765	-	223,765	220,977	-	220,977
Cost of sales		(132,140)	-	(132,140)	(129,664)	-	(129,664)
Gross profit		91,625	-	91,625	91,313	-	91,313
Operating expenses	5	(63,985)	(3,462)	(67,447)	(63,819)	(4,927)	(68,746)
Profit from operations		27,640	(3,462)	24,178	27,494	(4,927)	22,567
Other income	7	153	-	153	164	-	164
Finance costs	8	(1,155)	(8)	(1,163)	(1,679)	(25)	(1,704)
Profit before tax		26,638	(3,470)	23,168	25,979	(4,952)	21,027
Tax	9	(4,746)	640	(4,106)	(4,734)	634	(4,100)
Profit for the year		21,892	(2,830)	19,062	21,245	(4,318)	16,927
Earnings per ordinary share	10						
- basic		26.6p		23.2p	26.0p		20.7p
- diluted		26.4p		23.0p	25.8p		20.6p
Paid and proposed dividends per share	11						
- interim				2.00p			1.90p
- final				6.00p			5.70p

The results for the year ended 30 November 2019 have been presented under IFRS 15.

The previous year's results have not been restated (see Note 32).

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

All amounts were derived from continuing operations.

The notes on pages 76 to 126 form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 30 November 2019	Year ended 30 November 2018
		£000	£000
Profit for the year		19,062	16,927
Items that will not be reclassified subsequently to profit or loss			
Defined benefit pension scheme remeasurements	25	(8,033)	15,693
Tax on items that will not be reclassified subsequently to profit or loss	9	1,418	(2,716)
Items that are or may be reclassified subsequently to profit or loss			
Fair value (loss)/gain on hedged instruments		(806)	822
Exchange loss on translation of overseas operations		(211)	(127)
Other comprehensive (expense)/income		(7,632)	13,672
Total comprehensive income		11,430	30,599

The notes on pages 76 to 126 form an integral part of these financial statements.


CONSOLIDATED BALANCE SHEET

	Note	At 30 November 2019 £'000	At 30 November 2018 £'000
Non-current assets			
Goodwill	12	49,107	45,164
Intangible assets	13	23,274	18,465
Property, plant and equipment	14	9,183	9,184
Defined benefit pension scheme surplus	25	976	1,253
Other receivables	18	939	930
Contract fulfilment assets	17	2,193	-
Deferred tax assets	9	3,457	3,385
		89,129	78,381
Current assets			
Inventories	16	22,151	17,787
Trade and other receivables	18	31,238	34,878
Contract fulfilment assets	17	844	-
Held for sale asset	19	1,428	-
Tax assets		382	424
Cash at bank		5,534	2,634
		61,577	55,723
Total assets		150,706	134,104
Current liabilities			
Trade and other payables	21	(51,231)	(54,637)
Tax liabilities		(117)	(1,600)
Provisions	23	(1,585)	(5,082)
Overdraft		(4,006)	(1,922)
		(56,939)	(63,241)
Net current assets/(liabilities)		4,638	(7,518)
Non-current liabilities			
Other payables	21	(3,483)	(283)
Provisions	23	(3,868)	(2,708)
Deferred tax liability	9	(3,356)	(2,817)
Defined benefit pension scheme obligation	25	(6,951)	(3,557)
Borrowings	22	(16,534)	(6,506)
		(34,192)	(15,871)
Total liabilities		(91,131)	(79,112)
Net assets		59,575	54,992
Equity attributable to shareholders			
Share capital	24	1,917	1,917
Share premium account		27,080	27,080
Own shares	26	(1,007)	(1,423)
Capital redemption reserve		94	94
Hedging reserve		(411)	395
Translation reserve		(497)	(286)
Retained earnings		32,399	27,215
Total equity		59,575	54,992

The results for the year ended 30 November 2019 have been presented under IFRS 15. The previous year's results have not been restated (see Note 32). The notes on pages 76 to 126 form an integral part of these financial statements.

These financial statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 3 February 2020.

On behalf of the Board of Directors

David Brooks

Director

Neil Martin

Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital		Own shares £000	Capital redemption reserve £000		Hedging reserve £000	Translation reserve £000	Retained earnings £000	Total £000
		£000	£000		£000	£000				
At 1 December 2017		1,890	27,035	(1,406)	94	(427)	(159)	2,848	29,875	
Profit for the year	-	-	-	-	-	-	-	16,927	16,927	
Other comprehensive income/(expense)	-	-	-	-	-	822	(127)	12,977	13,672	
Total comprehensive income/(expense)	-	-	-	-	-	822	(127)	29,904	30,599	
Transactions with owners of the Company:										
Shares issued	24	27	-	(27)	-	-	-	-	-	-
Share options exercised	-	-	45	-	-	-	-	-	-	45
Share-based payment awards exercised	-	-	-	10	-	-	-	(931)	(921)	
Share-based payment fair value charges	27	-	-	-	-	-	-	993	993	
Deferred Tax on Share-based payments	9	-	-	-	-	-	-	-	2	2
Ordinary dividends paid	11	-	-	-	-	-	-	(5,601)	(5,601)	
At 1 December 2018 as reported		1,917	27,080	(1,423)	94	395	(286)	27,215	54,992	
IFRS 15 restatement	-	-	-	-	-	-	-	(1,185)	(1,185)	
At 1 December 2018 as restated		1,917	27,080	(1,423)	94	395	(286)	26,030	53,807	
Profit for the year	-	-	-	-	-	-	-	19,062	19,062	
Other comprehensive expense	-	-	-	-	-	(806)	(211)	(6,615)	(7,632)	
Total comprehensive (expense)/income	-	-	-	-	-	(806)	(211)	12,447	11,430	
Transactions with owners of the Company:										
Share-based payment awards exercised	-	-	-	416	-	-	-	(416)	-	-
Share-based payment fair value charges	27	-	-	-	-	-	-	686	686	
Ordinary dividends paid	11	-	-	-	-	-	-	(6,348)	(6,348)	
At 30 November 2019		1,917	27,080	(1,007)	94	(411)	(497)	32,399	59,575	

The notes on pages 76 to 126 form an integral part of these financial statements.


CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
Profit before tax		23,168	21,027
Investment income	7	(153)	(164)
Finance costs	8	1,163	1,704
Profit from operations		24,178	22,567
Adjustments for:			
Pension GMP	5	-	1,200
Amortisation of intangible assets	13	2,690	2,165
Depreciation and impairment of property, plant and equipment	14	1,584	1,920
Loss on disposal of other intangible assets		10	-
Loss on disposal of property, plant and equipment		26	95
(Gain)/loss on foreign exchange derivatives		(29)	79
Share-based payment charge		686	993
(Decrease)/increase in provisions		(758)	3,598
Defined benefit pension scheme administration cost	25	262	645
Operating cash flows before movements in working capital		28,649	33,262
(Increase)/decrease in inventories		(4,115)	1,626
Decrease/(increase) in receivables		7,638	(5,668)
(Increase) in contract fulfilment assets		(1,602)	-
Movement in payables:			
Decrease in trade and other payables		(7,483)	(2,805)
Utilisation of provisions	23	(3,161)	(2,263)
Cash generated from operations		19,926	24,152
Defined benefit pension scheme cash contributions	25	(4,618)	(4,591)
Tax paid		(3,639)	(3,134)
Net cash inflow from operating activities		11,669	16,427
Investing activities			
Interest received		153	109
Repayment of loans by third parties		-	12
Acquisition net of cash acquired	20	(7,109)	-
Acquisition related costs	5	(728)	(335)
Proceeds on disposal of property, plant and equipment		8	-
Purchases of property, plant and equipment	14	(2,876)	(1,049)
Purchases of other intangible assets	13	(3,159)	(69)
Net cash used in investing activities		(13,711)	(1,332)
Financing activities			
Dividends paid	11	(6,348)	(5,601)
Drawdown/(repayment) of borrowings	22	10,000	(7,000)
Borrowing facilities arrangement and commitment fees		(529)	(303)
Interest paid		(513)	(439)
Share options exercised		-	45
Share-based payment awards exercised		-	(921)
Net cash generated by/(used in) financing activities		2,610	(14,219)
Net increase in cash and cash equivalents		568	876
Cash and cash equivalents at the beginning of the year		712	(231)
Effect of foreign exchange rate changes		248	67
Cash and cash equivalents at the end of the year		1,528	712

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

The notes on pages 76 to 126 form an integral part of these financial statements.


COMPANY BALANCE SHEET

	Note	At 30 November 2019 £000	At 30 November 2018 £000
Non-current assets			
Investments	15	125,825	125,112
Other receivables	18	847	867
		126,672	125,979
Current assets			
Trade and other receivables	18	22,984	9,745
Tax assets		785	539
		23,769	10,284
Total assets		150,441	136,263
Current liabilities			
Accruals	21	(138)	(73)
Trade and other payables	21	(72,789)	(71,007)
		(72,927)	(71,080)
Net current liabilities		(49,158)	(60,796)
Non-current liabilities			
Borrowings	22	(16,534)	(6,506)
		(16,534)	(6,506)
Total liabilities		(89,461)	(77,586)
Net assets		60,980	58,677
Equity attributable to equity holders			
Share capital	24	1,917	1,917
Share premium account		27,080	27,080
Own shares	26	(1,007)	(1,423)
Capital redemption reserve		94	94
Retained earnings		32,896	31,009
Total equity		60,980	58,677

The notes on pages 76 to 126 form an integral part of these financial statements.

These financial statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 3 February 2020.

On behalf of the Board of Directors

David Brooks

Director

Neil Martin

Director



COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Own shares £000	Capital redemption reserve £000		Retained earnings £000	Total £000
At 1 December 2017		1,890	27,035	(1,406)	94	29,981	57,594	
Profit for the year		-	-	-	-	6,567	6,567	
Total comprehensive income		-	-	-	-	6,567	6,567	
Transactions with owners of the Company:								
Shares issued	26	27	-	(27)	-	-	-	-
Share options exercised		-	45	-	-	-	45	
Share-based payment awards exercised		-	-	10	-	(931)	(921)	
Share-based payment fair value charges	27	-	-	-	-	993	993	
Ordinary dividends paid	11	-	-	-	-	(5,601)	(5,601)	
At 30 November 2018		1,917	27,080	(1,423)	94	31,009	58,677	
Profit for the year		-	-	-	-	7,965	7,965	
Total comprehensive income		-	-	-	-	7,965	7,965	
Transactions with owners of the Company:								
Share-based payment awards exercised		-	-	416	-	(416)	-	-
Share-based payment fair value charges	27	-	-	-	-	686	686	
Ordinary dividends paid	11	-	-	-	-	(6,348)	(6,348)	
At 30 November 2019		1,917	27,080	(1,007)	94	32,896	60,980	

The notes on pages 76 to 126 form an integral part of these financial statements.


COMPANY CASH FLOW STATEMENT

	Note	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
Profit before tax		7,187	6,106
Investment income		(11,387)	(9,125)
Finance costs		2,763	2,228
Loss from operations		(1,437)	(791)
Adjustments for:			
Increase in provisions		-	154
Operating cash flows before movements in working capital		(1,437)	(637)
(Decrease)/increase in receivables		(13,223)	4,902
Increase in payables		940	6,849
Utilisation of provision		-	(5,455)
Cash (used in)/generated from operations		(13,720)	5,659
Dividends received		11,000	9,000
Net cash (used in)/generated from operating activities		(2,720)	14,659
Investing activities			
Interest received		110	125
Net cash generated from investing activities		110	125
Financing activities			
Dividends paid	11	(6,348)	(5,601)
Share options exercised		-	45
Interest paid		(513)	-
Drawdown/(repayment) of borrowings	22	10,000	(7,000)
Borrowing facilities arrangement and commitment fees		(529)	(2,228)
Net cash generated from/(used in) financing activities		2,610	(14,784)
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

The notes on pages 76 to 126 form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

Consolidated Income Statement presentation

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

The Company has taken the exemption under s408 of the Companies Act 2006, not to produce an Income Statement. During the year the profit for the year was £7,965,000 (2018: £6,567,000).

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, except in relation to IFRS 15 Contracts with Customers that has been applied from 1 December 2018.

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

Basis of preparation

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

Alternative Performance Measures (APMs)

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

The following APMs are used by the Group:

- Adjusted operating profit
- Adjusted profit before tax;

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

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

Consolidation

The Group financial statements incorporate the financial statements of the Company and all its subsidiaries for the periods during which they were members of the Group.

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

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

Investment in subsidiaries

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

Business combinations

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

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

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

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

Acquisitions before 1 January 2010

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

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

Revenue

The Group operates a number of diverse businesses and accordingly applies a variety of methods for revenue recognition, based on the principles set out in IFRS 15 for the year ended 30 November 2019. Many of the contracts entered into, in the RM Results division, are long-term and complex in nature.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of significant judgements and assumptions. This includes:

- The identification of performance obligations included within the contract.
- The allocation of revenue to performance obligations including the impact of variable consideration.
- The combination of goods and services into a single performance obligation.
- The measurement of progress for performance obligations satisfied over time.
- The consideration of onerous contract conditions and associated loss provisions.

Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer. For all contracts, the Group determines if the arrangement with a customer creates enforceable rights and obligations.

For contracts with multiple components to be delivered, management applies judgement to consider whether these promised goods or services are; (i) distinct – to be accounted for as separate performance obligations; (ii) not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or (iii) part of a series of goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the performance obligation is satisfied over time. Such amounts are only included based on the expected value or the most likely outcome method, and only to the extent it is highly probable that no revenue reversal will occur.

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services until these are agreed.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when those performance obligations are satisfied. In our RM Results division the Group may sell customer bespoke solutions, and in these cases the Group typically uses the expected cost plus margin or a contractually stated price approach (if set out by performance obligation in the contract) to estimate the stand-alone selling price of each performance obligation. Any remaining performance obligations for which the stand-alone selling price is highly variable or uncertain, due to not having previously been sold on a stand-alone basis, is allocated applying the residual approach.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. Where the Group recognises revenue over time for long-term contracts, this is generally due to the Group performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the good or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant input or output method consistently to similar performance obligations in other contracts.

When using the output method the Group recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to the date relative to the remaining goods and services under the contract. Where the output method is used, where the series guidance is applied (see below for further details), the Group often uses a method of time elapsed which requires minimal estimation. Certain long-term contracts use output method based on estimation of number of scripts, or level of service activity. The number of scripts is considered to be variable consideration.

There is judgement in determining whether a contract has onerous conditions. When identified the expected loss is provided for at the time identified.

Transactional (point-in-time) contracts

The Group delivers goods and services in RM Education and RM Resources that are transactional services for which revenue is recognised at the point in time when the control of the goods or services has transferred to the customer. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

The nature of contracts or performance obligations categorised within this revenue type includes: (i) provision of curriculum and educational resources for schools and nurseries; (ii) provision of IT hardware goods and (iii) installation of IT hardware goods.

Over time contracts

The Group delivers services in RM Education and RM Results divisions under customer contracts with variable duration. The nature of contracts and performance obligations categorised within this revenue type is diverse and includes: (i) outsourced service arrangements in the public and private sectors; and (ii) Right to Access licenses (see below).

The Group considers that the services provided meet the definition of a series of distinct goods and services as they are: (i) substantially the same; (ii) have the same pattern of transfer (as the series constitutes services provided in distinct time increments (e.g. daily, monthly, quarterly, exam session, or annual service)) and therefore treats the series as one performance obligation. Even if the underlying activities performed by the Group to satisfy a promise vary significantly throughout the day and on a day by day basis, that fact, by itself, does not mean the distinct goods or services are not substantially the same. For the majority of the over time contracts with customers are in this category, the Group recognises revenues using the output method as it best reflects the nature in which the Group is transferring control of the goods or services to the customer.

Right to Access licenses are those where the Group has a continuing involvement after the sale or transfer of control to the customer, which significantly affects the intellectual property to which the customer has rights. The Group is in a majority of cases responsible for maintenance, continuing support, updates and upgrades and accordingly the sale of the initial software is not distinct. The Group's accounting policy for licenses is discussed in more detail below.

Contract modifications

The Group's over time contracts are often amended for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations. Material modifications are predominantly extension to contract. The Group considers whether each contract modification is part of the original contract or is a separate contract and allocates the transaction price accordingly.

Licences

Software licenses delivered by the Group can be either 'Right to Access' or 'Right to Use' licenses. Right to Access licenses require continuous upgrade and updates for the software to remain useful, all other licenses are treated as Right to Use licenses. The assessment of whether a license is a Right to Access license or a Right to Use license involves judgement. The key determinant of whether a license is a Right to Access license is whether the Group is required to undertake activities that significantly affect the license intellectual property (or the customer has a reasonable expectation that it will do so) and the customer is, therefore exposed to positive or negative impacts resulting from those changes.

The Group considers for each contract that includes a separate license performance obligation all the facts and circumstances in determining whether the license revenue is recognised over time or at a point in time from the go live date of the license.

Contract fulfilment costs

Contract fulfilment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred.

When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those other standards preclude capitalisation of a particular cost, then the asset is not recognised under IFRS 15.

If other standards are not applicable to contract fulfilment costs, the Group applies the following criteria which, if met, result in capitalisation: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular at which point the capitalisation ceases and the performance obligation begins.

Amortisation, derecognition and impairment of contract fulfilment assets and capitalised costs to date

The Group amortises contract fulfilment assets to cost of sales over the expected contract period using a systematic basis that mirrors the pattern in which the Group transfers control of the service to the customer. The amortisation charge is included within cost of sales.

A contract fulfilment asset is derecognised either when it is disposed of or when no further economic benefit are expected to flow from its use or disposal.

Management is required to determine the recoverability of contract related assets within property, plant and equipment, intangible assets as well as contract fulfilment assets, accrued income and trade receivables. At each reporting date, the Group determines whether or not the contract fulfilment assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Deferred and accrued income

The Group's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided. The Group often agrees payment schedules at the inception of long-term contracts under which it receives payments throughout the term of the contracts. These payment schedules may include progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods or services may be at delivery date, in arrears or part payment in advance. There are no material financing arrangements.

Where payments made are greater than the revenue recognised at the period end date, the Group recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Group recognises an accrued income contract asset for this difference. Where accrued income and deferred income exist on the same contract these balances are shown net.

Revenue accounting policy under IAS 18 applicable for the year ended 30 November 2018

Revenue

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

Revenue from the sale of goods and services is recognised upon transfer to the customer of the significant risks and rewards of ownership. This is generally when goods are despatched to, or services performed for, customers.

Revenue on hardware is recognised on shipment providing there are no unfulfilled obligations that are essential to the functionality of the delivered product and with consideration of any significant credit risk uncertainty. If such obligations exist, revenue is recognised as they are fulfilled. Revenue from term licences is spread over the period of the licence, reflecting the Group's obligation to support the relevant software products or update their content over the term of the licence. Revenue from contracts for maintenance, support and annually and other periodically contracted products and services is recognised on a straight line basis over the contract period. Revenue from installation, consultancy and other services is recognised when the service has been provided. For multiple element arrangements revenue is allocated to each element on a fair value basis. In practise, the majority of the multiple element arrangements are long-term contracts (see below). The portion of the revenue allocated to an element is recognised when the revenue recognition criteria for that element have been met. Appropriate provisions for returns, trade discounts and other allowances are deducted from revenue. Where customer payments are received in advance of the recognition of revenue, the amount is included within deferred income and is aged dependent upon the estimated recognition profile.

Long-term contracts

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

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

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

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

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

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

Intangible assets

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

Goodwill

Goodwill represents the amount by which the fair value of the cost of a business combination exceeds the fair value of net assets acquired. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

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

Research and development costs

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

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

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

Other intangible assets

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

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

Amortisation

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

Brand	15 years
Website platform	5 years
Other software assets	2 – 8 years
Customer relationships	3 – 5 years
Intellectual property and database assets	3 – 10 years

Property, plant and equipment

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Financial instruments

Trade and other receivables

Trade and other receivables are not interest bearing, except those specifically detailed in Note 18. Trade and other receivables are recognised initially at fair value and subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

The Group assesses on a forward-looking basis the expected credit losses associated with its receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk and this is assessed between government and commercial organisations. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, resulting in trade receivables recognised and carried at original invoice amount less an allowance for any uncollectible amounts based on expected credit losses.

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

Cash and short-term deposits

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

Held for sale asset

Held for sale assets are stated at the lower of cost less accumulated depreciation and any impairment losses where appropriate or fair value less costs to sell.

Borrowings

Borrowings relate to an unsecured revolving cash facility, detailed in Note 30. All loans and borrowings are initially recognised at their fair value less any directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

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

Derivative financial instruments

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

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

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

Cash flow hedges

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

For all hedging of forecast financial transactions, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged expected future cash flows affect profit or loss. When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Income Statement immediately.

Other non-trading derivatives

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

Inventories

Finished goods and work-in-progress are valued at cost on a first in first out basis, including appropriate labour costs and other overheads. Raw materials and bought in finished goods are valued at purchase price. Stocks are recognised when the Group has the rights and obligations of ownership, which in the case of supply from the Far East may be from the point of production or the point of shipment. All inventories are reduced to net realisable value where lower than cost. Provision is made for obsolete, slow moving and defective items where appropriate.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Restructuring

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

Onerous contracts

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

Dilapidations provision

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

Leases

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

All other leases are classified as operating leases, the rentals of which are charged to the Income Statement on a straight line basis over the lease term.

Share-based payments

The Group operates a number of executive and employee share schemes. For all grants of share-based payments, the fair value as at the date of grant is calculated using a pricing model and the corresponding expense is recognised over the vesting period. Where the vesting period is shortened after the date of grant, the remaining expense is recognised over the shortened vesting period. Over the vesting period and at vesting the cumulative expense is adjusted to take into account the number of awards expected to or actually vesting as a result of survivorship and where this reflects non-market-based performance conditions. Share-based payment charges which are incurred by a subsidiary undertaking are included as an increase in Investments in subsidiary undertakings within the parent company, and a capital contribution in the subsidiary.

Employee benefits

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

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

Defined benefit pension scheme remeasurements are recognised as a component of other comprehensive income such that the balance sheet reflects the scheme's surplus or deficit as at the balance sheet date. Contributions to defined contribution plans are charged to operating profit as they become payable.

Employee Share Trust

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

Own Shares Held

The 'Own Shares Reserve' figure is calculated based on the number of shares held by the Employee Share Trust ('EST') as at 30 November 2019 (being 1,398,921 shares) multiplied by the weighted average cost of those shares.

Translation reserve

The translation reserve comprises all foreign exchange differences from the translation of the financial statements of foreign operations.

Cash flow hedging reserve

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

Taxation

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

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

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

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

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

Foreign currencies

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

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

Dividends

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

Key sources of estimation uncertainty

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

- Retirement benefit scheme valuation – see Note 25

Key sources of critical accounting judgements

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

- Revenue from contracts over time – see Note 3

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 2018 have been adopted. The following new standards and interpretations have been adopted in the current period and have impacted the reported results or the financial position as disclosed in Note 32:

- IFRS 15 – Contracts with Customers

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):

- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
- IFRS 16 Leases

IFRS 16 Leases (IFRS 16) was issued in January 2016, replacing IAS 17 Leases (IAS 17) and other relevant guidance. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 will be effective for annual periods beginning on or after 1 January 2019.

Under the transition rules, the Group will apply IFRS 16 using the modified retrospective approach, with the cumulative effect of applying the standard recognised in retained earnings on 1 December 2019. Contracts that have not been identified as leases under IAS 17 and IFRS 4 were not reassessed for whether there is a lease.

As at 30 November 2019, the Group held a significant number of operating leases for which the future minimum lease payments amount to £6,896,000 as disclosed in Note 29. Adoption of the standard will not have a material impact on the Group's opening retained earnings and future profit before tax, but will have a material impact on the balance sheet (grossing up lease liability recognised and Right of Use asset recognised).

3. REVENUE

Year ended 30 November 2019	RM Resources Transactional £000	RM Education Transactional £000	RM Education Over time £000	RM Results Over time £000	Total £000
Supply of products	114,184	17,512	-	-	131,696
Rendering services	342	-	38,275	36,860	75,477
Licences	-	1,598	14,180	814	16,592
	114,526	19,110	52,455	37,674	223,765

Year ended 30 November 2018	Total £000
Supply of products	135,291
Rendering services	64,080
Licences	21,606
	220,977

Each contract is analysed separately to identify the performance obligations and judgements made as to whether, for example, goods and services should be combined. Judgement is also required to allocate the transaction price to each performance obligation based on the standalone selling price or, for licences, the residual amount. Judgements include determination of performance obligations and allocation of revenue to performance obligations. Scanning revenues of £6,841,000 are judged to be delivered over time as the associated transaction price will be dependent on over time variables (such as volumes). Revenue is then recognised based on these judgements which are set out in more detail in Note 2.

The table below shows the time bands of the expected timing of revenue to be recognised on over time contracts at 30 November 2019.

Time bands of over time contracts order book	RM Education Over time £000	RM Results Over time £000	Total £000
At 30 November 2019			
< 1 year	8,101	18,511	26,612
1-2 years	4,659	23,610	28,269
2-5 years	1,499	18,412	19,911
Total	14,259	60,533	74,792

The order book represents the consideration the Group will be entitled to receive from customers when the Group satisfies the remaining performance obligations in the contracts. However the total revenue that will be earned from the order book in future may change through non-contracted volumetric revenue, scope changes and contract extensions. These elements have been excluded from the figures in the table above as they are not contracted.

4. OPERATING SEGMENTS

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

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

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

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

Segmental results

Year ended 30 November 2019	RM Resources*	RM Results	RM Education	Corporate Services	Total
	£000	£000	£000	£000	£000
Revenue					
UK	95,034	27,700	69,748	-	192,482
Europe	8,404	4,966	923	-	14,293
North America	4,141	-	187	-	4,328
Asia	1,348	1,652	541	-	3,541
Middle East	2,575	96	-	-	2,671
Rest of the World	3,024	3,260	166	-	6,450
	114,526	37,674	71,565	-	223,765
Adjusted profit/(loss) from operations	13,691	8,731	10,407	(5,189)	27,640
Investment income					153
Adjusted finance costs					(1,155)
Adjusted profit before tax					26,638
Adjustments (see Note 5)					(3,470)
Profit before tax					23,168

	RM Resources*	RM Results	RM Education	Corporate Services	Total
Year ended 30 November 2018	£000	£000	£000	£000	£000
Revenue					
UK	102,515	25,299	66,736	-	194,550
Europe	8,475	3,343	572	-	12,390
North America	2,876	-	185	-	3,061
Asia	1,390	1,495	-	-	2,885
Middle East	3,164	-	123	-	3,287
Rest of the World	3,151	1,653	-	-	4,804
	121,571	31,790	67,616	-	220,977
Adjusted profit/(loss) from operations	16,626	8,154	7,813	(5,099)	27,494
Investment income					164
Adjusted finance costs					(1,679)
Adjusted profit before tax					25,979
Adjustments (see Note 5)					(4,952)
Profit before tax					21,027

* Included in UK are International Sales via UK Distributors of £1,944,000 (2018: £2,479,000).

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

Segmental assets

	RM Resources	RM Results	RM Education	Corporate Services	Total
At 30 November 2019	£000	£000	£000	£000	£000
Segmental	105,489	20,072	13,208	1,562	140,331
Other					10,375
Total assets					150,706

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

Included within the disclosed segmental assets are non-current assets (excluding deferred tax assets) of £76,559,000 (2018: £74,559,000) located in the United Kingdom, £8,475,000 (2018: nil) located in Australia and £638,000 (2018: £438,000) located in India. Other non-segmented assets includes other receivables, tax assets and cash and short-term deposits.

5. PROFIT FROM OPERATIONS

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

	Note	Year ended 30 November 2019	Year ended 30 November 2018
		£000	£000
Amortisation of intangible assets	13	2,690	2,165
		2,690	2,165
Depreciation of property, plant and equipment:			
- charged in cost of sales		307	492
- charged in operating expenses		1,277	1,428
	14	1,584	1,920
Selling and distribution costs		29,876	28,889
Research and development costs		6,611	6,748
Administrative expenses - adjusted		27,498	28,182
Operating expenses - adjusted		63,985	63,819
Adjustments to administrative expenses (see Consolidated Income Statement)		3,462	4,927
Total operating expenses		67,447	68,746
Loss on disposal of property, plant and equipment		26	95
Loss on disposal of other intangible assets		10	-
Cost of inventories recognised as an expense		79,433	98,848
Staff costs	6	67,208	64,786
Operating lease expense		3,457	3,892
Operating lease income		(135)	(598)
Foreign exchange (gain)/loss		(39)	226
Inventory write-offs		98	288
Increase/(decrease) in inventory obsolescence provision		414	(129)
Fees payable to the Company's auditor			
Fees payable to the Company's auditor for the audit of these financial statements:			
- the audit of the Company's financial statements		23	18
- the audit of the Company's subsidiaries pursuant to legislation		302	233
Other fees payable to the Company's auditor:			
- other services pursuant to legislation		22	16
		347	267

Adjustments to administrative expenses

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Amortisation of acquisition-related intangible assets	1,577	1,207
Acquisition related costs	728	-
Property related costs	335	-
Pension GMP	-	1,200
Restructuring costs	822	2,520
	3,462	4,927

Recurring items:

These are items which occur regularly but which management judge to have a distorting effect on the underlying results of the Group or are not regularly monitored for the purpose of determining business performance. The recurring item relates to the amortisation of acquisition related intangible assets. Recurring items are adjusted each year irrespective of materiality to ensure consistent treatment.

Highlighted items:

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

During the year the Group acquired SoNET Systems Pty Limited (Note 20) and incurred £728,000 of associated acquisition costs comprising advisor fees, related intangible impairment and integration costs.

During the year the Group exited a number of key properties and entered into new properties resulting in non-recurring exceptional costs of £335,000.

During the prior year, the Group announced an estates strategy review that will mean relocating a number of activities in the RM Resources division to one location. During the year the timing and impact of this has been reviewed and includes a provision for improved contributions to the impacted defined benefit scheme.

In 2018 the Group provided for the estimated liability of equalising GMPs in our defined benefit pension schemes of £1.2m (see Note 25).

The adjustments have the following impact on key metrics:

	2019 Measure	2019 Adjustment	2019 Adjusted measure	2018 Measure	2018 Adjustment	2018 Adjusted measure
	£000	£000	£000	£000	£000	£000
Profit from operations	24,178	3,462	27,640	22,567	4,927	27,494
Profit before tax	23,168	3,470	26,638	21,027	4,952	25,979

Earnings per share (see Note 10)

	2019 Measure	2019 Adjustment	2019 Adjusted measure	2018 Measure	2018 Adjustment	2018 Adjusted measure
	£000	£000	£000	£000	£000	£000
Basic	23.2p	3.4p	26.6p	20.7p	5.3p	26.0p
Diluted	23.0p	3.4p	26.4p	20.6p	5.2p	25.8p

6. STAFF NUMBERS AND COSTS

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

	Year ended 30 November 2019	Year ended 30 November 2018
	Number	Number
Research and development, products and services	1,415	1,344
Marketing and sales	321	309
Corporate services	237	229
	1,973	1,882

The above figures have been calculated on a Full Time Equivalent basis. The actual average number for the year is 2,011.

Aggregate emoluments of persons employed by the Group comprised:

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Wages and salaries	56,106	53,833
Termination costs	929	978
Social security costs	4,828	4,499
Other pension costs	4,632	4,483
Share-based payments (Note 27)	713	993
	67,208	64,786

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

7. INVESTMENT INCOME

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Bank interest	136	20
Other finance income	17	144
	153	164

8. FINANCE COSTS

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Borrowing facilities arrangement fees and commitment fees	592	583
Net finance costs on defined benefit pension scheme	25	(6)
Unwind of discount on long-term contract provisions	-	48
Unwind of discount on onerous lease and dilapidations provisions	23	85
Interest on bank loans and overdrafts	555	481
	1,163	1,704

9. TAX

a) Analysis of tax charge in the Consolidated Income Statement

	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
Current taxation		
UK corporation tax	4,179	4,289
Adjustment in respect of prior years	(479)	(313)
Overseas tax	385	395
Total current tax charge	4,085	4,371
Deferred taxation		
Temporary differences	247	(273)
Adjustment in respect of prior years	(288)	2
Overseas tax	62	-
Total deferred charge/(credit)	21	(271)
Total Consolidated Income Statement tax charge	4,106	4,100

The adjustment in respect of prior years reflects the tax impact of the movement in share price on share based payment on exercise.

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

	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
UK corporation tax		
Defined benefit pension scheme	(735)	(380)
Shared based payments	(38)	-
Pension escrow account	(353)	-
Deferred tax		
Defined benefit pension scheme movements	(624)	3,048
Defined benefit pension scheme escrow	437	(6)
Share-based payments	(105)	-
Deferred tax relating to the change in rate	-	54
Total Consolidated Statement of Comprehensive Income tax (credit)/charge	(1,418)	2,716

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 2019			Year ended 30 November 2018		
	Adjusted £000	Adjustments £000	Total £000	Adjusted* £000	Adjustments* £000	Total £000
Profit on ordinary activities before tax	26,638	(3,470)	23,168	25,979	(4,952)	21,027
Tax at 19% (2018: 19%) thereon:	5,061	(659)	4,402	4,936	(941)	3,995
Effects of:						
- other expenses not deductible for tax purposes	133	-	133	106	284	390
- other temporary timing differences	(4)	(28)	(32)	(193)	23	(170)
- impairments	-	47	47	-	-	-
- effect of profits/(losses) in various overseas tax jurisdictions	67	-	67	192	-	192
- Prior period adjustments - UK	(511)	-	(511)	(307)	-	(307)
Tax charge/(credit) in the Consolidated Income Statement	4,746	(640)	4,106	4,734	(634)	4,100

Factors that may affect future tax charges

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

This will reduce the Company's future tax charge accordingly. The deferred tax asset at 30 November 2019 has been calculated based on these rates.

d) Deferred tax

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

Group	Defined					Total £000
	Accelerated tax depreciation £000	benefit pension scheme obligation £000	Share-based payments £000	Short-term timing differences £000	Acquisition related intangible assets £000	
At 1 December 2017	1,154	3,440	233	1,657	(2,993)	3,491
(Credit)/charge to income	(133)	-	161	36	204	268
(Charge)/credit to equity	-	(3,048)	2	(48)	-	(3,094)
Acquired deferred tax liabilities	-	-	-	(97)	-	(97)
At 30 November 2018	1,021	392	396	1,548	(2,789)	568
Acquired through subsidiary	-	-	-	69	(807)	(738)
(Credit)/charge to income	(305)	-	(78)	94	268	(21)
Credit/(charge) to equity	-	624	105	(437)	-	292
At 30 November 2019	716	1,016	423	1,274	(3,328)	101

Certain deferred tax assets and liabilities have been offset above.

The Group has recognised deferred tax assets in jurisdictions where these are expected to be recoverable against profits in future periods. At the balance sheet date, the Group has an unrecognised gross deferred tax asset relating to tax losses of £nil (2018: £2,383,000) which was previously available for offset against future profits within the United States of America. Movement from the prior period reflects the liquidation of the two US subsidiaries.

No deferred tax liability is recognised on temporary differences of £581,000 (2018: £449,000) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

10. EARNINGS PER SHARE

	Year ended 30 November 2019			Year ended 30 November 2018		
	Profit for the year £000	Weighted average number of shares '000	Pence per share	Profit for the year £000	Weighted average number of shares '000	Pence per share
Basic earnings per ordinary share						
Basic earnings	19,062	82,341	23.2	16,927	81,779	20.7
Adjustments (see Note 5)	2,830	-	3.4	4,318	-	5.3
Adjusted basic earnings	21,892	82,341	26.6	21,245	81,779	26.0
Diluted earnings per ordinary share						
Basic earnings	19,062	82,341	23.2	16,927	81,779	20.7
Effect of dilutive potential ordinary shares:						
share-based payment awards	-	577	(0.2)	-	460	(0.1)
Diluted earnings	19,062	82,918	23.0	16,927	82,239	20.6
Adjustments (see Note 5)	2,830	-	3.4	4,318	-	5.2
Adjusted diluted earnings	21,892	82,918	26.4	21,245	82,239	25.8

11. DIVIDENDS

Amounts recognised as distributions to equity holders were:

	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
Final dividend for the year ended 30 November 2018 – 5.70p per share (2017: 4.95p)	4,698	4,047
Interim dividend for the year ended 30 November 2019 – 2.00p per share (2018: 1.90p)	1,650	1,554
	6,348	5,601

The proposed final dividend of 6.00p per share for the year ended 30 November 2019 was approved by the board on 3 February 2020. The dividend is subject to approval by Shareholders at the annual general meeting. The anticipated cost of this dividend is £4,948,566.

12. GOODWILL

Group	£000
Cost	
At 30 November 2017 and 2018	54,858
Acquired during the year (Note 20)	4,153
Exchange differences	(210)
At 30 November 2019	58,801
Accumulated impairment losses	
At 1 December 2017, 30 November 2018 and 30 November 2019	(9,694)
Carrying amount	
At 30 November 2019	49,107
At 30 November 2018	45,164

The carrying amount of goodwill is allocated as follows:

Group	Year ended	Year ended 30 November 2018 £000
	30 November 2019 £000	
RM Resources	42,208	42,208
RM Results	6,899	2,956
	49,107	45,164

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

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

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

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

The Group prepares cash flow forecasts derived from the most recent annual financial budget approved by the Board, which also contains forecasts for the two years following, and extrapolates cash flows based on internal forecasts with terminal rates of 2.0% (2018: 2.0%) which aligns to market growth and inflation expectations. Pre-tax discount rates used are 12.3% (2018: 13.6%).

Sensitivity analysis

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

13. OTHER INTANGIBLE ASSETS

Group	Intellectual property & database assets						Total £000
	Customer relationships £000	Brands £000	Website platform £000	Other software assets £000			
Cost							
At 1 December 2017	644	18,210	325	2,520	3,292		24,991
Additions	-	-	-	-	69		69
Transfers between categories	-	-	-	-	188		188
Disposals	-	-	-	-	(13)		(13)
At 30 November 2018	644	18,210	325	2,520	3,536		25,235
Acquired through acquisition	1,871	-	2,876	-	-		4,747
Additions	-	-	-	154	3,005		3,159
Transfers between categories	-	-	-	10	(169)		(159)
Exchange differences	(94)	(144)	-	-	(5)		(243)
Disposals	(234)	-	(325)	(726)	(266)		(1,551)
At 30 November 2019	2,187	18,066	2,876	1,958	6,101		31,188
Accumulated amortisation and impairment losses							
At 1 December 2017	644	613	325	211	2,821		4,614
Charge for the year	-	1,206	-	504	455		2,165
Exchange differences	-	-	-	-	(9)		(9)
At 30 November 2018	644	1,819	325	715	3,267		6,770
Charge for the year	216	1,207	154	867	246		2,690
Transfers between categories	-	-	-	402	(402)		-
Exchange differences	-	-	-	-	(5)		(5)
Disposals	(234)	-	(325)	(716)	(266)		(1,541)
At 30 November 2019	626	3,026	154	1,268	2,840		7,914
Carrying amount							
At 30 November 2019	1,561	15,040	2,722	690	3,261		23,274
At 30 November 2018	-	16,391	-	1,805	269		18,465

14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land & buildings £000	Short leasehold improvements £000	Plant & equipment £000	Computer equipment £000	Vehicles £000	Total £000
Cost						
At 1 December 2017	8,004	6,245	4,149	8,262	600	27,260
Additions	-	112	343	565	29	1,049
Transfers between categories	-	-	(24)	(164)	-	(188)
Exchange differences	-	(24)	(37)	(44)	(8)	(113)
Disposals	-	(260)	(309)	(128)	(373)	(1,070)
At 30 November 2018	8,004	6,073	4,122	8,491	248	26,938
Acquired	-	-	-	-	18	18
Additions	-	299	2,102	422	53	2,876
Transfers between categories	-	-	-	159	-	159
Exchange differences	-	(14)	(16)	(28)	(7)	(65)
Reclass to assets held for sale (Note 19)	(1,771)	-	(284)	-	-	(2,055)
Disposals	-	(1,774)	(694)	(641)	(64)	(3,173)
At 30 November 2019	6,233	4,584	5,230	8,403	248	24,698
Accumulated depreciation and impairment						
At 1 December 2017	1,057	5,350	3,731	6,475	278	16,891
Charge for the year	206	506	346	824	38	1,920
Exchange differences	-	(15)	(28)	(36)	(3)	(82)
Disposals	-	(304)	(210)	(304)	(157)	(975)
At 30 November 2018	1,263	5,537	3,839	6,959	156	17,754
Charge for the year	175	262	441	660	46	1,584
Reclass to assets held for sale (Note 19)	(373)	-	(254)	-	-	(627)
Exchange differences	-	(13)	(16)	(22)	(6)	(57)
Disposals	-	(1,772)	(671)	(637)	(59)	(3,139)
At 30 November 2019	1,065	4,014	3,339	6,960	137	15,515
Carrying value						
At 30 November 2019	5,168	570	1,891	1,443	111	9,183
At 30 November 2018	6,741	536	283	1,532	92	9,184

15. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company at 30 November 2019 were:

Name	Principal activity	Country of incorporation	Class of share	% held
RM Education Limited	Software, services & systems	England	Ordinary	100%
TTS Group Limited	Resource supply	England	Ordinary	100%
RM Education Solutions India Pvt Limited *	Software and corporate services	India	Ordinary	100%
RM Pension Scheme Trustee Limited	Corporate Trustee	England	Ordinary	100%
Hedgelane Limited	Holding company	England	Ordinary	100%
Hammond Bridge Limited *	Dormant	England	Ordinary	100%
RM Schools Limited *	Dormant	England	Ordinary	100%
SoNET Systems Pty Ltd *	Software	Australia	Ordinary	100%
RM PLC Australia Pty Ltd	Holding company	Australia	Ordinary	100%
RM Educational Resources Limited *	Resource supply	England	Ordinary	100%

* Held through subsidiary undertaking.

All UK subsidiary companies are registered at 142B Park Drive, Milton Park, Abingdon, Oxfordshire OX14 4SE.

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

SoNET Systems Pty Ltd is registered at 15 Gordon Street, Richmond, Victoria, VIC 3121, Australia.

RM PLC Australia Pty Ltd is registered at Level 17, 181 William Street, Melbourne, Victoria, VIC 3000, Australia.

During the year RM Books Limited, RM Group US LLC and RM Education Inc were liquidated.

The investment in subsidiary undertakings comprises:

Company	Investment in	Capital contribution	Total £000
	share capital £000	share-based payments £000	
Cost			
At 1 December 2017	112,461	12,667	125,128
Share-based payments	-	72	72
At 30 November 2018	112,461	12,739	125,200
Acquisition	1	-	1
Disposal	8	(70)	(62)
Share-based payments	-	686	686
At 30 November 2019	112,470	13,355	125,825
Impairment			
At 1 December 2017	88	-	88
At 30 November 2018	88	-	88
Disposal	(88)	-	(88)
At 30 November 2019	-	-	-
Carrying value			
At 30 November 2019	112,470	13,355	125,825
At 30 November 2018	112,373	12,739	125,112

At 30 November 2019 an impairment review was undertaken which indicated that no impairment in the investments held by the Company was required (2018: nil). The impairment review was performed using the same assumptions used in the impairment review performed in relation to the Group's assets which are disclosed in Note 12 of the consolidated financial statements.

The impairment review is sensitive to a change in key assumptions used in the value in use calculations relating to the discount rate and future growth rates.

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

16. INVENTORIES

Group	2019 £000	2018 £000
Components	31	40
Finished goods	22,120	17,747
	22,151	17,787

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

17. CONTRACT FULFILMENT ASSETS

Group	2019 £000
At 1 December 2018 as reported	-
IFRS 15 restatement	1,435
At 1 December 2018 as restated	1,435
Additions	2,879
Amortised in the period	(1,277)
At 30 November 2019	3,037
 2019 £000	
Analysed by:	
Current	844
Non-current	2,193
At 30 November 2019	3,037

Contract fulfilment assets represent investment in contracts which are recoverable and are expected to provide benefits over the life of the contract. These costs are capitalised only when they relate directly to a contract and are incremental to securing the contract.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Current				
Financial assets				
Trade receivables	21,343	21,239	-	-
Long-term contract balances	-	66	-	-
Other receivables	1,897	893	-	-
Derivative financial instruments	-	353	-	-
Accrued income	2,384	2,013	-	-
Amounts owed by Group undertakings	-	-	22,957	9,722
	25,624	24,564	22,957	9,722
Non-financial assets				
Prepayments	5,614	10,314	27	23
	31,238	34,878	22,984	9,745
Non-current				
Financial assets				
Other receivables	939	930	847	867
	32,177	35,808	23,831	10,612
Currency profile of receivables				
Sterling	26,149	31,892	16,882	10,612
US Dollar	3,869	3,145	-	-
Australian Dollar	1,475	-	6,949	-
Euro	44	-	-	-
Indian Rupee	640	771	-	-
	32,177	35,808	23,831	10,612

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

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

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

The Group's accrued income balances solely relate to revenue from contracts with customers. Movements in the accrued income balances were driven by transactions entered into by the Group within the normal course of business in the year.

Analysis of trade receivables by type of customer

Group	2019 £000	2018 £000
Government	9,250	11,585
Commercial	12,093	9,654
	21,343	21,239

Trade receivables included an allowance for estimated irrecoverable amounts at 30 November 2019 of £259,000 (2018: £377,000), 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 and considers lifetime expected credit losses. New customers are subject to credit checks where available, using third party databases prior to being accepted. The Group uses the practical expedient of measuring impairment using a provision matrix which is consistent with applying a full credit loss model for the Group.

No expected credit losses have been recognised on contract assets or intercompany receivables as these are not considered material.

Ageing of trade receivables

Group	2019 £000	2018 £000
Not past due	15,734	16,492
Overdue by less than 60 days	4,314	2,188
Overdue by between 60 and 90 days	619	906
Overdue by more than 90 days	676	1,653
	21,343	21,239

19. ASSETS HELD FOR SALE

Following the acquisition of Consortium in 2017, the Group has five distribution centres across three locations. Therefore it has been decided to move to a single, automated distribution site. As part of this process, the Group is selling its freehold property based in Shrewsbury. The amortised cost of the property of £1,428,000 has been reclassified from property, plant and equipment to a current asset held for sale because it is expected that the sale will be completed during 2020. The asset is included within the Resources division.

20. ACQUISITIONS OF SUBSIDIARIES

Aquisitions

On 13 June 2019, the Group acquired all of the shares in SoNET Systems Pty Ltd.

SoNET is a software company which provides SaaS platforms, principally to the education and government sectors. SoNET's e-authoring and testing software augments RM Results' existing e-marking capability, enabling RM Results to offer customers full end-to-end digital assessment services in the online testing and marking of exams.

The role of technology in the assessment landscape is changing and we firmly believe that, in time, on-screen testing will transform the way that assessments are designed and delivered. It has been a strategic priority for RM Results to enable end-to-end digital assessment capability. SoNET's e-testing product, Assessment Master, is a market leading assessment and testing platform with functionality going beyond conventional online examination software (multiple choice etc.) to provide task-oriented and task-simulated assessments of performance in any situation.

The fair value of the cash consideration for the acquisition was £7.3m. Transaction fees associated with the acquisition and expensed to the Consolidated Statement of Comprehensive Income in 2019 were £0.3m.

Effect of acquisition

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

	Fair value on acquisition £000
Acquisition related intangible assets (Note 13)	4,747
Property, plant and equipment	18
Trade receivables	307
Other receivables	79
Cash and cash equivalents	208
Trade and other payables	(538)
Deferred income	(853)
Current tax liabilities	(38)
Deferred tax	(738)
Provisions	(28)
Net assets acquired	3,164
Goodwill	4,153
Consideration paid	7,317

Satisfied by

Cash	7,317
Total purchase consideration	7,317
Net cash flow on acquisition	7,317
Cash and cash equivalents	(208)
Cash flow on acquisition	7,109

The fair values on the acquisition above are provisional.

In the period 14 June 2019 to 30 November 2019 SoNET contributed revenue of £1,700,000 and statutory profit after tax of £nil. If the acquisition had occurred on 1 December 2018 SoNET would have contributed revenue of £3,341,000 and statutory profit after tax of £28,000 in 2019. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 December 2018.

Fair value adjustments

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

A deferred tax liability related to these intangible assets was also recognised. Management identified the main material intangible assets as the Intellectual Property of the Company's software and customer contracts. These intangible assets were valued at £4.7m using the Relief from Royalty method and are being amortised over 3-10 years which is in accordance with the estimated useful economic life (UEL) and IAS 38.

Goodwill of £4.2m represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The goodwill arising on the acquisition is largely attributable to the synergies and values associated with being part of the enlarged RM Results proposition.

Deferred income has been recognised at fair value at the date of acquisition.

Acquisition related costs

The Group incurred acquisition related costs of £0.7m related to advisor fees, related intangible asset impairment and acquisition transition costs. These costs have been included in the administrative expenses in the Group's Consolidated Statement of Comprehensive Income in 2019.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Current liabilities				
Financial liabilities				
Trade payables	19,136	23,119	-	-
Other taxation and social security	4,364	4,284	-	-
Other payables	2,081	1,857	-	-
Derivative financial instruments	461	-	-	-
Accruals	11,849	10,557	138	73
Long-term contract balances	-	4,565	-	-
Amounts owed to Group undertakings	-	-	72,789	71,007
	37,891	44,382	72,927	71,080
Non-financial liabilities				
Deferred income	13,340	10,255	-	-
	51,231	54,637	72,927	71,080
Non-current liabilities				
Non-financial liabilities				
Deferred income				
- due after one year but within two years	1,783	235	-	-
- due after two years but within five years	1,561	48	-	-
- after five years	139	-	-	-
	3,483	283	-	-
	54,714	54,920	72,927	71,080

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

Currency profile of trade and other payables

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Sterling				
Sterling	50,141	52,817	72,927	71,080
US Dollar	1,005	350	-	-
Australian Dollar	1,535	-	-	-
Indian Rupee	868	1,353	-	-
Other	1,165	400	-	-
	54,714	54,920	72,927	71,080

The Group's deferred revenue balances solely relate to revenue from contracts with customers. Movements in the deferred revenue balances were driven by transactions entered into by the Group within the normal course of business in the year (see Note 32).

22. BORROWINGS

Group and Company	2019 £000	2018 £000
Bank loan	(17,000)	(7,000)
Add capitalised fees	466	494
Borrowings	(16,534)	(6,506)

The borrowings in the year and details of the facility are detailed in Note 30. Bank and professional service fees relating to securing the loan have been capitalised and are amortised over the length of the loan.

Net debt is the total of borrowings, cash at bank and overdraft which was £15.0m as at 30 November 2019 (2018:£5.8m).

23. PROVISIONS

Group	Note	Onerous lease and dilapidations £000	Employee-related restructuring £000	Other £000	Total £000
At 1 December 2017		3,770	978	1,707	6,455
Utilisation of provisions		(694)	(1,569)	-	(2,263)
Release of provisions		(43)	(37)	(479)	(559)
Increase in provisions		400	3,201	471	4,072
Unwind of discount	8	85	-	-	85
At 30 November 2018 as reported		3,518	2,573	1,699	7,790
Arising on adoption of IFRS 15		-	44	1,538	1,582
At 1 December 2018 restated		3,518	2,617	3,237	9,372
Aquisition		28	-	-	28
Utilisation of provisions		(1,940)	(1,221)	-	(3,161)
Release of provisions		(802)	(12)	(872)	(1,686)
Increase in provisions		27	836	15	878
Unwind of discount	8	22	-	-	22
At 30 November 2019		853	2,220	2,380	5,453

Provisions for onerous leases and dilapidations have been recognised at the present value of the expected obligation at discount rates of 2.6% (2018: 2.6%) per annum reflecting a risk-free discount rate, applicable to the liabilities. These discounts will unwind to their undiscounted value over the remaining lives of the leases via a finance cost within the Income Statement. At 30 November 2019, £nil (2018: £925,000) of the provision refers to onerous leases, and £852,000 (2018: £2,593,000) refers to dilapidations. During the year the Group has exited 5 properties and entered into a number of new building leases. The releases of provisions associated with the above property provisions relate to negotiated exit dates that did not fully align to original lease contract dates.

The average remaining life of the onerous leases at 30 November 2019 is nil years (2018: 1.1 years).

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

Employee-related restructuring provisions refer to costs arising from restructuring to meet the future needs of the Group. As described in Note 5, the Group is undergoing an estates review and £0.6m of the increase relates to changes in the timing and composition of employee costs associated with that review. Of the £2,220,000 provision, £1,393,000 is expected to be utilised during the following financial year.

Other provisions includes one-off items not covered by any other category of which the most significant items are the risk provisions from ended long-term contracts transferred from long-term contract creditors to provisions. The release of £872,000 primarily relates to onerous contract risks that have either been re-negotiated or terminated during the year.

During the year the overall movement on long-term provisions was an increase of £1,160,000 (2018: decrease of £311,000).

Disclosure of provisions

Group	2019 £'000	2018 £'000
Current liabilities	1,585	5,082
Non-current liabilities	3,868	2,708
	5,453	7,790

24. SHARE CAPITAL

Company and Group	Ordinary shares of 2½p	
	'000	£'000
Allotted, called-up and fully paid		
At 30 November 2017	82,650	1,890
Issued in 2018	1,200	27
Exercise of share options	25	-
As at 30 November 2018 and 2019	83,875	1,917

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 £4,489,000 (2018: £3,997,000) represents contributions payable to these schemes by the Group at rates specified in employment contracts. At 30 November 2019 £308,300 (2018: £324,000) due in respect of the current financial year had not been paid over to the schemes.

b. Local government pension schemes

The Group has TUPE employees who retain membership of local government pension schemes. The Group makes payments to these schemes for current service costs in accordance with its contractual obligations. The total costs charged to income for these schemes was £143,000 (2018: £120,000). The amount due in respect of these schemes at 30 November 2019 was £51,000 (2018: £71,000).

c. Defined benefit pension schemes

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

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

Defined benefit pension scheme remeasurements are recognised as a component of other comprehensive income such that the balance sheet reflects the scheme's surplus or deficit as at the balance sheet date. Contributions to defined contribution plans are charged to operating profit as they become payable.

Scheme assets are measured at bid-price, where available, at 30 November 2019. The present value of the defined benefit obligation was measured using the projected unit method.

Under the guidance of IFRIC 14, the Group are able to recognise a pension surplus on the balance sheet for all three schemes. In the year the Platinum scheme shows a surplus and the RM and CARE schemes are in deficit.

The Research Machines plc 1988 Pension Scheme (RM Scheme)

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

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

The most recent actuarial valuation of Scheme assets and the present value of the defined benefit obligation was carried out for statutory funding purposes at 31 May 2018 by a qualified independent actuary. IAS 19 Employee Benefits (revised) liabilities at 30 November 2019 have been rolled forward based on this valuation's base data.

As at 31 May 2018, the triennial valuation for statutory funding purposes showed a deficit of £40,600,000 (31 May 2015: £41,800,000). The Group agreed with the Scheme Trustees that it will repay this amount via deficit catch-up payments of £3,700,000 per annum until 31 May 2026.

At 30 November 2019 there were amounts outstanding of £308,300 (2018: £300,000) for one month's deficit payment and £nil (2018: £32,000) for Scheme expenses. The escrow bank account that was set up to manage the deficit risk in 2014 was closed during the year as the funds were paid over to the RM Scheme.

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

The Consortium CARE Scheme (CARE Scheme)

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

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

Prudential Platinum Pension (Platinum Scheme)

The Consortium acquired West Mercia Supplies in April 2012 (prior to the Company acquiring The Consortium). Upon acquisition by The Consortium of West Mercia Supplies, a pension scheme (the Platinum scheme) was set up providing benefits on both a defined benefit (final salary-linked) and a defined contribution basis for West Mercia employees. The most recent full actuarial valuation was carried out by the independent actuaries XPS Pensions Group on 31 December 2018. Using the assumptions below the results of the full valuation were adjusted and rolled forward to form the basis for the current year valuation. The scheme is administered within a legally separate trust from The Consortium and the Trustees are responsible for ensuring that the correct benefits are paid, that the scheme is appropriately funded and that the scheme assets are appropriately invested. The valuation of the scheme at 31 December 2018 was a surplus of £213,000. (31 December 2015: deficit £70,000).

Amounts recognised in the Income Statement and in the Statement of Comprehensive Income

	Note	Year ended 30 November 2019	Year ended 30 November 2018
		£000	£000
Administrative expenses and taxes		(174)	(537)
Current service costs		(88)	(108)
Operating expense		(262)	(645)
Interest cost		(7,219)	(6,798)
Interest on Scheme assets		7,225	6,291
Net interest gain/(expense)	8	6	(507)
Past service costs (GMP)		-	(1,200)
Expense recognised in the Income Statement		(256)	(2,352)
Effect of changes in demographic assumptions		1,586	(1,230)
Effect of changes in financial assumptions		(45,476)	19,884
Effect of experience adjustments		2,150	4,126
Total actuarial (losses)/gains		(41,740)	22,780
Return on Scheme assets excluding interest on Scheme assets		33,707	(7,087)
(Expense)/income recognised in the Statement of Comprehensive Income		(8,033)	15,693
(Expense)/income recognised in total comprehensive income		(8,289)	13,341

GMP equalisation

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

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

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

Our proposed approach can be broadly summarised as follows:

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

In 2018, this resulted in a one-off charge of £1m for the Research Machines plc 1988 Pension Scheme, and an exceptional charge of £0.2m for the Consortium CARE Scheme (see Note 5). As the members of the Platinum scheme joined during 2012 and didn't transfer benefits from previous schemes with them, there are no GMPs in the scheme and therefore no adjustment for equalisation was necessary.

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

Reconciliation of the Scheme assets and obligations through the year

	RM Scheme £000	CARE Scheme £000	Platinum Scheme £000	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
Assets					
At start of year	202,401	13,839	2,090	218,330	224,649
Interest on Scheme assets	6,711	440	74	7,225	6,291
Return on Scheme assets excluding interest on Scheme assets	32,728	692	287	33,707	(7,087)
Administrative expenses	(147)	-	(27)	(174)	(537)
Contributions from Group	3,997	401	220	4,618	4,591
Contributions from employees	-	-	19	19	19
Benefits paid	(5,994)	(557)	(10)	(6,561)	(9,596)
At end of year	239,696	14,815	2,653	257,164	218,330
Obligations					
At start of year	(201,848)	(17,396)	(1,390)	(220,634)	(244,885)
Interest cost	(6,622)	(548)	(49)	(7,219)	(6,798)
Actuarial (losses)/gains	(39,066)	(2,533)	(141)	(41,740)	22,780
Benefits paid	5,994	557	10	6,561	9,596
Past service cost (GMP)	-	-	-	-	(1,200)
Current service costs	-	-	(88)	(88)	(108)
Contributions from employees	-	-	(19)	(19)	(19)
At end of year	(241,542)	(19,920)	(1,677)	(263,139)	(220,634)
Pension deficit	(1,846)	(5,105)	-	(6,951)	(3,557)
Pension surplus	-	-	976	976	1,253
Net pension deficit	(1,846)	(5,105)	976	(5,975)	(2,304)

Included within the CARE Scheme obligations is an unfunded liability of £190,000 (2018: £203,000) which is a liability of the Group and not the Scheme.

Reconciliation of net defined benefit obligation

	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
Net obligation at the start of the year	(2,304)	(20,236)
Cost included in Income Statement	(256)	(2,352)
Scheme remeasurements included in the Statement of Comprehensive Income	(8,033)	15,693
Cash contribution	4,618	4,591
Net pension deficit	(5,975)	(2,304)

Obligation by participant status

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Active	976	1,135
Vested deferreds	216,540	177,305
Retirees	45,623	42,194
	263,139	220,634

Under the current agreements, the Group expect to pay approximately £4,600,000 in contributions in the year ending 30 November 2020.

Value of Scheme assets

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Fair value of Scheme assets with a quoted market price		
Cash and cash equivalents, including escrow	986	7,696
Equity instruments	128,445	107,006
Debt instruments	2,653	2,090
Liability driven investments	97,191	75,777
Value of unquoted Scheme assets		
Insurance contract	27,889	25,761
	257,164	218,330

Significant actuarial assumptions

	Year ended 30 November 2019	Year ended 30 November 2018
Discount rate (RM Scheme)	2.15%	3.30%
Discount rate (CARE Scheme)	2.10%	3.20%
Discount rate (Platinum Scheme)	2.15%	3.40%
Rate of RPI price inflation	2.95%	3.35%
Rate of CPI price inflation	1.80%	2.25%
Rate of salary increases (Platinum Scheme)	1.85%	2.25%
Rate of pensions increases		
pre 6 April 1997 service	1.50%	1.50%
pre 1 June 2005 service	2.85%	3.20%
post 31 May 2005 service	2.00%	2.10%
Post retirement mortality table	S2PA CMI 2018 1.25%	S2PA CMI 2017 1.25%
Weighted average duration of defined benefit obligation	23 years	23 years
Assumed life expectancy on retirement at age 65:		
Retiring at the accounting date (male member aged 65)	22.3	22.7
Retiring 20 years after the accounting date (male member aged 45)	23.6	24.1

Expected cash flows

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Expected employer contributions for the year ended 30 November 2020	4,325	4,503
Expected total benefit payments		
Year 1	3,540	3,382
Year 2	3,850	3,559
Year 3	4,285	3,876
Year 4	4,633	4,323
Year 5	4,947	4,682
Years 6 - 10	32,025	30,267

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

	30 November 2019						30 November 2018
	-0.1% discount		+0.1% discount				
	Base	rate	rate	-0.1% RPI	+0.1% RPI	Life +1 yr	Base
	£m	£m	£m	£m	£m	£m	£m
Analysis of net balance sheet position							
Fair value of Scheme assets	257.2	257.6	256.8	257.0	257.4	258.3	218.3
Present value of Scheme obligations	(263.2)	(269.1)	(257.3)	(258.7)	(267.7)	(271.1)	(220.6)
Net pension deficit	(6.0)	(11.5)	(0.5)	(1.7)	(10.3)	(12.8)	(2.3)
Actuarial assumptions							
Discount rate (RM Scheme)	2.15%	2.05%	2.25%	2.15%	2.15%	2.15%	3.30%
Discount rate (CARE Scheme)	2.10%	2.00%	2.20%	2.10%	2.10%	2.10%	3.20%
Discount rate (Platinum Scheme)	2.15%	2.05%	2.25%	2.15%	2.15%	2.15%	3.40%
Rate of RPI	2.95%	2.85%	3.05%	2.85%	3.05%	2.95%	3.35%
Rate of CPI	1.85%	1.75%	1.95%	1.75%	1.95%	1.85%	2.25%
Mortality table	S2PA CMI 2018 1.25%						S2PA CMI 2017 1.25%
Rating (years)	-	-	-	-	-	-	(1)

The key estimation sensitivity is the discount rate applied to pension liabilities.

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

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 EST has waived any entitlement to the receipt of normal dividends in respect of all of its holding of the Company's ordinary shares. The EST's waiver of dividends may be revoked or varied at any time.

Company and Group	Ordinary shares of 2½p	
	Number '000	£'000
At 1 December 2017	913	1,406
Shares released to award holders	(100)	(10)
New shares issued	1,200	27
At 30 November 2018	2,013	1,423
Shares released to award holders	(614)	(416)
At 30 November 2019	1,399	1,007

The valuation of the shares is weighted average cost. The maximum number of own shares held in the year was 2,013,006.

27. SHARE-BASED PAYMENTS

The Group operates the following executive and employee equity-settled share-based payment scheme known as the RM plc Performance Share Plan 2010 (the 'PSP Scheme').

One award was made under the PSP Scheme during the year ended 30 November 2019. The fair values of awards made under this Scheme have been assessed using Black-Scholes and Monte-Carlo models, as appropriate to the scheme, at the date of grant.

The fair values of awards are expensed over the period between grant and vesting.

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

RM plc Performance Share Plan 2010 ('PSP Scheme')

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

Details of performance share plan shares are as follows:

Group	Maximum number of shares	Market price on grant
At 1 December 2017	2,270,000	
Granted during the year	875,000	£2.12
Lapsed during the year	(228,000)	
Exercised during the year	(542,745)	
At 30 November 2018	2,374,255	
Granted during the year	954,000	£2.42
Lapsed during the year	(623,000)	
Exercised during the year	(614,255)	
At 30 November 2019	2,091,000	

The plans outstanding at 30 November 2019 had a weighted average contractual life of 1.3 years (2018: 1.3 years). The weighted average exercise price was £nil (2018: £nil). The weighted average market share price at date of exercise was £2.44 (2018: £2.10).

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

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

In March 2003 the Company established the RM plc Employee Share Trust to hedge the future obligations of the Group in respect of share scheme awards. These shares are used to hedge the estimated liability but until vesting represents own shares held – see Note 26.

Performance conditions – estimation uncertainty

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

28. GUARANTEES AND CONTINGENT LIABILITIES

a) Guarantees

The Company has entered into guarantees relating to the performance and liabilities of certain major contracts of its subsidiaries. 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 (to the next lease break or to the end of the lease, whichever is sooner) under non-cancellable operating leases which fall due as follows:

Group	2019 £000	2018 £000
Within 1 year	2,557	4,139
In years 2 to 5 inclusive	4,339	1,181
	6,896	5,320

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

During the year the Group has exited 5 properties and entered into 4 new property leases.

The Company had no operating leases during the year.

Leases as a lessor

One of the above office properties was sublet under an operating lease that ended during the year.

The future minimum lease payments under this non-cancellable lease were:

Group	2019 £000	2018 £000
Within 1 year	-	498
In years 2 to 5 inclusive	-	-
	-	498

b) Capital commitments

At 30 November 2019 amounts contracted but not provided for total £2,499,700 and relate primarily to other software assets.

In 2018 amounts contracted but not provided for totalled £527,645 and related mainly to tangible assets for premises in India.

The Company had no capital commitments during the year.

30. FINANCIAL RISK MANAGEMENT

Carrying value of financial assets and financial liabilities

	Note	Group		Company	
		2019 £000	2018 £000	2019 £000	2018 £000
Financial assets					
Trade and other receivables – current	18	25,624	24,564	22,957	9,722
Trade and other receivables – non-current	18	939	930	847	867
Cash and short-term deposits		5,534	2,634	-	-
		32,097	28,128	23,804	10,589
Financial liabilities					
Trade and other payables – current	21	(37,891)	(44,382)	(72,927)	(71,080)
Bank loans and overdrafts		(20,540)	(8,428)	(16,534)	(6,506)
		(58,431)	(52,810)	(89,461)	(77,586)

All financial assets are classified as loans and receivables except for forward foreign exchange contracts of £nil (2018: £353,000) which are classified as fair value through profit or loss.

All liabilities classified as financial liabilities are held at amortised cost except for forward foreign exchange contracts of £461,000 (2018: £nil) which are classified as fair value through profit or loss.

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

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

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

Foreign currency risk

a) Translation

All financial assets are classified as loans and receivables except for forward foreign exchange contracts of £nil (2018: £353,000) which are classified as fair value through profit or loss.

All liabilities classified as financial liabilities are held at amortised cost except for forward foreign exchange contracts of £461,000 (2018: £nil) which are classified as fair value through profit or loss.

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

b) Transaction

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

In order to manage these risks the Group enters into derivative transactions in the form of forward foreign currency contracts. To manage the US Dollar to Sterling risk, the forward foreign currency contracts purchased are designed to cover 80-100% of forecast currency denominated purchases and the contracts are set up to provide coverage over future fixed price periods, typically for the following 12 months. To manage the Indian Rupee to Sterling risk, the contracts purchased are designed to cover 80-85% of forecast Rupee costs and are renewed on a revolving basis of approximately eleven to twelve months.

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

2019					
Currency	Contract type	Forward contract Currency '000	Forward contract value £000	Mark to market value £000	Fair value £000
US Dollar	Buy	12,869	(10,248)	(10,418)	170
Indian Rupee	Buy	777,000	(8,468)	(8,759)	291
			(18,716)	(19,177)	461

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

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

Of these, forward foreign currency exchange contracts with a contract value of £18,716,000 (2018: £8,123,000) and fair value liability of £461,000 (2018: asset of £353,000) have been designated as effective hedges in accordance with IFRS 9 *Financial Instruments: Recognition and Measurement*. The movement in fair value of hedged derivative financial instruments during the year was a debit of £814,000 (2018: credit of £742,000) which has been recognised in other comprehensive income and presented in the hedging reserve in equity. In addition the Group retains the gain or loss on realised foreign currency contracts used to hedge non-financial assets which are realised when the asset is recognised.

No forward foreign currency exchange contracts have been designated as ineffective hedges in accordance with IFRS 9 *Financial Instruments: Recognition and Measurement* at 30 November 2019 (2018: nil).

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

c) Foreign exchange rate sensitivity

The following table details how the Group's income and equity would increase/(decrease) if there were a 10% increase/(decrease) in the amount of the respective currency which could be purchased with £Sterling (assuming all other variables remain constant), for example from \$1.30:£1 to \$1.43:£1 at the balance sheet date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency. A 10% weakening of Sterling against the relevant currency would be estimated to have a comparable but opposite impact on income and equity.

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

Group	2019		2018	
	Nominal value £000	Fair value £000	Nominal value £000	Fair value £000
Forward foreign exchange contracts	(18,716)	461	(8,123)	(353)
Sensitivity				
Group	2019 Income £000	2019 Equity £000	2018	
			Income £000	Equity £000
10% increase in foreign exchange rates against Sterling:				
US Dollar	(245)	(245)	(69)	591
Australian Dollar	(660)	(1,387)	-	-
Indian Rupee	47	332	27	(208)

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

Interest rate risk

The only significant interest-bearing financial assets or liabilities relate to the Group's borrowings referred to below. During the year, average net debt was £24,134,000 (2018: £24,135,000) and the maximum borrowings position was £38,682,000 (2018: £32,768,000).

The Group has a committed revolving credit facility with HSBC Bank plc and Barclays Bank plc, which was signed on 5 July 2019 which expires on 4 July 2022. The initial facility is for £70,000,000 with the accordion option to increase the facility by a further £30,000,000. The accordion extension does not need the permission of the existing lenders. The current bank credit facility ends on 4 July 2022 but has an option to extend for a further 2 years. The extension remains subject to agreement with the lenders but the Board has no reason to believe that the debt would not be renewed. Of the funds available, £5,000,000 is allocated to an on demand working capital facility, leaving the remainder unallocated. Under the facility the Company is bound to covenants of 4 times interest cover/EBITDA and 2.5 times Net Debt/EBITDA. Separate to this, the Group has a number of performance bonds relating to potential liabilities arising in connection with any Local Government Pension Scheme that the Company participates in as a result of its managed services contracts in the RM Education Division (which are included in other provisions). The £17.0m drawdown at the year end is not contractually due for repayment until 2022. Interest is payable quarterly based on the drawdown at this date.

The interest payable on loans under the revolving credit facility is between 1.30% and 2.10% above LIBOR (the Margin), for the remainder of the committed term subject to certain financial ratios. A commitment fee of 40% of the Margin is payable on the unutilised balance and an arrangement fee of 0.5% of the initial total facility was paid in 2019. The fees are recognised in the Consolidated Income Statement on an effective interest rate basis over the duration of the facility.

The interest and currency profile of cash and cash equivalents is shown below:

Group	2019			2018		
	Floating rate £000	Interest free £000	Total £000	Floating rate £000	Interest free £000	Total £000
Sterling cash and cash equivalents/(overdraft)	(4,006)	105	(3,901)	(1,922)	848	(1,074)
US Dollar	-	1,758	1,758	-	1,237	1,237
Euro	-	1,641	1,641	-	-	-
Indian Rupee	-	681	681	-	217	217
Singapore Dollar	-	760	760	-	332	332
Australian Dollar	-	364	364	-	-	-
New Zealand Dollar	-	225	225	-	-	-
Cash and cash equivalents	(4,006)	5,534	1,528	(1,922)	2,634	712
Borrowings – Sterling	17,000	-	17,000	7,000	-	7,000

The weighted average effective interest rates at the balance sheet date on interest bearing financial assets and liabilities were as follows:

Group	2019			2018		
	Floating rate £000	Weighted average interest rate	%	Floating rate £000	Weighted average interest rate	%
Financial assets:						
Cash and short-term deposits	5,534	1.25		2,634	0.37	
Trade and other receivables (non-current)	847	11.75		930	9.52	
Financial liabilities:						
Overdrafts	(4,006)	3.27		(1,922)	3.10	
Loans	(17,000)	2.00		(7,000)	1.78	

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

Group	2019		2018	
	Income sensitivity £000	Equity sensitivity £000	Income sensitivity £000	Equity sensitivity £000
1% increase in interest rates	(155)	(155)	208	208
1% decrease in interest rates	155	155	(208)	(208)

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 expected credit losses. Note 18 includes an analysis of trade receivables by type of customer and of the ageing of unimpaired trade receivables.

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

The carrying amount of financial assets represents the maximum credit exposure. The Group does not hold any collateral to cover its risks associated with financial assets.

Liquidity risk

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

Capital management

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

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 2019	30 November 2018
	£000	£000
Short-term employee benefits	2,590	2,561
Post-employment benefits	135	178
Termination payments	238	84
Share-based payments	408	588

Share-based payments above include a fair value charge for executive Directors of £231,355 (2018: £170,836) in respect of awards to David Brooks and £203,289 (2018: £159,000) in respect of Neil Martin.

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

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		Year ended 30 November 2018 £000
	30 November 2019 £000	30 November 2018 £000	
Receipts/(payments):			
Management recharges	(964)	(607)	
Net intercompany interest income	(1,341)	(1,153)	
Dividends received	11,000	9,000	

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

c) Other related party transactions

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

Spinfield School

Neil Martin, executive director, is a governor of Spinfield School. RM Resources made sales of £1,107 (2018: £10,550). At the year end there is a balance of £nil (2018: £nil) outstanding.

Grant Thornton LLP

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

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

The following payments were made in the year: £98,901 for strategy work, £27,000 relating to advisory fees in connection with adoption of IFRS 15 and 16, £22,172 relating to work on a new ERP system. There were no accruals at the year end.

In the prior year; £167,252 of integration costs, £40,945 work for IFRS 15, £11,870 relating to work on a new ERP system, and £245,606 relating to estate strategy. £42,000 was accrued at the year-end for further ERP work.

UBM plc

Patrick Neil Martell, non-executive director of RM plc, is Chief Executive Officer of Informa plc. In the year a payment of £9,136 was made to UBM plc, a subsidiary of Informa plc, relating to an online subscription for legal guidance.

32. IMPACT OF ADOPTION OF IFRS 15

IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It has replaced existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

The Group has used the modified retrospective adoption approach under which the Group has applied all of the requirements of IFRS 15 with effect from 1 December 2018.

The Group has made opening balance sheet adjustments arising from changes to the revenue recognition treatment of goods and services and the capitalisation of costs to obtain contracts. The impact of the new standard on its 2019 accounts is set out below:

	Restated Balance Sheet as at 1 December 2018 £000	IFRS 15 impact on Income Statement for year ended 30 November 2019 £000	Balance Sheet as at 30 November 2019 £000
Net current (liabilities)/assets relating to goods and services	(2,898)	(2,416)	(5,314)
Capitalised contract costs	1,435	882	2,317
Deferred tax asset	278	291	569
Retained earnings (deficit)/surplus	(1,185)	(1,243)	(2,428)

The adoption of IFRS 15 has had five principal impacts:

- The Group has separated performance obligations included in long-term contracts that were previously combined under IAS 11/18. The provision of software, services support and maintenance are now recognised over time, typically the duration of the contract, following completion of any development activities.
- Where the Group performs development activities, these are now treated as a separate performance obligation. If the customer retains control of the developed Intellectual Property Rights ('IPR'), the revenue is recognised over the period of development activity. If the developed IPR is retained by the Group, the costs of development are deferred as a contract fulfilment asset and are amortised over the subsequent licence period.
- A number of separate performance obligations have been identified. Previously these would have all been recognised as part of the long-term contract accounting. Under IFRS 15, certain performance obligations are recognised at a point-in-time, typically as the goods are delivered to the customer.
- The Group needs to allocate the transaction price to each of the performance obligations. This requires estimation. Typically, the Group uses observable market prices for certain elements such as scanning services provided by third parties. For elements, such as software, that do not have an observable price, the Group applies the residual method to determine the fair value of these performance obligations.
- Due to the change in revenue recognition, the Group has recognised a deferred tax adjustment at 1 December 2018.

Where the Group incurs identifiable costs that relate to a specific customer contract then these costs are capitalised as contract fulfilment assets and amortised over the contract on a systematic basis consistent with the performance obligations included in the contract.

Revenue is recognised either when the performance obligation in the contract has been performed (so 'point-in-time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

During the year to 30 November 2019, revenue recognised 'point in time' and revenue recognised 'over time' is set out in Note 3.

An overview of the impact by division is set out below:

RM Resources

RM Resources provides goods to educational organisations and as such revenue is recognised at point of sale. UK schools tend to purchase the majority of their consumables in preparation for new school years and hence the second half is seasonally stronger.

RM Education

RM Education provides ICT software, services and hardware to UK schools and colleges. Hardware is recognised at point of delivery and the remaining services are recognised over time and include a number of different performance obligations. For some larger long-term contracts the separation of the hardware performance obligation from the rest of the contract has driven a change in revenue recognition profile leading to an opening reserves adjustment.

RM Results

RM Results provides IT software and end-to-end digital assessment services to enable online exam marking, online testing and the management and analysis of educational data. Long term contracts have been split into separate performance obligations all of which are recognised over time. Whilst this brings some of the revenue recognition forward, within the financial year, there is still a significant seasonality towards exam marking periods.

As a result of long implementation periods associated with many of the bespoke contracts, contract fulfilment assets in relation to development activity have been recognised in the balance sheet and has resulted in an opening reserves adjustment.

Detailed primary statement restatements

Detailed primary statement restatements arising from the adoption of IFRS 15 are set out below.

Impact on the Consolidated Income Statement

	As reported £000	IFRS 15 impact £000	Amounts before adoption of IFRS 15 £000
Revenue	223,765	2,416	226,181
Cost of sales	(132,140)	(882)	(133,022)
Gross profit	91,625	1,534	93,159
Operating expenses	(67,447)	-	(67,447)
Profit from operations	24,178	1,534	25,712
Investment income	153	-	153
Finance costs	(1,163)	-	(1,163)
Profit before tax	23,168	1,534	24,702
Tax	(4,106)	(291)	(4,397)
Profit for the period	19,062	1,243	20,305

Impact on the Consolidated Statement of Financial Position

	As reported £000	IFRS 15 impact £000	Amounts before adoption of IFRS 15 £000
Non-current assets			
Goodwill	49,107	128	48,979
Intangible assets	23,274	-	23,274
Property, plant and equipment	9,183	-	9,183
Defined benefit pension scheme surplus	976	-	976
Other receivables	939	-	939
Contract fulfilment assets	2,193	2,193	-
Deferred tax assets	3,457	-	3,457
	89,129	2,321	86,808
Current assets			
Inventories	22,151	249	21,902
Trade and other receivables	31,238	3,057	28,181
Contract fulfilment assets	844	844	-
Held for sale asset	1,428	-	1,428
Tax assets	382	217	165
Cash and short-term deposits	5,534	-	5,534
	61,577	4,367	57,210
Total assets	150,706	6,688	144,018
Current liabilities			
Trade and other payables	(51,231)	(7,885)	(43,346)
Tax liabilities	(117)	352	(469)
Provisions	(1,585)	(1,583)	(2)
Overdraft	(4,006)	-	(4,006)
	(56,939)	(9,116)	(47,823)
Net current assets	4,638	(4,749)	9,387
Non-current liabilities			
Other payables	(3,483)	-	(3,483)
Provisions	(3,868)	-	(3,868)
Deferred tax liability	(3,356)	-	(3,356)
Defined benefit pension scheme obligation	(6,951)	-	(6,951)
Borrowings	(16,534)	-	(16,534)
	(34,192)	-	(34,192)
Total liabilities	(91,131)	(9,116)	(82,015)
Net assets	59,575	(2,428)	62,003
Equity attributable to shareholders			
Share capital	1,917	-	1,917
Share premium account	27,080	-	27,080
Own shares	(1,007)	-	(1,007)
Capital redemption reserve	94	-	94
Hedging reserve	(411)	-	(411)
Translation reserve	(497)	-	(497)
Retained earnings	32,399	(2,428)	34,827
Total equity	59,575	(2,428)	62,003

The opening balance at 1 December 2018 for IFRS 15 impacted balances were £1.4m contract fulfilment assets, trade receivables £21.2m, accrued income £1.7m and deferred income £16.2m.

The Group has taken the practical expedient of applying the modified retrospective approach so have taken the aggregate of all contract modifications that occurred before 1 December 2018 into the opening IFRS 15 position.





SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Ex-dividend date for 2019 final dividend	12 March 2020
Record date for 2019 final dividend	13 March 2020
Annual General Meeting	26 March 2020
Payment of 2019 final dividend	24 April 2020
Announcement of 2020 interim results	July 2020
Preliminary announcement of 2020 results	February 2021

CORPORATE WEBSITE

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

INVESTOR INFORMATION

Information for investors is available at www.rmplc.com. Enquiries can be directed to Mark Lágler, Company Secretary, at the Group head office address or at companysecretary@rm.com.

REGISTRARS AND SHAREHOLDING INFORMATION

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

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

ELECTRONIC COMMUNICATION

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

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

BENEFICIAL SHAREHOLDERS WITH 'INFORMATION RIGHTS'

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

MULTIPLE ACCOUNTS ON THE SHAREHOLDER REGISTER

If you have received two or more copies of this document, it may be because there is more than one account in your name on the shareholder register. This may be due to either your name or address appearing on each account in a slightly different way.

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

COMPANY SECRETARY

Mark Lágler

GROUP HEAD OFFICE AND REGISTERED OFFICE

142B Park Drive
Milton Park
Abingdon
Oxfordshire OX14 4SE
United Kingdom

Telephone: +44 (0)8450 700 300

REGISTERED NUMBER

RM plc's registered number is 01749877

AUDITOR

KPMG LLP
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD

FINANCIAL ADVISORS AND STOCKBROKERS

Peel Hunt LLP
120 London Wall
London EC2Y 5ET

FINANCIAL PUBLIC RELATIONS

Headland PR Consultancy LLP
1 Suffolk Lane
London EC4R 0AX

REGISTRAR

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

LEGAL ADVISOR

Osborne Clarke
One London Wall
London EC2Y 5EB



142B Park Drive
Milton Park
Milton
Abingdon
Oxfordshire
OX14 4SE

Telephone: +44 (0)8450 700 300
Stock code: RM.

www.rmplc.com