Registered number 01148594

RM Education Limited

Annual Report and Financial Statements

For the year ended 30 November 2021

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DIRECTORS AND ADVISORS

Registered Office and Principal Location:	RM Education Limited 142B Park Drive Milton Park Milton ABINGDON Oxfordshire OX14 4SE Telephone : 08450 700300 Private company limited by shares
Registered Number:	01148594
Directors:	John Baskerville Mark Berry Mark Lagler Neil Martin Jason Tomlinson
Company Secretary:	Mark Lagler
Auditor:	Deloitte LLP Chartered Accountants Four Brindleyplace Birmingham B1 2HZ

STRATEGIC REPORT

The Directors submit their Strategic Report for RM Education Limited ("*Company*") for the year ended 30 November 2021.

Review of the business

The Company is a wholly-owned operating subsidiary of RM plc ("*Parent Company*"), which, together with its subsidiary undertakings, comprises the RM Group ("*Group*"). The detailed review of the Group's strategy, financial results for the financial year and prospects is included in the Group's annual report and accounts which are published on the Group's website, www.rmplc.com.

The principal activity of the Company during the year was the supply of IT services and software solutions to educational markets. The Company's business is split into two main trading divisions, *RM Assessment* (formerly *RM Results)* and *RM* Technology (formerly RM *Education)*, each with a management team and a common Managing Director during the year. During 2022, the Managing Director role has been split for each division.

Company performance

Turnover remained stable at £92.4m (2020: £92.8m). However, the gross profit percentage reduced to 35.0% for the year (2020: 40.0%), reflecting the mix of turnover and cost mitigations arising through planned restructuring and COVID-19 responses.

The profit before tax was £8.0m (2020 restated: £9.9m), and the profit after tax was £6.6m (2020 restated: £8.2m).

Net assets of the business increased to £78.6m (2020: £38.7m), which was primarily driven by the movement in the Defined Benefit Pension Scheme.

To provide a better understanding of underlying business performance, certain costs have been disclosed in an adjustments column in the Profit and Loss Account to give "Adjusted" results. During the year, the Company incurred such adjustments before tax of £2,754,000, as set out in note 4. In the prior year there was an adjustment to profit of £3,139,000 before tax.

As set out in note 21 the prior year results were restated to reflect adjustments principally relating to the IFRIC interpretation on treatment of costs associated with software as a service, the impact on prior year was to reduce profit from operations and profit before tax by £1.0m, profit after tax by £0.8m.

Divisional Results

The Table below gives a summary of the revenue and adjusted operating profit by division.

Segmental results

Year ended 30 November 2021	RM Assessment £000	RM Technology £000	Corporate Services £000	Total £000
Revenue	27,836	64,560	-	**92,396**
Adjusted profit from operations	6,495	7,098	(4,859)	**8,734**
	23.3%	*11.0%*		

Year ended 30 November 2020	RM Assessment £000	RM Technology £000	Corporate Services £000	Total £000
Revenue	27,843	64,978	-	**92,821**
Adjusted profit from operations	6,288	9,296	(4,552)	**11,032**
	22.6%	*14.3%*		

STRATEGIC REPORT

RM Assessment (formerly RM Results)

RM Assessment 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. Customers include government ministries, exam boards and professional awarding bodies in the UK and overseas.

Revenue was flat on the prior year to £27.8m (2020: £27.8m) with the partial recovery of global examination activity in 2021 being offset by loss of revenues as a result of a significant customer in-sourcing a contract during 2020 the effect of which was felt in 2021. Revenues remain heavily impacted by lower examination volumes with UK general exams cancelled and reduced international exam activity being offset by an increase in professional and language qualification activity.

2021	RM customers	Exam activity vs. 2020	Exam activity vs. 2019
UK School Exams	3	+10%	-95%
UK Other	6	+90%	+85%
International	9	+45%	-30%

Adjusted operating profit increased by 3% on the prior year to £6.5m (2020: £6.3m), with operating margins increasing to 23.3% (2020: 22.6%).

COVID-19 disruption relating to ongoing international travel restrictions and global lockdown measures continues to adversely impact the sales pipeline development. Wage inflation pressure through the year increased delivery costs, driven in part by a shortage of in-demand skilled developers in India.

RM Technology (formerly RM Education)

Revenue decreased by 1% to £64.6m (2020: £65.0m) as the division showed its resilience to UK school closures as schools continued to require technology support with the challenge of progressing new opportunities.
Adjusted operating profit however decreased by 24% to £7.1m (2020: £9.3m), the key drivers being the combination of lower gross margins arising from a higher proportion of hardware sales, together with increased operating costs post lockdown, and the absence of prior-year one-off benefits.

Services

The Services offering, within RM Technology, 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 declined by 1% to £53.6m (2020: £54.0m) with managed services revenues declining 4% to £40.5m (2020: £42.0m). This was driven primarily by a reduction in revenues from long-term contracts and a slight reduction in site numbers through the year as converting the sales pipeline became challenging. Connectivity revenue increased 9% to £13.1m (2020: £12.0m).

Digital Software Platforms

The Digital Software Platforms offering covers a number of cloud-based products and services such as RM Integris (school management system), RM Unify (authentication and identity management system) and RM SafetyNet (internet filtering system) as well as other content, finance and network software offerings. Digital Software Platforms revenues increased marginally to £11.0m (2020: £10.9m).

Key performance indicators

Management uses a number of key performance indicators to measure the Company's financial and non-financial performance. These include, but are not limited to, as referred to in the previous paragraphs, revenue growth, growth in annuity revenue, adjusted profit and number of contract wins.

The Company is an integral part of the Group, and the full Group KPIs are set out in the Group Annual Report and Accounts within the Strategic Report.

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Going concern

The financial position is described in the financial statements and the associated notes. In addition, this strategic report includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit and liquidity risk.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company forms an integral part of the RM plc Group, being RM plc and its subsidiaries ("the Group"), and although it is not dependent on intercompany financing, it is reliant upon the continuation of the wider Group, in particular covenant compliance on the bank facilities where the Company acts as a guarantor. As such, in making the going concern assessment the Directors have considered the cash flow forecasts for the RM plc Group. The Group assessment was carried out in February 2022.

The Group Directors have prepared cash flow forecasts for the period to the end of May 2023 which indicate that, taking into account reasonably plausible downsides as discussed below, the Company has sufficient funds to meet its liabilities as they fall due for at least 12 months from the date of this report. The Company directors have subsequently reviewed these cash flow forecasts and concur with the conclusions and also confirmed that there are no indicators from trading to date that the conclusions reached in February 2022 have changed in the period to the signing of these accounts.

In assessing the going concern position the Group Directors have considered the balance sheet position and the level of available finance not drawn down. The Group balance sheet shows net Group current liabilities of £1.0m. At 30 November 2021, the Group had net debt of £18.3m (November 2020: £1.3m) and drawn facilities of £20m (November 2020: £5m). RM Group has a £70m committed bank facility ("the facility") at the date of this report. Liquidity headroom at 30 November 2021 was £47.9m. Average net debt over the year to 30 November 2021 was £15.8m (2020: £16.3m) with a maximum borrowings position of £29.7m (2020: £29.6m). The debt facilities are subject to financial covenants of a maximum of 2.5 times Net Debt/EBITDA and at least 4 times interest cover/EBITDA. These covenants are tested in May and November. At 30 November 2021 the results of the covenant tests were 0.84 and 22.6 respectively.

The facility was extended by 1 year during 2021 and is committed until July 2023. During this extension process, the Board initiated conversations regarding 3 year facilities to replace the current facility when it expires and is confident in obtaining a new or renewed facility at an appropriate time. The Board is satisfied that there are several other financing options that could be put in place to maintain liquidity headroom and that there would be adequate time to complete negotiation of such arrangements.

The CFO report in The Group Annual Report and Accounts outlines the performance of the Group in the year to 30 November 2021 including the impact of COVID-19. In this period UK schools were closed for a number of weeks primarily during Q1, and many UK and Irish exams were cancelled by respective governments. Despite this backdrop, revenues increased by 12% compared to 2020 and adjusted profit before tax by 22%. In RM Resources, we continued to provide products to our customers during school closures and have experienced strong curriculum sales in 2021. In RM Assessment (formerly RM Results), whilst the UK general exams saw a significant reduction compared to 2019, other UK assessment and international examination activity recovered partially. RM Technology (formerly RM Education) continues to be resilient to UK school closures as it provides the technology support to UK schools and colleges that has allowed them to operate remotely.

For going concern purposes the Group has assessed a base case scenario that assumes no further significant downturn in UK or International markets occurs than that experienced in the year to 30 November 2021. The base case also incorporates a reduced but still significant level of investment expenditure in 2022, as we have spent in 2021, relating to our major transformation projects and assumes a return to shareholders through dividends. Under that base case we continue to maintain significant headroom against our committed facility and are comfortably within our covenants.

The Group has assessed a further severe downside scenario that adjusts our base assumptions to include:

- Further school closures for March through to May 2022 at similar levels of trading experienced in 2021, comprising a c.30% reduction in divisional revenue in those months;
- Reduced International trading and exams, including an c.25% reduction in International general school exams against budget;
- Assumes the UK exams that have been cancelled in 2021 are also cancelled in 2022;
- Slower pipeline conversion, a c.50% of budgeted annuity contracts in RM Assessment and RM Technology being achieved;

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- Benefits from our ERP programme are delayed by approximately 1 year;
- Business disruption for 2 months in our RM Resources division when the warehouse automation goes live in 2022 reducing order intake by c.50% in those 2 months;
- Minimal cost mitigations and no significant cash flow deferrals.

The Company directors have reflected on the above sensitivities in May 2022 and note that many of the above sensitivities have not occurred such as further school closures, exam cancellation or a 50% business disruption in the Resources division as we go live with elements of our automation. These are no longer considered to be plausible at the levels considered above and the remining scenarios would not lead to a different conclusion.

The Directors do not believe that all these assumptions occurring together is plausible, but even considering all these scenarios in aggregate we continue to have sufficient headroom against the facility and comply with bank covenants until the facility concludes. The Directors also believe there is reasonable expectation of entering into a new agreement on similar terms as the existing renewed facility. Having considered the severity of this scenario, the Board considers this to be an appropriate worst case scenario.

The Board's assessment of the likelihood of a further downside scenario is remote, particularly with the continued vaccine booster / roll-out programmes and lifting of restrictions in key countries and the indications from most governments worldwide that they intend to lift remaining restrictions as soon as is practical.

Therefore, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence and meet their liabilities as they fall due for a period of not less than 12 months from the date of approval of these financial statements. For this reason, the Company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The Company has a structured approach to the assessment and management of risks (and forms part of the Group process for managing risks).

A detailed Risk Register is maintained, in which risks are:

- categorised under the following categories: political, strategic, operational, financial and emerging; and
- assessed in terms of probability of the risk occurring and its potential impact on the Company and its key stakeholders.

RM assesses both the inherent risk, before any mitigating actions, and the residual risk after such actions have been taken. The Company also identifies any other activities that could be undertaken to further mitigate risk where it is considered too high. Whilst RM's risk management systems are designed to reduce risk as far as possible, the Company cannot eliminate all risks.
During 2020 and into 2021, the Executive Response Group for Business Continuity was activated and met regularly, led by the CEO, to manage RM's response to the COVID-19 pandemic. Whilst there was significant impact on the Company's operations, during the pandemic, RM has overall continued to operate successfully and its risk management processes have continued to operate as normal.

Emerging risks are ones that do not currently have a material impact on the business but which have a reasonable likelihood of impacting future strategy or operations. Details of emerging risks, as a separate category of risk, are identified and analysed, and mitigating actions proposed and monitored as part of the risk management processes. These risks are reviewed following the same process as for principal risks. Whilst there are a number of risks that the Company identifies and manages, currently, none of these are expected to become future principal risks. Environmental risks were an emerging risk but are now captured as a principal risk based on an analysis of the probability and potential impact. Current emerging risks include risks relating to future pandemics, changes in government assessment policy, the impact of political problems in Asia and evolving climate change risks.

The full register including emerging risks, 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 mitigation plans for those risks and the person responsible for these. These risks and their mitigation are monitored on a continual basis by each division. 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 Group Internal Audit provide assurance that the risk management systems are effective.

The Board reviews the principal and emerging risks faced by the Group and approves the Group Risk Register at least twice a year.

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The Group has a Risk Appetite and Tolerances Policy which sets out the overarching risk tolerances across the Group. There is zero tolerance for risks which:

- harm its employees, customers, learners or the general public;
- create significant, unmanaged, adverse, reputational damage;
- lead to the loss of any application or IT service deemed critical for RM customers or internal users or the loss of any service beyond the ascertained maximum acceptable outage; or
- would cause any failure to comply with legal and regulatory requirements.

The Board confirms that it has carried out a robust assessment of the principal and emerging risks faced by the Group and appropriate processes have been put in place to monitor and mitigate them.

RM has identified the principal risks set out in the table below and it has continued to monitor these in 2021. These are the risks with the highest probability and impact on the business. While these risks are largely unchanged since last year, the key changes reflect the impact of COVID-19 and Brexit changes including supply chain issues, inflation and workforce retention.

In addition, to these there are other risks that are reviewed managed and mitigated throughout the year. The arrow in the Trend and Likelihood column indicates the year-on-year change in the risk

Principal Risks and Uncertainties

Link to Strategic Objectives	
Reach more customers	C
Improve share of wallet	W
Operational excellence	Ex
Attract and retain talent	T
Strong financial discipline	£

Risk and categorisation	Description and likely impact	Mitigation	Trend and Likelihood
Public policy (Political Risk) C	The majority of RM's business is funded from UK government sources. Changes in political administration, or changes in policy priorities, might result in major changes to the exam system or a reduction in education spending, leading to a decline in market size. UK government funding in the education sector is constrained by fiscal policy. 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 specialises.	The Company reviews the education policy environment by the regular monitoring of policy positions through our involvement with industry trade bodies and responding to government consultations. The Group's three divisions have diverse revenue streams and product/service offerings which dilutes the impact of any change. 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.	→ The likelihood of this is currently considered low.
Education practice (Political Risk) C	Education and assessment 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 through close relationships with customers. The Company is evolving its product and service offering to help its customers with their developing requirements.	→ The likelihood of this is currently considered low.
Operational execution (Operational	RM provides sophisticated products and services, which require a high level of technical expertise to develop and	The Company invests in maintaining a high level of technical expertise (see also the People risk below).	↑ This has

Risk and categorisation	Description and likely impact	Mitigation	Trend and Likelihood
Risk) Ex	support, and on which its customers place a high level of reliance. Any significant operational or system failure would result in reputational damage and increased costs. 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. RM's increasing international business makes it subject to laws in other countries and higher risk jurisdictions. RM employees enter school premises to provide services and should be properly cleared to do so.	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 and material projects are audited. The Company has internal policies and procedures across a wide range of areas including bribery and corruption, health and safety, privacy, employment, competition law and tax which are regularly monitored and reviewed to ensure the Company assesses and takes account of higher risks levels and complies with all relevant laws and regulations. Procedures are adopted to ensure that all employees are properly checked and receive training before entering any school premises. Further information is provided on this on page 50.	increased in potential impact and likelihood due to the implementation of major projects (see Transformation Risk section below) and the increasingly competitive market for talent (see People risk below).
Data and business continuity (Operational and Emerging Risk) Ex	RM is engaged in storing and processing personal data, where accuracy, privacy and security are important. Any significant security breach could damage reputation, impact future profit streams, lead to potential regulatory action and raise concerns with affected schools, parents and students. 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.	The Company has made a commitment to maintain effective Information Security and Business Continuity management systems maintaining ISO27001 and ISO22301 certifications for key business areas to demonstrate the robustness and effectiveness of those systems. These are externally audited. 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. The Company analyses all information security and data protection incidents (including their root cause), changes in the regulatory framework, and breaches that have occurred in other companies to identify opportunities for improvement. The Group seeks to protect itself against the consequences of a major incident by implementing a series of back-up and safety measures. It also manages risks with key suppliers by regularly reviewing their security and business continuity systems, conducting assessments and running joint tests. There are strict access controls and permissions across business applications and systems, these are regularly monitored and reviewed and improvements are made on an ongoing basis. The Group has cyber insurance and property and business interruption insurance cover.	↑ The likelihood of this is considered to have increased due to a higher level of information security risks from greater homeworking by RM's customers, a general increase in cyber-attacks in the UK and the risk from the implementation of major projects (see Transformation Risk section below).
Environmental (Operational	Changes required by legislation, customer requirements and the	Legislation and standards are monitored and plans put in place to manage compliance, for example to reduce the	↑

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Risk and categorisation	Description and likely impact	Mitigation	Trend and Likelihood
Risk) Ex C	Group's environmental targets impact its current operations.	compliance costs associated with new packaging regulations.	The potential impact of this has increased due to new legislation, customer requirements and the change required to meet RM's own targets (see page 43).
People (Operational Risk) T	RM's business depends on highly skilled, diverse employees. Failing to recruit and retain such employees could impact operationally on RM's ability to deliver contractual commitments. There may also be an impact on costs in such recruitment and retention. Failing to make sure RM's colleagues are safe at work would impact the Company's attractiveness as an employer, impact RM operationally and lead to financial penalties and reputation damage.	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. The Company has a retention and recruitment strategy in place to incentivise and retain its skilled employees as well as recruiting new talent. The Company provides training to employees, has an incident reporting system, and monitors employee health, safety and wellbeing through various groups and reports.	↑ The potential impact and likelihood of this is considered to have increased in relation to recruitment as the market for key IT talent has become tighter.
Transformation Risk (Operational Risk) Ex	Issues in implementing major programs could lead to business disruption and loss of intended benefits.	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. Currently there are two major Group programmes to develop a new automated warehouse at Harrier Park, Hucknall for the a fellow subsidiary and migration to new CRM and ERP systems across the Group. The Company has prioritised the delivery of this CRM and ERP project and utilised the services of third parties where needed, ensuring the Company has a scalable platform to support current commitments and growth plans. The Board is kept appraised of the current status of such activities and projects on a regular basis.	↑ The potential impact and likelihood of this is considered to have increased as these projects are now fully underway.
Innovation (Strategic Risk) C W	The IT market and elements of the education resources market are subject to change. As a result of inappropriate technology, product and marketing choices or a failure to adopt and develop new technologies quickly enough, difficulties recruiting and retaining talent, the Group's products and services might become unattractive to its customer base, or new market opportunities missed.	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 new opportunities and initiatives. The Group works with teachers and educators to understand opportunities and requirements.	→ The impact and potential likelihood of this is considered unchanged.

STRATEGIC REPORT

Risk and categorisation	Description and likely impact	Mitigation	Trend and Likelihood
	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.		
Dependence on key contracts (Strategic Risk) C W	The performance of the RM Technology and RM Assessment divisions is dependent on the winning and extension of long-term contracts with an increasing diversity of customer base of government, local authorities, examination boards and commercial customers	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.	→ The impact and potential likelihood of this is considered unchanged.
Impact of the COVID-19 pandemic (Operational Risk) Ex	The impact of the COVID-19 pandemic has: - put pressure on those with whom the Company trades with resultant risks from customer closures, pricing pressures and service delivery pressures from delays to exams; - caused general failures in the education system to deliver exams on time which has knock-on effects on the RM Assessment division; and - led to increases in the cost of products and services which could impact revenue and reduce profits.	The Company manages its relationship with its customers, supplier and other stakeholders. It works closely with customers to: - avoid potential bad debts and to manage the impact of cost increases from key suppliers; and - as it did after the exam cancelations in 2020, manage the consequence of the cancellation of summer 2021 exams. The Company keeps its costs under review, assesses potential alternative sources of supply and revises its pricing to reflect cost increases.	→ The impact and potential likelihood of this is considered unchanged since last year except in relation to emerging cost increases in the supply chain.
Pensions (Financial Risk) £	The Company operates one defined benefit pension schemes in the UK (the "RM Education Scheme") which is closed to future accrual. Scheme deficits can adversely impact the net assets position of the Company Pension costs can be significant in respect of staff that transfer across to us, where they are members of Local Authority pension schemes.	The Company evaluates risk mitigation proposals with the trustees of these respective Schemes. The Company assesses the potential pension costs of staff from other employers, who would transfer across to the Company, and takes this into account in its bids for new contracts.	↓ The likelihood and potential impact of this has reduced due to a higher level of inflation and interest risk hedging implemented and improved deficit position.
Treasury (Financial Risk) £	The Company and the Group is exposed to treasury risks including fluctuating exchange rates and liquidity.	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 12-18 months into the future for material imbalances. The Company remains cautious with liquidity risk and carefully manages its debt leverage position.	→ The impact and potential likelihood of this is considered unchanged.

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Section 172 (1) Statement
The Board of directors of RM Education Ltd (the "Company") confirm that they continue to act in good faith and in a manner which they believe promotes the long-term success and interests of the Company, its employees, customers, suppliers, shareholders, other companies within the RM Group, and the wider educational community. Where appropriate and relevant to the Company, the Directors consider each matter fairly and how it may impact the Company and key stakeholders. However, in accordance with the RM Group governance these matters are also considered by the Board of RM plc (the parent company of RM Education Ltd). For further information please refer to RM plc's Annual Report and Financial Statements for the year ending 30 November 2021.

Stakeholder engagement
Engagement with the Company's key stakeholders is vital to building a business that provides valued products and services to its customers, that employees are proud to be part of and that rewards shareholders. We engage with strategic supplies for improvement in Operational excellence for both parties.

The Board takes steps to understand the priorities and needs of stakeholders when setting the Company's strategy and when making decisions that are most likely to promote the long-term sustainable success of the Company for the benefit of its members as a whole. In doing so, the Board has had regard to the matters set out in section 172 of the Companies Act 2006.

Examples of some of the principal decisions taken by the Board during the year are set out in RM plc's annual report.

Employees
The Company 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 Company 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 Company encourages the participation of all employees in the operation and development of the business and has a policy of regular communications. The Company incentivises employees and senior management through the payment of bonuses linked to performance objectives.

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

The RM plc Sustainability Report contained in its Annual Report and Financial Statements sets out the Company's Diversity Policy.

Environmental Policy and Reporting
RM's Environmental Policy states that it is committed to conserving the Earth's resources through its objectives to deliver Net Zero, sustainable consumption and production, and supply chain sustainability. It also contains commitments on achieving these objectives including encouraging innovative ideas and enhancing the natural environment. The full details of the Group policy, of which the Company comprises an integral part, is set out in RM plc's Annual Report and Financial Statements for the year ending 30 November 2021.

Pensions
The Company operates a defined contribution scheme for all current employees, and is also the principal employer for a defined benefit scheme, the Research Machines plc 1988 Pension Scheme ('Scheme'). The Scheme was closed to new members with effect from 1 January 2003 and closed to future accrual of benefits from 31 October 2012.

At 30 November 2021 the IAS 19 scheme surplus was (pre-tax) was £34.5m (2020: £12.8m deficit), this decrease in the Scheme deficit results primarily from changes in financial assumptions, mainly the increase in discount rate which decreases the value of pension obligations and is reconciled in note 20.

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In 2019, agreement was reached with the Trustee of the Scheme with regards to the triennial valuation as at 31 May 2018. The deficit was agreed at £40.6m (31 May 2015: £41.8m). The deficit recovery plan comprises the release of cash held in escrow, together with deficit recovery payments remaining at £3.7m per annum until 2026 (previously 2024). The triennial as at 31 May 2021 is in progress but is not yet finalised.

The report was approved by the Board of directors and signed on its behalf by:

Mark Berry
Director

20 May 2022

DIRECTORS' REPORT

The Directors submit their annual report for RM Education Limited ("the Company") together with the financial statements and auditor's report for the year ended 30 November 2021.

Strategic Report

The reporting requirements on principal activities, financial risk management and objectives, comments on the financial performance and position of the Company, principal risks and uncertainties, employees and pensions are contained in the Strategic Report.

Directors

The Directors at the date of approval of these financial statements are listed on page 3. Appointments and resignations of Directors in the year are listed below.

Mark Berry (appointed 1 June 2021)

On 28 January 2022, Emma Dodd resigned as a Director. On 28 April 2022, Jason Tomlinson was appointed as a Director.

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.

Dividend

The Directors recommend the payment of a final dividend of £5.0m (£37,879 per share). An interim dividend of £nil was paid during the year (2020: £5.0m).

Research and development expenditure

The Company continues to invest in the research and development of software products. Total research and development expenditure during the year amounted to £2.2m (2020: £4.2m). As disclosed in note 4, research and development expenditure capitalised during the year is £nil (2020: £nil).

Political Contributions

There were no political contributions during the year (2020: nil).

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Statement regarding the disclosure of information to the auditor

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

The report was approved by the Board of directors and signed on its behalf by:

Mark Berry
Director

20 May 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RM EDUCATION LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of RM Education Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 November 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation and COVID-19 UK Government relief; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the Bribery Act, General Data Protection Regulation and health and safety laws and regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business. Specifically, we identified management estimates of variable consideration in revenue recognition for certain long term contracts in the RM Assessments business as our revenue fraud risk. Procedures we performed to address the risk included:

- obtained an understanding of relevant controls used by the company when determining the assumptions applied in the models that drive revenue recognition;
- assessed the appropriateness of the revenue recognition policies applied against the five step model in IFRS 15 Revenue from Contracts with customers through a review of the underlying contract terms;
- assessed the accuracy of management's revenue models against contractual terms and compliance with the principles within IFRS 15 Revenue from Contracts with customers; we did this through independently modelling the contracts to form our own expectation of the outputs and compared those to management's calculations;

- challenged key estimates made by management in determining the total transaction price in respect of exam volumes. This included assessing forecasting accuracy, understanding the level of constraint relative to operational forecasts, reviewing the latest correspondence with customers and assessing the available confirmatory and contradictory external market evidence; and
- assessed the appropriateness of management's sensitivity analysis for key estimates and the clarity of related disclosures as required under IAS 1 for significant judgements and key areas of estimation uncertainty.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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 respect of these matters.

Use of our report

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.

Kate Hadley, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
4 Brindley Place, Birmingham
20 May 2022

PROFIT AND LOSS ACCOUNT

	Note	Year ended 30 November 2021			*Restated* Year ended 30 November 2020		
		Adjusted	**Adjustments**	**Total**	Adjusted	Adjustments	Total
		£000	**£000**	**£000**	£000	£000	£000
Turnover	3	**92,396**	**-**	**92,396**	92,821	-	92,821
Cost of sales		**(59,652)**	**-**	**(59,652)**	(56,198)	-	(56,198)
Gross profit		**32,744**	**-**	**32,744**	36,623	-	36,623
Impairment losses		**-**	**-**	**-**	(248)	-	(248)
Operating income		**-**	**7,100**	**-**	-	-	-
Operating expenses	4	**(24,010)**	**(2,754)**	**(26,764)**	(25,343)	(3,130)	(28,473)
Profit from operations	4	**8,734**	**(2,754)**	**5,980**	11,032	(3,130)	7,902
Interest receivable and similar income	6	**2,436**	**-**	**2,436**	2,190	-	2,190
Interest payable and similar charges	7	**(375)**	**-**	**(375)**	(237)	-	(237)
Profit before tax		**10,795**	**(2,754)**	**8,041**	12,985	(3,130)	9,855
Tax	8	**(1,998)**	**523**	**(1,475)**	(2,265)	587	(1,678)
Profit for the year		**8,797**	**(2,231)**	**6,566**	10,720	(2,543)	8,177

STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 30 November 2021**	*Restated* Year ended 30 November 2020
		£000	£000
Profit for the year		**6,566**	8,177
Items that will not be reclassified subsequently to profit and loss			
Defined benefit pension scheme remeasurements	20	**43,758**	(14,462)
Tax credit on items that will not be reclassified subsequently to profit and loss	8	**(10,400)**	2,963
Items that are or may be reclassified subsequently to profit and loss			
Fair value gain/(loss) on hedged instruments		**71**	537
Tax on items that are or may be reclassified subsequently to profit and loss	8	**(34)**	-
Other comprehensive income / (expense)		**33,395**	(10,962)
Total comprehensive income/ (expense)		**39,961**	(2,785)

The notes on pages 22 to 51 form an integral part of these financial statements. Details of the restatements are set out in Note 21.

All amounts were derived from continuing operations.

BALANCE SHEET
At 30 November 2021

	Note	2021 £000	*Restated* 2020 £000
Non-current assets			
Intangible assets	9	**7,904**	1,112
Tangible assets	10	**2,220**	1,801
Right of use asset	11	**2,486**	3,799
Investments in subsidiaries	12	**426**	426
Defined Benefit Pension Scheme surplus	20	**34,543**	-
Contract fulfilment assets	13	**3,271**	2,690
Other Debtors	14	**49,677**	61,820
Deferred tax assets	14	**-**	4,442
		100,527	76,090
Current assets			
Debtors: amounts falling due within one year	14	**31,296**	23,163
Contract fulfilment assets	13	**679**	667
Cash at bank and in hand		**592**	2,827
		32,567	26,657
Total assets		**133,094**	102,747
Creditors: amounts falling due within one year	15	**(40,433)**	(43,949)
Net current assets		**(7,866)**	(17,292)
Total assets less current liabilities		**92,661**	58,798
Creditors: amounts falling due after more than one year	15	**(4,585)**	(4,843)
Provisions	16	**(1,736)**	(2,548)
Deferred tax liability	8	**(7,784)**	-
Defined Benefit Pension Scheme obligation	20	**-**	(12,739)
		(14,105)	(20,130)
Total liabilities		**(54,538)**	(64,079)
Net assets		**78,556**	38,668
Capital and reserves			
Share capital	17	**-**	-
Share premium account		**16,620**	16,620
Capital contribution reserve		**7,280**	7,353
Hedging reserve		**145**	74
Profit and loss account		**54,511**	14,621
Shareholders' funds		**78,556**	38,668

The notes on pages 22 to 51 form an integral part of these financial statements. Details of the restatements are set out in Notes 14 and 21. These financial statements of RM Education Limited were approved and authorised for issue by the Board of Directors on 20 May 2022.

On behalf of the Board of Directors

Mark Berry
Director

STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Capital contribution reserve £000	Hedging reserve £000	Profit and loss account £000	Total £000
At 1 December 2019 - as reported	-	16,620	6,695	(463)	24,741	47,593
Configuration costs expensed (Note 21)	-	-	-	-	(1,798)	(1,798)
At 1 December 2019 - as restated	-	16,620	6,695	(463)	22,943	45,795
Comprehensive (expense)/income for the year						
Profit for the year - restated	-	-	-	-	8,177	8,177
Other comprehensive expense	-	-	-	537	(11,499)	(10,962)
Total comprehensive (expense)/ income	-	-	-	537	(3,322)	(2,785)
Transactions with owners, recorded directly in equity						
Share-based payment charge	-	-	658	-	-	658
Ordinary dividend paid (£37,879 per share)	-	-	-	-	(5,000)	(5,000)
At 30 November 2020 - as restated	-	16,620	7,353	74	14,621	38,668
Comprehensive income/(expense) for the year						
Profit for the year	-	-	-	-	**6,566**	**6,566**
Other comprehensive income	-	-	-	**71**	**33,324**	**33,395**
Total comprehensive income/ (expense)	-	-	-	**71**	**39,890**	**39,961**
Transactions with owners, recorded directly in equity						
Share-based payment charge	-	-	**(73)**	-	-	**(73)**
Ordinary dividend paid	-	-	-	-	-	-
At 30 November 2021	-	**16,620**	**7,280**	**145**	**54,511**	**78,556**

The notes on pages 22 to 51 form an integral part of these financial statements.

Details of the restatements are set out in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

RM Education Limited is a Company incorporated in the United Kingdom. The Company is part of a European listed group, whose ultimate parent is RM plc.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the Group accounts of RM plc.

The Company's results include a branch in Singapore.

Consolidated income statement presentation

The Directors assess the performance of the Group using an adjusted operating profit and profit before tax. The policy for the use of Alternative Performance Measures is explained in Note 2 with further details provided in Note 4.

2. Significant accounting policies

The Company meets the definition of a qualifying entity under Financial Reporting Standard ('FRS') 100 *Application of Financial Reporting Requirements* issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework.*

As permitted, the Company continues to apply Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) in place of IFRS. The Company has applied FRS 101 issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015, and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The Company produces consolidated financial statements which are prepared in accordance with International Financial Reporting Standards. As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided.

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 Company is provided below.

The following APMs are used by the Company:

- Adjusted operating profit
- Adjusted operating margin
- Adjusted profit before tax
- Adjusted tax
- Adjusted profit after tax
- Net debt
- Average net debt

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Further explanation of what each APM comprises and reconciliations between Statutory reported measures and adjusted measures are shown in Note 4.

The Board believes that presentation of the Company results in this way is relevant to an understanding of the Company's financial performance (and that of each segment). Underlying performance excludes adjusted items which are identified by virtue of their size, nature and/or incidence. The treatment of adjusted items is applied consistently period on period. 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 the underlying financial performance, position and trends of the Group.

- The APMs used by the Company are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures. All APMs relate to the current year results and comparative periods where provided.

The APMs used by the Company are not defined terms under FRS 101 and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures. All APMs relate to the current year results and comparative periods where provided.

Basis of preparation

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company forms an integral part of the RM plc Group, being RM plc and its subsidiaries ("the Group"), and although it is not dependent on intercompany financing, it is reliant upon the continuation of the wider Group, in particular covenant compliance on the bank facilities where the Company acts as a guarantor. As such, in making the going concern assessment the Directors have considered the cash flow forecasts for the RM plc Group.

The basis for considering adoption of the going concern basis is described fully in the Strategic report. On this basis the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence and meet their liabilities as they fall due for a period of not less than 12 months from the date of approval of these financial statements. For this reason, the Company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

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

The Company'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 financial statements:

- Retirement benefit Scheme valuation – note 20
- Revenue from contracts over time – note 3

The Company'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 financial statements:

- Revenue from contracts over time – note 3

The principal accounting policies are set out below:

2. Significant accounting policies (continued)

Revenue

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Company operates a number of diverse businesses and accordingly applies a variety of methods for revenue recognition, based on the principles set out in IFRS15. 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.

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.

RM Technology provides software, services and technology to UK schools and colleges. Hardware, right to use licenses and related installation revenues are recognised on delivery to our customers at a point in time. Provision of services and right to access software are recognised over time.

RM Assessment provides digital assessment solutions that support lifelong learning. Revenues are recognised over time based on the delivery of performance obligations. In certain contracts there are judgments in determining the basis of revenue recognition particularly for long-term and complex contracts.

RM Assessment revenue judgements:

In respect of certain contracts in the RM Assessment division management is required to form several judgements and assumptions. These include 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. Judgements and assumptions include:

- 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

The impact on revenue recognition of these judgements and assumptions is set out below.

The most significant judgements relate to contracts with multiple performance obligations and where there is a variable transaction price based on the number of exam scripts. There is significant estimation uncertainty in some contracts relating to the estimate of scanning and script volumes over the contract. There is also judgement in the determination, that the provision of technology is a right to access arrangement and therefore should be recognised over time, and the basis on which the transaction price is allocated to separate performance obligations. These are explained in key sources of estimation uncertainty and key sources of critical accounting judgements below.

Basis of revenue recognition

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 Assessment 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

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 controls 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. There is variable consideration relating to the number of scripts.

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

Revenue: Transactional (point in time) contracts

The Group delivers goods and services in RM Technology 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.

Revenue: Over time contracts

The Group delivers services in RM Technology and RM Assessment 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 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.

Revenue: Licenses

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Revenue: 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 extensions to contract and in the current year also relate to cancellation of exam sessions. The Group considers whether each contract modification is part of the original contract or is a separate contract and allocates the transaction price accordingly.

Revenue: 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 IFRS15.

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.

Revenue: Amortisation, de-recognition and impairment of contract fulfilment assets

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 benefits 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.

Revenue: 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Intangible assets

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

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

Research and development

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 Company 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.

g. the Company has the ability to control the asset and it is separately identifiable. Configuration costs of development activity on a third party SaaS solution are not deemed to be controlled by the Company unless we have the contractual rights to control that software. Any configuration activity provided by the SaaS supplier is expensed as incurred. Customisation costs of development activity on a third party SaaS solution will only be capitalised where we have a contractual right to control the asset and it is separately identifiable. Any customisation activity provided by the SaaS supplier is expensed as incurred. In the majority of instances where configuration or customisation on a third party SaaS solution is performed, the development work does not meet the criteria of ability to control the asset nor is it separately identifiable, so is expensed. This is a change in accounting policy and the impact is set out in Note 21.

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

Tangible fixed assets

Tangible fixed assets are stated at cost, less depreciation and provision for impairment where appropriate.

Tangible fixed assets 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:

Short-term leasehold improvements	Up to 25 years
Plant & equipment	3 - 10 years
Computer equipment	2 - 5 years
Vehicles	2 - 4 years

Impairment of tangible and intangible assets

At each balance sheet date, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

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.

The Company assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. An impairment loss can reverse if and only if the reasons for the impairment loss have ceased to apply. 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 years. A reversal of an impairment loss is recognised as income immediately.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment where appropriate.

Financial instruments

- *Debtors*

Debtors other than long-term contract debtors, amounts owed by Group undertakings and short-term deposits are not interest bearing and are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

- *Short-term deposits*

Short-term deposits represent cash deposited for a maximum period of six months and where the deposited amounts cannot be recalled on demand.

- *Cash at bank and in hand*

Cash at bank and in hand 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.

- *Creditors*

Creditors other than amounts owed by Group undertakings on normal terms are non-interest bearing and are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

- *Amounts owed by/to Group undertakings*

Balances incurred in the normal course of business are payable within 30 days and do not bear interest. Balances in relation to intra-Group funding bear interest of LIBOR plus 2%.

Derivative financial instruments

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

On initial designation of the derivative as the hedging instrument, the Company 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 Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk. 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; attributable transaction costs are recognised in the profit or loss account. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

- *Cash flow hedges*

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

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

- *Other non-trading derivatives*

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

- *Provisions*

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

- *Restructuring*

A provision for restructuring is recognised when the Company 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 Company 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 Company recognises any impairment loss on the assets associated with that contract.

Dilapidations

A dilapidations provision is recognised when the Company 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 Company, this cost is capitalised within the leasehold improvement category of property, plant and equipment and is depreciated over its useful economic life.

Leases

At the inception of the lease, the Company recognises a right-of-use asset at cost, which comprises the present value of minimum lease payments determined at the inception of the lease. Right-of-use assets are depreciated using the straight-line method over the shorter of estimated life or the lease term. Depreciation is included within administrative expenses in the consolidated income statement. Amendment to lease terms resulting in a change in payments or the length of the lease results in an adjustment to the right-of-use asset and liability. Right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be fully recoverable. Right-of-use assets (excluding property leases) exclude leases with a low value and term of 12 months or less. These leases are expensed to the income statement as incurred on a straight-line basis.

Where a right-of-use property lease is not fully operational but is an asset under construction, the depreciation on the asset that relates to the non-operational period is recapitalised as a leasehold improvement within property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

On initial recognition, lease liabilities are recorded at the present value of lease payments, which include:

- fixed lease payments;

- variable payments that depend on an index or rate, initially measured using the commencement date index or rate; and

- any amounts expected to be payable under residual guarantees.

The interest rate implicit in the lease is used to discount lease payments, or, if that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Interest is recognised on the lease liability, resulting in higher finance cost in the earlier years of the lease term.

Share based payments

The RM 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. 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 the Company are included as a capital contribution.

Employee benefits

The Company has both defined benefit and defined contribution pension schemes. For the defined benefit scheme, based on the advice of a qualified independent actuary at each balance sheet date and using the projected unit method, the administrative expenses are charged to operating profit, with the interest cost, net of interest on 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.

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 Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Dividends

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Foreign currencies

The Company's functional and presentation currency is Sterling. 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 Profit and Loss

Account 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.

3. Turnover

3. Turnover

By activity	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Turnover from supply of products	**14,755**	13,809
Turnover from rendering of services	**62,101**	63,666
Turnover from the sale of licences and receipt of royalties	**15,540**	15,346
	92,396	92,821

By division	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
RM Technology	**64,560**	64,978
RM Assessment	**27,836**	27,843
	92,396	92,821

By geographical market	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
United Kingdom	**83,127**	84,451
Rest of Europe	**5,098**	4,777
North America	**209**	412
Asia	**1,036**	1,250
Rest of World	**2,926**	1,931
	92,396	92,821

Turnover includes £15.9m of revenue deferred at 30 November 2020 released in the year (2020: £13.0m), but excludes £16.0m of total revenue deferred at 30 November 2021 (2020: £18.0m).

Each contract is analysed separately to identify the performance obligations and judgements made as to whether, for example, goods and services should be combined. For some contracts judgement is also required to allocate the transaction price to each performance obligation based on the standalone selling price or, for licenses, the residual amount. Judgements include determination of performance obligations and allocation of revenue to performance obligations. Scanning revenues of £3,714,000 (2020: £2,305,000) are judged to be delivered over time. The associated transaction price will be dependent on over time variables (such as volumes). The over-time period for scanning related revenues is over exam sessions, but this relatively short time span may fall into different external reporting periods. Revenue is then recognised based on these judgements which are set out in more detail in Note 2.

There is estimation relating to the output methodology (of script volumes) to determine the transaction price as described in Note 2. This estimation was reassessed at 30 November 2021 in light of the impact of COVID-19 (on the UK and Internationally) and the Group have not had to materially change these estimates during the year. The Group assumes that script volumes will be lower in the UK in 2022 to those experienced in 2019 (pre- COVID-19) but higher than 2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Profit for the year

Profit from operations

Profit is stated after charging/(crediting):	Note	Year ended 30 November 2021 £000	*Restated* Year ended 30 November 2020 £000
Depreciation of property, plant and equipment:			
- charged in cost of sales		**631**	685
- charged in operating expenses		**1,074**	1,150
	10,11	**1,705**	1,835
Amortisation and impairment: charge for the year	9	**74**	406
Selling and distribution costs		**6,705**	5,918
Research and development costs		**2,193**	4,218
Administrative expenses		**14,675**	15,455
Adjusted operating expenses (including impairment)		**23,573**	25,591
Adjustments in the profit and loss account (see below)		**2,754**	3,130
Operating expenses (including impairment)		**26,327**	28,721
Staff costs	5	**36,934**	35,748
Operating lease expense		**9**	9
Operating lease income		**-**	-
Foreign exchange		**123**	191
Cost of inventories recognised as expense		**18,775**	17,724
(Decrease) /increase in trade debtors bad and doubtful debts provision		**(156)**	128
Auditor's remuneration for audit services		**343**	216

The Company undertakes a programme of research and development, in which advancement of technical knowledge and innovative solutions are used to substantially improve the performance of product areas, to develop new products related to existing markets and to enhance access to potential new markets. During the periods reported the Company has reviewed its research and development expenditure against the criteria outlined in Note 2 *Accounting policies.* No material expenditure is considered to have met the capitalisation criteria apart from that on our Group ERP programme. Consequently capitalised research and development expenditure on non-ERP activity is £nil (2020: £nil).

Alternative Performance Measures

As set out in Note 2, the Company uses alternative performance measures that the Board believes reflects the underlying performance of the Company, and it is these adjusted measures that the Board use as the primary measures of performance measurement during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Adjustments to administrative expenses

	Year ended 30 November 2021 £000	Year ended 30 November 2020 Restated £000
Defined Benefit Pension Scheme	-	130
Employee restructuring costs	-	688
Dual run costs of ERP programme	**1,046**	611
Onerous lease	**471**	-
Configuration of SaaS licenses (ERP)	**8,337**	1,701
Total adjustments to administrative expenses	**9,854**	3,130
Other income from Group undertakings	**(7,100)**	-
Total adjustments to profit before tax	**2,754**	3,130
Tax impact	**(523)**	(587)
Total adjustments after tax	**2,231**	2,543

These are items which are identified by virtue of either their size or their nature to be important to understanding the performance of the business including the comparability of the results year on year. These items can include, but are not restricted to, impairment; gain on 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.

There is a requirement to change the ERP solution which is being rolled out across the whole Group. The Company believes that whilst this programme spans a number of years, it's size, complexity and number of unusual costs and income are material to the understanding of the trading performance of the business including the comparability of results year on year. As a result, all significant costs or income relating to this programme have been treated as an adjustment to profit, consistently period to period. This programme is expected to complete by the end of 2022.

During the year this programme included the following costs and income:

- The configuration and customisation costs relating to our ERP programme "Evolution", which represents a significant investment. These costs total £8.3m, of which £7.1m has been recovered from a fellow subsidiary as a service charge for work performed on the ERP programme.

- Dual run related costs during the period (£1.1m), relate to IT costs (excluding configuration costs of SaaS licenses) being expensed that relate to running of IT systems not yet in use.

During the prior year this programme included the following costs and income:

- Dual run IT costs (excluding configuration costs of SaaS licenses) being expensed that relate to running of IT systems not yet in use (£0.6m).

In addition to the strategic ERP programme, the Company believes the following items to be significantly large enough and unusual enough to impact the understanding of the performance of the Company if not adjusted. In the year ended 30 November 2021, these items comprised:

- The impairment of a right of use asset and onerous service charges relating to a leased office, which no longer meets our requirements following a change in working practises after the COVID-19 pandemic (£0.5m). The costs relating to the new replacement leased office that meets working practises requirements is included in the segmental results.

During the year ended 30 November 2020 these items comprised:

- A material restructuring programme that spanned 3 months was announced and completed prior to the COVID-19 pandemic (£0.7m) relating to the RM Technology and RM Assessment businesses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- An adjustment to the estimated liability of equalising our GMPs in our defined benefit schemes and was treated as an adjustment for consistency, period to period. This followed a Court ruling in 2020 relating to the valuation of transfer values (£0.1m). In 2018 a charge of £1.0m was treated as an adjusting item.
- Following the IFRIC interpretation in 2021 relating to the accounting treatment for configuration and customisation costs in a cloud computing arrangement the costs associated with our ERP programme have been restated (as set out in Note 21) and amount to £1.7m.

Average net debt is calculated by taking the net debt on a daily basis and dividing by number of days.

The adjustments have the following impact on key metrics:

	2021 Statutory measure	2021 Adjustment	2021 Adjusted measure	Restated 2020 Statutory measure	Restated 2020 Adjustment	Restated 2020 Adjusted measure
Gross profit (£000)	32,306	-	32,306	36,623	-	36,623
Profit from operations (£000)	5,979	(2,754)	8,733	7,902	(3,130)	11,032
Operating margin (%)	6.5%	n/a	9.5%	8.5%	2.0%	11.9%
Profit before tax (£000)	8,040	(2,754)	10,794	9,855	(3,130)	12,985
Tax (£000)	(1,475)	523	(1,998)	(1,679)	587	(2,266)
Profit after tax (£000)	6,565	(2,231)	8,796	8,177	(2,543)	10,720

Adjusted operating profit is defined as the profit before operations excluding the adjustments referred to above. Operating margin is defined as the operating profit as a percentage of revenue. The impact of tax is set out in Note 8.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Staff numbers and costs

The average number of full-time equivalent persons (including Directors and contractors) employed by the Company during the year was as follows:

	Year ended 30 November 2021 Number	Year ended 30 November 2020 Number
Research and development, products and services	**504**	490
Marketing and sales	**83**	75
Corporate services	**72**	51
	659	616

Their aggregate emoluments comprised:	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Wages and salaries	**32,270**	29,395
Termination payments	**302**	820
Social security costs	**2,968**	2,840
Other pension costs	**1,468**	2,034
Share-based payments	**(73)**	659
	36,935	35,748

The remuneration of the Directors paid by the Company was:	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Directors' emoluments	**1,728**	1,621
Compensation for loss of office	**-**	129
Amounts receivable under long-term incentive schemes	**143**	387
Company contributions to money purchase pension schemes	**51**	62
	1,922	2,199

In the year ended 30 November 2021, 5 directors (2020: 5) accrued retirement benefits under money purchase schemes. No Directors exercised share options during the year (2020: nil).

The remuneration of the highest paid Director was:	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Director's emoluments	**802**	505
Amounts receivable under long-term incentive schemes	**88**	40
Contributions to pension schemes	**24**	10

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Interest receivable and similar income

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Interest on amounts owed by Group undertakings	**1,265**	1,507
Bank interest receivable	**4**	-
Other income from Group undertakings	**-**	-
Dividend income	**1,167**	683
	2,436	2,190

7. Interest payable and similar charges

	Note	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Borrowing facilities arrangement and commitment fees		**3**	8
Interest on lease liabilities		**70**	89
Interest on amounts owed to Group undertakings		**127**	139
Net interest expense on defined benefit pension scheme	20	**175**	1
		375	237

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Tax

a) Analysis of tax charge in the Profit and Loss Account

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Current taxation		
UK corporation tax	**641**	2,024
Adjustment in respect of prior years	**50**	(102)
Total current tax charge	**691**	1,922
Deferred taxation		
Temporary differences	**871**	(163)
Deferred tax relating to change in rate	**(15)**	(81)
Adjustment in respect of prior years	**(72)**	-
Total deferred tax charge	**784**	(244)
Total tax charge	**1,475**	1,678

The prior year adjustment mainly relates to the release of provisions in respect of previous years.

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

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
UK corporation tax		
Defined Benefit Pension Scheme	**(998)**	(1,096)
Share based payments	**(8)**	(16)
Deferred taxation		
Defined Benefit Pension Scheme movements	**8,983**	(2,068)
Defined Benefit Pension Scheme escrow	**328**	297
Fair value exchange gains and losses	**34**	-
Share based payments	**22**	61
Deferred tax relating to change in rate	**2,073**	(141)
	10,434	(2,963)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Tax (continued)

c) Reconciliation of Profit and Loss Account tax charge/(credit)

The tax charge/(credit) in the Profit and Loss Account reconciles to the effective rate applied by the Company as follows:

				Restated		
	Year ended 30 November 2021			Year ended 30 November 2020		
	Adjusted	**Adjustments**	**Total**	Adjusted	Adjustments	Total
	£000	**£000**	**£000**	£000	£000	£000
Profit/(loss) on ordinary activities before tax	**10,795**	**(2,754)**	**8,041**	12,985	(3,130)	9,855
Tax at 19% (2020: 19%) thereon:	**2,051**	**(523)**	**1,528**	2,467	(595)	1,872
Effects of:						
- Other expenses not deductible for tax purposes	**23**	**-**	**23**	35	-	35
- Other temporary differences	**16**	**-**	**16**	38	8	46
- Share-based payments	**50**	**-**	**50**	21	-	21
- Non-taxable income	**(105)**	**-**	**(105)**	(117)	-	(117)
- Prior period adjustments	**(22)**	**-**	**(22)**	(102)	-	(102)
- Deferred tax change of rate	**(15)**	**-**	**(15)**	(82)	-	(82)
- Other	**-**	**-**	**-**	5	-	4
	1,998	**(523)**	**1,475**	2,265	(587)	1,678

The standard rate of corporation tax for the UK for the year is 19%. An increase in the UK Corporate tax rate from 19% to 25% from April 2023 was substantially enacted in May 2021. The deferred tax balances that are anticipated to unwind after April 2023 have been updated to reflect this change in legislation.

d) Deferred tax

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

	Accelerated tax depreciation	**Retirement benefit obligations**	**Share-based payments**	**Short-term timing differences**	**Total**
	-	-	-	-	-
At 1 December 2019	379	314	320	1,331	2,344
(Charge)/credit to income	(39)	-	150	133	244
(Charge)/credit to other comprehensive income	-	1,913	(59)	-	1,854
At 30 November 2020	340	2,227	411	1,464	4,442
(Charge)/credit to income	**(122)**	**-**	**(145)**	**(518)**	**(785)**
(Charge)/credit to other comprehensive income	**-**	**(11,441)**	**-**	**-**	**(11,441)**
At 30 November 2021	**218**	**(9,214)**	**266**	**946**	**(7,784)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Intangible assets

	Purchased software £000	Internally-generated software £000	Total £000
Cost			
At 1 December 2020 - as reported	550	6,671	7,221
Configuration SaaS costs restatement (Note 21)	(191)	(3,927)	(4,118)
At 1 December 2020 - as restated	359	2,744	3,103
Additions	112	6,865	6,977
Transfers between categories	36	(146)	(110)
At 30 November 2021	**507**	**9,463**	**9,970**
Accumulated amortisation and impairment losses			
At 1 December - as reported	431	2,339	2,770
Configuration SaaS costs restatement (Note 21)	(31)	(747)	(778)
At 1 December 2020 - as restated	400	1,592	1,992
Charge for the year	77	17	94
Transfers between categories	5	(25)	(20)
At 30 November 2021	**482**	**1,584**	**2,066**
Carrying amount			
At 30 November 2021	**25**	**7,879**	**7,904**
At 30 November 2020	150	5,079	5,229

10. Tangible assets

	Short leasehold improvements £000	Plant and equipment £000	Computer equipment £000	Vehicles £000	Total £000
Cost					
At 1 December 2020	2,663	3,322	6,966	39	12,990
Additions	-	302	355	-	657
Reclassifications of assets	-	-	110	-	110
Disposals	-	-	-	-	-
At 30 November 2021	**2,663**	**3,624**	**7,431**	**39**	**13,757**
Accumulated depreciation and impairment losses					
At 1 December 2020	2,630	2,191	6,329	39	11,189
Charge for the year	9	267	252	-	528
Reclassifications of assets	-	-	20	-	20
Disposals	-	-	-	-	-
At 30 November 2021	**2,639**	**2,458**	**6,601**	**39**	**11,737**
Carrying value					
At 30 November 2021	**24**	**1,166**	**830**	**-**	**2,020**
At 30 November 2020	33	1,131	637	-	1,801

11. Right of Use asset

	Land & Buildings	Plant and equipment	Vehicles	Total
	£000	£000	£000	£000
Cost				
At 1 December 2020	3,777	957	279	5,013
Additions	498	378	105	981
Disposals	(1,057)	-	(23)	(1,080)
At 30 November 2021	**3,218**	**1,335**	**361**	**4,914**
Accumulated depreciation and impairment losses				
At 1 December 2020	630	489	95	1,214
Charge for the year	753	489	105	1,347
Disposals	(123)	-	(10)	(133)
At 30 November 2021	**1,260**	**978**	**190**	**2,428**
Carrying value				
At 30 November 2021	**1,958**	**357**	**171**	**2,486**
At 30 November 2020	3,147	468	184	3,799

12. Investments in subsidiary undertakings

	Subsidiary undertakings
	£000
Cost and carrying value	
At 1 December 2020 and 30 November 2021	**426**

The subsidiary undertaking is RM Education Solutions Pvt Limited, whose principal activity is the provision of software and corporate services, is incorporated in India, has only ordinary share capital and is 100% owned by the Company.

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

13. Contract fulfilment assets

	2021	2020
	£000	£000
Current	**679**	667
Non-current	**3,271**	2,690
	3,950	3,357

	2021	2020
	£000	£000
At 1 December 2020	**3,357**	2,885
Additions	**1,284**	1,220
Amortised in the period	**(691)**	(748)
At 30 November 2021	**3,950**	3,357

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.

14. Debtors			*Restated*
		2021	2020
	Note	**£000**	£000
Due within one year			
Trade debtors		**7,671**	9,521
Other debtors		**637**	1,053
Accrued income		**2,667**	1,743
Prepayments		**4,100**	2,930
Corporation Tax		**2,695**	2,954
Amounts owed by Group undertakings		**13,526**	4,962
		31,296	23,163
Due after more than one year			
Financial assets			
Amounts owed by Group undertakings		**49,602**	61,757
Deferred tax assets	8	**-**	4,442
Other debtors		**75**	63
		80,973	89,425

Analysis of amounts owed by Group undertakings

	2021	2020
	£000	£000
Owed by fellow Group subsidiary undertakings - interest-free	**3,436**	1,554
Owed by the parent company - interest at SONIA plus 2%	**49,602**	61,757
Owed by fellow Group subsidiary undertakings - interest at SONIA plus 2%	**10,090**	3,408
	63,128	66,719

The amount owed by the parent company has no fixed repayment date. All other amounts owed by Group undertakings are repayable on demand and are not secured.

In the prior year, amounts owed by the parent company of £61.8m were classified as a current asset, falling due after one year. However, upon closer consideration, it is deemed that the loan is used on a continuing basis by the borrower and given there was no expectation at 30 November 2020 of recovering the debt within one year it should have been classified as a non-current asset. The restatement reduced the previously reported net current assets of £44.5m to a net current liabilities position of £17.3m.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Creditors

	Note	2021 £000	2020 £000
Creditors: amounts falling due within one year			
Trade creditors		**9,906**	10,157
Amounts owed to Group undertakings		**2,113**	2,254
Other taxation and social security		**2,397**	5,218
Bank overdraft		**2,082**	2,480
Current tax liabilities		**586**	-
Other creditors		**1,517**	1,631
Accruals		**8,556**	6,258
Deferred income		**13,276**	15,951
		40,433	43,949
Creditors: amounts falling due after more than one year			
Lease liabilities due after more than 1 year		**1,907**	2,836
Deferred income			
- due after one year but within two years		**1,142**	971
- due after two years but within five years		**901**	895
- after five years		**635**	141
		4,585	4,843
		45,018	48,792

The Directors consider that the carrying amount of creditors approximated to their fair value.

Analysis of amounts owed to Group undertakings

	2021 £000	2020 £000
Owed to fellow Group subsidiary undertakings - interest-free	**1,759**	2,254
Owed to fellow Group subsidiary undertakings - interest at SONIA plus 2%	**354**	-
	2,113	2,254

All amounts owed to Group undertakings are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Provisions

	Property-related	Employee-related restructuring	Contract risk provisions	Total
	£000	£000	£000	£000
At 1 December 2020	270	109	2,169	**2,548**
Release of provisions	-	(40)	(805)	**(845)**
Increase in provisions	380	-	170	**550**
Utilisation of provisions	(90)	(69)	(358)	**(517)**
At 30 November 2021	**560**	-	**1,176**	**1,736**

Employee-related restructuring provisions refer to costs arising from restructuring to meet the future needs of the company. A restructuring programme was announced in December 2019 and completed during the year.

Contract risk provisions includes items not covered by any other category of which the most significant items are the risk provisions from ended long-term contracts. During 2021, the release of £80,000 primarily relates to onerous contract risks that have either been renegotiated or terminated during the year and the increase in provisions relate to new contract risks identified in the year. During 2021 the Group utilised part of an onerous contract provision and was able to release the remaining provision on contract re-negotiation.

During the year the Group decided to leave one property that was no longer suitable in a post COVID-19 environment requiring collaborative working and have expensed an onerous lease provision of £104,000. Dilapidations increased by £276,000 during the year and arise from updated estimations on two properties. The dilapidations provisions are based on management estimates and are expected to be payable when the Company exits the leases which is estimated to be during 2025 for two property leases and 2026 for the other property lease.

17. Share capital and reserves

Allotted, called-up and fully paid ordinary shares of £1 each

	Number	£000
At 30 November 2020	132	-
At 30 November 2021	**132**	-

The Share premium reserve arose from the issuance of share capital for amounts in excess of the nominal value. It is not distributable. The capital contribution reserve arises from the parent company issuing long term share incentives to employees of the Company. It is distributable. The hedging reserve arises from cash flow hedges entered into by the Company. The reserve is distributable apart from unrealised gains of £16,000 (2020: £30,000).

18. Commitments

Operating leases

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

	2021	2020
	£000	£000
Within 1 year	-	10
In years 2 to 5 inclusive	-	-
	-	10

NOTES TO THE FINANCIAL STATEMENTS (continued)

Operating lease payments represent rentals payable by the Company for certain of its office equipment and they include the period up to the first break clause of the lease. These operating leases represent those assets not subject to IFRS 16.

19. Share-based payments

The RM plc Group operates an executive and employee equity-settled share-based payment scheme of which certain employees of the Company are beneficiaries.

Performance share plans

The Group uses performance share plans for the remuneration of senior executives and senior management. The plans are subject to various vesting conditions, including EPS, total shareholder return and share-price conditions. If the vesting conditions are either not met or the participants leave the Group's employment, the award lapses.

Details of the Group performance share plan as relates to employees of the Company are:

	Maximum number of shares	Market price on grant (£)
At 1 December 2019	1,796,000	
Granted during the year	545,000	1.72
Lapsed during the year	(445,000)	
Exercised during the year	(200,000)	
At 30 November 2020	1,696,000	
Granted during the year	700,000	2.23
Lapsed during the year	(602,375)	
Exercised during the year	(520,125)	
At 30 November 2021	1,273,500	

The plans outstanding at 30 November 2021 had a weighted average contractual life of 1.6 years (2020: 1.3). The weighted average exercise price was £nil (202: £nil). The weighted average market price at date of exercise was £2.07 (2020: £2.42).

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Retirement benefit schemes

a. Defined contribution schemes

The Company 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 £1,303,000 (2020: £1,801,000) represents contributions payable to these schemes by the Company at rates specified in employment contracts.

At 30 November 2021 £257,000 (2020: £233,000) due in respect of the current reporting year had not been paid over to the schemes.

b. Local government pension schemes

The Company has TUPE employees who retain membership of local government pension schemes. The Company makes payments to these schemes for current service costs in accordance with its contractual obligations, most of which are limited through reimbursement rights under the contracts. The total costs charged to income for these schemes were £165,000 (2020: £157,000). The amount due in respect of the above schemes at 30 November 2021 was £77,000 (2020: £75,000).

c. Defined benefit pension scheme

One Group-sponsored defined benefit pension scheme is in operation, the Research Machines plc 1988 Pension Scheme ("the Scheme"). The Scheme is a funded scheme. The Scheme provides benefits to qualifying employees and former employees of the Company, 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 the Company in a trustee-administered fund. The Trustee is a limited Company. Directors of the Trustee Company are appointed by the Company and by members.

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 2018 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. The triennial valuation as at 31 May 2021 is in progress but not yet finalised.

At 30 November 2021 there were amounts outstanding of £308,300 (2020: £308,300) for one month's deficit payment and £nil (2020: £nil) for Scheme expenses.

20. Retirement benefit schemes (continued)

Scheme assets are measured at bid-price at 30 November 2021. The present value of the defined benefit obligation was measured using the projected unit method.

The entire deficit position of the Scheme is held within these financial statements on the balance sheet, as the Company in substance bears all of the material risks associated with the Scheme.

The parent Company RM plc has entered into a pension protection fund compliant guarantee in respect of scheme liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Amounts recognised in the Profit and Loss Account and in the Statement of Comprehensive Income

	Note	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Interest cost		**(4,460)**	(5,160)
Interest on Scheme assets		**4,285**	5,159
Net interest (expense)	7	**(175)**	(1)
Past service costs		**-**	(130)
Expense recognised in the Profit and Loss Account		**(175)**	(131)
Effect of changes in demographic assumptions		**542**	(529)
Effect of changes in financial assumptions		**(2,466)**	(41,780)
Effect of experience adjustments		**772**	2,325
Total actuarial losses		**(1,152)**	(39,984)
Return on Scheme assets excluding interest on Scheme assets		**44,910**	25,522
Income/ (expense) recognised in the Statement of Comprehensive Income		**43,758**	(14,462)
Income / (expense) recognised in Total Comprehensive Income		**43,583**	(14,593)

The effect of changes in financial assumptions is principally due to the reduction in the discount rate, see sensitivity information further below in this Note 20. The strong returns on assets over the period are largely as a result of the ongoing market recovery following the COVID-19 pandemic. In particular the RM Scheme invests significantly in return-seeking assets such as global equities which have seen very strong returns. The effect of strong equity returns coupled with the Scheme's high levels of hedging have had a positive impact on the assets over the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Retirement benefit schemes (continued)

Reconciliation of the Scheme assets and obligations through the year

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Assets		
At start of period	**268,149**	239,696
Interest on Scheme assets	**4,285**	5,159
Return on Scheme assets excluding interest on Scheme assets	**44,910**	25,522
Administrative expenses	**-**	-
Contributions from Company	**3,700**	3,700
Benefits paid	**(4,322)**	(5,928)
At end of year	**316,722**	268,149
Obligations		
At start of period	**(280,888)**	(241,542)
Interest cost	**(4,460)**	(5,160)
Past service cost	**-**	(130)
Actuarial gains/(losses)	**(1,152)**	(39,984)
Benefits paid	**4,322**	5,928
At end of year	**(282,178)**	(280,888)
Net pension surplus/ (deficit)	**34,544**	(12,739)

Reconciliation of net defined benefit obligation

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Net obligation at the start of the year	**(12,739)**	(1,846)
Cost included in Profit and Loss account	**(175)**	(131)
Scheme remeasurements included in the Statement of Comprehensive Income	**43,758**	(14,462)
Cash contribution	**3,700**	3,700
Net pension surplus/ (deficit)	**34,544**	(12,739)

Obligation by participant status

	2021 £000	2020 £000
Vested deferreds	**228,671**	240,210
Retirees	**53,507**	40,678
	282,178	280,888

Total value of Scheme assets

	Fair Value hierarchy	2021 £000	2020 £000
Cash and cash equivalents, including escrow	Level 1	**471**	1,388
Equity instruments	Level 1	**129,809**	101,088
Equity instruments	Level 2	**20,340**	18,783
Liability-driven investments	Level 2	**139,551**	117,486
Insurance contract	Level 3	**26,553**	29,404
		316,724	268,149

20. Retirement benefit schemes (continued)

Significant actuarial assumptions

	Year ended 30 November 2021	Year ended 30 November 2020
Discount rate	**1.75%**	1.60%
Rate of RPI price inflation	**3.15%**	2.90%
Rate of CPI price inflation - period before 1 January 2030	**2.15%**	2.10%
Rate of CPI price inflation - period after 1 January 2030	**3.15%**	
Rate of pensions increases		
- pre 6 April 1997 service	**1.50%**	1.50%
- pre 1 June 2005 service	**2.90%**	2.80%
- post 31 May 2005 service	**2.05%**	2.00%
Post retirement mortality table	**S2PA CMI 2020 1.25%**	S2PA CMI 2019 1.25%
Weighted average duration of defined benefit obligation	**24 years**	23 years
Assumed life expectancy on retirement at age 65:		
- Retiring today (male member aged 65)	**21.9**	22.4
- Retiring in 20 years (male member aged 45)	**23.3**	23.7

Expected cash flows

	£000	£000
Expected employer contributions for the year ended 30 November 2021	**3,700**	3,700
Expected total benefit payments		
Year 1	**3,584**	3,296
Year 2	**3,732**	3,625
Year 3	**3,871**	3,963
Year 4	**4,126**	4,274
Year 5	**4,621**	4,687
Years 6 - 10	**29,825**	30,184

Key risks

The Schemes expose the Company to a number of risks:

- Investment risk. The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities and diversified growth funds the value of the assets and liabilities may not move in the same way.
- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long-term, movements over the short-term could lead to deficits emerging.
- Mortality risk. In the event that members live longer than assumed a deficit will emerge in the Scheme.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 November 2021						30 November 2020
	Base	-0.1% discount rate	+0.1% discount 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	**316.7**	317.0	316.4	316.4	317.0	317.9	268.1
Present value of Scheme obligations	**(282.2)**	(288.7)	(275.9)	(276.7)	(287.8)	(292.5)	(280.9)
Deficit	**34.5**	28.3	40.5	39.7	29.2	25.4	(12.7)
Actuarial assumptions							
Discount rate	**1.75%**	1.65%	1.85%	1.75%	1.75%	1.75%	2.15%
Rate of RPI	**3.15%**	3.15%	3.15%	3.05%	3.25%	3.15%	2.95%
Rate of CPI	**2.15%**	2.15%	2.15%	2.05%	2.25%	2.15%	1.85%
Mortality table	**S2PA CMI 2020 1.25%**						S2PA CMI 2019 1.25%
Rating (years)	-	-	-	-	-	**(1)**	-

The significant actuarial assumptions are the discount rate applied to pension liabilities together with RPI/CPI and mortality as shown in the above table. We note that every 0.1% movement in discount rate has a c.£6m impact on the deficit (2020: £6m) and a 0.1% movement in RPI has a c.£5m impact (2020: £5m).

Insurance assets
The RM Scheme also holds insurance policies covering benefits for some pensions in payment. The value of these annuities is £26.6m at 30 November 2021. This value has been calculated using the same assumptions as used to value the liabilities. The method of determining the value of the insurance annuities is determined by projecting the expected benefit payments using the agreed assumptions and then discounting the resulting cashflows back to 30 November 2021.

Liability driven investments (LDI)
The RM scheme contains LDI portfolio of £140.0m at 30 November 2021. The portfolio is valued at market value as no bid valuation is available. The components of the LDI portfolio are determined by the Trustee's investment adviser with the aim to provide a good match to the Scheme's exposure to interest rate and inflation risks within the value of its 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.

21. Restatement for change in accounting policy

In April 2021, an IFRIC agenda decision was issued in relation to the accounting treatment for configuration and customisation costs in a cloud computing arrangement. This guidance clarified that in order for an intangible asset to be capitalised in relation to customisation and configuration costs in a software-as-a service (SaaS) arrangement, it is necessary for there to be control of the underlying software asset or for there to be a separate intangible asset which meets the definition in IAS 38 Intangible Assets. The Group's previous policy was to capitalise such customisation and configuration costs.

Our major investment IT systems programme, known as Evolution, is predominately using SaaS arrangements and third party implementation partners to improve our systems and processes. Configuration and associated activity costs which had been previously capitalised during 2019 (£2.0m) and 2020 (£2.3m) will now be expensed following the IFRIC interpretation. The impairment charge expensed in 2020 of £0.7m relating to 2019 costs (now expensed), will be reversed. As the costs are material and do not relate to underlying trading, all Evolution Programme costs expensed through the Income Statement in both 2020 and 2021 will be disclosed as "Adjustments" in the financial statements and therefore not included within the Company's adjusted profit figures. These adjustments will include certain dual run costs such as the SaaS licenses themselves (prior to operational use of the system to which the licenses relate), training relating to the Evolution programme, data migration activities and other operating costs that were not previously capitalised (2020: £611,000 reclassified to adjusting expenses (see Note 4)).

In addition, as part of the strategy review currently underway the Directors consider that certain activities previously classified as Research and Development administration expenses and certain selling and distribution administration activities are more appropriately classified as Cost of Sales. Therefore for the year ended 30 November 2020, we have reclassified £0.1m from

NOTES TO THE FINANCIAL STATEMENTS (continued)

administration activities (£5.1m from R&D and £1.7m from selling & distribution) to cost of sales. This has had no impact on the operating profit reported.

In addition, as set out in Note 14 the Company has reclassified an element of amounts due from Group undertakings as non-current from current assets.

These adjustments have the following impact on the primary statements for the year ended 30 November 2020:

	Year ended 30 November 2020		
Consolidated Income Statement	**As reported**	**Restatement Impact**	**Restated**
	£000	**£000**	**£000**
Revenues	92,821	-	92,821
Cost of Sales	(51,445)	(4,753)	(56,198)
Gross Profit	41,376	(4,753)	36,623
Operating expenses	(31,560)	3,087	(28,473)
Impairment losses	(953)	705	(248)
Profit from operations	8,863	(961)	7,902
Interest receivable and similar income	2,190	-	2,190
Interest payable and similar charges	(237)	-	(237)
Profit before tax	10,816	(961)	9,855
Tax	(1,860)	182	(1,678)
Profit for the year	8,956	(779)	8,177

	Year ended 30 November 2020		
Consolidated Statement of Comprehensive Income	**As reported**	**Restatement Impact**	**Restated**
	£000	**£000**	**£000**
Profit for the year	8,956	(779)	8,177
Other comprehensive income	(10,962)	-	(10,962)
Total comprehensive (expense)	(2,006)	(779)	(2,785)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Consolidated Balance Sheet	As reported	Restatement Impact	Restated
	£000	£000	£000
Non-current assets			
Intangible assets	4,451	(3,339)	1,112
Property, plant and equipment	1,801	-	1,801
Right of Use asset	3,799	-	3,799
Investment in subsidiaries	426	-	426
Other receivables	63	61,757	61,820
Contract fulfilment assets	2,690	-	2,690
Deferred tax assets	3,838	604	4,442
	17,068	59,022	76,090
Current assets			
Debtors	84,762	(61,599)	23,163
Contract fulfilment assets	667	-	667
Cash at bank	2,827	-	2,827
	88,256	(61,599)	26,657
Total assets	105,324	(2,577)	102,747
Creditors: amounts falling due within one year	(43,949)	-	(43,949)
Net current assets	44,307	(61,599)	(17,292)
Non-current liabilities			
Creditors: amounts falling due after more than one year	(4,843)	-	(4,843)
Provisions	(2,548)	-	(2,548)
Defined Benefit Pension Scheme obligation	(12,739)	-	(12,739)
	(20,130)	-	(20,130)
Total liabilities	(64,079)	-	(64,079)
Net assets	41,245	(2,577)	38,668
Equity attributable to shareholders			
Share capital	-	-	-
Share premium account	16,620	-	16,620
Capital redemption reserve	7,353	-	7,353
Hedging reserve	74	-	74
Retained earnings	17,198	(2,577)	14,621
Total equity	41,245	(2,577)	38,668

22. Related party transactions

There were no related party transactions not covered by the FRS 101 disclosure exemption.

23. Post balance sheet event

There are no post balance sheet events.

24. Parent undertaking

The Company's immediate and ultimate parent undertaking is RM plc, a Company incorporated in the United Kingdom.

The largest and the smallest group of undertakings for which group accounts are drawn up and of which the Company is a member is RM plc. The financial statements of RM plc are publicly available and may be obtained from RM plc, 142B Park Drive, Milton Park, Abingdon, Oxfordshire, OX14 4SE.