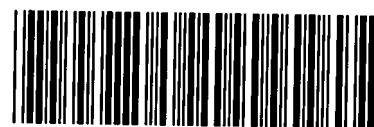




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COMPANIES HOUSE

**RM**<sup>TM</sup> plc

# Annual report and financial statements

Year ended 30 November 2017

## ► OUR STRATEGY

Delivering  
education-specific  
products and services  
to improve outcomes  
for young people

**RM plc is a leading supplier of technology and resources to the education sector.**

The Group has in-depth sector and technology knowledge and expertise. Our products and services are used in most parts of UK education, from early years settings, primary and secondary schools and colleges, to major exam boards and central government. We have a growing international business and are uniquely positioned to deliver long-term profitable growth and strong cash conversion.

**Further information and investor updates can be found at [www.rmplc.com](http://www.rmplc.com)**



## **➤ OPERATING HIGHLIGHTS**

### **GROUP**

A strong performance delivering increased revenues up 11% to £185.9m (2016: £167.6m)

Increased adjusted operating profits up 17% at £22.1m (2016: £18.8m)

Adjusted operating margin increases to 11.9% (2016: 11.2%)

Acquisition of the Education & Care business of Connect Group plc (The Consortium) completed 30 June 2017

Profit after tax increased 10% to £12.9m (2016: £11.6m)

Strong cash conversion resulting in net debt of £13.4m (2016: net cash of £40.0m) following the acquisition

Defined benefit pension benefit deficit decreased to £20.2m (2016: £34.8m)

Adjusted diluted EPS grew by 26% to 21.9 pence per share

Full year proposed dividend increased by 10% to 6.60p

### **RM RESOURCES**

Revenue increased 42% to £83.6m resulting from the acquisition of The Consortium

RM Resources TTS International revenue growth of 23%

Adjusted operating margins reduced to 13.9% with TTS margins of 15.1% diluted by 11.3% in The Consortium

### **RM RESULTS**

Revenues in line with prior year with Assessment growth offsetting Data decline

Adjusted operating profit growth of +14% to £7.8m

Adjusted operating margins at 24.5%

### **RM EDUCATION**

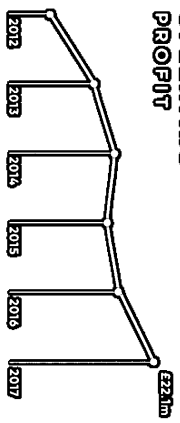
Adjusted operating profits up 13% to £6.6m

Revenues down 8% as anticipated

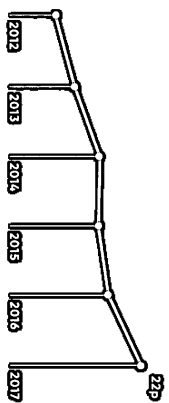
Operating margins improve to 9.3% benefiting from 12% reduction in the cost base vs prior year

## 3 FINANCIAL HIGHLIGHTS

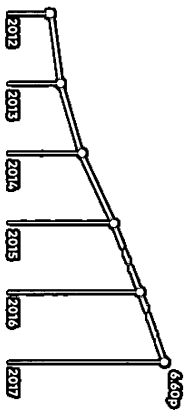
### ADJUSTED OPERATING PROFIT



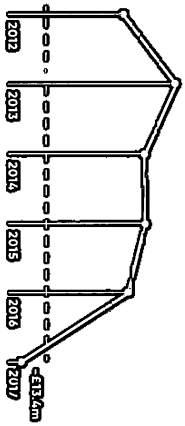
### ADJUSTED EPS



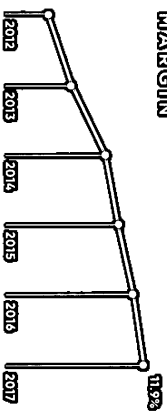
### DIVIDEND



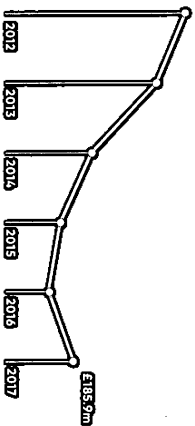
### CASH AND SHORT-TERM DEPOSITS



### ADJUSTED OPERATING MARGIN



### REVENUE



As reported in the Annual Report and Financial Statements for the relevant year



## 3 OPERATING DIVISIONS

### RM RESOURCES

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

page 08



National curriculum resources specialist



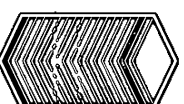
the consortium  
buying made easy

Regional education supplies generalist

### RM RESULTS

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

page 10



c. 13m  
exam scripts  
processed/pa.



c. 20  
customers

Systems to help create the English schools performance tables

### RM EDUCATION

Software, services and technology to UK schools and colleges

page 12



#1  
Trusted and established brand



c. 7,000  
customers



Direct sales  
model

c. 650  
outsourced  
IT customers



**c. 555**  
FTE staff



**3,500**  
own designed  
products



**Half**  
UK orders  
online



**Strong national  
footprint**



**Multi-brand  
market leader**



**59,000**  
products

**30.06.17**

**Acquired  
The Consortium**



**One fifth of revenues  
from international sales**



**c. 300**  
FTE staff



**>50%**  
staff based  
in India

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

**#1**



**High visibility  
revenue**



**c. 800**  
FTE staff

**68%**

**annuity  
revenue**

**Complete range of technology  
offerings and support to  
schools and colleges**



**Save schools money  
on their IT Spend**



**Depth and breadth of  
technology understanding**

**>35%**

**staff based  
in India**

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

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

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

## Key attributes

- 20,000+ schools
- 59,000 products
- 3,500 own designed products
- c. 555 FTE staff
- Growing international revenue

## What we do

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

## How we add value

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

## Why customers choose us

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





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

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

Internationally, the expectation is to develop through partnerships and software licensing rather than as a service based activity.

### Key attributes

- c. 20 customers
- UK's largest provider of on-screen marking of high stakes schools' exams
- Systems to help create the English schools performance tables
- c. 300 FTE staff, over 50% in India
- Four target markets (language testing, professional bodies, general exams, higher education)

### What we do

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

### How we add value

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

### Why customers choose us

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



# Software, services and technology to UK schools and colleges

RM Education's strategy is to move increasingly to recurring revenue streams while improving margins. The business is successfully delivering this strategy through the increasing adoption of its portfolio of services and software products by existing and new UK school and college customers.

Recurring annuity revenues increased from 61% to 68% in 2017, reflecting the continued improvements over recent years since 2013 levels (37%).

## Key attributes

- c. 7,000 customers
- Full IT outsourcing to c. 650 customers
- Direct sales business model
- UK market leader
- c. 800 FTE staff, 35% in India
- Annuity-based revenues above 60%

## What we do

- IT outsourcing for UK schools and colleges
- Cloud-based SaaS solutions
- Software and services that help improve technology use in the classroom

## How we add value

- Save schools money on their IT spend
- Help schools to make the most of their IT investment
- Moving to a predictable recurring revenue model

## Why customers choose us

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

2010

RM Integr

My Class

## ➤ STRATEGIC REPORT

RM plc is a leading supplier of technology and resources to the education sector. Our products and services are used in most parts of UK education from early years settings, primary and secondary schools and colleges to major exam boards and central government. The Company's focus continues to be on delivering sustainable shareholder returns with a resilient and efficient operating model. RM is increasing its revenues and adjusted operating margins and delivering a high return on capital employed.

### OPERATING REVIEW

The Group is structured in three operating divisions, each with its own managing director and management team, with corporate services functions provided centrally. Approximately 32% (2016: 36%) of Group headcount is based in India, providing support services and software development to the operating divisions.

### RM RESOURCES

The RM Resources Division now consists of the brands TTS, The Consortium and West Mercia Supplies.

At the beginning of 2017, the Division comprised TTS only. On 30 June 2017, the Company completed the acquisition of the Education and Care business of Connect plc, which added The Consortium and West Mercia Supplies ("The Consortium") brands to RM Resources.

RM Resources provides education resources and supplies used in UK and international schools and early years establishments. Products supplied are a mix of commodity, third party branded, own brand equivalents and TTS own designed items manufactured by a network of third party suppliers with a focus on specialist curriculum resources.

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

RM Resources revenues increased by 42% to £83.6m following the acquisition of The Consortium and the inclusion of revenues from that business from July onwards. Organic TTS revenues declined by 5% to £55.9m (2016: £58.8m), with UK revenues declining by 12% to £41.1m (2016: £46.8m), partially offset by strong growth of 23% in international revenues to £14.8m (2016: £12.1m). International revenues now represent 26% of revenue in TTS. In the five months since being acquired, The Consortium delivered £27.8m of revenues,

of which £1.0m was from international sales and £1.7m was from non-Education resources sectors.

Divisional adjusted operating profit increased to £11.6m (2016: £10.2m) as the Division's profitability benefited from the acquisition of The Consortium outlined above. However, operating margins decreased to 13.9% (2016: 17.3% - TTS only). This reduction was driven by a reduction in TTS's margins to 15.1% (2016: 17.3%), resulting from a reduction in revenues combined with a more competitive pricing market and exchange rate impacts which reduced profits by £0.9m. The Consortium (11.3% operating margins) further diluted the margin of the Division as a whole.

### UK

UK revenues increased by 45% to £67.8m (2016: £46.8m) driven by the acquisition of The Consortium. Organic TTS UK revenues decreased by 12% as primary schools and nurseries focused their resources budgets more on commodity items. This was due to discretionary budgets being negatively impacted by unfunded increases in staff pension and national insurance costs. The decline in TTS in the UK was more pronounced in the first half of the year (-20%) than in the second half of the year (-2%). This reflected some improvement in the market, although we continue to expect that tight budgets will keep the UK market subdued.

The Company continues to invest in its online channels. Online orders now make up broadly half of UK direct education sales. We expect the proportional growth in online sales to continue in future years, as more customers use it as their preferred method of ordering.

### INTERNATIONAL

The international business is made up of sales of own designed products through resellers and distributors to over 70 countries and sales of a wider portfolio of education supplies directly to international English curriculum schools. Organic TTS revenues from international sales to overseas resellers and international schools increased by 23% to £14.8m (2016: £12.1m). This was driven by strong growth of our own designed products through reseller channels (+32%) and growth in sales to international schools (+14%). We expect international revenues to continue to grow in the coming year. The acquisition of The Consortium delivered an additional increase in sales to international schools (£1.0m in the five months since the acquisition completed). The increased product range will significantly add to the combined proposition of the Division going forward.

## INTEGRATION

The integration of the TTS and The Consortium businesses is progressing well. A single senior management team consisting of members from both organisations has been appointed and has started to rationalise the distribution storage footprint, move to a combined operating model for the business and develop the go to market strategy for the UK and internationally. In addition, supply chain savings and organisational restructuring is in progress. Better synergies coupled with more scope for operational efficiencies are now expected, in time, to realise benefits of approximately double our initial expectations of £2m pa. This outlook assumes no changes to the estate and distribution network or the potential benefits of delivering a unified set of systems and processes where beneficial.

The Board is currently not expecting a significant uplift from revenue synergies in its outlook due to the subdued nature of the UK market and the increased risks of new online entrants. However, combined purchasing contracts with aggregated buying groups, the inclusion of TTS own designed products into The Consortium's sales channels and a joint approach to maximising the opportunity in English curriculum international schools are just three of the initial initiatives being worked on.

## RM RESULTS

The RM Results Division provides IT software and services to exam boards and professional awarding bodies to help them digitise exams in the UK and internationally through the use of e-assessment. In addition, the Division manages and analyses educational data on behalf of the UK central government, which was part of a 'Data' division.

The strategy is to grow the e-assessment business through expanding the scope of solutions to existing customers and to win new customers in both the UK and overseas markets. The target markets for e-assessment are general qualifications, language testing, professional awarding bodies and higher education. Software and services are provided through a combination of proprietary and third party, in-house and outsourced arrangements. Internationally, the business is largely expected to develop through partnerships and software licensing.

Revenue remained stable at £31.6m. The e-assessment part of the business grew by 7%, which offset the planned exit of a number of contracts in the Data business (-21%). Adjusted operating profit increased strongly by 14% on the prior year to £7.8m (2016: £6.8m).

Adjusted operating margins increased to 24.5% (2016: 21.5%).

RM Results signed a five year agreement in 2017 for the provision of a Global Assessment Platform to Oxford University Press (OUP). The contract provides item and test authoring, online test delivery and online marking of a range of OUP English Language testing products through an integrated technology platform.

The Division has also successfully secured several key contract renewals and extensions with existing customers including:

- A three year contract extension to continue to provide e-marking services until 2021 to the education charity, AQA, the UK's largest schools exam awarding body.

- A two year extension with the Department of Education for the National Pupil Database contract.

- An extended e-marking contract with the Caribbean Examinations Council (CXC).

Following the planned exit of a number of contracts the Data business now consists of a contract to deliver the National Pupil Database contract to the Department for Education.

The Board is targeting the growth opportunities in e-assessment whilst maintaining good operating margins and sees RM Results as being very well placed to respond to the ever increasing digitisation of high stakes exams in the UK and internationally. Organic and non-organic growth options will be considered in this promising, technology driven area.

## RM EDUCATION

RM Education is a UK focused business supplying IT software and services to schools and colleges. In recent years the strategy has been to improve operating margins and the proportion of annuity revenue whilst transitioning from its large legacy hardware manufacturing operations. This should create a more stable software and services platform from which it can grow.

Revenues in the Division declined by 8% to £70.6m (2016: £77.0m) with the planned contract completion of several Building Schools for the Future (BSF) contracts and the decline of some of the lower margin legacy infrastructure business. Adjusted operating profit margins continued to improve, increasing to 9.3% (2016: 7.6%), benefitting from a 12% reduction in the cost base. Adjusted operating profit increased to £6.6m (2016: £5.8m).

Recurring annuity revenues increased from 61% to 68% in 2017, reflecting the continued improvements over recent years since 2013 levels (37%).

The RM Education business is made up of Managed Services – IT outsourcing (40% of revenue), Digital Platforms (10%) – Cloud-based software offerings and Infrastructure (50%) – aimed at schools who want to run their own IT. The primary focus for this business going forward is increasing its annuity revenues.

## MANAGED SERVICES

The Managed Services offering is primarily the provision of IT outsourcing services to UK schools and colleges. Managed Services revenues decreased by 15% to £28.1m (2016: £33.1m) with several large BSF contracts coming to an end resulting in lower levels of project spend and revenues associated with BSF contracts falling to £11m from £19m in the prior year. Retention rates of existing customers during the year was 94% and, in addition, 49 new schools signed managed services contracts in the year. The proportion of revenues coming from contracts outside BSF programmes grew from 43% in 2016 to 60% in 2017.

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

## DIGITAL PLATFORMS

The Digital Platform offering covers key products such as RM Integr8 (RM's cloud-based school management system) and RM Unify, our cloud-based authentication and portal system, as well as certain other legacy content offerings. Digital Platforms revenues increased by 5% to £7.3m (2016: £7.0m) as growth in these key products more than offset declines in those legacy products. Customer retention rates of core Digital Platform products were 97% in the year.

The Division also signed a new contract for five years with Education Scotland to continue to provide RM Unify to all schools in Scotland.

## INFRASTRUCTURE

Infrastructure is a very tight margin business including the tools, products and services to help schools manage their own IT. Revenues decreased by 5% to £35.2m (2016: £37.0m) as the Division continues to move away from lower margin transactional business. As highlighted before, at the end

of 2016, the Division restructured this area and reduced the UK workforce. The retention rate across the core annuity products of Connectivity and Network Support within the Infrastructure business was 94%.

A significant new three-year contract was tendered for and won in this Division in 2017 to provide connectivity services to over 500 schools in Hertfordshire.

## RM INDIA

As at 30 November 2017, RM's operation in Trivandrum accounted for 32% of Group headcount (2016: 36%).

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

## EMPLOYEES

Average Group headcount for the year was 1,787 (2016: 1,822), which is comprised of 1,633 (2016: 1,634) permanent and 154 (2016: 188) temporary or contract staff, of which 1,172 (2016: 1,173) were located in the UK and 615 (2016: 649) in India. At 30 November 2017 headcount was 1,907 (2016: 1,731).

The following table sets out a more detailed summary of the permanent staff employed as at 30 November 2017:

	Male	Female
Executive Directors	2 (100%)	0 (0%)
Senior Managers (excluding Executive Directors)	45 (80%)	11 (20%)
All employees	1,102 (62%)	683 (38%)

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

The Group encourages the participation of all employees in the operation and development of the business and has a



policy of regular communications. The Group incentivises employees and senior management through the payment of bonuses linked to performance objectives, together with the other components of remuneration detailed in the Remuneration Report.

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

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

## ACQUISITION

As noted above, the Company completed the acquisition of The Consortium on 30 June 2017 for a purchase price of £56.5m (on a cash free, debt free basis). The acquisition complements the Company's already existing TTS business and has been accretive to the Company's adjusted earnings per share.

The final net cash consideration paid was £59.0m including £0.5m of cash in the business. The difference between the headline price of £56.5m noted above and the final consideration paid reflected the positive net working capital position of the balance sheet of the acquired business as at the date of completion. Intangible assets of £18.1m have been identified reflecting value associated with the distribution and product brands acquired, together with a further £31.1m of goodwill alongside £9.8m of net assets.

The acquisition was satisfied entirely in cash at completion and was funded through existing cash reserves and a new £75m revolving credit facility. Further details in relation to that facility are given in the Directors' Report.

## GROUP FINANCIAL PERFORMANCE

Group revenue grew by 11% to £185.9m (2016: £167.6m) supported by the acquisition of The Consortium, which contributed £27.8m. Organic revenues, excluding the benefit of the acquisition, declined 6% to £158.1m (2016: £167.6m).

	2017			2016		
	Adjusted	Adjustment	Statutory	Adjusted	Adjustment	Statutory
Revenue	185.9	-	185.9	167.6	-	167.6
Operating profit	22.1	(5.9)	16.2	18.8	(2.9)	15.9
Profit before tax	20.5	(5.9)	14.6	18.1	(3.0)	15.1
Tax	(2.6)	0.9	(1.7)	(3.9)	0.5	(3.5)
Profit after tax	17.9	(5.1)	12.9	14.2	(2.5)	11.6

Adjusted operating profit margins increased again this year from 11.2% in 2016 to 11.9%. Adjusted operating profit increased to £22.1m (2016: £18.8m).

To provide a better understanding of underlying business performance, amortisation charges relating to acquisition related intangible assets, share-based payment charges, restructuring provision movements, acquisition costs and other items of an exceptional nature have been disclosed in an adjustments column in the income statement to give 'Adjusted' results. Note 2 to the financial statements identifies these adjustments highlighting recurring and non-recurring items.

On a statutory basis, operating profit was £16.2m (2016: £15.9m), with adjustments principally being £2.6m of acquisition related costs, £1.6m for costs associated with delivering acquisition synergies, share-based payments charges of £0.8m, £0.5m of amortisation of acquisition related intangible assets and a £0.4m movement in provisions for onerous lease contracts.

The Group generated a statutory profit before tax of £14.6m (2016: £15.1m) with a net interest charge of £1.6m.

The total tax charge within the income statement for the year was £1.7m (2016: £3.5m). The Group's tax charge for the period, measured as a percentage of profit before tax, was 12% (2016: 23%). The reduction is principally due to a reduction of £1.2m in the transfer pricing provision associated with cross border intra-group transactions between the UK and India which has been agreed with the relevant tax authorities and a reduction in the UK corporate tax rate. Statutory profit after tax increased to £12.9m (2016: £11.6m).

Adjusted basic earnings per share were 22.0 pence (2016: 17.4 pence). Statutory basic earnings per share were 15.8 pence (2016: 14.4 pence) and statutory diluted earnings per share were 15.7 pence (2016: 14.4 pence).

RM generated cash from operations for the year of £20.5m (2016: £13.4m), which represents a cash conversion from operating profit in excess of 100%. Net debt was £13.4m, compared to cash and short-term deposits of £40.0m in 2016, reflecting the impact of the acquisition which was satisfied entirely in cash at completion.

Cash generated from operations is expected to be broadly in line with operating profit in the year ahead.

## **DIVIDENDS**

The total dividend paid and proposed for the year has been increased by 10% to 6.60 pence per share (2016: 6.00 pence). This is comprised of the interim dividend of 1.65 pence per share paid in September 2017 and, subject to shareholder approval, a proposed final dividend of 4.95 pence per share. The estimated total cost of normal dividends paid and proposed for 2017 is £5.4m (2016: £4.9m). Dividend cover for the year is 3.3 times, as compared to a figure of 2.9 times in 2016. This reflects the 26% growth in adjusted basic earnings per share and the 10% growth in dividend proposed.

The Board is committed to a long-term sustainable dividend policy with the objective of a dividend cover of between two to three times adjusted earnings per share over the medium-term. RM plc has £28.6m of distributable reserves as at 30 November 2017 available to support the dividend policy.

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

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

## **DEFINED BENEFIT PENSION SCHEMES ("SCHEMES")**

Prior to the acquisition of The Consortium, the Company operated one defined benefit pension scheme (the "RM Education Scheme"). As part of the acquisition of

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

Despite the introduction of the two new defined benefit schemes outlined above, the IAS19 deficit (pre-tax) across the Group decreased by £14.6m to £20.2m (2016: £34.8m). This reduction was primarily driven by an increase in the scheme assets of the RM Education Scheme of £15.6m and a decrease in the liabilities of that Scheme of £2.4m, driven by updated mortality assumptions. As at 30 November 2017 the net deficit associated with the CARE Scheme and Platinum Scheme combined was £3.7m.

Following a change in actuary during the year the discount methodology applied under IAS19 for all three Schemes was revised to better reflect the long dated credit risk of the cash flows for those Schemes.

Since the acquisition of The Consortium, agreement has been reached with the Trustees of the CARE Scheme with regards to the triennial valuation as at 31 December 2016 at a deficit of £4.2m, with recovery payments of £379,000 pa over the next ten years. As a result, the total Group deficit recovery plan cash flow requirements across all of the above schemes are £4.4m pa. The triennial review for the RM Education Scheme is due in May 2018. The next review date for the Platinum Scheme is in December 2018.

## **IMPACT OF THE EU REFERENDUM VOTE**

The Company continues to monitor the evolving impacts of the referendum decision on UK's membership of the EU. The referendum result has not changed the UK Government's policy of ring fencing funding for priority areas and, therefore, there is no foreseen impact on education funding as a whole.

The Group has European sales of £11.3m, primarily driven by the sale of own designed products from the RM Resources Division. The Group will monitor the nature of the Brexit arrangements as they influence the trading relationship between the UK and the EU. It is not expected at this stage that they will fundamentally change demand for these products which has been growing strongly in recent years.

The Group has foreign currency denominated costs that outweigh foreign currency denominated revenues and therefore increased currency volatility creates an exposure.

Exchange rates have been more stable in 2017 following the post referendum adjustment in 2016 but the Company continues to monitor these closely. This risk is managed through currency hedging against exchange rate movements, typically 9-12 months into the future. The Group is also working to rebalance its exposure by growing its foreign denominated sales ahead of its costs to reduce the currency imbalance and more naturally hedge this risk.

## GOING CONCERN

The financial position, cash flows and liquidity position are described in the financial statements and the associated notes. In addition, the notes to the financial statements include RM's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit and liquidity risk. During the year, the Group completed the acquisition of The Consortium which was supported by an increase in its revolving credit facility from £30m to £75m and resulted in the Group moving to a net current liability position of £13.4m. The maximum net debt position during the period following the acquisition was £37.7m.

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

## FINANCIAL VIABILITY STATEMENT

In accordance with the UK Corporate Governance code, in addition to an assessment of going concern, the Directors have also considered the prospects of the Group and Company over a longer time period. The period of assessment chosen is three years, which is consistent with the time period over which the Group's medium-term financial budgets are prepared. These financial budgets include income statements, balance sheets and cash flow

statements. They have been assessed by the Board in conjunction with the principal risks of the Group, which are documented within the Principal Risks and Uncertainties section below, along with their mitigating actions.

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

1. Public policy risk – UK education policy priority changes or restrictions in government funding due to fiscal policy.
2. Operational execution – including:
  - Significantly increased working capital requirements within the RM Education and RM Results long-term contract portfolios and requirements in evolving RM Education business models.
  - Major adverse performance in a key contract or product which results in negative publicity and which damages the Group's brand.
  - RM Results operational performance over peak examination marking periods.
3. Business continuity – an event impacting the Group's major buildings, systems or infrastructure components. This would include a major incident at one of the RM Resources main warehouses.
4. Strategic risks – loss of a significant contract which underpins an element of a Division's activity.
5. Defined Benefit Pension Schemes – funding of Scheme deficits in adverse market conditions.
6. Inability to deliver, or a significant delay in implementation of, the synergies planned alongside the acquisition of The Consortium whilst still incurring the costs of delivery.

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

## ENVIRONMENTAL MATTERS

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

## PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Risk and categorisation	Description and likely impact	Mitigation
Public policy (Political Risk)	<p>The majority of RM's business is funded from UK government sources. Changes in political administration, or changes in policy priorities, might result in a reduction in education spending, leading to a decline in market size.</p> <p>UK government funding in the education sector is constrained by fiscal policy.</p> <p>Global economic conditions might result in a reduction in budgets available for public spending generally and education spending specifically.</p>	<p>The Company reviews the education policy environment by regular monitoring of policy positions and by building relationships with education policy makers.</p> <p>The Group's three divisions have diverse revenue streams and product/service offerings.</p> <p>The Company's strategy is to focus on areas of education spend which are important to meet customers' objectives. Where the revenues of an individual business is in decline, management seeks to ensure that the cost base is adjusted accordingly.</p>
Education practice (Political Risk)	<p>Education practices and priorities may change and, as a result, RM's products and services may no longer meet customer requirements, leading to a risk of lower revenue.</p>	<p>The Company maintains knowledge of current education practice and priorities by maintaining close relationships with customers.</p>
Operational execution (Operational Risk)	<p>RM provides sophisticated products and services, which require a high level of technical expertise to develop and support, and on which its customers place a high level of reliance. Any significant operational failure would result in reputational damage and increased costs.</p> <p>RM is engaged in the delivery of large, multi-year projects, typically involving the development and integration of complex IT systems, and may have liability for failure to deliver on time.</p>	<p>The Company invests in maintaining a high level of technical expertise.</p> <p>Internal management control processes are in place to govern the delivery of 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.</p>

Risk and categorisation	Description and likely impact	Mitigation
Data and business continuity (Operational Risk)	<p>RM is engaged in storing and processing personal data, where accuracy, privacy and security are important. Any significant security breach could damage reputation and impact future profit streams.</p> <p>The Group would be significantly impacted if, as a result of a major incident, one of its key buildings, systems or infrastructure components could not function for a long period of time.</p>	<p>The Company's IS function has invested in developing its Data Centres, and has been successfully certified to ISO/IEC 27001:2005 for the provision of systems, information and hosting services.</p> <p>The Company has established a Group Security and Business Continuity Committee to oversee the security aspects of the Group's information systems. This covers data integrity and protection, defence against external threats (including cyber risks) and disaster recovery.</p> <p>The Group seeks to protect itself against the consequences of a major incident by implementing a series of back up and safety measures.</p> <p>The Group has property and business interruption insurance cover.</p>
People (Operational Risk)	<p>RM's business depends on highly skilled employees. Failing to recruit and retain such employees could impact operationally on RM's ability to deliver contractual commitments.</p>	<p>The Company seeks to be an attractive employer and regularly monitors the engagement of its employees. The Company has talent management and career planning programmes.</p>
Integration Risk	<p>An inability to deliver, or a significant delay in implementation of, the synergies planned in relation to the acquisition of The Consortium and/or the loss of customers as a result of related disruption.</p>	<p>The Company has established a formal internal steering committee to oversee the integration of The Consortium. In addition, the Company retained Grant Thornton to provide external expertise in relation to such matters.</p> <p>Integration risks are proactively managed and a number of mechanisms are in place to monitor the ongoing impact of the various activities, including staff consultations and satisfaction surveys and ongoing customer feedback.</p> <p>Financial reports are generated each month to ensure that spend on integration activities and resulting expected benefits remain within budget.</p> <p>The Board is kept apprised of the current status of the integration work on a regular and ongoing basis.</p>
Innovation (Strategic Risk)	<p>The IT market and elements of the education resources market are subject to rapid, and often unpredictable, change. As a result of inappropriate technology and product choices, the Group's products and services might become unattractive to its customer base.</p> <p>The Group's continued success depends on developing and/or sourcing a stream of innovative and effective products for the education market and marketing these effectively to customers.</p>	<p>The Company actively monitors technology and market developments and invests to keep its existing products, services and sales methods up-to-date, as well as seeking out new opportunities and initiatives.</p> <p>The Group works with teachers and educators to understand opportunities and requirements.</p>

<b>Risk and categorisation</b>	<b>Description and likely impact</b>	<b>Mitigation</b>
Dependence on key contracts (Strategic Risk)	The performance of the RM Education and RM Results Divisions are dependent on the winning and extension of long-term contracts with government, local authorities, examination boards and commercial customers.	The Company invests in maintaining a high level of technical expertise and on building effective working relationships with its customers. The Company has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction.
Pensions (Financial Risk)	<p>The Group operates two defined benefit pension schemes in the UK (the "RM Education Scheme" and the "CARE Scheme" respectively) and participates in a third defined benefit pension scheme (the "Platinum Scheme").</p> <p>Scheme deficits can adversely impact the net assets position of the trading subsidiaries RM Education Ltd and The Consortium for Purchasing and Distribution Ltd.</p>	<p>The RM Education Scheme was closed to new entrants in 2003 and closed to future accrual of benefits in 2012.</p> <p>The CARE Scheme was closed to new entrants in 2006 and closed to future accrual of benefits in 2011.</p> <p>The Company evaluates risk mitigation proposals with the trustees of these respective Schemes.</p> <p>The Platinum Scheme is a multi-employer scheme over which the Company has no direct control. However, due to the small number of the Company's employees who are in this Scheme, the risk to the Company from this Scheme is limited.</p>
Dividends (Financial Risk)	The Company's ability to pay dividends to shareholders depends on having sufficient distributable reserves in the holding company, RM plc. The Group is reliant on continued dividend distribution from subsidiaries and ensuring no significant impairment of RM plc's carrying assets.	The Company monitors the level of distributable reserves in RM plc and subsidiary companies and considers their ability to make dividend payments, via the holding company, to the shareholders.

**David Brooks**

Chief Executive Officer

5 February 2018

## DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated and Company financial statements for the year ended 30 November 2017.

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

### **DIVIDENDS**

The total dividend paid and proposed for the year has been increased by 10% to 6.60 pence per share (2016: 6.00 pence). This is comprised of the interim dividend of 1.65 pence per share paid in September 2017 and, subject to shareholder approval, a final dividend of 4.95 pence per share.

### **TREASURY AND FOREIGN EXCHANGE**

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

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

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

### **ENVIRONMENTAL POLICY AND REPORTING**

The Group recognises that its activities must be carried out in an environmentally friendly and compliant manner. Good standards of environmental performance are adopted to minimise the potential negative environmental impact of products and processes and also to promote sustainability. These actions include efficient utility usage, waste reduction/recycling and use of energy saving features in products.

The Group is required to report Scope 1 and 2 emissions for all Group companies within the Annual Report and has elected to report emissions for the year to 30 September 2017.

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

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

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

## Emissions by scope

Scope	Source	Country	Year ended 30 September 2017		Year ended 30 September 2016	
			Tonnes CO <sub>2</sub> e	Absolute totals Tonnes CO <sub>2</sub> e	Tonnes CO <sub>2</sub> e	Absolute totals Tonnes CO <sub>2</sub> e
Scope 1	Air travel	UK	624		681	
	Air travel	India	296		444	
	Van/car travel	UK	515		676	
	Van/car travel	India	124		164	
	Gas	UK	420	1,979	467	2,432
Scope 2	Electricity and gas	UK	857		964	
	Electricity and gas	India	186	1,044	196	1,160
<b>Total</b>				<b>3,023</b>		<b>3,592</b>

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

Tonnes CO <sub>2</sub> e/employee	Year ended 30 September 2017	Year ended 30 September 2016
Scope 1	1.15	1.34
Scope 2	0.60	0.64
<b>Total</b>	<b>1.75</b>	<b>1.98</b>

## HEALTH AND SAFETY

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

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

## POLITICAL DONATIONS

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



## RESEARCH AND DEVELOPMENT

The Company continues to develop and maintain its existing software development products whilst staff work to develop new and more effective systems and products. The Company incurred £6.8m of research and development in the year, which was expensed in the income statement (2016: £8.3m). This relates to product enhancement and research.

## SUBSTANTIAL SHAREHOLDINGS

On 5 February 2018 the Company had received notifications that the following parties were interested in accordance with DTR 5:

Shareholder	No. of shares	Percentage of Issued Share Capital as at 5 February 2018	No. of shares Direct	No. of shares Indirect
Schroders Investment Management Ltd	14,824,524	17.94%	0	14,824,524
Aberforth Partners	14,669,375	17.75%	0	14,669,375
Artemis Investment Management LLP	11,796,816	14.27%	0	11,796,816
Majedie Asset Management Ltd	5,280,817	6.39%	0	5,280,817
The Wellcome Trust Ltd	4,798,752	5.81%	0	4,798,752
Ennismore Fund Management Limited	3,125,000	3.78%	0	3,125,000
Fidelity International	3,109,433	3.76%	0	3,109,433

## THE TAKEOVERS DIRECTIVE

The Company has one class of share capital, ordinary shares. All the shares rank *pari passu*. There are no special control rights in relation to the Company's shares. As at 30 November 2017, the RM plc Employee Share Trust owned 913,055 ordinary shares in the Company (1.10% of the issued share capital); any voting or other similar decisions relating to those shares would be taken by the Trustees, who may take account of any recommendation of the Board of the Company.

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

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

## REPURCHASE OF OWN SHARES

At the Annual General Meeting held on 22 March 2017, members renewed the authority under section 701 of the Companies Act 2006 to make market purchases on the London Stock Exchange of up to 8,265,001 ordinary shares, being 10% of the issued share capital of the Company. The minimum price which may be paid for each share is the nominal value. The maximum price which may be paid for a share is an amount equal to the higher of (1) 5% above the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased and (2) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. This authority has not been used since the Annual General Meeting.

The Directors will seek to renew this authority at the next Annual General Meeting scheduled for 21 March 2018.

## OVERSEAS BRANCHES

The Group has no overseas branches.

## DIRECTORS

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

John Poulter

Lord Andrew Adonis (retired 30 September 2017)

Andy Blundell (appointed 25 May 2017)

David Brooks

Patrick Martell

Neil Martin

Deena Mattar

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

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

## INDEPENDENT AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

A copy of the Group financial statements is posted on the Group's website [www.rmplc.com](http://www.rmplc.com).

## **ANNUAL GENERAL MEETING**

The forthcoming Annual General Meeting will be held on 21 March 2018 at 140 Eastern Avenue, Abingdon, Oxfordshire OX14 4SB, at the time set out in the Annual General Meeting notice. The notice of the Annual General Meeting contains the full text of resolutions to be proposed.

By Order of the Board

**Greg Davidson**

Company Secretary

5 February 2018

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION FROM THE CHAIRMAN

As Chairman, I am responsible for ensuring that the Company has high standards of corporate governance. On behalf of the Board, I confirm that the Company has complied with the provisions of the UK Corporate Governance Code 2016 (the "Code") throughout the 12 month period ended 30 November 2017. How we have applied the principles of the Code is set out in the following table.

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

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

**John Poulter**

Chairman

## COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2016

Code of Best Practice – Principles	RM Statement of compliance
<b>A DIRECTORS</b>	
<b>A1 The Role of the Board</b>	
Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.	The Directors' responsibilities are outlined in the Directors' Report. The Board meets regularly on a formal basis plus additional ad hoc meetings as necessary. Further details of the operation of the Board and the structure of internal governance arrangements are referred to below.
<b>A2 Division of Responsibilities</b>	
There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.	There is a clear distinction between the role of the Non-Executive Directors on the Board, which is chaired by the Chairman, and the Chief Executive Officer and Chief Financial Officer, who have executive responsibility for the running of the Company's business.
<b>A3 The Chairman</b>	
The Chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.	The Chairman sets the Board's agenda and ensures that adequate time is available for the discussion of all agenda items. The Chairman promotes a culture of openness and debate. He also ensures constructive relations between the Executive Directors and the Non-Executive Directors. The Chairman ensures effective communication with shareholders.  The Chairman meets the independence criteria.
<b>A4 Non-Executive Directors</b>	
As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.	The Non-Executive Directors scrutinise strategic proposals for the Group and monitor performance on an ongoing basis. The controls in place to ensure the integrity of financial information and systems of risk management are described elsewhere in the Annual Report.  Deena Mattar is Senior Independent Director and is available to shareholders if they have concerns which contact through the normal channels has failed to resolve.  The Chairman holds meetings with the Non-Executive Directors without the Executive Directors present when considered appropriate and the performance of Non-Executive Directors, including the Chairman, is assessed as noted in paragraph B6 below.
<b>B EFFECTIVENESS</b>	
<b>B1 The Composition of the Board</b>	
The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.	The Board consists of the Chief Executive Officer and Chief Financial Officer plus, currently, four Non-Executive Directors including the Chairman. All of the Non-Executive Directors are considered by the Board to be independent of the management of the Company and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. The Directors have a combination of financial and business expertise which is suited to the nature of the Company.

## Code of Best Practice – Principles

## RM Statement of compliance

### B2 Appointments to the Board

There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.

A separate Nomination Committee, comprised of all Non-Executive Directors, including the Chairman, is responsible for identifying and nominating candidates to fill Board vacancies. While the Chairman chairs the Nomination Committee, the Senior Independent Director would do so if the Committee was dealing with the appointment of a new Chairman.

An external search consultancy, which had no other connection to the Company (other than in relation to similar previous appointments), assisted with the appointment of Andy Blundell as a Non-Executive Director (appointment effective 25 May 2017).

### B3 Commitment

All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.

The Board ensures that on appointment and thereafter all Directors have sufficient time to carry out their duties.

### B4 Development

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

All Directors receive an induction on joining the Board.

All Directors have extensive experience and possess relevant skills and knowledge to perform their duties.

### B5 Information and Support

The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

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

All Directors have access to the advice and services of the Company Secretary or suitably qualified alternative, and all the Directors are able to take independent professional advice, if necessary, at the Company's expense. All Directors are also invited to attend meetings of the Executive Committee and have access to managers within the Group.

### B6 Evaluation

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

The performance of the Board and each Board Committee is reviewed on an annual basis and a review was conducted during the year ended 30 November 2017.

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

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

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

### B7 Re-election

All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

All Directors are appointed for specific terms subject to annual re-election by shareholders at each Annual General Meeting.

**C ACCOUNTABILITY****C1 Financial and Business Reporting**

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

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

**C2 Risk Management and Internal Control**

The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.

The Company operates a risk management and internal control process, further details of which are given elsewhere in this Report. The control environment addresses, inter alia, financial, operational and compliance matters. These processes are reviewed at least on an annual basis. Further details are provided in the Audit Committee Report.

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

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

**C3 Audit Committee and Auditors**

The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.

The Audit Committee is comprised of Non-Executive Directors and meets at least three times a year. The Chief Executive Officer, Chief Financial Officer and other members of the internal finance team and internal audit are invited to attend. The Audit Committee meets separately with the Company's auditor without the Executive Directors present. Further details are set out below and in the Audit Committee Report.

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

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

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

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

**D2 Procedure**

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

Remuneration packages for individual Directors are set by the Remuneration Committee after, if required, receiving information from independent sources and the Company's Human Resources function. Further details are provided in the Remuneration Report.

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

**E RELATIONS WITH SHAREHOLDERS****E1 Dialogue with Shareholders**

There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

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

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

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

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

**E2 Constructive Use of General Meetings**

The board should use general meetings to communicate with investors and to encourage their participation.

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

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

**BOARD OF DIRECTORS**

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

**BOARD COMMITTEES**

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

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

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



Further details of the Remuneration Committee's activities are given in the Remuneration Report. The terms of reference for the Remuneration Committee are published on [www.rmplc.com](http://www.rmplc.com).

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

## DIVERSITY POLICY

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

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

## BOARD ATTENDANCE

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

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
<b>Number of meetings held in the period</b>	<b>18</b>	<b>3</b>	<b>5</b>	<b>1</b>
John Poulter	18	3	5	1
Lord Andrew Adonis <sup>1</sup>	13	2	4	1
Andy Blundell <sup>2</sup>	5	2	2	-
David Brooks	18	-	-	-
Patrick Martell	18	3	5	1
Neil Martin	18	-	-	-
Deena Mattar	17	3	5	1

<sup>1</sup> Retired on 30 September 2017

<sup>2</sup> Appointed on 25 May 2017

## EXECUTIVE COMMITTEE

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

## RELATIONS WITH SHAREHOLDERS

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

## SOCIAL, ETHICAL AND ENVIRONMENTAL ISSUES

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

The Board considers that it has received adequate information to enable it to assess significant risks to the Company's short and long-term value arising from SEI matters and has concluded that the risks associated with SEI matters are minimal. The Board will continue to monitor those risks on an ongoing basis and will implement appropriate policies and procedures if those risks become significant.

### INTERNAL CONTROL

The Group maintains an ongoing process in respect of internal control to safeguard shareholders' investments and the Group's assets and to facilitate the effective and efficient operation of the Group. These processes enable the Group to respond appropriately, and in a timely fashion, to significant business, operational, financial, compliance and other risks, in line with the Code, which may otherwise prevent the achievement of the Group's objectives.

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

The key elements of Group internal control, which have been effective during 2017 and up to the date of approval of the financial statements are set out below:

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

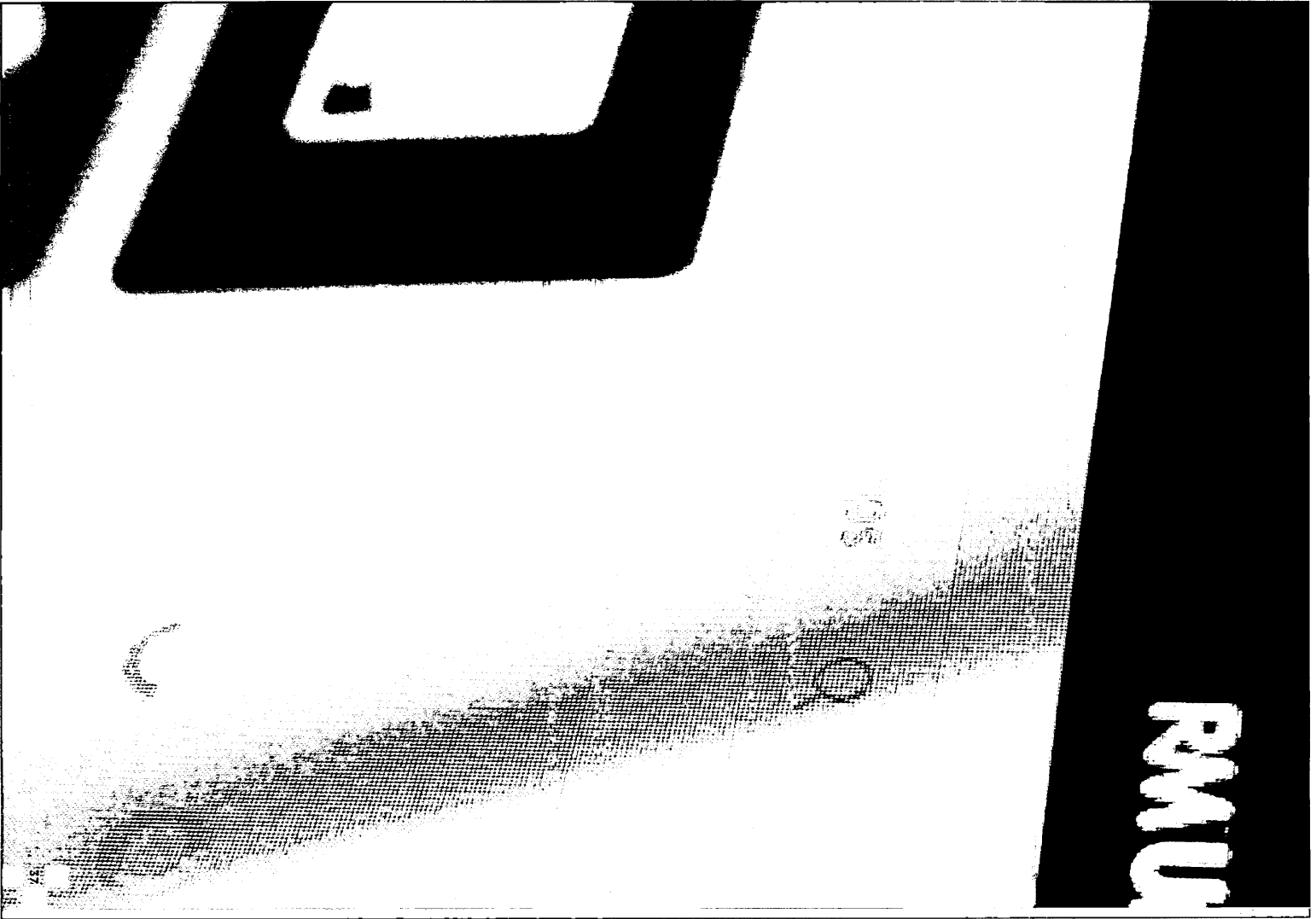
- The establishment of appropriate operating and financial policies.

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

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

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

The majority of the Group's financial and management information is processed and stored on computer systems. The Group is dependent on systems that require sophisticated computer networks. The Group has established controls and procedures over the security of data held on such systems, including business continuity arrangements. Both the Board and Audit Committee have reviewed the operation and effectiveness of this framework of internal control for the period and up to the date of approval of the Annual Report.



## AUDIT COMMITTEE REPORT

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

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

### FINANCIAL STATEMENTS

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

The Audit Committee reviewed and considered the following areas:

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

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

The Audit Committee considers that the significant accounting judgements upon which the accounts are based relate primarily to (a) long-term contract accounting and the related margin recognition and (b) the acquisition of The Consortium and the related valuation risks.

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

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

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

Where a contract has a significant impact on revenue and profit or where there is a significant variation to the contract outturn or a significant judgement is required, this information is typically included in the management accounts and discussed by the Board and the Audit Committee.

In relation to the acquisition of The Consortium, certain valuation risks stem from the acquisition, including in relation to the purchase price allocation and the accuracy of the acquisition balance sheet. The Company is required to make a number of judgements which focus on (but are not limited to) the identification of the intangible assets acquired and an assessment of the fair value of the acquired assets and liabilities.

Determining the fair value of the acquired intangible assets relies on the preparation of medium-term cash flow forecasts and there is inherent uncertainty involved in forecasting future cash flows and judgement involved in the selection of the appropriate discount rate. Judgement is also involved in determining the fair value of acquired assets and liabilities, in particular stock.

The Company engaged a number of external advisors (financial, accounting and legal) to assist with the acquisition in order to test and verify the assumptions upon which that acquisition was based.

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

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

The Audit Committee considered and is satisfied that, taken as a whole, the Annual Report 2017 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

## **COMPOSITION AND QUALIFICATIONS OF THE AUDIT COMMITTEE**

During the year ended 30 November 2017, the Audit Committee comprised Deena Mattar BSc (Econ), FCA (Chairman), John Poulter, Lord Andrew Adonis (until 30 September 2017), Andy Blundell (from 25 May 2017) and Patrick Martell, all of whom are independent Non-Executive Directors. The Group considers that Deena Mattar as a Fellow of the Institute of Chartered Accountants in England and Wales and former FTSE250 Finance Director has significant recent and relevant financial experience, as further described in the Directors' Biographies section of this Annual Report.

The external auditor (KPMG), David Brooks (Chief Executive Officer), Neil Martin, ACMA (Chief Financial Officer), Craig Lewendon, ACA (Group Financial Controller to 13 August 2017) and Tim Caufield, ACA (Interim Group Financial Controller from 14 August 2017) and other management as appropriate are invited to attend Audit Committee meetings.

## **SCHEDULE OF MEETINGS**

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

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

## **APPOINTMENT OF EXTERNAL AUDITOR**

The Audit Committee recommended, and shareholders approved at the Company's Annual General Meeting on 22 March 2017, the re-appointment of KPMG LLP as Group external auditor.

KPMG has been the Group's external auditor since 2011. The external auditor is required to rotate the audit partner responsible for the Group audit every five years and, as such, a new lead audit partner was appointed in 2016.

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

## **OVERSIGHT OF EXTERNAL AUDIT**

The Audit Committee has reviewed the scope and results of the audit services, and the cost effectiveness and independence and objectivity of the external auditor. This includes discussions with the external auditor in relation to areas of key focus and ensuring that the external auditor challenges management appropriately, in particular in relation to matters that require judgement to be exercised. Separately, the external auditor briefs the Audit Committee on new developments that may affect the Company to help ensure that the Company is suitably prepared and up-to-date with all new and forthcoming accounting developments and disclosures (e.g. IFRS15).

## INTERNAL AUDIT

The Audit Committee approved the appointment of RM's Group Financial Controller as Head of Internal Audit (Craig Lewendon, ACA (to 13 August 2017) and Tim Caufield, ACA, Interim Group Financial Controller (from 14 August 2017)). For the purposes of this role, the Group Financial Controller reported directly to the Chairman of the Audit Committee. The Audit Committee, with the advice and support of the Head of Internal Audit, sets an internal audit plan, focused on financial controls and risk areas. The Head of Internal Audit reports on progress against this plan at Audit Committee meetings. Internal audit activities are undertaken on a peer-to-peer basis, or by contracting a suitably qualified third party firm of accountants.

## POLICY ON NON-AUDIT WORK

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

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

Fees for non-audit work in the period were 35.1% of the annual audit fee, 34.4% of which related to the acquisition of The Consortium and which was carried out by the auditor as part of regulatory requirements.

## INTERNAL CONTROL

### Control environment

The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority to Executive management. A Group-wide approval matrix is in place. Individuals are made aware of their level of authority and their budgetary responsibility which enables them to identify and monitor financial performance. There are established policies and procedures, which are subject to regular review and, following the acquisition

of The Consortium in June 2017, those reviews involved aligning the governance framework in that business with the governance framework in operation elsewhere in the Group. The Boards of the operating companies work within terms of reference and any matters outside those terms or the agreed business plan are referred to the Group Board for approval.

### Identification and evaluation of business risks and control objectives

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

### Public reporting

The Audit Committee reviews and comments upon both the Group's annual and interim results prepared by management.

### Management information

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

### Main control procedures

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

### Monitoring

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

## **'WHISTLEBLOWING' POLICY**

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

## **ANTI-BRIBERY**

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

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

## **STATEMENT OF RISKS**

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

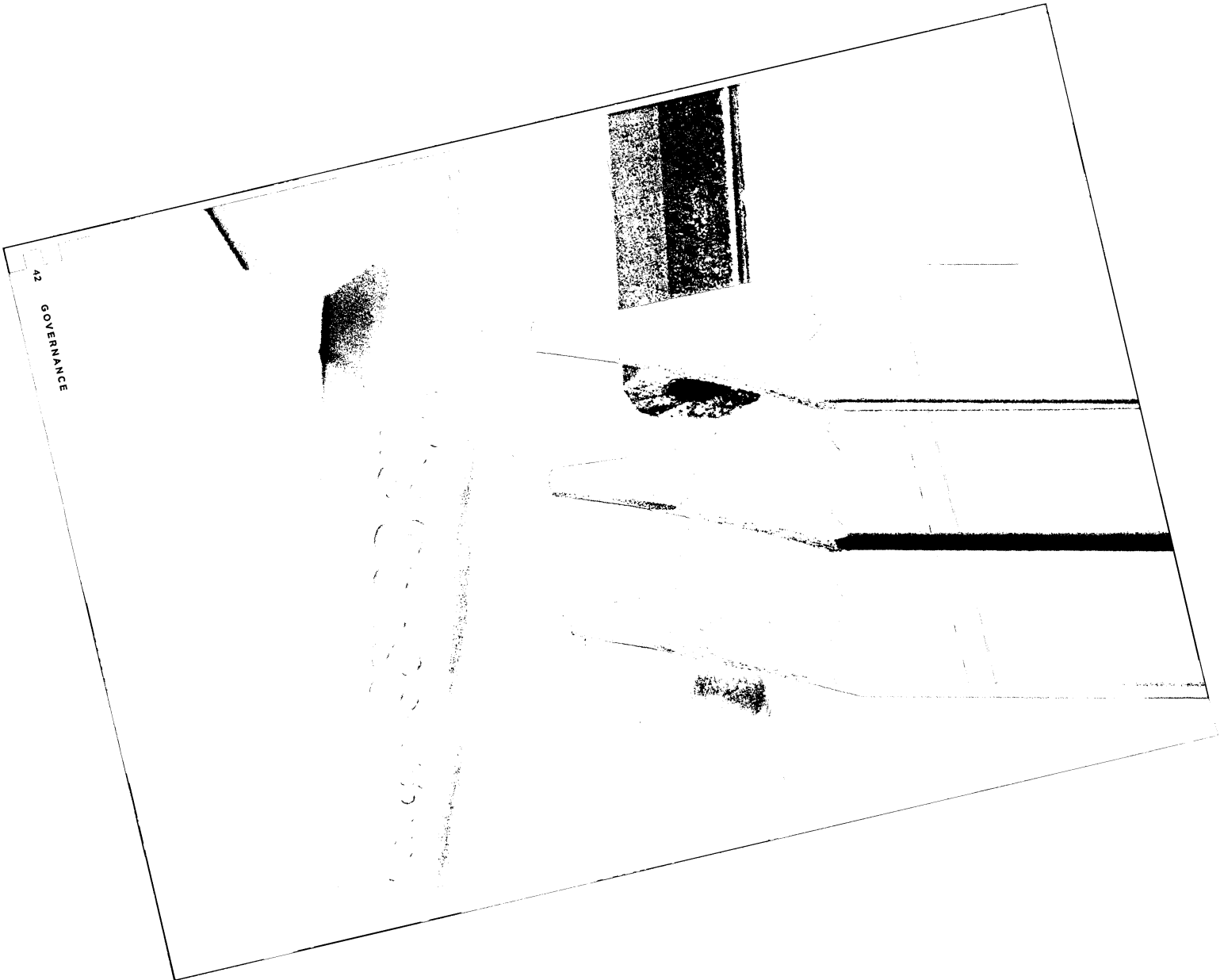
The Audit Committee is satisfied that the Group's risk management and internal control processes are appropriate to the business and Executive management has identified and addressed the principal risks affecting RM.

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

**Deena Mattar**

Chairman, Audit Committee

5 February 2018





# REMUNERATION REPORT

## PART A - INTRODUCTION

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 November 2017.

This Report is divided into the following three sections:

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

The introduction in this Part A provides an overview of the Report, the functioning and membership of the Remuneration Committee, a summary of proposed changes (to the Remuneration Policy in particular), key decisions taken during the year and the remuneration outcomes for the year ended 30 November 2017.

### 1. REVIEW OF REMUNERATION POLICY

The Remuneration Committee has undertaken a review of the Remuneration Policy and a number of changes are proposed. These changes are intended to bring the Remuneration Policy into line with recent guidance and market practice in a number of key areas. In reviewing the Policy, the Committee has taken into account the views of the main proxy advisors as well as the guidelines issued by the Company's largest shareholders.

The Remuneration Policy will be put to a binding vote at the forthcoming Annual General Meeting. A summary of the most significant changes is as follows:

- The introduction of post-vesting holding periods in relation to share-based LTIPs.
- An increase in the shareholding policy for Executive Directors to 200% of base salary.
- Further clarification in relation to the ability to increase base salaries for Executive Directors.
- A requirement that, in certain circumstances, bonuses are paid in the form of shares which must be held for a minimum of 2 years, rather than cash.
- Revision of the principles regarding remuneration for new Directors (including clear limits in relation to any 'buy-outs' and/or relocation expenses).

The new Remuneration Policy will not result in any increase in remuneration for either of the Executive Directors.

If approved by shareholders at the forthcoming Annual General Meeting, the new Remuneration Policy will come into effect immediately following that meeting.

### 2. IMPLEMENTATION REPORT

It is noted that, alongside the review of the Remuneration Policy outlined above, a review of the information provided in the Implementation Report in Part C has also been conducted, as a result of which additional information is disclosed. Further, the Company's shareholding policy has been amended so that the target is for Executive Directors to hold a minimum value of shares of 200% of base salary (the previous target was 100%). Again, both of these are to ensure that this Remuneration Report follows best practice and is transparent.

The Implementation Report will be put to an advisory vote at the forthcoming Annual General Meeting.

### 3. THE REMUNERATION COMMITTEE

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

### 4. MEMBERSHIP OF THE COMMITTEE

The membership of the Remuneration Committee during the year ended 30 November 2017 comprised Patrick Martell (Chairman), Lord Andrew Adonis (until 30 September 2017), Andy Blundell (from 25 May 2017), Deena Mattar and John Poulter, all of whom are independent Non-Executive Directors. The other Directors attend meetings as required and by invitation.

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

## 5. MAJOR DECISIONS ON DIRECTORS' REMUNERATION

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

- Agreement of the bonuses payable in respect of the financial year ended 30 November 2016.
- Approval of the Remuneration Report for the year ended 30 November 2016.
- The grant of LTIP awards to senior executives in March 2017.

## 6. REMUNERATION OUTCOMES FOR THE YEAR

The key remuneration outcomes during or in relation to the year ended 30 November 2017 were as follows:

- In August 2017, the LTIP award granted in August 2014 vested in part. The vesting of that award was subject to the Company's relative TSR performance as compared to the FTSE SmallCap (ex IT) index (the "Comparator Group") over the 3-year period from May/June 2014 to May/June 2017. The Company's relative TSR performance placed it in the 54th percentile as compared to the Comparator Group. Vesting was based on a straight line scale between 25% vesting at the 50th percentile and 100% vesting at the 75th percentile (or above). Based on the Company's relative performance, 36% of the award vested. The Committee applied no discretion.

- In relation to annual bonuses for the year ended 30 November 2017, the Committee considered the Company's performance relative to the targets set at the start of the year. Group adjusted operating profit was £22.1m, as compared to a target of £18.25m. As explained in Part C of this Report, that level of over-performance would ordinarily have resulted in a bonus payment at the maximum level and capped at 110% of salary. That over-performance was due in part to additional profit generated following the acquisition of The Consortium, as well as the performance of the underlying business. In determining the level of bonus payout, the Committee considered it appropriate to base bonus outcomes primarily on the performance of the underlying business excluding The Consortium. As noted elsewhere, any annual bonuses are subject to the Committee being satisfied that the achievement of annual targets is not at the expense of the underlying long-term performance or position of the Company. The Committee was satisfied that the underlying position of the business has improved during the year. As such, having applied the above, the Committee set the bonus payable for each of the Executive Directors at 80% of base salary.

The Committee considers that the overall pay outcome for the year ended 30 November 2017 is justified given the overall performance of the business, taking into account its future prospects and position.

**Patrick Martell**

Chairman, Remuneration Committee  
5 February 2018

## **PART B - REMUNERATION POLICY**

### **1. GENERAL OBJECTIVES**

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

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

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

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

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

### **2. COMPONENTS OF REMUNERATION FOR EXECUTIVE DIRECTORS**

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

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

**Maximum Opportunity****Performance Metrics****Changes for 2017/18**

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Base salaries will be determined as outlined in the "Operation" column opposite.

None.

No change to levels of base pay.

Policy tightened up to ensure greater alignment between increases in pay of Executives with that of the wider workforce.

Up to 7% of base salary depending upon level of employee contribution.

None.

No change to policy, though clarification added that pension benefits will not be augmented on exit.

Private healthcare.

None.

The only change to policy is to clarify that, if other benefits are introduced for other employees, similar benefits may also be offered to Executive Directors.

Group income protection.

Life assurance.

Car allowance.

Mobile phone allowance.

Other benefits may be added if also available to any other employees.

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

Notes:

1. The Committee did not increase the base salary of any Directors during the year. Since the end of the financial year, having applied the principles set out in the table above, the Committee has increased the base salary of both Executive Directors by 2% with effect from 1 March 2018 (David Brooks: £324,360 and Neil Martin: £291,924).

**Maximum Opportunity****Performance Metrics****Changes for 2017/18**

55% of base salary for on-target performance, with a maximum figure for over-performance of 110% of base salary.

At threshold performance, bonuses will be paid at no more than 20% of the maximum opportunity.

Any bonuses in excess of 100% of base salary will be paid in the form of shares that must be held for a minimum of 2 years.

Annual bonuses are not pensionable.

Annual bonuses are subject to malus and clawback provisions (see further below).

Set by the Committee at the beginning of each year as outlined in the "Operation" column opposite.

Details of performance targets will be disclosed retrospectively in the following year's Remuneration Report.

If personal targets are set, those targets will be subject to an underpin based on Company performance.

Bonuses in excess of 100% of base salary to be paid in shares held for a minimum of 2 years.

Introduction of maximum payment for threshold performance.

Clarification of the process for setting targets and that bonuses are not pensionable, are subject to malus and clawback and that targets will be disclosed retrospectively and will always be subject to an underpin based on the underlying performance of the Company.

150% of base salary.

Set by the Committee at the date of grant to align with shareholders' interests.

The vesting period for LTIPs will be a minimum of 3 years.

Details of performance targets will be disclosed retrospectively in the Remuneration Report following the year in which LTIPs are granted.

At threshold performance, no more than 25% of the award will vest.

All targets will be subject to an underpin based on the underlying performance of the Company.

Introduction of a 2-year post-vesting holding period.

Vesting of no greater than 25% of awards at threshold performance.

Clarification that LTIPs are not pensionable, are subject to malus and clawback provisions and that targets will always be disclosed retrospectively and will be subject to an underpin based on the underlying performance of the Company.

2. Group company RM Education Ltd operates a defined benefit pension scheme. This closed to new members in 2003 and, in respect of current members, closed to future accrual of benefits on 31 October 2012. David Brooks, CEO, has past benefits accrued as at 31 October 2012. His entitlements under that scheme are calculated on the same basis as those of other members. Since 1 November 2012, Mr Brooks has been a member of a defined contribution pension scheme.

### 3. SHAREHOLDING POLICY

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

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

### 4. POLICY ON RECRUITMENT

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

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

### 5. MALUS AND CLAWBACK

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

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

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

In respect of each award under the RM plc Performance Share Plan 2010 ("PSP Scheme"), the clawback applies where there is a deliberate act of fraud (whether by the Executive Directors or anybody else) that results in the misstatement of the Company's results. The clawback operates to the later of (a) one year from the relevant PSP award vesting and (b) the completion of the next audit of the Group's accounts after the award vests.

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

### 6. PAYMENT UNDER PREVIOUS POLICIES

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

### 7. DISCRETIONS

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

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



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

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

## 8. NON-EXECUTIVE DIRECTOR FEES

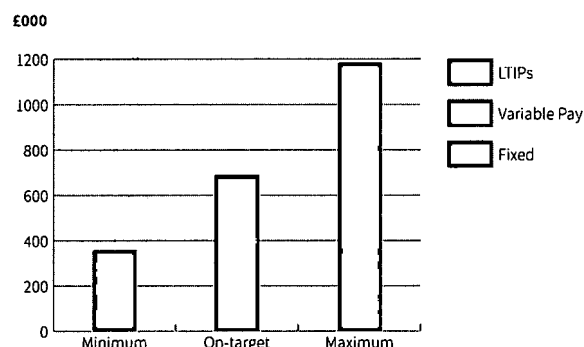
The fees payable to Non-Executive Directors are considered periodically by reference to comparable roles in companies of a similar size and complexity as the Company (although it is noted that the last such review was in 2011). Fees are not performance-related. Out-of-pocket expenses (such as travel costs) incurred in performing those duties are reimbursed by the Company.

Any review of the fees paid to Non-Executive Directors will take into account the changes in pay arrangements for the wider workforce (over the intervening period since the last review of such fees), as well as the market for Non-Executive Directors, to ensure that the right balance is struck between attracting good candidates and paying fees that are appropriate.

## 9. ILLUSTRATION OF REMUNERATION POLICY

The graphs shown provide estimates of the potential future reward for each of the Executive Directors based on their current roles, the Remuneration Policy outlined above and base salaries as at 1 December 2017. However, it is noted that the illustrations show maximum LTIP awards at 150% of base salary, whereas the typical value of LTIP awards is lower (e.g. as is shown in Part C of this Remuneration Report, the value of the last LTIP awards made were 102% of base salary for David Brooks and 103% of base salary for Neil Martin). The illustrations for LTIP awards assume no change in share price between the date of grant of an award and the date of vesting.

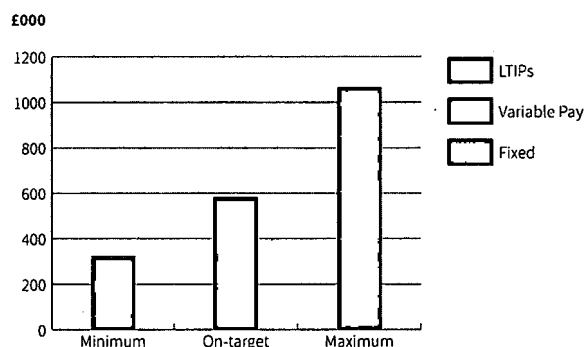
### David Brooks – Chief Executive Officer



Explanations:

	Base	Benefits	Pension	Total
Fixed (£000)	318	15	22	356
On-target	On-target is assumed to be an annual bonus equal to 55% of base salary and an LTIP award of 25% of maximum			
Maximum	<ul style="list-style-type: none"> <li>• Full pay-out of annual variable pay i.e., 110% of base salary</li> <li>• Maximum vesting of LTIP awards</li> </ul>			

### Neil Martin – Chief Financial Officer



Explanations:

	Base	Benefits	Pension	Total
Fixed (£000)	286	15	20	322
On-target	On-target is assumed to be an annual bonus equal to 55% of base salary and an LTIP award of 25% of maximum			
Maximum	<ul style="list-style-type: none"> <li>• Full pay-out of annual variable pay i.e., 110% of base salary</li> <li>• Maximum vesting of LTIP awards</li> </ul>			

## 10. COMPARISON OF REMUNERATION POLICY

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

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

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

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

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

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

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

## 11. DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

Details of the Directors' service contracts and/or letters of appointment who served for all or part of the year ended 30 November 2017 are shown in the table below:

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

\* Lord Andrew Adonis retired on 30 September 2017 at the expiry of his term.

## 12. POLICY ON TERMINATION

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

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

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

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

## PART C - IMPLEMENTATION REPORT

### 1. DIRECTORS' REMUNERATION - SINGLE FIGURE OF REMUNERATION

The tables below set out a single figure of remuneration for each of the Directors in respect of the year ended 30 November 2017 and, in respect of those Directors, the equivalent figures for the year ended 30 November 2016:

Name	Salary/fees £000		Taxable benefits £000		Annual bonus £000		LTIPs £000		Retirement benefits £000		Termination payments £000		Total £000	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Executive</b>														
David Brooks	318 <sup>3</sup>	312 <sup>3</sup>	11	11	254	154	109	156	21 <sup>3</sup>	22 <sup>3</sup>	-	-	713	655
Neil Martin	286 <sup>3</sup>	275 <sup>3</sup>	15	15	229	136	-	-	20 <sup>3</sup>	20 <sup>3</sup>	-	-	550	446
<b>Non-Executive</b>														
John Poulter	120	120	-	-	-	-	-	-	-	-	-	-	120	120
Lord Andrew Adonis <sup>1</sup>	30	36	-	-	-	-	-	-	-	-	-	-	30	36
Andy Blundell <sup>2</sup>	19	-	-	-	-	-	-	-	-	-	-	-	19	-
Patrick Martell	39	39	-	-	-	-	-	-	-	-	-	-	39	39
Deena Mattar	43	43	-	-	-	-	-	-	-	-	-	-	43	43
<b>Total</b>	<b>855</b>	<b>825</b>	<b>26</b>	<b>26</b>	<b>483</b>	<b>290</b>	<b>109</b>	<b>156</b>	<b>41</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>1,514</b>	<b>1,339</b>

Notes:

1. Retired 30 September 2017.
2. Appointed 25 May 2017.
3. The section below headed "Retirement Benefits" explains how those benefits have been calculated and presented in the above tables.

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

#### Taxable benefits

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

#### Annual bonus

As stated in the Remuneration Policy, on-target performance is paid out at 55% of base salary, with over-performance capped at a maximum of 110% of base salary.

At the start of the year, the Committee decided that on-target bonuses for the Executive Directors should be based upon the Company achieving an adjusted operating profit in the year of £18.25m, subject to the Committee being satisfied as to the long-term underlying performance of the business. In particular, the Committee would not reward achievement against target if that achievement was as a result of an abnormal or unplanned level of movement in work-in-progress or as a result of exceptional items.

In the year, the Company's adjusted operating profit was £22.1m. That level of over-performance would ordinarily have resulted in a bonus payment at the maximum level and capped at 110% of salary. That over-performance was due in part to additional profit generated following the acquisition of The Consortium, as well as the performance of the underlying business. In determining the level of bonus payout, the Committee considered it appropriate to base bonus outcomes primarily on the performance of the underlying business excluding The Consortium. As noted elsewhere, any annual bonuses are subject to the Committee being satisfied that the achievement of annual targets is not at the expense of the underlying long-term performance or position of the Company. The Committee was satisfied that the underlying position of the business has improved during the year. As such, having applied the above, the Committee set the bonus payable for each of the Executive Directors at 80% of base salary.

## LTIPs

On 7 August 2017, the award granted to David Brooks under the RM plc Performance Share Plan 2010 in August 2014 vested in part, reflecting the extent to which the performance criteria were met. The performance criteria was based on the Company's relative TSR performance as compared to the FTSE SmallCap (ex IT) index for the period from May/June 2014 to May/June 2017. The Company's performance placed it at the 54th percentile. Vesting was based on a straight line scale between 25% vesting at the 50th percentile and 100% vesting at the 75th percentile (or above). Based on the Company's relative performance, 36.074% of the award vested. The Committee applied no discretion (up or down). As such, 54,933 shares vested at a value of £1.6766 per share (making the total value of the award £108,867) and 115,067 shares did not vest.

## Past Directors

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

## Retirement benefits

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

David Brooks is also a member of RM Education Ltd's defined benefit pension scheme which closed to future accrual with effect from 31 October 2012. During the year, the increase in Mr Brooks' accrued pension under that scheme was nil. The transfer value of accrued benefits under that scheme as at 30 November 2017 was £759,646 (2016: £770,111). Mr Brooks' normal retirement age is 60.

## Termination payments

There were no termination payments in the year.

## Transaction payments

The Company completed the acquisition of The Consortium on 30 June 2017. It is noted that no separate remuneration schemes or incentives were established in connection with that acquisition.

## 2. DIRECTORS' LONG-TERM INCENTIVE PLANS

During the year ended 30 November 2017, the following long-term incentive awards were made.

Name	Type of share award	Grant date	Face value of award £000	Percentage that would vest at threshold performance	Maximum percentage of the face value where this is more than the face value	The end of the period over which the performance conditions have to be fulfilled	A summary of performance targets and measures
David Brooks	PSP <sup>1</sup>	9 March 2017	324 <sup>2</sup>	25% for EPS element 50% for TSR element	n/a	February 2020	50% on EPS performance <sup>3</sup> 50% on relative TSR performance <sup>4</sup>
Neil Martin	PSP <sup>1</sup>	9 March 2017	296 <sup>2</sup>	25% for EPS element 50% for TSR element	n/a	February 2020	50% on EPS performance <sup>3</sup> 50% on relative TSR performance <sup>4</sup>

Notes:

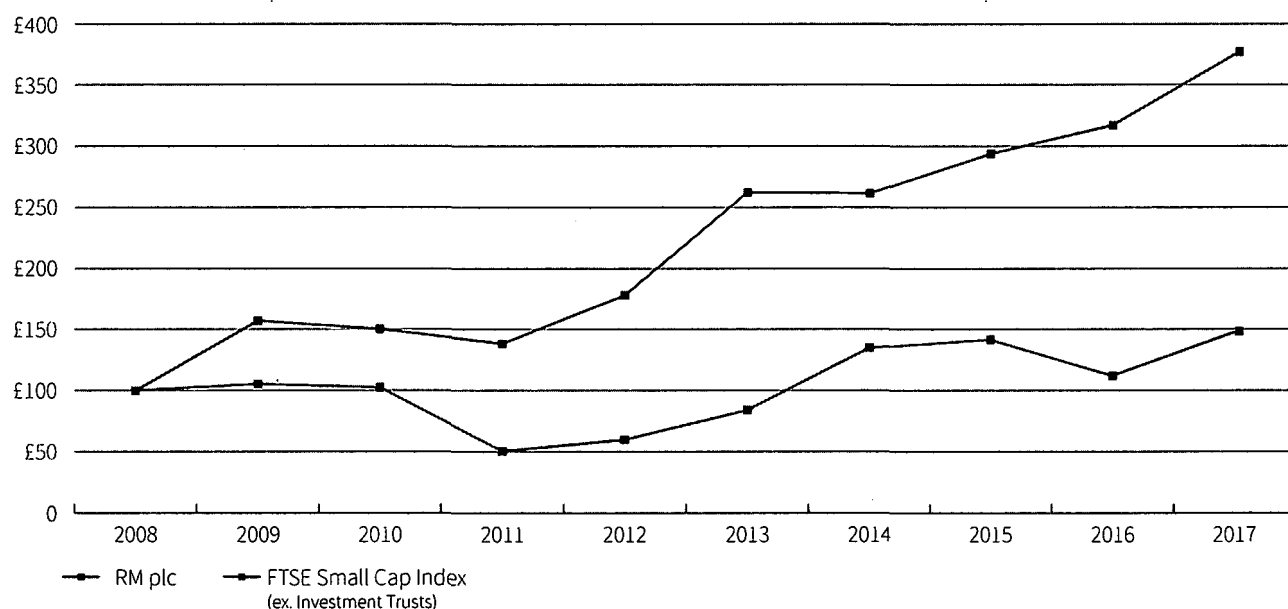
1. Awards granted under the RM plc Performance Share Plan 2010.
2. The face value of the award has been calculated by multiplying the maximum number of shares in the award (175,000 shares for David Brooks and 160,000 shares for Neil Martin) by the share price on the date of grant of the award (185.00 pence).

3. Fifty percent (50%) of the award is based on the Company's growth in adjusted earnings per share (EPS) between the year ended 30 November 2016 and the year ended 30 November 2019. Vesting will occur on a sliding scale between a compound annual growth rate (CAGR) in EPS of 7.5% pa (25%) and a CAGR in EPS of 17.5% pa (100%), namely 21.7 pence and 28.2 pence respectively.
4. Fifty percent (50%) of the award is based on the Company's relative TSR performance for the period from January / February 2017 to January / February 2020. The Company's TSR performance shall be measured against the TSR performance of the companies (Comparator Group) within the FTSE Small Cap (ex IT) Index over the above period and must be at least at the median of a ranking of the TSR of each of the members of the Comparator Group. Vesting will occur on a sliding scale between median (50%) and upper quartile (100%).

### 3. PERFORMANCE GRAPH

The following graph shows the value, by 30 November 2017, of £100 invested in RM plc on 30 November 2008 compared with the value of £100 invested in the FTSE Small Cap (ex. Investment Trusts) Index on the same date. The reason for selecting that index is that this is the one that is most closely aligned to the market capitalisation and relative position of the Company. The other points plotted are the values at intervening financial year ends.

#### Total Shareholder Return



#### 4. HISTORICAL CHIEF EXECUTIVE OFFICER PAY

The table below sets out details of:

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

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

Notes:

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

#### 5. RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out, in respect of the year ended 30 November 2017 and the immediately preceding financial year, the total remuneration paid to all employees as compared to other significant distributions and payments.

	2017 £m	2016 £m
Total remuneration to employees	61.1	64.5
Total remuneration to Directors	1.5	1.3
Dividends paid	5.0	4.3
Corporation tax paid	2.0	3.5
Defined benefit pension cash contribution	4.2	12.0



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

Comparing 2016 to 2017	Salary	Benefits	Bonus <sup>1</sup>
% change in CEO remuneration	0.0	0.1	-6.4
% change in comparator group remuneration	2.1 <sup>2</sup>	9.1 <sup>3</sup>	-31.4 <sup>3</sup>

Notes:

1. Bonus includes annual bonus only and not any other payments made to employees described as a 'bonus' (e.g. Christmas bonuses or commission). Bonuses in this paragraph 6 relate to those actually paid in 2016 & 2017. The bonuses referred to in the 'Single Figure' table at paragraph 1 relate to the years ended 30 November 2016 (paid in February 2017) and 30 November 2017 (to be paid in February 2018).
2. The comparator group for changes in base salary comprises all of the Company's employees (both UK and India) but excludes those employed by The Consortium (as it was acquired on 30 June 2017 and so not within the Group in 2016).
3. The comparator group comprises all of the Company's UK-based employees but excludes those employed by The Consortium.

## 7. STATEMENT OF SHAREHOLDER VOTING

Voting at the Annual General Meeting held on 25 March 2015 in respect of the remuneration policy for the year ended 30 November 2014 (the most recent vote on the remuneration policy) was as follows:

	% of votes in favour	% of votes against	Number of votes withheld
Resolution to approve the remuneration policy	73.28	26.71	129,392

The Committee noted the significant number of votes cast against the remuneration policy in 2015 and reviewed all comments received in detail, alongside the latest guidance, both at the time and more recently. The contents of both the Remuneration Policy and the remainder of this Remuneration Report have been updated as outlined elsewhere in this Report.

Voting at the Annual General Meeting held on 22 March 2017 in respect of the remuneration report for the year ended 30 November 2016 was as follows:

	% of votes in favour	% of votes against	Number of votes withheld
Resolution to approve the remuneration report	95.45	4.54	513,326

## 8. DIRECTORS' SHAREHOLDINGS

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

	Holding as at 30 November 2017	Current holding as % of base salary <sup>1</sup>	Old shareholding policy met <sup>2</sup>	New shareholding policy met <sup>3</sup>	Holding as at 30 November 2016
John Poulter	87,500	-	-	-	87,500
Lord Andrew Adonis	-	-	-	-	-
Andy Blundell	6,500	-	-	-	-
David Brooks	345,648	179%	Yes	No	311,295
Patrick Martell	5,000	-	-	-	5,000
Neil Martin	35,000	20%	No	No	35,000
Deena Mattar	17,933	-	-	-	17,933

Notes:

1. Calculated based on the average share price for the period 1 December 2016 to 30 November 2017 (£1.65) and base salaries as at 1 January 2018.
2. This is the shareholding policy currently in force (see note 3 below), paraphrased as a requirement to hold shares to the value of 100% of base salary.
3. The 'New shareholding policy' is set out in paragraph 3 of Part B of this Report and is subject to the approval of shareholders at the forthcoming Annual General Meeting.
4. There have been no changes in any of the above shareholdings between 30 November 2017 and the date of this Report.

## 9. DIRECTORS' INTERESTS IN SHARE PLANS

As at 30 November 2017, the Executive Directors had the following interests in the Company's share plans<sup>1</sup>:

### PSP Awards<sup>2</sup>

David Brooks	Date of Grant	No. of Shares / Options	Performance Conditions
	5 August 2015	180,000	See notes 3 & 4
	9 March 2017	175,000	See note 5
Neil Martin	Date of Grant	No. of Shares / Options	Performance Conditions
	2 October 2015	160,000	See notes 3 & 4
	9 March 2017	160,000	See note 5

Notes:

1. To avoid duplication, and in accordance with Section 17(b)(iii) of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the figures in the above table do not include the shares or share-based awards referred to in paragraph 1 (Directors' Remuneration – Single Figure of Remuneration) or in the table in paragraph 8 (Directors' Shareholdings) above.
2. Granted under "The RM plc Performance Share Plan 2010". All PSP awards are subject to a minimum vesting period of 3 years.

3. Targets are based on relative TSR compared with a comparator group of the companies in the FTSE Small Cap (ex. Investment Trusts) Index. Threshold vesting is at median performance, maximum vesting at upper quartile performance, with straight line vesting in between these points.
4. The PSP awards granted in 2015 were awards of options, with an exercise price of £0.00 per option. If the options granted in August 2015 vest, they would be exercisable in the period 6 August 2018 to 1 August 2025. If the options granted in October 2015 vest, they would be exercisable in the period 4 October 2018 to 30 September 2025.
5. The performance conditions and other information relevant to these awards are set out in paragraph 2 (Directors' long-term incentive plans) above.
6. At the start of the year ended 2017, David Brooks also had vested Options originally granted under "The RM plc 2004 Inland Revenue Approved Company Share Option Plan and the RM plc Non-Inland Revenue Approved Company Share Option Plan". There were two awards, one of 10,000 Options with an exercise price of £1.742 granted on 6 December 2006 and 20,000 Options with an exercise price of £1.973 granted on 28 November 2007. All of those Options lapsed without being exercised during the year ended 30 November 2017.

## **10. DETAILS OF DIRECTORS' SERVICE CONTRACTS**

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

## **11. REMUNERATION COMMITTEE DETAILS**

Details of the Remuneration Committee and its membership are contained in Part A of this Report (Introduction). No remuneration consultants were used during the year.

## **12. COMPLIANCE WITH REGULATIONS**

This Report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008, as amended by The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report also meets the relevant requirements of the Listing Rules of the UK Listing Authority and illustrates how

the principles of the UK Corporate Governance Code relating to Directors' remuneration are applied by the Company.

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

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

By Order of the Board

**Patrick Martell**  
Chairman, Remuneration Committee  
5 February 2018

# INDEPENDENT AUDITOR'S REPORT

to the members of RM plc

## 1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of RM plc ("the Company") for the year ended 30 November 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Balance sheets, Consolidated and Company Cash Flow Statements and the related notes, including the accounting policies in Note 2.

In our opinion:




- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 November 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

We were appointed as auditor by the directors on 24 March 2011. The period of total uninterrupted engagement is for the 7 financial years ended 30 November 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

## OVERVIEW

<b>Materiality:</b>	£0.95m (2016:£0.85m)
group financial statements as a whole	4.9% (2016: 5.0%) of normalised profit before tax
<b>Coverage</b>	99% (2016:97%) of group profit before tax
<b>Risks of material misstatement</b>	<b>vs 2016</b>
<b>Recurring risks</b>	Long-term contracts 
	Recoverability of parent company's investment in subsidiaries 
<b>Event driven</b>	<b>New:</b> Recognition of Goodwill and Intangible Assets on acquisition of Hedgelane Limited ("The Consortium") 

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

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

	THE RISK	OUR RESPONSE
<b>Long-term contracts</b>	<b>Subjective estimate:</b>	Our procedures included:
Revenue £46.0m (2016: £54.0m);	Long-term contracts including Building Schools for the Future implementation and managed service contracts and e-marking software and services contracts, represent a significant part of the group's business and the accounting is inherently judgemental.	<b>Control design:</b> evaluating controls over the allocation of costs to a specific contract, including their operating effectiveness;
Receivables £0.0m (2016: £0.0m);		<b>Test of details:</b> selecting for detailed testing a number of long-term contracts based on the magnitude of revenue recognised in the year and risk indicators (such as contracts with a significant change in the estimate of lifetime revenue, margin or risk provision, loss making contracts and contracts with a large work in progress balance).
Payables £10.2m (2016: £16.8m)	To determine the margin to be recognised or loss to be provided, it is necessary to estimate future costs, including contingent amounts in respect of contract risks.	For the contracts selected:
Refer to page 38 (Audit Committee Report), page 78 (accounting policy) and page 98 (financial disclosures).	The Group may also sign variations, extensions and/or new contracts with an existing customer and it is necessary to assess whether or not, for accounting purposes, these should be combined with an existing contract.	<ul style="list-style-type: none"> <li>• Reading any variations, extensions and new contracts and consider, amongst other matters, whether the new agreement provides value to the customer on a stand-alone basis (and therefore should be treated as a separate contract) or whether, together with an existing contract, it is effectively a single project with an overall profit margin (and therefore should be accounted for as a revision to the existing contract);</li> <li>• Assessing the completeness and accuracy of costs to complete, including those for specified contract risks, by reading the contract and, if available, customer correspondence and obtaining evidence to support selected inputs.</li> </ul>
		<b>Historical accuracy:</b> comparing actual outcome to previous forecast for a number of contracts to support the accuracy of management's estimation; and
		<b>Assessing transparency:</b> assessing the adequacy of the Group's disclosure about estimation uncertainty regarding long-term contract outcome.
		<b>Our results</b>
		The results of our testing were satisfactory and we considered the amount of revenue, receivables and payables recognised in respect of long-term contracts balances to be acceptable.

	THE RISK	OUR RESPONSE
<p><b>Recognition of goodwill and intangible assets on acquisition of Hedgelane Limited ("The Consortium").</b></p> <p>Goodwill £31.1m</p> <p>Brands £18.1m</p> <p>Website Platform £2.5m</p> <p>Refer to page 38 (Audit Committee Report), page 79 (accounting policy) and page 100 (financial disclosures).</p>	<p><b>Subjective Valuation:</b></p> <p>RM acquired 100% of The Consortium on 30 June 2017. The Group is required to determine the fair value of the intangible assets acquired and the acquired assets and liabilities.</p> <p>In determining the fair value, medium term cash flow forecasts have been prepared. There is inherent uncertainty involved in forecasting future cash flows and judgement involved in the selection of the appropriate discount rate.</p>	<p>Our procedures included:</p> <p><b>Test of details:</b> inspecting the terms of the acquisition contracts to determine whether the accounting treatment is in line with relevant standards;</p> <p><b>Our sector experience:</b> using our own valuation specialists to assist us in assessing the appropriateness of identified intangibles against the criteria of the relevant accounting standards and discount rates used in the intangibles calculation by comparing the inputs used in determining the rate to externally derived data;</p> <p><b>Test of details:</b> performing procedures over the valuation of assets and liabilities acquired including:</p> <ul style="list-style-type: none"> <li>• Evaluating the competence and independence of external expert's used in determining the valuation of the property and the dilapidation provision;</li> <li>• Verifying the existence and accuracy of receivables and payables through sampling;</li> <li>• Attending inventory counts and reconciling count results back to the accounting system value;</li> <li>• Challenging, with the support of our own actuarial specialists, the key assumptions applied in determining the value of the pension assets and liabilities such as the discount rate, inflation rate and mortality/life expectancy against externally derived data; and</li> <li>• Recalculating the deferred tax liability in respect of the intangible assets and the pension obligation;</li> </ul> <p><b>Assessing transparency:</b> assessing the adequacy of the Group's disclosures in respect of the acquisition and the related judgements.</p> <p><b>Our results</b></p> <p>We found the recognition of goodwill and intangible assets on acquisition of The Consortium to be acceptable.</p>

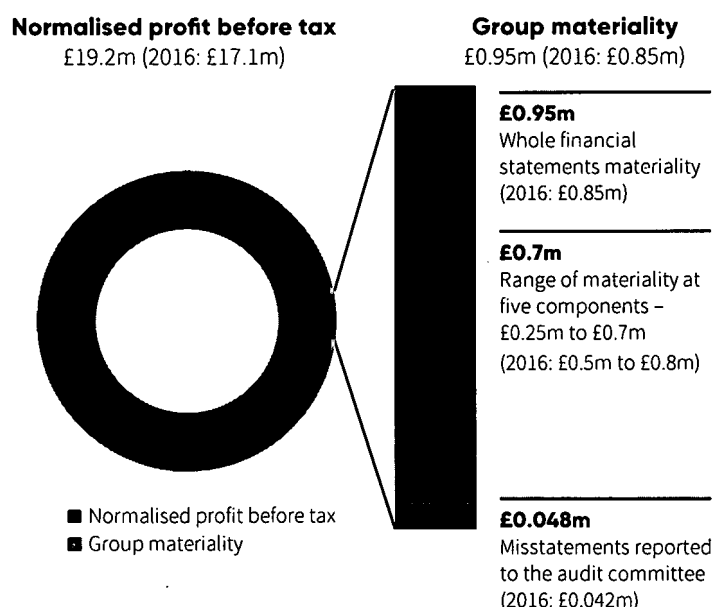
	THE RISK	OUR RESPONSE
<p><b>Recoverability of parent company's investment in subsidiaries</b></p> <p>Investments £125.0m (2016: £65.3m)</p> <p>Refer to page 38 (Audit Committee Report), page 77 (accounting policy) and page 96 (financial disclosures).</p>	<p><b>Forecast-based valuation:</b></p> <p>The carrying amount of the parent company's investments in subsidiaries are significant and at risk of irrecoverability due to economic uncertainty, including but not limited to government funding for the sector, and how this may impact the Group's markets. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting trading conditions and cash flows used in the budgets.</p>	<p>Our procedures included:</p> <p><b>Benchmarking assumptions:</b> Challenging the assumptions used in the cash flows included in the budgets based on our knowledge of the Group and the markets in which the subsidiaries operate;</p> <p><b>Historical comparisons:</b> Assessing the reasonableness of the budgets by considering the historical accuracy of the previous forecasts;</p> <p><b>Comparing valuations:</b> Comparing the sum of the discounted cash flows to the group's market capitalisation to assess the reasonableness of those cash flows; and</p> <p><b>Assessing transparency:</b> assessing the adequacy of the parent company's disclosures in respect of the investment in subsidiaries.</p> <p><b>Our results</b></p> <p>We found the resulting estimate of the recoverable amount of the parent company's investment in subsidiaries to be acceptable.</p>

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

The materiality for the Group financial statements as a whole was set at £0.95m (2016: £0.85m) determined with reference to a benchmark of Group profit before taxation, normalised to exclude restructuring, acquisition related costs and increases of provision in onerous leases as disclosed in Note 5 to the financial statements of £19.2m (2016: £17.1m), of which it represents 4.9% (2016: 5.0%).

Materiality for the parent company financial statements as a whole was set at £0.7m (2016: £0.8m), determined with reference to a benchmark of company total assets, of which it represents 0.5% (2016: 1.2%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £48,000 (2016: £42,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

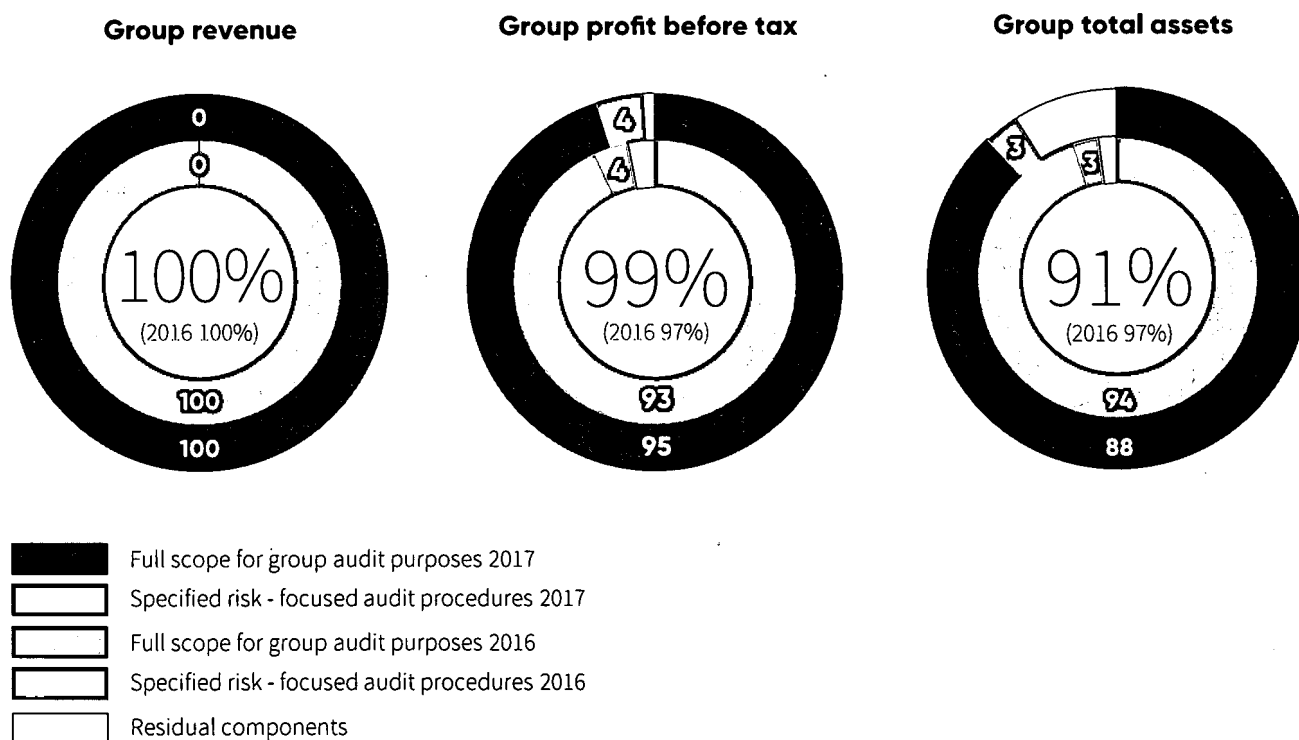


Of the group's eleven (2016: ten) reporting components, we subjected four (2016: four) to audits for group reporting purposes and one (2016: two) to specified risk-focused audit procedures. The latter was not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed. These group procedures covered 100% (2016: 100%) of total group revenue for components subject to audit and 0% (2016: 0%) for those subject to specified risk-focused procedures; 95% (2016: 93%) of the total profits and losses that made up group profit before tax for components subject to audit and 4% (2016: 4%) for those subject to specified risk-focused procedures; and 88% (2016: 94%) of total group assets for components subject to audit and 3% (2016: 3%) for those subject to specified risk-focused procedures.

The remaining 0% (2016: 0%) total group revenue, 1% (2016: 3%) of the total profits and losses that made up group profit before tax and 9% (2016: 3%) of total group assets is represented by seven (2016: five) reporting components, none of which individually represented more than 5% (2016: 2%) of any of total group revenue, group profit before tax or total group assets. For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.25m to £0.7m (2016: £0.5m to £0.8m), having regard to the mix of size and risk profile of the Group across the components. The work on two of the five components was performed by component auditors and the rest by the Group audit team. The Group audit team performed procedures on the items excluded from normalised group profit before tax.

Close meetings and conference calls were held with all component auditors in the UK and India. At these meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.





#### **4. WE HAVE NOTHING TO REPORT ON GOING CONCERN**

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note two to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 20 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

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

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

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

##### **Strategic report and directors' report**

Based solely on our work on the other information:

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

##### **Directors' remuneration report**

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

#### **Disclosures of principal risks and longer-term viability**

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

- the directors' confirmation within the Financial Viability Statement on page 20 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Financial Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

#### **Corporate governance disclosures**

We are required to report to you if:

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

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

We have nothing to report in these respects

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

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

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

We have nothing to report in these respects.

## **7. RESPECTIVE RESPONSIBILITIES**

### **Directors' responsibilities**

As explained more fully in their statement set out on page 28, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### *Irregularities – ability to detect*

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. In planning and performing our audit, we considered the impact of laws and regulations in the specific areas of anti-bribery and corruption, recognising the Governmental nature of many of the Group's customers and data protection laws, recognising that the Group hold customer data on their servers. We identified these areas through discussion with the directors and other management (as required by auditing standards). In addition we had regard to laws and regulations in other areas including financial reporting, and company and taxation legislation.

We considered the extent of compliance with those laws and regulations that directly affect the financial statements, being anti-bribery and corruption and data protection laws, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we made enquiries of directors and other management (as required by auditing standards).

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

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

5 February 2018

## CONSOLIDATED INCOME STATEMENT

Year ended 30 November 2017				Year ended 30 November 2016			
	Note	Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
<b>Revenue</b>	3	<b>185,863</b>	-	<b>185,863</b>	167,615	-	167,615
Cost of sales		(112,857)	-	(112,857)	(100,365)	-	(100,365)
<b>Gross profit</b>		<b>73,006</b>	-	<b>73,006</b>	67,250	-	67,250
Operating expenses	5	(50,908)	(5,904)	(56,812)	(48,421)	(2,907)	(51,328)
<b>Profit from operations</b>		<b>22,098</b>	<b>(5,904)</b>	<b>16,194</b>	18,829	(2,907)	15,922
Investment income	7	365	-	365	279	-	279
Finance costs	8	(1,920)	(45)	(1,965)	(1,012)	(74)	(1,086)
<b>Profit before tax</b>		<b>20,543</b>	<b>(5,949)</b>	<b>14,594</b>	18,096	(2,981)	15,115
Tax	9	(2,594)	851	(1,743)	(3,941)	472	(3,469)
<b>Profit for the year</b>		<b>17,949</b>	<b>(5,098)</b>	<b>12,851</b>	14,155	(2,509)	11,646
<b>Earnings per ordinary share</b>	10						
- basic		22.0p		15.8p	17.4p		14.4p
- diluted		21.9p		15.7p	17.4p		14.4p
<b>Paid and proposed dividends per share</b>	11						
- interim				1.65p			1.50p
- final				4.95p			4.50p

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

All amounts were derived from continuing operations.

The notes on pages 77 to 118 form an integral part of these financial statements.

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	Year ended 30 November 2017 £000	Year ended 30 November 2016 £000
<b>Profit for the year</b>		<b>12,851</b>	<b>11,646</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Defined Benefit Pension Scheme remeasurements	24	17,960	(23,555)
Tax on items that will not be reclassified subsequently to profit or loss	9	(3,123)	3,970
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Fair value (loss)/gain on hedged instruments		(1,306)	515
Exchange (loss)/gain on translation of overseas operations		(36)	261
Tax on items that are or may be reclassified subsequently to profit or loss	9	(80)	32
<b>Other comprehensive income/(expense)</b>		<b>13,415</b>	<b>(18,777)</b>
<b>Total comprehensive income/(expense) for the year attributable to equity holders</b>		<b>26,266</b>	<b>(7,131)</b>

The notes on pages 77 to 118 form an integral part of these financial statements.

## CONSOLIDATED BALANCE SHEET

		At 30 November 2017	At 30 November 2016
	Note	£000	£000
<b>Non-current assets</b>			
Goodwill	12	45,164	14,067
Other intangible assets	13	20,377	704
Property, plant and equipment	14	10,369	6,219
Defined Benefit Pension Scheme surplus	24	495	-
Other receivables	18	1,144	1,153
Deferred tax assets	9	6,484	8,793
		<b>84,033</b>	<b>30,936</b>
<b>Current assets</b>			
Inventories	16	19,413	10,689
Trade and other receivables	18	29,147	24,403
Cash and short-term deposits		1,797	39,987
		<b>50,357</b>	<b>75,079</b>
<b>Total assets</b>		<b>134,390</b>	<b>106,015</b>
<b>Current liabilities</b>			
Trade and other payables	21	(57,636)	(54,521)
Tax liabilities		(632)	(1,259)
Provisions	22	(3,436)	(3,536)
Overdraft		(2,028)	-
		<b>(63,732)</b>	<b>(59,316)</b>
<b>Net current (liabilities)/assets</b>		<b>(13,375)</b>	<b>15,763</b>
<b>Non-current liabilities</b>			
Other payables	21	(852)	(971)
Provisions	22	(3,019)	(3,157)
Deferred tax liability	9	(2,993)	-
Defined Benefit Pension Scheme obligation	24	(20,731)	(34,775)
Loan	20	(13,188)	-
		<b>(40,783)</b>	<b>(38,903)</b>
<b>Total liabilities</b>		<b>(104,515)</b>	<b>(98,219)</b>
<b>Net assets</b>		<b>29,875</b>	<b>7,796</b>
<b>Equity attributable to shareholders</b>			
Share capital	23	1,890	1,890
Share premium account		27,035	27,035
Own shares	25	(1,406)	(1,987)
Capital redemption reserve		94	94
Hedging reserve		(427)	879
Translation reserve		(159)	(123)
Retained earnings - (deficit)		2,848	(19,992)
<b>Total equity</b>		<b>29,875</b>	<b>7,796</b>

The notes on pages 77 to 118 form an integral part of these financial statements.

These Financial Statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 5 February 2018.

On behalf of the Board of Directors,

**David Brooks**  
Director

**Neil Martin**  
Director

## ➤ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Own shares	Capital redemption reserve	Hedging reserve	Translation reserve	Retained earnings	Total
Note	£000	£000	£000	£000	£000	£000	£000	£000
At 1 December 2015	1,890	27,035	(2,510)	94	364	(384)	(7,342)	19,147
Profit for the year	-	-	-	-	-	-	11,646	11,646
Other comprehensive income/(expense)	-	-	-	-	515	261	(19,553)	(18,777)
Total comprehensive income/(expense)	-	-	-	-	515	261	(7,907)	(7,131)
Transactions with owners of the Company								
Share-based payment awards exercised	-	-	840	-	-	-	(1,450)	(610)
Purchase of own shares	-	-	(317)	-	-	-	-	(317)
Share-based payment fair value charges	26	-	-	-	-	-	1,006	1,006
Ordinary dividends paid	11	-	-	-	-	-	(4,299)	(4,299)
At 30 November 2016	1,890	27,035	(1,987)	94	879	(123)	(19,992)	7,796
Profit for the year	-	-	-	-	-	-	12,851	12,851
Other comprehensive (expense)/income	-	-	-	-	(1,306)	(36)	14,757	13,415
Total comprehensive (expense)/ income	-	-	-	-	(1,306)	(36)	27,608	26,266
Transactions with owners of the Company								
Share-based payment awards exercised	-	-	581	-	-	-	(581)	-
Share-based payment fair value charges	26	-	-	-	-	-	821	821
Ordinary dividends paid	11	-	-	-	-	-	(5,008)	(5,008)
At 30 November 2017	1,890	27,035	(1,406)	94	(427)	(159)	2,848	29,875

The notes on pages 77 to 118 form an integral part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

		Year ended 30 November 2017	Year ended 30 November 2016
	Note	£000	£000
<b>Profit before tax</b>		<b>14,594</b>	<b>15,115</b>
Investment income	7	(365)	(279)
Finance costs	8	1,965	1,086
<b>Profit from operations</b>		<b>16,194</b>	<b>15,922</b>
Adjustments for:			
Acquisition related costs	5	2,643	525
Impairment of other intangible assets	13	33	77
Amortisation of other intangible assets	13	1,107	247
Depreciation and impairment of property, plant and equipment	14	2,289	2,223
Gain on sale of operations		-	(135)
Loss on disposal of other intangible assets		21	-
Loss/(gain) on disposal of property, plant and equipment		135	(5)
(Gain)/loss on foreign exchange derivatives		(1,306)	684
Share-based payment charge		821	1,006
Increase in provisions		1,997	2,557
Defined Benefit Pension Scheme administration cost	24	552	845
<b>Operating cash flows before movements in working capital</b>		<b>24,486</b>	<b>23,946</b>
(Increase)/decrease in inventories		(27)	173
Decrease in receivables		5,443	1,056
Decrease in trade and other payables		(7,129)	(10,863)
Utilisation of onerous lease and dilapidations provisions	22	(308)	(345)
Utilisation of employee-related restructuring provisions	22	(1,697)	(184)
Utilisation of other provisions	22	(236)	(396)
<b>Cash generated from operations</b>		<b>20,532</b>	<b>13,387</b>
Defined Benefit Pension Scheme cash contributions	24	(4,187)	(11,984)
Tax paid		(2,019)	(3,567)
Income on sale of finance lease debt	7	9	6
<b>Net cash inflow/(outflow) from operating activities</b>		<b>14,335</b>	<b>(2,158)</b>
<b>Investing activities</b>			
Interest received	7	307	255
Repayment of loans by third parties		16	16
Acquisition net of cash acquired	19	(58,407)	-
Acquisition related costs		(2,834)	-
Proceeds from sale of operations		-	759
Proceeds on disposal of property, plant and equipment		12	43
Purchases of property, plant and equipment	14	(1,150)	(1,333)
Purchases of other intangible assets	13	(176)	(456)
Amounts transferred from short-term deposits		3,014	2,986
<b>Net cash (used in)/generated by investing activities</b>		<b>(59,218)</b>	<b>2,270</b>
<b>Financing activities</b>			
Dividends paid	11	(5,008)	(4,299)
Drawdown of borrowings	20	14,000	-
Borrowing facilities arrangement and commitment fees		(1,098)	(422)
Interest paid		(224)	-
Purchase of own shares		-	(317)
Satisfaction of share-based payment awards		-	(610)
<b>Net cash generated by/(used in) financing activities</b>		<b>7,670</b>	<b>(5,648)</b>
Net decrease in cash and cash equivalents		(37,213)	(5,536)
Cash and cash equivalents at the beginning of the year		36,973	42,320
Effect of foreign exchange rate changes		9	189
<b>Cash and cash equivalents at the end of the year*</b>		<b>(231)</b>	<b>36,973</b>

\* Cash and cash equivalents include bank overdrafts as these form an integral part of the Group's cash management.  
The notes on pages 77 to 118 form an integral part of these financial statements.

## COMPANY BALANCE SHEET

		At 30 November 2017	At 30 November 2016
	Note	£000	£000
<b>Non-current assets</b>			
Investments	15	125,040	65,263
Other receivables	18	894	901
		<b>125,934</b>	<b>66,164</b>
<b>Current assets</b>			
Trade and other receivables	18	14,620	12,490
Tax assets		320	288
		<b>14,940</b>	<b>12,778</b>
<b>Total assets</b>		<b>140,874</b>	<b>78,942</b>
<b>Current liabilities</b>			
Accruals	21	(258)	(525)
Amounts owed to Group undertakings	21	(64,533)	(22,315)
		<b>(64,791)</b>	<b>(22,840)</b>
<b>Net current liabilities</b>		<b>(49,851)</b>	<b>(10,062)</b>
<b>Non-current liabilities</b>			
Loans	20	(13,188)	-
Provisions	22	(5,301)	(5,028)
		<b>(18,489)</b>	<b>(5,028)</b>
<b>Total liabilities</b>		<b>(83,280)</b>	<b>(27,868)</b>
<b>Net assets</b>		<b>57,594</b>	<b>51,074</b>
<b>Equity attributable to equity holders</b>			
Share capital	23	1,890	1,890
Share premium account		27,035	27,035
Own shares	25	(1,406)	(1,987)
Capital redemption reserve		94	94
Retained earnings		29,981	24,042
<b>Total equity</b>		<b>57,594</b>	<b>51,074</b>

The notes on pages 77 to 118 form an integral part of these financial statements.

These Financial Statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 5 February 2018.

On behalf of the Board of Directors,

**David Brooks**  
Director

**Neil Martin**  
Director



## ❖ COMPANY STATEMENT OF CHANGES IN EQUITY

		Share capital	Share premium	Own shares	Capital redemption reserve	Retained earnings	Total
	Note	£000	£000	£000	£000	£000	£000
At 1 December 2015		1,890	27,035	(2,510)	94	22,205	48,714
Profit for the year		-	-	-	-	6,580	6,580
Total comprehensive income		-	-	-	-	6,580	6,580
Transactions with owners of the Company							
Share-based payment awards exercised		-	-	840	-	(1,450)	(610)
Purchase of own shares		-	-	(317)	-	-	(317)
Share-based payment fair value charges	26	-	-	-	-	1,006	1,006
Ordinary dividends paid	11	-	-	-	-	(4,299)	(4,299)
At 30 November 2016		1,890	27,035	(1,987)	94	24,042	51,074
<b>Profit for the year</b>		-	-	-	-	<b>10,707</b>	<b>10,707</b>
<b>Total comprehensive income</b>		-	-	-	-	<b>10,707</b>	<b>10,707</b>
Transactions with owners of the Company							
Share-based payment awards exercised		-	-	581	-	(581)	-
Share-based payment fair value charges	26	-	-	-	-	821	821
Ordinary dividends paid	11	-	-	-	-	(5,008)	(5,008)
<b>At 30 November 2017</b>		<b>1,890</b>	<b>27,035</b>	<b>(1,406)</b>	<b>94</b>	<b>29,981</b>	<b>57,594</b>

The notes on pages 77 to 118 form an integral part of these financial statements.

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

## COMPANY CASH FLOW STATEMENT

	Note	Year ended 30 November 2017 £000	Year ended 30 November 2016 £000
<b>Profit before tax</b>		<b>10,528</b>	<b>6,111</b>
Investment income		(14,108)	(7,245)
Finance costs		871	447
<b>Loss from operations</b>		<b>(2,709)</b>	<b>(687)</b>
Adjustments for:			
Acquisition related costs	15	1,753	525
Increase/(decrease) in provisions	22	273	(363)
<b>Operating cash flows before movements in working capital</b>		<b>(683)</b>	<b>(525)</b>
Decrease in receivables		(1,672)	(6,567)
Increase in payables		41,773	5,302
<b>Cash generated from/(utilised by) operations</b>		<b>39,418</b>	<b>(1,790)</b>
Dividends received		13,800	7,000
<b>Net cash generated from operating activities</b>		<b>53,218</b>	<b>5,210</b>
<b>Investing activities</b>			
Increase in investments	19	(58,956)	-
Acquisition related costs		(2,278)	-
Interest received		7	16
<b>Net cash (used in)/generated from investing activities</b>		<b>(61,227)</b>	<b>16</b>
<b>Financing activities</b>			
Dividends paid		(5,008)	(4,299)
Purchase of own shares		-	(317)
Satisfaction of share-based payments		-	(610)
Drawdown of borrowings		14,000	-
Borrowing facilities arrangement and commitment fees		(983)	-
<b>Net cash generated from/(used in) financing activities</b>		<b>8,009</b>	<b>(5,226)</b>
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>		<b>-</b>	<b>-</b>

The notes on pages 77 to 118 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

### Consolidated income statement presentation

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are drawn up in accordance with those International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted for use in the EU and therefore comply with Article 4 of the EU IAS Regulation applied in accordance with the provisions of the Companies Act 2006.

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

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

### Basis of preparation

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

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

### Consolidation

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

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

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

### Investment in subsidiaries

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

### Business combinations

#### *Acquisitions on or after 1 January 2010*

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

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

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

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

### *Acquisitions before 1 January 2010*

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

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

### **Revenue**

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

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

### **Long-term contracts**

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

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

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

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

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

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

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

## Intangible assets

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

### Goodwill

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

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

### Research and development costs

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

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

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

### Other intangible assets

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

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

### Amortisation

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

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

## Property, plant and equipment

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

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

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

### **Impairment of tangible and intangible assets excluding goodwill**

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

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

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

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

### **Financial instruments**

#### *Trade and other receivables*

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

#### *Cash and short-term deposits*

Cash comprises cash at bank and in hand and deposits with a maturity of three months or less. Bank overdrafts are included in cash only to the extent that the Group has the right of set-off. Short-term deposits represent cash deposited for a maximum period of six months and where the deposited amounts cannot be recalled on demand.

#### *Borrowings*

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

#### *Trade and other payables*

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

#### *Derivative financial instruments*

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

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

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

#### *Cash flow hedges*

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

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

#### *Other non-trading derivatives*

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

#### **Inventories**

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

#### **Provisions**

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

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

#### *Restructuring*

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

#### *Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured

at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

#### *Dilapidations provision*

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

#### **Leases**

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

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

#### **Share-based payments**

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

## Employee benefits

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

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

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

## Employee Share Trust

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

## Own Shares Held

The "Own Shares Reserve" figure is calculated based on the number of shares held by the Employee Share Trust ("EST") as at 30 November 2017 (being 913,055 shares) multiplied by the weighted average cost of those shares.

## Translation reserve

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

## Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging

instruments related to hedged transactions that have not yet occurred.

## Taxation

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

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

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

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

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

## Foreign currencies

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



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

### **Dividends**

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

### **Key sources of estimation uncertainty**

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

- Long-term contract outcome – see Note 17
- Retirement benefit scheme valuation – see Note 24
- Goodwill, intangible asset and investment valuation and impairment – see Note 12 and Note 15

### **Key sources of critical accounting judgements**

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

- Long-term contract outcome – see Note 17
- Goodwill, intangible asset and investment valuation and impairment – see Note 12 and Note 15

### **Adoption of new and revised International Financial Reporting Standards**

The IFRIC interpretations, amendments to existing standards and new standards that are mandatory and relevant for the Company's accounting periods beginning on or after 1 December 2016 have been adopted. The following new standards and interpretations have been adopted in the current period but have not impacted the reported results or the financial position:

- Disclosure Initiative – Amendments to IAS 7
- IFRS 14 Regulatory Deferral Accounts

- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

### **New standards and interpretations not yet adopted**

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective/endorsed (and in some cases had not yet been adopted by the EU):

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
- IFRS 16 Leases

The Directors are finalising their analysis and do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company and Group in future periods, except potentially IFRS 9 (measurement and disclosure of financial instruments), IFRS 15 (revenue and deferred income) and IFRS 16 (leases). An exercise to determine the impact of IFRS 9 and IFRS 16 is planned during the coming financial year and the Company will update the shareholders on the impact during 2018.

IFRS 15 is effective for accounting periods commencing on or after 1 January 2018, with the year ending 30 November 2019 being the first year the standard will be effective for the Group.

In the year the Group has commenced a detailed assessment to determine the impact of adopting IFRS 15 which has included the engagement of third party advisors. The Directors anticipate the most significant impact will be on long-term contracts within the RM Results and RM Education operating divisions, where there are multiple components to be delivered over the course of the contract, under one agreement. IFRS 15 requires additional consideration to be given to whether the components or promises within a contract are distinct and therefore separate from a revenue standpoint or whether they should be bundled together to form one larger 'performance obligation'. The Directors expect this to have a significant impact on the timing of when revenues and costs are recognised, although there will be no impact on cash flows with the collection remaining in line with contractual terms.

There remains a significant amount of work to be performed in order to quantify the full potential impact of IFRS 15 on revenue, costs and profit and the Company will update the shareholders on the impact on transition, and on the ongoing accounting policy, during 2018.

### 3. REVENUE

	Year ended 30 November 2017 £000	Year ended 30 November 2016 £000
Revenue from supply of products	98,538	78,966
Revenue from rendering of services	69,365	73,093
Revenue from the sale of licences and receipt of royalties	17,960	15,556
<b>Total revenue</b>	<b>185,863</b>	<b>167,615</b>

### 4. OPERATING SEGMENTS

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

The Group is structured into three operating divisions: RM Resources, RM Results and RM Education. The exited business in the prior year relates to Space Kraft Limited.

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

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

#### Segmental results

Year ended 30 November 2017	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Exited Businesses £000	Total £000
<b>Revenue</b>						
UK	67,826	26,566	68,828	-	-	163,220
Europe	7,413	3,258	678	-	-	11,349
North America	1,618	-	231	-	-	1,849
Asia	1,226	204	691	-	-	2,121
Middle East	3,922	-	8	-	-	3,930
Rest of the world	1,627	1,590	177	-	-	3,394
	<b>83,632</b>	<b>31,618</b>	<b>70,613</b>	<b>-</b>	<b>-</b>	<b>185,863</b>
<b>Adjusted profit from operations</b>	<b>11,604</b>	<b>7,761</b>	<b>6,552</b>	<b>(3,819)</b>	<b>-</b>	<b>22,098</b>
Investment income						365
Adjusted finance costs						(1,920)
<b>Adjusted profit before tax</b>						<b>20,543</b>
Adjustments (see Note 5)						(5,949)
<b>Profit before tax</b>						<b>14,594</b>

Year ended 30 November 2016	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Exited Businesses £000	Total £000
Revenue						
UK	46,779	26,925	75,450	-	151	149,305
Europe	5,249	3,231	1,138	-	-	9,618
North America	1,723	-	232	-	-	1,955
Asia	981	117	50	-	-	1,148
Middle East	2,815	-	9	-	-	2,824
Rest of the world	1,288	1,307	170	-	-	2,765
	58,835	31,580	77,049	-	151	167,615
Adjusted profit from operations	10,156	6,798	5,820	(3,926)	(19)	18,829
Investment income						279
Adjusted finance costs						(1,012)
Adjusted profit before tax						18,096
Adjustments (see Note 5)						(2,981)
Profit before tax						15,115

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

### Segmental assets

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

At 30 November 2016	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Exited Businesses £000	Total £000
Segmental	31,968	7,085	17,803	217	-	57,073
Other						48,942
<b>Total assets</b>						<b>106,015</b>

Included within the disclosed segmental assets are non-current assets (excluding deferred tax assets) of £73,364,000 (2016: £20,029,000) located in the United Kingdom and £692,000 (2016: £962,000) located in India. Other non-segmented assets include other receivables, tax assets and cash and short-term deposits.

## 5. PROFIT FROM OPERATIONS

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

	Note	Year ended 30 November 2017 £000	Year ended 30 November 2016 £000
Amortisation of intangible assets	13	1,108	247
Depreciation of property, plant and equipment:			
- charged in cost of sales		447	931
- charged in operating expenses		1,474	1,188
	14	1,921	2,119
Impairment of other intangible assets	13	33	77
Impairment of property, plant and equipment	14	368	104
		2,322	2,300
Selling and distribution costs		24,804	26,369
Research and development costs		6,837	8,291
Administrative expenses - adjusted		19,267	13,761
Operating expenses - adjusted		50,908	48,421
Adjustments to administrative expenses (see consolidated income statement)		5,904	2,907
<b>Total operating expenses</b>		<b>56,812</b>	<b>51,328</b>
Loss/(profit) on disposal of property, plant and equipment		135	(5)
Loss on disposal of other intangible assets		21	-
Cost of inventories recognised as an expense		78,513	63,075
Staff costs	6	62,147	65,481
Operating lease expense		3,970	4,139
Operating lease income		(569)	(474)
Foreign exchange gain		(1,205)	(376)
Inventory write-offs		261	323
Increase/(decrease) in inventory obsolescence provision		90	(53)
<b>Fees payable to the Company's auditor</b>			
Fees payable to the Company's auditor for the audit of these Financial Statements:			
- the audit of the Company's Financial Statements		16	16
- the audit of the Company's subsidiaries pursuant to legislation		254	171
Other fees payable to the Company's auditor:			
- other services pursuant to legislation		15	15
- corporate finance services		100	54
		385	256

In the year ended 30 November 2017 notable adjustments to profit include:

**Adjustments to administrative expenses**

	Year ended 30 November 2017	Year ended 30 November 2016
	£000	£000
Amortisation of acquisition related intangible assets	503	8
Gain on sale of operations	-	(135)
Share-based payment charges	821	1,006
Net increase/(release) of provisions for onerous lease contracts	353	(90)
Acquisition related costs	2,643	525
Restructuring costs	1,584	1,593
	<b>5,904</b>	<b>2,907</b>

**Recurring items:**

These are items which occur regularly but which management judge to have a distorting effect on the underlying results of the Group or are not regularly monitored for the purpose of determining business performance. These items include the amortisation of acquisition related intangible assets and share-based payment charges.

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

**Highlighted items:**

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

During the year an onerous provision was created for the top floor of the head office property and an onerous provision release was made for the continued sub-letting of one of the Group's properties. For further details see Note 22.

During the year, the Group incurred professional advisor costs relating to the acquisition and integration of The Consortium, see Note 19 for further details. Restructuring costs were incurred during the year which also relate to the integration of The Consortium.

In the prior year, the restructuring of the Infrastructure part of the RM Education Division was undertaken to move away from some of the lowest margin transactional elements such as network infrastructures, network installation and third party hardware sales. This led to a reduction of broadly 10% of the RM Education UK staff and a one-off exceptional charge of £1.6m.

## 6. STAFF NUMBERS AND COSTS

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

	Year ended 30 November 2017	Year ended 30 November 2016
	Number	Number
Research and development, products and services	1,267	1,357
Marketing and sales	252	217
Corporate services	215	215
	<b>1,734</b>	<b>1,789</b>

The above figures have been calculated on a Full Time Equivalent basis.

Aggregate emoluments of persons employed by the Group comprised:

	Year ended 30 November 2017	Year ended 30 November 2016
	£000	£000
Wages and salaries	50,775	52,495
Termination payments	1,506	2,188
Social security costs	4,378	4,852
Other pension costs	4,667	4,940
Share-based payments (Note 26)	821	1,006
	<b>62,147</b>	<b>65,481</b>

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

## 7. INVESTMENT INCOME

	Year ended 30 November 2017	Year ended 30 November 2016
	£000	£000
Bank interest	47	123
Income on sale of finance lease debt	168	46
Other finance income	150	110
	<b>365</b>	<b>279</b>

## 8. FINANCE COSTS

		Year ended 30 November 2017	Year ended 30 November 2016
	Note	£000	£000
Borrowing facilities arrangement fees and commitment fees		524	421
Net finance costs on Defined Benefit Pension Scheme	24	1,049	498
Unwind of discount on long-term contract provision		49	37
Unwind of discount on onerous lease and dilapidations provisions	22	91	84
Interest on bank loans and overdrafts		229	-
Other finance costs		23	46
		<b>1,965</b>	<b>1,086</b>

## 9. TAX

### a) Analysis of tax charge in the consolidated income statement

	Year ended 30 November 2017 £000	Year ended 30 November 2016 £000
<b>Current taxation</b>		
UK corporation tax	2,976	2,924
Adjustment in respect of prior years	(1,555)	302
Overseas tax	387	296
<b>Total current tax charge</b>	<b>1,808</b>	<b>3,522</b>
<b>Deferred taxation</b>		
Temporary differences	(6)	173
Adjustment in respect of prior years	104	(237)
Overseas tax	(163)	11
<b>Total deferred tax credit</b>	<b>(65)</b>	<b>(53)</b>
<b>Total consolidated income statement tax charge</b>	<b>1,743</b>	<b>3,469</b>

### b) Analysis of tax charge/(credit) in the consolidated statement of comprehensive income

	Year ended 30 November 2017 £000	Year ended 30 November 2016 £000
<b>UK corporation tax</b>		
Defined Benefit Pension Scheme	(428)	(1,241)
Shared based payments	-	(142)
<b>Deferred tax</b>		
Defined Benefit Pension Scheme movements	3,481	(2,325)
Defined Benefit Pension Scheme escrow	-	(749)
Share-based payments	80	110
Deferred tax relating to the change in rate	70	345
<b>Total consolidated statement of comprehensive income tax charge/(credit)</b>	<b>3,203</b>	<b>(4,002)</b>

### c) Reconciliation of consolidated income statement tax charge

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

	Year ended 30 November 2017			Year ended 30 November 2016		
	Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
<b>Profit on ordinary activities before tax</b>	<b>20,543</b>	<b>(5,949)</b>	<b>14,594</b>	18,096	(2,981)	15,115
Tax at 19.33% (2016: 20%) thereon:	<b>3,971</b>	<b>(1,150)</b>	<b>2,821</b>	3,619	(596)	3,023
Effects of:						
- change in tax rate on carried forward deferred tax assets	-	-	-	65	-	65
- other expenses not deductible for tax purposes	<b>211</b>	<b>321</b>	<b>532</b>	110	-	110
- other temporary timing differences	<b>(38)</b>	<b>(22)</b>	<b>(60)</b>	-	151	151
- R&D tax credit	-	-	-	(10)	-	(10)
- effect of overseas tax	<b>(100)</b>	-	<b>(100)</b>	81	-	81
- gain on sale of operations	-	-	-	-	(27)	(27)
- prior period adjustments - UK	<b>(280)</b>	-	<b>(280)</b>	(28)	-	(28)
- prior period adjustments - overseas	<b>(1,170)</b>	-	<b>(1,170)</b>	104	-	104
<b>Tax charge in the consolidated income statement</b>	<b>2,594</b>	<b>(851)</b>	<b>1,743</b>	3,941	(472)	3,469

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

### Factors that may affect future tax charges

A reduction in the UK corporation tax rate to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 30 November 2017 has been calculated based on these rates.



#### d) Deferred tax

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

Group	Accelerated tax	Defined	Share-based	Short-term timing	Acquisition related	Total
	depreciation	Benefit Pension	payments	differences	intangible assets	
	£000	Scheme obligation £000	£000	£000	£000	£000
At 1 December 2015	734	3,932	423	1,033	(1)	6,121
Credit/(charge) to income	112	-	(59)	(1)	1	53
Credit to equity	-	1,980	(110)	749	-	2,619
At 30 November 2016	846	5,912	254	1,781	-	8,793
Credit/(charge) to income	(13)	-	59	(65)	84	65
Charge to equity	-	(3,481)	(80)	(70)	-	(3,631)
Acquired deferred tax assets/ (liabilities)	321	1,009	-	11	(3,077)	(1,736)
<b>At 30 November 2017</b>	<b>1,154</b>	<b>3,440</b>	<b>233</b>	<b>1,657</b>	<b>(2,993)</b>	<b>3,491</b>

Certain deferred tax assets and liabilities have been offset above.

The Group has recognised deferred tax assets in jurisdictions where these are expected to be recoverable against profits in future periods. At the balance sheet date, the Group has an unrecognised gross deferred tax asset relating to tax losses of £4.137m (2016: £3.908m) which is available for offset against future profits within the United States of America. A deferred tax asset has not been recognised in respect of any of this amount due to uncertainty surrounding the future use of these losses.

No deferred tax liability is recognised on temporary differences of £506,000 (2016: £268,000) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

## 10. EARNINGS PER ORDINARY SHARE

	Year ended 30 November 2017			Year ended 30 November 2016		
	Profit for the year £000	Weighted average number of shares '000	Pence per share	Profit for the year £000	Weighted average number of shares '000	Pence per share
<b>Basic earnings per ordinary share</b>						
Basic earnings	12,851	81,455	15.8	11,646	81,144	14.4
Adjustments (see Note 5)	5,098	-	6.2	2,509	-	3.0
<b>Adjusted basic earnings</b>	<b>17,949</b>	<b>81,455</b>	<b>22.0</b>	<b>14,155</b>	<b>81,144</b>	<b>17.4</b>
<b>Diluted earnings per ordinary share</b>						
Basic earnings	12,851	81,455	15.8	11,646	81,144	14.4
Effect of dilutive potential ordinary shares: share-based payment awards	-	179	(0.1)	-	-	-
<b>Diluted earnings</b>	<b>12,851</b>	<b>81,634</b>	<b>15.7</b>	<b>11,646</b>	<b>81,144</b>	<b>14.4</b>
Adjustments (see Note 5)	5,098	-	6.2	2,509	-	3.0
<b>Adjusted diluted earnings</b>	<b>17,949</b>	<b>81,634</b>	<b>21.9</b>	<b>14,155</b>	<b>81,144</b>	<b>17.4</b>

## 11. DIVIDENDS

Amounts recognised as distributions to equity holders were:

	Year ended 30 November 2017 £000	Year ended 30 November 2016 £000
Final dividend for the year ended 30 November 2016 - 4.50p per share (2015: 3.80p)	3,660	3,079
Interim dividend for the year ended 30 November 2017 - 1.65p per share (2016: 1.50p)	1,348	1,220
	<b>5,008</b>	<b>4,299</b>

The proposed final dividend of 4.95p per share for the year ended 30 November 2017 was approved by the Board on 5 February 2018. The dividend is subject to approval by shareholders at the Annual General Meeting. The anticipated cost of this dividend is £4,046,000 which is not included as a liability at 30 November 2017.

## 12. GOODWILL

Group	£000
<b>Cost</b>	
At 1 December 2015 and 2016	23,761
Acquired during the year	31,097
At 30 November 2017	54,858
<b>Accumulated impairment losses</b>	
At 1 December 2015, 30 November 2016 and 30 November 2017	(9,694)
<b>Carrying amount</b>	
At 30 November 2017	45,164
At 30 November 2016	14,067

The carrying amount of goodwill is allocated as follows:

	Year ended 30 November 2017	Year ended 30 November 2016
Group	£000	£000
RM Resources - TTS Group Limited	11,111	11,111
RM Resources - Hedgelane Limited	31,097	-
RM Results	2,956	2,956
	45,164	14,067

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

A review of the forecast future cash flows of TTS Group Ltd, Hedgelane Limited and of RM Results indicated no impairment was required.

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

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

The Group prepares cash flow forecasts derived from the most recent annual financial budget approved by the Board, which also contains forecasts for the two years following, and extrapolates cash flows based on internal forecasts with terminal rates of 2.5% (2016: 2%). Pre-tax discount rates used are 12.6% (2016: 11.4%).

### Sensitivity analysis

The sensitivity of goodwill carrying values to reasonably possible changes in key assumptions has been performed. A reasonably possible change of 1% in the discount rate or a 1% reduction in the growth rate beyond 2020 would not change the conclusion of the impairment review.

### 13. OTHER INTANGIBLE ASSETS

Group	Customer relationships £000	Brands £000	Intellectual property & database assets £000	Website platform £000	Other software assets £000	Total £000
<b>Cost</b>						
At 1 December 2015	644	110	325	-	2,948	4,027
Additions	-	-	-	-	456	456
Exchange differences	-	-	-	-	14	14
At 30 November 2016	644	110	325	-	3,418	4,497
Acquired on 30 June 2017	-	18,100	-	2,520	-	20,620
Additions	-	-	-	-	176	176
Transfers between categories	-	-	-	-	38	38
Disposals	-	-	-	-	(340)	(340)
<b>At 30 November 2017</b>	<b>644</b>	<b>18,210</b>	<b>325</b>	<b>2,520</b>	<b>3,292</b>	<b>24,991</b>
<b>Accumulated amortisation and impairment losses</b>						
At 1 December 2015	644	102	325	-	2,386	3,457
Charge for the year	-	8	-	-	239	247
Exchange differences	-	-	-	-	12	12
Impairments	-	-	-	-	77	77
At 30 November 2016	644	110	325	-	2,714	3,793
Charge for the year	-	503	-	211	394	1,108
Impairments	-	-	-	-	33	33
Exchange differences	-	-	-	-	(1)	(1)
Disposals	-	-	-	-	(319)	(319)
<b>At 30 November 2017</b>	<b>644</b>	<b>613</b>	<b>325</b>	<b>211</b>	<b>2,821</b>	<b>4,614</b>
<b>Carrying amount</b>						
<b>At 30 November 2017</b>	<b>-</b>	<b>17,597</b>	<b>-</b>	<b>2,309</b>	<b>471</b>	<b>20,377</b>
At 30 November 2016	-	-	-	-	704	704

## 14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land & buildings £000	Short leasehold improvements £000	Plant & equipment £000	Computer equipment £000	Vehicles £000	Total £000
<b>Cost</b>						
At 1 December 2015	3,004	5,994	4,845	7,420	1,016	22,279
Additions	11	225	642	415	40	1,333
Effect of movements in exchange rates	-	10	(32)	104	(24)	58
Transfers between categories	2	(148)	(981)	1,125	2	-
Disposals	-	-	(36)	(130)	(119)	(285)
At 30 November 2016	3,017	6,081	4,438	8,934	915	23,385
Acquired on 30 June 2017	5,000	275	72	126	-	5,473
Additions	8	59	344	660	79	1,150
Transfer of assets	-	-	(38)	-	-	(38)
Exchange differences	-	(4)	(6)	-	(1)	(11)
Disposals	(21)	(166)	(661)	(1,458)	(393)	(2,699)
<b>At 30 November 2017</b>	<b>8,004</b>	<b>6,245</b>	<b>4,149</b>	<b>8,262</b>	<b>600</b>	<b>27,260</b>
<b>Accumulated depreciation and impairment</b>						
At 1 December 2015	781	4,173	3,949	5,643	674	15,220
Charge for the year	125	487	397	1,045	65	2,119
Effect of movements in exchange rates	-	(16)	(55)	54	(13)	(30)
Transfers between categories	-	-	(372)	372	-	-
Impairment	-	-	15	89	-	104
Disposals	-	-	(18)	(121)	(108)	(247)
At 30 November 2016	906	4,644	3,916	7,082	618	17,166
Charge for the year	160	511	369	837	44	1,921
Impairment loss	-	356	3	9	-	368
Exchange differences	-	(6)	(5)	(1)	-	(12)
Disposals	(9)	(155)	(552)	(1,452)	(384)	(2,552)
<b>At 30 November 2017</b>	<b>1,057</b>	<b>5,350</b>	<b>3,731</b>	<b>6,475</b>	<b>278</b>	<b>16,891</b>
<b>Carrying value</b>						
<b>At 30 November 2017</b>	<b>6,947</b>	<b>895</b>	<b>418</b>	<b>1,787</b>	<b>322</b>	<b>10,369</b>
At 30 November 2016	2,111	1,437	522	1,852	297	6,219

## 15. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company at 30 November 2017 were:

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

\* Held through subsidiary undertaking.

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

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

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

RM Education Solutions India Pvt Limited is registered at Gayathri Building Techno Park Campus, Gayathri, Technopark Rd, Technopark Campus, Kazhakkottam, Thiruvananthapuram, Kerala 695581, India

The investment in subsidiary undertakings comprises:

Company	Note	Investment in	Capital contribution	Total
		share capital	shared-based	
		£000	payments	£000
<b>Cost</b>				
At 1 December 2015		57,187	10,844	68,031
Disposals		(3,682)	(4)	(3,686)
Share-based payments		-	1,006	1,006
At 30 November 2016		53,505	11,846	65,351
Acquisitions	19	58,956	-	58,956
Share-based payments		-	821	821
<b>At 30 November 2017</b>		<b>112,461</b>	<b>12,667</b>	<b>125,128</b>
<b>Impairment</b>				
At 1 December 2015		3,015	-	3,015
Disposals		(2,927)	-	(2,927)
At 30 November 2016		88	-	88
<b>At 30 November 2017</b>		<b>88</b>	<b>-</b>	<b>88</b>
<b>Carrying value</b>				
<b>At 30 November 2017</b>		<b>112,373</b>	<b>12,667</b>	<b>125,040</b>
At 30 November 2016		53,417	11,846	65,263

At 30 November 2017 an impairment review was undertaken which indicated that no impairment in the investments held by the Company was required (2016: nil). The impairment review was performed using the same assumptions used in the impairment review performed in relation to the Group's assets which are disclosed in Note 12 of the consolidated financial statements. The impairment review is sensitive to a change in key assumptions used in the value in use calculations relating to the discount rate and future growth rates.

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

## 16. INVENTORIES

Group	2017 £000	2016 £000
Components	56	5
Finished goods	19,357	10,684
	<b>19,413</b>	<b>10,689</b>

Any inventory that is not expected to be turned over within 12 months has been provided for.

## 17. LONG-TERM CONTRACTS

Group	Note	2017 £000	2016 £000
Contract costs incurred plus recognised profits less recognised losses to date		<b>420,788</b>	391,697
Less: Progress billings		<b>(430,968)</b>	(408,463)
		<b>(10,180)</b>	<b>(16,766)</b>
Amounts due from contract customers included in trade and other receivables	18	<b>3</b>	-
Amounts due to contract customers included in trade and other payables	21	<b>(10,183)</b>	(16,766)
		<b>(10,180)</b>	<b>(16,766)</b>

Total revenue from long-term contracts recognised in the year ended 30 November 2017 amounted to £46,002,000 (2016: £54,018,000).

### Long-term contract outcome – estimation uncertainty

The Group's long-term contracts represent a significant part of the Group's business. As a result of the accounting for these contracts, as outlined in Note 2, it is necessary for the Directors to assess the outcome of each contract and also estimate future costs and contracted revenues to establish ultimate contract profitability. Key judgements include performance indicator outcomes, future inflation rates, implementation/software development costs and whether the contract variations and extensions should be combined with existing arrangements. Profit is then recognised based on these judgements and, depending on the maturity of the contract portfolio, a greater or lesser proportion of Group profit will arise from long-term contracts. As long-term contracts complete in the year or progress towards completion, profits can benefit from the effects of good operational performance and risk mitigation at completion.

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



## 18. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2017	2016	2017	2016
	Note	£000	£000	£000	£000
Current					
Financial assets					
Trade receivables		20,770	15,060	-	-
Long-term contract balances	17	3	-	-	-
Other receivables		1,146	1,294	-	-
Derivative financial instruments		-	685	-	-
Accrued income		1,366	1,824	-	-
Amounts owed by Group undertakings		-	-	14,605	12,477
		23,285	18,863	14,605	12,477
Non-financial assets					
Prepayments		5,862	5,540	15	13
		29,147	24,403	14,620	12,490
Non-current					
Financial assets					
Other receivables		1,144	1,153	894	901
		30,291	25,556	15,514	13,391
Currency profile of receivables					
Sterling		589	23,943	15,514	13,391
US Dollar		-	1,208	-	-
Indian Rupee		-	405	-	-
		1,109	25,556	15,514	13,391

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

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

The Company's Non-current Other receivable is the gross amounts owed by the Company's 9% equity investment in the BSF delivery company, Essex Schools (Holdings) Ltd. The balance is being repaid over a period of 25 years ending in 2036. The interest charged on this receivable is 11.75% pa.

### Analysis of trade receivables by type of customer

Group	2017 £000	2016 £000
Government	12,632	7,133
Commercial	8,138	7,927
	20,770	15,060

Trade receivables included an allowance for estimated irrecoverable amounts at 30 November 2017 of £692,000 (2016: £519,000), based on management's knowledge of the customer, externally available information and expected payment likelihood. This allowance has been determined by reference to specific receivable balances and past default experience. New customers are subject to credit checks where available, using third party databases prior to being accepted.

### Ageing of unimpaired trade receivables

Group	2017 £000	2016 £000
Not past due	15,674	11,740
Overdue by less than 60 days	3,866	2,603
Overdue by between 60 and 90 days	650	347
Overdue by more than 90 days	580	370
	20,770	15,060

## 19. ACQUISITIONS OF SUBSIDIARIES

### Acquisitions in the current period

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

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

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

## Effect of acquisition

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

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

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

### Fair value adjustments

On the acquisition of The Consortium, all assets were fair valued and appropriate intangible assets recognised following the principles of IFRS 3. Certain asset fair values are included as provisional in the short-term as management continue to integrate the acquired business.

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

Goodwill of £31.1m represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The goodwill arising on the acquisition is largely attributable to the synergies and values associated with being part of the enlarged RM Resources proposition. Stock has been valued in line with Group policy taking into account the recoverability and obsolescence. The properties have been restated to fair market value. Trade and other receivables and payables were all reviewed and are in line with Group policy.

### Acquisition related costs

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

## 20. BORROWINGS

Group	2017 £000	2016 £000
Bank loan	(14,000)	-
Add capitalised fees	812	-
	(13,188)	-

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

## 21. TRADE AND OTHER PAYABLES

		Group		Company	
		2017	2016	2017	2016
	Note	£000	£000	£000	£000
<b>Current liabilities</b>					
<b>Financial liabilities</b>					
Trade payables		18,524	13,777	-	-
Other taxation and social security		4,765	2,842	-	-
Other payables		535	2,284	-	-
Derivative financial instruments		389	45	-	-
Accruals		12,975	9,096	258	525
Long-term contract balances	17	10,183	16,766	-	-
Amounts owed to Group undertakings		-	-	64,533	22,315
		47,371	44,810	64,791	22,840
<b>Non-financial liabilities</b>					
Deferred income		10,265	9,711	-	-
		57,636	54,521	64,791	22,840
<b>Non-current liabilities</b>					
<b>Non-financial liabilities</b>					
Deferred income					
- due after one year but within two years		409	462	-	-
- due after two years but within five years		443	509	-	-
		852	971	-	-
		58,488	55,492	64,791	22,840

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

### Currency profile of trade and other payables

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Sterling	56,988	54,308	64,791	22,840
US Dollar	97	144	-	-
Euro	96	-	-	-
Indian Rupee	1,307	1,040	-	-
	58,488	55,492	64,791	22,840

## 22. PROVISIONS

Group	Onerous lease and dilapidations £000	Employee-related restructuring £000	Other £000	Total £000
At 1 December 2015	3,579	184	1,178	4,941
Utilisation of provisions	(345)	(184)	(396)	(925)
Release of provisions	(161)	-	(147)	(308)
Increase in provisions	-	1,844	1,057	2,901
Unwind of discount	84	-	-	84
At 30 November 2016	3,157	1,844	1,692	6,693
Acquired on 30 June 2017	165	-	-	165
Utilisation of provisions	(308)	(1,697)	(236)	(2,241)
Release of provisions	(1,115)	-	(568)	(1,683)
Increase in provisions	1,780	831	819	3,430
Unwind of discount	91	-	-	91
<b>At 30 November 2017</b>	<b>3,770</b>	<b>978</b>	<b>1,707</b>	<b>6,455</b>

Provisions for onerous leases and dilapidations have been recognised at the present value of the expected obligation at discount rates of 2.6% (2016: 2.6%) pa reflecting a risk-free discount rate, applicable to the liabilities. These discounts will unwind to their undiscounted value over the remaining lives of the leases via a finance cost within the Income Statement. At 30 November 2017, £1,525,000 (2016: £1,465,000) of the provision refers to onerous leases, and £2,245,000 (2016: £1,692,000) refers to dilapidations. During the year an onerous provision was created for the top floor of the head office property and an onerous provision release was made for the successful sub-letting of one of the Group's properties. The Group's dilapidation provisions as a whole were reviewed during the year and subsequently increased.

The average remaining life of the leases at 30 November 2017 is 2.1 years (2016: 3.1 years).

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

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

Other provisions includes one-off items not covered by any other category of which the most significant items are the risk provisions from ended BSF contracts transferred from long-term contract creditors to provisions, at the year end this amount is £779,000 (2016: £475,000).

## Disclosure of provisions

Group	2017 £000	2016 £000
Current liabilities	3,436	3,536
Non-current liabilities	3,019	3,157
	6,455	6,693

## Company

Non-current liabilities	£000
At 1 December 2015	5,391
Decrease in provisions	(363)
At 30 November 2016	5,028
Increase in provisions	273
At 30 November 2017	5,301

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

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

## 23. SHARE CAPITAL

Company and Group	Ordinary shares of 2½p	
Allotted, called-up and fully paid	'000	£000
As at 30 November 2015, 2016 and 2017	82,650	1,890

Ordinary shares issued carry no right to fixed income.

## 24. RETIREMENT BENEFIT SCHEMES

### a. Defined contribution scheme

The Group operates or contributes to a number of defined contribution schemes for the benefit of qualifying employees. The assets of these schemes are held separately from those of the Company. The total cost charged to income of £4,150,000 (2016: £4,791,000) represents contributions payable to these schemes by the Group at rates specified in employment contracts. At 30 November 2017 £345,000 (2016: £380,000) due in respect of the current financial year had not been paid over to the schemes.

### b. Local government pension schemes

The Group has TUPE employees who retain membership of local government pension schemes. The Group makes payments to these schemes for current service costs in accordance with its contractual obligations, most of which are limited through reimbursement rights under the contracts. The total costs charged to income for these schemes was £136,000 (2016: £149,000). The amount due in respect of these schemes at 30 November 2017 was £71,000 (2016: £55,000).

### c. Defined Benefit Pension Schemes

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

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

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

Scheme assets are measured at bid-price, where available, at 30 November 2017. The present value of the defined benefit obligation was measured using the projected unit method.

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

#### *The Research Machines plc 1988 Pension Scheme (RM Scheme)*

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

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

The most recent actuarial valuation of Scheme assets and the present value of the defined benefit obligation was carried out for statutory funding purposes at 31 May 2015 by a qualified independent actuary. IAS 19 Employee Benefits (revised) liabilities at 30 November 2017 have been rolled forward based on this valuation's base data.

As at 31 May 2015, the triennial valuation for statutory funding purposes showed a deficit of £41,800,000 (31 May 2012: £53,500,000). The Group agreed with the Scheme Trustees that it will repay this amount via deficit catch-up payments of £4,000,000 in December 2015 and £3,600,000 pa until 30 September 2024. At 30 November 2017 there were amounts outstanding of £300,000 (2016: £300,000) for one month's deficit payment and £32,000 (2016: £32,000) for Scheme expenses. The next triennial valuation of the Scheme is due as at 31 May 2018 and may result in changes to the level of deficit catch-up payments required.

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



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

#### *The Consortium CARE Scheme*

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

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

#### *Prudential Platinum Pension*

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

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

	Note	Year ended 30 November 2017 £000	Year ended 30 November 2016 £000
Administrative expenses and taxes		(552)	(845)
Current service costs		(69)	-
Operating expense		(621)	(845)
Interest cost		(6,946)	(7,301)
Interest on Scheme assets		5,897	6,803
Net interest expense	8	(1,049)	(498)
<b>Expense recognised in the income statement</b>		<b>(1,670)</b>	<b>(1,343)</b>
Effect of changes in demographic assumptions		7,920	1,838
Effect of changes in financial assumptions		(4,608)	(36,938)
Effect of experience adjustments		1,898	-
Total actuarial gains/(losses)		5,210	(35,100)
Return on Scheme assets excluding interest on Scheme assets		12,750	11,545
<b>Income/(expense) recognised in the statement of comprehensive income</b>		<b>17,960</b>	<b>(23,555)</b>
<b>Income/(expense) recognised in total comprehensive income</b>		<b>16,290</b>	<b>(24,898)</b>

## Reconciliation of the Scheme assets and obligations through the year

	RM scheme	CARE scheme	Platinum scheme	Year ended 30 November 2017	Year ended 30 November 2016
	£000	£000	£000	£000	£000
<b>Assets</b>					
At start of year	190,983	-	-	190,983	174,029
Acquired during the year	-	15,734	1,871	17,605	-
Interest on Scheme assets	5,706	170	21	5,897	6,803
Return on Scheme assets excluding interest on Scheme assets	12,734	26	(10)	12,750	11,545
Administrative expenses	(538)	-	(14)	(552)	(845)
Contributions from Group	3,984	95	108	4,187	11,984
Contributions from employees	-	-	9	9	-
Benefits paid	(5,981)	(237)	(12)	(6,230)	(12,533)
<b>At end of year</b>	<b>206,888</b>	<b>15,788</b>	<b>1,973</b>	<b>224,649</b>	<b>190,983</b>
<b>Obligations</b>					
At start of year	(225,758)	-	-	(225,758)	(195,890)
Acquired during the year	-	(21,888)	(1,654)	(23,542)	-
Interest cost	(6,692)	(236)	(18)	(6,946)	(7,301)
Actuarial gains/(losses)	3,077	1,872	260	5,209	(35,100)
Benefits paid	5,981	237	12	6,230	12,533
Service cost	-	-	(69)	(69)	-
Contributions from employees	-	-	(9)	(9)	-
<b>At end of year</b>	<b>(223,392)</b>	<b>(20,015)</b>	<b>(1,478)</b>	<b>(244,885)</b>	<b>(225,758)</b>
<b>Pension deficit</b>	<b>(16,504)</b>	<b>(4,227)</b>	<b>-</b>	<b>(20,731)</b>	<b>(34,775)</b>
<b>Pension surplus</b>	<b>-</b>	<b>-</b>	<b>495</b>	<b>495</b>	<b>-</b>
<b>Net pension deficit</b>	<b>(16,504)</b>	<b>(4,227)</b>	<b>495</b>	<b>(20,236)</b>	<b>(34,775)</b>

## Reconciliation of net defined benefit obligation

	Year ended 30 November 2017	Year ended 30 November 2016
	£000	£000
Net obligation at the start of the year	(34,775)	(21,861)
Net obligation acquired during the year	(5,937)	-
Cost included in income statement	(1,670)	(1,343)
Scheme remeasurements included in the statement of comprehensive income	17,959	(23,555)
Cash contribution	4,187	11,984
<b>Net pension deficit</b>	<b>(20,236)</b>	<b>(34,775)</b>

**Obligation by participant status**

	Year ended 30 November 2017	Year ended 30 November 2016
	£000	£000
Active	1,212	-
Vested deferreds	209,869	198,370
Retirees	33,804	27,388
	<b>244,885</b>	<b>225,758</b>

**Value of Scheme assets**

	Year ended 30 November 2017	Year ended 30 November 2016
	£000	£000
<b>Fair value of Scheme assets with a quoted market price</b>		
Cash and cash equivalents, including escrow	10,535	7,370
Equity instruments	107,814	87,274
Debt instruments	1,973	68,951
Liability driven investments	77,939	-
<b>Value of unquoted Scheme assets</b>		
Insurance contract	26,388	27,388
	<b>224,649</b>	<b>190,983</b>

**Significant actuarial assumptions**

	Year ended 30 November 2017	Year ended 30 November 2016
Discount rate (RM/Platinum schemes)	2.85%	3.00%
Discount rate (CARE scheme)	2.75%	n/a
Rate of RPI price inflation	3.20%	3.15%
Rate of CPI price inflation	2.10%	2.15%
Rate of salary increases (Platinum scheme)	2.10%	n/a
Rate of pensions increases		
pre 6 April 1997 service	1.50%	1.50%
pre 1 June 2005 service	3.10%	3.10%
post 31 May 2005 service	2.10%	2.20%
Post retirement mortality table	S2PA CMI 2016 1.25%	S2PA CMI 2015 1.50%
Weighted average duration of defined benefit obligation	23 years	25 years
Assumed life expectancy on retirement at age 65:		
Retiring at the accounting date (male member aged 65)	22.1	22.7
Retiring 20 years after the accounting date (male member aged 45)	23.5	24.8

Following a change of actuary during the year the discount methodology applied under IAS19 for all three schemes was revised to better reflect the long dated credit risk of the cash flows for those schemes.

## Expected cash flows

	Year ended 30 November 2017 £000	Year ended 30 November 2016 £000
Expected employer contributions for the year ended 30 November 2018	4,611	3,984
Expected total benefit payments		
Year 1	3,102	3,570
Year 2	3,696	3,725
Year 3	4,317	3,837
Year 4	4,590	3,952
Year 5	4,879	4,070
Years 6 - 10	30,083	22,244

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

	30 November 2017						30 November 2016
	Base £m	-0.1% discount rate £m	+0.1% discount rate £m	-0.1% RPI £m	+0.1% RPI £m	Life +1 yr £m	Base £m
Analysis of net balance sheet position							
Fair value of Scheme assets	224.7	225.1	224.3	224.4	225.0	225.7	191.0
Present value of Scheme obligations	(244.9)	(250.3)	(239.6)	(240.9)	(248.8)	(252.0)	(225.8)
<b>Net pension deficit</b>	<b>(20.2)</b>	<b>(25.2)</b>	<b>(15.3)</b>	<b>(16.5)</b>	<b>(23.8)</b>	<b>(26.3)</b>	<b>(34.8)</b>
Actuarial assumptions							
Discount rate (RM/Platinum schemes)	2.85%	2.75%	2.95%	2.85%	2.85%	2.85%	3.00%
Discount rate (CARE scheme)	2.75%	2.65%	2.85%	2.75%	2.75%	2.75%	n/a
Rate of RPI	3.20%	3.20%	3.20%	3.10%	3.30%	3.20%	3.15%
Rate of CPI	2.10%	2.10%	2.10%	2.00%	2.20%	2.10%	2.15%
Mortality table	S2PA CMI 2016 1.25%						S2PA CMI 2015 1.5%
Rating (years)	-	-	-	-	-	(1)	(1)

## 25. OWN SHARES

The RM plc Employee Share Trust (EST) was established in March 2003 to hedge the future obligations of the Group in respect of shares awarded under the RM plc Co-Investment Plan, RM plc Performance Share Plan and Deferred Bonus Plan. The EST has waived any entitlement to the receipt of normal dividends in respect of all of its holding of the Company's ordinary shares. The EST's waiver of dividends may be revoked or varied at any time.

Company and Group	Ordinary shares of 2½p	
	'000	£000
At 1 December 2015	1,614	2,510
Shares released to award holders	(540)	(840)
Shares re-purchased	252	315
Transaction costs	-	2
At 30 November 2016	1,326	1,987
Shares released to award holders	(413)	(581)
<b>At 30 November 2017</b>	<b>913</b>	<b>1,406</b>

The valuation of the shares is weighted average cost.

## 26. SHARE-BASED PAYMENTS

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

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

No awards have been made under the 2004 Scheme since 2011 and the final Options outstanding under that Scheme will lapse in August 2018, if not exercised prior to that date.

Two awards were made under the PSP Scheme during the year ended 30 November 2017. The fair values of awards made under this Scheme have been assessed using Black-Scholes and Monte-Carlo models, as appropriate to the scheme, at the date of grant. The fair values of awards are expensed over the period between grant and vesting.

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

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

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

Details of share options outstanding are as follows:

Group	Number of share options	Weighted average exercise price	Exercise price range
At 1 December 2015	940,500	£1.90	£1.74 - £2.05
Lapsed during the year	(50,000)	£1.85	
At 30 November 2016	890,500	£1.90	£1.74 - £2.05
Lapsed during the year	(865,500)	£1.90	
<b>At 30 November 2017</b>	<b>25,000</b>	<b>£1.82</b>	<b>£1.82</b>

The options outstanding at 30 November 2017 had a weighted average contractual life of 0.7 years (2016: 0.8 years).

All of the outstanding options at the end of the current and prior period are exercisable. No option grants were made under this scheme in the current year (2016: nil).

## **b) RM plc Performance Share Plan 2010 ("PSP Scheme")**

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

Details of performance share plan shares are as follows:

<b>Group</b>	<b>Maximum number of shares</b>	<b>Market price on grant</b>
At 1 December 2015	4,245,000	
Lapsed during the year	(525,000)	
Exercised during the year	(1,000,000)	
At 30 November 2016	2,720,000	
Granted during the year	<b>1,215,000</b>	<b>£1.73 - £1.85</b>
Lapsed during the year	<b>(1,251,955)</b>	
Exercised during the year	<b>(413,045)</b>	
<b>At 30 November 2017</b>	<b>2,270,000</b>	

The plans outstanding at 30 November 2017 had a weighted average contractual life of 1.5 years (2016: 1.2 years).

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

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

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

### **Performance conditions – estimation uncertainty**

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

## **27. GUARANTEES AND CONTINGENT LIABILITIES**

### **a) Guarantees**

The Company has entered into guarantees relating to the performance and liabilities of certain major contracts of its subsidiaries. Other than disclosed in Note 22 the Directors are not aware of any circumstances that have given rise to any liability under such guarantees and consider the possibility of any arising to be remote.

### **b) Contingent liabilities**

The Group has provided performance guarantees and indemnities relating to performance bonds and letters of credit issued by its banks on its behalf, in the ordinary course of business. The Directors are not aware of any circumstances that have given rise to any liability under such guarantees and indemnities and consider the possibility of any arising to be remote.

## 28. COMMITMENTS

### a) Operating leases

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

Group	2017 £000	2016 £000
Within 1 year	3,827	3,633
In years 2 to 5 inclusive	5,167	5,955
After year 5	-	11
	8,994	9,599

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

The terms of these leases are subject to renegotiation on average terms of 2.0 years (2016: 2.8 years) and rentals are fixed for an average of 2.0 years (2016: 2.8 years).

### Leases as a lessor

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

Group	2017 £000	2016 £000
Within 1 year	381	569
In years 2 to 5 inclusive	498	237
	879	806

The Company had no operating leases during the year.

### b) Capital commitments

Both the Group and Company had no capital commitments at the end of either year.

## 29. FINANCIAL RISK MANAGEMENT

### Carrying value of financial assets and financial liabilities

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
<b>Financial assets</b>				
Trade and other receivables - current	23,285	18,863	14,605	12,477
Trade and other receivables - non-current	1,144	1,153	64,533	901
Cash and short-term deposits	1,797	39,987	-	-
	<b>26,226</b>	<b>60,003</b>	<b>79,138</b>	<b>13,378</b>
<b>Financial liabilities</b>				
Trade and other payables - current	(47,371)	(44,810)	(64,791)	(22,840)
Bank loans and overdrafts	(15,216)	-	(13,188)	-
	<b>(62,587)</b>	<b>(44,810)</b>	<b>(77,979)</b>	<b>(22,840)</b>

All financial assets are classified as loans and receivables except for forward foreign exchange contracts of £nil (2016: £685,000) which are classified as fair value through profit or loss.

All liabilities classified as financial liabilities are held at amortised cost except for forward foreign exchange contracts of £389,000 (2016: £45,000) which are classified as fair value through profit or loss.

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

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

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

### Foreign currency risk

#### a) Translation

All liabilities classified as financial liabilities are held at amortised cost except for forward foreign exchange contracts of £389,000 (2016: £45,000) which are classified as fair value through profit or loss.

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

#### b) Transaction

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

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



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

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

2016					
Currency	Contract type	Forward contract value Currency '000	Forward contract value £000	Mark to market value £000	Fair value £000
US Dollar	Sell	(456)	321	364	(45)
Indian Rupee	Buy	655,324	(6,800)	(7,483)	685
			(6,479)	(7,119)	640

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

Of these, forward foreign currency exchange contracts with a contract value of £14,143,000 (2016: £6,479,000) and fair value loss of £389,000 (2016: gain £640,000) have been designated as effective hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The movement in fair value of hedged derivative financial instruments during the year was a debit of £1,029,000 (2016: credit £507,000) which has been recognised in Other comprehensive income and presented in the hedging reserve in equity. In addition the Group retains the gain or loss on realised foreign currency contracts used to hedge non-financial assets which are realised when the asset is recognised.

No forward foreign currency exchange contracts have been designated as ineffective hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement at 30 November 2017 (2016: nil).

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

### c) Foreign exchange rate sensitivity

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

Sensitivity	2017		2016	
	Income £000	Equity £000	Income £000	Equity £000
<b>Group</b>				
10% increase in foreign exchange rates against Sterling:				
US Dollar	95	725	(24)	656
Indian Rupee	64	(190)	(5)	(167)

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

### Interest rate risk

The only significant interest-bearing financial assets or liabilities relate to the Group's borrowings referred to below. During the year, average net debt was £4,602,000 (2016: £31,879,000) and the minimum borrowings position was £37,712,000 (2016: £nil).

The Group has a committed revolving credit facility with HSBC Bank plc and Barclays Bank plc, which was signed on 7 February 2017 and which expires on 30 June 2020. The initial facility is for £75,000,000, with the amount of funds available reducing to £70,000,000 from 30 June 2018, £65,000,000 from 30 December 2018 and £60,000,000 from 30 June 2019. Of the funds available, £5,000,000 is allocated to an on demand working capital facility, leaving the remainder unallocated. Separate to this, the Group has a number of performance bonds relating to potential liabilities arising in connection with any Local Government Pension Scheme that the Company participates in as a result of its managed services contracts in the RM Education Division.

The interest payable on loans under the revolving credit facility is between 1.30% and 1.90% above LIBOR (the Margin), for the remainder of the committed term subject to certain financial ratios. A commitment fee of 40% of the Margin is payable on the unutilised balance and an arrangement fee of 0.5% of the initial total facility was paid in 2017. The fees are recognised in the consolidated income statement on an effective interest rate basis over the duration of the facility. The total facility fees paid, excluding capitalised deal fees, since the inception of the facility is £490,000.

The interest and currency profile of cash and cash equivalents, short-term deposits and borrowings excluding capitalised fees are shown below:

Group	2017			2016		
	Floating rate £000	Interest free £000	Total £000	Floating rate £000	Interest free £000	Total £000
Sterling cash and cash equivalents/(overdraft)	(2,631)	1,597	(1,034)	21,778	13,381	35,159
Sterling short-term deposits	-	-	-	3,014	-	3,014
US Dollar	-	678	678	-	1,718	1,718
Indian Rupee	-	125	125	-	96	96
Cash and cash equivalents	(2,631)	2,400	(231)	24,792	15,195	39,987
Borrowings – Sterling*	14,000	-	14,000	-	-	-

\* Also in Company

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

Group		2017		2016	
Financial assets:					
		Floating rate	Weighted average	Floating rate	Weighted average
		£000	interest rate	£000	interest rate
Group					
Cash and short-term deposits	1,797	0.16	24,792	0.47	
Trade and other receivables* (non-current)	1,144	9.52	1,153	9.55	

\* Also in Company

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

Group		2017		2016	
		Income sensitivity	Equity sensitivity	Income sensitivity	Equity sensitivity
		£000	£000	£000	£000
1% increase in interest rates	202		202	290	290
1% decrease in interest rates	(202)		(202)	(290)	(290)

## Credit risk

The Group's principal financial assets are bank balances and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. Credit checks are performed on new customers and before credit limits are increased. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Note 18 includes an analysis of trade receivables by type of customer and of the ageing of unimpaired trade receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers and a large proportion are ultimately backed by the UK Government. The carrying amount of financial assets represents the maximum credit exposure. The Group does not hold any collateral to cover its risks associated with financial assets.

## Liquidity risk

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

## Capital management

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

### 30. RELATED PARTY TRANSACTIONS

#### a) Key management personnel

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

Group	Year ended 30 November 2017	Year ended 30 November 2016
	£000	£000
Short-term employee benefits	2,510	3,313
Post-employment benefits	178	283
Termination payments	218	114
Share-based payment	554	295

Share-based payments above include a fair value charge for Executive Directors of £170,000 in respect of awards to David Brooks (2016: £152,000) and £113,000 in respect of Neil Martin (2016: £57,000).

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

#### b) Transactions between the Company and its subsidiary undertakings

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

Company	Year ended 30 November 2017	Year ended 30 November 2016
	£000	£000
<b>Receipts/(payments)</b>		
Management recharges	(602)	(518)
Net intercompany interest income	(574)	(312)
Dividends received	13,800	7,000

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

#### c) Other related party transactions

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

##### *Ipswich School*

John Poulter, Non-Executive Director of RM plc, is a director of Ipswich School. Sales made in the year total £12,296 (2016: £2,419) and at the year end there was a balance of £2,929 (2016: £90) outstanding.

##### *Spinfield School*

Neil Martin, Executive Director, is a governor of Spinfield School. TTS sales made in the year total £456 (2016: £nil) and at the year end there was a nil balance (2016: £nil). The Consortium sales made in the year total £669.80 (2016: £nil) and at the year end there was a balance of £83 (2016: £nil) outstanding.

##### *Grant Thornton LLP*

Deena Mattar, Non-Executive Director of RM plc, is a Non-Executive of the Partnership Oversight Board of Grant Thornton. Grant Thornton were chosen from a competitive tender conducted by the Company and Deena Mattar was not involved in that exercise. The Company has engaged Grant Thornton to provide advice in connection with certain activities. The following payments were made in the year - £650,000 of integration costs in TTS and The Consortium, £48,000 stock work in The Consortium and £25,000 accrual for IFRS15 work.

##### *TES Global Ltd (formerly TSL Education Ltd)*

Lord Andrew Adonis was a Member of Advisory Board until 21 April 2017. During the year, the Group purchased £2,695 from TES Global Ltd.



# ➤ SHAREHOLDER INFORMATION

## FINANCIAL CALENDAR

Ex-dividend date for 2017 final dividend	15 March 2018
Record date for 2017 final dividend	16 March 2018
Annual General Meeting	21 March 2018
Payment of 2017 final dividend	13 April 2018
Announcement of 2018 interim results	July 2018
Preliminary announcement of 2018 results	February 2019

## CORPORATE WEBSITE

Information about the Group's activities is available at [www.rmplc.com](http://www.rmplc.com).

## INVESTOR INFORMATION

Information for investors is available at [www.rmplc.com](http://www.rmplc.com). Enquiries can be directed to Greg Davidson, Company Secretary, at the Group head office address or at [companysecretary@rm.com](mailto:companysecretary@rm.com).

## REGISTRARS AND SHAREHOLDING INFORMATION

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

To help shareholders, the Link Asset Services' Share Portal at [www.signalshares.com](http://www.signalshares.com) contains a shareholders' frequently asked questions section.

## ELECTRONIC COMMUNICATION

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

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

## BENEFICIAL SHAREHOLDERS WITH 'INFORMATION RIGHTS'

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

#### **MULTIPLE ACCOUNTS ON THE SHAREHOLDER REGISTER**

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

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

#### **COMPANY SECRETARY**

Greg Davidson

#### **GROUP HEAD OFFICE AND REGISTERED OFFICE**

140 Eastern Avenue  
Milton Park  
Milton  
Abingdon  
Oxfordshire OX14 4SB  
United Kingdom

Telephone: +44 (0)8450 700 300

#### **REGISTERED NUMBER**

RM plc's registered number is 01749877

#### **AUDITOR**

KPMG LLP  
Arlington Business Park  
Theale  
Reading RG7 4SD

#### **FINANCIAL ADVISORS AND STOCKBROKERS**

Numis Securities Ltd  
10 Paternoster Square  
London EC4M 7LT

Peel Hunt LLP  
120 London Wall  
London EC2Y 5ET

#### **FINANCIAL PUBLIC RELATIONS**

FTI Consulting Ltd  
200 Aldersgate  
Aldersgate Street  
London EC1A 4HD

#### **REGISTRAR**

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

#### **LEGAL ADVISOR**

Osborne Clarke  
One London Wall  
London EC2Y 5EB



140 Eastern Avenue  
Milton Park  
Milton  
Abingdon  
Oxfordshire  
OX14 4SB

Telephone: +44 (0)8450 700 300  
Fax: +44 (0)8450 700 400  
Stock code: RM.