Registered Number: 03100039

RM Educational Resources Limited

Report and Financial Statements
for the year ended 30 November 2022

Contents

	Page
Company Information	1
Strategic Report	2
Directors' Report	13
Independent Auditor's Report	15
Profit and Loss Account	18
Statement of Comprehensive Income	18
Balance Sheet	19
Statement of Changes in Equity	20
Notes to the Financial Statements	21

Company Information

Registered Office and Principal Location:	142B Park Drive Milton Park Milton ABINGDON Oxfordshire OX14 4SE
Registered Number:	03100039
Directors:	Mark Cook Simon Goodwin
Auditor:	Deloitte LLP Chartered Accountants Four Brindleyplace Birmingham B1 2HZ

Strategic Report

The Directors submit their Strategic Report for RM Educational Resources Limited ("the Company") for the year ended 30 November 2022.

The Company is a wholly-owned subsidiary of RM plc (*"the Parent Company"*), which is the parent Company of a group of companies (*"the Group"*). The Company comprises the Consortium and TTS brands and forms part of the RM Resources division of the Group. The detailed review of the Group's strategy, objectives, and financial results for the financial year is included in RM plc's *Annual Report and Accounts* which are published on the Group's website, *www.rmplc.com*.

Business review and future development

The principal activity of the Company is the provision of goods and developing, sourcing, marketing and distributing educational resources via curriculum-specific catalogues and online.

The table below provides further details on the Company's performance:

Year ended 30 November 2022	**TTS £m**	**Consortium £m**	**International £m**	**Total £m**
Revenue	58.4	33.6	22.4	**114.4**

Year ended 30 November 2021	**TTS £m**	**Consortium £m**	**International £m**	**Total £m**
Revenue	53.1	45.3	16.0	**114.4**

The Company's revenues were flat at £114,366,000 (2021: £114,422,000) with strong TTS UK and International sales being offset by a 25.8% reduction in Consortium brand revenue driven by the disruption caused by the IT programme implementation in the year. UK education revenue decreased by 6.6% (TTS up 9.8%, Consortium down 25.8%), with international revenues up £6.5m, 40.4%.

The Company's adjusted operating margin decreased from 8.8% in 2021 to a margin of 2.2% in the year to 30 November 2022. Statutory operating margin decreased from 2.9% in 2021 to a loss of 11.3% in the year to 30 November 2022. The Company was primarily impacted by the challenges associated with the IT programme implementation which reduced revenues and increased costs associated with warehouse, distribution and staffing expenditure. The Company also experienced elevated freight costs in the year which did start to decrease through the second half.

To provide a better understanding of underlying business performance, certain costs have been disclosed in an adjustments column in the Profit and Loss Account to give "Adjusted" results. The alternative performance measures used by the company, which incorporate these adjusted items, are disclosed in Note 2, and the adjustments themselves are disclosed in note 4. During the year, the Company incurred such adjustments before tax of £15,390,000. In the prior year there was an incurred adjustments to cost before tax of £6,718,000. The Adjusted Profit was £2,508,000 for the year to 30 November 2022, compared to £10,017,000 for the prior year.

The Company had net assets at the end of the year of £9,163,000 (2021: £17,531,000).

As Consortium has experienced an extended period of underperformance as described above, on 24 November 2023 the Group announced the decision to close Consortium from the end of December 2023.

Key performance indicators

Return on turnover (measured as operating profit divided by turnover) is a key financial indicator. Adjusted return on turnover (adjusted operating profit level)worsened from 8.8% to 2.2%. Return on turnover worsened from 2.9% to (11.3) %.

Strategic report (continued)

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate based on their analysis of the factors below.

The Company is a wholly-owned subsidiary and a division of the RM plc Group, comprising RM plc and its subsidiaries ("the Group"). The company comprises two main businesses – Consortium and TTS (including TTS International).

As set out above, the results for the year ended 30 November 2022 were significantly behind expectation, largely because of the difficulties encountered during the IT implementation in the Consortium business where the disruption materially reduced revenues and elevated costs in what was already a challenging market backdrop of inflationary pressures on school budgets. The remainder of the RMER business delivered a strong performance with TTS UK revenues growing 10% and International revenues growing 40%.

In the Group Interim Report in August 2023, we reported that customer volumes were returning to Consortium slower than expected leading to lower trading volumes in Consortium in 2023 than forecast. The reduction in revenues combined with higher IT implementation costs and delays in go-live of certain aspects led to RM Resources recording revenue of £42.2m in the first half of FY23 (FY22: £51.6m) and an adjusted operating loss of £4.5m (FY22: profit £1.2m).

The Company continues to face operational and trading challenges, exacerbated by the more challenging budgetary environment in schools. The Consortium brand is particularly affected by this, which has impacted on its ability to recover sales and win back customer trust following system implementation issues.

The Company is reliant on Group funding to manage its working capital requirements, and it is therefore also reliant upon the continuation of the wider Group, in particular the Group's funding facilities, which carry certain covenant requirements, where the company acts as a guarantor alongside certain other Group companies. As such, in making the going concern assessment for this Company, the Directors have considered the going concern assessment, financing position and cashflow forecasts for the Group. At 31 May 2023 the Group had net current assets of £8.1m and adjusted net debt of £52.7m respectively (30 November 2022: net current liabilities of £49.2m and adjusted net debt of £46.8m). The directors have received a letter of support from RM plc indicating that it intends to continue to make financing available to the Company and has no intention to liquidate the company. The directors have visibility of the forecasts of the Group and are therefore able to place reliance on this letter.

RM plc has a bank facility ("the facility") which totalled £70.0m at the date of this report. The facility maturity was extended in March 2023 and is committed until July 2025. The terms of the revised facility were disclosed in Note 31 of the 2022 RM plc Annual Financial Statements. The debt facilities are subject to financial covenants from November 2023 to November 2024 on a minimum rolling 12-month historical period ("LTM EBITDA") which varies over time (November 2023 requirement of £8.6m), a hard liquidity requirement to maintain net debt below £62.5m and a soft liquidity covenant to maintain net debt below £57.5m. Unlike the 'hard' covenant, a breach of the 'soft' covenant does not constitute an event of default under the Facility Agreement but, instead, requires the Company to notify the Lenders of the breach and be available to discuss plans to increase liquidity.

The Consortium business has continued to experience an extended period of underperformance following the negative impact of the rollout of the new eCommerce platform, leading the Group to miss its forecast. Consequently, the Group breached the facility's LTM EBITDA covenant from the third quarter of the financial year ended 30 November 2023 but it successfully received waivers with its lenders for that period and continues to comply with the conditions of each lender with regards to that waiver and the respective facility agreement. In addition, the Group anticipated breaching its LTM EBITDA covenant for the fourth quarter of this financial year ending 30 November 2023, but on 29 November 2023 it also successfully received waivers with its lender for this period.

Under the latest available forecasts the Group is also forecast to breach the soft liquidity covenant test within Q1 of FY24 ending 29 February 2024.

The Group has modelled a severe but possible downside scenario in which the hard liquidity and EBITDA covenants may be breached during FY24. The Directors continue to monitor liquidity closely and are taking a number of actions to mitigate the liquidity risks. The Directors are sharing up to date actual and forecast information with the banks as discussions in relation to a further waiver or relaxation of the covenants, or restructuring of the facility, are ongoing.

The Directors have prepared cash flow forecasts for a period of 12 months after the date of this report utilising a base case and reasonably possible downside scenario case. These forecasts are being formalised as part of the annual budgeting process to be approved by the RM plc Board in December and have been shared with the banking syndicate as the Group seeks further relaxation of covenants.

For going concern purposes, the Group has assessed a base case scenario that assumes the closure of the Consortium business during Q1 FY24, no significant downturn in UK or International markets from that experienced in the prior period and a broadly similar macroeconomic environment to that currently being experienced.

Strategic report (continued)

Going concern (continued)

The budget assumes:

- new contract wins in RM Assessment and RM Technology and increased hardware and infrastructure revenues in RM Technology associated with the UK government's three-year Connect the Classroom program for which they have provided £150m in funding;
- International volume growth was forecast in the TTS business, although the growth was modelled below the levels seen in 2022.

Gross margins in the base budget are expected to increase in the year ended 30 November 2024, with the increase in FY24 largely the result of revenue growth in the retained businesses, revenue mix and some underlying service delivery improvements.

Operating profit margins are forecast to improve as the benefits of the restructuring undertaken in FY23 are realised in future periods.

Net debt, while fluctuating within the period, is not expected to reduce significantly within the assessment period under the base case, as the conversion of profits into cash is expected to be offset by the ongoing costs of the transformation programme.

Under the base case, taking account of available facilities and existing cash resources, the working capital available to the Group is sufficient to meet its liabilities as they fall due for at least 12 months from the date of this report. . In the severe but reasonably possible downside scenario if the Group were unable to agree a restructuring of covenants, in addition to breaching the LTM EBITDA covenant during FY24, the Group would also be at risk of breaching its hard liquidity covenant in Q4 of FY24.

The Group is currently finalising its FY24 three-year budget and is considering options to generate the most value from the Company. The Directors continue to believe that TTS has a strong market offering in the UK and Internationally through continued development of curriculum products. As we announced on 24 November, the Group has taken the decision to close Consortium from the end of December 2023, which is expected to have a cashflow-positive effect during FY24.

The Banks agreeing to waivers of the Q3 and Q4 FY23 LTM EBITDA covenants indicated support for the Group, however the banks agreeing to future amendments to covenants are not within the Group's control and as a result, given the downside scenario referenced above, the Directors cannot conclude that the possibility of an un-waived breach of future covenant is remote.

The Group has shared up to date financial data with the Banks who remain supportive of management, recognise the issues that the business has faced and also the steps taken (cost savings and restructuring) to return to previous levels of financial performance.

In light of the continued headwinds, the announced restructuring of the Group and the need for the annualisation of savings to mature, the Group and the Banks remain in discussions and the Directors currently expect to agree suitable waivers and amendments (including potential covenant re-sets and maturity extension) to allow the Group's facility to remain available. The announcement of the conclusion of discussion is expected to be in the first quarter of 2024.

However, until agreed with the Banks, and as reported in the RM plc interim announcement, there remains a material uncertainty related to events or conditions that may cast significant doubt over the Group's ability to continue as a going concern relating to the hard liquidity and future EBITDA covenants, and hence realise their assets and discharge their liabilities in the normal course of business. As the Company is a guarantor of the facilities and is also reliant on the availability of Group financing there is a material uncertainty over its ability to continue as a going concern such that the company may be unable to realise its assets and discharge its liabilities in the normal course of business, The financial statements do not include any adjustments that would arise from the basis of preparation being inappropriate.

Principal risks and uncertainties

Risk is managed at a Group level by the RM plc Group Audit and Risk Committee. As certain Directors of the Company are also members of the Group Audit and Risk Committee, they are able monitor and manage risks at Group and subsidiary level.

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. The Company's approach to risk identification, risk mitigation and risk appetite has been refreshed in the year. Whilst this was a planned Board activity for 2022 it also reflects the heightened risks which the Company faced into during the year.

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

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

Strategic report (continued)

Going concern (continued)

RM assesses both the inherent risk, before any mitigating actions, and the residual risk after such actions have been taken. The Company also identifies any other activities that could be undertaken to further mitigate risk where it is considered too high. Whilst RM's risk management systems are designed to reduce risk as far as possible, the Company cannot eliminate all risks.

Emerging risks are ones that do not currently have a material impact on the business, but which have a reasonable likelihood of impacting future strategy or operations. Details of emerging risks, as a separate category of risk, are identified and analysed, and mitigating actions proposed and monitored as part of the risk management processes. These risks are reviewed following the same process as for principal risks. Whilst there are a number of risks that the Company identifies and manages, currently, none of these are expected to become future principal risks. Environmental risks were an emerging risk but are now captured as a principal risk based on an analysis of the probability and potential impact. Current emerging risks include the impact of increasing internationalisation of the business with regard, for example, to international travel risks.

Strategic report (continued)

Principal risks and uncertainties (continued)

The full register including emerging risks, is reviewed at least annually by each Division to ensure that the risks that could potentially affect each Division are properly captured. The register also includes a summary of the mitigation plans for those risks and the person responsible for these. These risks and their mitigation are monitored on a continual basis by each Division. This register is then consolidated, and Group-wide risks added, to ensure that the register covers the entire Group's operations. This is then reviewed by the Executive Committee.

The Group Audit and Risk Committee provide assurance that the risk management systems are effective.

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

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

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

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

RM has identified the principal risks set out in the table below and it has continued to monitor these in 2023. These are the risks with the highest probability and impact on the business. While these risks are largely unchanged since last year, the key changes reflect the impact of the IT implementation challenges in 2022 on business operations and liquidity and volatile macroeconomic environment impacting supply chains and inflation, in part caused by the Ukraine conflict.

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

Link to Strategic Groupwide Objectives	
Reach more customers	C
Share of customer spend	W
Operational excellence	Ex
Attract and retain talent	T
Strong financial discipline	£

Risk and categorisation	Description and likely impact	Mitigation	Trend and Likelihood
Public policy (Political Risk) C	The majority of RM's business is funded from UK government sources. Changes in political administration, or changes in policy priorities, might result in major changes to the exam system or a reduction in education spending, leading to a decline in market size. UK government funding in the education sector is constrained by fiscal policy. Global economic conditions might result in a reduction in budgets available for public spending generally and education spending specifically in the area in which RM specialises.	The Company reviews the education policy environment by the regular monitoring of policy positions through our involvement with industry trade bodies and responding to government consultations. The Group's three divisions have diverse revenue streams and product/service offerings which dilutes the impact of any change. The Company's strategy is to focus on areas of education spend which are important to meet customers' objectives. Where the revenue of an individual business is in decline, management seeks to ensure that the cost base is adjusted accordingly.	→ The potential impact and likelihood of this is currently considered low.
Education practice (Political Risk) C	Education and assessment practices and priorities may change and, as a result, RM's products and services may no longer meet customer requirements, leading to a risk of lower revenue.	The Company maintains knowledge of current education practice and priorities through close relationships with customers. The Company is evolving its product and service offering to help its customers with their developing requirements.	→ The potential impact and likelihood of this is currently considered low.
Operational execution (Operational Risk) Ex	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 or system failure would result in reputational damage and increased costs. RM's increasing international business makes it subject to laws in other countries and higher risk jurisdictions. RM employees enter school premises to provide services and should be properly cleared to do so.	The Company invests in maintaining a high level of technical expertise (see also the People risk below). Internal management control processes are in place to govern the delivery of all projects (including internal projects), including regular reviews by relevant management. The operational and financial performance of projects, including future obligations, the expected costs of these and potential risks are regularly monitored by management and, as appropriate, the Board and material projects are audited. The Company has internal policies and procedures across a wide range of areas including bribery and corruption, health and safety, privacy, employment, competition law and tax which are regularly monitored and reviewed to ensure the Company assesses and takes account of higher risks levels and complies with all relevant laws and regulations. Procedures are adopted to ensure that all employees are properly checked and receive training before entering any school premises. Further information is provided on this on page 50 of the RM Plc Annual Report.	→ The potential impact and likelihood are considered unchanged due to a consistent levels of customer change, system implementations and the continued competitive market for talent (see People risk below)
Treasury (Financial Risk) £	The Group is exposed to treasury risks including fluctuating exchange rates, elevated interest and managing liquidity within the agreed facility arrangements and covenants.	The Company's liquidity was significantly impacted in 2022 following the impacts of the IT implementation in Consortium which caused business disruption. The financing position at the date of approval of these financial statements is included in the going concern section of the Strategic Report.	↑ The potential impact and likelihood are considered to have increased following the increased levels

Risk and categorisation	Description and likely impact	Mitigation	Trend and Likelihood
		As a result, additional liquidity and covenant monitoring and forecasting has been implemented by management and is regularly reviewed by the Board. The Group has amended and extended its £70m bank facility with revised covenants to better reflect the outlook and liquidity needs. The Group Directors are sharing up to date actual and forecast information with the banks as discussions in relation to the restructuring of the facility are ongoing. Please also see the Going Concern section of the Strategic Report for more details. The Company regularly monitors treasury risks. It actively looks to create natural currency hedges where possible balancing foreign currency sales and purchase levels and hedges net balances 12-18 months into the future for material imbalances.	of indebtedness versus the prior year
Supply Chain (Operational Risk) Ex	RM is reliant on the cross-border movement of goods which have been affected by evolving Brexit related requirements which has increased cost, administration and time impacts of European movement of educational resources products in RM Resources. RM Group also has to manage the impact on supply chains of a higher inflation backdrop, in part caused by the COVID-19 pandemic and the conflict in Ukraine which impacts the Company's cost base and also the budgets available to our customers.	Changes resulting from Brexit have been managed through the adoption of new processes to meet the new requirements; potential improvements in this process will continue to be assessed. The Company continues to review and broaden its sourcing and has signed a new international freight forwarder and logistics supplier contract with improved financial and operational terms. There is a Group-wide focus on managing inflation and indexation which has direct oversight of the CEO.	↑ The potential impact and likelihood are considered to have increased due to the worsening macroeconomic backdrop with regards to inflation
Data and business continuity (Operational and Emerging Risk) Ex	RM is engaged in storing and processing personal data, where accuracy, privacy and security are important. Any significant security breach could damage reputation, impact future profit streams, lead to potential regulatory action and raise concerns with affected schools, parents and students. The Group would be significantly impacted if, as a result of a major incident, one of its key buildings, systems, key supply chain partners or infrastructure components could not function for a long period of time or at a key time.	The Group has made a commitment to maintain effective Information Security and Business Continuity management systems maintaining ISO27001 and ISO22301 certifications for key business areas to demonstrate the robustness and effectiveness of those systems. These are externally audited. The Group has a rolling investment programme managed by a dedicated security and compliance function and overseen by the Group Security and Business Continuity Committee, which reports into the Group Executive Committee. This programme covers data integrity and protection, defence against external threats (including cyber risks) and business continuity planning. The Group analyses all information security and data protection incidents (including their root cause), changes in the regulatory framework, and breaches that have occurred in other companies to identify opportunities for improvement.	↑ The potential impact and likelihood of this is considered to have increased due to a higher level of information security risks from greater homeworking by RM's customers, a general increase in cyber-attacks in the UK and the risk from the implementation of major projects (see Transformation

Risk and categorisation	Description and likely impact	Mitigation	Trend and Likelihood
		The Group seeks to protect itself against the consequences of a major incident by implementing a series of back-up and safety measures. It also manages risks with key suppliers by regularly reviewing their security and business continuity systems, conducting assessments and running joint tests. The Group has cyber insurance and property and business interruption insurance cover.	Risk section below).
Environmental (Operational Risk) Ex C	Changes required by legislation, customer requirements and the Group's environmental targets impact its current operations.	Legislation and standards are monitored and plans put in place to manage compliance, for example to reduce the compliance costs associated with new packaging regulations.	→ The potential impact and likelihood are considered to have remained the same as despite positive progress on legislative compliance, the requirements to meet RM's own targets remain consistent (see page 49 of the FY22 RM Plc Annual Report).
People (Operational Risk) T	RM's business depends on highly skilled, diverse employees. Failing to recruit and retain such employees could impact operationally on RM's ability to deliver contractual commitments. There may also be an impact on costs in such recruitment and retention. Failing to make sure RM's colleagues are safe at work would impact the Company's attractiveness as an employer, impact RM operationally and lead to financial penalties and reputation damage.	The Company seeks to be an attractive employer and regularly monitors the engagement of its employees. The Company has talent management and career planning programmes. The Company has a retention and recruitment strategy in place to incentivise and retain its skilled employees as well as recruiting new talent. The Company provides training to employees, has an incident reporting system, and monitors employee health, safety and wellbeing through various groups and reports.	↑ The potential impact and likelihood are considered to have increased as attrition was higher in 2022 and RM has an elevated reliance on interim resources, notably in senior positions, which it will address in 2023. The market for IT talent remains very competitive.

Risk and categorisation	Description and likely impact	Mitigation	Trend and Likelihood
Transformation Risk (Operational Risk) Ex	Issues in implementing major programs could lead to business disruption and loss of intended benefits.	Steering committees are established for all major programs which will include a member of the Executive Committee. A number of mechanisms are in place to monitor the ongoing impact of the various activities, including where appropriate staff consultations and satisfaction surveys, and ongoing customer feedback. There were two major programmes in progress through 2022 to develop a new automated warehouse for the RM Resources Division and migration to new CRM and ERP systems in Consortium. There were significant challenges associated with the delivery of these programmes which caused operational disruption in the year. There was a further implementation of the new digital e-commerce platform in March 2023. All these implementations are now materially complete and the business is reviewing the wider IT enterprise architecture needs for the Group before any further IT implementations, which would not be before 2024. The Board is actively involved and kept appraised of the current status of such activities and plans.	↓ The potential impact and likelihood are considered reduced as the system build and implementation associated with the major programmes has now completed. Although risk remains it is now not considered as significant as in 2022.
Innovation (Strategic Risk) C W	The IT market and elements of the education resources market are subject to change. As a result of inappropriate technology, product and marketing choices or a failure to adopt and develop new technologies quickly enough, difficulties recruiting and retaining talent, the Group's products and services might become unattractive to its customer base, or new market opportunities missed. The 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.	The Company actively monitors technology and market developments and invests to keep its existing products, services and sales methods up-to-date, as well as seeking new opportunities and initiatives. The Group works with teachers and educators to understand opportunities and requirements.	→ The impact and potential likelihood of this is considered unchanged.
Dependence on key contracts (Strategic Risk) C W	The performance of the RM Technology and RM Assessment Divisions is dependent on the winning and extension of long-term contracts with an increasing diversity of customer base of government, local authorities, examination boards and commercial customers.	The Company invests in maintaining a high level of technical expertise and in building effective working relationships with its customers. The Company has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction.	↑ The potential impact and likelihood are considered to have increased due to a higher concentration of contract renewals coming up in the next two years in the Assessment Division.

Risk and categorisation	Description and likely impact	Mitigation	Trend and Likelihood
Pensions (Financial Risk) £	The Company operates one defined benefit pension schemes in the UK (the "RM Education Scheme") which is closed to future accrual. Scheme deficits can adversely impact the net assets position of the Company Pension costs can be significant in respect of staff that transfer across to us, where they are members of Local Authority pension schemes.	The Company evaluates risk mitigation proposals with the trustees of these respective Schemes. The Company assesses the potential pension costs of staff from other employers, who would transfer across to the Company, and takes this into account in its bids for new contracts.	↑ The potential impact and likelihood are considered to have increased. Despite the net scheme position remaining in surplus with a high level of inflation and interest risk hedging, the elevated level of net debt in the Group and the more volatile macroeconomic backdrop is deemed to increase pension risk.

Strategic report (continued)

Section 172 (1) Statement

The Board of directors of RM Education Resources Ltd (the "Company") confirm that they continue to act in good faith and in a manner which they believe promotes the long-term success and interests of the Company, its employees, customers, suppliers, shareholders, other companies within the RM Group, and the wider educational community. Where appropriate and relevant to the Company, the Directors consider each matter fairly and how it may impact the Company and key stakeholders. However, in accordance with the RM Group governance these matters are also considered by the Board of RM plc (the parent company of RM Educational Resources Ltd). For further information please refer to RM plc's Annual Report and Financial Statements for the year ending 30 November 2022.

a) Consequences of decision in the long term

The Company operates within the wider management structure of the RM Plc. The executive committee is responsible for the strategic management and oversight of the Company and for the decision making which is material to the Company's short, medium and long term. During 2022, the executive committee and the Company's directors: (a) continually reviewed the performance of the company against the market and its competitors; (b) continually assessed the likely future developments of the sector; and (c) monitored progress against their medium and long term plans for the business; The directors' primary focus during the year was on the creation of stable environment and long term value for its shareholders.

b) Employees

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

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

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

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

c) Foster relationships with suppliers, customers and other stakeholders

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

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

Examples of some of the principal decisions taken by the Board during the year are set out in RM plc's annual report, specifically during the year the directors considered the impact of the delays caused by the issues when the ERP system went live in March and subsequent to year end considered the impact on suppliers, customers and other stakeholders of a potential closure of the Consortium business.

d) Impact on community and environment

Environmental, Social and Governance (ESG) is a key strategic focus for the Company. Our focus derives from the fact that not only is it the right thing to do, but also because it is important to our people, and increasingly a consideration for RM's customers when they are awarding business. Both our customer score cards, and our customer sourcing decisions, increasingly include environmental and social considerations in their assessment. That continues to inform decision making throughout the company.

Strategic report (continued)
Section 172 (1) Statement (continued)

e) Maintaining high standards for business conduct

The Company's reputation as an honest and ethical supplier is crucial to our future success. Our Customers' policies require that they only source from suppliers which have the highest ethical standards, and failing to meet those standards could severely damage our business. The directors therefore continually have regard to this in their decision making. Specifically, it informs decisions as to how we manage and train our employees, whether to enter into a new markets, deal with customers or suppliers, or employ (or retain the employment of) certain individuals.

f) Acting fairly between the members

The Company has only on member, RM Plc. During the year there was no actual or potential conflict between the interests of any members of the Company.

Environmental Policy and Reporting

RM's Environmental Policy states that it is committed to conserving the Earth's resources through its objectives to deliver Net Zero, sustainable consumption and production, and supply chain sustainability. It also contains commitments on achieving these objectives including encouraging innovative ideas and enhancing the natural environment. The full details of the Group policy, of which the Company comprises an integral part, is set out in RM plc's Annual Report and Financial Statements for the year ending 30 November 2022.

Pensions

The Company operates a defined benefit pension scheme (the "Consortium CARE Scheme") and participates in a multi-employer, defined benefit pension scheme (the "Platinum Scheme"). The Consortium CARE Scheme is closed to future accrual of benefits. At 30 November 2021, the Platinum Scheme became closed to future accrual of benefits as all employees in this Scheme left the Company with the sale of the Shrewsbury warehouse.

As at 30 November 2022 the combined net deficit associated with the Consortium CARE Scheme and Platinum Scheme was £0.7m (2021: £4.2m).

The Company has agreed recovery payments of £1.2m per annum until 31 December 2026 with the Trustees of the Consortium CARE Scheme with regards to the triennial valuation as at 31 May 2021 (at a deficit of £6.2m). The triennial valuation as at 31 December 2021 for the Platinum Scheme did not result in the identification of any funding requirements.

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

Simon Goodwin
Director
12 December 2023

DIRECTORS' REPORT

The Directors submit their report on the affairs of RM Educational Resources Limited ('the Company'), together with the financial statements and independent auditor's report, for the year ended 30 November 2022.

Strategic Report

The reporting requirements on principal activities, comments on the financial performance and position of the Company, principal risks and uncertainties, going concern, future developments and events after the reporting period are contained in the Strategic Report.

Directors

The Directors at the date of approval of these financial statements are listed on page 1. Appointments and resignations of Directors in the year and to the date of signing of this report are listed below.

Mark Cook (appointed 20 March 2023)
Simon Goodwin (appointed 8 September 2023)
Emmanuel Walter (appointed 15 August 2022 and resigned 8 September 2023)
Mark Berry (resigned 15 August 2022)
Mark Jozsef Lagler (resigned 23 December 2022)
Monique Louis (resigned 28 November 2023)

The RM plc Group has provided indemnity insurance for one or more of the Directors since its acquisition of the Company's parent undertaking 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.

Dividends

A dividend of £nil was paid in the year (2021: £6.0m). The Directors do not propose a final dividend (2021: £nil).

Political contributions

The Company made no political contributions during the year (2021: £nil).

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

DIRECTORS' REPORT (continued)

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

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

Statement regarding the disclosure of information to the auditor

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

Auditor

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting of RM Plc, the parent Company.

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

Simon Goodwin
Director
12 December 2023

Independent auditor's report to the members of RM Educational Resources Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of RM Educational Resources Limited (the "company"):
- give a true and fair view of the state of the company's affairs as at 30 November 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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

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

Material uncertainty related to going concern
We draw attention to note 2 in the financial statements, which indicates that the RM plc (the "group") interim announcement reported a material uncertainty and the Company is a guarantor of the facilities and is also reliant on the availability of Group financing to continue as a going concern. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

We have nothing to report in this regard.

Independent auditor's report to the members of RM Educational Resources Limited (continued)

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- completeness of liabilities given complexities which arose on the systems implementation led to problems capturing all external invoices. We circularised a sample of suppliers to obtain external confirmations which were used as the basis for supplier statement reconciliation testing to verify whether liabilities were complete; and
- accounting for major capital programmes where a potential fraud risk relates to expenditure being capitalised. We performed testing of a sample of transactions to determine whether it was appropriate to capitalise that expenditure rather than record it as a cost in the profit and loss account.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent auditor's report to the members of RM Educational Resources Limited (continued)

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

We have nothing to report in respect of these matters.

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

Kate Hadley, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
4 Brindley Place, Birmingham
12 December 2023

PROFIT AND LOSS ACCOUNT

	Note	Adjusted	Adjustments (See Note 4)	Total	Adjusted	Adjustments (See Note 4)	Total
				Year ended 30 November 2022			Year ended 30 November 2021
		£000	£000	£000	£000	£000	£000
Revenue	3	**114,367**	**-**	**114,367**	114,422	-	114,422
Cost of sales		**(81,973)**	**-**	**(81,973)**	(77,553)	-	(77,553)
Gross profit		**32,394**	**-**	**32,394**	36,869	-	36,869
Distribution costs		**(20,495)**	**-**	**(20,495)**	(17,966)	-	(17,966)
Administrative expenses		**(9,390)**	**(15,390)**	**(24,780)**	(8,886)	(6,718)	(15,604)
Profit / (loss) from operations	4	**2,509**	**(15,390)**	**(12,881)**	10,017	(6,718)	3,299
Interest receivable and similar income	7	**218**	**-**	**218**	195	-	195
Interest payable and similar charges	8	**(1,043)**	**-**	**(1,043)**	(620)	-	(620)
Profit / (loss) before tax		**1,684**	**(15,390)**	**(13,706)**	9,592	(6,718)	2,874
Tax on profit / (loss)	9	**410**	**2,965**	**3,375**	(1,720)	1,542	(178)
Profit / (loss) for the year		**2,094**	**(12,425)**	**(10,331)**	7,872	(5,176)	2,696

The notes on pages 20 to 41 form an integral part of these financial statements.
All amounts derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000 as restated
(Loss) / profit for the year		**(10,331)**	2,696
Items that will not be reclassified to the profit and loss			
Net actuarial gain related to pension schemes	22	**2,466**	1,102
Tax relating to components of other comprehensive income that will not be reclassified	9	**(596)**	36
Items that are or may be reclassified subsequently to the profit and loss			
Fair value gain / (loss) on forward exchange contracts		**(67)**	48
Tax relating to components of other comprehensive income that are or may be reclassified to profit or loss		**13**	(9)
Other comprehensive profit for the year		**1,816**	1,177
Total comprehensive (expense) / income for the year		**(8,515)**	3,873

The notes on pages 21 to 42 form an integral part of these financial statements.

BALANCE SHEET
At 30 November 2022

	Note	30 November 2022	30 November 2021
		£000	£000
Non current assets			
Intangible assets	11	**3,159**	3,144
Property, plant and equipment	12	**14,099**	13,640
Right of use asset	13	**13,253**	14,556
Deferred tax assets	17	**3,462**	626
Defined Benefit Pension Scheme surplus	22	**642**	493
		34,615	32,459
Current assets			
Inventories	14	**26,183**	19,054
Assets held for sale	16	**-**	3,031
Trade and other receivables	15	**21,208**	17,844
Cash and cash equivalents		**3,058**	1,901
		50,449	41,830
Total assets		**85,064**	74,289
Current liabilities			
Trade and other payables	18	**(59,482)**	(33,213)
Provisions	19	**(897)**	(1,955)
		(60,379)	(35,168)
Net current (liabilities)/assets		**(9,930)**	6,662
Total assets less current liabilities		**24,685**	39,121
Trade and other payables	18	**(14,168)**	(16,905)
Defined Benefit Pension Scheme obligation	22	**(1,354)**	(4,685)
		(15,522)	(21,590)
Total liabilities		**(75,901)**	(56,758)
Net assets		**9,163**	17,531
Equity attributable to shareholders			
Share capital	20	**500**	500
Capital contribution reserve		**178**	39
Hedging reserve		**(47)**	20
Profit and loss account		**8,532**	16,972
Total equity		**9,163**	17,531

The notes on pages 21 to 42 form an integral part of these financial statements.

These financial statements of RM Educational Resources Limited, registered number 03100039 were approved and authorised for issue by the Board of Directors on 12 December 2023.

On behalf of the board of the Board of Directors,

Simon Goodwin
Director

STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Capital contribution reserve	Hedging reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000
At 30 November 2020	500	67	(28)	22,743	23,282
Profit for the year	-	-	-	2,696	2,696
Net actuarial gain related to pension scheme	-	-	-	1,102	1,102
Other comprehensive income for the year	-	-	48	-	48
Tax relating to components of other comprehensive income	-	-	-	27	27
Total comprehensive income for the year	-	-	**48**	**3,825**	**3,873**
Transactions with owners, recorded directly in equity					
Dividends paid during the year (£12 per share)- Note 10	-	-	-	(6,000)	(6,000)
Capital contribution from forgiveness of loan	-	-	-	(3,596)	(3,596)
Share-based payment charge	-	(28)	-	-	(28)
At 30 November 2021	500	39	20	16,972	17,531
Loss for the year	-	-	-	**(10,331)**	**(10,331)**
Net actuarial gain related to pension scheme	-	-	-	**2,466**	**2,466**
Other comprehensive expense for the year	-	-	**(67)**	-	**(67)**
Tax relating to components of other comprehensive income	-	-	-	**(583)**	**(583)**
Total comprehensive expense for the year	-	-	**(67)**	**(8,448)**	**(8,515)**
Transactions with owners, recorded directly in equity					
Dividends paid during the year (£12 per share)- Note 10	-	-	-	-	-
Origination and reversal of temporary differences	-	-	-	**8**	**8**
Share-based payment credit	-	**139**	-	-	**139**
At 30 November 2022	**500**	**178**	**(47)**	**8,532**	**9,163**

The notes on pages 21 to 42 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

RM Educational Resources Limited is a private Company limited by shares incorporated in England and Wales. Its registered number is 03100039 and its registered address is 142B Park Drive, Milton Park, Milton, Abingdon, Oxfordshire, OX14 4SE. The Company is part of a United Kingdom listed group, whose ultimate parent is RM plc. The registered address of the parent company is the same as that of the company.

2. Significant accounting policies

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

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.
As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the following areas:

- Business combinations
- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital intangible and property, plant and equipment;
- Disclosures in respect of transactions with wholly owned subsidiaries and parent;
- Disclosures in respect of capital management;
- A statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement for tangibles and intangibles;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- IFRS 2 Share Based Payments in respect of group settled share based payments;
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instruments;
- Capital management; and
- Related party transactions

Alternative Performance Measures (APMs)

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

The following APMs are used by the Company:

- Adjusted gross profit
- Adjusted profit/(loss) from operations
- Adjusted operating margin
- Adjusted profit/(loss) before tax
- Adjusted tax
- Adjusted profit/(loss) after tax

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

The Board believes that presentation of the Company results in this way is relevant to an understanding of the Company's financial performance. Underlying performance excludes adjusted items which are identified by virtue of their size, nature and/or incidence. The treatment of adjusted items is applied consistently period on period. This presentation is consistent with the way that financial performance is measured by management, reported to the Board, the basis of financial measures for senior management's compensation schemes and assists in providing supplementary information that assists the user to understand the underlying financial performance, position and trends of the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Alternative Performance Measures (APMs) (continued)

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

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate based on their analysis of the factors below.

The Company is a wholly-owned subsidiary and a division of the RM plc Group, comprising RM plc and its subsidiaries ("the Group"). The company comprises two main businesses – Consortium and TTS (including TTS International).

As set out above, the results for the year ended 30 November 2022 were significantly behind expectation, largely because of the difficulties encountered during the IT implementation in the Consortium business where the disruption materially reduced revenues and elevated costs in what was already a challenging market backdrop of inflationary pressures on school budgets. The remainder of the RMER business delivered a strong performance with TTS UK revenues growing 10% and International revenues growing 40%.

In the Group Interim Report in August 2023, we reported that customer volumes were returning to Consortium slower than expected leading to lower trading volumes in Consortium in 2023 than forecast. The reduction in revenues combined with higher IT implementation costs and delays in go-live of certain aspects led to RM Resources recording revenue of £42.2m in the first half of FY23 (FY22: £51.6m) and an adjusted operating loss of £4.5m (FY22: profit £1.2m).

The Company continues to face operational and trading challenges, exacerbated by the more challenging budgetary environment in schools. The Consortium brand is particularly affected by this, which has impacted on its ability to recover sales and win back customer trust following system implementation issues.

The Company is reliant on Group funding to manage its working capital requirements, and it is therefore also reliant upon the continuation of the wider Group, in particular the Group's funding facilities, which carry certain covenant requirements, where the company acts as a guarantor alongside certain other Group companies. As such, in making the going concern assessment for this Company, the Directors have considered the going concern assessment, financing position and cashflow forecasts for the Group. At 31 May 2023 the Group had net current assets of £8.1m and adjusted net debt of £52.7m respectively (30 November 2022: net current liabilities of £49.2m and adjusted net debt of £46.8m). The directors have received a letter of support from RM plc indicating that it intends to continue to make financing available to the Company and has no intention to liquidate the company. The directors have visibility of the forecasts of the Group and are therefore able to place reliance on this letter.

RM plc has a bank facility ("the facility") which totalled £70.0m at the date of this report. The facility maturity was extended in March 2023 and is committed until July 2025. The terms of the revised facility were disclosed in Note 31 of the 2022 RM plc Annual Financial Statements. The debt facilities are subject to financial covenants from November 2023 to November 2024 on a minimum rolling 12-month historical period ("LTM EBITDA") which varies over time (November 2023 requirement of £8.6m), a hard liquidity requirement to maintain net debt below £62.5m and a soft liquidity covenant to maintain net debt below £57.5m. Unlike the 'hard' covenant, a breach of the 'soft' covenant does not constitute an event of default under the Facility Agreement but, instead, requires the Company to notify the Lenders of the breach and be available to discuss plans to increase liquidity.

The Consortium business has continued to experience an extended period of underperformance following the negative impact of the rollout of the new eCommerce platform, leading the Group to miss its forecast. Consequently, the Group breached the facility's LTM EBITDA covenant from the third quarter of the financial year ended 30 November 2023 but it successfully received waivers with its lenders for that period and continues to comply with the conditions of each lender with regards to that waiver and the respective facility agreement. In addition, the Group anticipated breaching its LTM EBITDA covenant for the fourth quarter of this financial year ending 30 November 2023, but on 29 November 2023 it also successfully received waivers with its lender for this period.

Under the latest available forecasts the Group is also forecast to breach the soft liquidity covenant test within Q1 of FY24 ending 29 February 2024.

The Group has modelled a severe but possible downside scenario in which the hard liquidity and EBITDA covenants may be breached during FY24. The Directors continue to monitor liquidity closely and are taking a number of actions to mitigate the liquidity risks. The Directors are sharing up to date actual and forecast information with the banks as discussions in relation to a further waiver or relaxation of the covenants, or restructuring of the facility, are ongoing.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Going concern (continued)

The Directors have prepared cash flow forecasts for a period of 12 months after the date of this report utilising a base case and reasonably possible downside scenario case. These forecasts are being formalised as part of the annual budgeting process to be approved by the RM plc Board in December and have been shared with the banking syndicate as the Group seeks further relaxation of covenants.

For going concern purposes, the Group has assessed a base case scenario that assumes the closure of the Consortium business during Q1 FY24, no significant downturn in UK or International markets from that experienced in the prior period and a broadly similar macroeconomic environment to that currently being experienced. The budget assumes:

- new contract wins in RM Assessment and RM Technology and increased hardware and infrastructure revenues in RM Technology associated with the UK government's three-year Connect the Classroom program for which they have provided £150m in funding;
- International volume growth was forecast in the TTS business, although the growth was modelled below the levels seen in 2022.

Gross margins in the base budget are expected to increase in the year ended 30 November 2024, with the increase in FY24 largely the result of revenue growth in the retained businesses, revenue mix and some underlying service delivery improvements.

Operating profit margins are forecast to improve as the benefits of the restructuring undertaken in FY23 are realised in future periods.

Net debt, while fluctuating within the period, is not expected to reduce significantly within the assessment period under the base case, as the conversion of profits into cash is expected to be offset by the ongoing costs of the transformation programme.

Under the base case, taking account of available facilities and existing cash resources, the working capital available to the Group is sufficient to meet its liabilities as they fall due for at least 12 months from the date of this report. . In the severe but reasonably possible downside scenario if the Group were unable to agree a restructuring of covenants, in addition to breaching the LTM EBITDA covenant during FY24, the Group would also be at risk of breaching its hard liquidity covenant in Q4 of FY24.

The Group is currently finalising its FY24 three-year budget and is considering options to generate the most value from the Company. The Directors continue to believe that TTS has a strong market offering in the UK and Internationally through continued development of curriculum products. As we announced on 24 November, the Group has taken the decision to close Consortium from the end of December 2023, which is expected to have a cashflow-positive effect during FY24.

The Banks agreeing to waivers of the Q3 and Q4 FY23 LTM EBITDA covenants indicated support for the Group, however the banks agreeing to future amendments to covenants are not within the Group's control and as a result, given the downside scenario referenced above, the Directors cannot conclude that the possibility of an un-waived breach of future covenant is remote.

The Group has shared up to date financial data with the Banks who remain supportive of management, recognise the issues that the business has faced and also the steps taken (cost savings and restructuring) to return to previous levels of financial performance.

In light of the continued headwinds, the announced restructuring of the Group and the need for the annualisation of savings to mature, the Group and the Banks remain in discussions and the Directors currently expect to agree suitable waivers and amendments (including potential covenant re-sets and maturity extension) to allow the Group's facility to remain available. The announcement of the conclusion of discussions is expected to be in the first quarter of 2024.

However, until agreed with the Banks, and as reported in the RM plc interim announcement, there remains a material uncertainty related to events or conditions that may cast significant doubt over the Group's ability to continue as a going concern relating to the hard liquidity and future EBITDA covenants, and hence realise their assets and discharge their liabilities in the normal course of business. As the Company is a guarantor of the facilities and is also reliant on the availability of Group financing there is a material uncertainty over its ability to continue as a going concern such that the company may be unable to realise its assets and discharge its liabilities in the normal course of business, The financial statements do not include any adjustments that would arise from the basis of preparation being inappropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Basis of preparation

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

The Company's key sources of estimation uncertainty and critical accounting judgements which are disclosed within the relevant note to the financial statements, are as follows:

- *Retirement benefit obligation*

The Company recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Retirement Benefit Obligations'. The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries and life expectancy, amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. Management make these estimates in consultation with an independent actuary. Details of the estimates made in calculating the transactions are disclosed in note 22.

- *Deferred tax asset recoverability*

The Directors have made a judgement that the deferred tax asset will be recovered based on proceeds received from another group company for utilisation of the tax losses. This judgement is underpinned by the existence of a group relief payment policy and an understanding that RM Education Limited is forecast to generate taxable profits to enable the deferred tax asset to be recovered within three years.

- Classification of adjusting items

A number of judgements are made in the preparation of the financial statements, in the presentation of both certain costs and income as adjustments. The factors considered in making this judgement are the size or nature of the adjustment and their impact on the segment. These are fully set out in Note 4.

- Going concern

In concluding the going concern assessment remained appropriate in light of the material uncertainties, the Directors have made a significant judgement that banking support will continue to be made available to the Group, as detailed in Note 2.

Revenue

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

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

At contract inception the total transaction price is estimated, being the amount to which the Company expects to be entitled and has rights to under the present contract.

Transactional (point in time) contracts

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

The nature of contracts or performance obligations categorised within this revenue type are the provision of curriculum and educational resources for schools and nurseries.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Supplier rebates

Supplier rebates are recognised net of Value Added Tax in accordance with supplier contracts.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write down their cost to their estimated residual values in equal annual instalments over the estimated useful economic lives of the assets. The rates of depreciation are as follows:

Leasehold building improvements	Up to 25 years
Plant and equipment	3 – 10 years
Specialised plant and equipment	7 – 15 years
Office equipment	2 – 5 years

Intangible Assets

- *Software*

Software is stated at cost and amortised on a straight-line basis over the estimated useful economic life. Assets are amortised over 3-5 years.

- *Capitalisation of internally-generated development costs*

Expenditure on developed software is capitalised when the Company is able to demonstrate all of the following: the technical feasibility of the resulting asset; the ability (and intention) to complete the development and use it; how the asset will generate probable future economic benefits; and the ability to measure reliably the expenditure attributable to the asset during its development. Subsequently to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Assets are amortised over 3-5 years on a straight-line basis.

Financial instruments

- *Trade and other receivables*

Trade and other receivables are not interest bearing, except those specifically detailed in note 15. Trade and other receivables are recognised initially at fair value and subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

The Company assesses on a forward-looking basis the expected credit losses associated with its receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk and this is assessed between government and commercial organisations. For trade receivables, the Company applies a simplified approach permitted by IFRS9, resulting in trade receivables recognised and carried at original invoice amount less an allowance for any uncollectible amounts based on expected credit losses.

- *Held for Sale Asset*

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

- *Cash and cash equivalents*

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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

- *Trade and other payables*

Trade and other payables are not interest bearing, except those specifically detailed in note 18. 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.

- *Provisions*

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

- *Restructuring provision*

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

- *Dilapidations provision*

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

Derivative financial instruments

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Foreign currencies

The Company presents its financial statements in Sterling because this is the currency in its primary operating environment.

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.

Leases

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

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

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

- fixed lease payments;
- variable payments that depend on an index or rate, initially measured using the commencement date index or rate;
- any amounts expected to be payable under residual guarantees.

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

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

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

Inventories

Inventories comprise goods for resale and are stated at the lower of cost and net realisable value. Cost is the latest purchase price of the inventory. Net realisable value is based on estimated selling price. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised, or that they will be utilised by other group companies who will reimburse this company. Their carrying amount is reviewed at each balance sheet date on the same basis.

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

Pensions

The Company makes contributions to two defined benefit pension schemes. The asset or liability recorded in the balance sheet is the difference between the fair value of the scheme's assets and the present value of the defined obligation at that date. The defined benefit obligation is calculated separately for each scheme on an annual basis by independent actuaries using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they occur, and are taken to other comprehensive income. Current and past service costs, along with the impact of any settlements or curtailments, are charged to the profit and loss account. Interest on pension plans' liabilities is recognised within finance expense and the expected return on the schemes' assets is recognised within finance income in the profit and loss account. Contributions to defined contribution schemes are charged to the profit and loss account when they fall due.

Share-based payments

Certain employees of the Company receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). The Company takes part in the Group share-based payment plans and recognises and measures its allocation of the share-based payment expense based on individual entitlement or by pro rata basis in respect of the sharesave scheme. Equity-settled share-based schemes are measured at fair value at the date of grant. The fair value is expensed with a corresponding increase in equity on a straight-line basis over the period during which employees become unconditionally entitled to the options. The fair values are calculated using an appropriate option pricing model. The income statement charge is then adjusted to reflect expected and actual levels of vesting based on non-market performance related criteria.

3. Revenue

By activity	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Revenue from supply of products	**114,358**	114,336
Revenue from rendering of services	**9**	86
	114,367	114,422

By geographical market	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
United Kingdom	**91,941**	98,448
Rest of Europe	**12,920**	8,849
North America	**3,555**	1,882
Asia	**880**	772
Middle East	**3,305**	2,004
Rest of World	**1,766**	2,467
	114,367	114,422

All revenue is recognised at a point in time.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Profit / (loss) from operations

	Note	Year ended 30 November 2022 Adjusted £000	Year ended 30 November 2021 Adjusted £000
Profit / (loss) from operations is arrived at after charging/ (crediting):			
Inventories recognised as an expense		**62,137**	61,898
Depreciation	12, 13	**2,716**	2,379
Amortisation (within administrative expenses)	11	**35**	298
Loss on sale of property, plant and equipment		**9**	3
Profit on sale of assets held for sale		**(217)**	(1,399)
Auditor's remuneration:			
Auditor's fees – fees for the Statutory audit of the Company's financial statements		**353**	108
Operating lease rentals:			
- plant and machinery		**61**	115

Alternative Performance Measures

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

Adjusting items

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
Operating expenses:		
Restructuring and integration costs	**15,607**	8,117
Gain on sale of held for sale property	**(217)**	(1,399)
Total expense / (income) before taxation	**15,390**	6,718
Income tax (credit)/charge	**(2,965)**	(1,542)
Total expense / (income) after taxation	**12,425**	5,176

These are items which are identified by virtue of either their size or their nature to be important to understanding the performance of the business including the comparability of the results year on year. These items can include, but are not restricted to, impairment; gain on held for sale assets and related transaction costs; changes in the provision for exceptional property costs; the gain/loss on sale of operations and restructuring and acquisition costs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Profit/ (loss) from operations (continued)

In 2018, following a large acquisition, the company announced a new warehouse strategy which involved the disposal of 5 warehouses (including 3 warehouses from the newly acquired group of companies) into one new automated warehouse. Interlinked with the automation software was a requirement to change the ERP solution. The company believes that whilst this programme spans a number of years, it's size, complexity and number of unusual costs and income are material to the understanding of the trading performance of the business including the comparability of results year on year. As a result, all significant costs or income relating to this programme have been treated as an adjustment to profit, consistently period to period. Whilst this programme is ongoing, the company have paused certain elements of this programme at the end of the year, and so do not anticipate further dual run elements in future years.

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

Restructuring and integration costs include:

- Dual run related costs during the period of £2.8m (2021: £1.0m), relate to costs associated with the new warehouse (acquired at the end of November 2020) that is not yet fully operational at end of November 2022. These costs include items such as utilities, security and increased warehouse staff to test the new facility and to transfer inventory. Other dual run costs include IT costs (excluding configuration costs of SaaS licences) being expensed that relate to running of IT systems not yet in use of £0.3m and a provision for onerous licence contracts of £0.2m.
- During the period the Company disposed of one of the assets reclassified as held for sale at 30 November 2020, which was a warehouse that was no longer be required following the estates strategy review. This warehouse sale generated proceeds of £3.3m and a profit after direct selling costs and costs of moving from the warehouse of £0.2m.
- The configuration and customisation costs relating to our ERP programme "Evolution", which represents a significant investment. These costs total £12.2m (2021: £7.1m) which was recharged from a fellow subsidiary as a service charge for work performed on the ERP programme.

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

- Dual run related costs related to costs associated with the new warehouse of £1.0m
- IT service costs recharged from a fellow subsidiary that relate to the new ERP solution of £7.1m

The adjustments have the following impact on key metrics:

	2022 Statutory measure	2022 Adjustment	2022 Adjusted measure	2021 Statutory measure	2021 Adjustment	2021 Adjusted measure
Gross profit (£000)	32,394	-	32,394	36,869	-	36,869
Profit/(loss) from operations (£000)	(12,881)	(15,390)	2,509	3,299	(6,718)	10,017
Operating margin (%)	(11.3)%	n/a	2.2%	2.9%	n/a	8.8%
Profit/(loss) before tax (£000)	(13,706)	(15,390)	1,684	2,874	(6,718)	9,592
Tax (£000)	3,375	2,965	410	(178)	1,542	(1,720)
Profit/(loss) after tax (£000)	(10,331)	(12,425)	2,094	2,696	(5,176)	7,872

Adjusted profit/(loss) from operations is defined as the profit/(loss) from operations excluding the adjustments referred to above. Operating margin is defined as the operating profit/(loss) as a percentage of revenue. The impact of tax is set out in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Staff numbers and costs

	Year ended 30 November 2022 No.	Year ended 30 November 2021 No.
The average number of full-time equivalent persons (including Directors and contractors) employed by the Company during the period was as follows:		
Marketing and sales	**206**	187
Research and development, products and services	**276**	230
Corporate services	**26**	30
	508	447

	£000	£000
The costs incurred in respect of these employees were:		
Wages and salaries	**17,402**	15,445
Termination costs	**120**	65
Social security costs	**1,461**	1,249
Other pension costs	**542**	532
Share-based payments	**139**	(28)
	19,664	17,263

6. Directors

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
The emoluments of the Directors of the company were:		
Fees and other emoluments (excluding pension contributions)	**241**	236
Value of company pension contributions	**16**	16
	257	252

	£000	£000
Fees and emoluments disclosed above include amounts paid to:		
The highest paid Director:		
Fees and other emoluments	**241**	236
Value of company pension scheme contributions	**16**	16
	257	252

The number of Directors who:	No.	No.
- exercised share options in RM plc during the year	-	-

During the year some operating Directors were remunerated for their services by the RM plc Group as a whole. Only one director was paid by the Company (2021: one).

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Interest receivable and similar income

	Year ended 30 November 2021 £000	Year ended 30 November 2021 £000
Loan interest – RM group companies	**218**	195
	218	195

8. Interest payable and similar charges

	Year ending 30 November 2022 £000	Year ending 30 November 2021 £000
Finance costs relating to defined benefit pension scheme	**64**	79
Lease interest costs	**265**	280
Interest on amounts owed to Group undertakings	**714**	261
	1,043	620

9. Tax charge on profit

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
a) Analysis of the tax charge/ (credit) in the Profit and Loss Account		
Current taxation		
UK Corporation Tax	**-**	(301)
Adjustment in respect of prior years	**35**	(75)
Total current tax charge/(credit)	**35**	(376)
Deferred taxation		
Origination and reversal of temporary differences	**(3,355)**	516
Adjustment in respect of prior years	**(55)**	50
Impact of rate change	**-**	(12)
Total deferred tax (credit)/charge	**(3,410)**	554
Total tax (credit)/charge in the Profit and Loss Account	**(3,375)**	178

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Tax charge on profit (continued)

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
b) Analysis of the tax charge/ (credit) in the Statement of Comprehensive Income		
Current taxation		
Defined Benefit Pension Scheme	-	(117)
Share based payments	-	(1)
Adjustment in respect to prior years	-	(3)
Total current tax credit	-	(121)
Deferred taxation		
Defined Benefit Pension Scheme	**583**	326
Share based payments	-	19
Deferred tax change of rate	-	(251)
Total deferred tax charge	**583**	94
Total tax charge/(credit) in the Statement of Comprehensive Income	**583**	(27)

c) Reconciliation of Profit and Loss Account tax charge

The total tax (credit)/charge for the year can be reconciled to the profit in the Profit and Loss Account as follows:

	Year ended 30 November 2022 £000	Year ended 30 November 2021 £000
(Loss)/profit before tax	**(13,706)**	2,874
(Loss)/profit before tax at the UK statutory rate of 19% (2021: 19%)	**(2,604)**	546
Effect of:		
Expenses not deductible for tax purposes	**60**	31
Rolled over gain on sale of property	-	(464)
Impact of rate change	**(795)**	(12)
Other temporary differences	**34**	102
Adjustment to tax charge in respect of prior periods	**(70)**	(25)
	(3,375)	178

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Dividends

Dividends of £nil were paid in the year (2021: £6,000,000 (£12 per share)).

11. Intangible assets

	Goodwill	Computer software	Internally generated development costs	Total
	£000	£000	£000	£000
Cost				
At 1 December 2021	3,151	5,389	592	9,132
Additions	-	28	-	28
Reclassifications of assets	-	22	-	22
At 30 November 2022	**3,151**	**5,439**	**592**	**9,182**
Accumulated amortisation				
At 1 December 2021	64	5,332	592	5,988
Charge for the year	-	35	-	35
At 30 November 2022	**64**	**5,367**	**592**	**6,023**
Carrying amount				
At 30 November 2022	**3,087**	**72**	**-**	**3,159**
At 30 November 2021	3,087	57	-	3,144

Goodwill
A review of the future forecast cash flows indicated no impairment was required at 30 November 2022. 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 Company has assessed that no reasonably possible change in these estimates would give rise to an impairment of goodwill.

The Company prepared cash flow forecasts for the impairment review at 30 November 2022 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% (2021: 2.0%) which aligns to market growth and inflation expectations. Pre tax discount rates used are 13.2% (2021: 13.4%).

Other intangible assets
At each balance sheet date, the Company reviews the carrying value of the assets to determine whether there is any indication that those assets have suffered an impairment loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Property, plant and equipment

	Leasehold improvements	Assets under Construction	Plant and Machinery	Office Equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 December 2021	1,765	11,463	1,759	1,422	**16,409**
Additions	564	-	790	42	**1,396**
Reclass to assets held for sale (note 16)	5,947	(11,463)	5,494	-	**(22)**
Disposals	-	-	(19)	(341)	**(360)**
At 30 November 2022	**8,276**	**-**	**8,024**	**1,123**	**17,423**
Accumulated depreciation					
At 1 December 2021	818	-	1,166	785	**2,769**
Charge for the year	308	-	419	179	**906**
Disposals	-	-	(19)	(332)	**(351)**
At 30 November 2022	**1,126**	**-**	**1,566**	**632**	**3,324**
Carrying value					
At 30 November 2022	**7,150**	**-**	**6,458**	**491**	**14,099**
At 30 November 2021	947	11,463	593	637	13,640

13. Right of use assets

	Property £000	Plant & equipment £000	Vehicles £000	Total £000
Cost				
At 1 December 2021	15,303	1,689	227	17,219
Additions	594	-	-	594
Disposals	(675)	(275)	(178)	(1,128)
30 November 2022	**15,222**	**1,414**	**49**	**16,685**
Accumulated depreciation and impairment				
At 1 December 2021	2,079	441	143	2,663
Charge for the year	1,521	235	54	1,810
Disposals	(606)	(277)	(158)	(1,041)
30 November 2022	**2,994**	**399**	**39**	**3,432**
Carrying value				
30 November 2022	**12,228**	**1,015**	**10**	**13,253**
30 November 2021	13,224	1,248	84	14,556

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Inventories

	30 November 2022 £000	30 November 2021 £000
Goods for resale	**26,183**	19,054

Any inventory that is not expected to be turned over within 24 months has been provided for. Inventories are stated net of provisions of £673,000 (2021: £472,000).

15. Trade and other receivables

	30 November 2022 £000	30 November 2021 £000
Due within one year:		
Trade debtors	**17,090**	13,461
Other debtors	**1,115**	422
Corporation tax	**470**	419
Prepayments	**2,533**	3,306
Amounts due from RM group companies	**-**	236
	21,208	17,844

Amounts due from RM Group companies comprise predominantly funding loans that arise from cross charged services that carry interest at SONIA plus 2% and are repayable on demand.

16. Held for sale assets

Following the acquisition of The Consortium in 2017, the company originally had five distribution centres across three locations, all of which had been classified as held for sale when the criteria had been met. As part of a warehouse consolidation project, the company sold the final freehold property in Trowbridge in the year ended 30 November 2022 (the amortised cost of the property and other fixed assets integral to the property was £3,031,000).

17. Deferred tax assets

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting periods.

	Share based payments £000	Retirement benefit obligation £000	Accelerated tax depreciation £000	Other timing differences £000	Losses £000	Total £000
At 1 December 2020	111	1,125	(10)	48	-	1,274
Charge to income	(124)	-	(460)	29	-	(555)
(Credit)/charge to other comprehensive income	(19)	(74)	-	-	-	(93)
At 30 November 2021	**(32)**	**1,051**	**(470)**	**77**	**-**	**626**
Credit/(charge) to income	32	(265)	(592)	359	3,876	**3,410**
(Credit)/charge to other comprehensive income	-	(583)	-	-	-	**(583)**
Tax included directly in equity	9	-	-	-	-	**9**
At 30 November 2022	**9**	**203**	**(1,062)**	**436**	**3,876**	**3,462**

The deferred tax asset is expected to be recovered through payments from another Group company for use of the available tax losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Trade and other payables

	30 November 2022 £000	30 November 2021 £000
Amounts falling due within one year		
Trade creditors	**14,845**	11,284
Other creditors	**3,956**	2,377
Other taxation and social security	**670**	1,881
Derivative Financial Instruments	**48**	-
Accruals	**2,805**	5,465
Amounts due to RM group companies	**37,158**	12,206
	59,482	33,213
Amounts falling due after more than one year		
Lease liabilities	**14,168**	15,247
Other creditors	**-**	1,658
	14,168	16,905
Total creditors	**73,650**	50,118

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

Amounts due to RM Group companies comprise predominantly funding loans that carry interest at SONIA plus 2% and are repayable on demand.

19. Provisions

	Employee-related restructuring £000	Dilapidations £000	Contract risk £000	Total £000
At 1 December 2021	917	1,038	-	**1,955**
Charge during the year	44	-	229	**273**
Utilisation of provisions	(961)	(211)	-	**(1,172)**
Released in the year	-	(159)	-	**(159)**
At 30 November 2022	**-**	**668**	**229**	**897**

Contract risk provisions included an onerous IT licence contract.

Disclosure of provisions

	30 November 2022 £000	30 November 2021 £000
Current liabilities	**897**	1,955
Non-current liabilities	**-**	-
	897	1,955

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Share capital

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

	30 November 2022		30 November 2021	
	No.	**£'000**	No.	£'000
Authorised, allotted, called up and fully paid				
Ordinary shares of £1 each	**500,000**	**500**	500,000	500

All shares are equity and rank pari passu in all respects. They carry no rights to fixed income.

21. Operating lease commitments

Minimum payments under operating leases are as follows:

	30 November 2022 £000	30 November 2021 £000
Equipment and vehicles		
- within one year	**24**	7
- within two to five years	**-**	2
	24	9

22. Retirement benefit obligations

The company operates two defined benefit schemes, and a summary of the movements in the net balance sheet asset/(liability) and amounts recognised in the Balance sheet, Income Statement and Other Comprehensive Income is as follows:

	Fair value of scheme assets	Defined benefit obligation	Total
	£000	**£000**	**£000**
At 1 December 2021	**20,922**	**(25,114)**	**(4,192)**
Administration expenses	(7)	-	(7)
Net interest cost	370	(434)	(64)
Total amount recognised in income statement	**363**	**(434)**	**(71)**
Actual less expected return on scheme assets	(6,430)	-	(6,430)
Actuarial losses arising from experience	-	(1,342)	(1,342)
Actuarial loss arising from changes in financial assumptions	-	9,948	9,948
Actuarial gain arising from changes in demographic assumptions	-	290	290
Amount recognised in other comprehensive income	**(6,430)**	**8,896**	**2,466**
Employer contributions	1,085	-	1,085
Benefit payments	(637)	637	-
Contributions and benefits	**448**	**637**	**1,085**
At 30 November 2022	**15,303**	**(16,015)**	**(712)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Retirement benefit obligations (continued)

	30 November 2022	30 November 2021
Amounts included in:		
Non-current assets	**642**	493
Non-current liabilities	**(1,354)**	(4,685)

Under IFRIC 14, any surplus in both pension schemes may be recognised on the balance sheet.

The Consortium CARE scheme (CARE scheme)

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

The 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 Company 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 advisers where appropriate.

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 2021 by a qualified independent actuary. IAS 19 Employee Benefits (revised) liabilities at 30 November 2022 have been rolled forward based on this valuation's base data.

As at 31 May 2021, the triennial valuation for statutory funding purposes showed a deficit of £6,240,000. The Group agreed with the Scheme Trustees that it will repay this amount via deficit catch-up payments of £1,200,000 per annum until 31 December 2026. The next triennial valuation will be due as at 31 May 2024.

The amounts recognised in the balance sheet within non-current liabilities in relation to the Consortium CARE scheme plan are as follows:

	30 November 2022 £000	30 November 2021 £000
Present value of funded obligation	**(14,549)**	(22,382)
Present value of unfunded obligation	**(98)**	(161)
Present value of total obligation	**(14,647)**	(22,543)
Fair value of assets	**13,293**	17,858
Retirement benefit obligation recognised in the balance sheet	**(1,354)**	(4,685)

An analysis of the defined benefit scheme assets at the balance sheet date is detailed below:

	30 November 2022 £000	30 November 2021 £000
Investment funds - unquoted	**12,529**	17,696
Cash and Cash Equivalents – un-quoted	**764**	162
	13,293	17,858

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Retirement benefit obligations (continued)

Prudential Platinum Pension (Platinum scheme)

Upon acquisition of West Mercia Supplies, a pension scheme (the "Platinum" scheme") was set up providing benefits on both a defined benefit (final salary-linked) and a defined contribution basis for West Mercia employees. A full actuarial valuation was carried out by the independent actuaries XPS Pensions Group on 31 December 2021. 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 Company and the Trustee is 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 2021 was a surplus of £71,800 (31 December 2018: deficit of £213,000).

The amounts recognised in the balance sheet within non-current assets in relation to the Platinum scheme are as follows:

	30 November 2022 £000	30 November 2021 £000
Present value of funded obligation	**(1,363)**	(2,568)
Fair value of assets	**2,005**	3,061
Retirement benefit recognised in the balance sheet	**642**	493

An analysis of the Platinum defined benefit scheme assets at the balance sheet date is detailed below:

	30 November 2022 £000	30 November 2021 £000
Debt instruments - Corporate	**1,030**	1,497
Debt instrument - Index linked	**975**	1,564
	2,005	3,061

The principal long-term assumptions used to calculate scheme liabilities are:

	30 November 2022 %	30 November 2021 %
Rate of increase in pensions payment	**2.00**	2.15
Rate of increase in salaries	**n/a**	n/a
Discount rate: CARE scheme	**4.45**	1.75
Discount rate: Platinum Scheme	**4.35**	1.75
Inflation assumption - CPI (period to 1 January 2030)	**2.05**	2.15
Inflation assumption - CPI (period after 1 January 2030)	**3.05**	3.15
Inflation assumption - RPI	**3.05**	3.15

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Retirement benefit obligations (continued)

Under the adopted mortality tables, the future life expectancy at age 65 is as follows:

	30 November 2022	30 November 2021
Male currently aged 45	**22.7**	23.2
Female currently aged 45	**24.9**	25.7
Male currently aged 65	**21.5**	21.9
Female currently aged 65	**23.7**	24.3

The CARE scheme and the Platinum scheme expose the Company to a number of risks. The major risks are investment risk, interest rate risk, inflation risk and mortality risk. The Company and trustees are aware of these risks and manage them through appropriate investment and funding strategies. The Company has considered the following assumptions for sensitivities with impacts noted below:

CARE:

Assumption	**Change in assumption**	**Impact on scheme liabilities**
Discount rate	Increase/decrease by 0.1%	Decrease/increase by -£0.4m/+£0.4m
Rate of inflation	Increase/decrease by 0.1%	Increase/decrease by +£0.4m/-£0.4m
Rate of mortality	Increase/decrease by 1 year	Increase/decrease by +/-£0.9m

Platinum:

Assumption	**Change in assumption**	**Impact on scheme assets**
Discount rate	Increase/decrease by 0.1%	Increase/decrease by +£9,000/-£66,000
Rate of inflation	Increase/decrease by 0.1%	Decrease/increase by -£65,000/+£9,000
Rate of mortality	Increase/decrease by 1 year	Decrease/increase by -/+£2,000

23. Capital commitments

Amounts contracted for at 30 November 2022 but not provided in the financial statements amounted to £nil (2021: £504,000).

24. Related party transactions

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

25. Ultimate parent Company and controlling party

The ultimate parent undertaking and controlling party is RM plc, a Company registered in England and Wales, whose registered office is 142B Park Drive, Milton Park, Abingdon, Oxfordshire, OX14 4SE.

The largest and smallest group of undertakings for which group accounts have been drawn up and of which the Company is a member is RM plc. The financial statements of RM plc are publicly available and may be obtained from RM plc at its registered office address above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Post Balance Sheet Events

The parent company, RM Group plc, amended and extended its £70.0m revolving credit facility with its lenders, HSBC Bank plc and Barclays Bank plc, on 28 March 2023.

On 24 November 2023, the Group announced the decision to close the Consortium division of the Company from the end of December. In the Group's accounts for the year ended 30 November 2023 there is expected to be a material writedown of the carrying value of Consortium and in the Company's accounts, certain of its related assets including intangible assets, inventories and property, plant and equipment. Additionally, within the Company's accounts for the year ended 30 November 2023 there is expected to be a provision for exit costs. There is not expected to be any cash impact for either the Group or the Company in the year ended 30 November 2023. This is a non-adjusting post balance sheet event because the decision to close Consortium took place after the balance sheet date.

As noted in the going concern sections of the strategic report and accounting policies, the Group's interim financial statements for the period ended 31 May 2023 disclosed an expected breach of the banking facility's EBITDA covenant for the quarter ended 31 August 2023. On 29 August 2023, the Group announced it had received waivers from its lenders in respect of this covenant. On 29 November 2023, the Group further announced it had received waivers from its lenders in respect of the EBITDA covenant for the quarter ended 30 November 2023. The Group has also commenced the renegotiation of an amendment and extension of its lending facility, which matures in July 2025.