THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who is authorised under the Financial Services and Markets Act 2000 (as amended) if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary Shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or otherwise transferred part only of your holding of Ordinary Shares, you should retain these documents.

The distribution of this document and/or the Form of Proxy in certain jurisdictions may be restricted by law and therefore persons into whose possession these documents comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The contents of this document should not be construed as legal, business or tax advice.

This document contains no offer of transferable securities to the public within the meaning of section 102B of the FSMA, the Act or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of the FSMA.

RM plc

(Incorporated in England and Wales under the Companies Act 1948 with registered number 01749877)

Proposed acquisition of Connect Education & Care

and

Notice of General Meeting of the Company

Your attention is drawn to the letter from the Chairman of the Company which is set out in Part I of this document and which contains the unanimous recommendation of the Directors that you vote in favour of the Resolution to be proposed at the General Meeting of the Company referred to below. Please read the whole of this document and, in particular, the risk factors set out in Part II of this document.

Notice of a General Meeting of the Company, to be held at the offices of the Company at 140 Eastern Avenue, Milton Park, Milton, Abingdon, Oxfordshire, OX14 4SB at 12.00 p.m. (or as soon thereafter as the AGM shall have been concluded) on 22 March 2017, is set out at the end of this document. To be valid, the accompanying Form of Proxy for use in connection with the General Meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, by not later than 12.00 p.m. on 20 March 2017 (or, if the General Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting). Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.

Shareholders who hold their Ordinary Shares in uncertificated form in CREST may alternatively use the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual as explained in the notes accompanying the Notice of General Meeting at the end of this document. Proxies submitted via CREST must be received by Capita Asset Services (ID RA10) by no later than 12.00 p.m. on 20 March 2017 (or, if the General Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting). The appointment of a proxy using the CREST Proxy Voting Service will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Rothschild, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and no-one else in connection with the Acquisition and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Rothschild nor for giving advice in relation to the Acquisition or any other matter referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Rothschild by the FSMA or the regulatory regime established thereunder, Rothschild does not accept any responsibility whatsoever for the context of this document, and no representation or warranty, express or implied, is made by Rothschild in relation to the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Acquisition, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. To the fullest extent permitted by law, Rothschild disclaims all and any responsibility or liability whether arising tort, contract or otherwise which it may otherwise have in respect of this document or any such statement.

IMPORTANT NOTICES

Cautionary note regarding forward-looking statements

Certain statements contained in this document, constitute or may be deemed to be ''forward-looking statements''. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms ''believes'', ''estimates'', ''projects'', ''would'', ''aims'', ''plans'', ''predicts'', ''prepares'', ''anticipates'', ''expects'', ''intends'', ''may'', ''will'' or ''should'' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Shareholders should specifically consider the factors identified in this document, which could cause actual results to differ before making an investment decision. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company, the Group and/or the Enlarged Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Company, the Group and/or the Enlarged Group will operate in the future. Such risks, uncertainties and other factors are set out more fully in Part II of this document. These forward-looking statements speak only as at the date of this document. Except as required by the FCA, the London Stock Exchange or applicable law (including as may be required by the Listing Rules or the Disclosure and Transparency Rules), the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The statements above relating to forward-looking statements should not be construed as a qualification on the opinion of the Company as to working capital set out in paragraph 7 of Part VI of this document.

Presentation of financial information

Unless otherwise stated:

(a) financial information relating to RM has been extracted without material adjustment from the audited consolidated financial statements of the Company; and

(b) financial information relating to Connect Education & Care has been extracted without material adjustment from the historical financial information set out in Part IV of this document and the audited financial statements of Connect Education & Care for the financial years ended 31 August 2014, 31 August 2015 and 31 August 2016.

Certain financial information relating to Connect Education & Care in this document may differ from that included in the announcement by RM dated 7 February 2017. The financial information included in the announcement was extracted from Connect Education & Care's historical financial information as reported, however the financial information included in this document has been restated in accordance with RM's accounting policies.

No profit forecast or estimate

No statement in this document is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings or earnings per share for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for the Company.

Rounding

Certain data in this document, including financial, statistical and operational information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data. Percentages in tables have been rounded and, accordingly, may not add up to 100 per cent.

Currency presentation

In this document, references to "pounds sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom.

Presentation of market, economic and industry data

Where information contained in this document originates from a third party source, it is identified where it appears in this document together with the name of its source. Such third party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No incorporation of website information

The contents of the Company's website or any hyperlinks accessible from the Company's website do not form part of this document and Shareholders should not rely on them.

Interpretation

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading "Definitions".

All times referred to in this document and the Form of Proxy are, unless otherwise stated, references to London time.

All references to legislation in this document and the Form of Proxy are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	John Poulter (*Non-executive Chairman*) David Brooks (*Chief Executive Officer*) Neil Martin (*Chief Financial Officer*) Lord Andrew Adonis (*Independent Non-executive Director*) Deena Mattar (*Independent Non-executive Director*) Patrick Martell (*Independent Non-executive Director*) All of whose business address is at the Company's registered and head office
Registered and Head Office	140 Eastern Avenue Milton Park Milton Abingdon Oxfordshire OX14 4SB
Company Secretary	Greg Davidson
Sponsor and financial adviser	Rothschild New Court St Swithin's Lane London EC4N 8AL
Legal advisers to the Company	Osborne Clarke LLP One London Wall London EC2Y 5EB
Reporting Accountants to the Company	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Time and/or date[1]
Publication and posting of this document, the notice of General Meeting and the Forms of Proxy	24 February 2017
Latest time and date for receipt of Forms of Proxy	12.00 p.m. on 20 March 2017
General Meeting	12.00 p.m. on 22 March 2017
Expected Completion of Acquisition[2]	In the first half of 2017[2]

Notes:

1. *Each of the above times and/or dates is subject to change at the absolute discretion of the Company and Rothschild. If any of the above times and/or dates should change, the revised times and/or dates will be announced by the Company through a Regulatory Information Service.*
2. *Completion is expected to occur as soon as practicable following receipt of the Clearance from the CMA. An announcement will be made by the Company through a Regulatory Information Service following the outcome of the CMA's Phase I review.*

PART I

LETTER FROM THE CHAIRMAN OF THE COMPANY

RM plc

(Incorporated in England and Wales under the Companies Act 1948 with registered number 01749877)

Directors	*Registered and Head Office*
John Poulter (*Non-executive Chairman*)	140 Eastern Avenue
David Brooks (*Chief Executive Officer*)	Milton Park
Neil Martin (*Chief Financial Officer*)	Milton
Lord Andrew Adonis (*Independent Non-executive Director*)	Abingdon
Deena Mattar (*Independent Non-executive Director*)	Oxfordshire
Patrick Martell (*Independent Non-executive Director*)	OX14 4SB

24 February 2017

To Shareholders

Dear Shareholder,

Proposed acquisition of Connect Education & Care and Notice of General Meeting

1. Introduction

On 7 February 2017, RM announced that it had entered into a conditional agreement to acquire the entire issued share capital of the Education & Care business of Connect Group PLC ("**Connect Education & Care**") for a consideration of £56.5 million on a cash-free, debt-free basis, subject to customary adjustments. RM will also assume Connect Education & Care's pension schemes which reported a combined net liability of £7.9 million on an IAS 19 basis as at 31 August 2016.

The consideration to be paid for Connect Education & Care will be satisfied entirely in cash at Completion, funded through existing resources and new debt facilities, and represents a multiple of 6.3 times Connect Education & Care's EBITDA (before non-recurring items) of £9.0 million for the year ended 31 August 2016. Including expected annual run-rate pre-tax synergies of £2.0 million, the consideration represents a multiple of 5.1 times Connect Education & Care's EBITDA (before non-recurring items) for the year ended 31 August 2016.

Connect Education & Care is a leading independent supplier of branded and own-brand products primarily to educational institutions. The Acquisition represents a strategic opportunity for RM to enhance significantly the scale and offering of its education resources business. The Board believes that the combination of RM's education resources business, TTS, and Connect Education & Care would lead to an expanded, more diversified and better balanced product portfolio, comprising a wide spectrum of higher, value-added, curriculum-focussed resources and essential commodity and education resource products. The businesses also have complementary geographic coverage and customer relationships, and combined would have an improved purchasing position and benefit from other significant operational improvement opportunities.

The Acquisition is of sufficient size relative to that of the Group to constitute a Class 1 transaction under the Listing Rules and is therefore conditional upon the approval of Shareholders.

Accordingly, your approval of the Acquisition is being sought at a General Meeting of the Company to be held at 12.00 p.m. (or as soon thereafter as the AGM shall have been concluded) on 22 March 2017 at the offices of the Company at 140 Eastern Avenue, Milton Park, Milton, Abingdon, Oxfordshire, OX14 4SB. A notice of the General Meeting setting out the Resolution to be considered at the General Meeting can be found at the end of this document. A summary of the action you should take is set out in paragraph 11 of this letter and on the Form of Proxy that accompanies this document.

The purpose of this document is to: (i) provide you with information on the Acquisition; (ii) to explain the background to and reasons for the Acquisition and why the Board believes that the Acquisition is in the best interests of the Company and its Shareholders as a whole; and (iii) recommend that you vote in favour of the Resolution to be proposed at the General Meeting, notice of which is set out at the end of this document.

You should read the whole of this document and not just rely on the summarised information set out in this letter.

2. Information on Connect Education & Care

Connect Education & Care is a leading, independent supplier of branded and own-brand products primarily to educational institutions. Connect Education & Care currently serves over 30,000 customers, predominantly in the UK, providing an extensive range of over 40,000 commodity and education resources products through its well-established ''The Consortium'' and ''West Mercia Supplies'' brands. Approximately 95 per cent. of reported revenues in the year ended 31 August 2016 were made to the education sector in the UK and abroad (comprising primary, secondary, independent and other educational establishments).

Connect Education & Care's head office and primary distribution centre are both based in Trowbridge and it operates an additional storage facility in Shrewsbury. Connect Education & Care currently has approximately 300 full time employees throughout the UK and operates as a trading division of Connect.

For the year ended 31 August 2016, Connect Education & Care recorded revenues of £63.5 million (2015: £64.1 million), EBITDA (before non-recurring items) of £9.0 million (2015: £8.7 million) and EBIT (before non-recurring items) of £7.7 million (2015: £7.8 million). Connect Education & Care's total recorded assets were £34.5 million as at 31 August 2016 (2015: £52.6 million). An accountants' report on Connect Education & Care covering the three years ended 31 August 2016, is set out in Part IV of this document.

3. Background to, and reasons for, the Acquisition

RM is listed on the premium listing segment of the Official List and provides resources, IT software and IT services to the education market, primarily in the UK as well as internationally. The Group operates through three divisions: RM Resources (trading under the ''TTS'' brand), RM Education and RM Results. Following a strategic review in 2011, and subsequent disposals of non-core assets, the Board believes that the Group is now well-positioned to focus on consolidating and further strengthening its position in its key markets.

The Board further believes that there is a compelling strategic rationale to combining Connect Education & Care and TTS and that the Acquisition would provide a number of operational and financial benefits which are expected to create material value for Shareholders. In particular:

- ***Become a market leader*** – TTS and Connect Education & Care are two of the leading providers in the approximately £2.0 billion UK educational resources market. The Acquisition is expected to enhance the Group's position within this fragmented market. The combined businesses would create a market leader in the primary and early years segments and TTS would benefit from Connect Education & Care's much stronger position in the secondary school segment at a time when pupil numbers in secondary schools are set to grow after years of decline.
- ***Complementary product offering*** – Connect Education & Care's own label, commodity products are complementary to TTS's curriculum focused classroom resources (with its proprietary intellectual property). This would offer schools and nurseries a wide range of education resources from a single supplier. Each of Connect Education & Care's and TTS's respective brand identities would be of central importance to the success of the Enlarged Group in retaining existing and attracting new customers. It is the Board's intention that the Enlarged Group would continue to retain Connect Education & Care's ''The Consortium'' and ''West Mercia Supplies'' brands and the TTS brand.
- ***Better balanced product portfolio*** – Connect Education & Care's revenues are typically less impacted than TTS's by fluctuations in spending in the UK educational resources market as a major proportion of Connect Education & Care's products are consumable and essential purchases. The Enlarged Group would benefit from enhanced resilience.

- ***Improved UK regional presence*** – The combination of Connect Education & Care and TTS would provide the Enlarged Group with a broader footprint across the UK.
- **Substantial e-commerce platform** – Connect Education & Care and TTS have both invested in e-commerce platforms. Their combined capabilities and knowledge in this area would ensure that, together, they are well placed to take advantage of the increasing move to online purchasing.
- ***International channel of scale*** – Both TTS and Connect Education & Care are growing strongly in English speaking international schools. In addition, TTS is having significant success selling its own IPR products to the export market through in-region distributors. The Enlarged Group would have improved scale internationally which could lead to growth opportunities as a consequence.
- ***Combined procurement synergies*** – The combination of Connect Education & Care and TTS would create a business with improved procurement synergies across the supply chain.
- ***Creates enhanced shareholder value*** – The Acquisition is expected to be accretive to the Group's adjusted earnings per share in the first year and, including annual run-rate pre-tax synergies of £2.0 million (before integration costs), achieve an adjusted return on invested capital above RM's cost of capital.

The Board believes that there are several areas for potential cost synergies from the combined businesses including:

- optimisation of combined product lines;
- reduction of duplicative senior executive roles and head office efficiencies;
- optimisation of third party sourcing, freight and logistics; and
- sharing of best practice between Connect Education & Care and TTS.

The Board expects that the combination of TTS and Connect Education & Care would deliver full run-rate, pre-tax cost savings of at least £2.0 million (before integration costs) by 12 months following Completion. These synergies are expected to be realised from the areas identified above. The majority of the pre-tax cost savings are expected to be derived from the elimination of duplicative senior executive roles and head office efficiencies. The expected one-off cash costs to implement the integration and deliver synergies are estimated at approximately £2.5 million to be incurred by the 12 months following Completion.

The synergies identified above reflect both beneficial elements and costs and could not be achieved independently as they are contingent on the Acquisition. This statement of estimated cost savings relates to future actions and circumstances which by their nature involve risks, uncertainties, contingencies and other factors. As a result, the cost savings referred to may not be achieved, or those achieved may be materially different from those estimated. The figures regarding expected synergies set out in the above paragraph are unaudited numbers based on management estimates.

A detailed integration plan, led by senior executives of RM, TTS and Connect Education & Care, will be established to deliver benefits from the combination of TTS and Connect Education & Care, including the formation of an integration steering group with key individuals from RM. This integration plan includes a cost synergy plan; ensuring excellent customer, supplier and employee communications; ensuring use of best practice across the Enlarged Group; and implementing a unified structure.

4. Principal terms of the Acquisition

Pursuant to the Acquisition Agreement, the Group has conditionally agreed to purchase the entire issued share capital of Connect Education & Care for a cash consideration of £56.5 million on a cash free, debt free basis, subject to customary adjustments. RM will also assume Connect Education & Care's pension schemes which reported a combined net liability of £7.9 million on an IAS 19 basis as at 31 August 2016.

The Acquisition, and associated expenses, will be funded from a combination of the Group's existing cash resources and new debt facilities.

The Acquisition is conditional upon, amongst other things, the approval of the Acquisition by Shareholders and the receipt of Clearance from the CMA.

While the Company does not consider that the Acquisition will result in any substantial lessening of competition on any relevant frame of reference, the CMA will conduct an assessment of the Acquisition. The CMA's initial assessment (the **"Phase I review"**) will involve contacting a number of third parties, including customers, competitors and suppliers. The Phase I review must be completed within 40 working days from the date of formal notification. The CMA will subsequently decide whether or not to conduct a more thorough in-depth review, lasting 24 weeks (**"Phase II review"**). Pre-notification discussions with the CMA have commenced and these will be followed by formal notification to start the Phase I review.

The Acquisition is expected to complete in the first half of 2017.

In the unlikely event that the CMA opens a Phase II review, the Group may, in certain circumstances, elect to terminate the Acquisition Agreement and pay to Smiths News Holdings (Connect Education & Care's existing immediate holding company and the selling entity for the purposes of the Acquisition) a break fee of £1.0 million (inclusive of any irrecoverable VAT).

Further details of the Acquisition Agreement are set out in Part III of this document.

5. Financing of the Acquisition

The Board has given careful consideration to the financing of the Acquisition, including the impact on gearing, in light of what the Board deems to be a prudent, long-term capital structure for the Enlarged Group. The Board has concluded that the Acquisition, and its associated expenses, should be funded from a combination of:

- new facilities made available under the New Facility Agreement, comprising a £75 million revolving credit facility; and
- the Group's existing cash resources.

The amount of funds available under the revolving credit facility will be reduced by £5 million at each of the dates falling 12 months, 18 months and 24 months following Completion, reducing to a total facility size of £60 million.

The Board believes that, following the Acquisition, RM will continue to have a strong balance sheet with a pro forma net debt to EBITDA ratio of 0.7 times.

In the event that the Acquisition does not complete, the New Facility will not come into effect and the Current Facility will remain in force.

Further details of the New Facility Agreement are set out in paragraph 6.1 of Part VI of this document.

6. Financial effects of the Acquisition

The Board expects that the Acquisition would be accretive to adjusted earnings per share in the first year and, including annual run-rate pre-tax synergies of £2.0 million (before integration costs), would achieve a return on invested capital above RM's cost of capital.

Part V of this document contains an unaudited *pro forma* statement of net assets which illustrates the effect of the Acquisition on the consolidated net assets of RM as if they had taken place on 30 November 2016. On a *pro forma* basis and assuming that the Acquisition had become effective on 30 November 2016, the Enlarged Group would have had net assets of £2.5 million at that date.

7. Dividend policy

Following Completion of the Acquisition, the Board intends to continue to adopt a progressive dividend policy with the objective of a dividend cover of between two to three times.

8. Current trading, prospects and trends of the Enlarged Group

2016 was a year of good progress for RM. Although revenue declined as expected, adjusted operating profits and margins improved compared with the prior year. Cash conversion also improved markedly and the Group finished the year with net cash of £40 million.

RM Resources saw a decline in revenues compared with the prior year during which school expenditure on curriculum resources was higher due to primary school curriculum change. Schools were also impacted by unfunded increases in pension and National Insurance costs. International revenues continued to grow and the division's margins were maintained.

RM Results delivered good revenue and profit growth supported by an expanded e-testing managed service contract. The division's future market position was further strengthened by the renewal of several long term contracts and the securing of an e-assessment contract which, for the first time, combines both e-testing and e-marking.

RM Education revenues declined as a result of its continued reshaping whilst profitability grew and operating margins improved. A further step was undertaken towards the end of the year to remove UK headcount from the lowest margin parts of the business. 2017 will be the last year in which BSF contracts are a significant contributor. Recurring annuity revenues are running at over 60 per cent. of the total.

The Group continues to have a strong balance sheet, with cash and short term deposits at the year-end of £40.0 million (2015: £48.3 million). This was after a £12 million pension contribution in the year which included a one off £8 million payment associated with the May 2015 triennial valuation.

The outlook for 2017 is affected by continued pressure on school budgets and adverse changes in foreign exchange rates following the EU Referendum result. However, management is focussed on all three divisions continuing to deliver sound operating margins.

Connect Education & Care

On 26 January 2017, Connect released a trading update statement for the 20 week period to 21 January 2017. Connect Education & Care's reported total and like for like revenues both decreased by 4.6 per cent. Core reported revenues decreased by 4.4 per cent. with increased revenues in early years being offset by difficult trading conditions in its other markets.

9. Further information and risk factors

Your attention is drawn to the further information set out in Parts II to VII of this document. You are advised to read the whole of this document and not to rely solely on the information contained in this letter.

In particular, Shareholders should consider fully and carefully the risk factors associated with the Group, the Enlarged Group and the Acquisition set out in Part II of this document.

10. General Meeting

The notice convening the General Meeting to be held at the offices of the Company at 140 Eastern Avenue, Milton Park, Milton, Abingdon, Oxfordshire, OX14 4SB at 12.00 p.m. (or as soon thereafter as the AGM shall have been concluded) on 22 March 2017 is set out at the end of this document. The purpose of the meeting is to approve the Resolution in connection with the Acquisition.

The implementation of the Acquisition is conditional upon the passing of the Resolution set out in the notice.

The full text of the Resolution is set out in the notice convening the General Meeting at the end of this document.

The Resolution proposes that the Acquisition is approved and that the Directors be authorised to take all steps and enter into all agreements and arrangements necessary or desirable to implement the Acquisition. The Resolution will be proposed as an ordinary resolution which will be passed if more than 50 per cent. of the votes cast are in favour. In the event that the Resolution is not passed, the Acquisition will not proceed.

11. Action to be taken

A Form of Proxy for use at the General Meeting accompanies this document. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Company's registrars, Capita Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF as soon as possible, but in any event so as to be received by no later than 12.00 p.m. on 20 March 2017 (or, if the General Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting).

If you hold your Ordinary Shares in uncertificated form in CREST, you may vote using the CREST Proxy Voting service in accordance with the procedures set out in the CREST

Manual. Further details are also set out in the notes accompanying the Notice of General Meeting at the end of this document. Proxies submitted via CREST must be received by Capita Asset Services (ID RA10) by no later than 12.00 p.m. on 20 March 2017 (or, if the General Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting).

The completion and return of a Form of Proxy or the use of the CREST Proxy Voting Service will not preclude Shareholders from attending the General Meeting and voting in person should they so wish.

12. Recommendation

The Board has received advice from Rothschild in connection with the Acquisition. In providing advice to the Board, Rothschild has relied upon the Board's commercial assessment of the Acquisition. The Board considers the terms of the Acquisition to be in the best interests of the Company and its Shareholders taken as a whole.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting, as the Directors (and certain of their connected persons) intend to do so in relation to their own individual holdings which amount in total to 456,728 Ordinary Shares, representing approximately 0.55 per cent. of the existing issued share capital of the Company as at 23 February 2017 (being the latest practicable date prior to publication of this document).

Yours sincerely,

John Poulter
Non-executive Chairman

PART II

RISK FACTORS

The following risk factors, which the Directors believe include all known material risks, should be considered carefully by Shareholders when deciding whether or not to vote in favour of the Resolution to be proposed at the General Meeting. The risk factors should be read in conjunction with all other information relating to the Acquisition, the Company, the Group, Connect Education & Care and the Enlarged Group contained in or incorporated by reference into this document.

Shareholders should note that the risk factors set out below, which are not set out in any order of priority, do not purport to be a complete list or explanation of all risk factors which may affect the Acquisition, the Company, the Group, Connect Education & Care and the Enlarged Group. Additional risks and uncertainties not currently known to the Company or which the Company currently deems immaterial may arise or become material in the future. The occurrence of any of these risks may have a material adverse effect on the Group's and/or the Enlarged Group's business, results of operations, financial condition and/or prospects. If any such risk or risks should occur, the price of the Ordinary Shares may decline and Shareholders could lose part or all of their investment.

PART A: RISKS RELATING TO THE ACQUISITION

The Acquisition is conditional and the conditions may not be satisfied

Completion of the Acquisition is conditional upon satisfaction or, where capable of being waived, waiver of, certain conditions (the **"Conditions"**) prior to the Long Stop Date including, *inter alia*:

(a) the passing of the Resolution;

(b) receipt of Clearance from the CMA;

(c) there being no Event of Default (as defined in the Acquisition Agreement) relating to the New Facility Agreement outstanding; and

(d) no material breach which remains outstanding by Smiths News Holdings of certain material warranties and obligations under the Acquisition Agreement, as well as no material indemnity claim under the Acquisition Agreement which remains outstanding.

In the event that the Conditions are not satisfied or, where capable of being waived, waived by the Long Stop Date, either Smiths News Holdings or RM may give notice to the other party that it wishes to terminate the Acquisition Agreement.

There can be no assurance that the Conditions will be fulfilled (or, where capable of being waived, waived) or that the Acquisition will be completed.

If the Acquisition does not proceed, RM will have incurred costs which will need to be paid.

Risk relating to an adverse change in the financial condition of Connect Education & Care's business

Pursuant to the terms of the Acquisition Agreement, the Company may only terminate the Acquisition Agreement prior to Completion in certain circumstances (details of which are set out in Part III of this document) or if the Conditions are not satisfied (or, if capable of waiver, waived). Completion is expected to occur in the first half of 2017, subject to the passing of the Resolution by Shareholders and receipt of Clearance from the CMA. Until Completion, the Company will not own Connect Education & Care and it is possible that there could be an adverse event affecting Connect Education & Care's business which would not give rise to a right of the Company to terminate the Acquisition Agreement. In such circumstances, the value of the Connect Education & Care's business may be less than the consideration paid by the Company and, accordingly, the net assets of the Enlarged Group could be reduced.

RM may have limited recourse under the Acquisition Agreement

The Acquisition Agreement contains certain warranties and indemnities given in favour of the Company, breach of which could cause the Enlarged Group to incur liabilities and obligations in the event that it seeks to make a claim for such breach. As is usual in such a transaction, the warranties and indemnities in the Acquisition Agreement are subject to specific, negotiated limitations also contained in the Acquisition Agreement and therefore do not provide RM with full protection in relation to all risks related to Connect Education & Care's business. As a result of such limitations, the right of the Enlarged Group to recover damages or compensation in the event of contingent liabilities covered by such warranties or indemnities crystallising or an undisclosed liability of Connect Education & Care being discovered after Completion, may not be sufficient to cover the full extent of the relevant liability and RM may not have recourse against Smiths News Holdings in respect of any loss suffered.

If goodwill or other intangible assets that the Group records in connection with the Acquisition become impaired, the Group and the Enlarged Group could have to take significant charges against earnings

In connection with the accounting for the Acquisition, the Group is expected to record an amount of goodwill and other intangible assets. Under IFRS, the Group must assess, at least annually and potentially more frequently, whether the value of goodwill and other intangible assets have been impaired.

If the results and cash flows generated by Connect Education & Care are not in line with the Company's expectations, the financial performance of the Enlarged Group may be materially lower than has been estimated and a reduction or impairment of the value of goodwill or other intangible assets may be required which would result in a charge against earnings, which could in turn have an adverse effect on the Enlarged Group's results of operations and financial condition. Such a reduction or impairment could also reduce the Enlarged Group's ability to generate or maintain distributable reserves by the extent of the reduction or impairment and consequently may impact the Company's ability to pay dividends to Shareholders in circumstances where the payment of dividends is permitted under the provisions of the Enlarged Group's financing arrangements.

Risk relating to the integration of Connect Education & Care

The Group and Connect Education & Care currently operate as two separate and independent businesses. The Acquisition will require the integration of Connect Education & Care with the existing head office functions of the Group and the success of the Enlarged Group will depend, in part, on RM's ability to integrate Connect Education & Care without disruption to either business. The integration of Connect Education & Care may take longer than expected or involve challenges, some of which may not be known until after Completion and could potentially lead to operational interruption or a loss of key personnel, either or both of which could have a material adverse effect on the Enlarged Group's business, financial condition or results of operations. The Group's management team will be required to devote attention and resources to integrating their respective business practices and operations and this may affect or impair its ability to run the business of the Enlarged Group effectively.

The Group and Connect Education & Care expect to incur a number of costs in relation to the Acquisition, including integration and post-Completion costs, which could exceed amounts estimated. There may also be further additional and unforeseen expenses incurred or revenue reductions in connection with the Acquisition. These costs and impacts upon revenue could have a material adverse effect on the Enlarged Group's business, financial condition or results of operations.

Estimated benefits in relation to the Acquisition set out in this document may not be achieved

The Directors believe that the Acquisition will provide benefits for the Group. However, there is a risk that some or all of the expected benefits of the Acquisition will fail to materialise, that they may take longer or cost more to achieve, or that the Enlarged Group will fail to perform as expected. If RM and the Enlarged Group are unable to realise these expected benefits or these benefits take longer to achieve, this could have a significant impact on the profitability of the Enlarged Group going forward.

The realisation of such expected benefits may be affected by a number of factors and risks (including those described herein), many of which are beyond the control of the Group and, as such, actual results may differ materially from those currently anticipated.

Risks relating to the New Facility Agreement

Operating and financial restrictions arising as a result of the New Facility Agreement mean that the Enlarged Group will have increased debt and debt service obligations. These could have adverse consequences insofar as they:

(a) require the Enlarged Group to dedicate a significant proportion of its cash flows from operations to fund payments in respect of the debt, thereby reducing the flexibility of the Enlarged Group to utilise its cash to invest in and/or grow the business or make future dividend payments;

(b) increase the Enlarged Group's vulnerability to adverse general economic and/or industry conditions;

(c) may limit the Enlarged Group's flexibility in planning for, or reacting to, changes in its business or the industry in which it operates, placing the Enlarged Group at a competitive disadvantage compared to its competitors with less indebtedness; or

(d) may limit the Enlarged Group's ability to raise additional debt or equity in the future.

The covenants contained in the New Facility Agreement include financial and other covenants including restrictions on the ability of the Enlarged Group to incur additional financial indebtedness, grant security, make acquisitions or disposals, enter into mergers and repurchase shares as well as covenants related to the Acquisition. These could restrict the Enlarged Group's activities or flexibility or ability to undertake strategic or significant transactions.

Financing for the Acquisition will increase RM's and/or the Enlarged Group's leverage and interest costs. The interest rate payable on the principal amount of the New Facility Agreement outstanding for each interest period will be LIBOR (or EURIBOR in relation to any loan in euros) plus a margin. The margin is calculated from time to time by reference to the adjusted leverage for the Banking Group. The highest applicable margin is 1.90 per cent. (where adjusted leverage is greater than or equal to 2 times EBITDA for last twelve months) and the lowest applicable margin is 1.30 per cent. (where leverage is less than 1 times EBITDA for last twelve months). Volatility in LIBOR or EURIBOR may impact the Enlarged Group's financial performance through higher interest rates on any unhedged portion and a related reduction in earnings. There is also a possibility that an increase in general interest rates may reduce the Enlarged Group's ability to access further debt capital or to refinance debt if required in future.

The Acquisition will be reviewed under UK merger control legislation

Completion of the Acquisition is conditional upon the receipt of Clearance from the CMA. While the Company considers that the Acquisition will benefit from unconditional clearance after a Phase I review, in the event the CMA is minded to open a Phase II investigation, the Group may, at its discretion, offer divestment or other undertakings in order to remedy any identified competition concerns in lieu of a Phase II investigation. Similarly, in the unlikely event that the CMA opens a Phase II investigation and subsequently concludes that the Acquisition does give rise to a substantial lessening of competition, the Group may, at its discretion, offer undertakings in order to remedy the competition concerns. A Phase II investigation and/or the offering of undertakings to remedy the competition concerns could impose sustained additional costs for the Enlarged Group and/or materially reduce the anticipated benefits (including synergy benefits) of the Acquisition (or affect the timeframe within which such benefits are realised) or result in an adverse effect on the operating results, business, financial condition and prospects of the Enlarged Group.

Reliance on third party information

RM has prepared the information in this document regarding the Enlarged Group on the basis of the information which has been provided to RM by Connect and its advisers in respect of Connect Education & Care. Any failure by Connect to disclose matters that RM is unaware of may affect the significance or accuracy of any such information. If any such undisclosed matters exist and are adverse to Connect Education & Care, they may have an adverse effect on the Enlarged Group's financial condition and results of operations and/or may result in additional costs or liabilities to the Enlarged Group.

PART B: RISKS RELATING TO THE GROUP, CONNECT EDUCATION & CARE AND/OR THE ENLARGED GROUP FOLLOWING THE ACQUISITION

Risk relating to UK government dependence

The majority of the Group's and Connect Education & Care's income is ultimately derived from UK government sources. Any changes in economic conditions, political administration, or changes in governmental policy priorities, could result in a reduction in education or early years nursery spending in the UK and/or the Enlarged Group's products and services not meeting customer requirements and result in an adverse effect on the operating results, business, financial condition and prospects of the Enlarged Group. As a result of the Acquisition, the Company would have a greater exposure to UK government spending, and, therefore, any reduction in education or early years nursery spending in the UK for reasons not limited to those outlined above, may have a greater negative impact on RM as a part of the Enlarged Group.

Change of control clauses in various Connect Education & Care contracts could have an adverse impact on the Enlarged Group's future prospects, financial condition and results of operations

The performance of certain businesses within the Enlarged Group is dependent on the winning and extension of long-term contracts and framework agreements with government, local authorities, examination boards and commercial customers. Connect Education & Care has a number of agreements with third parties (including customers) that provide or may provide the counterparty with a right of termination as a result of the Acquisition. The termination of any of these agreements could materially impact the revenues generated by these customers and this could result in a material adverse effect on the Enlarged Group's business, financial condition or results of operations.

The Enlarged Group's businesses depend on the recruitment and continued contribution of their executive officers and employees

While the Enlarged Group's businesses review their people policies on a regular basis and invest significant resources in talent management and career planning programmes and recognising and encouraging individuals with high potential, there can be no guarantee that they will be able to attract, develop and retain these individuals at an appropriate cost and ensure that the capabilities of the Enlarged Group's employees meet its business needs.

The success of the Enlarged Group will, amongst other things, depend upon the successful retention and integration of certain of Connect Education & Care's senior management following the Acquisition. There is a risk that key members of Connect Education & Care's senior management team may decide to leave following the Acquisition, which could have a negative impact on the Enlarged Group's businesses' ability to maintain relationships with customers, employees, suppliers and others with whom it has business dealings, with negative consequences for its continued performance and growth.

The Enlarged Group operates in a highly competitive environment

The Group and Connect Education & Care operate in highly competitive markets. As a result of the Acquisition, the Company would have greater exposure to the education resources market in the UK and, therefore, the Enlarged Group's competitive positioning, whether in the nature of its offering or its pricing, may come under proportionally greater pressure from existing or new competitors. This would restrict the Enlarged Group's growth potential, and may reduce the economic value of key elements of the Enlarged Group's business. Current competitors and potential new entrants may have greater resources, lower operating costs, greater economies of scale, greater market presence and/or brand recognition and a larger customer base, and they may be able to respond more swiftly to changes in market conditions and customer demand. In addition, they may be able to adopt more aggressive pricing and devote more resources to technology, infrastructure, fulfilment and inventory management. Any pricing pressure may have an adverse impact on the Enlarged Group's ability to compete and/or force the Enlarged Group to reduce prices in order to remain competitive, which could reduce its revenue and profitability. Competition may also intensify as the Enlarged Group's competitors enter into business combinations or alliances and established companies in other market segments expand to compete with the Enlarged Group's business. Any failure by the Enlarged Group to compete effectively may have a material adverse effect on the Enlarged Group's business, financial condition or results of operations.

The Enlarged Group is exposed to funding risks in relation to RM and Connect Education & Care's defined benefit pension schemes.

RM is required to contribute to a defined benefit pension scheme in the UK, which was closed to new entrants in 2003 and closed to future accrual of benefits in October 2012. Defined benefit contributions are determined in consultation with the trustee, after taking actuarial advice. Connect Education & Care operates two defined benefit pension schemes in the UK. While these defined benefit pension schemes are now closed to new entrants (one is still open to future accrual of benefits), Connect Education & Care has on-going liabilities in respect of these schemes which are underfunded. As part of the Acquisition, RM will acquire Connect Education & Care's legacy defined benefit pension obligations, resulting in an increased deficit for the Enlarged Group.

These RM and Connect Education & Care defined benefit pension schemes have significant actuarial (on-going funding) and accounting (IAS 19) deficits.

The combined on-going funding deficit for the RM defined benefit pension schemes was approximately £41.8 million according to the last agreed triennial valuation as at 31 May 2015. As at 30 November 2016, RM recognised a liability of approximately £34.8 million on its balance sheet for its retirement benefit obligations.

The combined on-going funding deficit for the Connect Education & Care defined benefit pension schemes was approximately £3 million according to the last agreed triennial valuation or annual report, as applicable, for each scheme. The effective dates of the next triennial valuations of Connect Education & Care's defined benefit pension schemes are 31 December 2016 in respect of the Consortium CARE scheme (noting that, whilst this effective date has already passed, there is a 15 month statutory time period for completing such actuarial valuations which, for this scheme, will therefore expire on 30 March 2018) and 31 December 2018 in respect of the Platinum scheme.

The nature of these pension arrangements means that RM and Connect Education & Care are, and the Enlarged Group will be, exposed to volatile cash, balance sheet and profit and loss impacts. In particular, the funding level of the schemes for actuarial, cash and accounting purposes is sensitive to changes in a wide range of actual or assumed factors, which are beyond RM's and Connect Education & Care's control, including primarily investment returns, discount rates for valuing liabilities (driven by returns on bonds), life expectancy, inflation and salary growth. As a result it is not possible to predict accurately the future funding level or employer cash contribution obligations and accounting charges with any degree of certainty. Assets and investments held by RM's and Connect Education & Care's pension funds may not grow to anticipated levels in the expected time periods. In the case of losses in respect of pension fund investments, RM and the Enlarged Group may be required to make additional amounts available to make up any prospective pension deficits which may have a material adverse effect on the Enlarged Group's financial condition.

The value of Ordinary Shares may go down as well as up and any fluctuations may be material and may not reflect the underlying asset value

The market price of Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding such shares. The fluctuations could result from national global economic and financial conditions, the market's response to the Acquisition, market perceptions of the Company, and various other factors and events, including but not limited to regulatory changes affecting the Enlarged Group's operations, variations in the Enlarged Group's operating results, business developments of the Enlarged Group and/or its competitors and the liquidity of the financial markets. Furthermore, the Group, or, following the Acquisition, the Enlarged Group's, operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of Ordinary Shares.

PART III

PRINCIPAL TERMS OF THE ACQUISITION

SECTION A: THE ACQUISITION AGREEMENT

1. General

Pursuant to the terms of the Acquisition Agreement, the Company has conditionally agreed to acquire from Smiths News Holdings Limited (**"Smiths News Holdings"**) the entire issued share capital of Connect Education & Care for an aggregate consideration of £56.5 million to be satisfied in cash at Completion on a debt-free, cash-free basis, subject to customary adjustments. RM will also assume Connect Education & Care's pension schemes which reported a combined net liability of £7.9 million on an IAS 19 basis as at 31 August 2016.

Connect has agreed to guarantee the obligations of Smiths News Holdings under the Acquisition Agreement, a tax deed and the TSA.

2. Conditions

The Acquisition is conditional upon, amongst other things:

(a) the approval of the Acquisition by Shareholders through the passing of the Resolution at the General Meeting (or any adjournment thereof);

(b) there being no Event of Default (as defined in the Acquisition Agreement) relating to the New Facility Agreement outstanding; and

(c) no material breach which remains outstanding by Smiths News Holdings of certain material warranties and obligations under the Acquisition Agreement, as well as no material indemnity claim under the Acquisition Agreement which remains outstanding; and

(d) receipt of Clearance from the CMA,

together, the **"Conditions"**.

If the Conditions have not been satisfied or, where capable of being waived, waived on or before 31 December 2017, unless the parties agree otherwise, either RM or Smiths News Holdings may give notice to terminate the Acquisition Agreement and it will cease to have effect (subject to a small number of provisions which shall remain in existence). Completion is expected to occur in the first half of 2017.

3. Pre-completion obligations

Smiths News Holdings has given certain customary covenants to the Company in relation to the operation of the Connect Education & Care business in the period between the signing of the Acquisition Agreement and Completion and will not take certain specified actions during such period without the prior written consent of the Company.

4. CMA Clearance Cooperation

Under the Acquisition Agreement RM is required to co-operate with Smiths News Holdings in keeping them informed of any material communication with the CMA and the progress of the Clearance. RM is also required to give Smiths News Holdings the opportunity to participate in all meetings and discussions with the CMA. However, nothing under the Acquisition Agreement will require RM to share information which is either prohibited by the CMA or competitively sensitive information and/or involves business secrets.

5. Break Fee

RM will be required to pay a break fee of £1 million (inclusive of irrecoverable VAT) to Smiths News Holdings in the event that the CMA opens a Phase II review and either the CMA clearance is not granted before 31 December 2017, or RM fails or is unable to accept the undertakings required by the CMA.

6. Warranties and indemnities

The Acquisition Agreement contains certain warranties, undertakings and indemnities from Smiths News Holdings to the Company in respect of the Connect Education & Care Group and its business which are in a customary form for such a transaction. The warranties relate to, amongst other things, title and capacity, authority and solvency matters, accounting and financial matters, trading and contractual matters, intellectual property, real estate, pensions, employment matters, litigation and taxation in relation to the Connect Education & Care Group.

In addition to the Acquisition Agreement and in common with transactions of this nature, the Company and Smiths News Holdings will enter into a tax deed at Completion to ensure that Smiths News Holdings bears the cost of any tax liability incurred by the Connect Education & Care Group which relates to a period prior to Completion.

7. Limitations on liability

Other than non-fundamental warranty claims, the aggregate liability of Smiths News Holdings under the Acquisition Agreement shall not exceed £56.5 million. In relation to non-fundamental warranty claims, the liability of Smiths News Holdings shall not exceed £28.25 million. The aggregate liability of Smiths News Holdings under the Acquisition Agreement is also subject to other limitations customary for a transaction of this nature.

8. Restrictive covenants

Smiths News Holdings has agreed to customary non-compete and non-solicitation provisions relating to key employees, customers and suppliers for a period of two years from Completion and to procure that other members of the Connect group of companies comply with such restrictions.

9. Termination

The Acquisition Agreement can be terminated by the Company or Smiths News Holdings if any of the conditions to Completion are not satisfied on or before the Long Stop Date or become incapable of being satisfied on or before the Long Stop Date.

The Company may also elect to terminate the Acquisition Agreement if it is notified that there has been a material breach of certain of the warranties, obligations or indemnities under the Acquisition Agreement which would likely give rise to a loss to the Company of £5.65 million or more (subject to certain limitations, including general economic conditions).

10. Governing law

The Acquisition Agreement is governed by English law.

SECTION B: THE TSA

1. General

Pursuant to the terms of the TSA to be entered into between Smiths News Holdings and The Consortium for Purchasing and Distribution Limited (**"The Consortium"**) on Completion, Smiths News Holdings has agreed to provide (or procure the provision of) certain services including without limitation, IT services, finance services, facilities services, human resources records services and vehicle services (the **"Services"**) to The Consortium, an indirect subsidiary of Connect Education & Care.

2. Consideration

In consideration for the provision of the Services, The Consortium will pay Smiths News Holdings a monthly service charge, as set out in the TSA and any Post Completion Amount (as such term is defined in the TSA) set out in the Acquisition Agreement.

3. Term

The TSA will be signed and commence on Completion and continue to the earlier of (a) the date and time provided for each respective Service as set out in the TSA; or (b) where no such date is stated, 12 months from the date of Completion. With respect to information technology related Services (**"IT Services"**), these shall expire on the earlier of (a) the date on which the migration of that Service has been completed or (b) 12 months from the date of Completion.

The relevant expiry dates may be extended by mutual agreement. They may also be extended if the migration of the relevant Services has not occurred before the relevant Service Expiry Date (as such term is defined in the TSA) as a result of a permitted delay (**"Delay Event"**), such extension to be only for such period as is reasonable in all the circumstances, having taken into account the effect of the Delay Event.

4. Extension of Services

If during the 12 month period (**"Initial Period"**) following Completion, The Consortium identifies a need for services in addition to the Services which Smiths News Holdings provided to Connect Education & Care or its subsidiaries at any time in the 12 month period preceding Completion, subject to The Consortium providing written notice to Smiths News Holdings within the Initial Period, Smiths News Holdings shall provide such services to The Consortium at cost price (to include any external costs reasonably incurred by Smiths News Holdings to implement and perform such additional services) and incorporate the additional services which shall be deemed to be included in the definition of the Services under the TSA and provided in all other respects on the terms and conditions of the TSA.

PART IV

FINANCIAL INFORMATION ON CONNECT EDUCATION & CARE

SECTION A

HISTORICAL FINANCIAL INFORMATION ON CONNECT EDUCATION & CARE

Consolidated Income statement

	Note	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Revenue	2	63,491	64,090	62,778
Cost of sales		(34,866)	(36,057)	(35,852)
Gross profit		**28,625**	**28,033**	**26,926**
Selling and distribution costs		(7,891)	(7,485)	(7,364)
Administrative expenses		(12,625)	(13,275)	(12,445)
Operating profit		**8,109**	**7,273**	**7,117**
Net finance expense	5	(1,846)	(1,790)	(1,731)
Profit before tax		**6,263**	**5,483**	**5,386**
Taxation	7	(1,204)	(1,191)	(1,205)
Profit for the year		**5,059**	**4,292**	**4,181**

Consolidated statement of Comprehensive Income

	Note	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Profit for the year		**5,059**	**4,292**	**4,181**
Items that will not be reclassified to the profit and loss				
Net actuarial loss related to pension schemes	13	(5,429)	(309)	(1,065)
Tax relating to components of other comprehensive income that will not be reclassified		1,086	63	213
Other comprehensive loss for the year		**(4,343)**	**(246)**	**(852)**
Total comprehensive income for the year		**716**	**4,046**	**3,329**

Consolidated statement of financial position

	Note	31 August 2016 £'000	31 August 2015 £'000	31 August 2014 £'000
Non-current assets				
Intangible assets	8	4,294	4,019	2,818
Property, plant and equipment	9	5,920	5,920	6,369
Deferred tax assets	7	1,540	902	846
		11,754	**10,841**	**10,033**
Current assets				
Inventories	10	8,304	7,889	8,622
Trade and other receivables	11	11,448	23,295	21,876
Cash at bank and in hand		3,000	10,589	3,649
		22,752	**41,773**	**34,147**
Current liabilities				
Trade and other payables	12	(11,895)	(29,316)	(24,963)
Non-Current Liabilities				
Retirement benefit obligations	13	(8,152)	(4,030)	(3,995)
Net Assets		**14,459**	**19,268**	**15,222**
Share capital and reserves				
Called up share capital	15	500	500	500
Capital redemption reserve		250	250	250
Profit and loss account		13,709	18,518	14,472
Shareholder's funds		**14,459**	**19,268**	**15,222**

Statement of Changes in Equity

	Share capital £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 September 2013	**500**	**250**	**11,143**	**11,893**
Profit for year	—	—	4,181	4,181
Net actuarial loss related to pension schemes	—	—	(1,065)	(1,065)
Tax relating to components of other comprehensive income	—	—	213	213
Total comprehensive income for the year	**—**	**—**	**3,329**	**3,329**
Balance at 31 August 2014	**500**	**250**	**14,472**	**15,222**
Profit for year	—	—	4,292	4,292
Net actuarial loss related to pension scheme	—	—	(309)	(309)
Tax relating to components of other comprehensive income	—	—	63	63
Total comprehensive income for the year	**—**	**—**	**4,046**	**4,046**
Balance at 31 August 2015	**500**	**250**	**18,518**	**19,268**
Profit for year	—	—	5,059	5,059
Net actuarial loss related to pension scheme	—	—	(5,429)	(5,429)
Tax relating to components of other comprehensive income	—	—	1,086	1,086
Total comprehensive income for the year	—	—	**716**	**716**
Transactions with owners, recorded directly in equity				
Dividends (dividend per share £11.05)	—	—	(5,525)	(5,525)
Balance at 31 August 2016	**500**	**250**	**13,709**	**14,459**

Consolidated Cash Flow Statement

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Cash flows from operating activities			
Profit for the year	**8,109**	7,273	7,117
Adjustments for:			
Depreciation, amortisation and impairment	**1,210**	966	723
Pension funding	**(508)**	(597)	(379)
Gain/(loss) on sale of property, plant and equipment	**—**	(70)	4
Other non cash items	**(930)**	188	213
(Increase)/decrease in trade and other receivables	**11,504**	(1,544)	(5,062)
(Increase)/decrease in inventories	**(532)**	678	(120)
(Decrease)/increase in trade and other payables	**(18,413)**	2,218	2,184
(Decrease)/increase in provisions and employee benefits	—	—	—
Tax paid	**(931)**	(528)	(1,267)
Net cash from operating activities	**(491)**	8,584	3,413
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**—**	147	10
Acquisition of property, plant and equipment	**(786)**	(186)	(483)
Acquisition of other intangible assets	**(787)**	(1,609)	(656)
Net cash from investing activities	**(1,573)**	(1,648)	(1,129)
Cash flows from financing activities			
Interest received	**—**	4	6
Dividends paid	**(5,525)**	—	—
Net cash from financing activities	**(5,525)**	4	6
Net increase/(decrease) in cash and cash equivalents	**(7,589)**	6,940	2,290
Cash and cash equivalents at 1 September	**10,589**	3,649	1,359
Cash and cash equivalents at 31 August	**3,000**	10,589	3,649

Notes to the consolidated historical financial information

1. Accounting policies

General information

Hedgelane Limited ('the Company') is incorporated in the UK under the Companies Act 2006 and its registered address is Rowan House, Cherry Orchard North, Kembrey Park, Swindon, Wiltshire, SN2 8UH. Hedgelane Limited is a fully owned subsidiary of Connect Group plc (hereinafter referred to as 'Connect Group'). On 7 February 2017, Connect Group agreed to sell its Education & Care business (which consists of Hedgelane Limited and its subsidiaries, hereinafter referred to as 'Hedgelane Group') to RM plc. Hedgelane Group's principal activity is the provision of goods by mail order.

Basis of preparation

The RM plc Directors are responsible for preparing the Historical Financial Information of Hedgelane Group and confirm that it is prepared in a form that is consistent with RM plc's accounting policies in its latest annual accounts.

The consolidated historical financial information for the years ended 31 August 2016, 31 August 2015 and 31 August 2014 comprise the Hedgelane Group. The Group is preparing its historical financial information in accordance with IFRS as adopted by the EU ('Adopted IFRS') for the first time and consequently has applied IFRS 1.

For the financial period ended 31 August 2013, the Company took advantage of the exemption under S400 of the Companies Act 2006 not to prepare group financial statements, as it was included in the consolidated financial statements of Connect Group plc. However, consolidated accounts were prepared for group reporting purposes. Prior to this, consolidated accounts were prepared for the Hedgelane Group in accordance with UK GAAP and filed at Companies House.

In applying IFRS 1, the Group has taken the exemption from restating business combinations that took place prior to 1 September 2013 ('transition date') and the carrying amount of assets, liabilities and goodwill is based on the UK GAAP carrying amounts in the consolidated financial statements prepared for group reporting purposes at that date (the date of 'transition date'). As no group accounts were filed for the period ended 31 August 2013, there are no reconciliations presented from previous GAAP as at the transition date or later periods.

The financial information set out above does not constitute Hedgelane Group's statutory accounts for the years ended 31 August 2016, 2015 and 2014. Statutory accounts for Hedgelane Limited and all its subsidiaries for 31 August 2015 and 2014 have been delivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

They have been prepared on the historical cost basis and are presented in Pound Sterling rounded to £'000s unless otherwise stated. The preparation of financial statements in accordance with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. They have been prepared on the historical cost basis and are presented in Pound Sterling rounded to £'000s unless otherwise stated. The preparation of financial statements in accordance with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected. The critical judgements and areas where the use of estimates is significant are:

Retirement benefit obligation

The Group 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. The board of directors of RM plc has made these estimates in consultation with an independent actuary. Details of the judgements made in estimating the liability are disclosed in Note 13.

Going concern

The Hedgelane Group's forecast and projections, taking account of reasonably possible changes in trading performance, show that the Hedgelane Group should be able to operate and meet all its obligations as they fall due. The board of directors of RM plc has a reasonable expectation that despite the economic uncertainty the Hedgelane Group has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis in preparing the financial statements.

Consolidation

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

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

Business combinations

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

Revenue

Revenue represents the value of goods delivered to customers net of value added tax and net of discounts. Substantially all sales are made in the United Kingdom in respect of the Hedgelane Group's principal activity which is provision of goods by mail order. Revenue is recognised upon transfer of significant risks and rewards of ownership, which is generally on despatch of goods to the customer.

Intangible Assets

Goodwill

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

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

Computer Software

Software is stated at cost and amortised on a straight line basis over the estimated useful economic life. Assets are amortised at rates of between 20% to 33% per annum

Capitalisation of internally generated development costs

Expenditure on developed software is capitalised when the Hedgelane Group 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 at rates of between 20% to 33% per annum on a straight line basis.

Property, plant and equipment

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

Freehold property	2% per annum
Plant and machinery	10% to 33% per annum
Office equipment	20% to 33% per annum
Land is not depreciated	

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Property, plant and equipment held under finance leases is capitalised in the balance sheet at the lower of the fair value or the present value of the minimum lease payments and is depreciated over its useful life. The capital elements of future obligations under leases are included as liabilities in the balance sheet. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of return on the remaining balance of the liability.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term. The benefits of rent free periods and similar incentives are credited to the income statement on a straight-line basis over the period to the next lease break.

Inventories

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

Financial instruments

Trade and other receivables

Trade and other receivables are not interest bearing and are stated at their original invoiced value reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and short-term deposits

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

Trade and other payables

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

Taxation

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

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

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

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

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

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.

Retirement benefits

The Hedgelane Group 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 are recognised within finance expense and the expected return on the schemes' assets are 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 Hedgelane Group 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 of Connect Group plc (equity settled transactions). Hedgelane Group 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 on a straight-line basis over the period during which employees become unconditionally entitled to the options with a corresponding intercompany payable to Connect Group plc as the cost of the options is recharged. . 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.

2. Revenue

Revenue is earned from the sale of products primarily in the United Kingdom and no individual customer directly accounts for more than 10% of Group revenue. Hedgelane Group's net assets are also primarily in the United Kingdom and the board of directors of RM plc expect Hedgelane Group to be included in their RM Education segment.

3. Employees

	Year ended 31 August 2016 No.	Year ended 31 August 2015 No.	Year ended 31 August 2014 No.
The average number of people, including directors, employed by the company was:			
Warehouse and distribution	170	178	186
Management and administration staff	223	248	255
	393	426	441
	£'000	**£'000**	**£'000**
The costs incurred in respect of these employees were:			
Wages and salaries	8,596	8,690	8,481
Social security costs	701	782	703
Other pension costs	664	710	730
	9,961	**10,182**	**9,914**

4. Key Management Remuneration

The compensation of key management personnel being the directors of the Hedgelane Group were:

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Fees and other emoluments (excluding pension contributions)	479	438	324
Value of Hedgelane Group pension contributions	48	43	49
	527	481	373
The number of directors who:			
Exercised share options during the year	4	4	4
The number of directors who were members of a defined benefit pension scheme	—	—	—

5. Net finance expense

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Finance costs relating to defined benefit pension scheme	130	132	121
Interest on loans from Connect Group	1,716	1,658	1,616
Bank interest received	—	—	(6)
	1,846	1,790	1,731

6. Profit before tax

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Profit before tax is arrived at after charging:			
Depreciation of owned assets	698	558	476
Amortisation of owned assets	512	408	247
Profit on sale of tangible fixed assets	—	70	—
Operating lease rentals:	—	—	—
– Plant and machinery	420	318	215
– Other	—	—	—

7. Taxation

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Current tax	931	1,181	1,228
Adjustment in respect of prior year UK corporation tax	(175)	3	(142)
	756	1,184	1,086
Deferred tax	270	(1)	5
Impact of rate change	165	—	29
Adjustment in respect of prior years	13	8	85
	448	7	119
Total tax charge	**1,204**	**1,191**	**1,205**

Corporation tax is calculated at the main rates of UK corporation tax, those being 2016: 20.0%, 2015: 20.6% and 2014: 22.2%. The total tax charge for the year can be reconciled to the profit in the profit and loss account as follows:

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Profit before taxation	6,623	5,483	5,386
Profit on ordinary activities before taxation at the UK statutory rate	1,251	1,128	1,196
Effect of:			
Group relief claimed for nil consideration	(77)	—	—
Expenses not deductible for tax purposes	27	52	37
Impact of rate change	165	—	29
Adjustment to tax charge in respect of prior periods	(162)	11	(57)
	1,204	**1,191**	**1,205**

Deferred tax

The following are the major deferred tax assets recognised by the Hedgelane Group and movements thereon during the current and prior reporting periods:

	Retirement benefit obligation £'000	Accelerated tax depreciation £'000	Other timing differences £'000	Total £'000
At 1 September 2013	**624**	**84**	**44**	**752**
Charge to income	(37)	(38)	(44)	(119)
Charge to equity	213	—	—	213
At 31 August 2014	**800**	**46**	**—**	**846**
Charge to income	(55)	48	—	(7)
Charge to equity	63	—	—	63
At 31 August 2015	**808**	**94**	**—**	**902**
Charge to income	(419)	(41)	12	(448)
Charge to equity	1,086	—	—	1,086
At 31 August 2016	**1,475**	**53**	**12**	**1,540**

The Finance Act 2013, which provides for a reduction in the main rate of UK corporation tax from 21% to 20%, effective from 1 April 2015, was substantively enacted on 2 July 2013. This rate reduction has been reflected in the prior year calculation of current and deferred tax. The Finance (No.2) Act 2015, which provides for a reduction in the main rate of UK corporation tax from 20% to 19% effective from 1 April 2017, and from 19% to 18%, effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the current year calculation of deferred tax. A further rate reduction to 17% effective from 1 April 2020 was announced in the Finance Bill 2016. As this was not substantively enacted at the balance sheet date, it has not been reflected in the calculation of deferred tax at the balance sheet date.

8. Intangible fixed assets

	Goodwill	Computer software	Internally generated development costs	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 September 2013	1,885	2,021	183	4,089
Additions	—	559	97	656
Disposals	—	—	—	—
At 31 August 2014	**1,885**	**2,580**	**280**	**4,745**
Additions	—	1,468	141	1,609
Disposals	—	(534)	—	(534)
At 31 August 2015	**1,885**	**3,514**	**421**	**5,820**
Additions	—	323	464	787
Disposals	—	—	—	—
At 31 August 2016	**1,885**	**3,837**	**885**	**6,607**
Accumulated amortization:				
At 1 September 2013	—	1,635	45	1,680
Charge for the year	—	180	67	247
Disposals	—	—	—	—
At 31 August 2014	**—**	**1,815**	**112**	**1,927**
Charge for the year	—	328	80	408
Disposals	—	(534)	—	(534)
At 31 August 2015	**—**	**1,609**	**192**	**1,801**
Charge for the year	—	375	137	512
Disposals	—	—	—	—
At 31 August 2016	**—**	**1,984**	**329**	**2,313**
Net book value at 31 August 2016	**1,885**	**1,853**	**556**	**4,294**
At 31 August 2015	1,885	1,905	229	4,019
At 31 August 2014	1,885	765	168	2,818
At 31 August 2013	1,885	386	138	2,409

Goodwill has arisen on the acquisitions of Hammond Bridge Limited, The Consortium for Publishing and Distribution Limited and West Mercia Supplies Limited. For the purposes of impairment testing, the board of Directors of RM plc consider there to be one cash generating unit ('CGU') in relation to the entire business.

Goodwill is tested annually for impairment. The key assumptions on which the forecast cash flows were based include revenue projections, margin percentage and the pre-tax market discount rate. These assumptions have been derived from Hedgelane Group's most recent budgets and forecasts for the following 3 years and extrapolates these cash flows on an estimated growth rate of 1% into perpetuity. No impairment charges relating to goodwill have been identified during 2016, 2015, and 2014.

As part of the impairment review sensitivity was applied to the main assumptions with no impairment identified. The board of directors of RM plc believe that currently no reasonably possible change in the income and availability assumptions would reduce the headroom in this CGU to zero.

A pre-tax market discount rate of 12% has been used in discounting the projected cash flows.

9. Property, plant and equipment

	Land and Buildings £'000	Plant & equipment £'000	Fixtures and fittings £'000	Total £'000
Cost:				
At 1 September 2013	5,175	3,280	812	9,267
Additions	—	43	440	483
Disposals	—	(35)	—	(35)
At 31 August 2014	**5,175**	**3,288**	**1,252**	**9,715**
Additions	—	116	70	186
Disposals	—	(466)	(24)	(490)
At 31 August 2015	**5,175**	**2,938**	**1,298**	**9,411**
Additions	—	218	520	738
Disposals	—	(42)	(202)	(244)
At 31 August 2016	**5,175**	**3,114**	**1,616**	**9,905**
Accumulated depreciation:				
At 1 September 2013	288	2,110	494	2,892
Charge for the year	77	292	107	476
Disposals	—	(22)	—	(22)
At 31 August 2014	**365**	**2,380**	**601**	**3,346**
Charge for the year	77	258	223	558
Disposals	—	(391)	(22)	(413)
At 31 August 2015	**442**	**2,247**	**802**	**3,491**
Charge for the year	74	286	338	698
Disposals	—	(35)	(169)	(204)
At 31 August 2016	**516**	**2,498**	**971**	**3,985**
Net book value at 31 August 2016	**4,659**	**616**	**645**	**5,920**
At 31 August 2015	4,733	691	496	5,920
At 31 August 2014	4,810	908	651	6,369
At 31 August 2013	4,887	1,170	318	6,375

10. Inventories

	31 August 2016 £'000	31 August 2015 £'000	31 August 2014 £'000
Finished goods	8,304	7,889	8,622
	8,304	**7,889**	**8,622**

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £35,358,000 (2015: £36,586,000; 2014: £36,481,000).

11. Trade and other receivables

	31 August 2016 £'000	31 August 2015 £'000	31 August 2014 £'000
Due within one year:			
Trade receivables	9,550	8,962	9,100
Other trade receivables	316	539	824
Prepayments and accrued items	1,579	799	762
Amounts due to Connect Group	3	12,995	11,061
Corporation tax	—	—	129
	11,448	23,295	21,876

The amounts owed by Connect Group are repayable on demand and non-interest bearing.

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

Ageing of unimpaired trade receivables

	31 August 2016 £'000	31 August 2015 £'000	31 August 2014 £'000
Trade receivables	9,627	9,059	9,245
Allowance for doubtful debts	(77)	(97)	(145)
	9,550	8,962	9,100
Not past due	4,659	4,652	4,493
30 – 60 days	3,264	3,108	3,612
Overdue by less than 60 days	1,422	1,056	956
Overdue by between 60 and 90 days	164	146	39
Overdue by more than 90 days	41	—	—
	9,550	8,962	9,100

Of the trade receivables balance one customer had an individual balance which represented 7% of the total trade receivables balance.

12. Trade and other payables

	31 August 2016 £'000	31 August 2015 £'000	31 August 2014 £'000
Due within one year:			
Trade payables	6,342	8,050	7,825
Other trade payables	525	811	1,123
Other taxation and social security	816	1,059	1,049
Corporation tax	336	523	—
Accruals and deferred income	3,227	2,503	3,038
Amounts due to Connect Group	649	16,370	11,928
	11,895	29,316	24,963

No interest is charged on trade payables other than those due to Connect Group. The Board of Directors of RM plc consider that the carrying amount of trade and other payables approximates to their fair value.

13. Retirement benefit obligations

The Hedgelane Group operates two defined benefit schemes.

Consortium "*CARE*" Scheme

Up until 31 December 2005 the Hedgelane Group 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 disclosures in this report make allowance for this change.

The scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Hedgelane Group 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 Hedgelane Group and 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 valuation of the scheme at 31 December 2013 was a deficit of £1.5m.

The amounts recognised in the balance sheet within non-current liabilities in relation to these plans are as follows:

	31 August 2016 £'000	31 August 2015 £'000	31 August 2014 £'000
Present value of funded obligation	(23,693)	(18,449)	(18,188)
Present value of unfunded obligation	(260)	(245)	(252)
Fair value of assets	15,801	14,664	14,445
Retirement benefit obligation recognized in the balance sheet	(8,152)	(4,030)	(3,995)

For the Consortium CARE and Platinum schemes, the Connect Group contributed £0.8m in 2016. The funding valuation of the Consortium CARE scheme as at 31 December 2013 was a deficit of £1.5m. Guaranteed Minimum Pension ("GMP") equalisation is expected to lead to an increase in scheme liabilities at some future date on the Consortium Care scheme. The weighted average duration of the schemes is 20 years for the Consortium Care scheme.

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

	31 August 2016 %	31 August 2015 %	31 August 2014 %
Rate of increase in pensions payment	2.95	3.15	3.15
Discount rate	2.00	3.80	3.85
Inflation assumption – CPI	2.00	2.25	2.25
Inflation assumption – RPI	3.00	3.25	3.25
Revaluation in deferment (CPI)	2.00	2.25	2.25

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

	31 August 2016 years	31 August 2015 years	31 August 2014 years
Male currently aged 45	23.2	23.4	23.4
Female currently aged 45	25.4	25.6	25.5
Male currently aged 65	21.9	22.1	22.1
Female currently aged 65	23.9	24.1	24.0

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

	31 August 2016 £'000	31 August 2015 £'000	31 August 2014 £'000
Equities	15,646	14,412	10,423
Bonds	127	223	3,839
Cash	28	29	183
	15,801	14,664	14,445

"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. The most recent full actuarial valuation was carried out by the independent actuaries Xafinity on 30 September 2012. 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 Hedgelane Group 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 amounts recognised in the balance sheet within non-current liabilities in relation to these plans are as follows:

	31 August 2016 £'000	31 August 2015 £'000	31 August 2014 £'000
Present value of funded obligation	(1,630)	(837)	(606)
Fair value of assets	1,894	1,283	937
Retirement benefit obligation recognized in the balance sheet	264	446	331

The Platinum scheme's 31 December 2013 funding valuation showed no deficit. The weighted average duration of the scheme is 29 years for the Platinum scheme.

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

	31 August 2016 %	31 August 2015 %	31 August 2014 %
Rate of increase in pensions payment	2.00	2.25	2.25
Rate of increase in salaries	2.50	2.50	2.50
Discount rate	2.00	3.80	3.85
Inflation assumption – CPI	2.00	2.25	2.25
Inflation assumption – RPI	3.00	3.25	3.25
Revaluation in deferment	2.00	2.25	2.25

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

	31 August 2016 years	31 August 2015 years	31 August 2014 years
Male currently aged 45	23.2	22.1	22.1
Female currently aged 45	25.4	24.1	24.0
Male currently aged 65	21.9	23.4	23.4
Female currently aged 65	23.9	25.6	25.5

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

	31 August 2016 £'000	31 August 2015 £'000	31 August 2014 £'000
Indexed Linked Gilts	945	625	467
Bonds	949	658	471
	1,894	1,283	938

The schemes expose the Hedgelane Group to a number of risks. The major risks are investment risk, interest rate risk, inflation risk and mortality risk. The Hedgelane Group and trustees are aware of these risks and manage them through appropriate investment and funding strategies.

A summary of the movements in the net balance sheet asset/ liability and amounts recognized in the Group income statement and other comprehensive income are as follows:

	Fair value of scheme assets £'000	Defined benefit obligation £'000	Impact of IFRIC 14 on defined benefit pension scheme £'000	Total £'000
At 31 August 2013	**14,304**	**(17,100)**	**(177)**	**(2,973)**
Current service cost	(36)	(179)	—	(215)
Net interest cost	634	(755)	—	(121)
Total amount recognised in income statement	**598**	**(934)**	**—**	**(336)**
Actual less expected return on scheme assets	533	—	—	533
Actuarial losses arising from experience	—	(37)	—	(37)
Actuarial loss arising from changes in financial assumptions	—	(1,606)	—	(1,606)
Actuarial gain arising from changes in demographic assumptions	—	199	—	199
Amount recognised in other comprehensive income	**533**	**(1,444)**	**—**	**(911)**
Employer contributions	379	—	—	379
Employee contributions	50	(50)	—	—
Benefit payments	(482)	482	—	—
Changes in surplus not recognised	—	—	(154)	(154)
Amounts included in cashflow	**(53)**	**432**	**(154)**	**225**
At 31 August 2014	**15,382**	**(19,046)**	**(331)**	**(3,995)**
Current service cost	(25)	(165)	—	(190)
Net interest cost	595	(727)	—	(132)
Total amount recognised in income statement	**570**	**(892)**	**—**	**(322)**
Actual less expected return on scheme assets	(126)	—	—	(126)
Actuarial gains arising from experience	—	112	—	112
Actuarial loss arising from changes in financial assumptions	—	(191)	—	(191)
Actuarial gain arising from changes in demographic assumptions	—	11	—	11
Change in surplus not recognised	—	—	(115)	—
Amount recognised in other comprehensive income	**(126)**	**(68)**	**(115)**	**(309)**
Employer contributions	596	—	—	596
Employee contributions	40	(40)	—	—
Benefit payments	(515)	515	—	—
Amounts included in cashflow	**121**	**475**	**—**	**596**
At 31 August 2015	**15,947**	**(19,531)**	**(446)**	**(4,030)**
Current service cost	(13)	(132)	—	(145)
Past service gain	—	1,074	—	1,074
Net interest cost	598	(728)	—	(130)
Total amount recognised in income statement	585	214	—	799
Actual less expected return on scheme assets	1,538	—	—	1,538
Actuarial gains arising from experience	—	(4)	—	(4)
Actuarial loss arising from changes in financial assumptions	—	(7,427)	—	(7,427)
Actuarial gain arising from changes in demographic assumptions	—	282	—	282
Change in surplus not recognised	—	—	182	182
Amount recognised in other comprehensive income	1,538	(7,149)	182	(5,429)
Employer contributions	508	—	—	508
Employee contributions	31	(31)	—	—
Benefit payments	(915)	915	—	—
Amounts included in cashflow	**(376)**	**884**	**—**	**508**
At 31 August 2016	**17,694**	**(25,582)**	**(264)**	**(8,152)**

	31 August 2016	31 August 2015	31 August 2014
Amounts included in:			
Non current assets – Platinum Scheme	—	—	
Non current liabilities – Consortium "CARE" Scheme	(8,152)	(4,030)	(3,995)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below (for both schemes combined):

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by -£1.8m/+£2.1m
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by +£2.3m/-£2.3m
Rate of mortality	Increase/decrease by 1 year	Increase/decrease by +- £0.8m

Sensitivity regarding the rate of salary growth is only applicable to the scheme arising from the acquisition of West Mercia Supplies where this scheme is still open to further service accrual. The impact of a 0.1% increase/ decrease in the salary assumption is an increase/ decrease of less than £0.1 m in scheme liabilities.

The Hedgelane Limited expects that the cash contribution for the next financial year will be £0.6m.

The expense recognised in respect of the defined contribution scheme was £0.5m in 2016, £0.5m in 2015, and £0.5m in 2014.

14. Share based payment

The Connect Group operates various share schemes for its employees, as described below. The Hedgelane Limited takes part in the Connect 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. The Hedgelane Group recognised total expenses of £185,000 in 2016 (2015: expenses of £158,000; 2014: nil) related to the equity-settled share-based payment transactions.

The share incentive schemes operated by Connect Group plc are described below:

Sharesave Scheme	Under the terms of the Connect Group Sharesave Scheme, the Connect Group Board may grant options to purchase ordinary shares in Connect Group plc to eligible employees who enter into an HM Revenue & Customs approved Save-As-You-Earn ("SAYE") savings contract for a term of three or five years. Options are granted at a 20% discount to the market price of the shares on the day preceding the date of offer and are normally exercisable for a period of six months after completion of the SAYE contract.
Executive share option schemes (ESOS)	Under the terms of the Connect Group Executive Share Option Scheme, the Connect Group Board may grant options to purchase ordinary shares in Connect Group plc to executives up to an annual limit of 200% of base salary. The exercise of options is conditional on the achievement of a three year performance target, which is determined by the Remuneration Committee at the time of grant. Provided that the target is met, options are normally exercisable until the day preceding the 10th anniversary of the date of grant.
LTIP	Under the terms of the Connect Group LTIP, executive directors and key senior executives may be awarded each year conditional entitlement to ordinary shares in Connect Group plc (in the form of nil cost options) or, in order to retain flexibility and at Connect Group plc's discretion, a cash sum linked to the value of a notional award of shares up to a value of 200% of base salary. The vesting of awards is subject to the satisfaction of a three year performance condition, which is determined by the Remuneration Committee at the time of grant. Subject to the satisfaction of the performance condition, awards are normally exercisable until the 10th anniversary of the date of grant.
Deferred Bonus Plan (DBP)	Under the terms of the Connect Group Deferred Bonus Plan, executive directors and key senior executives may be granted each year share awards (in the form of nil cost options)

dependent on the achievement of the Annual Bonus Plan and Economic Profit Plan performance targets. Awards are normally exercisable after two years subject to continued employment.

Details of the options/awards are as follows:

	Sharesave		ESOS		LTIP		DBP	
Number of options/ awards	**No of shares**	**Weighted average exercise price**	**No of shares**	**Weighted average exercise price**	**No of shares**	**Weighted average exercise price**	**No of shares**	**Weighted average exercise price**
Exercised in FY14	—	—	20,483	1.81	64,662	—	56,238	—
At 31 August 2014	238,303	116.9p	353,413	1.75	163,393	—	94,544	—
Exercised in FY15	—	—	42,460	93.9p	75,010	—	53,451	—
At 31 August 2015	350,703	130.0p	597,287	153.9p	163,952	—	91,969	—
Exercised in FY16	21,616	160.1p	41,456	137.8p	37,312	—	51,424	—
At 31 August 2016	430,802	130.0p	579,075	163.5p	162,089	—	82,410	—

The options outstanding at 31 August 2016 had exercise prices ranging from nil to 210.3p (2015: nil to 210.3p).

The weighted average remaining contractual life in years of options/awards is as follows:

	Sharesave	**ESOS**	**LTIP**	**DBP**
Outstanding at 31 August 2016	2.2	8.1	8.2	1.7
Outstanding at 31 August 2015	2.4	8.5	8.2	1.7
Outstanding at 31 August 2014	1.5	7.5	8.1	1.7

The sharesave and ESOS options granted during each period have been valued using a Black-Scholes model, the LTIP and DBP schemes are valued by reference to the share price at the date of grant discounted by the estimated dividend yield per cent.

15. Called up share capital

	31 August 2016		**31 August 2015**		**31 August 2014**	
	No.	**£'000**	**No.**	**£'000**	**No.**	**£'000**
Called up, allotted and fully paid						
Ordinary shares of £1 each	500,000	500	500,000	500	500,000	500

16. Commitments

Amounts contracted for at 31 August 2016, 2015 and 2014 but not provided in the financial statements amounted to £nil.

Minimum payments under operating leases are as follows:

	31 August 2016 £'000	**31 August 2015 £'000**	**31 August 2014 £'000**
Land and Buildings			
Agreements which expire:			
– within two to five years	439	599	659

	31 August 2016 £'000	31 August 2015 £'000	31 August 2014 £'000
Equipment and vehicles			
Agreements which expire:			
– within one year	274	224	121
– within two to five years	424	318	146
	698	542	267

17. Contingent liabilities

The Hedgelane Group has given a cross guarantee in respect of the bank loans in Connect Group. As 31 August 2014, 2015 and 2016 the net exposure in respect of this is £nil (2015: £nil, 2014: £nil).

18. Related parties

During the year, Hedgelane Group entered into the following transactions with remaining entities of Connect Group.

	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Sales	116	87	84
Purchases	(1,294)	(733)	(1,076)
Administrative expenses	(430)	(246)	(124)
	(1,607)	(892)	(1,116)

Total amounts owed between Hedgelane Limited and the remaining entities of Connect Group plc are as follows:

	31 August 2016 £'000	31 August 2015 £'000	31 August 2014 £'000
Amounts due from Connect Group plc	3	12,995	11,061
Amounts due to Connect Group plc	(649)	(16,370)	(11,928)
	(646)	3,375	(867)

Intragroup transactions between the entities of Hedgelane Limited have been eliminated on consolidation and are not disclosed in this note.

19. Subsidiary and associated undertakings

	Country of incorporation	Activity	Proportion of ordinary shares held
The Consortium for Purchasing and Distribution Limited	England	Purchasing and distribution	100%
Hammond Bridge Limited	England	Dormant	100%
The Consortium Limited	England	Dormant	100%
Studentpacks Limited	England	Dormant	100%
Hammond Bridge Trustees Limited	England	Dormant	100%
Supply Zone Limited	England	Dormant	100%

20. Financial risks

Treasury policy

For the years ended 31 August 2016, 2015 and 2014, the Hedgelane Group has utilised the centralised treasury function of Connect Group to manage its funding requirements and financial risks in line with the Connect Group's approved treasury policies and procedures and their delegated authorities. No transactions of a speculative nature are undertaken. Dealings are restricted to those banks with suitable credit ratings and counterparty risk and credit exposure is monitored frequently. Going forward the treasury policy of the RM plc Group will be adopted.

Liquidity risk

Cash is managed to ensure that sufficient liquid funds are available with the variety of counterparties to meet short medium and long term cashflow forecasting requirements. Going forward liquidity will be managed by the treasury function of RM plc.

Counterparty risk

Dealings are restricted to those banks with suitable credit ratings and counterparty risk and credit exposure is monitored.

Foreign currency risk

Foreign currency risk is restricted as sales are recorded in Pounds Sterling and a majority of purchases are made within the United Kingdom. There are no material currency exposures to disclose.

Interest rate risk

Hedgelane Group is not reliant on external debt for its funding, and as such the interest rate risk on intergroup funding is low. This is expected to remain the case going forward.

Credit risk

Hedgelane Group has considered credit risk within note 12 to this historical financial information.

21. Subsequent events

On 7 February 2017, RM plc agreed to acquire the Hedgelane Group from Connect Group plc.

SECTION B

ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION ON CONNECT EDUCATION & CARE

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RM plc
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24 February 2017

Ladies and Gentlemen,

Historical financial information relating to Hedgelane Limited

We report on the financial information set out in Section A of Part IV. This financial information has been prepared for inclusion in the Class 1 Circular of RM plc relating to the acquisition of Hedgelane Limited dated 24 February 2017 on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph 13.5.21R of the Listing Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of RM plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to the holders of ordinary shares in RM plc as a result of the inclusion of this report in the Class 1 Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Circular.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Class 1 Circular, a true and fair view of the state of affairs of Hedgelane Limited as at 31 August 2014, 2015 and 2016 and of its profits, cash flows and changes in equity for the years ended 31 August 2014, 2015 and 2016 in accordance with the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 1.

Yours faithfully

KPMG LLP

PART V

SECTION A

UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE ENLARGED GROUP

Basis of preparation

The unaudited *pro forma* income statement and the unaudited *pro forma* statement of net assets (the "**Unaudited Pro Forma Financial Information**") of the Enlarged Group set out below have been prepared to illustrate the effect of the acquisition of Connect Education & Care by RM, and the associated debt draw-down, on the net assets of the Enlarged Group as at 30 November 2016 had the acquisition been completed on that date, and on the earnings of the Enlarged Group from 1 December 2015, had the acquisition been completed on that date.

The Unaudited Pro Forma Financial Information has been prepared in a manner consistent with the accounting policies adopted by RM in preparing its financial statements for the year ended 30 November 2016 and on the basis set out in the notes below, and in accordance with Annex II of the Prospectus Regulation.

The Unaudited Pro Forma Information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent RM's or the Enlarged Group's actual financial position or results.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006. The Unaudited Pro Forma Financial Information does not purport to represent what the Enlarged Group's financial position and results of operations actually would have been if the acquisition had been completed on the dates indicated nor does it purport to represent the results of operations for any future period or the financial condition at any future date. RM shareholders should read the whole of this document and not rely solely on the summarised financial information contained in Section A of this Part V (Unaudited Pro Forma Financial Information for the Combined Group). KPMG LLP's report on the Unaudited Pro Forma Financial Information is set out on Part B of this Part V (Unaudited Pro Forma Financial Information for the Combined Group).

Unaudited *pro forma* income statement

	RM Year ended 30 November 2016 Note 1 £'000	Connect Education & Care Year ended 31 August 2016 Note 2 £'000	Adjustments: Transaction costs Note 5 £'000	Adjustments: Tax benefits of transaction costs Note 6 £'000	Adjustments: Debt financing costs Note 7 £'000	Pro-forma income statement of the Enlarged Group
Revenue	167,615	63,491	—	—	—	231,106
Cost of sales	(100,365)	(34,866)	—	—	—	(135,231)
Gross profit	**67,250**	**28,625**	**—**	**—**	**—**	**95,875**
Operating expenses	(51,328)	(20,516)	(2,975)	—	—	(74,819)
Profit from operations	**15,922**	**8,109**	**(2,975)**	**—**	**—**	**21,056**
Investment income	279	—	—	—	—	279
Finance costs	(1,086)	(1,846)	—	—	(874)	(3,806)
Profit before tax	**15,115**	**6,263**	**(2,975)**	**—**	**(874)**	**17,529**
Tax	(3,469)	(1,204)	—	684	—	(3,989)
Profit for the period	**11,646**	**5,059**	**(2,975)**	**684**	**(874)**	**13,540**

Unaudited *pro forma* statement of net assets

	RM 30 November 2016 Note 1 £'000	Connect Education & Care 31 August 2016 Note 2 £'000	Adjustments: Debt draw-down Note 3 £'000	Adjustments: Acquisition of Connect Education & Care Note 4 £'000	Adjustments: Transaction costs Note 5 £'000	Adjustments: Tax benefits of transaction costs Note 6 £'000	Pro-forma net assets of the Enlarged Group £'000
Non-current assets							
Goodwill	14,067	1,885	—	42,041	—	—	57,993
Other intangible assets	704	2,409	—	—	—	—	3,113
Property, plant and equipment	6,219	5,920	—	—	—	—	12,139
Other receivables	1,153	—	—	—	—	—	1,153
Deferred tax assets	8,793	1,540	—	—	—	—	10,333
	30,936	**11,754**	**—**	**42,041**	**—**	**—**	**84,731**
Current assets							
Inventories	10,689	8,304	—	—	—	—	18,993
Trade and other receivables	24,403	11,448	—	—	—	—	35,851
Cash and short term deposits	39,987	3,000	20,013	(59,500)	(3,500)	—	—
	75,079	**22,752**	**20,013**	**(59,500)**	**(3,500)**	**—**	**54,844**
Total assets	**106,015**	**34,506**	**20,013**	**(17,459)**	**(3,500)**	**—**	**139,575**
Current liabilities							
Trade and other payables	(54,521)	(11,559)	—	—	525	—	(65,555)
Tax liabilities	(1,259)	(336)	—	—	—	684	(911)
Provisions	(3,536)	—	—	—	—	—	(3,536)
	(59,316)	**(11,895)**	**—**	**—**	**525**	**684**	**(70,002)**
Net current assets	**15,763**	**10,857**	**20,013**	**(59,500)**	**(2,975)**	**684**	**(15.158)**
Non-current liabilities							
Long term borrowings	—	—	(20,013)	—	—	—	(20,013)
Other payables	(971)	—	—	—	—	—	(971)
Provisions	(3,157)	—	—	—	—	—	(3,157)
Defined benefit pension scheme obligations	(34,775)	(8,152)	—	—	—	—	(42,927)
	(38,903)	**(8,152)**	**(20,013)**	**—**	**—**	**—**	**(67,068)**
Total liabilities	**(98,219)**	**(20,047)**	**(20,013)**	**—**	**525**	**684**	**(137,070)**
Net assets	**7,796**	**14,459**	**—**	**(17,459)**	**(2,975)**	**684**	**2,505**

Further *pro forma* financial information:

	RM plc Year ended 30 November 2016 Note 1 £'000	Connect Education & Care Year ended 31 August 2016 Note 2 £'000	Adjustments: Transaction costs Note 5 £'000	Adjustments: Tax benefits of transaction costs Note 6 £'000	Adjustments: Debt financing costs Note 7 £'000	Pro-forma £'000
Profit for the period	**11,646**	**5,059**	**(2,975)**	**684**	**(874)**	**13,540**
Add back:						
Transaction costs, non-recurring and other items (Note 10)	2,907	(365)	2,975	(684)	—	4,833
Amortisation and depreciation	2,547	1,210	—	—	—	3,757
Taxation	3,469	1,204	—	—	—	4,673
Net interest expense	807	1,846	—	—	874	3,527
Adjusted EBITDA	**21,376**	**8,954**	**—**	**—**	**—**	**30,330**

	RM 30 November 2016 Note 1 £'000	Connect Education & Care 31 August 2016 Note 2 £'000	Adjustments: Acquisition of Connect Education & Care Note 4 £'000	Adjustments: Transaction costs Note 5 £,000	Pro-forma £'000
Long-term borrowings	—	—	(56,500)	—	(56,500)
Cash and cash equivalents	39,987	3,000	(3,000)	(3,500)	36,487
Net debt (A)	**39,987**	**3,000**	**(59,500)**	**(3,500)**	**(20,013)**
Adjusted EBITDA (B)	21,376	8,954			30,330
Leverage ratio (A/B)					**0.7**

Notes:

1. The financial information of RM as at 30 November 2016 has been extracted without material adjustment from its audited financial statements for the year ended 30 November 2016.
2. The financial information of Connect Education & Care as at 31 August 2016 has been extracted without material adjustment from the historical financial information as set out in Part IV (Financial Information relating to Connect Education & Care) of this document.
3. This adjustment reflects the receipt of net proceeds of the debt draw down on completion of the transaction of £20,013,000. The maximum facility available to RM on completion of the transaction is £75,000,000.
4. This adjustment reflects the acquisition of Connect Education & Care by RM and the elimination of the Connect Education & Care cash balance as the transaction is to be completed on a cash-free basis. The consideration payable to Connect Group plc for the acquisition of Connect Education & Care is £56,500,000 payable in cash. The Connect Education & Care cash balance as at 31 August 2016 was £3,000,000.

   The adjustment to Goodwill of £42,041,000 represents the difference between the purchase consideration paid of £56,500,000 and the net assets acquired of £14,459,000. A fair value assessment of the assets and liabilities acquired, including a valuation of the intangible assets and purchase price allocation, as required by IFRS 3 (revised), has not yet been performed. RM expects to undertake a fair value exercise following completion of the acquisition to enable the RM Directors to identify individual intangible assets and make any fair value adjustments required.
5. This adjustment reflects the total transaction costs of £3,500,000 incurred solely by RM as part of the acquisition of Connect Education & Care, which are assumed for the purposes of the *pro forma* financial information to be expensed in accordance with IFRS 3 (Revised). As at 30 November 2016, RM had accrued £525,000 of costs relating to the transaction within Trade and Other Payables.
6. This adjustment reflects the estimated tax benefits of the transaction costs noted in adjustment 5. The estimate is based on the effective tax rate of RM in 2016 (23.0%).
7. This adjustment reflects the estimated interest expense incurred as a consequence of utilising the debt facility described in adjustment 3. These costs will have a continuing impact on the income statement of the Enlarged Group.
8. The adjustments in notes 5 and 6 will have no continuing impact on the statements of the Enlarged Group going forward.
9. No adjustment has been made to reflect the trading results of RM, Connect Education & Care or the Enlarged Group since 30 November 2016 or any other change in their financial position in that period.
10. The RM figure of £2,907,000 has been extracted from note 5 of RM's audited financial statements for the year ended 30 November 2016.

    The Connect Education & Care figure of £365,000 represents the net impact of integration and reorganisation costs of £709,000 and a past service pension gain of £1,074,000.

SECTION B

ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION FOR THE ENLARGED GROUP

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24 February 2017

Ladies and Gentlemen,

Pro forma financial information relating to RM plc

We report on the *pro forma* financial information (the **"Pro forma financial information"**) set out in Section A of Part V of the Class 1 circular of RM plc dated 24 February 2017 which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the acquisition of Hedgelane Limited might have affected the financial information presented on the basis of the accounting policies adopted by RM plc in preparing the financial statements for the period ended 30 November 2016. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of RM plc to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to the holders of ordinary shares in RM plc as a result of the inclusion of this report in the Class 1 Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Class 1 Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of RM plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of RM plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of RM plc.

Yours faithfully

KPMG LLP

PART VI

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Company address

The registered office and principal place of business in the UK of the Company is at 140 Eastern Avenue, Milton, Abingdon, Oxfordshire OX14 4SB (telephone number +44 (0) 8450 700 300).

3. Directors' interests

3.1 The direct and indirect interests (all of which are beneficial) of the Directors in Ordinary Shares as at 23 February 2017 (being the latest practicable date prior to the publication of this document) are set out in the following table:

Director	Number of voting rights in respect of Ordinary Shares	Percentage of issued share capital
John Poulter	87,500	0.11%
David Brooks	311,295	0.38%
Neil Martin	35,000	0.04%
Patrick Martell	5,000	0.006%
Deena Mattar	17,933	0.022%

3.2 Taken together, the combined percentage interest of the Directors in voting rights in respect of the issued ordinary share capital of the Company as at 23 February 2017 (being the latest practicable date prior to the publication of this document) was approximately 0.55 per cent.

3.3 The Directors have no interests in the shares of the Company's subsidiaries.

3.4 Details of options over the Ordinary Shares held by the Directors as at 23 February 2017 (being the latest practicable date prior to publication of this document) are set out below. They are not included in the interests of the Directors shown in the table in paragraph 3.1 above.

(a) ***Directors' interests under the Performance Share Plan:***

Option holder	Date of Grant	Number of Ordinary Shares	Exercise price (pence)	Date from which exercisable
David Brooks	4 August 2014	180,000	Nil	7 August 2017
	5 August 2015	180,000	Nil	6 August 2018
Neil Martin	2 October 2015	160,000	Nil	4 October 2018

(b) ***Directors' interests under the Approved and Non-Approved Share Option Plan:***

Option holder	Date of Grant	Number of Ordinary Shares	Exercise price (pence)	Date from which exercisable	Expiry date
David Brooks	28 November 2007	20,000	1.973	Exercisable	10 years from grant

3.5 Save as disclosed in this paragraph 3, no Director nor their immediate families, nor any person connected with any Director within the meaning of section 252 of the Act has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

4. Directors' terms of appointment

4.1 *Executive Directors' service agreements*

RM Education Limited has entered into the following service agreements with the Executive Directors:

Director	Date of service agreement	Commencement of office	Expiry/Notice period	Basic Annual Salary (£)	Annual bonus for the financial year ended 30 November 2016 (£)
David Brooks	12 February 2016	1 July 2012	12 months' notice	318,000	154,000
Neil Martin	15 February 2016	28 September 2015	12 months' notice	286,200	136,000

The Executive Directors are not entitled to any termination benefits under the terms of their service agreements.

Further details of the Executive Directors' service contracts can be found on page 42 of the Company's 2016 Annual Report and Accounts in the section entitled ''Remuneration Report'' and are incorporated herein by reference.

4.2 *Non-executive Directors' letters of appointment*

The Company has entered into the following letters of appointment with the Non-executive Directors:

Director	Effective date of current appointment	Date of first appointment	Expiry	Basic Annual Fee (£)
Lord Adonis	17 September 2014	1 October 2011	30 September 2017	36,000
Patrick Martell	1 January 2014	1 January 2014	31 December 2019	39,000
Deena Mattar	20 May 2014	1 June 2011	31 May 2020	43,000
John Poulter	1 May 2013	1 May 2013	30 April 2019	120,000

The non-executive Directors are not entitled to any termination benefits under the terms of their letters of appointment.

Further details of the Non-executive Directors' service contracts can be found on page 42 of the Company's 2016 Annual Report and Accounts in the section entitled ''Remuneration Report'' and are incorporated herein by reference.

5. Major Shareholders

5.1 In so far as it is known to the Company as at 23 February 2017 (being the latest practicable date prior to the publication of this document), the following persons are interested directly or indirectly in three per cent. or more of the voting rights in respect of the issued ordinary share capital of the Company:

Shareholder	Number of voting rights in respect of Ordinary Shares	Percentage of issued share capital
Schroders Investment Management Ltd	16,478,778	19.94%
Aberforth Partners	14,669,375	17.75%
Artemis Investment Management LLP	11,796,816	14.27%
Majedie Asset Management Ltd	5,280,817	6.39%
The Wellcome Trust Ltd	4,798,752	5.81%
Ennismore Fund Management Limited	3,125,000	3.78%
Fidelity International	3,109,433	3.76%

6. Material Contracts

6.1 *RM*

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group (i) within the two years immediately preceding the date of this document and are or may be material to the Group or (ii) at any time and contain obligations or entitlements which are or may be material to the Group as at the date of this document.

(a) ***Acquisition Agreement***

A summary of the Acquisition Agreement is set out in Section A of Part III of this document.

(b) ***TSA***

A summary of the TSA is set out in Section B of Part III of this document.

(c) ***Existing facilities agreement with Barclays Bank PLC***

Senior facility agreement with Barclays Bank PLC originally dated 27 January 2012

RM, RM Education Limited, TTS Group Limited and RM Books Limited (together, the "**Borrowers**") and Barclays Bank PLC (the "**Lender**") are parties to an amendment and restatement agreement dated 15 April 2016 amending and restating the terms of a facility agreement originally dated 27 January 2012.

Purpose

Pursuant to the terms of the Current Facility Agreement, the Lender is providing the Borrowers with a £30 million senior multicurrency revolving credit facility. The Current Facility is made available to fund the general corporate and working capital purposes of the Group (defined in the Current Facility Agreement as RM and its subsidiaries), specifically including acquisitions of companies, businesses or undertakings.

Interest rate and fees

The interest payable on each loan drawn down under the Current Facility Agreement for each interest period is LIBOR (or EURIBOR in relation to any loan in euros) plus a margin. The margin is calculated from time to time by reference to the adjusted leverage for the Group. The highest applicable margin is 2.75 per cent. (where leverage is greater than 2.5 times EBITDA for last twelve months) and the lowest applicable margin is 1.40 per cent. (where leverage is less than or equal to 1 times EBITDA for last twelve months).

Default interest, extension fees (each where applicable) and commitment fees are chargeable as is customary.

Repayment

The loans drawn down under the Current Facility Agreement are repayable on the last day of any applicable interest period, subject to a standard rollover mechanism which allows existing loans to be carried forward for a further interest period unless an event of default is continuing under the Current Facility Agreement. The final repayment date of the Facility is 36 months from the restatement, being 15 April 2019 unless otherwise agreed by the parties. The Current Facility Agreement gives RM the right to request up to two extensions of the final repayment date. If the Lender agrees (in its absolute discretion) to grant those extensions the final repayment date can be extended by up to two years.

Guarantee and security

Each of the Borrowers (in their capacity as guarantors under the Current Facility Agreement) guarantees performance of all obligations by each other of the Borrowers.

Representations and undertakings

The Current Facility Agreement contains standard representations and warranties and also requires the Borrowers to comply with a number of undertakings including restrictions on disposals and compliance with financial covenants.

The Current Facility Agreement and additional finance documents are governed by English Law (which is the jurisdiction of incorporation of each of the Borrowers).

Overdraft Agreement

RM, RM Education Limited, TTS Group Limited and RM Books Limited (together, the **''Borrowers''**) and Barclays Bank PLC (the **''Lender''**) entered into an agreement dated 15 April 2016 (the **''Overdraft Agreement''**). The Overdraft Agreement is an ancillary facility for the purposes of the Current Facilities Agreement so while the Overdraft Agreement is in place the amount available for utilising by way of revolving facility loans is reduced by the amount available under the overdraft facility.

Purpose

Pursuant to the terms of the Overdraft Agreement, the Lender has agreed to provide the Borrowers with a £5 million overdraft facility, for working capital purposes.

Interest rate and fees

The interest payable is calculated on the net indebtedness for the time being at the rate per annum of the Lender's base rate plus a margin. The margin for the Overdraft Facility is the same as the Current Facility Agreement and is by reference to the adjusted leverage of the group.

Interest accrues daily and is payable quarterly, or at such other intervals of time as the Lender may from time to time determine.

The Overdraft Facility is subject to a non-utilisation fee at the same per cent. per annum as the Current Facility Agreement, calculated on a daily basis and payable quarterly in arrears, or on such other agreed dates.

Repayment

The Overdraft Agreement states that all amounts outstanding under the Overdraft Agreement are repayable upon written demand by the Lender, and any undrawn amounts of the Overdraft Agreement may be cancelled by the Lender, at any time. This is subject to the terms of the Current Facility Agreement which only allow the Lender to demand repayment of the overdraft in limited circumstances, such as if the repayment is required to reduce the amount outstanding under the overdraft facility to reflect the agreed £5 million limit or if it becomes unlawful for the Lender to maintain the overdraft facility.

Guarantee and security

The Overdraft Facility is supported by an existing unlimited guarantee between and by the Borrowers and by the guarantee between the Borrowers contained in the Current Facility Agreement.

Representations and undertakings

The Overdraft Agreement contains standard terms, which require the Borrowers to comply with a number of customary provisions, including indemnities for delay or non-performance and change of circumstances.

The Overdraft Agreement is ancillary to the Current Facility Agreement and is governed by English Law.

Other uncommitted facilities

There are uncommitted facilities (including guarantee facilities, interest rate hedging and corporate card facilities) made available by the Lender, HSBC Bank plc and State Bank of India.

(d) ***The New Facility Agreement***

RM, RM Education Limited, TTS Group Limited and RM Books Limited (together, the "**New Borrowers**") and Barclays Bank PLC and HSBC Bank plc (the "**New Lenders**") are parties to a facility agreement dated 7 February 2017.

Purpose

Pursuant to the terms of the New Facility Agreement, the New Lenders are providing the New Borrowers with a £75 million senior multicurrency revolving credit facility. The New Facility is made available to fund (1) the payment of the purchase price for the entire issued share capital of Connect Education & Care, (2) the payment of the costs of RM and its subsidiaries relating to the Acquisition, (3) refinancing the financial indebtedness of RM and its subsidiaries under the Current Facility Agreement and (4) the general corporate and working capital purposes and capital expenditure of the Banking Group.

Interest rate and fees

The interest payable on each loan drawn down under the New Facility Agreement for each interest period is LIBOR (or EURIBOR in relation to any loan in euros) plus a margin. The margin is calculated from time to time by reference to the adjusted leverage for the Banking Group. The highest applicable margin is 1.90 per cent. (where adjusted leverage is greater than or equal to 2 times EBITDA for last twelve months) and the lowest applicable margin is 1.30 per cent. (where leverage is less than 1 times EBITDA for last twelve months).

Default interest, extension fees (each where applicable) and commitment fees are chargeable as is customary.

Reduction of the New Facility

Under the terms of the New Facility Agreement, the principal amount of the New Facility shall reduce by £5 million on the dates falling 12 months, 18 months and 24 months following the date of Completion, reducing to a total facility amount of £60 million.

Repayment

The loans drawn down under the New Facility Agreement are repayable on the last day of any applicable interest period, subject to a standard rollover mechanism which allows existing loans to be carried forward for a further interest period unless an event of default is continuing under the New Facility Agreement. The final repayment date of the New Facility is 36 months from the date of Completion. The New Facility Agreement gives RM the right to request up to two extensions of the final repayment date, in relation to either the whole or any part amount of the New Facility. If any Lender agrees (in its absolute discretion) to grant those extensions, the final repayment date in relation to the New Facility (or if in part, the requested part amount of the New Facility) can be extended by up to two years.

Guarantee and security

Each of the New Borrowers (in their capacity as guarantors under the New Facility Agreement) guarantees performance of all obligations by each other of the New Borrowers.

Representations and undertakings

The New Facility Agreement contains standard representations and warranties and also requires the New Borrowers to comply with a number of undertakings including restrictions on disposals and compliance with financial covenants.

The New Facility Agreement and additional finance documents are governed by English law (which is the jurisdiction of incorporation of each of the New Borrowers).

6.2 ***Connect Education & Care***

No contracts (not being contracts entered into in the ordinary course of business) have been entered into by Connect Education & Care or another member of the Connect Education & Care Group (i) within the two years immediately preceding the date of this document and are or may be material to the Connect Education & Care Group or (ii) at any time and contain obligations or entitlements which are or may be material to the Connect Education & Care Group as at the date of this document.

7. Working capital statement

In the opinion of the Company, the Enlarged Group has sufficient working capital for its present requirements, that is for the next 12 months following the date of this document.

8. Litigation

8.1 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may or have had during the 12 months prior to the date of this document a significant effect on the Group and/or the Group's financial position or profitability.

8.2 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may or have had during the 12 months prior to the date of this document a significant effect on the Connect Education & Care Group and/or the Connect Education & Care Group's financial position or profitability.

9. Sources and bases of selected financial information

9.1 In this document unless otherwise stated financial information relating to the Company has been extracted without material adjustment from the audited consolidated financial statements of the Company.

9.2 In this document unless otherwise stated financial information relating to Connect Education & Care has been extracted without material adjustment from the historical financial information set out in Part IV of this document and the audited financial statements of Connect Education & Care for the financial years ended 31 August 2014, 31 August 2015 and 31 August 2016.

Certain financial information relating to Connect Education & Care in this document may differ from that included in the announcement by RM dated 7 February 2017. The financial information included in the announcement was extracted from Connect Education & Care's historical financial information as reported, however the financial information included in this document has been restated in accordance with RM's accounting policies.

10. Significant change

10.1 There has been no significant change in the financial or trading position of the Group since 30 November 2016, being the date of the last financial period for which financial information has been published.

10.2 There has been no significant change in the financial or trading position of the Connect Education & Care Group since 31 August 2016, being the date to which the financial statements shown in Part IV have been prepared.

11. Related party transactions

Other than as set out below, each of which is incorporated by reference, the Group has entered into no related party transactions of the kind set out in the Standards adopted according to Regulation (EC) No 1606/2002 during the financial years ended 30 November

2014, 30 November 2015 and 30 November 2016 or during the period from the end of such financial periods to 23 February 2017 (being the latest practicable date prior to the publication of this document):

(a) Note 29 (Related Party Transactions) in the consolidated audited financial statements of RM at pages 94 and 95 of the RM Annual Report and Accounts 2014;

(b) Note 30 (Related Party Transactions) in the consolidated audited financial statements of RM at pages 99 and 100 of the RM Annual Report and Accounts 2015; and

(c) Note 30 (Related Party Transactions) in the consolidated audited financial statements of RM at pages 106 and 107 of the RM Annual Report and Accounts 2016.

12. Consent

12.1 Rothschild has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

12.2 KPMG LLP has given and has not withdrawn its written consent to the inclusion in this document of its reports set out in Section B of Part IV and Section B of Part V, in the form and context in which they appear.

13. Documentation incorporated by reference

The following information is incorporated by reference into this document:

Reference Document	Information incorporated by reference into this document	Reference document page reference	Page reference in this document
Company's 2016 Annual Report and Accounts	Executive Directors' service contracts	42	55
Company's 2016 Annual Report and Accounts	Non-executive Directors' appointment letters	42	55
Company's 2016 Annual Report and Accounts	Related party transactions	106 – 107	60
Company's 2015 Annual Report and Accounts	Related party transactions	99 – 100	60
Company's 2014 Annual Report and Accounts	Related party transactions	94 – 95	60

14. Documents on display

Copies of the following documents are available for inspection at the offices of Osborne Clarke LLP, One London Wall, London EC2Y 5EB during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until the conclusion of the General Meeting:

(a) the articles of association of the Company;

(b) the audited consolidated accounts of the Group for the three financial years ended 30 November 2014, 30 November 2015 and 30 November 2016;

(c) the reports of KPMG LLP set out in Section B of Part IV and Section B of Part V of this document;

(d) the Acquisition Agreement;

(e) the consent letters referred to in paragraph 12 of this Part VII; and

(f) this document.

Dated: 24 February 2017

PART VII

DEFINITIONS

In this document and the Form of Proxy, the following words and expressions have the following meanings, unless the context requires otherwise:

"Acquisition"	the proposed acquisition by the Company of Connect Education & Care pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional agreement dated 7 February 2017 and made between the Company, Smiths News Holdings and Connect relating to the Acquisition, further details of which are set out in Section A of Part III of this document
"Act"	the Companies Act 2006 (as amended)
"AGM"	the annual general meeting of the Company to be held at 11.30 a.m. on 22 March 2017 at 140 Eastern Avenue, Milton Park, Milton, Abingdon, Oxfordshire, OX14 4SB
"Banking Group"	RM and its subsidiaries from time to time
"Board" or **"Directors"**	the board of directors of the Company whose names are set out on page 5 of this document, or any duly authorised committee thereof
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks generally are open for business in London
"certificated form" or **"in certificated form"**	an Ordinary Share recorded on a company's share register as being held in certificated form (namely, not in CREST)
"Clearance"	Phase I Clearance or Phase II Clearance, as applicable
"CMA"	the UK Competition and Markets Authority
"Company" or **"RM"**	RM plc, registered in England and Wales with registered number 01749877
"Completion"	completion of the Acquisition in accordance with the terms of the Acquisition Agreement
"Connect"	Connect Group plc, registered in England and Wales with registered number 05195191
"Connect Education & Care"	Hedgelane Limited, registered in England and Wales with registered number 06470133
"Connect Education & Care Group"	Connect Education & Care, its subsidiaries and its subsidiary undertakings as at the date of this document
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (as amended)
"Current Facility"	the facility made available under the Current Facility Agreement
"Current Facility Agreement"	the facility agreement dated 27 January 2012 as amended and restated on 15 April 2016 and made between (amongst others) the Company and Barclays Bank PLC
"Disclosure and Transparency Rules"	the disclosure guidance and transparency rules made by the FCA pursuant to section 73A of the FSMA
"EBIT"	earnings before interest and tax
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"Enlarged Group"	the Group as enlarged by the Acquisition
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST
"Executive Directors"	each of David Brooks and Neil Martin
"FCA"	the UK Financial Conduct Authority

"Form of Proxy"	the form of proxy for use at the General Meeting which accompanies this document
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"General Meeting"	the general meeting of the Company to be held at 12.00 p.m. (or as soon thereafter as the AGM shall have been concluded) on 22 March 2017 at 140 Eastern Avenue, Milton Park, Milton, Abingdon, Oxfordshire, OX14 4SB, or any adjournment thereof, notice of which is set out at the end of this document
"Group"	the Company, its subsidiaries and its subsidiary undertakings as at the date of this document
"IFRS"	International Financial Reporting Standards as adopted by the European Union
"IT"	information technology
"Listing Rules"	the Listing Rules made by the FCA pursuant to section 73A of the FSMA
"London Stock Exchange"	London Stock Exchange plc
"Long Stop Date"	31 December 2017
"New Facility"	the facility made available under the New Facility Agreement
"New Facility Agreement"	the conditional facility agreement dated 7 February 2017 and made between the Company, Barclays Bank PLC and HSBC Bank plc relating to the debt financing of the Acquisition, further details of which are set out in paragraph 6.1(c) of Part IV of this document
"Non-executive Directors"	each of John Poulter, Lord Andrew Adonis, Deena Mattar and Patrick Martell
"Official List"	the official list of the UK Listing Authority
"Ordinary Shares"	ordinary shares of 2 2/7 pence in the capital of the Company
"PD Regulation"	Commission Regulation (EC) No. 809/2004
"Phase I Clearance"	means, in so far as the Acquisition qualifies for investigation under the merger control provisions of the Enterprise Act 2002, receipt of confirmation from the CMA, on terms reasonably satisfactory to the Company, that no reference will be made under section 22 or 33 of the Enterprise Act 2002 in respect of the Acquisition or any part of it
"Phase II Clearance"	means, following a reference under section 22 or 33 of the Enterprise Act 2002, receipt of confirmation from the CMA, on terms reasonably satisfactory to the Company, that either: (a) the Acquisition may not be expected to result in a substantial lessening of competition for the purposes of Part 3 of the Enterprise Act 2002; or (b) although the Acquisition may be expected to result in a substantial lessening of competition, it may nonetheless proceed, such decision being either unconditional or conditional on the CMA's acceptance of any remedies, commitments and undertakings offered to remedy the substantial lessening of competition
"Resolution"	the resolution set out in the notice convening the General Meeting at the end of this document
"Rothschild"	N M Rothschild & Sons Limited, the Company's sole sponsor and financial adviser
"Shareholders"	holders of Ordinary Shares

"Smiths News Holdings"	Smiths News Holdings Limited, registered in England and Wales with registered number 04236079
"TSA"	the transitional services agreement to be entered into on Completion and made between Smiths News Holdings and The Consortium for Purchasing and Distribution Limited relating to the provision of transitional services by Smiths News Holdings, further details of which are set out in Section B of Part III of this document
"TTS"	TTS Group Limited, registered in England and Wales with registered number 04373761, a wholly-owned subsidiary of RM
"UK" or **"United Kingdom"**	the United Kingdom of Great Britain and Northern Ireland
"uncertificated" or **"in uncertificated form"**	an Ordinary Share recorded on a company's share register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"US", "USA" or **"United States"**	the United States of America, its territories and possessions, any State of the United States and the District of Columbia

RM plc

(Incorporated in England and Wales under the Companies Act 1948 with registered number 01749877)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of RM plc (the **''Company''**) will be held at the offices of the Company at 140 Eastern Avenue, Milton Park, Milton, Abingdon, Oxfordshire, OX14 4SB at 12.00 p.m. (or as soon thereafter as the Company's annual general meeting shall have been concluded) on 22 March 2017 for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

That the Acquisition (as defined in the circular to shareholders of the Company dated 24 February 2017 (the **''Circular''**)) substantially on the terms and subject to the conditions of the acquisition agreement described in the Circular (the **''Acquisition Agreement''**) be and is hereby approved and that the directors of the Company (or any duly constituted committee of them) be and they are hereby authorised to take all such steps as they consider necessary to effect the Acquisition and to waive, amend, vary, revise or extend (to such extent as shall not constitute a material amendment in the context of the Acquisition as a whole) any of such terms and conditions as they may consider to be appropriate.

Dated: 24 February 2017

Registered Office:

140 Eastern Avenue
Milton Park
Milton
Abingdon
Oxfordshire
OX14 4SB

By order of the Board:

Greg Davidson
Company Secretary

Notes:

1. *A member who is entitled to attend, speak and vote at the meeting may appoint a proxy to attend, speak and vote instead of him. A proxy need not be a member of the Company but must attend the meeting in order to represent you. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A Form of Proxy accompanies this document. The notes to the Form of Proxy include instructions on how to appoint the chairman of the meeting or another person as a proxy and how to appoint a proxy electronically or by using the CREST proxy appointment service. To be valid the Form of Proxy must reach the Company's registrar, Capita Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF by 12.00 p.m. on 20 March 2017 (or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting).*
2. *Relevant documents are available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday, Sunday and public holidays excluded) from the date of this notice until the meeting and will be available for inspection at the place of the meeting for at least 15 minutes prior to and during the meeting.*
3. *Pursuant to Part 13 of the Companies Act 2006 and to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company at 12.00 p.m. on 20 March 2017 (or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. In each case, changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.*

   As an alternative to completing your hard-copy proxy form, you can appoint a proxy electronically at www.capitashareportal.com. For an electronic proxy appointment to be valid, your appointment must be received by no later than 12.00 p.m. on 20 March 2017.

   The notes to the proxy form include instructions on how to appoint a proxy by using the CREST proxy appointment service.

   You may not use any electronic address provided either in this Notice of General Meeting or in any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

   CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 22 March 2017 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a ''CREST Proxy Instruction'') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be *transmitted so as to be received by the Company's agent, Capita Registrars Limited (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.*

CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

4. *In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.*
5. *The following information is available at www.rmplc.com: (1) The matters set out in this Notice of General Meeting; (2) the total numbers of shares in the Company, and shares in each class, in respect of which members are entitled to exercise voting rights at the meeting, (3) the totals of the voting rights that members are entitled to exercise at the meeting, in respect of the shares of each class; and (4) members' statements, members' resolutions and members' matters of business received by the Company after the first date on which notice of the meeting was given.*
6. *A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (described in note 1 above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provision of the Companies Act 2006.*
7. *If a member has exercised the right, pursuant to the Company's articles of association and section 145 of the Companies Act 2006, to nominate another person to exercise the right to attend, speak or vote at the meeting or appoint a proxy for the meeting, then that nominee shall have those rights to the exclusion of the member.*
8. *Members attending the meeting have the right to ask any questions relating to the business being dealt with at the meeting.*
9. *As at 23 February 2017 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital comprised 82,650,016 ordinary shares of 2 2/7 pence nominal value each. Each ordinary share carries the right to one vote at a general meeting of the Company. No ordinary shares were held in treasury and accordingly the total number of voting rights in the Company as at 23 February 2017 (being the latest practicable date prior to the publication of this notice) is 82,650,016.*