

**RM plc**  
**Final Results for the period ending 30 November 2016**

RM plc ("RM"), a leading education resources, software and services group, reports its final results for the year ending 30 November 2016.

**HIGHLIGHTS**

Financial	2016	2015	Change
<b>Statutory revenue</b>	<b>£167.6m</b>	£178.2m	- 6.0%
<b>RM Resources</b>	<b>£58.8m</b>	£63.5m	- 7.4%
<b>RM Results</b>	<b>£31.6m</b>	£30.7m	+ 2.8%
<b>RM Education</b>	<b>£77.0m</b>	£80.2m	- 4.0%
<b>Exited businesses</b>	<b>£0.2m</b>	£3.7m	
<b>Revenue excluding exited businesses*</b>	<b>£167.5m</b>	£174.5m	- 4.0%
<b>Adjusted** operating profit</b>	<b>£18.8m</b>	£18.0m	+ 4.6%
<b>Adjusted** operating profit margins</b>	<b>11.3%</b>	10.3%	+ 0.9pp
<b>Statutory profit after tax</b>	<b>£11.6m</b>	£15.0m	- 22.2%
<b>Adjusted** diluted EPS</b>	<b>17.4p</b>	15.8p	+ 10.6%
<b>Paid and proposed dividend per share</b>	<b>6.00p</b>	5.00p	+ 20.0%

**Operational**

- **A solid performance delivering adjusted operating profits up 4.6% at £18.8m (2015: £18.0m)**
- **Adjusted operating margin increases to 11.3% (2015: 10.3%) with revenues down as anticipated by 4% to £167.5m**
  - RM Resources revenues were down 7.4% as difficult UK market conditions were partially offset by continued growth in international
  - Another year of revenue and profit growth in RM Results supported by new e-assessment contracts and extensions to key customer agreements
  - RM Education continued its transition to a software and services provider with 61% recurring annuity revenues and increased profits whilst making further progress in reshaping the division
- **Profit after tax was £11.6m (2015: £15.0m), with the reduction from 2015 being due primarily to a property provision release of £2.4m in the prior year and a £2.1m charge in 2016 for restructuring and acquisition costs**

- **Strong cash balance of £40m delivered by improving cash conversion of 84%**
- **Pension deficit increases to £34.8m (2015: £21.9m) as liabilities have been impacted by lower market discount rates**
- **Full year paid and proposed dividend increased by 20% to 6.00p \*\*\***
- **Proposed acquisition of the Education & Care business of Connect Group plc for a purchase price of £56.5 million announced today**
- **Market conditions expected to remain challenging in the short term, which will require continued management focus to deliver operating margins**

Commenting on the results, David Brooks, Chief Executive of RM, said:

“2016 has been another year of delivering a solid set of results, in which we have reported improved profitability and increased operating margins and are proposing a further increase in our dividend.

We are also pleased to have announced the proposed acquisition of the Education & Care business of Connect Group plc. This acquisition, in combination with our existing RM Resources operation, would provide a number of strategic and operational benefits.”

\* Revenue, adjusted profit and margin numbers exclude Space Kraft Limited which was sold in December 2015.

\*\* Adjusted operating profit is before the amortisation of acquisition related intangible assets; impairment of held for sale assets and related transition costs; the gain/(loss) on sale of operations; share-based payment charges; restructuring provision movements, acquisition costs, changes in the provision for dilapidations and onerous lease contracts and exceptional credit on the Defined Benefit Pension Scheme and excludes Space Kraft Limited.

\*\*\* The expected timetable for the final dividend and Annual General Meeting is as follows:

Ex-dividend date for 2016 final dividend (4.50 pence per share)	16 March 2017
Record date for 2016 final dividend	17 March 2017
AGM	22 March 2017 at 11.30 a.m.
Payment of 2016 final dividend	21 April 2017
References to times are to Greenwich Mean Time. If any of the above times or dates should change, the revised times and/or dates will be notified to shareholders by an announcement on a Regulatory Information Service. Payment of the 2016 final dividend is subject to the approval by shareholders of the final dividend.	

## Contacts

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# Chairman's Statement

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 we 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% 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 Board is recommending a final dividend of 4.50 pence per share which would constitute, at 6.00 pence per share in total, an increase of 20% over the prior year. This demonstrates the previously stated intention to progress towards a more appropriate level of dividend cover. The proposed dividend would result in cover of 2.9 times.

The Company has agreed to buy the Education & Care business of Connect Group plc, for a purchase price of £56.5 million. This acquisition, which is expected to complete in the first half of 2017, would complement the existing RM Resources business and is expected to be accretive to the Company's adjusted earnings per share in the first year. Completion is conditional inter alia upon shareholder approval and clearance from the Competition & Markets Authority.

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.

**John Poulter**

Chairman

7 February 2017

## Extract from Strategic Report

RM plc is a leading education resources, software and services group. The education sector remains the Company's focus as we target delivering sustainable shareholder returns with a resilient and efficient operating model. RM is now delivering double digit adjusted operating margins and a high return on capital employed.

### Operating Review

The Group is structured in three operating divisions, each with its own managing director and management team with some staff functions provided centrally. Approximately 36% (2015: 33%) of Group headcount is based in India, providing support services and software development to the operating divisions.

## RM Resources

The RM Resources Division consists of the operating business TTS.

TTS provides education resources used in schools through a predominantly direct marketing business model with goods supplied from large, centralised UK distribution centres. Products supplied are a mix of third party branded and TTS own IPR items manufactured by a network of third party suppliers with a focus on specialist curriculum resources.

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

After several years of growth RM Resources revenues decreased by 7.4% to £58.8 million (2015: £63.5 million), with a decline in UK sales partially offset by continued international revenue growth. The decline in the UK was driven by much tighter budgets in primary schools and the end of curriculum change spend that had benefitted FY14 and FY15. International now represents over 20% of revenue in this Division.

Divisional adjusted operating margins remained stable at 17.3% (2015: 17.5%) reflecting the cost reduction activity undertaken once it was clear that schools and nurseries would spend less on curriculum resources in the year. Adjusted operating profit was £10.2 million (2015: £11.1 million).

### TTS UK

Revenue in the UK declined by 10.6% to £46.8 million (2015: £52.2 million). The market has been significantly down this year, impacted by one-off unfunded increases in teacher pension and National Insurance costs that had to be absorbed within primary school budgets. The Company estimates that the market for specialist curriculum resources, an area in which TTS has historically been very strong, has declined by 11% as primary schools and nurseries focus their resources budgets on commodity items, essential in this tighter budgetary environment.

The Company continues to invest in the TTS online channel. Online orders now make up 35.2% of UK direct marketing sales.

The Board expects the UK education resources market to continue to be tough as a result of increased pressure on the discretionary element of school budgets. The Company's focus continues to be on maintaining sector leading margins while looking to retain its strong market position as a specialist curriculum resources supplier.

### TTS International

Revenue from international sales to overseas resellers and international schools increased by 7.5% to £12.0 million (2015: £11.1 million). This was driven by strong growth of TTS own IPR products through reseller channels more than offsetting a decline in sales to international schools in which the prior year benefited from a large order, in excess of £1 million, from a customer in the Middle East which was not repeated. The Board expects international revenues to continue to grow in the coming year.

## RM Results

The RM Results business provides IT software and services to exam boards and professional awarding bodies to allow e-assessment through the use of onscreen exam marking (e-marking) and onscreen testing (e-testing). In addition, the Division manages and analyses educational data on behalf of the UK central government.

The strategy is to grow the e-assessment business through expanding the scope of solutions to existing customers and to win new customers in both the UK and overseas markets. Software and services are provided through a combination of proprietary and third party, in-house and outsourced arrangements. Internationally, the business is expected to develop through partnerships and software licensing rather than as a service based activity.

Revenue increased by 2.9% to £31.6 million (2015: £30.7 million). The e-assessment part of the business grew strongly by 10.8% which more than offset the planned reduction in the Data business (15%). Adjusted operating margins increased further to 21.5% (2015: 18.1%). Adjusted operating profit increased by 21.4% on the prior year to £6.8 million (2015: £5.6 million).

During the year the business successfully secured several new contracts and extensions to existing contracts including a new five year e-testing contract with the Institute of Chartered Accountants in England and Wales (ICAEW). ICAEW has been a customer for e-marking for a number of years and RM Results now provides them with an end-to-end e-assessment offering.

In November 2016, the Council for Curriculum, Examinations and Assessment in Northern Ireland (CCEA) signed a contract for the provision of e-marking services for a further two years.

During the year the contract with the Scottish Qualifications Authority to provide e-marking services for exam scripts in Scotland was extended to February 2018 with the option to extend by a further year.

In July 2016 a five year contract to develop and operate an e-assessment platform for the delivery of English Language tests in 130 countries was signed with Cambridge Assessment.

In addition to the above RM Results has been selected as the Preferred Bidder for the provision of a Global Assessment Platform to Oxford University Press's (OUP) English Language Teaching division. The proposed five year contract provides item and test authoring, online test delivery and online marking of a range of OUP English Language testing products through an integrated technology platform.

The Data business is heavily dependent on the Department for Education, principally through the National Pupil Database contract. RM Results and the Department for Education are in positive discussions over RM continuing to provide data related services to the Department for Education.

The Board is targeting the growth opportunities in e-assessment to more than outweigh reduced revenues in the Data business, thereby allowing the Division to maintain good operating margins.

## **RM Education**

RM Education is a UK focused business supplying IT software and services to schools and colleges.

After several years of double digit revenue decline, following the move away from hardware and a reduction in new school openings under the Building Schools for the Future (BSF) programme, revenue decline slowed significantly to 4.0%. The Division turned over £77.0 million (2015: £80.2 million). Adjusted operating profit margins increased to 7.6% (2015: 6.8%). Adjusted operating profit increased to £5.8 million (2015: £5.5 million).

The Division's strategy is to move increasingly to recurring revenue streams while improving margins. The business is successfully delivering this strategy through the increasing adoption of its portfolio of services and software products by existing and new UK school and college customers. Recurring annuity revenues were over 60% in 2016 which has increased significantly since 2013 levels (36.5%).

Market trends affecting the business include the demand from schools for solutions which are low-cost yet can cope with an increasingly diverse range of technologies. In addition, in the last five years, purchasing decisions in England have been increasingly devolved to schools, away from central government and local authorities. RM Education is starting to see an evolving trend of schools who are part of Multi-Academy Trust chains (MATs) looking to source IT centrally as a MAT, therefore representing a return towards a more aggregated purchasing model.

The RM Education business is made up of Managed Services – IT outsourcing (43% of revenue), Digital Platforms – Cloud based software offerings (9%) and Infrastructure (48%) – generally lower margin solutions aimed at schools who want to run their own IT. The primary focus for this business going forward is in the Managed Services and Digital Platform areas. During the year the Infrastructure part of this Division was restructured away from some of the lowest margin transactional elements such as network infrastructure, network installation and third party hardware sales. This led to a reduction of c.10% of RM Education's UK staff and a one-off exceptional charge in the year of £1.6 million.

### **Managed Services**

The Managed Services offering is primarily the provision of full IT outsourcing services to UK schools and colleges. Managed Services revenues increased by 2.8% to £33.1 million (2015: £32.2 million). Retention rates of existing customers increased during the year to 97%. In addition, 54 new schools signed managed services contracts in the year.

A proportion of the Division's managed service contracts are subject to long-term project accounting policies, in particular those relating to BSF. Consequently, as these contracts progress towards completion, profits continue to benefit from the effects of good operational performance, risk mitigation and cost control.

### **Digital Platforms**

These include established products such as RM Integris (RM's cloud based school management system) as well as newer offerings including RM Unify. Digital Platforms revenues decreased by 9.1% to £7.0 million (2015: £7.7 million) as legacy products such as RM EasiTeach and RM EasiMaths come to their natural end of life. Underlying sales in RM Integris and RM Unify, the two cloud platforms that the Company is investing in, together grew by 3.5% to £6.1 million.

Going forward, the priority areas of focus are on winning new RM Integris primary, secondary and Multi-Academy Trust customers and on progressing the RM Unify proposition and profile through embedding and expanding system usage amongst existing customers, alongside ensuring the renewal of our Scottish schools digital network contract (Glow) in December 2017, which constitutes a large proportion of the current RM Unify user base.

### **Infrastructure**

Infrastructure is a very tight margin business including the tools, products and services to help schools manage their own IT. Revenues decreased by 8.2% to £37.0 million (2015: £40.3 million) as the Division continues to move away from lower margin transactional business. As highlighted above, during the year the Division restructured this area and reduced the UK workforce. This acceleration of exiting some of the lowest margins elements of the Infrastructure business will not alter the overall profitability of this area but will see revenue decline by double digits in 2017.

### **RM India**

As at 30 November 2016, RM's operation in Trivandrum accounted for 36% of Group headcount (2015: 33%).

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

### **Employees**

Average Group headcount for the year was 1,822 (2015: 1,860), which is comprised of 1,634 (2015: 1,645) permanent and 188 (2015: 215) temporary or contract staff, of which 1,173 (2015: 1,294) were located in the UK and 649 (2015: 566) in India. At 30 November 2016 headcount was 1,731 (2015: 1,899).

The following table sets out a more detailed summary of the permanent staff employed as at 30 November 2016:

	Male	Female
<b>Executive Directors</b>	2 (100%)	0 (0%)
<b>Senior Managers (excluding Executive Directors)</b>	42 (76%)	13 (24%)
<b>All employees</b>	1,063 (67%)	528 (33%)

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

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

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

## Acquisition

As announced on 7 February 2017, the Company has agreed to buy the Education & Care business of Connect Group plc, for a purchase price of £56.5 million. Completion is conditional inter alia upon shareholder approval and clearance from the Competition & Markets Authority. This acquisition, which is expected to complete in the first half of 2017, would complement the existing TTS business and is expected to be accretive to the Company's adjusted earnings per share in the first year.

## Group Financial Performance

Group revenue declined by 5.9% to £167.6 million (2015: £178.2 million) as anticipated on a statutory basis and by 4.0% to £167.5 million (2015: £174.5 million) on a like-for-like adjusted basis excluding exited businesses.

Details of the adjustments to operating profit quoted within this report can be seen in note 2 to the financial statements.

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

Adjusted operating profit margins increased again this year from 10.2% in 2015 to 11.1%. Despite the decline in revenue, adjusted operating profit increased to £18.8 million (2015: £18.2 million). On a statutory basis, operating profit was £15.9 million (2015: £19.6 million), with adjustments principally being a provision of £1.6 million for re-structuring, £0.5 million of acquisition costs and share based payments charges of £1.0 million. In 2015, there was a provision release associated with an onerous lease property contract which improved operating profits by £2.4 million.

The Group generated an unadjusted statutory profit before tax of £15.1 million (2015: £19.2 million).

The total tax charge within the Income Statement for the year was £3.5 million (2015: £4.3 million). The Group's tax charge for the period, measured as a percentage of profit before tax, was 23% (2015: 22%). The increase is principally due to a higher level of expenses that are not deductible for tax purposes, primarily due to the capital costs related to the disposal of SpaceKraft Ltd in December 2015, and timing differences which offset the reduction in the UK corporate tax

rate. Adjusted basic earnings per share were 17.4 pence (2015: 16.2 pence). Statutory basic earnings per share were 14.4 pence (2015: 18.5 pence) and statutory diluted earnings per share were 14.4 pence (2015: 17.8 pence).

RM generated cash from operations for the year of £13.4 million (2015: £10.9 million), which represents a cash conversion from operating profit of 84%. Cash and short-term deposits decreased to £40.0 million (2015: £48.3 million) despite payments of £12.0 million in the year to the Company's defined benefit pension scheme, which included a one-off £8.0 million payment which was part of the 2015 triennial valuation. The lowest cash and short-term deposit position during the year due to seasonal cash flows was £19.4 million.

Cash generated from operations is expected to continue to be less than operating profit in the year ahead, reflecting the reversal of a favourable working capital position related to long-term contracts.

## **Dividends**

The total dividend paid and proposed for the year has been increased by 20% to 6.00 pence per share (2015: 5.00 pence). This is comprised of the interim dividend of 1.50 pence per share and, subject to shareholder approval, a proposed final dividend of 4.50 pence per share. The estimated total cost of normal dividends paid and proposed for 2016 is £4.9 million (2015: £4.1 million). This increased dividend proposal reduces the dividend cover ratio from 3.2 to 2.9 times.

## **Defined Benefit Pension Scheme ("Scheme")**

At 30 November 2016, the IAS 19 scheme deficit (pre-tax) was £34.8 million (2015: £21.9 million). This increase in Scheme deficit results primarily from a reduction in the discount rate to 3.00% from 3.85% in the previous year, following a significant reduction in UK corporate bond yields over that period, resulting in a higher present value of liabilities of the Scheme.

## **Impact of the EU Referendum vote**

The change in economic conditions following the June 23<sup>rd</sup> referendum decision on UK's membership of the EU has had two immediate impacts. First, the Group has foreign currency denominated costs that outweigh foreign currency denominated revenues and, as a consequence of the changes in exchange rates, has identified a circa £2 million potential impact from this exposure in the year ending 30 November 2017. The Group will look at actions to mitigate a proportion of the increased costs. In 2016 we were protected against these movements as a result of our hedging arrangements that were in place.

Secondly, changes in UK Gilt rates that have followed the referendum result have also had a negative impact on the IAS19 valuation of the Company's defined benefit pension scheme.

The referendum result has not changed the UK Government's policy of ring fencing funding for priority areas and, therefore, there is no foreseen impact on education funding.

## **Going Concern**

The financial position, cash flows and liquidity position are described in the financial statements and the associated notes. In addition, the notes to the financial statements include RM's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit and liquidity risk. Having reviewed the future plans and projections for the business, the principal risks that could impact on the group's liquidity and solvency over the next 12 months and its current financial position, the Board believes that RM is well placed to manage its business risks successfully. Therefore, the Board has a reasonable expectation that RM has adequate resources to continue in



operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

In relation to the proposed acquisition of the Education & Care business of Connect Group plc detailed earlier in this Strategic Report, the Group has secured a £75 million revolving credit facility with Barclays Bank plc and HSBC Bank plc in anticipation of the completion of the acquisition. As is usual for such a facility, there are financial covenants that will need to be adhered to over the term of the lending. The Directors have carried out additional due diligence and consider that, should the transaction complete within the timeframe that is currently envisaged, the combined group will be able to comply with the terms of these arrangements. Further details are given in the Directors' Report.

## Financial Viability Statement

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

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

1. Public policy risk – UK education policy priority changes or restrictions in government funding due to fiscal policy.
2. Operational execution – including:
  - a. RM Results operational performance over peak examination marking periods
  - b. significantly increased working capital requirements within the RM Education and RM Results long-term contract portfolios and requirements in evolving RM Education business models
  - c. major adverse performance in a key contract or product which results in negative publicity and which damages the Group's brand
3. Business continuity – an event impacting the Group's major buildings, systems or infrastructure components. This would include a major incident at TTS's main warehouse.
4. Strategic risks – loss of a significant contract which underpins an element of a division's activity.
5. Defined Benefit Pension Scheme – funding of the Scheme deficit in adverse market conditions.

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

In relation to the proposed acquisition of the Education & Care business of Connect Group plc detailed earlier in this Strategic Report, the Directors have considered the additional risks as part of the acquisition working capital due diligence that could arise as a result. These include considering the impact of the additional £75 million facility that will be used to finance the acquisition. Having completed the analysis and considered those risks, the Directors have a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over the three year period of assessment and are not aware of any reason why the Company's viability would be an issue for the foreseeable period after this.

## Environmental Matters

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

## Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are reviewed by the Executive Committee, Audit Committee and Board. The Board confirms that it has carried out a robust assessment of the principal risks facing the Group and appropriate processes have been put in place to monitor and mitigate them, further details of which are given in the Corporate Governance Report. The key business risks for the Group are set out in the table below.

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

Risk	Description and likely impact	Mitigation
	<p>RM is engaged in the delivery of large, multi-year projects, typically involving the development and integration of complex ICT systems, and may have liability for failure to deliver on time.</p>	
Data and business continuity	<p>RM is engaged in storing and processing personal data, where accuracy, privacy and security are important. Any significant security breach could damage reputation and impact future profit streams.</p> <p>The Group would be significantly impacted if, as a result of a major incident, one of its major buildings, systems or infrastructure components could not function for a long period of time.</p>	<p>The Company's IS function has invested in developing its Data Centres, and has been successfully certified to ISO/IEC 27001:2005 for the provision of systems, information and hosting services.</p> <p>The Company has established a Security and Business Continuity Committee to oversee the security aspects of the Group's information systems. This covers data integrity and protection, defence against external threats (including cyber risks) and disaster recovery.</p> <p>The Group seeks to protect itself against the consequences of a major incident by implementing a series of back up and safety measures.</p> <p>The Group has property and business interruption insurance cover.</p>
People	<p>RM's business depends on highly skilled employees. Failing to do so could impact operationally on ability to deliver contractual commitments.</p>	<p>The Company seeks to be an attractive employer and regularly monitors the engagement of its employees. The Company has talent management and career planning programmes.</p>
Innovation	<p>The IT market is subject to rapid, and often unpredictable, change. As a result of inappropriate technology choices, the Group's products and services might become unattractive to its customer base.</p> <p>The Group's continued success depends on developing and/or sourcing a stream of innovative and effective</p>	<p>The Company monitors technology and market developments and invests to keep its existing products, services and sales methods up-to-date, as well as seeking out new opportunities and initiatives.</p> <p>The Group works with teachers and educators to understand opportunities and requirements.</p>

Risk	Description and likely impact	Mitigation
	products for the education market and marketing these effectively to customers.	
Dependence on key contracts	The performance of the RM Education and RM Results Divisions are dependent on the winning and extension of long-term contracts with government, local authorities, examination boards and commercial customers.	The Company invests in maintaining a high level of technical expertise and on building effective working relationships with its customers. The Company has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction.
Pension	The Group operates a defined benefit pension scheme in the UK, which is in deficit. The scheme deficit can adversely impact the net assets position of the trading subsidiary RM Education Ltd.	<p>The Scheme was closed to new entrants in 2003 and closed to future accrual of benefits in October 2012.</p> <p>A pension escrow account was established in 2014 to fund risk mitigation exercises. The first of these was completed in October 2014 with the purchase of a pensioner buy-in from an insurance company and in the year a flexible retirement option exercise was conducted.</p> <p>The Company evaluates risk mitigation proposals with the Scheme trustee.</p>
Financial – capital	The Company's ability to pay dividends to shareholders depends on having sufficient distributable reserves in the holding company, RM plc. The Group is reliant on continued dividend distribution from subsidiaries, principally TTS, and ensuring no significant impairment of RM plc's carrying assets.	The Company monitors the level of distributable reserves in RM plc and subsidiary companies and considers their ability to make dividend payments, via the holding company, to the shareholders.

**David Brooks**  
Chief Executive Officer  
7 February 2017

### **Directors' responsibilities statement**

The responsibility statement below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 30 November 2016. Certain parts are not included within this announcement.

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

- the Group financial statements, which have been prepared in accordance with IFRSs, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the information contained in the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The responsibility statement was approved by the Board of Directors on 7 February 2017 and is on its behalf by:

**Greg Davidson**

Company Secretary  
7 February 2017

**CONSOLIDATED INCOME STATEMENT**  
for the year ended 30 November 2016

	Year ended 30 November 2016			Year ended 30 November 2015			
		Adjusted	Adjustments	Total	Adjusted	Adjustments	Total
	Note	£000	£000	£000	£000	£000	£000
<b>Revenue</b>	2	<b>167,615</b>	-	<b>167,615</b>	178,228	-	178,228
Cost of sales		(100,365)	-	(100,365)	(109,316)	-	(109,316)
<b>Gross profit</b>		<b>67,250</b>	-	<b>67,250</b>	68,912	-	68,912
Operating expenses	2	(48,421)	(2,907)	(51,328)	(50,713)	1,392	(49,321)
<b>Profit from operations</b>		<b>18,829</b>	<b>(2,907)</b>	<b>15,922</b>	18,199	1,392	19,591
Investment income	3	279	-	279	409	894	1,303
Finance costs	4	(1,012)	(74)	(1,086)	(1,510)	(149)	(1,659)
<b>Profit before tax</b>		<b>18,096</b>	<b>(2,981)</b>	<b>15,115</b>	17,098	2,137	19,235
Tax	5	(3,941)	472	(3,469)	(3,984)	(289)	(4,273)
<b>Profit for the year</b>		<b>14,155</b>	<b>(2,509)</b>	<b>11,646</b>	13,114	1,848	14,962
<b>Earnings per ordinary share</b>							
- basic	6	17.4p		14.4p	16.2p		18.5p
- diluted	6	17.4p		14.4p	15.6p		17.8p
<b>Paid and proposed dividends per share</b>							
- interim	7			1.50p			1.20p
- final	7			4.50p			3.80p

Adjustments to results have been presented to give a better guide to business performance (see note 2).

All amounts were derived from continuing operations.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 30 November 2016**

	Year ended 30 November 2016	Year ended 30 November 2015
Note	£000	£000
<b>Profit for the year</b>	<b>11,646</b>	14,962
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Defined Benefit Pension Scheme remeasurements	(23,555)	2,402
Tax on items that will not be reclassified subsequently to profit or loss	5      3,970	(950)
<b>Items that are or may be reclassified subsequently to profit or loss</b>		
Fair value gain/(loss) on hedged instruments	515	(180)
Exchange gain/(loss) on translation of overseas operations	261	(80)
Tax on items that are or may be reclassified subsequently to profit or loss	5      32	(36)
<b>Other comprehensive (expense)/income</b>	<b>(18,777)</b>	1,156
<b>Total comprehensive (expense)/income for the year attributable to equity holders</b>	<b>(7,131)</b>	16,118

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 30 November 2016**

	Note	Share capital £000	Share premium £000	Own shares £000	Capital redemption reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Total £000
At 1 December 2014		1,889	27,018	(2,950)	94	544	(304)	(18,177)	8,114
Profit for the year		-	-	-	-	-	-	14,962	14,962
Other comprehensive (expense)/income		-	-	-	-	(180)	(80)	1,416	1,156
<b>Total comprehensive (expense)/income</b>		-	-	-	-	(180)	(80)	16,378	16,118
<b>Transactions with owners of the Company</b>									
Shares issued		1	17	-	-	-	-	-	18
Sale of shares held in staff share scheme		-	-	-	-	-	-	55	55
Share-based payment awards exercised		-	-	2,910	-	-	-	(3,038)	(128)
Purchase of own shares		-	-	(2,470)	-	-	-	-	(2,470)
Share-based payment fair value charges		-	-	-	-	-	-	864	864
Ordinary dividends paid	7	-	-	-	-	-	-	(3,424)	(3,424)
At 30 November 2015		1,890	27,035	(2,510)	94	364	(384)	(7,342)	19,147
<b>Profit for the year</b>		-	-	-	-	-	-	<b>11,646</b>	<b>11,646</b>
Other comprehensive (expense)/income		-	-	-	-	515	261	(19,553)	(18,777)
<b>Total comprehensive (expense)/income</b>		-	-	-	-	515	261	(7,907)	(7,131)
<b>Transactions with owners of the Company</b>									
Share-based payment awards exercised		-	-	840	-	-	-	(1,450)	(610)
Purchase of own shares		-	-	(317)	-	-	-	-	(317)
Share-based payment fair value charges		-	-	-	-	-	-	1,006	1,006
Ordinary dividends paid	7	-	-	-	-	-	-	(4,299)	(4,299)
<b>At 30 November 2016</b>		<b>1,890</b>	<b>27,035</b>	<b>(1,987)</b>	<b>94</b>	<b>879</b>	<b>(123)</b>	<b>(19,992)</b>	<b>7,796</b>



## CONSOLIDATED BALANCE SHEET

	Note	At 30 November 2016 £000	At 30 November 2015 £000
<b>Non-current assets</b>			
Goodwill		14,067	14,067
Acquisition related intangible assets		-	8
Other intangible assets		704	562
Property, plant and equipment		6,219	7,059
Other receivables	8	1,153	1,168
Deferred tax assets	5	8,793	6,121
		<b>30,936</b>	<b>28,985</b>
<b>Current assets</b>			
Inventories		10,689	10,862
Trade and other receivables	8	24,403	25,592
Cash and short-term deposits	9	39,987	48,320
Assets held for sale		-	1,162
		<b>75,079</b>	<b>85,936</b>
<b>Total assets</b>		<b>106,015</b>	<b>114,921</b>
<b>Current liabilities</b>			
Trade and other payables	10	(54,521)	(64,974)
Tax liabilities		(1,259)	(2,787)
Provisions	11	(3,536)	(2,077)
Liabilities directly associated with assets classified as held for sale		-	(549)
		<b>(59,316)</b>	<b>(70,387)</b>
<b>Net current assets</b>		<b>15,763</b>	<b>15,549</b>
<b>Non-current liabilities</b>			
Other payables	10	(971)	(662)
Provisions	11	(3,157)	(2,864)
Defined Benefit Pension Scheme obligation		(34,775)	(21,861)
		<b>(38,903)</b>	<b>(25,387)</b>
<b>Total liabilities</b>		<b>(98,219)</b>	<b>(95,774)</b>
<b>Net assets</b>		<b>7,796</b>	<b>19,147</b>
<b>Equity attributable to shareholders</b>			
Share capital	12	1,890	1,890
Share premium account		27,035	27,035
Own shares		(1,987)	(2,510)
Capital redemption reserve		94	94
Hedging reserve		879	364
Translation reserve		(123)	(384)
Retained earnings - (deficit)		(19,992)	(7,342)
<b>Total equity</b>		<b>7,796</b>	<b>19,147</b>

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 30 November 2016

	Year ended 30 November 2016	Year ended 30 November 2015
Note	£000	£000
<b>Profit before tax</b>	<b>15,115</b>	19,235
Investment income	3 (279)	(1,303)
Finance costs	4 1,086	1,659
<b>Profit from operations</b>	<b>15,922</b>	19,591
Adjustments for:		
Impairment of non-acquisition related intangible assets	77	150
Amortisation of acquisition-related intangible assets	8	303
Amortisation of non-acquisition related intangible assets	239	297
Depreciation and impairment of property, plant and equipment	2,223	2,406
Gain on sale of operations	(135)	(65)
Gain on disposal of property, plant and equipment	(5)	(95)
Loss on foreign exchange derivatives	684	133
Share-based payment charge	1,006	864
Increase/(decrease) in provisions	2,557	(716)
Defined Benefit Pension Scheme administration cost	845	530
<b>Operating cash flows before movements in working capital</b>	<b>23,421</b>	23,398
Decrease/(increase) in inventories	173	(707)
Decrease in receivables	1,056	6,102
Decrease in trade and other payables	(10,338)	(14,369)
Utilisation of onerous lease and dilapidations provisions	11 (345)	(2,186)
Utilisation of employee-related restructuring provisions	11 (184)	(1,166)
Utilisation of other provisions	11 (396)	(132)
<b>Cash generated from operations</b>	<b>13,387</b>	10,940
Defined benefit pension scheme cash contributions	(11,984)	(3,984)
Tax paid	(3,567)	(171)
Borrowing facilities arrangement and commitment fees	(422)	(447)
Income on sale of finance lease debt	6	45
<b>Net cash inflow from operating activities</b>	<b>(2,580)</b>	6,383
<b>Investing activities</b>		
Interest received	255	364
Repayment of loans by third parties	16	18
Proceeds from sale of other receivables	2 -	1,586
Proceeds from sale of operations	759	-
Proceeds on disposal of property, plant and equipment	43	165
Purchases of property, plant and equipment	(1,333)	(1,576)
Purchases of other intangible assets	(456)	(322)
Amounts transferred from short term deposits	9 2,986	-
<b>Net cash generated by/(used in) investing activities</b>	<b>2,270</b>	235
<b>Financing activities</b>		
Dividends paid	7 (4,299)	(3,424)
Repayment of capital obligations under vehicle finance leases	-	(244)
Proceeds of share capital issue, net of share issue costs	-	18
Proceeds from sale of shares held in Staff Share Scheme	-	55
Purchase of own shares	(317)	(2,470)
Satisfaction of share-based payment awards	(610)	(128)
<b>Net cash used in financing activities</b>	<b>(5,226)</b>	(6,193)
Net (decrease)/increase in cash and cash equivalents	(5,536)	425
Cash and cash equivalents at the beginning of the year	9 42,320	41,893
Effect of foreign exchange rate changes	189	2

<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>36,973</b>	<b>42,320</b>
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## 1. Preliminary announcement

The preliminary results for the year ended 30 November 2016 have been prepared in accordance with those International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted for use in the EU and therefore comply with Article 4 of the EU IAS Regulation applied in accordance with the provisions of the Companies Act 2006. However, this announcement does not contain sufficient information to comply with IFRS. The Group expects to publish a full Strategic Report, Directors' Report and financial statements which will be delivered before the Company's annual general meeting on 22 March 2017. The full Strategic Report and Directors' Report and financial statements will be published on the Group's website at [www.rmplc.com](http://www.rmplc.com).

The financial information set out in this preliminary announcement does not constitute the Group's statutory accounts for the year ended 30 November 2016. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's annual general meeting. The auditor's reports on both the 2016 and 2015 accounts were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) of the Companies Act 2006 or equivalent preceding legislation. This Preliminary announcement was approved by the Board of Directors on 7 February 2017.

### Consolidated Income Statement presentation

The Income Statement is presented in three columns. This presentation is intended to give a better guide to business performance by separately identifying adjustments to profit which are considered exceptional in nature or with potential significant variability year on year in non-cash items which might mask underlying trading performance.

The columns extend down the Income Statement to allow the tax and earnings per share impacts of these transactions to be disclosed. Equivalent adjustments to profit arising in future years, including increases in or reversals of items recorded, will be disclosed in a consistent manner.

### Adjustments to profit

See note 2 for further details in respect of adjustments to profit, which have been analysed as recurring and non-recurring items.

### Basis of preparation

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

### Significant accounting policies

The accounting policies used for the preparation of this announcement have been applied consistently.

## 2. Operating segments

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

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

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

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

## Segmental results

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

Year ended 30 November 2015	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Exited Businesses £000	Total £000
<b>Revenue</b>						
UK	52,391	26,508	79,285	-	3,279	161,463
Europe	4,062	3,039	423	-	165	7,689
North America	932	-	272	-	64	1,268
Asia	678	109	171	-	22	980
Middle East	4,555	-	7	-	18	4,580
Rest of the world	925	1,069	85	-	169	2,248
	<b>63,543</b>	<b>30,725</b>	<b>80,243</b>	<b>-</b>	<b>3,717</b>	<b>178,228</b>
<b>Adjusted profit from operations</b>	<b>11,107</b>	<b>5,554</b>	<b>5,494</b>	<b>(4,140)</b>	<b>184</b>	<b>18,199</b>
Investment income						409
Adjusted finance costs						(1,510)
<b>Adjusted profit before tax</b>						<b>17,098</b>
Adjustments (see below)						2,137
<b>Profit before tax</b>						<b>19,235</b>

## Adjustments to administrative expenses

	Year ended 30 November 2016	Year ended 30 November 2015
	£000	£000
Amortisation of acquisition-related intangible assets	8	303
Impairment of held for sale assets and related transition costs	-	323
Gain on sale of operations	(135)	(65)
Share-based payment charges	1,006	864
Release of provisions for dilapidations on leased properties and onerous lease contracts	(90)	(2,368)
Restructuring	1,593	(243)
Acquisition related costs	525	-
Exceptional credit on Defined Benefit Pension Scheme	-	(206)
	<b>2,907</b>	<b>(1,392)</b>



### 3. Investment income

	Year ended 30 November 2016	Year ended 30 November 2015
	£000	£000
Bank interest	123	224
Income on sale of finance lease debt	46	45
Income from sale of other receivables (see note 2)	-	894
Other finance income	110	140
	<b>279</b>	<b>1,303</b>

### 4. Finance costs

	Note	Year ended 30 November 2016	Year ended 30 November 2015
		£000	£000
Borrowing facilities arrangement fees and commitment fees		421	467
Net finance costs on defined benefit pension scheme		498	964
Unwind of discount on long term contract provisions		37	74
Unwind of discount on onerous lease and dilapidations provisions	11	84	149
Other finance costs		46	5
		<b>1,086</b>	<b>1,659</b>

### 5. Tax

#### a) Analysis of tax charge in the Consolidated Income Statement

	Year ended 30 November 2016	Year ended 30 November 2015
	£000	£000
<b>Current taxation</b>		
UK corporation tax	2,924	3,684
Adjustment in respect of prior years	302	297
Overseas tax	296	278
<b>Total current tax charge</b>	<b>3,522</b>	<b>4,259</b>
<b>Deferred taxation</b>		
Temporary differences	173	259
Adjustment in respect of prior years	(237)	(213)
Overseas tax	11	(32)
<b>Total deferred tax (credit)/charge</b>	<b>(53)</b>	<b>14</b>
<b>Total Consolidated Income Statement tax charge</b>	<b>3,469</b>	<b>4,273</b>

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

	Year ended 30 November 2016	Year ended 30 November 2015
	£000	£000
<b>UK corporation tax</b>		
Defined benefit pension scheme	(1,241)	(469)
Share based payments	(142)	(504)
<b>Deferred tax</b>		
Defined benefit pension scheme movements	(2,325)	949
Defined benefit pension scheme escrow	(749)	-
Share based payments	110	540
Deferred tax relating to the change in rate	345	470
<b>Total Consolidated Statement of Comprehensive Income tax (credit)/charge</b>	<b>(4,002)</b>	<b>986</b>

**c) Reconciliation of Consolidated Income Statement tax charge**

The tax charge in the Consolidated Income Statement reconciles to the effective rate applied by the Group as follows:

	Year ended 30 November 2016			Year ended 30 November 2015		
	Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
<b>Profit on ordinary activities before tax</b>	<b>18,096</b>	<b>(2,981)</b>	<b>15,115</b>	17,098	2,137	19,235
Tax at 20% (2015: 20.33%) thereon:	<b>3,619</b>	<b>(596)</b>	<b>3,023</b>	3,476	434	3,910
Effects of:						
- change in tax rate on carried forward deferred tax assets	65	-	65	123	-	123
- other expenses not deductible for tax purposes	110	-	110	50	-	50
- other temporary timing differences	-	151	151	(7)	1	(6)
- R&D tax credit	(10)	-	(10)	4	-	4
- impairments	-	-	-	12	36	48
- overseas tax	81	-	81	246	-	246
- gain on sale of operations	-	(27)	(27)	-	(182)	(182)
- prior period adjustments	76	-	76	80	-	80
<b>Tax charge in the Consolidated Income Statement</b>	<b>3,941</b>	<b>(472)</b>	<b>3,469</b>	3,984	289	4,273

#### d) Deferred tax

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

Group	Accelerated tax depreciation £000	Defined benefit pension scheme obligation £000	Share-based payments £000	Short-term timing differences £000	Acquisition related intangible assets £000	Total £000
At 1 December 2014	787	5,351	1,016	1,085	(92)	8,147
Credit/(charge) to income	-	-	(53)	(52)	91	(14)
Credit to equity	-	(1,419)	(540)	-	-	(1,959)
Transfer to assets held for sale	(53)	-	-	-	-	(53)
At 30 November 2015	734	3,932	423	1,033	(1)	6,121
Credit/(charge) to income	112	-	(59)	(1)	1	53
Charge to equity	-	1,980	(110)	749	-	2,619
<b>At 30 November 2016</b>	<b>846</b>	<b>5,912</b>	<b>254</b>	<b>1,781</b>	<b>-</b>	<b>8,793</b>

Certain deferred tax assets and liabilities have been offset above.

#### 6. Earnings per ordinary share

	Year ended 30 November 2016			Year ended 30 November 2015		
	Profit for the year £000	Weighted average number of shares '000	Pence per share	Profit for the year £000	Weighted average number of shares '000	Pence per share
<b>Basic earnings per ordinary share</b>						
Basic earnings	11,646	81,144	14.4	14,962	80,954	18.5
Adjustments (see note 2)	2,509	-	3.0	(1,848)	-	(2.3)
<b>Adjusted basic earnings</b>	<b>14,155</b>	<b>81,144</b>	<b>17.4</b>	<b>13,114</b>	<b>80,954</b>	<b>16.2</b>
<b>Diluted earnings per ordinary share</b>						
Basic earnings	11,646	81,144	14.4	14,962	80,954	18.5
Effect of dilutive potential ordinary shares: share based payment awards	-	-	-	-	3,080	(0.7)
<b>Diluted earnings</b>	<b>11,646</b>	<b>81,144</b>	<b>14.4</b>	<b>14,962</b>	<b>84,034</b>	<b>17.8</b>
Adjustments (see note 2)	2,509	-	3.0	(1,848)	-	(2.2)
<b>Adjusted diluted earnings</b>	<b>14,155</b>	<b>81,144</b>	<b>17.4</b>	<b>13,114</b>	<b>84,034</b>	<b>15.6</b>



## 7. Dividends

Amounts recognised as distributions to equity holders were:

	Year ended 30 November 2016	Year ended 30 November 2015
	£000	£000
Final dividend for the year ended 30 November 2015 - 3.80p per share (2014: 3.04p)	3,079	2,451
Interim dividend for the year ended 30 November 2016 - 1.50p per share (2015: 1.20p)	1,220	973
	<b>4,299</b>	<b>3,424</b>

The proposed final dividend of 4.50p per share for the year ended 30 November 2016 was approved by the Board on 7 February 2017. The dividend is subject to approval by Shareholders at the annual general meeting. The anticipated cost of this dividend is £3,660,000 which is not included as a liability at 30 November 2016.

## 8. Trade and other receivables

	2016	2015
	Note	
	£000	£000
<b>Current</b>		
<b>Financial assets</b>		
Trade receivables	15,060	17,303
Long-term contract balances	-	138
Other receivables	1,294	1,048
Derivative financial instruments	685	138
Accrued income	1,824	1,489
Amounts owed by Group undertakings	-	-
	<b>18,863</b>	<b>20,116</b>
<b>Non-financial assets</b>		
Prepayments	5,540	5,476
	<b>24,403</b>	<b>25,592</b>
<b>Non-current</b>		
<b>Financial assets</b>		
Other receivables	1,153	1,168
	<b>25,556</b>	<b>26,760</b>

## 9. Cash and short-term deposits

	2016	2015
	£000	£000
Cash and cash equivalents	36,973	42,320
Short-term deposits	3,014	6,000
	<b>39,987</b>	<b>48,320</b>

The short-term deposits are for a maximum period of 6 months at interest rates of 0.70%.

## 10. Trade and other payables

Note	2016 £000	2015 £000
<b>Current liabilities</b>		
<b>Financial liabilities</b>		
Trade payables	13,777	11,518
Amounts owed to Group undertakings	-	-
Other taxation and social security	2,842	4,010
Other payables	2,284	761
Accruals	9,096	12,525
Obligations under finance leases	-	40
Derivative financial instruments	45	5
Long-term contract balances	16,766	25,509
	<b>44,810</b>	<b>54,368</b>
<b>Non-financial liabilities</b>		
Deferred income	9,711	10,606
	<b>54,521</b>	<b>64,974</b>
<b>Non-current liabilities</b>		
<b>Non-financial liabilities:</b>		
Deferred income:		
- due after one year but within two years	462	472
- due after two years but within five years	509	190
	<b>971</b>	<b>662</b>
	<b>55,492</b>	<b>65,636</b>

## 11. Provisions

Group	Onerous lease and dilapidations £000	Employee- related restructuring £000	Other £000	Total £000
At 30 November 2014	8,094	365	708	9,167
Utilisation of provisions	(2,186)	(1,166)	(132)	(3,484)
Release of provisions	(2,368)	(85)	(423)	(2,876)
Increase in provisions	-	1,070	1,025	2,095
Effect of movements in exchange rates	-	-	2	2
Transfer to held for sale liabilities	(110)	-	(2)	(112)
Unwind of discount	149	-	-	149
At 30 November 2015	3,579	184	1,178	4,941
Utilisation of provisions	(345)	(184)	(396)	(925)
Release of provisions	(161)	-	(147)	(308)
Increase in provisions	-	1,844	1,057	2,901
Unwind of discount	84	-	-	84
<b>At 30 November 2016</b>	<b>3,157</b>	<b>1,844</b>	<b>1,692</b>	<b>6,693</b>

Provisions for onerous leases and dilapidations have been recognised at the present value of the expected obligation at discount rates of 2.6% (2015: 2.6%) per annum reflecting a risk free discount rate, applicable to the liabilities. These discounts will unwind to their undiscounted value over the remaining lives of the leases via a finance cost within the Income Statement. At 30 November 2016, £1,465,000 (2015: £1,829,000) of the provision refers to onerous leases, and £1,692,000 (2015: £1,750,000) refers to dilapidations. The major release in the prior year relates to the successful sub-letting of one of the Group's properties.

The average remaining life of the leases at 30 November 2016 is 3.1 years (2015: 3.5 years).

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

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

Other provisions includes one-off items not covered by any other category. During the year risk provisions totalling £475,000 from ended BSF contracts were transferred from long-term contract creditors to provisions. The other most significant element in the provision at 30 November 2016 relates to regulatory compliance.

<b>Group</b>	<b>2016</b>	2015
	<b>£000</b>	£000
Current liabilities	<b>3,536</b>	2,077
Non-current liabilities	<b>3,157</b>	2,864
	<b>6,693</b>	4,941

## 12. Share capital

<b>Company and Group</b>	<b>Ordinary shares of 2½p</b>	
	<b>'000</b>	<b>£000</b>
Allotted, called-up and fully paid:		
At 1 December 2014	82,640	1,889
Issued in the year	10	1
At 30 November 2015	<b>82,650</b>	<b>1,890</b>
Issued in the year	-	-
<b>At 30 November 2016</b>	<b>82,650</b>	<b>1,890</b>

Ordinary shares issued carry no right to fixed income.

## 13. Defined benefit pension scheme

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

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

IAS 19 Employee Benefits, amended June 2011, has been adopted in these financial statements.

#### **14. Related party transactions**

##### *Ipswich School*

John Poulter, non-executive director of RM plc, is a director of Ipswich School. Sales made in the year total £2,419 and at the year end there is a balance of £90 outstanding.

##### *Grant Thornton LLP*

The Company has engaged Grant Thornton to provide advice in connection with certain acquisition related activities. No payments were made to Grant Thornton during the year ended 30 November 2016. Deena Mattar, one of the Company's Non-Executive Directors, is a member of the Advisory Board of Grant Thornton. Grant Thornton were chosen from a competitive tender conducted by the Company and Deena Mattar was not involved in that exercise.

##### *British Educational Suppliers Association*

TTS Director Catherine Jeffrey sits on the Executive Council of BESA, in the year the Group made purchases of £7,424.

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

#### **15. Events after the reporting period**

On 7 February 2017, the Company agreed to acquire the entire issued share capital of Hedgelane Limited (including its principal trading subsidiary known as The Consortium) from Smiths News Holdings Limited (part of the Connect Group plc group of companies) (the "Acquisition"). In connection with the Acquisition, the Company has entered into a £75 million revolving credit facility (the "New Facility") with Barclays Bank plc and HSBC Bank plc. Completion of the Acquisition is conditional upon, among other things, clearance being received from the Competition and Markets Authority and shareholder approval. The New Facility will become available upon completion of the Acquisition and will expire 36 months from such date. If the Acquisition does not complete for any reason, the New Facility will not come into effect and the Current Facility will remain in force unaffected.