5 February 2019

RM plc

Preliminary Results for the year ended 30 November 2018

Good performance with organic growth and increased international momentum.

RM plc ("RM"), a leading supplier of technology and resources to the education sector, reports its final results for the year ended 30 November 2018.

Operational highlights

- **Revenue growth of 19%** benefiting from full year revenues from the acquisition of the Consortium with 2% organic** growth
- **International revenue growth of 30%** driven by RM Results (+28%) and RM Resources (+41%)
- **Good progress in all three divisions**
    - RM Resources increased revenues by 45% including full year benefit of the acquisition and strong international sales growth
    - RM Results won 7 new contracts in target markets
    - RM Education improved operating margins to 11.6%
- **Adjusted* operating profits increased by 29%** with growth across all three divisions delivering increased operating margins
- **Strong cash generation** reduced net debt to £5.8m
- **Full year proposed dividend increased by 15%** to 7.60p

Financial highlights

£M	2018	2017	Variance
Revenue	**221.0**	185.9	**+19%**
Adjusted* operating profit	**27.5**	21.3	**+29%**
Adjusted* operating profit margin	**12.4%**	11.4%	**+1.0pp**
Statutory profit after tax	**16.9**	12.9	**+32%**
Adjusted* diluted EPS	**25.8p**	21.2p	**+22%**
Paid and proposed dividend* per share**	**7.60**	6.60p	**+15%**
Net debt	**(5.8)**	(13.4)	
Pension deficit	**2.3**	20.2	

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

"This has been a successful year for RM across all three divisions, which saw organic revenue growth for the Group. In RM Resources we completed the first full-year of integration of the Consortium acquisition successfully, won seven new contracts in RM Results and delivered double digit operating margins in RM Education.

Looking ahead, we are confident of progressing in each of our chosen market sectors building on the strong platform we have established."

Notes to Editors:

RM plc is a leader in the education sector, providing support throughout the stages of education with its three focused divisions:

- **RM Resources** is an established provider of education resources for early learning centres, primary schools and secondary schools across the UK and internationally. Our brands, TTS and Consortium, develop and supply resources to help bring the curriculum to life for teachers and students.

- **RM Results** is a world-leading provider of e-Assessment services, enabling e-marking, e-testing and the management and analysis of educational data. RM Results marks approximately 200 million exam pages, working with prominant exam providers, professional bodies, universities and governments.

- **RM Education** is a market-leading supplier of ICT software, technology and services in the UK. It helps schools save time and money, create a secure environment and enables them to enhance teaching and learning.

* Adjusted operating profit is before the amortisation of acquisition related intangible assets; GMP pension equalisation costs on defined benefit schemes; acquisition related costs; net increase of provisions for onerous lease contracts and restructuring costs.

** Organic revenue growth represents growth excluding all revenues sold through Consortium in 2017

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

Ex-dividend date for 2018 final dividend (5.7 pence per share)	14th March 2019
Record date for 2018 final dividend	15th March 2019
AGM	27th March 2019 at 11.30a.m.
Payment of 2018 final dividend	12th April 2019
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 2018 final dividend is subject to the approval by shareholders.	

Presentation and live webcast details
A presentation for analysts and investors will be held today at 9.00am.

The audio and slide presentation will be webcast live and on demand at the following website:
https://www.investis-live.com/rmplc/5c45b14cf5627612008f0911/eryh

The presentation will also be accessible via a live conference call:
Dial-in: +44 20 3936 2999
Conference password: 723356

Contacts

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Strategic Report

Chairman's statement

Performance

2018 was a good year for RM. Revenues increased by 19% to £221m and adjusted operating profit was up by 29% to £27.5m. Adjusted diluted earnings per share rose by 22% to 25.8 pps and strong cash generation reduced net debt to £5.8m.

Consortium, acquired in 2017, is now integrated into the RM Resources Division and each of the two brands, TTS and Consortium, delivered revenue growth in the year. The International business in RM Resources was strong and grew by 41%. Margins remain at double digit levels and the Board has approved an investment to consolidate the five distribution centres into a single automated facility in 2021.

RM Results delivered modest revenue growth but improved profitability. The Division was much strengthened with seven new contract wins in the year, of which six are international, and the renewal of several important long-term contracts.

RM Education revenues declined, as expected, but profit grew strongly. Double digit operating margins benefited from cost efficiencies.

The Group's defined benefit pension schemes' IAS19 net deficit has reduced to £2.3m.

Dividend

The Board is recommending a final dividend of 5.70 pence per share which would constitute, at 7.60 pence per share in total, an increase of 15% over the prior year.

Outlook

The RM Group has undergone substantial change in recent years. The newly consolidated RM Resources stands to benefit from distribution synergies to counteract anticipated price pressure as customers move increasingly online, RM Results is much invigorated both in UK and overseas, and RM Education, having dealt with substantial legacy issues, has developed its continuing businesses.

Notwithstanding macroeconomic uncertainties, the Group enters 2019 in a good position.

John Poulter
Chairman
4 February 2019

Chief Executive Officer's statement

2018 was a year of strong growth for RM. Revenue increased by 19%, adjusted operating profit by 29% and statutory profit after tax by 32%. All three Divisions made excellent progress and international business across the Group increased by 30% on prior year.

Operating Review

In RM Resources, the integration of the Consortium business, acquired in 2017, progressed as planned with both Consortium and TTS brands growing organically in 2018. The business grew organically in a tough market and strongly internationally. In the year, as part of Phase 2 of the integration of the Consortium business, we announced a programme to consolidate the current estate of five distribution centres to a single, automated centre by the end of 2021 which will deliver operational and financial benefits.

RM Results won seven new contracts in the year, six of them with international customers. We also renewed several contracts with long-term customers. During the year the e-marking software, RM Assessor[3], won in the digital category at the London Design Awards and is being rolled out successfully across our customer base. Overall revenues improved slightly, driven by international sales which offset legacy data contract exits.

Though revenue decreased in RM Education, we have won over a hundred new managed services customers. We also agreed a new five year contractual relationship with the largest customer in the Connectivity business. Renewal rates continue to be high, in addition to which, we are investing more heavily in increased sales and marketing capability to help drive improved new customer acquisition. In the year, a restructuring removed significant run rate costs enabling the Division to improve margins.

Future strategy

We continue to expect that tight budgets and funding uncertainty will keep the UK market subdued. However, improved margins, good cash generation and a strong balance sheet mean we are well placed to enable the Group to deliver long-term shareholder value. Though structured in three operating Divisions, with autonomous approaches to their markets, going forward the Group will focus on four strategic themes to deliver profitable growth. These themes are:-

1. Intellectual property ("IP") and technology development
2. International growth
3. Innovate with our customers
4. Efficiency and simplicity

We will consider the potential to accelerate this strategy through acquisitions where appropriate.

IP and technology development

RM is focussed on the Education market and therefore we have a depth of understanding and expertise. Across all three Divisions we have market leading IP. The intention is to increase our investment in developing our own IP and our software development capability. In addition, we will further develop our technology depth and breadth including Artificial Intelligence capability, e-assessment and data analytics. Finally, we will look to exploit our current IP with new customers.

Case studies

RM Results – Auto-marking exams

Background - one word hand-written answers on exam papers are expensive and slow for our customers to get marked

Solution - multiple Artificial Intelligence solutions have been brought together to read the words and mark reliably with little or no human intervention

Result - over 90% of questions can be marked via computer

RM Resources – TTS own developed product

Background - customers are looking for curriculum relevant products to drive improved learning outcomes

Solution - increased investment in own developed TTS products across all subject areas and to be sold only through our channels

Result - own developed products represent over 40% of TTS sales and the rate of new product releases has increased significantly

International growth

RM's international business has doubled in the last four years and sales to international markets are now almost £30m. We had strong growth internationally in 2018 in RM Resources (41%) and RM Results (28%). To maintain our success internationally we are increasing investment in our international sales and marketing capability as well as continuing to take our best existing IP to overseas markets.

Case Studies

RM Resources – Robotics revolution in European schools

Background - the trend in some European countries is to include coding within their early years and primary school curriculum

Solution - the product proposition has been supplemented by the creation of multi-lingual content, mapped to the local curriculum

Result - significant initial increases in penetration of our coding products

RM Results – E-marking to the world

Background - examination bodies across the globe are looking to digitise a largely paper-based system to improve quality and efficiency

Solution - RM has developed an award-winning e-marking solution, RM Assessor[3] that is proven to improve marking quality for high-stakes exams

Result - six new international contracts for RM Assessor[3] across four continents have been awarded in 2018

Innovate with our customers

A key theme of our strategy is working closely with our customers, many of whom are long standing. Going forward, we look to provide customers with further insight into their business through the use of data analytics. The opportunity for our customers is to improve the life chances for their young people. As a trusted partner we expect to challenge their business processes and learning environments and see how we might help improve them over time. We will also look for new technology solutions to make it as easy as possible for our customers to do business with us.

Case studies

RM Results – Analysing the exam cycle

Background - exams in schools often happen in a summer peak, with millions of papers to be marked in short timescales and with increasing challenges to find enough markers. Our customers are looking at ways of de-risking the process

Solution - bringing together knowledge from years of exam cycles, and the use of data analytics, we are helping customers streamline the process and predict how to improve and de-risk timescales

Result - our customers have much better insight into the exam cycle and are able to intervene to speed up marking and remove unnecessary complexity

RM Resources – Easy on-line buying

Background - our customers are increasingly looking to place orders on their in-school financial management systems, which can link into the e-procurement hubs of their educational suppliers

Solution - RM has integrated most of the common school finance systems into our website, so that a school can simply click a single button to order educational supplies once they are listed on their financial management systems

Result - this saves customers' time and develops habitual loyalty to RM

Efficiency and simplicity

Budgets remain tough across the whole Education market. Customers need to save money and are always looking for more cost effective ways of doing things. In addition, with the transition to online marketing, it is clear RM needs to continue to drive cost out and be efficient as possible. Over one third of RM's staff are based in our India office in Trivandrum. We will continue to look for ways of successfully offshoring processes across the Group. In addition, we will use the application of automation where appropriate to ensure that repeatable, rules-based processes need limited human intervention. Finally, we will invest to simplify many of our business processes, improve efficiencies and consolidate our supply chain.

Case studies

RM Education – Remote network management

Background - many of our customers need cost savings in order to consider moving from an in-house IT team to an outsourced service. The reliance on a few on-site staff to manage the ICT makes these savings difficult to realise

Solution - provide a fully remote network manager service that can manage the school network without needing to be physically onsite

Result - the customer receives a more cost-efficient service that isn't reliant on a few key individuals and draws from expert knowledge across an array of IT specialisms

RM Resources – Distribution centre consolidation

Background - following the acquisition of Consortium in 2017, we have five distribution centres across three locations

Solution - to move to a single, automated distribution site as part of Phase 2 of the integration

Result - a single automated site will reduce operating costs and significantly improve service levels in a market that is price sensitive

Employees

Average Group headcount for the year was 1,936 (2017: 1,787), which is comprised of 1,750 (2017: 1,633) permanent and 186 (2017: 154) temporary or contract staff, of which 1,257 (2017: 1,172) were located in the UK and 679 (2017: 615) in India. At 30 November 2018 headcount was 1,952 (2017: 1,907).

The following table sets out a more detailed summary of the permanent staff employed as at 30 November 2018:

	Male	Female
Executive Directors	2 (100%)	0 (0%)
Senior Managers (excluding Executive Directors)	50 (81%)	12 (19%)
All employees	1,103 (62%)	657 (38%)

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

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

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

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

RM India

As at 30 November 2018, RM's operation in Trivandrum accounted for 38% of Group headcount (2017: 32%). Headcount increased through the year as the RM Resources Division transitioned some of its support operation to India and RM Results increased headcount to support new contract wins and new software development.

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

Environmental Matters

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

Principal Risks and Uncertainties

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

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

Risk and categorisation	**Description and likely impact**	**Mitigation**
Public policy (Political Risk)	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. UK government funding in the education sector is constrained by fiscal policy. Global economic conditions might result in a reduction in budgets available for public spending generally and education spending specifically.	The Company reviews the education policy environment by regular monitoring of policy positions and by building relationships with education policy makers. The Group's three Divisions have diverse revenue streams and product/service offerings. The Company's strategy is to focus on areas of education spend which are important to meet customers' objectives. Where the revenue of an individual business is in decline, management seeks to ensure that the cost base is adjusted accordingly.
Education practice (Political Risk)	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.	The Company maintains knowledge of current education practice and priorities by maintaining close relationships with customers.
Impact of UK's exit from the European Union (Political Risk)	If there is an adverse change in the economic and/or fiscal environment as a result of the UK's exit from the EU without a suitable period for planning and implementation, costs could increase and/or revenues reduce as a result. This could include cost increases as a result of the devaluation of Sterling.	The currency elements of this risk is managed through currency hedging against exchange rate movements, typically 9-12 months into the future. The Group is also working to rebalance its exposure by growing its foreign currency denominated sales ahead of its costs to reduce the currency imbalance and more naturally hedge this risk. The Group has also undertaken a review of the wider risks associated with the UK's exit from the EU, including in the event of a 'no deal' scenario. The Group is managing the principal risk areas identified and will continue to monitor developments.
Operational execution (Operational Risk)	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 / system failure would result in reputational damage and increased costs. RM is engaged in the delivery of large, multi-year projects, typically involving the development and integration of complex IT systems, and may have liability for failure to deliver on time.	The Company invests in maintaining a high level of technical expertise. Internal management control processes are in place to govern the delivery of all projects (including internal projects), including regular reviews by relevant management. The operational and financial performance of projects, including future obligations, the expected costs of these and potential risks are regularly monitored by management and, as appropriate, the Board.

Risk and categorisation	Description and likely impact	Mitigation
Data and business continuity (Operational Risk)	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. The Group would be significantly impacted if, as a result of a major incident, one of its key buildings, systems or infrastructure components could not function for a long period of time.	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. The Company has established a Group Security and Business Continuity Committee to oversee the security aspects of the Group's information systems. This covers data integrity and protection, defence against external threats (including cyber risks) and disaster recovery. The Group seeks to protect itself against the consequences of a major incident by implementing a series of back up and safety measures. The Group has property and business interruption insurance cover.
People (Operational Risk)	RM's business depends on highly skilled employees. Failing to recruit and retain such employees could impact operationally on RM's ability to deliver contractual commitments.	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.
Integration Risk	An inability to deliver, or a significant delay in implementation of, the second phase of synergies planned in relation to the acquisition of Consortium and/or the loss of customers as a result of related disruption. That second phase includes in particular the consolidation of the RM Resources property estate.	The Company has established a formal internal steering committee to oversee the ongoing integration of Consortium and the consolidation of the RM Resources property estate. In addition, the Company has retained external advisors in relation to such matters. Integration risks are proactively managed and a number of mechanisms are in place to monitor the ongoing impact of the various activities, including staff consultations and satisfaction surveys and ongoing customer feedback. Financial reports are generated each month to ensure that spend on integration activities and resulting expected benefits remain within budget. The Board is kept appraised of the current status of the integration work on a regular and ongoing basis.
Innovation (Strategic Risk)	The IT market and elements of the education resources market are subject to rapid, and often unpredictable, change. As a result of inappropriate technology and product choices or a failure to adopt and develop new technologies quickly enough, the Group's products and services might become unattractive to its customer base, or new market opportunities be missed.	The Company actively monitors technology and market developments and invests to keep its existing products, services and sales methods up-to-date, as well as seeking out new opportunities and initiatives. The Group works with teachers and educators to understand opportunities and requirements.

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

David Brooks
Chief Executive Officer
4 February 2019

Chief Financial Officer's statement

Overview

RM has made good progress across our key financial measures in 2018. Revenues grew in the year both on an underlying basis and through the full year benefits of the 2017 Consortium acquisition. Operating margins grew, enabling strong growth in our adjusted operating profits and adjusted diluted earnings per share. Importantly the growth in operating profits was in all three Divisions. These improvements in adjusted earnings also flowed through to increases in statutory profit before and after tax. Solid cash generation has enabled us to reduce our net debt levels.

Group Financial Performance

Group revenue grew by 19% to £221.0m (2017: £185.9m) supported by the full year benefit of the acquisition of Consortium (2018: £59.7m vs 2017: £27.8) and 2% underlying growth when excluding Consortium revenues.

£M	2018			2017*		
	Adjusted	Adjustment	Statutory	Adjusted	Adjustment	Statutory
Revenue	221.0	-	221.0	185.9	-	185.9
Operating profit	27.5	(4.9)	22.6	21.3	(5.1)	16.2
Profit before tax	26.0	(5.0)	21.0	19.7	(5.1)	14.6
Tax	(4.7)	0.6	(4.1)	(2.4)	0.7	(1.7)
Profit after tax	21.2	(4.3)	16.9	17.3	(4.5)	12.9

* 2017 adjusted earnings have been re-presented to reflect the share based payment charge in adjusted earnings. These charges were previously reported as an adjustment.

Revenues increased notably in our international markets which grew 30% (+£6.1m) on the prior year driven by new customer wins in RM Results and strong sales growth in RM Resources.

Adjusted operating profit margins increased this year from 11.4% in 2017 to 12.4%. Adjusted operating profit increased to £27.5m (2017: £21.3m) and now includes the £1.0m costs (2017: £0.8m) of share-based payments which were treated as an exceptional item in previous years.

To provide a better understanding of underlying business performance, amortisation charges associated with the acquisition, related intangible assets, restructuring provision movements, acquisition costs, GMP pension equalisation costs and other items of an exceptional nature have been disclosed in an adjustments column in the Income Statement to give 'Adjusted' results. Note 5 to the financial statements identifies these adjustments highlighting recurring and non-recurring items.

Statutory operating profit increased to £22.6m (2017: £16.2m), with adjustments of £2.5m for a restructuring provision in RM Resources associated with the decision to consolidate the property estate and the resulting redundancy provision, £1.2m of amortisation of acquisition related intangible assets and a £1.2m charge for the costs associated with the High Court decision in October 2018 to implement the alignment of guaranteed minimum payments (GMP) between men and women in defined benefit pension schemes.

The Group generated a statutory profit before tax of £21.0m (2017: £14.6m) with a net interest charge of £1.5m which includes £0.5m of non-cash charges associated with the discounting of the defined benefit pension schemes.

The total tax charge within the Income Statement for the year was £4.1m (2017: £1.7m). The Group's tax charge for the year, measured as a percentage of profit before tax, was 19.5% (2017: 11.9 %). The increase is principally due to the absence of a reduction of £1.2m in the transfer pricing provision in 2017 associated with cross border intra-group transactions between the UK and India. Statutory profit after tax increased to £16.9m (2017: £12.9m).

Adjusted diluted earnings per share were 25.8 pence (2017: 21.2 pence). Statutory basic earnings per share were 20.7 pence (2017: 15.8 pence) and statutory diluted earnings per share were 20.6 pence (2017: 15.7 pence).

RM generated cash from operations for the year of £24.2m (2017: £17.9m). Free cash flow in the year was £13.8m which enabled net debt to be reduced at the end of the year to £5.8m (2017: £13.4m).

Over the next two years RM expects discretionary capital expenditure to rise to circa £10m per annum. This spend in focussed on key strategic areas including Phase 2 of the Consortium integration which will consolidate the current five distribution centres into a single automated facility, a group-wide IT system implementation and development of e-assessment IP in RM Results. These projects are scheduled to conclude in 2021 and deliver good financial and operational benefits.

Dividends

The total dividend paid and proposed for the year has been increased by 15% to 7.60 pence per share (2017: 6.60 pence). This is comprised of the interim dividend of 1.90 pence per share paid in September 2018 and, subject to shareholder approval, a proposed final dividend of 5.70 pence per share. The estimated total cost of ordinary dividends paid and proposed for 2018 is £6.2m (2017: £5.4m).

The Board is committed to a long-term sustainable dividend policy and the Company has £29.6m of distributable reserves as at 30 November 2018 available to support the dividend policy.

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

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

Defined Benefit Pension Schemes ("Schemes")

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

The IAS19 net deficit (pre-tax) across the Group decreased by £17.9m to £2.3m (Nov 2017: £20.2m) with both the RM Education Scheme and the Platinum Scheme being in surplus. This reduction was driven a decrease in the liabilities of the Schemes and the benefit of Company contributions.

The Group deficit recovery plan cashflow requirements across all schemes in 2018 was £4.6m pa. The Group is currently in discussions with the Trustee of the RM Education Scheme regarding the triennial review as at 31 May 2017 and expects to reach agreement in the first half of 2019. The next review date for the Platinum Scheme is in December 2018 and the next triennial review for the Care Scheme is due in December 2019.

RM Resources

RM Resources revenues increased by 45% to £121.6m. This includes the full year benefit of the acquisition of Consortium that was concluded in July 2017. TTS revenues grew 11% to £61.9m (2016: £55.9m) whilst Consortium added £59.7m in its first full year post acquisition (2017: £27.8m for five months).

Divisional adjusted operating profit increased to £16.6m (2017: £11.6m) as the Division's profitability benefited from the increase in revenues outlined above. Operating margins decreased slightly to 13.7% (2017: 13.9%) as £3m of synergy benefits delivered were offset by the full year impact of the lower operating margins in Consortium and an increased proportion of revenues delivered through frameworks or exclusive contracts at lower gross margins.

UK
UK direct education revenues increased by 47% to £95.8m (2017: £65.2m) driven by the acquisition of Consortium and 3% growth in TTS UK education direct marketing revenues. The underlying UK growth across the brands is encouraging in a market that we believe declined slightly and that was delivered against a backdrop of significant integration activity.

In the UK business, there are a number of legacy revenue streams that amounted to £6.7m related to activities in which we have stopped continued investment. This includes closure of the UK trade channel where we sold own developed products through other UK distributors with revenues of £2.9m. It was announced in the year that we would close this channel (with the exception of Northern Ireland) at the end of 2018 which would mean that in 2019 our own developed products can only be purchased in the UK through our own brand channels. It is expected that this will strengthen the UK proposition as the market leading full suite provider of curriculum and commodity products.

There is a further £3.8m of UK legacy revenues that were acquired as part of the Consortium acquisition which are outside education in areas such as Care, Procurement frameworks and Office equipment leasing. These revenues declined 17% on a 12 month pro-forma basis and we expect the decline to continue going forward.

The Division continues to invest in its online channels. Online orders make up approximately half of UK direct education sales. We expect the proportional growth in online sales to continue in future years, as more customers use it as their preferred method of ordering. This trend will continue to put pressure on pricing and it is key to the strategy of the Division that it is run efficiently and investment continues to, in part, focus on delivering a low cost operation with excellent customer service levels.

International
The international business is made up of two key channels, international distributors, through which we sell own designed products to over 80 countries, and international English curriculum schools to whom we sell a wider portfolio of education supplies. Revenues from international distributors and international schools increased by 41% to £19.1m (2017: £13.5m). This was driven by strong growth of our own designed products through distributor channels (+61%) including part delivery of a large one-time order in South America (£1.4m) and increased sales to international schools (+15%).

RM Results

Revenue grew slightly to £31.8m (2017: £31.6m) with revenue from e-assessment growing by 4%, which offset the planned exit of a number of legacy contracts in Data (-14%). Adjusted operating profit increased by 5% on the prior year to £8.2m (2017: £7.8m).

Adjusted operating margins increased to 25.6% (2017: 24.5%) benefitting primarily from one time benefits of improvements in the long-term contract margins delivered as a result of operational improvements across the contract portfolio and allocation of software development into new product IP. This was further supported by the successful roll-out of the latest release of e-marking software, Asessor[3].

RM Results signed seven new contracts in 2018, six of which were with international customers. The order book value of these contracts is above £4m with the potential to materially increase that value through increased volumes and broader phases of implementation and delivery still to be contracted.

The Division also successfully secured several important contract renewals and extensions with existing customers in the year.

The outlook remains positive in this Division with the contract performance in 2018 and strong pipeline creating a robust platform for long term growth. Progress continues to be made in developing further intellectual property in the e-assessment portfolio and M&A opportunities will continue to be assessed to look to accelerate strategic development.

RM Education

Revenues in the Division declined by 4% to £67.6m (2017: £70.6m) driven primarily by the planned contract completion of several long term contracts. Adjusted operating profit margins improved, increasing to 11.6% (2017: 9.3%), benefitting from a reduction in the cost base and a resulting one-time benefit in the long-term contract lifetime margins which more than offset restructuring costs in the year. Adjusted operating profit increased to £7.8m (2017: £6.6m).

The Division is made up of Services (63% of revenue) – which includes IT outsourcing, support contracts and 3rd party technology management, Digital Platforms (14%) – software offerings which are predominantly cloud-based and Connectivity (18%) – fully managed broadband services for Schools and Colleges. The Division has a number of legacy services and contracts that are either in contractual run-off, or we have stopped continued investment in them. In 2018 they constituted 5% of revenues and are expected to have materially concluded by 2020.

A key focus of the Division is to build its annuity revenue offerings which now account for over 70% of the revenue portfolio.

The following divisional metrics exclude the impact of the legacy revenues to show the underlying trends.

Services
The Services offering is primarily the provision of IT outsourcing services to UK schools and colleges but also includes support contracts to school IT teams and the provision, implementation and management of 3rd party technology. Services revenues decreased by 3% to £42.6m (2017: £43.9m) resulting from a 12% reduction in the proportion of spend under aggregated long term contracts which traditionally had higher service provision requirements and resulting average spend. Retention rates in the year were 96% and in addition, 99 new schools signed managed services contracts in the year (2017: 46) resulting in 10% growth in schools outsourced. Furthermore a consolidated school group signed a 3 year managed services contract just after the year end adding a further 38 schools.

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

Digital Platforms
The Digital Platform offering covers a number of key cloud-based products such as RM Integris (RM's school management system), RM Unify, our authentication and portal system and RM SafetyNet, our internet filtering and safeguarding system as well as other content, finance and network software offerings. Digital Platforms revenues increased by 7% to £9.6m (2017: £8.9m) driven by growth in RM Integris and network software. Customer retention rates of core Digital Platform products were in excess of 90% in the year.

Connectivity
The Connectivity offering provides managed broadband connections to schools and colleges. Revenues decreased by 3% to £11.8m (2017: £12.3m) resulting from a £0.8m reduction of unbundled sales of IP addresses. Underlying managed connectivity services revenues increased by 3% in the year to £11.5m benefiting from an increase in school contracts year on year.

During the year we signed a new five year agreement with the Division's largest aggregated customer which provides continuity of our revenue stream whilst also enabling direct contractual relationship with the schools.

Impact of the EU Referendum vote
The Company continues to monitor the evolving impacts of the referendum decision on UK's membership of the EU. The Group has European sales of £12.4m, of which £8.5m relate to physical product sales in RM Resources and £3.9m relate to software and services sales in RM Results and RM Education. The Group has undertaken a review of the potential changes resulting from the UK's exit from the EU, including in the event of a 'no deal' scenario. This review focussed on the principal risk areas of customers and markets, supply chain, people, treasury, legal, data and regulation and customs and tax. Following this review, although we believe the likely impact to be unfavourable, we continue to believe that it will not have a materially adverse effect on the Group as a whole, whilst assuming that the UK government does not fundamentally change its approach to education funding. We continue to monitor the evolving nature of the negotiations.

The Group has foreign currency denominated costs that outweigh foreign currency denominated revenues and therefore increased currency volatility creates an exposure. This is primarily attributed to US Dollar and Indian rupee exposure. This risk is managed through currency hedging against exchange rate movements, typically 9-12 months into the future. The Group is also working to rebalance its exposure by growing its foreign currency denominated sales ahead of its costs to reduce the currency imbalance and more naturally hedge this risk.

Going Concern

The financial position, cashflows and liquidity position are described in the financial statements and the associated notes. In addition, the notes to the financial statements include RM's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit and liquidity risk. During the year, the Group's revolving credit facility reduced from £75m, at the beginning of the year, to £65m on 31 December 2018 and will reduce again to £60m on 30 June 2019. The current bank credit facility ends on 30 June 2020 but has an option to extend for a further two years with lender consent and the Board has no reason to believe that the facility would not be extended. The Group ended the year with a net debt of £5.8m which is a reduction of £7.6m on the prior year end position of £13.4m. The average net debt position during the year was £24.1m with the highest borrowing point being £32.8m.

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

Financial Viability Statement

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

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

1. Public policy risk – UK education policy priority changes or restrictions in government funding due to fiscal policy.

2. Operational execution – including:
    a. Major adverse performance in a key contract or product which results in negative publicity and which damages the Group's brand.
    b. Delays to key projects where we are investing more significant levels of discretionary capital expenditure.

3. Business continuity – an event impacting the Group's major buildings, systems or infrastructure components. This would include a major incident at one of the RM Resources main warehouses.

4. Strategic risks
    a. Loss of a significant contract which underpins an element of a Division's activity.
    b. Significant reduction in gross margins.
    c. Impact of a 'no-deal' Brexit and resulting possible changes in the fiscal and economic environment

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.

Neil Martin
Chief Financial Officer
4 February 2019

CONSOLIDATED INCOME STATEMENT
for the year ended 30 November 2018

		Year ended 30 November 2018			Year ended 30 November 2017		
		Adjusted	**Adjustments**	**Total**	Adjusted*	Adjustments*	Total
	Note	**£000**	**£000**	**£000**	£000	£000	£000
Revenue		**220,977**	**-**	**220,977**	185,863	-	185,863
Cost of sales		**(129,664)**	**-**	**(129,664)**	(112,857)	-	(112,857)
Gross profit		**91,313**	**-**	**91,313**	73,006	-	73,006
Operating expenses		**(63,819)**	**(4,927)**	**(68,746)**	(51,729)	(5,083)	(56,812)
Profit from operations	2	**27,494**	**(4,927)**	**22,567**	21,277	(5,083)	16,194
Investment income	3	**164**	**-**	**164**	365	-	365
Finance costs	4	**(1,679)**	**(25)**	**(1,704)**	(1,920)	(45)	(1,965)
Profit before tax		**25,979**	**(4,952)**	**21,027**	19,722	(5,128)	14,594
Tax	5	**(4,734)**	**634**	**(4,100)**	(2,401)	658	(1,743)
Profit for the year		**21,245**	**(4,318)**	**16,927**	17,321	(4,470)	12,851
Earnings per ordinary share							
- basic	6	**26.0p**		**20.7p**	21.3p		15.8p
- diluted	6	**25.8p**		**20.6p**	21.2p		15.7p
Paid and proposed dividends per share	7						
- interim				**1.90p**			**1.65p**
- final				**5.70p**			**4.95p**

* Re-presented for share-based payment reclassification (see note 2)

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 2018

	Note	**Year ended 30 November 2018 £000**	Year ended 30 November 2017 £000
Profit for the year		**16,927**	12,851
Items that will not be reclassified subsequently to profit or loss			
Defined Benefit Pension Scheme remeasurements	12	**15,693**	17,960
Tax on items that will not be reclassified subsequently to profit or loss	5	**(2,716)**	(3,123)
Items that are or may be reclassified subsequently to profit or loss			
Fair value gain/(loss) on hedged instruments		**822**	(1,306)
Exchange loss on translation of overseas operations		**(127)**	(36)
Tax on items that are or may be reclassified subsequently to profit or loss	5	**-**	(80)
Other comprehensive income		**13,672**	13,415
Total comprehensive income for the year attributable to equity holders		**30,599**	26,266

CONSOLIDATED BALANCE SHEET

	Note	**At 30 November 2018 £000**	At 30 November 2017 £000
Non-current assets			
Goodwill		**45,164**	45,164
Intangible assets		**18,465**	20,377
Property, plant and equipment		**9,184**	10,369
Defined Benefit Pension Scheme surplus	12	**1,253**	495
Other receivables	8	**930**	1,144
Deferred tax assets	5	**3,385**	6,484
		78,381	84,033
Current assets			
Inventories		**17,787**	19,413
Trade and other receivables	8	**34,878**	29,147
Tax assets		**424**	-
Cash and short-term deposits		**2,634**	1,797
		55,723	50,357
Total assets		**134,104**	134,390
Current liabilities			
Trade and other payables	9	**(54,637)**	(57,636)
Tax liabilities		**(1,600)**	(632)
Provisions	10	**(5,082)**	(3,436)
Overdraft		**(1,922)**	(2,028)
		(63,241)	(63,732)
Net current liabilities		**(7,518)**	(13,375)
Non-current liabilities			
Other payables	9	**(283)**	(852)
Provisions	10	**(2,708)**	(3,019)
Deferred tax liability	5	**(2,817)**	(2,993)
Defined Benefit Pension Scheme obligation	12	**(3,557)**	(20,731)
Borrowings	13	**(6,506)**	(13,188)
		(15,871)	(40,783)
Total liabilities		**(79,112)**	(104,515)
Net assets		**54,992**	29,875
Equity attributable to shareholders			
Share capital	11	**1,917**	1,890
Share premium account		**27,080**	27,035
Own shares		**(1,423)**	(1,406)
Capital redemption reserve		**94**	94
Hedging reserve		**395**	(427)
Translation reserve		**(286)**	(159)
Retained earnings		**27,215**	2,848
Total equity		**54,992**	29,875

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 November 2018

	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 2016		1,890	27,035	(1,987)	94	879	(123)	(19,992)	7,796
Profit for the year		-	-	-	-	-	-	12,851	12,851
Other comprehensive (expense)/income		-	-	-	-	(1,306)	(36)	14,757	13,415
Total comprehensive (expense)/income		-	-	-	-	(1,306)	(36)	27,608	26,266
Transactions with owners of the Company:									
Share-based payment awards exercised		-	-	581	-	-	-	(581)	-
Share-based payment fair value charges		-	-	-	-	-	-	821	821
Ordinary dividends paid	7	-	-	-	-	-	-	(5,008)	(5,008)
At 30 November 2017		1,890	27,035	(1,406)	94	(427)	(159)	2,848	29,875
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**16,927**	**16,927**
Other comprehensive income/(expense)		**-**	**-**	**-**	**-**	**822**	**(127)**	**12,977**	**13,672**
Total comprehensive income/(expense)		**-**	**-**	**-**	**-**	**822**	**(127)**	**29,904**	**30,599**
Transactions with owners of the Company:									
Shares issued		**27**	**-**	**(27)**	**-**	**-**	**-**	**-**	**-**
Share options exercised		**-**	**45**	**-**	**-**	**-**	**-**	**-**	**45**
Share-based payment awards exercised		**-**	**-**	**10**	**-**	**-**	**-**	**(931)**	**(921)**
Share-based payment fair value charges		**-**	**-**	**-**	**-**	**-**	**-**	**993**	**993**
Deferred Tax on Share-based payments		**-**	**-**	**-**	**-**	**-**	**-**	**2**	**2**
Ordinary dividends paid	7	**-**	**-**	**-**	**-**	**-**	**-**	**(5,601)**	**(5,601)**
At 30 November 2018		**1,917**	**27,080**	**(1,423)**	**94**	**395**	**(286)**	**27,215**	**54,992**

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 November 2018

	Note	Year ended 30 November 2018 £000	Year ended 30 November 2017 Restated £000
Profit before tax		**21,027**	14,594
Investment income	3	**(164)**	(365)
Finance costs	4	**1,704**	1,965
Profit from operations		**22,567**	16,194
Adjustments for:			
Pension GMP		**1,200**	-
Impairment of non-acquisition related intangible assets		**-**	33
Amortisation of intangible assets		**2,165**	1,107
Depreciation and impairment of property, plant and equipment		**1,920**	2,289
Loss on disposal of other intangible assets		**-**	21
Gain on disposal of property, plant and equipment		**95**	135
Loss on foreign exchange derivatives		**79**	(1,306)
Share-based payment charge		**993**	821
Increase in provisions		**3,598**	1,997
Defined Benefit Pension Scheme administration cost	12	**645**	552
Operating cash flows before movements in working capital		**33,262**	21,843
Decrease/(increase) in inventories		**1,626**	(27)
(Increase)/decrease in receivables		**(5,668)**	5,443
Decrease in trade and other payables		**(2,805)**	(7,129)
Utilisation of onerous lease and dilapidations provisions	10	**(694)**	(308)
Utilisation of employee-related restructuring provisions	10	**(1,569)**	(1,697)
Utilisation of other provisions	10	**-**	(236)
Cash generated from operations		**24,152**	17,889
Defined benefit pension scheme cash contributions	12	**(4,591)**	(4,187)
Tax paid		**(3,134)**	(2,019)
Income on sale of finance lease debt		**-**	9
Net cash inflow from operating activities		**16,427**	11,692
Investing activities			
Interest received		**109**	307
Repayment of loans by third parties		**12**	16
Acquisition net of cash acquired		**-**	(58,407)
Acquisition related costs		**(335)**	(191)
Proceeds on disposal of property, plant and equipment		**-**	12
Purchases of property, plant and equipment		**(1,049)**	(1,150)
Purchases of other intangible assets		**(69)**	(176)
Amounts transferred from short term deposits		**-**	3,014
Net cash used in investing activities		**(1,332)**	(56,575)
Financing activities			
Dividends paid	7	**(5,601)**	(5,008)
(Repayment) / drawdown of borrowings	13	**(7,000)**	14,000
Borrowing facilities arrangement and commitment fees		**(303)**	(1,098)
Interest paid		**(439)**	(224)
Share options exercised		**45**	-
Share-based payment awards exercised		**(921)**	-
Net cash (used in)/generated by financing activities		**(14,219)**	7,670
Net increase/(decrease) in cash and cash equivalents		**876**	(37,213)
Cash and cash equivalents at the beginning of the year		**(231)**	36,973
Effect of foreign exchange rate changes		**67**	9
Cash and cash equivalents at the end of the year*		**712**	(231)

* Cash and cash equivalents include bank overdrafts as these form an integral part of the Group's cash management

** The cash flow for the year ended 30 November 2017 has been represented to correctly classify acquisition related costs as a component of cash generated from operations. This has reduced operating cash flows and cash used in investing activities by £2.8m.

1. Preliminary announcement

The preliminary results for the year ended 30 November 2018 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 27 March 2019. The full Strategic Report and Directors' Report and financial statements will be published on the Group's website at 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 2018. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's annual general meeting. The auditor's reports on both the 2018 and 2017 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 4 February 2019.

Consolidated Income Statement presentation

The Directors assess the performance of the Group using an adjusted operating profit and profit before tax. The Directors use this measurement basis as it excludes the effect of transactions that could distort the understanding of the Group's performance for the year and comparability between periods. This includes making certain adjustments for income and expense which are one-off in nature, or non-cash items and those with potential variability year on year which might mask underlying performance. Further details are provided in Note 2.

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.

Alternative Performance Measures (APMs)

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

The following APMs are used by the Group:

- Adjusted operating profit

- Adjusted profit before tax;

Further explanation of what each APM comprises and reconciliations between Statutory reported measures and adjusted measures are shown in note 2.

The Board believes that presentation of the Group results in this way is relevant to an understanding of the Group's financial performance, as adjustment items are identified by virtue of their size, nature and/or incidence. This presentation is consistent with the way that financial performance is measured by management, reported to the Board, the basis of financial measures for senior management's compensation schemes and assists in providing supplementary information that assists the user to understand better the financial performance, position and trends of the Group. In determining whether an event or transaction is an adjustment, the Board considers both quantitative and qualitative factors such as the frequency or predictability of occurrence.

During the year, the Group has refined its policy in relation to adjustment items so as to streamline its application, simplify the Group's reporting and ensure consistency between Adjusted and Adjustment performance. In particular, the Board considers the recognition of share based payments should be included in arriving at Adjusted profits. In prior periods such payments have been excluded in arriving at Adjusted profit. On this basis prior year results have been re- presented for share-based payment reclassification, giving rise to a decrease in the Group's Operating profit of £0.8m, and a decrease in the Group's Profit before tax of £0.8m. There is no impact on the Statutory performance of the Group or the Group's condensed consolidated balance sheet, further detail is set out in note 2.

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 focused on the nature of each type of activity.

The Group is structured into three operating divisions: RM Resources, RM Results and RM Education.

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

This Segmental analysis shows the result 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 2018	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Revenue					
UK	**102,515	25,299	66,736	-	194,550
Europe	8,475	3,343	572	-	12,390
North America	2,876	-	185	-	3,061
Asia	1,390	1,495	-	-	2,885
Middle East	3,164	-	123	-	3,287
Rest of the world	3,151	1,653	-	-	4,804
	121,571	31,790	67,616	-	220,977
Adjusted profit from operations	16,626	8,154	7,813	(5,099)	27,494
Investment income					164
Adjusted finance costs					(1,679)
Adjusted profit before tax					25,979
Adjustments (see below)					(4,952)
Profit before tax					21,027

Year ended 30 November 2017	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Revenue					
UK	**70,150	26,566	68,828	-	165,544
Europe	5,957	3,258	678	-	9,893
North America	1,539	-	231	-	1,770
Asia	1,226	204	691	-	2,121
Middle East	3,054	-	8	-	3,062
Rest of the world	1,706	1,590	177	-	3,473
	83,632	31,618	70,613	-	185,863
Adjusted* profit from operations	11,604	7,761	6,552	(4,640)	21,277
Investment income					365
Adjusted finance costs					(1,920)
Adjusted* profit before tax					19,722
Adjustments* (see below)					(5,128)
Profit before tax					14,594

* Re-presented for share-based payment reclassification (see note 2)
** Included in UK are International Sales via UK Distributors of £2,479,000 (2017: £2,354,000).

Segmental assets

	RM Resources £000	**RM Results £000**	**RM Education £000**	**Corporate Services £000**	**Total £000**
At 30 November 2018					
Segmental	**105,170**	**7,833**	**13,197**	**177**	**126,377**
Other					**7,727**
Total assets					**134,104**

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

Included within the disclosed segmental assets are non-current assets (excluding deferred tax assets) of £74,559,000 (2017: £73,364,000) located in the United Kingdom and £438,000 (2017: £692,000) located in India. Other non-segmented assets includes other receivables, tax assets and cash and short-term deposits.

Adjustments to administrative expenses

	Year ended 30 November 2018	Year ended 30 November 2017*
	£000	£000
Amortisation of acquisition-related intangible assets	**1,207**	503
Pension GMP	**1,200**	-
Net increase of provisions for onerous lease contracts	**-**	353
Acquisition related costs	**-**	2,643
Restructuring costs	**2,520**	1,584
	4,927	5,083

* Prior year re-presented for share-based payment reclassification (see note 1)

Recurring items:

These are items which occur regularly but which management judge to have a distorting effect on the underlying results of the Group or are not regularly monitored for the purpose of determining business performance. The recurring item relates to the amortisation of acquisition related intangible assets. The prior year period has been represented to no longer show share-based payment charges as an adjustment.

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

Highlighted items:

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

During the year, the Group announced an estates strategy review that will mean relocating a number of activities in the RM Resources division to one location resulting in a restructuring charge associated with the relocations of £2.5m.

During the year the Group provided for the estimated liability of equalising GMPs in our defined benefit pension scheme of £1.2m (see note 12)

In the prior year an onerous provision was created for the top floor of the head office property and an onerous provision release was made for the continued sub-letting of one of the Group's properties.

In the prior year, the Group incurred professional advisor costs relating to the acquisition and integration of The Consortium. Restructuring costs were incurred during the prior year which also relate to the integration of The Consortium.

3. Investment income

	Year ended 30 November 2018	Year ended 30 November 2017
	£000	£000
Bank interest	**20**	47
Income on sale of finance lease debt	**-**	168
Other finance income	**144**	150
	164	365

4. Finance costs

	Note	**Year ended 30 November 2018**	Year ended 30 November 2017
		£000	£000
Borrowing facilities arrangement fees and commitment fees		**583**	524
Net finance costs on defined benefit pension scheme	12	**507**	1,049
Unwind of discount on long term contract provisions		**48**	49
Unwind of discount on onerous lease and dilapidations provisions	10	**85**	91
Interest on bank loans and overdrafts		**481**	229
Other finance costs		**-**	23
		1,704	1,965

5. Tax

a) Analysis of tax charge in the Consolidated Income Statement

	Year ended 30 November 2018	Year ended 30 November 2017
	£000	£000
Current taxation		
UK corporation tax	**4,289**	2,976
Adjustment in respect of prior years	**(313)**	(1,555)
Overseas tax	**395**	387
Total current tax charge	**4,371**	1,808
Deferred taxation		
Temporary differences	**(273)**	(6)
Adjustment in respect of prior years	**2**	104
Overseas tax	**-**	(163)
Total deferred (credit)	**(271)**	(65)
Total Consolidated Income Statement tax charge	**4,100**	1,743

b) Analysis of tax charge in the Consolidated Statement of Comprehensive Income

	Year ended 30 November 2018	Year ended 30 November 2017
	£000	£000
UK corporation tax		
Defined benefit pension scheme	**(380)**	(428)
Share based payments	**-**	-
Deferred tax		
Defined benefit pension scheme movements	**3,048**	3,481
Defined benefit pension scheme escrow	**(6)**	-
Share based payments	**-**	80
Deferred tax relating to the change in rate	**54**	70
Total Consolidated Statement of Comprehensive Income tax charge	**2,716**	3,203

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 2018			Year ended 30 November 2017		
	Adjusted*	**Adjustments***	**Total**	Adjusted*	Adjustments*	Total
	£000	**£000**	**£000**	£000	£000	£000
Profit on ordinary activities before tax	**25,979**	**(4,952)**	**21,027**	19,722	(5,128)	14,594
Tax at 19% (2017: 19.33%) thereon:	**4,936**	**(941)**	**3,995**	3,812	(991)	2,821
Effects of:						
- other expenses not deductible for tax purposes	**106**	**284**	**390**	211	321	532
- other temporary timing differences	**(193)**	**23**	**(170)**	(72)	12	(60)
- effect of profits/losses in various overseas tax jurisdictions	**192**	**-**	**192**	(100)	-	(100)
- Prior period adjustments - UK	**(307)**	**-**	**(307)**	(280)	-	(280)
- Prior period adjustments - overseas	**-**	**-**	**-**	(1,170)	-	(1,170)
Tax charge in the Consolidated Income Statement	**4,734**	**(634)**	**4,100**	2,401	(658)	1,743

* Re-presented for share-based payment reclassification (see note 2)

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

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**	**Defined benefit pension scheme obligation**	**Share-based payments**	**Short-term timing differences**	**Acquisition related intangible assets**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 December 2016	846	5,912	254	1,781	-	8,793
(Credit)/charge to income	(13)	-	59	(65)	84	65
Charge to equity	-	(3,481)	(80)	(70)	-	(3,631)
Acquired Deferred tax assets/(liabilities)	321	1,009	-	11	(3,077)	(1,736)
At 30 November 2017	1,154	3,440	233	1,657	(2,993)	3,491
(Credit)/Charge to income	**(133)**	**-**	**161**	**36**	**204**	**268**
(Charge)/Credit to equity	**-**	**(3,048)**	**2**	**(48)**	**-**	**(3,094)**
Acquired Deferred tax liabilities	**-**	**-**	**-**	**(97)**	**-**	**(97)**
At 30 November 2018	**1,021**	**392**	**396**	**1,548**	**(2,789)**	**568**

Certain deferred tax assets and liabilities have been offset above.

6. Earnings per ordinary share

	Year ended 30 November 2018			Year ended 30 November 2017		
	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
Basic earnings per ordinary share						
Basic earnings	**16,927**	**81,779**	**20.7**	12,851	81,455	15.8
Adjustments* (see note 2)	**4,318**	**-**	**5.3**	4,470	-	5.5
Adjusted basic earnings	**21,245**	**81,779**	**26.0**	17,321	81,455	21.3
Diluted earnings per ordinary share						
Basic earnings	**16,927**	**81,779**	**20.7**	12,851	81,455	15.8
Effect of dilutive potential ordinary shares: share based payment awards	**-**	**460**	**(0.1)**	-	179	(0.1)
Diluted earnings	**16,927**	**82,239**	**20.6**	12,851	81,634	15.7
Adjustments* (see note 2)	**4,318**	**-**	**5.2**	4,470	-	5.5
Adjusted diluted earnings	**21,245**	**82,239**	**25.8**	17,321	81,634	21.2

* Re-presented for share-based payment reclassification (see note 2)

7. Dividends

Amounts recognised as distributions to equity holders were:

	Year ended 30 November 2018 £000	Year ended 30 November 2017 £000
Final dividend for the year ended 30 November 2017 - 4.95p per share (2016: 4.50p)	**4,047**	3,660
Interim dividend for the year ended 30 November 2018 - 1.90p per share (2017: 1.65p)	**1,554**	1,348
	5,601	5,008

The proposed final dividend of 5.70p per share for the year ended 30 November 2018 was approved by the Board on 4 February 2019. The dividend is subject to approval by Shareholders at the annual general meeting. The anticipated cost of this dividend is £4,666,125 which is not included as a liability at 30 November 2018.

8. Trade and other receivables

	2018 £000	2017 £000
Current		
Financial assets		
Trade receivables	**21,239**	20,770
Long-term contract balances	**66**	3
Other receivables	**893**	1,146
Derivative financial instruments	**353**	-
Accrued income	**2,013**	1,366
	24,564	23,285
Non-financial assets		
Prepayments	**10,314**	5,862
	34,878	29,147
Non-current		
Financial assets		
Other receivables	**930**	1,144
	35,808	30,291

9. Trade and other payables

	2018 £000	2017 £000
Current liabilities		
Financial liabilities		
Trade payables	**23,119**	18,524
Other taxation and social security	**4,284**	4,765
Other payables	**1,857**	535
Derivative financial instruments	**-**	389
Accruals	**10,557**	12,975
Long-term contract balances	**4,565**	10,183
	44,382	47,371
Non-financial liabilities		
Deferred income	**10,255**	10,265
	54,637	57,636
Non-current liabilities		
Non-financial liabilities:		
Deferred income:		
- due after one year but within two years	**235**	409
- due after two years but within five years	**48**	443
	283	852
	54,920	58,488

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

10. Provisions

Group	Note	Onerous lease and dilapidations £000	Employee-related restructuring £000	Other £000	Total £000
At 1 December 2016		3,157	1,844	1,692	6,693
Acquired on 30 June		165	-	-	165
Utilisation of provisions		(308)	(1,697)	(236)	(2,241)
Release of provisions		(1,115)	-	(568)	(1,683)
Increase in provisions		1,780	831	819	3,430
Unwind of discount	4	91	-	-	91
At 30 November 2017		3,770	978	1,707	6,455
Utilisation of provisions		(694)	(1,569)	-	(2,263)
Release of provisions		(43)	(37)	(479)	(559)
Increase in provisions		400	3,201	471	4,072
Unwind of discount	4	85	-	-	85
At 30 November 2018		**3,518**	**2,573**	**1,699**	**7,790**

Provisions for onerous leases and dilapidations have been recognised at the present value of the expected obligation at discount rates of 2.6% (2017: 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 2018, £925,000 (2017: £1,525,000) of the provision refers to onerous leases, and £2,593,000 (2017: £2,245,000) refers to dilapidations. In the prior year an onerous provision was created for the top floor of the head office property and an onerous provision release was made for the successful sub-letting of one of the Group's properties. Following the acquisition in the prior year, the Group's dilapidation provisions as a whole were reviewed and subsequently increased. During the year the Group has further updated provisions in line with negotiations with landlords.

The average remaining life of the leases at 30 November 2018 is 1.1 years (2017: 2.1 years).

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

Employee-related restructuring provisions refer to costs arising from restructuring to meet the future needs of the Group. Of the £2,573,000 provision, £1,070,000 is expected to be utilised during the following financial year.

Other provisions includes one-off items not covered by any other category of which the most significant items are the risk provisions from ended long term contracts transferred from long-term contract creditors to provisions. During the year the movement on long term provisions was a net decrease of £257,000 (2017: net increase of £779,000).

Disclosure of provisions

Group	**2018**	2017
	£000	£000
Current liabilities	**5,082**	3,436
Non-current liabilities	**2,708**	3,019
	7,790	6,455

11. Share capital

Company and Group	**Ordinary shares of $2^2/_7$p**	
	'000	**£000**
Allotted, called-up and fully paid:		
At 30 November 2016 and 2017	**82,650**	**1,890**
Issued in the year	1,200	27
Exercise of share options	25	-
As at 30 November 2018	**83,875**	**1,917**

Ordinary shares issued carry no right to fixed income.

12. Defined benefit pension schemes

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

For all three schemes, based on the advice of a qualified independent actuary at each balance sheet date and using the projected unit method, the administrative expenses and current service costs are charged to operating profit, with the interest cost, net of interest on scheme assets, reported as a financing item. This year an estimate for Guaranteed Minimum Pensions ('GMPs') has also been expensed (see below for further explanation).

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

Scheme assets are measured at bid-price, where available, at 30 November 2018. The present value of the defined benefit obligation was measured using the projected unit method.

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

The Research Machines plc 1988 Pension Scheme (RM Scheme)

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

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

The most recent actuarial valuation of Scheme assets and the present value of the defined benefit obligation was carried out for statutory funding purposes at 31 May 2015 by a qualified independent actuary. IAS 19 Employee Benefits (revised) liabilities at 30 November 2018 have been rolled forward based on this valuation's base data.

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

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

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

The Consortium CARE scheme (CARE scheme)

Until 31 December 2005, The Consortium for Purchasing and Distribution Ltd ("The Consortium", acquired by the Company on 30 June 2017) operated a pension scheme (the "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 Consortium must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The Statutory Funding Objective does not currently impact on the recognition of the scheme in these accounts. The scheme is managed by a Board of Trustees appointed in part by the Company and in part from elections by members of the scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing scheme assets. The Trustees delegate some of these functions to their professional advisers where appropriate. The valuation of the scheme at 31 December 2016 was a deficit of £4.2m.

Prudential Platinum Pension (Platinum scheme)

The Consortium acquired West Mercia Supplies in April 2012 (prior to the Company acquiring The Consortium). Upon acquisition by The Consortium of West Mercia Supplies, a pension scheme (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 (now XPS Pensions Group) on 31 December 2015. Using the assumptions below the results of the full valuation were adjusted and rolled forward to form the basis for the current year valuation. The scheme is administered within a legally separate trust from The Consortium and the Trustees are responsible for ensuring that the correct benefits are paid, that the scheme is appropriately funded and that the scheme assets are appropriately invested. The valuation of the scheme at 31 December 2015 was a deficit of £70,000.

Amounts recognised in the Income Statement and in the Statement of Comprehensive Income

	Note	**Year ended 30 November 2018**	Year ended 30 November 2017
		£000	£000
Administrative expenses and taxes		**(537)**	(552)
Current service costs		**(108)**	(69)
Operating expense		**(645)**	(621)
Interest cost		**(6,798)**	(6,946)
Interest on Scheme assets		**6,291**	5,897
Net interest expense	4	**(507)**	(1,049)
Past service costs (GMP)		**(1,200)**	-
Expense recognised in the Income Statement		**(2,352)**	(1,670)
Effect of changes in demographic assumptions		**(1,230)**	7,920
Effect of changes in financial assumptions		**19,884**	(4,608)
Effect of experience adjustments		**4,126**	1,898
Total actuarial gains		**22,780**	5,210
Return on Scheme assets excluding interest on Scheme assets		**(7,087)**	12,750
Income recognised in the Statement of Comprehensive Income		**15,693**	17,960
Income recognised in Total Comprehensive Income		**13,341**	16,290

GMP equalisation

UK pension schemes are required to pay equal “Guaranteed Minimum Pensions” (“GMPs”) to men and women following the 1990 legal case which led to the Barber judgment. Pensions paid have historically been intrinsically different, for example due to different GMP pension ages (60 for a woman and 65 for a man) and therefore difficult to calculate an estimate for pension equalisation.

The court judgment in October 2018 involving the Lloyds Banking Group’s pension schemes provided greater clarity, stating both that adjustments to benefits would be required, and giving trustees some details of the methods that could be acceptable for doing so.

The data available on the proportion of the liabilities that relate to post 1988 GMPs is the best data currently available to estimate the quantum of Scheme liabilities that need to be equalised. The Schemes will adopt an approach to GMP equalisation in a way that is generally structured to minimise the costs of achieving this.

Our proposed approach can be broadly summarised as follows:

- Calculate proportion of Scheme’s obligations relating to Post 1988 GMP
- Estimate the proportion of GMPs relating to benefits that need to be equalised (post 1990 GMPs) based on a break down of the Scheme rules and individual data for each Scheme.
- Estimate of the cost of removing GMP inequalities in the Scheme.

This has resulted in a one-off charge of £1m for the Research Machines plc 1988 Pension Scheme, and an exceptional charge of £0.2m for the Consortium CARE Scheme (see Note 2). As the members of the Platinum scheme joined during 2012 and didn’t transfer benefits from previous schemes with them, there are no GMPs in the scheme and therefore no adjustment for equalisation is necessary.

In the Director’s view, the range of outcomes is not material even though this is an estimate at this stage.

Reconciliation of the Scheme assets and obligations through the year

	RM scheme	CARE scheme	Platinum scheme	**Year ended 30 November 2018**	Year ended 30 November 2017
	£000	£000	£000	**£000**	£000
Assets					
At start of year	206,888	15,788	1,973	**224,649**	190,983
Acquired during the year	-	-	-	**-**	17,605
Interest on Scheme assets	5,821	411	59	**6,291**	5,897
Return on Scheme assets excluding interest on Scheme assets	(6,274)	(681)	(132)	**(7,087)**	12,750
Administrative expenses	(511)	-	(26)	**(537)**	(552)
Contributions from Group	3,984	382	225	**4,591**	4,187
Contributions from employees	-	-	19	**19**	9
Benefits paid	(7,507)	(2,061)	(28)	**(9,596)**	(6,230)
At end of year	202,401	13,839	2,090	**218,330**	224,649
Obligations					
At start of year	(223,392)	(20,015)	(1,478)	**(244,885)**	(225,758)
Acquired during the year	-	-	-	**-**	(23,542)
Interest cost	(6,233)	(522)	(43)	**(6,798)**	(6,946)
Actuarial gains	21,270	1,280	230	**22,780**	5,209
Benefits paid	7,507	2,061	28	**9,596**	6,230
Past service cost (GMP)	(1,000)	(200)	-	**(1,200)**	-
Current service costs	-	-	(108)	**(108)**	(69)
Contributions from employees	-	-	(19)	**(19)**	(9)
At end of year	(201,848)	(17,396)	(1,390)	**(220,634)**	(244,885)
Pension deficit	-	(3,557)	-	**(3,557)**	(20,731)
Pension surplus	553	-	700	**1,253**	495
Net pension deficit	553	(3,557)	700	**(2,304)**	(20,236)

Reconciliation of net defined benefit obligation

	Year ended 30 November 2018	Year ended 30 November 2017
	£000	£000
Net obligation at the start of the year	**(20,236)**	(34,775)
Net obligation acquired during the year	**-**	(5,937)
Cost included in Income Statement	**(2,352)**	(1,670)
Scheme remeasurements included in the Statement of Comprehensive Income	**15,693**	17,959
Cash contribution	**4,591**	4,187
Net pension deficit	**(2,304)**	(20,236)

Obligation by participant status	**Year ended 30 November 2018 £000**	Year ended 30 November 2017 £000
Active	**1,135**	1,212
Vested deferreds	**177,305**	209,869
Retirees	**42,194**	33,804
	220,634	244,885

Value of Scheme assets	Year ended 30 November 2018 £000	Year ended 30 November 2017 £000
Fair value of Scheme assets with a quoted market price		
Cash and cash equivalents, including escrow	**7,696**	10,535
Equity instruments	**107,006**	107,814
Debt instruments	**2,090**	1,973
Liability driven investments	**75,777**	77,939
Value of unquoted Scheme assets		
Insurance contract	**25,761**	26,388
	218,330	224,649

Liability driven investments are expected to move broadly in line with the rise and fall in liability values, thus providing a degree of protection to the Scheme's funding position.

Significant actuarial assumptions

	Year ended 30 November 2018	Year ended 30 November 2017
Discount rate (RM scheme)	**3.30%**	2.85%
Discount rate (CARE scheme)	**3.20%**	2.75%
Discount rate (Platinum scheme)	**3.40%**	2.85%
Rate of RPI price inflation	**3.35%**	3.20%
Rate of CPI price inflation	**2.25%**	2.10%
Rate of salary increases (Platinum scheme)	**2.25%**	2.10%
Rate of pensions increases		
pre 6 April 1997 service	**1.50%**	1.50%
pre 1 June 2005 service	**3.20%**	3.10%
post 31 May 2005 service	**2.10%**	2.10%
Post retirement mortality table	**S2PA CMI 2017 1.25%**	S2PA CMI 2016 1.25%
Weighted average duration of defined benefit obligation	**23 years**	23 years
Assumed life expectancy on retirement at age 65:		
Retiring at the accounting date (male member aged 65)	**22.7**	22.1
Retiring in 20 years after the accounting date (male member aged 45)	**24.1**	23.5

In the prior year the methodology used in establishing discount rates was changed to better reflect management's estimate of the long-dated credit risk implied in bond yields appropriate for the cash flow liabilities in the scheme.

13. Borrowings

	2018 £000	2017 £000
Bank loan	**(7,000)**	(14,000)
Add capitalised fees	**494**	812
Borrowings	**(6,506)**	(13,188)

14. Acquisitions of subsidiaries

There were no new acquisitions in the year.

15. Related party transactions

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

Spinfield School

Neil Martin, executive director, is a governor of Spinfield School. RM Resources made sales of £10,550 (2017: £1,126). At the year end there is a balance of £nil (2017: £83) outstanding.

Grant Thornton LLP

Deena Mattar, non-executive director of RM plc, is a non-executive of the Partnership Oversight Board of Grant Thornton. Grant Thornton were chosen from a competitive tender conducted by the Company and Deena Mattar was not involved in that exercise.

The Company has engaged Grant Thornton to provide advice in connection with certain activities.

The following payments were made in the year; £167,252 of integration costs, £40,945 work for IFRS15, and £11,870 relating to work around a new ERP system, and £245,606 relating to estate strategy. £42,000 was accrued at the year-end for further ERP work.

In the prior year the following payments were made; £650,000 of integration costs in TTS and The Consortium, which was accrued in the prior year, £48,000 stock work in The Consortium and £25,000 accrual for IFRS15 work.