

*Where Technology
and
Education Meet*

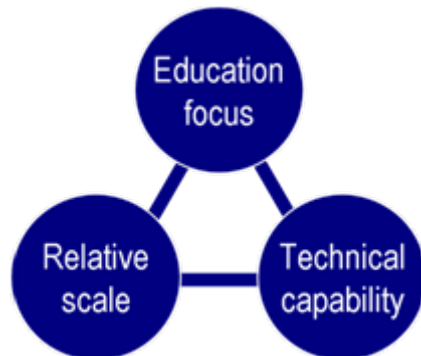
RM plc

Interim Results

Half-year ended 31 March 2007

Tim Pearson – CEO

Mike Greig – Group Finance Director



Headlines

Significant developments in each of our four focus areas

- Learning Technologies
- Assessment and Data Services
- Education Management Systems
- Education Resources and Software

Further improvement in customer satisfaction score

BSF success – three project wins in the period

Will continue to require investment

Continued good financial performance

- First half profit up
- Record committed revenues*

... building a strong and broad portfolio of education businesses

*order book, deferred revenue and projects at preferred bidder stage



Financial headlines

	Half-year to 31 Mar		Year to 30 Sep
	2007	2006	2006
Revenue	£115.6m	£114.2m	£262.3m
Profit before tax	£5.6m	£2.0m	£14.5m
<i>Amortisation of acquisition related intangibles</i>	<i>(£0.1m)</i>	-	<i>(£0.1m)</i>
<i>Exceptional pension credit</i>	<i>£3.5m</i>	-	-
Profit before tax Before amortisation of acquisition related intangibles and exceptional pension credit	£2.2m	£2.0m	£14.6m
BSF bid costs expensed	£1.6m	£2.0m	£3.8m
EPS (diluted) Before amortisation of acquisition related intangibles and exceptional pension credit	1.7p	1.6p	11.5p
Dividend per share	1.19p	1.12p	5.17p
Net funds less deferred consideration	£21.4m	£21.6m	£28.5m



Exceptional Pension Credit

5% cap on future pensionable salary increases agreed by defined benefit scheme active members

Consultation process described in 2006 Annual Report

Resulted in:

Immediate £3.5m reduction in scheme liabilities and corresponding reduction in deficit

Reduction in future funding rates – benefit passed on to members

Under IAS 19 £3.5m treated as a past service credit and included as an exceptional credit to the income statement

Revenue and business mix

Infrastructure software and services

Growth in networks and Internet & broadband
SYeLP successfully concluded

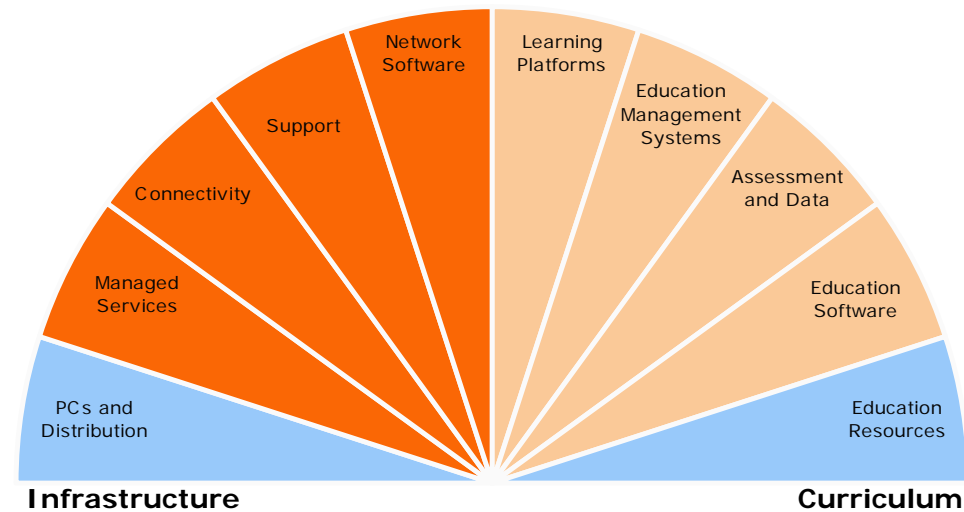
Education software and services

Long-term contracts
Curriculum software

PC, distribution and education resources

Excellent growth in Education Resources
Success of differentiated PC strategy

Gross profit percentage: 27.1%
(2006: 26.7%)



£m	Six months to 31 Mar		
	2007 Rev	2006 Rev	Change %
Infrastructure software and services	40.8	39.9	2%
Education software and services	25.8	26.3	-2%
PCs, distribution and education resources	49.0	48.0	2%
Total	115.6	114.2	1%

Operating costs

Continued good operational management

Increased investment in developing the business

Additional sales & marketing in focus areas
Expensed BSF bid costs: £1.6m (2006: £2.0m)

Impact of preferred bidder appointments

Still expect c.£3.5m full year cost

R&D up 8% to £8.1m (2006: £7.5m)

Learning Platform investment

nb: Income from leasing operations: £0.4m (2006: £0.4m)

Included in investment income

£m	Six months to 31 Mar	
	2007	2006
Selling and distribution	16.6	16.2
Research and development	8.1	7.5
Administration	5.4	5.6
Operating costs	30.1	29.3
Amortisation of acquisition related intangible assets	0.1	-
Exceptional pension credit	(3.5)	-
Total	26.7	29.3

Income statement

£m	Six months to Mar			Year to Sep	
		2007		2006	2006
	Before amortisation of acquisition related intangible assets and exceptional pension credit	Amortisation of acquisition related intangible assets and exceptional pension credit	After amortisation of acquisition related intangible assets and exceptional pension credit		
Revenue	115.6		115.6	114.2	262.3
Cost of sales	(84.3)		(84.3)	(83.7)	(191.2)
Gross profit	31.3		31.3	30.5	71.1
Selling and distribution	(16.6)		(16.6)	(16.2)	(33.2)
Research and development	(8.1)		(8.1)	(7.5)	(14.9)
Administration	(5.4)		(5.4)	(5.6)	(10.2)
Amortisation of acquisition related intangible assets		(0.1)	(0.1)	-	(0.1)
Exceptional pension credit		3.5	3.5	-	-
Profit from operations	1.2	3.4	4.6	1.2	12.8
Investment income	1.0		1.0	0.9	1.9
Finance costs	-		-	(0.1)	(0.1)
Profit before tax	2.2	3.4	5.6	2.0	14.5
Tax	(0.6)	(1.0)	(1.6)	(0.6)	(4.1)
<i>Tax rate*</i>	<i>27.2%</i>	<i>30.0%</i>	<i>28.9%</i>	<i>27.6%</i>	<i>27.8%</i>
Profit for the period	1.6	2.4	4.0	1.4	10.5
Diluted earnings per ordinary share	1.7p	2.6p	4.3p	1.6p	11.5p
Proposed dividend per share			1.19p	1.12p	5.17p

*Tax charge as a percentage of profit before tax



Balance sheet

Fixed assets

Capex: £5.0m

TTS new building: £2.7m

Other: £2.3m

Hosting: £1.0m

Looking ahead:

Data centre: £0.7m capex in H2 FY2007

RM's working capital is negative

Net current assets adjusted for net funds: £15.9m (Mar 2006: £16.5m)

Net assets increase by £3.6m

£m	31 Mar 2007	31 Mar 2006	30 Sep 2006
Goodwill and acquisition related intangible assets	23.5	20.8	23.3
Other intangible assets	2.1	1.5	2.5
Property, plant and equipment	22.1	26.1	22.5
Deferred tax assets	5.1	5.5	7.4
Total non current assets	52.8	53.9	55.7
Inventories	9.4	9.5	10.8
Trade and other receivables	42.5	40.0	51.4
Cash and cash equivalents	22.3	24.5	30.1
Total current assets	74.2	74.0	92.3
Non current assets held for sale	1.1	-	1.1
Total assets	128.1	127.9	149.0
Current liabilities	(68.8)	(69.0)	(80.3)
<i>Net current assets</i>	<i>5.4</i>	<i>5.0</i>	<i>12.0</i>
Retirement benefit obligation	(8.9)	(11.1)	(18.7)
Other non current liabilities	(4.5)	(7.7)	(7.8)
Total liabilities	(82.2)	(87.8)	(106.8)
Net assets	45.9	40.1	42.3
Total equity	45.9	40.1	42.3



Cash

Exceptional outflows in H1

New TTS building: £2.7m

First part of special pension payment:
£2.0m

Looking ahead

Sale of old TTS building: c.£1.3m

Final part of special pension
payment: £1.5m in Q1 FY2008

£m	31 Mar 2007	31 Mar 2006	30 Sep 2006
Cash and cash equivalents	22.3	24.5	30.1
Issued loan notes	0.9	1.9	0.9
Net funds	21.4	22.6	29.2
Deferred cash consideration	0.1	1.0	0.7
Net funds less deferred consideration	21.4	21.6	28.5

Pensions

£9.8m reduction in pension deficit since September

IAS 19 deficit March 2007: £8.9m (September 2006: £18.7m)

Management action: £6.3m

5% cap on pensionable salary increases reduced deficit by £3.5m

Special pension payment: £2.0m paid in H1 FY2007

Additional cash contribution continued: £1.7m pa in FY 2007

Market-related movements: £3.5m

Asset values, discount rate, inflation assumptions

Final £1.5m of special pension payment in Q1 FY2008 will reduce deficit further

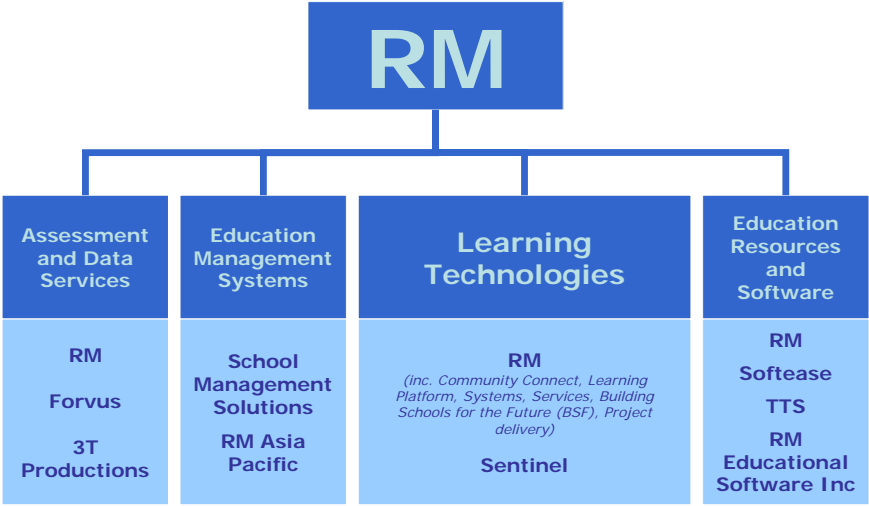
nb: Deficit remains volatile



Context

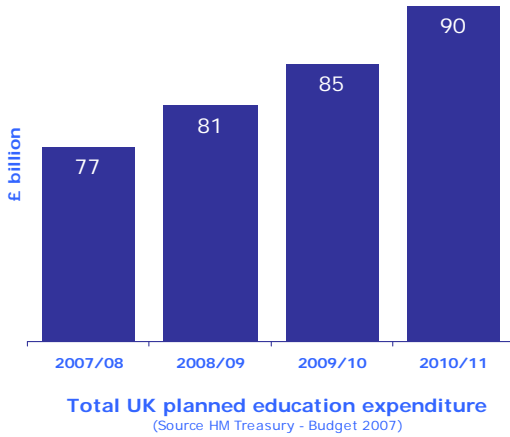
Education Focus

Addressing four areas of opportunity
 ... each with separate funding stream
 ... each also with an International dimension



Budget 2007 - growth in UK education spend continues

2.5% real terms growth to 2010/11



UK Market Opportunity	
Assessment and Data Services	£125m
Education Management Systems	£95m
Learning Technologies	£900m
Education Resources and Software	£670m

Sources: DfES, Becta, BESA, RM Estimates

International opportunity

OECD statistics show that education spend as percentage of GDP has increased between 1995 and 2003

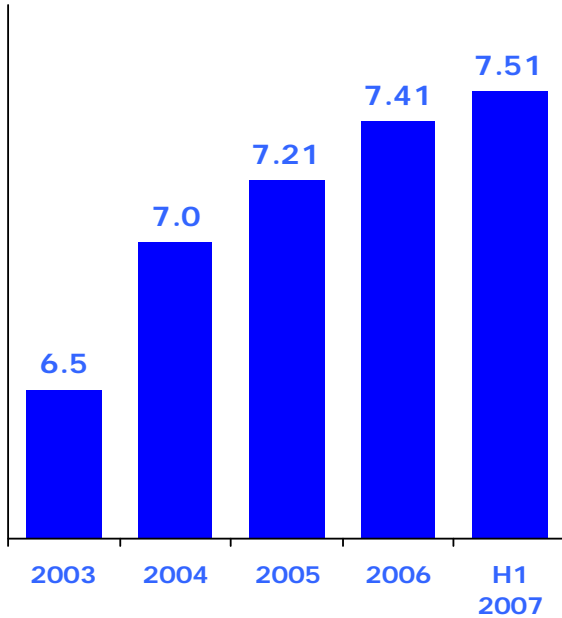
“The OECD education indicators show – consistently and over time – that individuals and countries that invest in education and skills benefit economically and socially from that choice.”



Customer Satisfaction

Customer Satisfaction score

Continues to improve
Ahead of target for the year



RM EasyMail Plus

Demonstration of openness and commitment to customer success

... which is essential to long-term success of RM

RM EasyMail Plus
750,000 user accounts
20,000 simultaneous users
1,500 incoming messages per minute

RM has the UK's best Help Desk

Finalist: 2005; 2006; 2007

Help Desk Institute Support Team Excellence Winner 2007



Learning Technologies

Computers for Pupils

Two-year Government programme to provide computers for disadvantaged pupils

RM appointed by London Grid for Learning as framework supplier

22 London Boroughs – likely value: c.£5m

Devices: multi-vendor desktops, laptops, PDAs, UMPCs

Connectivity: ADSL and 3G/3G+ wireless, both with RM SafetyNet filtering



Further investment in Hosting capacity, capability and focus

RAISEonline, NPD-AAT, Integris^{G2}, Learning Platform, EasyMail, **scoris®**, BSF ...

New RM-owned data centre to be commissioned in H2

Northern Ireland's school network built on RM Community Connect

Key IPR, infrastructure software design & implementation and servers for C2K

Differentiated PC offer continues

RM One wide screen,

ecoquiet 3 in development

Dedicated "thin client" devices



Building Schools for the Future

Continues to be expensive

Bid costs in FY2007: c.£3.5m

Competitive dialogue process increases cost before preferred bidder stage

Continues to take longer to reach completion than anticipated

Contracts complex and risky

RM has c.10 years of experience of delivering complex, integrated projects in this market

Evidence that BSF wins can deliver additional business

... if you deliver successfully

Business case for RM based on

Scale

Broad portfolio of products and services

Significant educational IPR

Proven ability to deliver

Education focus

Competitive Dialogue

New EC procurement procedure
– now being used for BSF

Designed for procurements where it isn't possible to determine precise technical specifications or appropriate price level in advance

Authority works with multiple suppliers to define and develop the solution iteratively

LEP Investment

Greater influence over content of bid = greater chance of success

Equity ownership in delivery vehicle = greater return



Building Schools for the Future

News since preliminary results announcement

- Lambeth: RM appointed preferred bidder
- Government determination to increase the pace
- Wave 4 announced on time (December 2006)

Win rate ahead of target

- Five out of fourteen projects
- Ahead of target by value
- Contract wins at preferred bidder or beyond: >£70m

Outlook

- Currently bidding on 12 projects
- Another 7 expected to start (PQQ or later) in H2
- Not expecting many preferred bidder announcements in H2

Competitive Dialogue	
Stage	# bidders
OJEU advertisement	
Pre-qualification questionnaire	5-10
Invitation to participate in dialogue	3-6
Invitation to continue dialogue	3
Invitation to submit final bid	2
Preferred bidder	1
Contract award	1

Authority	Status	Pupils
Solihull	Contract award – Feb 2006	4,500
Stoke-on-Trent City Council	Preferred bidder – Sep 2006	14,000
Leeds City Council	Preferred bidder – Nov 2006	16,500
Knowsley MBC	Preferred bidder – Nov 2006	8,100
Lambeth	Preferred bidder – Jan 2007	2,600



Learning Platforms

Significant investment area

Several major releases this year

Glow – national Learning Platform for Scotland

Second round of pilots in progress

Glow portal delivers secure, single sign-on to wide range of applications and information, including:

VLE, chat, Web-conferencing, learning spaces, Web hosting, video streaming, special interest groups, MIS data views, MIS auto provisioning, national directory, application sharing, news ...

Becta Learning Platform Services Supplier

One of a limited number of approved suppliers

Learning Platform

Communication & Collaboration

Chat
Newsgroups
Instant messaging
Video conferencing

Learning & Teaching

Virtual Learning Environment
Content
Timetabling
Education workflow

Management & Administration

Integration with School MIS
Personalised access to data



Assessment and Data Services

e-Marking

World-leading intellectual property

scoris® – third generation innovative e-marking software
Web-delivered and centrally hosted

'Education process outsourcing' business model

Cambridge Assessment – £21m outsourced e-Marking contract

Integrates e-Marking into CA's core examination service

Scanning

Hosting

Electronic return of marks

Marking workflow

Quality control and monitoring

Builds on existing pilots and relationship



Other opportunities

Welsh Joint Examinations Committee (WJEC)

Funded pilot over the summer

Scotland, Northern Ireland, Professional bodies, International



Assessment and Data Services

On-screen testing

AQA contract

Minimum contracted value £1m over 4 years

Contract value varies with number of tests

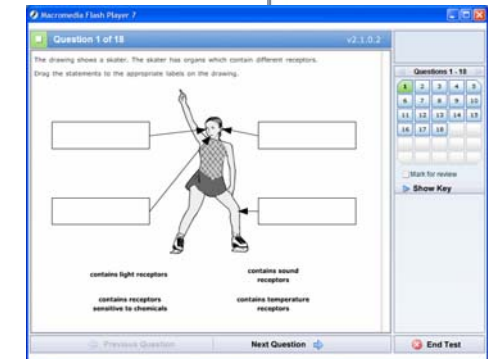
Three key deliverables:

Test creation including a software authoring tool

Test delivery based on the existing QCA KS3 infrastructure

Test centre (school) management

Initial test: GCSE Science



KS3 ICT Test

Progressing well

Over 2,000 schools have downloaded this year's test

No current plan to make statutory

Education Resources

Strategy

- Differentiate by continual product development
- Significant customer involvement in product development
- Curriculum and other school environment changes drive product development
- Developing recognised and well-liked brands

Attractive business model

- Different profile to schools ICT market
- Growth
- Less price based commodity competition

Good fit with RM Group

- Synergies in: knowledge, customers, systems and sourcing
- Investment in: additional capacity, premises, systems and management

Scope for further acquisitions



Education Resources – TTS

TTS has performed strongly since acquisition

On track for >80% growth since acquisition (2004 to 2007)

Opportunities for further growth

- MES
- Special Direct
- Electric Education
- New catalogues
- Sports
- International – Middle East, Australia, USA

Tesco Sport for Schools and Clubs

- Multi-million pound annual scheme
- Replacing existing supplier
- Extension of our longstanding relationship with Tesco
- Contributes in FY2008



Education software

BBC jam suspension

Future BBC activity unclear

Further 9 months of uncertainty (BBC thinking time plus Public Value Test)

Short-term impact on 3T Productions

3T largest external supplier of BBC jam content

Work completed at time of suspension will be billed

Work previously expected in H2 FY2007 cancelled (>£1m)

Education software market

Investment reduced over last few years

UK revenue has declined, but still significant

International growth – 15 employees in US

Easiteach, Maths Alive, Podium Podcasting

Revenue doubled (from small base)

Expecting to move into profit this year

Developing our strategy to reflect the new environment

Post-BBC opportunity

Lots of curriculum change in the UK



Sonica Spanish
Mobile



Education Management Systems

Integris^{G2} – Web-delivered, centrally-hosted school management software

Good progress building momentum in a conservative market

First 100 schools now using Integris^{G2} Primary

Recent contract wins in Wakefield and Powys

Strong pipeline for Integris^{G2} Finance

Developed in partnership with CODA

Hosted by RM or Local Authority

Investment in increased sales and marketing capability

Asia Pacific – 50 employees

CAZ Software acquisition successfully integrated

Northern Territories contract renewed

State-wide tender opportunities

MIS / Learning Platforms (analogy with Glow)

Investment in additional sales and marketing capability



Outlook

Satisfactory first half performance

As always first half not necessarily a good indicator of full year outcome

Management expectations for the full year unchanged

Conclusions

BSF win rate ahead of target

Bid costs currently reducing reported profit

... but expected to boost profits from 2010/11

New structure allows focus on exciting new business areas

Growth in committed revenues*

September 2002: £100m; September 2004: £200m; March 2007: £300m

*order book, deferred revenue and projects at preferred bidder stage



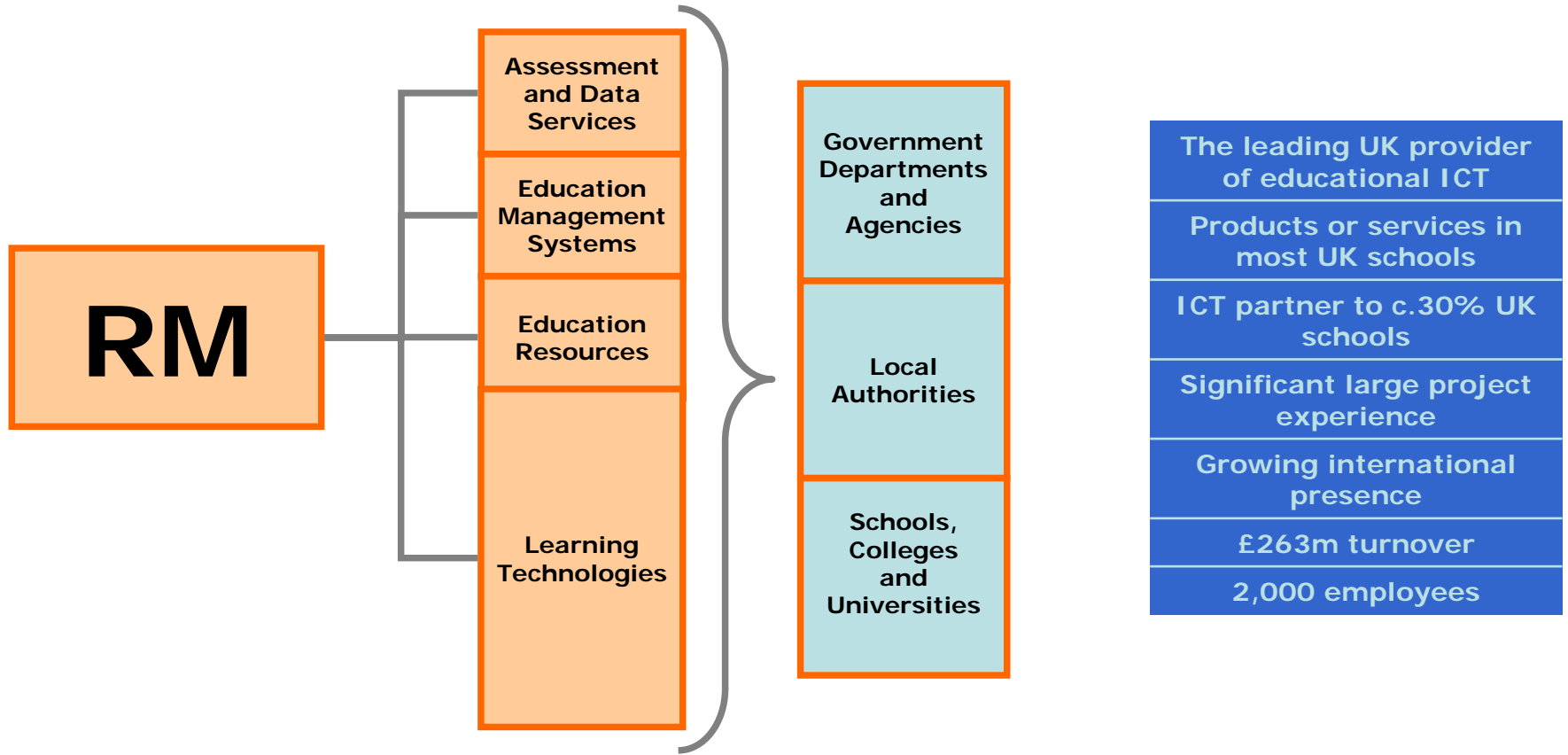
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Appendices

RM is about improving the life chances of children by delivering outstanding education products and services that help teachers to teach and learners to learn.

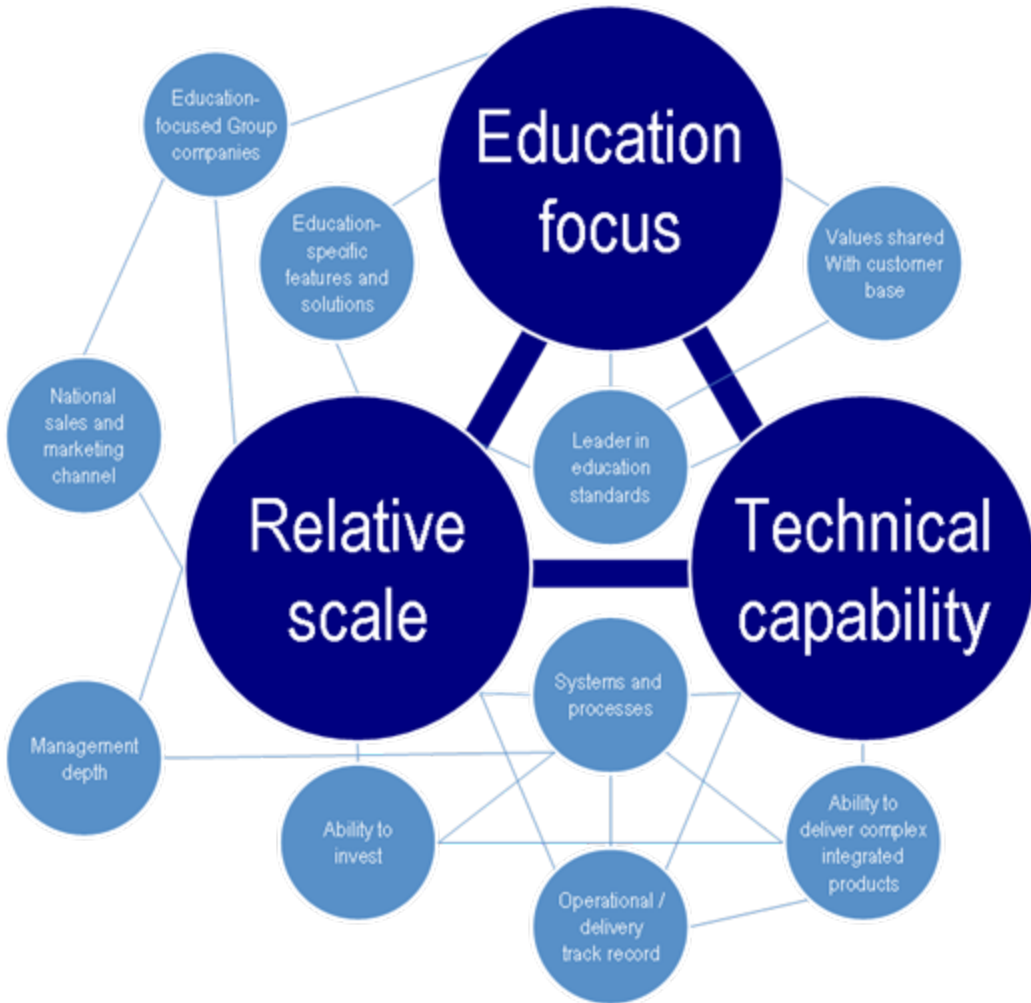
Customer Success – High Standards – Innovation and Improvement
Openness – Respect for Others – Enjoying Ourselves





RM Asia-Pacific	Forvus	3T	RM Education Solutions India	RM	Softase	Sentinel Products	TTS	RM Educational Software Inc
Management and admin systems for schools and government education departments	Statistical and data analysis services for public sector clients	Interactive design and development for education sector clients	Software development for RM Group companies	ICT software, systems and services for education customers Education services	Packaged educational software for schools	Packaged network management tools for educational establishments	Specialist distributor of curriculum-specific educational resources	Sale and support of educational software in North America

Sources of Competitive Advantage



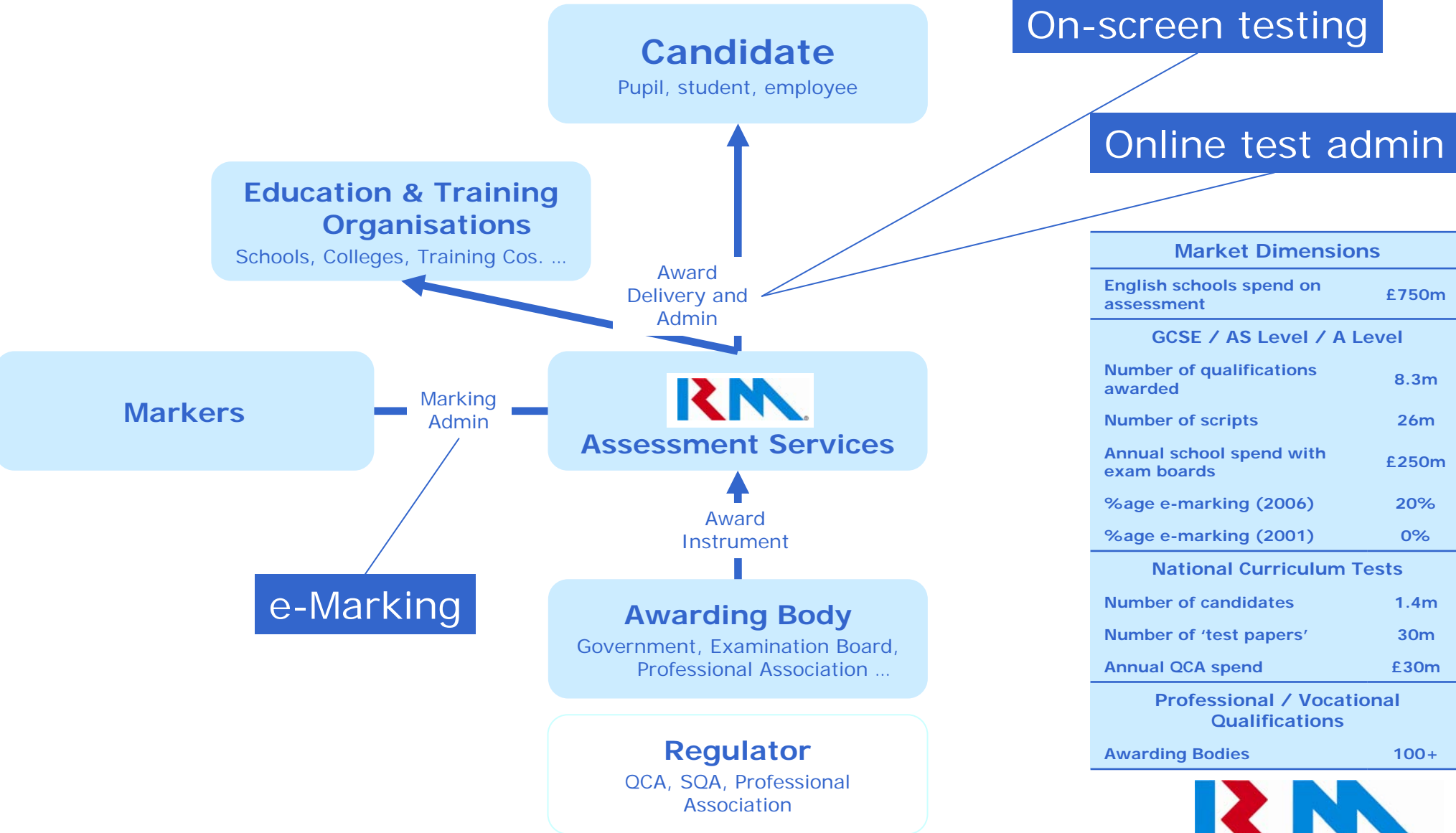
Contracts

Education Projects	Awarded	Value	Term
Dudley Grid for Learning	Jan 1999	>£50m	10 years
C2K Lot 3 (Northern Ireland)	Feb 2003	£21m	5 years
C2K Lot 6 (Northern Ireland)	Feb 2007	£6.4m	5 years
QCA – Key Stage 3 online testing	Feb 2003	£23m	6 years
South Lanarkshire Council	Jul 2003	>£40m	7 years
Warwickshire LEA PFI	Apr 2004	£16m	8 years
Newham LEA PFI	May 2004	£20m	8 years
Lambeth LEA PFI	Feb 2005	£17m	8 years
South West Grid for Learning	Aug 2005	>£30m	3 – 5 years
Glow / Scottish Schools Digital Network	Sep 2005	£37.5m	5 years
DfES – achievement and attainment tables	Jan 2006	£16m	5 years
Cambridge Assessment	May 2007	£21m	5 years

BSF	Status	Value	Term
Solihull	Contract award – Feb 2006	£6.4m	56 months
Stoke-on-Trent City Council	Preferred bidder – Sep 2006	-	-
Leeds City Council	Preferred bidder – Nov 2006	-	-
Knowsley MBC	Preferred bidder – Nov 2006	-	-
Lambeth	Preferred bidder – Jan 2007	-	-



Assessment



Market Dimensions	
English schools spend on assessment	£750m
GCSE / AS Level / A Level	
Number of qualifications awarded	8.3m
Number of scripts	26m
Annual school spend with exam boards	£250m
%age e-marking (2006)	20%
%age e-marking (2001)	0%
National Curriculum Tests	
Number of candidates	1.4m
Number of 'test papers'	30m
Annual QCA spend	£30m
Professional / Vocational Qualifications	
Awarding Bodies	100+



Education projects

Accounting treatment and financial impact

Pre-contract costs not taken to the balance sheet unless contract award probable

In practice appointment as preferred bidder

Separable elements

Accounted for using relevant Group accounting policy for that element

Revenue and profit recognised as the goods and services are delivered

Bundled elements

Accounted for as long-term contracts

Revenue recognition based upon proportion of fair value of contract delivered to date

Any expected contract loss recognised as soon as foreseen

Profit only recognised when outcome of contract can be assessed with reasonable certainty

Thereafter profit recognised proportional to revenue based upon expected outcome

Consequently revenue recognised but typically traded at 0% margin in early years

Overall positive margin impact expected

Contracts at a range from below to above historic company profit margin

