

RM plc

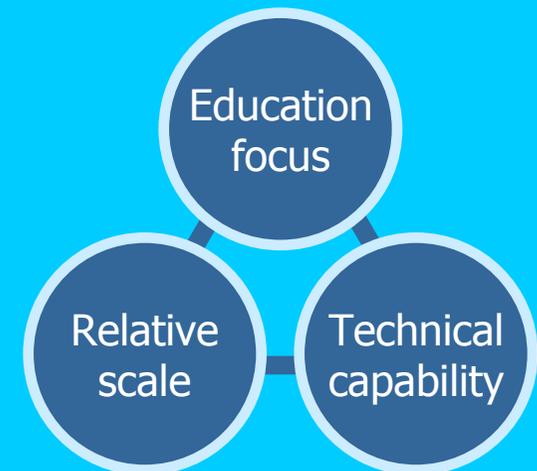
Six months ended 31 March 2008

Tim Pearson – CEO

Mike Greig – Group Finance Director



Where education and technology meet



Headlines

Progress

- BSF win rate excellent
- RM's largest ever contract win (Newham BSF: £53m)
- Further growth in committed revenues
- Progress in all other areas
- Delivery track record continuing with new projects

First half not a good indicator of year as a whole

- Short-term effects in first half this year
 - Peak strategic project bid costs
 - Learning platform start-up costs
 - Education Resources phasing
 - Community Connect 4 launched later than planned

Expectations unchanged for the full year

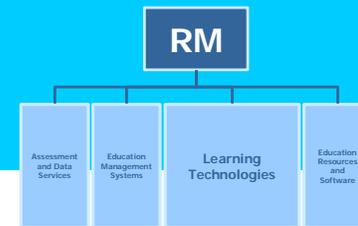
Financial headlines

	Six months to Mar		Year to Sep
	2008	2007	2007
Revenue	£117.7m	£115.6m	£270.9m
Profit before tax before amortisation of acquisition related intangible assets and 2007 exceptional pension credit	£0.6m	£2.2m	£15.5m
Diluted EPS before amortisation of acquisition related intangible assets and 2007 exceptional pension credit	0.5p	1.7p	12.3p
Dividend per share	1.26p	1.19p	5.49p
Cash and cash equivalents	£13.8m	£22.3m	£29.3m
Strategic project bid costs expensed includes BSF and Ultranet	£3.0m	£1.6m	£3.6m
Committed revenues*	£380m	£300m	£330m

*Order book, deferred revenue and projects at preferred or selected bidder stage



Revenue and business mix



Learning Technologies

- Non-BSF strategic projects
 - Glow, C2K Lot 6 – strong comparatives in H1-2007
 - South Yorkshire eLP – completed H1-2007
- PC, 3rd party hardware and broadband
- BSF revenue: £2.1m (2007: £0.3m)

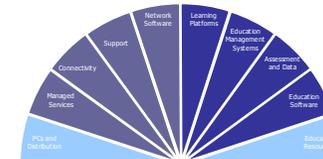
Education Resources and Curriculum Software

- Acquisitions
 - SpaceKraft and DACTA
- Organic growth
 - TTS
- UK curriculum software market remains tight

International revenue growth

- £7.8m (2007: £3.0m)
- Education Resources, Curriculum Software and Education Management Systems

Revenue by focus area			
£m	H1-2008	H1-2007	FY-2007
Learning Technologies	81.6	87.4	210.4
Education Resources and Curriculum Software	26.1	18.0	37.8
Assessment and Data Services	7.1	7.8	17.5
Education Management Systems	2.9	2.4	5.2
Total	117.7	115.6	270.9



Revenue by business activity			
£m	H1-2008	H1-2007	FY-2007
Infrastructure software & services	40.2	40.8	90.4
Education software & services	21.8	25.8	50.7
PCs, distribution & education resources	55.7	49.0	129.8
Total	117.7	115.6	270.9

Operating costs and profit

£m	H1-2008	H1-2007
Selling & distribution	18.7	16.6
Research & development	7.6	8.1
Administration	7.3	5.4
Operating costs*	33.6	30.1

*before amortisation of acquisition related intangible assets (2008: £0.5m; 2007: £0.1m) and exceptional pension credit in 2007 of £3.5m

Impact of acquisitions: £2.2m

- DACTA / SpaceKraft / SERAP

Administration: £1.2m; Selling & Distribution: £1.0m

Increase in strategic project bid costs: £1.4m

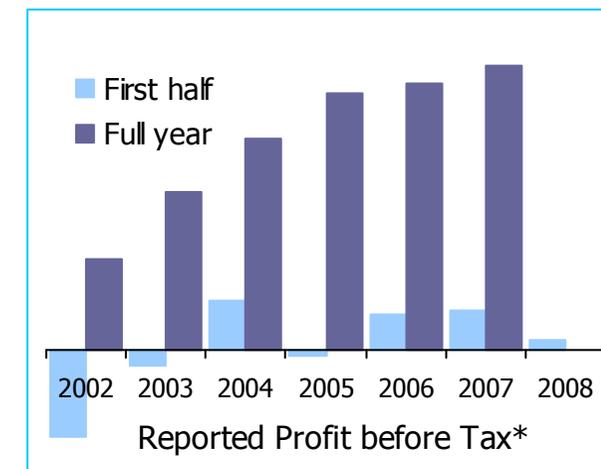
- BSF: £2.5m (H1-2007: £1.6m)
- Ultranet: £0.5m (H1-2007: £0m)

Software as a Service businesses – start-up impact

- Learning platforms & Integris^{G2}
 - Orders ahead of plan
 - Revenue and gross profit lower than planned
 - Continuing R&D costs – all expensed
 - P&L investments in H1-2008
- Annuity business model including hosting revenues

Seasonal business

- H1 profit not a good indicator of year as a whole



*profit before amortisation of acquisition related intangibles, exceptional items and goodwill charges; UK GAAP to 2005; IFRS from 2006



Income statement

£m	H1-2008			H1-2007	FY-2007
	Total	Less: amortisation of acquisition related intangibles	Before amortisation of acquisition related intangibles	Before amortisation of acquisition related intangibles*	Before amortisation of acquisition related intangibles*
Revenue	117.7	-	117.7	115.6	270.9
Cost of sales	(84.6)	-	(84.6)	(84.3)	(197.4)
Gross profit	33.1	-	33.1	31.3	73.5
Selling and distribution	(18.7)	-	(18.7)	(16.6)	(34.0)
Research and development	(7.6)	-	(7.6)	(8.1)	(14.9)
Administration	(7.3)	-	(7.3)	(5.4)	(11.2)
Amortisation of acquisition related intangible assets	(0.5)	(0.5)	-	-	-
(Loss)/profit from operations	(0.9)	(0.5)	(0.5)	1.2	13.5
Investment income	1.1		1.1	1.0	2.0
Profit before tax	0.2	(0.5)	0.6	2.2	15.5
Tax	-	0.1	(0.2)	(0.6)	(4.2)
<i>Tax rate</i>	<i>21.7%</i>	<i>29.0%</i>	<i>27.0%</i>	<i>27.2%</i>	<i>26.8%</i>
Profit for the period	0.1	(0.4)	0.5	1.6	11.4
Diluted earnings per ordinary share	0.2p	(0.3p)	0.5p	1.7p	12.3p
Dividend per share			1.26p	1.19p	5.49p

*Excluding 2007 exceptional pension credit of £3.5m



Balance sheet

Goodwill increase reflects acquisitions

Depreciation exceeded net capex

Pension surplus

Increase in inventories

- reflects growth in Education Resources businesses

Long-term WIP in receivables

- including BSF

£m	31 Mar 2008	31 Mar 2007	30 Sep 2007
Goodwill and acquisition intangible assets	31.8	23.4	27.9
Property, plant & equipment and other intangible assets (software)	22.5	24.3	23.5
Retirement benefit surplus	0.5	-	-
Deferred tax assets	1.5	5.1	2.7
Total non current assets	56.3	52.8	54.2
Inventories	13.5	9.4	13.7
Trade & other receivables	46.2	42.5	58.8
Cash & cash equivalents	13.8	22.3	29.3
Total current assets	73.5	74.2	101.8
Non current assets held for sale	-	1.1	-
Total assets	129.8	128.1	156.0
Current liabilities	(67.2)	(68.8)	(87.2)
Retirement benefit obligation	-	(8.9)	(3.3)
Other non current liabilities	(7.7)	(4.5)	(7.5)
Total liabilities	(74.9)	(82.2)	(98.1)
Net assets	54.9	45.9	57.9
Total equity	54.9	45.9	57.9

Cash

Normal seasonal pattern

- Trading pattern and balance sheet movements

This year additional factors

- Final part of special pension payment: £1.5m
- Acquisition of SpaceKraft: £4.5m
(note – H2-2007 DACTA: £4.2m, SERAP: £0.7m)

£m	31 Mar 2008	31 Mar 2007	30 Sep 2007
Cash & cash equivalents	13.8	22.3	29.3
Issued loan notes	(1.0)	(0.9)	(0.2)
Net funds	12.8	21.4	29.1
Issuable loan notes	(2.1)	-	(1.7)
Deferred cash consideration	-	(0.1)	-
Net funds less deferred consideration	10.7	21.4	27.4

Looking ahead

- Inclusive Group Ltd 25% stake: £1m (4 April 2008)
- BSF increases working capital peak over summer
 - 8 BSF schools scheduled to open prior to start of term in September 2008
 - Typical invoicing: 70% on opening; 25% two months later; 5% on completion of group of schools; 30-day payment terms
 - At 30 September: 30% in accrued income; some of 70% likely to be in trade receivables
 - Similar pattern expected in future years
- Planned refresh of PFI projects (Warwick, Newham, Lambeth)
 - Capex: c.£3.5m in H2-2008 and c.£4m in FY-2009

Pensions

Small surplus at March 2008: £0.5m

Cash contributions in excess of service cost: £2.5m

- Second part of special pension payment: £1.5m (31 October 2007)
- Six months of £1.7m pa additional cash contribution

Market volatility

- We have used a 6.4% discount rate

Liabilities very sensitive to discount rate: 0.1% decrease gives approximately £1.6m additional liability

£m	31 Mar 2008	31 Mar 2007	30 Sep 2007
Assets	79.4	75.3	79.7
Liabilities	(78.9)	(84.2)	(83.0)
Surplus/(deficit)	0.5	(8.9)	(3.3)

note: longevity assumption PA92 Medium Cohort throughout

RM Group

Focus area

Assessment
and
Data Services

Education
Management
Systems

Learning Technologies

Education
Resources
and
Curriculum
Software

Activities

Outsourced services and data analysis for examination boards and government education departments

Management, administration and finance software for schools and government education departments

ICT infrastructure products and services for schools, colleges and universities

BSF projects

Software and general resources for use in classrooms

Nature of business

Long-term contracts

Long-term contracts

Sales to known customer base
Increasing proportion of long-term contracts

Frequent sales to known customer base
Specialist distribution

Customers

Examining bodies / Government education departments

Local Authorities / Government education departments

Individual schools / Local Authorities

Individual schools / trade distributors

100% focused on education

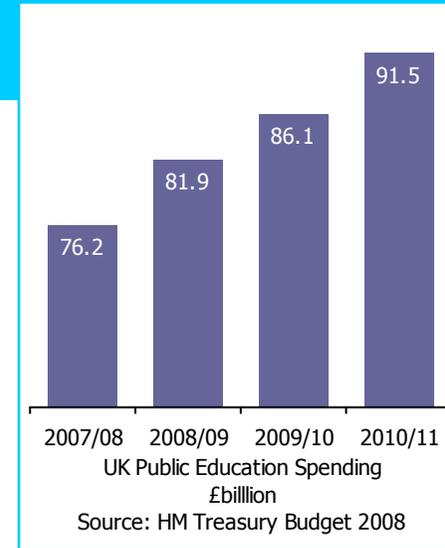


Context

UK market

Education budget

- 2.8% pa real terms increase from 2007/08 to 2010/11
Confirmed in March 2008 Budget
2008/09 to 2009/10: 5.1% nominal; 2009/10 to 2010/11: 6.3% nominal
- Teachers' salary recommendation
2008: 2.45%; 2009: 2.3%; 2010: 2.3%
- Major capital investment plans
BSF
Primary Capital Programme (PCP)



Opportunities for each focus area

- Learning Technologies
Much more attractive long-term market; RM investing in BSF bid costs
- Education Resources and Curriculum Software
Strong profitability; RM growing rapidly
- Assessment and Data Services
Long-term contracts; RM growing profitably
- Education Management Systems
RM investing in new generation product and sales to build position

UK Market Opportunity	
Learning Technologies	£900m
Education Resources and Software	£1,150m
Assessment and Data Services	£125m
Education Management Systems	£95m

Sources: DfES, Becta, BESA, RM Estimates



Context

International

Changing requirements

- Today's pupils still working in 2070
 - IT is a basic skill for 21st century
 - New skills and competences
- Governments seeking educational transformation
 - ICT seen as a key enabler

	Population	%Population 0-14	Education spend per student	Education spend % GDP
UK	61m	17%	\$7,376	6.1%
US	304m	20%	\$12,023	7.5%
Canada	33m	16%	\$8,641	5.9%
Australia	20m	19%	\$7,527	5.8%
Europe (ex UK)	430m	16%	\$6,500	6.0%
OECD	-	-	-	6.3%

Sources: OECD, CIA World Factbook

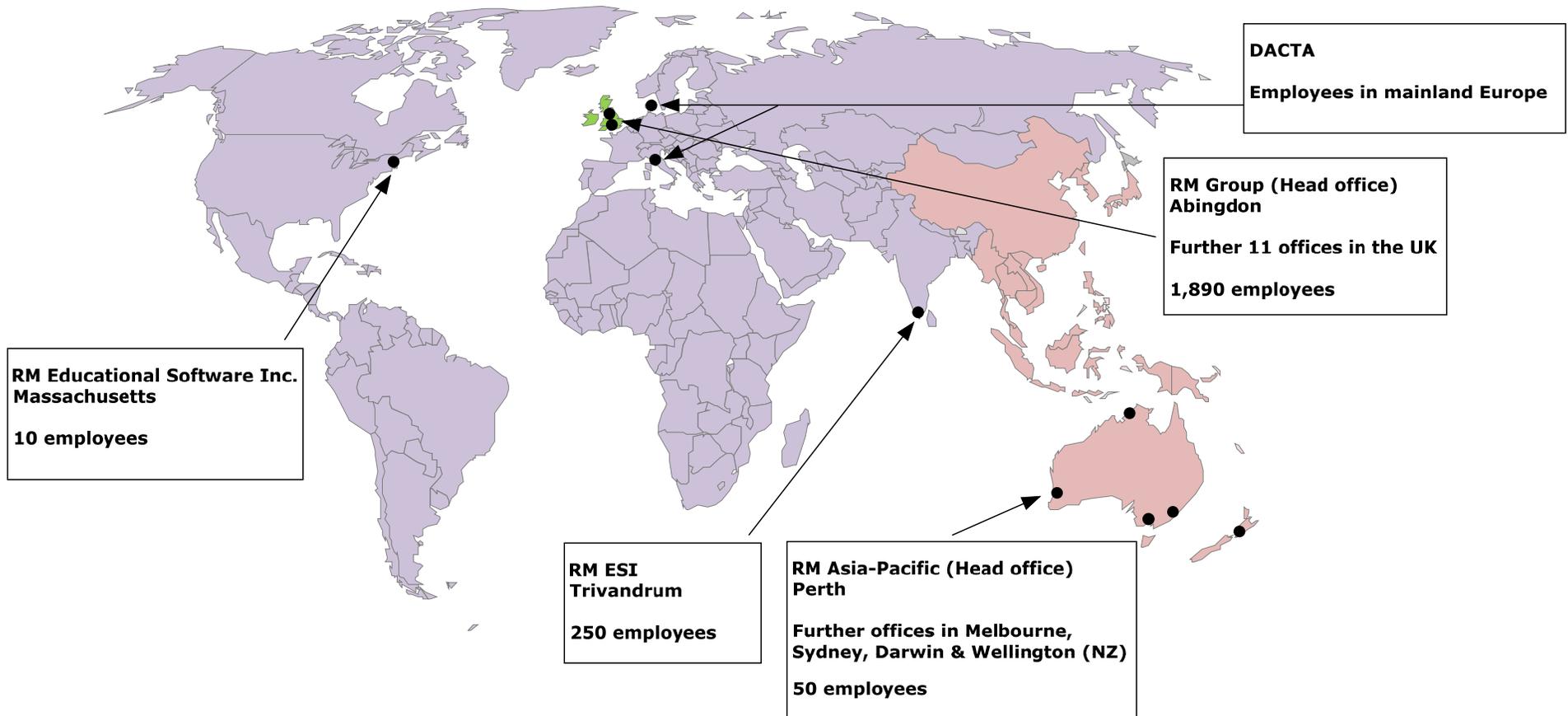
UK seen as a leader in educational ICT

- World Forum on Technology in Learning
 - Annual Ministerial conference alongside BETT
- Glow

Significant international market opportunity

- US/Canada/Australia: c.6x UK
- Europe: c.7x UK
- BRIC population: 2.8bn

RM worldwide



Satisfaction

Customer satisfaction score in line with 2008 target

- Fifth year of increase
- Major companies approaching RM to benchmark

Strategic project customer satisfaction

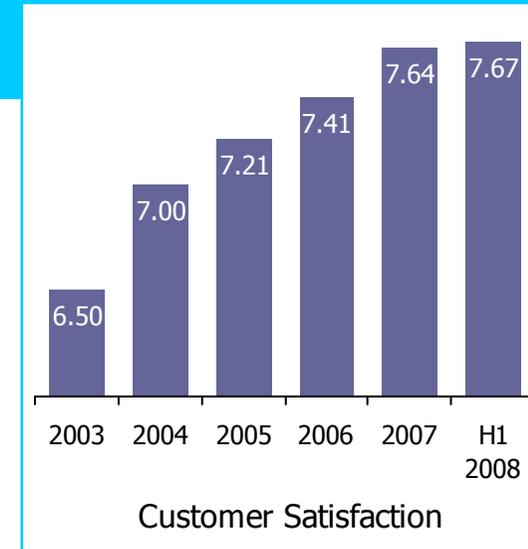
- Key to long-term successful project delivery
- Each project formally reviewed monthly at Board level
- We believe we have already established a lead in BSF delivery

Employee satisfaction

- Satisfaction score high across the Group
- Top IT Employer in the UK 2008
- Beneficial for retention, recruitment, TUPE

Internal customer satisfaction

- New programme in FY-2008
- Driving further efficiency improvements across the business



First place



Highest placed
IT supplier



Education Resources

General curriculum resources

Revenue more than doubled year-on-year

- Acquisitions: DACTA, SpaceKraft
- Organic growth >30%

Expenditure on people and process to match growth

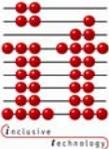
- TTS: number of orders up 20%; average lead time down 25%
- New MD at SpaceKraft

Tesco Sport for Schools and Clubs

- H1 costs / H2 benefit

Special Educational Needs

- Building our portfolio
 - SpaceKraft – acquired October 2007; Inclusive – 25% stake April 2008
- 150 Special Schools in first six waves of BSF

Special Educational Needs		
Catalogue	ICT / Assistive	Environments
		



Education Resources Awards
Winner - 2008



Inclusive Technology

Assistive technology and ICT for Special Educational Needs

UK market leader

2007 results

Revenue: £5.4m

Operating profit: £0.5m



Education Resources

Curriculum Software

UK market remains tight

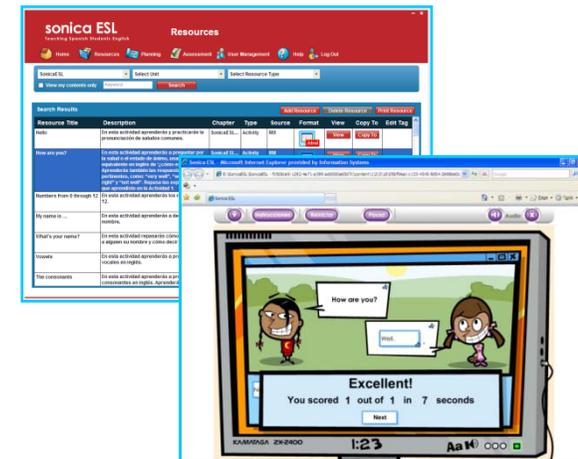
- i-nfer – formative assessment
- Honeycomb, Fuse – Web 2.0 tools
- Easiteach – whiteboard tools

International growth

- US revenues up 80%
- Sonica ESL
English for Spanish speakers

3T

- Developing new markets
 - Publishing tools
 - School content creation tools
- Continuing focus on bespoke educational Web and content creation
 - Shortlisted for significant modern foreign languages project



Education Management Systems

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

- Very 'sticky' market, so limited number of LAs tender each year
High level of success where we have bid
- Now in 22 UK Local Authorities
300 new school deployments in H1
Further deployments planned for H2
BSF projects: Knowsley and, in H1, Sunderland
- Product development
Secondary version, finance system, Australian localisation

RM Asia-Pacific

- Over 3,500 schools in Asia-Pacific region now use RM school management software
Western Australia school management software contract renewed
- Ultranet
Bidding now complete – significant costs in H1
- Channel expansion for curriculum software products
- New RM subsidiary trading in New Zealand



Assessment and Data Services

On-screen marking

- Business development
 - Single Level Test pilot for QCA
 - First professional qualification pilots
- Delivery
 - Summer marking session in progress – almost 50 million on-screen images

Single Level Tests

Proposed replacement for SATs (end of Key Stage testing)

Will be administered when pupil is ready

Currently in pilot phase

Data Services

- Renewals
 - Ofsted: Self-Evaluation Framework; RAISEonline
- Business development
 - Teacher Development Agency: HLTA career progression
- Delivery
 - NPD AAT new system working effectively

International

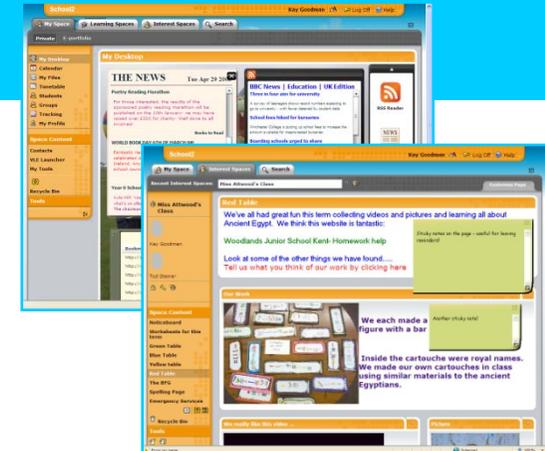
- Dubai conference
- First international on-screen marking customer



Learning Technologies

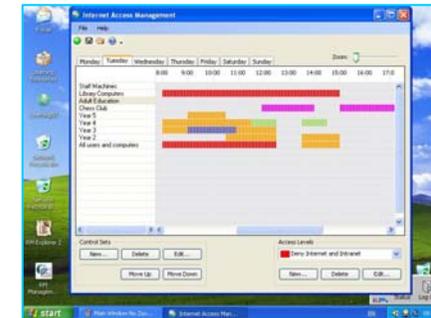
Learning Platforms

- Kaleidos major new version launch
- Investment / order intake
- Glow rollout: >120,000 users now registered



Community Connect 4

- Major development project over last two years
- Well-received at recent technical seminars
- Expected to drive revenue in H2



Exclusive distribution of innovative hardware

- RM Asus miniBook
- HP Mini-Note



Green technology

DCSF focus on green schools

- New ring-fenced money
Targeted Capital Fund: Carbon Reductions
£110m over three years; 212 new build secondary schools (140 BSF)
- 60% carbon emission reduction target
- Target reductions can be achieved through green ICT

Low energy hardware

- ecoquiet
Now includes entry-level and mid-range
Sub-50W PC (including monitor) launches in H2
- eco serv file servers
- Backup systems

Printer cartridge recycling

'Green' resources for schools



Excellent progress

- Four (out of eight awarded) projects so far this year
- Group's largest ever contract (Newham: £53m)
- First newly-built, RM-equipped school opened
Five of first twelve BSF schools supplied by RM

Six contracts in delivery

- Delivery team of 60 (25 joined RM under TUPE)
- We are proud of our customer satisfaction levels
- ... becoming the 'in-demand' ICT supplier

Associated business (selected examples)

- Leeds – four recently-built schools added to the contract (£7m)
- Newham – 11-year contract
- One-school Pathfinders

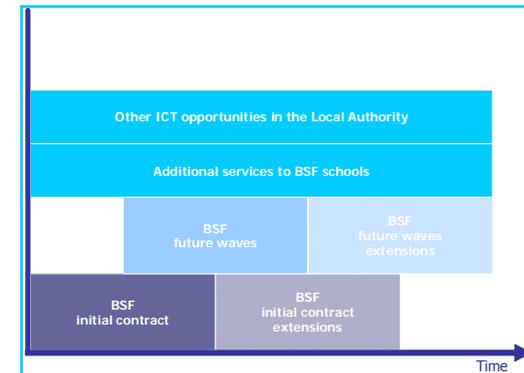


LEP Equity Stake

RM will hold 15% stake in the Private Sector Partner which will be 80% shareholder in Newham's Local Education Partnership

Investment c.£750k by 2011

Benefits: LEP representation; potential for equity return



PfS procurement review

- Proposed new process
- Some reduction in bid timescale
- Position of ICT-only bids changing

Capacity

- Successful delivery requires:
scale, process, experience
- Reasonably long preparation period

Outlook

- c.4 more projects to be awarded in FY-2008
- c.13 projects to be awarded in FY-2009
- Consultation with Local Authorities on bringing projects forward

Current Process (82 weeks)			Proposed Process (75 weeks)		
Stage	Weeks	Bidders	Stage	Weeks	Bidders
Pre-qualification	0-8	All	Pre-qualification	0-9	All
Long-list	9-14	5-8	Dialogue Phase 1	10-28	3
Dialogue Phase 1	15-42	3	Evaluation	29	3
Evaluation	43	3	Dialogue Phase 2	30-54	2
Dialogue Phase 2	44-60	2	Evaluation	55	2
Evaluation	61	2	Close	56-74	1
Close	62-81	1			

Proposed process	
Overall process shorter	+
Down to two more quickly	+
Delivery track record reviewed at pre-qualification	+
Fewer sample schools	+
Longer competitive dialogue period	-
ICT-only proposal	+/-

Outlook

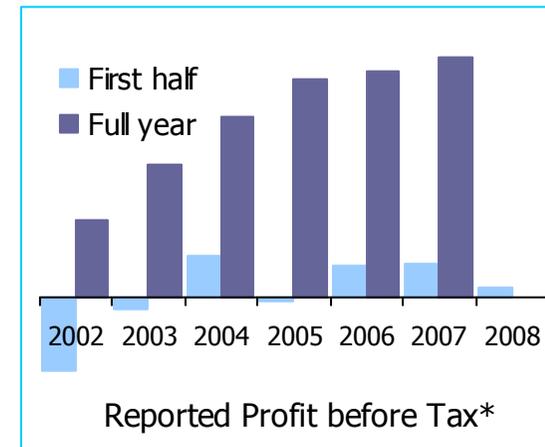
First half never a good indicator of full year outcome

H1-2008

- Increased strategic project bid costs
- Some delays in new product and service areas

H2-2008

- Material revenue growth expected as a result of:
 - Community Connect 4 shipments
 - Sports scheme shipments
 - Learning Platform revenue growth
 - BSF revenues – material for the first time



*profit before amortisation of acquisition related intangibles, exceptional items and goodwill charges; UK GAAP to 2005; IFRS from 2006

Whilst more to do in the second half than originally anticipated:
Management expectations for full year unchanged

Conclusions

BSF

- Clear market leader
- Delivery going well

... still on track for net contribution in FY-2010

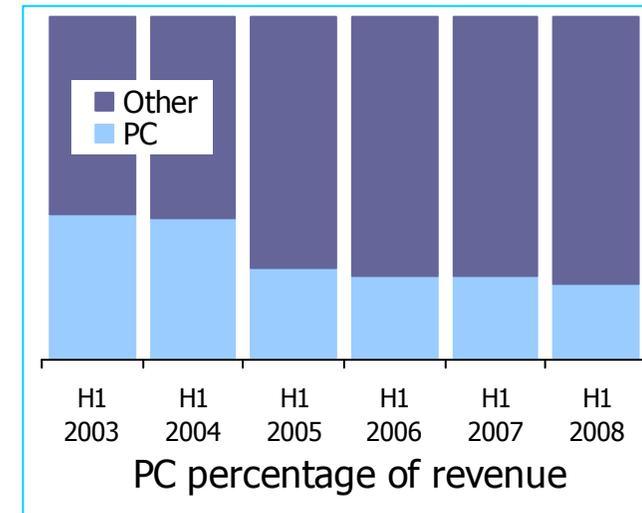
Strong growth in Education Resources

Public sector customers with 3-year budgets
Strong balance sheet

Reducing proportion of commodity sales

Increasing proportion of long-term contracts

Committed revenues: £380m (up from £100m in September 2002)



Appendices

BSF	26
ICT contracts	
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Typical project	
BSF	28
Opportunities beyond the initial contract	

Local Authority	Status	Type	ICT Supplier	Wave	Constructor
Solihull	Contract	ICT-only	RM	1	BAM / HBG
Bristol	Contract	Consortium	Northgate	Pathfinder	Skanska
Bradford	Contract	Consortium	Sun	Pathfinder	Amey/Costain
Newcastle	-	Consortium	In house	1	Aura
Lancashire	Contract	Consortium	Redstone	1	Bovis Lend Lease
Sheffield	Contract	Consortium	Civica	Pathfinder	Taylor Woodrow
Manchester	Contract	ICT-only	Ramesys	1	Laing O'Rourke / Balfour Beatty
Waltham Forest	Contract	Consortium	Ramesys	1	Bouygues
Stoke-on-Trent	PB & interim service	ICT-only	RM	1	-
Knowsley	Contract	ICT-only	RM	1	Balfour Beatty
Leeds	Contract	ICT-only	RM	1	Interserve
Leicester City	Contract	Consortium	Northgate	1	Miller
Lewisham	Contract	Consortium	VT	Pathfinder	VT/Costain
Lambeth	Contract	Consortium	RM	2	Apollo / Willmott Dixon / Alfred McAlpine
Islington	Preferred bidder	ICT-only	RM	2	Balfour Beatty
STaG	Contract	Consortium	Morse	1	Carillion
Hackney	Preferred bidder	Consortium	RM	2	Mouchel Parkman Babcock
Westminster	Preferred bidder	Consortium	Ramesys	3	Bouygues
Kent	Selected bidder	Consortium	Northgate	3	Land Securities
Sunderland	Contract	ICT-only	RM	1	Balfour Beatty
Nottingham	Selected bidder	Consortium	Ramesys	2	Carillion
Middlesbrough	Preferred bidder	ICT-only	RM	2	-
Tameside	Selected bidder	Consortium	Ramesys	3	Carillion
Newham	Selected bidder	Consortium	RM	1	Laing O'Rourke

Source: Kable / RM

Allocation of spend – typical BSF project		
Average value of ICT contract: £13m		
Central systems and software	10%	Data centre Learning Platform
In-school systems and software	45%	User equipment Network equipment Software
Services	45%	Managed Service Implementation and integration Training

Timeline – typical BSF project								
Milestone	Summer 07	Summer 08	March 09	Summer 10	Summer 11	Summer 12	Summer 13	Summer 14
	Procurement starts	Preferred bidder	Contract award	1 st schools complete	2 nd schools complete			
Bid costs expended	█							
School construction		█						
Central systems and software				█				
In-school systems and software				█				
Services				█				

BSF

Significant opportunities beyond initial contract

