ONE VISION MARKET PASSION

RM plc
INTERIM REPORT
AND ACCOUNTS 2006

WHERE TECHNOLOGY AND EDUCATION MEET

ONE COMPANY

MANY VALUES

THE RM GROUP IS A LEADING PROVIDER OF EDUCATIONAL PRODUCTS AND SERVICES TO SCHOOLS, COLLEGES AND UNIVERSITIES, LOCAL GOVERNMENT AND CENTRAL GOVERNMENT EDUCATION DEPARTMENTS AND AGENCIES. RECOGNISED AS A LEADING INNOVATOR IN THE EDUCATIONAL INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) ARENA, RM WORKS CLOSELY WITH EDUCATIONALISTS TO USE NEW PRODUCTS, PROCESSES AND TECHNOLOGY TO IMPROVE TEACHING AND LEARNING.

CUSTOMER SUCCESS
HIGH STANDARDS
INNOVATION AND IMPROVEMENT
OPENNESS
RESPECT FOR OTHERS
ENJOYING OURSELVES

ONE VISION

RM IS ABOUT IMPROVING THE LIFE CHANCES OF PEOPLE – WORLDWIDE – BY DELIVERING OUTSTANDING EDUCATIONAL PRODUCTS AND SERVICES THAT HELP TEACHERS TO TEACH AND LEARNERS TO LEARN.

HIGHLIGHTS

GOOD PERFORMANCE AGAINST A BACKGROUND OF TOUGH CONDITIONS IN INDIVIDUAL SCHOOLS MARKET

- REVENUE UP 5% TO £114.2 MILLION (2005: £109.2 MILLION)
- PROFIT BEFORE TAX £2.0 MILLION (2005: £0.9 MILLION LOSS)
- CASH AND CASH EQUIVALENTS £24.5 MILLION, UP £10.7 MILLION FROM MARCH 2005
- DIVIDEND PER SHARE UP 7% TO 1.12P (2005: 1.05P)

IMPROVING BUSINESS MODEL

- INCREASED CONTRIBUTION FROM SUCCESSFUL DELIVERY OF LONG TERM PROJECTS
- ADDITIONAL EDUCATION PROJECT WINS
- BROADER RANGE OF PRODUCTS AND SERVICES
- DEVELOPING NEW AREAS OF ACTIVITY: ASSESSMENT, DATA, EDUCATION RESOURCES

CUSTOMER SUCCESS

- CONTINUED INCREASE IN CUSTOMER SATISFACTION SCORE: 7.34 IN THE PERIOD (2005 – FULL YEAR: 7.21)
- ONE OF THE WORLD'S TEN BEST WEB SUPPORT SITES FOR THIRD CONSECUTIVE YEAR

CHAIRMAN'S STATEMENT

RM's strong performance in the first six months of 2006 shows the benefits of the work which we have done over the last four years to improve the Group's business model. Despite difficult conditions in the individual schools market, we are reporting increased revenue, strong cash generation and a first-half profit.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

This interim statement is the first that the Group has reported under International Financial Reporting Standards (IFRS). IFRS transition information was published in December 2005 for the year to 30 September 2005 and showed a £1.2 million increase in profit before tax and goodwill charges for that year. The comparative results included in this statement are restated under IFRS. Explanation of the transition and detailed reconciliations between IFRS and UK GAAP are included at the end of the Interim Report and Accounts.

RESULTS

Revenue in the period was up 5% to £114.2 million (2005: £109.2 million); an increased contribution from education projects more than offset the previously reported weakness in the individual schools market which affected the first quarter of the year.

Profit before tax was £2.0 million (2005: loss of £0.9 million), reflecting both our prompt action to manage the Group's cost base in response to the weakness in the individual schools market, and the benefit of those education projects which have now completed their start-up phases and are contributing profit as well as revenue.

Operating costs were slightly reduced at £29.3 million (2005: £29.4 million excluding goodwill impairment), despite the previously indicated increased investment in the Building Schools for the Future (BSF) initiative. BSF expenditure during the period was £2.0 million (2005: £0.4 million).

RM continues to be a business which turns profits into cash; net cash inflow from operating activities during the period was £10.7 million (2005: net cash outflow of £2.1 million). Cash and cash equivalents stood at £24.5 million at the end of the period (30 September 2005: £22.9 million; 31 March 2005: £13.8 million).

Investment in PFI projects is now complete and these projects are now cash-generative.

The Board has declared an interim dividend of 1.12p per share (2005: 1.05p), an increase of 7%, payable on 30 June 2006 to shareholders on the register at 2 June 2006.

MARKET CONTEXT

Education, more than any other public service investment area, was given priority in the March 2006 Budget: the Chancellor reiterated the government's commitment to major capital expenditure for renewing English schools, through both the BSF programme and a separate initiative for primary schools.

The scope for ICT to contribute to education and children's services continues to widen, with policy makers increasingly seeing ICT as a core part of their education initiatives. For example, the Department for Education and Skills (DfES) is leading the government's Every Child Matters programme, which brings together all the ways in which central and local government supports children and will further drive the need for sophisticated ICT systems.

A MORE RESILIENT BUSINESS MODEL

Over recent years the Group has grown from a single company focusing on the provision of ICT products and services to individual schools, to a group of companies offering a broad and diverse range of products and services to a wide education customer base. Our performance in the first half of 2006 demonstrates how important this development has been: even in a period when, as previously reported, the individual schools market had been weak, we have been able to deliver a significantly improved result compared to last year.

The Group is now delivering 12 major long-term education projects and we continue to identify further opportunities – both as part of the BSF programme and beyond. Our education project success continued in the period with the selection of RM's Community Connect™ family of network software for the next stage of Northern Ireland's C2K programme; this will put RM's intellectual property at the heart of the network C2K is providing for all primary and post-primary schools in Northern Ireland.

The Group has also developed positions in new markets and broadened its educational and technical capabilities through carefully targeted acquisitions. Developments in the period include:

- Further growth in the first half of 2006 from TTS (the specialist education resources business which we acquired in 2004), which, building on the success of the Bee-Bot™ programmable robot, is now developing an electronic learning products division;
- The award in January 2006 of the DfES National Pupil Database – Achievement and Attainment Tables contract to an RM-led consortium offering a service building on the work of Forvus (the data-analysis business which we acquired in 2003).

In the area of assessment, we are pioneering some of the world's most innovative technology-based approaches. For the 2006 season over 60% of English secondary schools have registered for the Key Stage 3 ICT test we are delivering on behalf of the Qualifications and Curriculum Authority (QCA). We will be performing large scale exam script processing for Cambridge Assessment this summer and SCORIS, our recently launched e-marking software application, is generating significant interest from other examination bodies and authorities.

INDIVIDUAL SCHOOLS

We reported, at the time of our preliminary results in November 2005, that budget pressures resulting from both the government's workforce remodelling programme and the introduction of teaching and learning responsibility payments for teachers were causing weakness in the individual schools market. This weakness marked the first quarter of the year; however, since January, there has been evidence of recovery, with overall sales in this business area returning to levels similar to those of the previous year.

Education software – mostly sold to individual schools – continues to present challenges. The launch of BBC jam (the BBC's digital curriculum product), combined with a reduction in the level of dedicated funds (electronic learning credits), has resulted in schools spending less on software. We continue to concentrate on developing software in areas that are less affected by the BBC's activities.

BUILDING SCHOOLS FOR THE FUTURE

In February we announced that we had signed the first (and, at the date of this statement, the only) BSF contract to be awarded; a £6.4 million ICT contract with Solihull Council.

At this stage in the BSF programme it is too early to draw conclusions about RM's performance. Progress in Waves 1 and 2 of the programme has been slower than anticipated, with only three other procurements with ICT elements reaching preferred bidder stage so far. Whilst we have achieved our aim of reaching the shortlist for every project for which we have bid, RM does not feature in the successful consortia in these three projects.

As we have previously stated, the consortium nature of the programme means that there is an element of lottery in BSF bidding. Our early experience has provided us with a great deal of insight about how to create even more compelling bids in future, for both the customer and the consortia with which we work. We expect that, as more contracts are awarded, we will significantly improve our success rate.

OPERATIONS

Across the business our operational effectiveness continues to improve: customer satisfaction scores have increased further; order-to-shipment times are reducing; our support operation has been recognised, for the third consecutive year, as one of the World's Ten Best Web Support sites; and our education projects all continue to demonstrate innovative and effective educational use of technology.

Both Tim Pearson and I would like to take this opportunity to give credit to Rob Sirs and Mike Greig, who, along with their teams, are largely responsible for the Group's strong operational performance and rapid response to the challenging circumstances we experienced at the start of the year.

CUSTOMER SUCCESS

As has been the case since Tim Pearson took over as CEO, the customer satisfaction score is our most important non-financial measure. In the first half of 2006 our aggregate customer satisfaction score increased again to 7.34, which compares with an aggregate score of 7.21 for 2005; this is the sixth consecutive half-year in which we have achieved an improvement in this score.

We have also made progress in measuring customer success – that is, the extent to which RM's products and services genuinely contribute in helping our customers to achieve educational success. In the South Yorkshire eLearning Project, for example, we are on track to deliver the target of 18,000 level 2 ICT qualifications.

OUTLOOK

We believe that BSF continues to be an important opportunity for RM. However, it will remain a significant net investment in 2007: the slower than anticipated progress of the programme means that there will be a smaller than previously expected revenue and income contribution from BSF projects, but still significant bid costs.

Regular readers of RM's interim results statement will know that the first half of our year is never a good indicator of the outcome for the year as a whole. RM's business has traditionally been seasonal in nature, with schools' purchasing patterns meaning that the majority of revenue and an even greater proportion of profit occur in the second half of the year.

This year, education projects are providing a greater proportion of Group revenues than previously and have contributed to strong first-half results. While it is always difficult to forecast the summer spending peak, the individual schools market has shown improvement after the weak start to the financial year. Looking at the year as a whole, good first-half performance gives the Board more confidence in the outturn for 2006.

In the longer term, the Group is actively investing in business areas where there is significant growth potential, with assessment, general education resources, broader children's services, education enterprise systems and international software markets all being pursued. We believe that education – both in the UK and internationally – continues to offer significant opportunities and that RM is uniquely well placed to provide innovative products and services that help teachers to teach and learners to learn.

JOHN LEIGHFIELD
Chairman
12 May 2006

John Leighfield – Chairman

CONSOLIDATED INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 MARCH 2006

£000	Notes	Half-year ended 31 March 2006	Half-year ended 31 March 2005 (restated)	Year ended 30 September 2005 (restated)
REVENUE	2	**114,185**	109,211	262,707
Cost of sales		**(83,719)**	(79,558)	(188,444)
GROSS PROFIT		**30,466**	29,653	74,263
Selling and distribution costs		**(16,159)**	(15,932)	(33,940)
Research and development expenses		**(7,514)**	(7,452)	(16,688)
Administrative expenses		**(5,633)**	(6,048)	(10,551)
Other income and expense	3	**-**	(1,247)	(2,469)
		(29,306)	(30,679)	(63,648)
PROFIT/(LOSS) FROM OPERATIONS		**1,160**	(1,026)	10,615
Investment income		**893**	496	1,359
Finance costs		**(86)**	(374)	(446)
PROFIT/(LOSS) BEFORE TAX	3	**1,967**	(904)	11,528
Tax	4	**(544)**	(94)	(3,613)
PROFIT/(LOSS) FOR THE PERIOD		**1,423**	(998)	7,915
EARNINGS PER ORDINARY SHARE:	5			
Basic		**1.6p**	(1.1)p	8.9p
Diluted		**1.6p**	(1.1)p	8.9p
PROPOSED DIVIDEND PER SHARE:	6			
Interim		**1.12p**	1.05p	1.05p
Final				3.80p

All activities relate to continuing operations.

The comparative figures have been restated to reflect the adoption of International Financial Reporting Standards (IFRS). Reconciliations of the consolidated income statement for the half-year ended 31 March 2005 and the year ended 30 September 2005 are shown on pages 19 and 20 respectively.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE HALF-YEAR ENDED 31 MARCH 2006

£000	Notes	Half-year ended 31 March 2006	Half-year ended 31 March 2005	Year ended 30 September 2005
Exchange differences on translation of foreign operations		**40**	13	44
Actuarial gains/(losses) on defined benefit pension schemes	8	**4,211**	688	(2,300)
Tax on items taken directly to equity		**(1,283)**	66	887
NET INCOME/(LOSS) RECOGNISED DIRECTLY IN EQUITY		**2,968**	767	(1,369)
PROFIT/(LOSS) FOR THE PERIOD		**1,423**	(998)	7,915
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD		**4,391**	(231)	6,546

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2006

£000	Notes	Half-year ended 31 March 2006	Half-year ended 31 March 2005 (restated)	Year ended 30 September 2005 (restated)
NON-CURRENT ASSETS				
Goodwill		**20,771**	23,437	22,221
Other intangible assets		**1,478**	1,687	1,714
Property, plant and equipment		**26,134**	22,733	24,643
Deferred tax assets		**5,504**	6,485	7,108
		53,887	54,342	55,686
CURRENT ASSETS				
Inventories		**9,555**	11,984	11,867
Trade and other receivables		**40,000**	36,379	54,142
Cash and cash equivalents		**24,503**	13,849	22,942
		74,058	62,212	88,951
TOTAL ASSETS		**127,945**	116,554	144,637
CURRENT LIABILITIES				
Trade and other payables		**(68,964)**	(58,740)	(77,255)
Tax liabilities		**(45)**	(267)	(1,315)
		(69,009)	(59,007)	(78,570)
NET CURRENT ASSETS		**5,049**	3,205	10,381
NON-CURRENT LIABILITIES				
Retirement benefit obligation	8	**(11,136)**	(13,720)	(15,890)
Other payables due after one year		**(6,721)**	(9,851)	(9,759)
Long-term provisions		**(970)**	(2,264)	(2,170)
		(18,827)	(25,835)	(27,819)
TOTAL LIABILITIES		**(87,836)**	(84,842)	(106,389)
NET ASSETS		**40,109**	31,712	38,248
EQUITY	9			
Share capital		**1,836**	1,795	1,815
Share premium account		**23,818**	20,464	22,151
Own shares		**(654)**	(1,063)	(1,632)
Capital redemption reserve		**94**	94	94
Hedging and translation reserve		**84**	13	44
Retained earnings		**14,931**	10,409	15,776
TOTAL EQUITY		**40,109**	31,712	38,248

The comparative figures have been restated to reflect the adoption of IFRS. Reconciliations of the consolidated balance sheet and shareholders' equity at 31 March 2005 and 30 September 2005 are shown on pages 22 and 23 respectively.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 31 MARCH 2006

£000	Notes	Half-year ended 31 March 2006	31 March 2005 (restated)	Year ended 30 September 2005 (restated)
PROFIT/(LOSS) FROM OPERATIONS		**1,160**	(1,026)	10,615
Adjustments for:				
Gain on derivatives		**41**	-	-
Depreciation of property, plant and equipment		**4,630**	4,066	8,682
Impairment of goodwill		**-**	1,247	2,469
Gain/(Loss) on disposal of property, plant and equipment		**125**	(112)	(259)
Decrease in provisions		**-**	(56)	(150)
Share-based payment charge		**588**	445	988
Pension charge		**885**	916	1,730
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL		**7,429**	5,480	24,075
Decrease in inventories		**2,312**	2,491	2,608
Decrease/(Increase) in receivables		**14,260**	15,890	(1,733)
Decrease in payables		**(10,712)**	(22,771)	(4,346)
CASH GENERATED BY OPERATIONS		**13,289**	1,090	20,604
Tax paid		**(1,493)**	(1,468)	(3,743)
Pension contribution		**(1,504)**	(1,576)	(3,400)
Interest received		**399**	-	676
Interest paid		**(10)**	(156)	(36)
NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES		**10,681**	(2,110)	14,101
INVESTING ACTIVITIES				
Interest received		**376**	351	392
Proceeds on disposal of property, plant and equipment		**425**	770	1,084
Purchases of property, plant and equipment		**(6,439)**	(8,906)	(15,590)
NET CASH USED IN INVESTING ACTIVITIES		**(5,638)**	(7,785)	(14,114)
FINANCING ACTIVITIES				
Dividends paid	6	**(3,399)**	(3,195)	(4,127)
Proceeds from share capital issue		**797**	51	766
Purchase of own shares		**(516)**	-	(569)
Repayment of loan notes		**(367)**	(600)	(600)
NET CASH USED IN FINANCING ACTIVITIES		**(3,485)**	(3,744)	(4,530)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,558**	(13,639)	(4,543)
Cash and cash equivalents at the beginning of period		**22,942**	27,480	27,480
Effect of foreign exchange rate changes		**3**	8	5
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	7	**24,503**	13,849	22,942

The comparative figures have been restated to reflect the adoption of IFRS.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 MARCH 2006

1. GENERAL INFORMATION

The information for the year ended 30 September 2005 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year, prepared in accordance with UK GAAP, has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) of the Companies Act 1985.

In common with other European listed companies, RM plc is required to adopt International Financial Reporting Standards (IFRS) for its first consolidated financial statements for periods beginning on or after 1 January 2005. For RM plc this interim financial report, for the half-year ending 31 March 2006, is the first interim report under IFRS and the first annual report under IFRS will be the annual report and accounts for the year ending 30 September 2006. The interim financial report is unaudited and has been prepared in accordance with the principles of IAS34 Interim Financial Reporting. The interim financial report has been prepared on the basis of the accounting policies set out in note 10.

This interim report was approved by the Board of Directors on 12 May 2006.

2. BUSINESS SEGMENTS

The business operates in one primary segment, being the supply of products and services to education.

As in previous periods further analysis of revenue is given by business activity:

£000	Half-year ended		Year ended
	31 March 2006	31 March 2005	30 September 2005
Infrastructure software and services	**39,910**	37,886	87,595
Education software and services	**26,255**	22,893	47,459
Hardware and distribution	**48,020**	48,432	127,653
	114,185	109,211	262,707

3. PROFIT/(LOSS) BEFORE TAX

As stated in note 1, these accounts are the first which the Group has prepared under IFRS. Presenting the accounts under IFRS is estimated to have led to an increase in profit before tax in the half-year ended 31 March 2006 of £733,000 compared to the profit before tax and goodwill amortisation which would have been presented under UK GAAP as it stood at 30 September 2005, the date of the last UK GAAP financial statements. Full reconciliations of UK GAAP to IFRS results for the comparative periods are contained at the end of this interim report. Other income and expense relates to goodwill impairment charges in prior periods.

The main contributing factors during this half-year continue to be: pensions, which accounts for £670,000 of the increase; the accrual for employees' unused paid holiday entitlements, which reduced by £103,000; and additional charges for share-based payments of £81,000.

The adoption of IAS 32 and 39 Financial Instruments has led to the recognition of a £41,000 gain on open foreign exchange contracts in the half-year ended 31 March 2006. Commercially effective hedges may continue to lead to income statement volatility in the future.

The Group operates a number of executive and employee share schemes, including co-investment and deferred bonus plans, share options and staff share schemes. The fair values of these schemes have been assessed using Black-Scholes and Monte-Carlo models, as appropriate to the scheme, at the date of grant. The fair values of the schemes are expensed over the period between grant and vesting.

During the periods reported, the Group has reviewed its research and development expenditure against the criteria outlined in the accounting policies. No material expenditure is considered to have met the capitalisation criteria. Consequently, capitalised research and development expenditure is nil (2005: nil).

4. TAX

Corporation tax for the interim period is charged at 27.6% (2005: 27.4%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year. The effective tax rate has been calculated excluding the impact of goodwill charges from profit before tax in order to provide a more meaningful analysis:

£000	Half-year ended **31 March 2006**	Half-year ended 31 March 2005	Year ended 30 September 2005
Profit/(Loss) before tax	**1,967**	(904)	11,528
Goodwill charges	**-**	1,247	2,469
Profit before tax and goodwill charges	**1,967**	343	13,997
Tax	**(544)**	(94)	(3,613)
Effective rate	**27.6%**	27.4%	25.8%

5. EARNINGS PER ORDINARY SHARE

The calculation of the basic and diluted earnings per ordinary share is based on the following data:

	Half-year ended 31 March 2006			Half-year ended 31 March 2005			Year ended 30 September 2005		
	Profit after tax £000	**Number of shares '000**	**Pence per share**	Loss after tax £000	Number of shares '000	Pence per share	Profit after tax £000	Number of shares '000	Pence per share
Basic earnings per ordinary share	**1,423**	**90,820**	**1.6**	(998)	88,751	(1.1)	7,915	88,924	8.9
Effect of dilutive potential ordinary shares: share options	**-**	**560**	**-**	-	953	-	-	434	-
Diluted earnings per ordinary share	**1,423**	**91,380**	**1.6**	(998)	89,704	(1.1)	7,915	89,358	8.9

6. DIVIDENDS

Amounts recognised as distributions to equity holders in the period:

£000	Half-year ended **31 March 2006**	Half-year ended 31 March 2005	Year ended 30 September 2005
Interim dividend for the half-year ended 31 March 2005 of 1.05p per share	**-**	-	932
Final dividend for the year ended 30 September 2005 of 3.80p (2004: 3.60p) per share	**3,399**	3,195	3,195
	3,399	3,195	4,127

The proposed interim dividend was approved by the Board of Directors on 12 May 2006 and has not been included as a liability as at 31 March 2006:

£000	Half-year ended **31 March 2006**	Half-year ended 31 March 2005
Proposed interim dividend for the half-year ended 31 March 2006 of 1.12p (2005: 1.05p) per share	**1,022**	932

7. NOTES TO THE CASH FLOW STATEMENT

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

£000	Year ended 30 September 2005	Cash flow	Non-cash movements	**Half-year ended 31 March 2006**
Cash and cash equivalents	22,942	1,558	3	**24,503**
Loan notes due within one year	(1,099)	367	(1,200)	**(1,932)**
NET FUNDS	21,843	1,925	(1,197)	**22,571**
Issuable loan notes	(1,200)	-	1,200	**-**
Deferred consideration	(2,450)	-	1,450	**(1,000)**
	18,193	1,925	1,453	**21,571**

In the half-year ended 31 March 2006 the re-estimation of deferred consideration outstanding resulted in a reduction of £1.5m to deferred consideration and a corresponding reduction in goodwill.

8. EMPLOYEE BENEFITS - DEFINED BENEFIT PENSION SCHEME

In the half-years ended 31 March 2005 and 2006 the deficit on the Group's defined benefit pension scheme has been rolled forward from the respective prior year end. The roll forward includes actual investment returns for the periods and market derived discount rates on liabilities of 5.05% at 31 March 2006 and 30 September 2005 (5.48% at 31 March 2005). No other assumptions, including mortality and salary inflation, have been updated at the half-years. The next triennial valuation of the scheme will take place as at 31 May 2006.

9. RECONCILIATION OF SHAREHOLDERS' EQUITY

£000	Half-year ended		Year ended
	31 March 2006	31 March 2005	30 September 2005
EQUITY BROUGHT FORWARD	**38,248**	34,644	34,644
Profit/(Loss) for the period	**1,423**	(998)	7,915
Dividends paid	**(3,399)**	(3,195)	(4,127)
Exchange differences on translation of foreign operations	**40**	13	44
Actuarial gains/(losses) on retirement benefit schemes	**4,211**	688	(2,300)
Tax (charge)/credit on items taken directly to equity	**(1,283)**	66	887
Share-based payment transactions	**588**	445	988
Movement in other reserves	**281**	49	197
EQUITY CARRIED FORWARD	**40,109**	31,712	38,248

10. EXPLANATION OF TRANSITION TO IFRS

The year ending 30 September 2006 is the first year for which the Group is presenting its financial statements under IFRS. The last financial statements under UK GAAP were for the year ended 30 September 2005. A restatement under IFRS of the accounts for the year ended 30 September 2005 was published in December 2005 and the date of transition to IFRS was 1 October 2004. The following information is presented below relating to the transition:

- **i) IFRS ACCOUNTING POLICIES**
- **ii) EXPLANATION OF IMPACT OF TRANSITION TO IFRS**
  - a. IFRS adoption choices
  - b. Explanation of impact
- **iii) RECONCILIATIONS**
  - a. Profit for the half-year ended 31 March 2005 and the year ended 30 September 2005
  - b. Consolidated balance sheets and shareholders' equity at 1 October 2004, 31 March 2005 and 30 September 2005

The reconciliations have been provided to enable comparison of the published 31 March 2006 interim figures with those published in the corresponding period of the previous financial year.

i) IFRS ACCOUNTING POLICIES

The accounting policies are drawn up in accordance with those International Accounting Standards (IAS) and IFRS issued by the International Accounting Standards Board (IASB) that are expected to be adopted by the European Union and available for use when the annual report and accounts for the year ended 30 September 2006 are prepared. However, the accounting policies may need to be updated for interpretations issued by the International Financial Reporting Interpretations Committee, new standards issued by the IASB, or continuing evolution of interpretation of existing IAS and IFRS, therefore the impact of reporting under IFRS might change. The IFRS accounting policies adopted by the Group are listed below:

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.

CONSOLIDATION

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

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

INVESTMENT IN SUBSIDIARIES

In the Company accounts investments in subsidiaries are stated at cost less any provision for impairment where appropriate.

REVENUE

Revenue represents amounts receivable for goods supplied and services provided to third-parties net of VAT and other sales-related taxes.

Revenue from the sale of goods and services is recognised upon transfer to the customer of the significant risks and rewards of ownership. This is generally when goods are despatched to, or services performed for, customers. Revenue on hardware and perpetual software licences is recognised on shipment providing there are no unfulfilled obligations that are essential to the functionality of the delivered product. If such obligations exist, revenue is recognised as they are fulfilled. Revenue from term licences is spread over the period of the licence, reflecting the Group's obligation to support the relevant software products or update their content over the term of the licence. Revenue from contracts for maintenance, support and annually and other periodically contracted products and services is recognised on a pro-rata basis over the contract period. Revenue from installation, consultancy and other services is recognised when the service has been provided.

Appropriate provisions for returns, trade discounts and other allowances are deducted from revenue.

Revenue on long-term contracts is recognised while contracts are in progress. Revenue is recognised proportionally to the stage of completion of the contract, based on the fair value of goods and services provided to date.

LONG-TERM CONTRACTS

Profit on long-term contracts is recognised when the outcome of the contract can be assessed with reasonable certainty. Thereafter profit is recognised based upon the expected outcome of the contract and the turnover recognised at the balance sheet date as a proportion of total contract turnover.

If the outcome of a long-term contract cannot be assessed with reasonable certainty no profit is recognised. Any expected loss, on a contract as a whole, is recognised as soon as it is foreseen. The loss is calculated using a discounted cash flow model utilising a discount rate that reflects an estimate of the markets' assessment of the time value of money and the risks specific to the liability. Any unwinding of the discount is included in the income statement as other finance costs.

The balance of total cost incurred on work carried out, net of any amounts recognised in cost of sales, is taken to the balance sheet, within trade and other receivables, as long-term contract balances.

Where the cumulative fair value of goods and services provided exceeds amounts invoiced the balance is included within trade and other receivables as amounts recoverable on contracts. Where amounts invoiced exceed the fair value of goods and services provided the excess is first set off against long-term contract balances and then included in deferred income within trade and other payables.

Pre-contract costs are expensed until the awarding of the contract to the Group is considered to be probable which is not before the Group has been appointed sole preferred bidder. Once probability has been established and the contract is expected to be awarded within a reasonable timescale and pre-contract costs are expected to be recovered from the contract's net cash flows, then pre-contract costs are recognised as an asset and accounted for as long-term contract costs.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets are stated at cost, less depreciation and provision for impairment where appropriate.

Property, plant and equipment are depreciated by equal annual instalments to write down the assets to their estimated disposal value at the end of their useful lives as follows:

Leasehold building improvements	Up to 25 years
Plant & equipment	4 - 10 years
Computers	2 - 4 years
Vehicles	2 - 4 years

Assets purchased specifically for the delivery of long-term contracts are written off evenly over an appropriate period in accordance with the terms of the contract.

Computer units produced by the Group which are used for the purposes of administration, research and development and customer demonstrations are capitalised and carried at cost less accumulated depreciation.

INTANGIBLE ASSETS

All intangible assets, except goodwill, are stated at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

GOODWILL

Goodwill represents the amount by which the fair value of the cost of a business combination exceeds the fair value of net assets acquired. For business combinations occurring before 1 October 2004, the Group's transition date to IFRS, goodwill is carried at the value at this date. Goodwill is not amortised.

The recoverable amount of goodwill is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. Impairment charges are deducted from the carrying value.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs associated with the development of software products or enhancements and their related intellectual property rights are expensed as incurred until all of the following criteria can be demonstrated, in which case they are capitalised as an intangible asset:

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale.
b. an intention to complete the intangible asset and use or sell it.
c. ability to use or sell the intangible asset.
d. how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
f. an ability to measure reliably the expenditure attributable to the intangible asset during its development.

The technological feasibility for the Group's software products is reached shortly before the products are released to manufacturing, and late in the development cycle. Capitalised development costs are amortised on a straight-line basis over their useful lives, once the product is available for use. Useful lives are assessed on a project-by-project basis.

OTHER INTANGIBLE ASSETS

Intangible assets purchased separately, such as software licences that do not form an integral part of hardware and the costs of internally generated software for the Group's use, are capitalised at cost and amortised over their useful lives of 2-4 years.

For business combinations occurring after 1 October 2004, net assets acquired includes an assessment of the value of separately identifiable intangible fixed assets, in addition to other assets, liabilities and contingent liabilities purchased. These are amortised over their useful lives.

The carrying values of intangible assets with finite lives are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recorded at cost and then for reporting purposes remeasured to fair value at subsequent balance sheet dates. Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of forecast transactions are recognised directly in equity. Amounts deferred in this way are recognised in the income statement in the same period in which the hedged firm commitments or forecasted transactions are recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss, on the hedging instrument recognised in equity, is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

INVENTORIES

Finished goods and work-in-progress are valued at factory cost, including appropriate labour costs and other overheads. Raw materials and bought-in finished goods are valued at purchase price. All inventories are reduced to net realisable value where lower than cost. Provision is made for obsolete, slow moving and defective items where appropriate.

SHARE-BASED PAYMENTS

The Group operates a number of executive and employee share schemes. For all grants of share-based payments, the fair value as at the date of grant is calculated using a pricing model and the corresponding expense is recognised over the vesting period. At vesting the cumulative expense is adjusted to take into account the number of awards actually vesting.

EMPLOYEE BENEFITS

The Group has both defined benefit and defined contribution pension schemes. For the defined benefit scheme, based on the advice of a qualified independent actuary and using the projected unit method, the employers' portion of past and current service cost is charged to operating profit, with the interest cost, net of expected return on assets in the scheme, reported as a financing item. Actuarial gains or losses are recognised directly in equity such that the balance sheet reflects the scheme's surplus or deficit as at the balance sheet date.

Contributions to defined contribution schemes are charged to operating profit as they become payable.

An accrual is maintained for paid holiday entitlements which have been accrued by employees during a period but not taken during that period.

EMPLOYEE SHARE TRUSTS

Employee share trusts, which hold ordinary shares of the Company in connection with certain share schemes, are consolidated into the financial statements where the Company controls the trust. Any consideration paid or received by the trusts for the purchase of the Company's own shares is shown as a movement in shareholders' equity.

LEASING COMMITMENTS

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. Assets held under finance leases are capitalised as fixed assets and depreciated accordingly. The capital element of future lease payments is included in borrowings and interest is charged to income before taxation on a reducing balance basis over the term of the lease. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term.

TAXATION

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

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis. Deferred tax is measured on an undiscounted basis, and at the tax rates that are expected to apply in the periods in which the asset or liability is settled. It is recognised in the income statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

FOREIGN CURRENCIES

Balance sheet items of overseas companies are translated into Sterling at the period-end rates of exchange. Income statement items and the cash flows of overseas subsidiary undertakings are translated at the average rates for the year. Exchange differences on the translation of overseas opening net assets at closing rates of exchange and the differences arising between the translation of profits at average and closing exchange rates are recorded as movements in the currency translation reserve.

Transactions denominated in foreign currencies are translated into the functional currency of the Group entity at rates prevailing at the dates of the individual transactions. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the balance sheet date. Exchange gains and losses arising are charged or credited to the income statement within operating costs.

DIVIDENDS

Dividends are recognised as a liability in the period in which the shareholders' right to receive payment has been established.

ii) EXPLANATION OF IMPACT OF TRANSITION TO IFRS

a) IFRS ADOPTION CHOICES

The rules for the first time adoption of IFRS are set out in IFRS 1 First-time Adoption of International Financial Reporting Standards. In accordance with this standard the accounting policies of the Group have been set out previously and have been applied retrospectively in determining the opening balance sheet under IFRS. IFRS 1 allows a number of exemptions to assist with the transition to IFRS. Where exemptions have been taken by the Group they are noted below.

BUSINESS COMBINATIONS

The Group has taken advantage of the IFRS 1 option to apply IFRS 3 Business Combinations only prospectively from the date of transition to IFRS. The alternative was to restate all previous business combinations. As a result, all prior business combination accounting is retained without change at the transition date. The net amount of goodwill under UK GAAP at 1 October 2004 is adopted as the opening balance for goodwill at that date and amortisation previously charged under UK GAAP post-transition is removed for IFRS restatements.

SHARE-BASED PAYMENTS

Charges for share-based payments under IFRS have been recognised only for issues that were made after 7 November 2002 and had not vested at the transition date as prescribed by IFRS 2.

EMPLOYEE BENEFITS – DEFINED BENEFIT PENSION

The Group has elected to recognise all cumulative actuarial gains and losses from employee benefit schemes at the date of transition. For subsequent periods, IAS 19 Employee Benefits permits a number of options for the recognition of actuarial gains and losses. The Group's chosen policy is to adopt the 16 December 2004 amendment to IAS 19 and recognise any variations in full immediately in the statement of recognised income and expense.

FINANCIAL INSTRUMENTS

The Group has elected to apply IAS 39 Financial Instruments: Recognition and Measurement and IAS 32 Financial Instruments: Disclosure and Presentation from 1 October 2005. After this date, where hedge accounting cannot be applied under IAS 39, changes in the market value of financial instruments will be taken to the income statement. No transitional adjustments were required to the 2004 or 2005 UK GAAP financial statements due to the chosen adoption date of IAS 32 and IAS 39.

CUMULATIVE TRANSLATION DIFFERENCES

The Group has deemed the cumulative translation differences for foreign operations to be zero at the date of transition. Any gains and losses on subsequent disposals of foreign operations will exclude translation differences arising prior to the transition date.

b) EXPLANATION OF IMPACT

In addition to the transition reconciliations, the following explanations of the transition adjustments are provided:

SHARE-BASED PAYMENTS

Equity instruments granted to employees, including share options, co-investment plan, staff share scheme and deferred bonus, result in fair value-based charges to the income statement. The charge is dependent upon share price at grant, performance conditions, quantity of shares/options granted, historic share price volatility, leavers and exercise experience. Under UK GAAP share options were not expensed. Under UK GAAP a charge was made for the co-investment plan, deferred bonus and staff share schemes based on the intrinsic value at grant.

EMPLOYEE BENEFITS - DEFINED BENEFIT PENSION

The balance sheet reflects the pension scheme's surplus or deficit at the balance sheet date. The employers' portion of current and past service cost is charged to operating profit with the interest cost, net of expected return on scheme assets included within finance costs. Actuarial gains and losses are fully recognised in equity through the statement of recognised income and expense. Under UK GAAP regular pension cost was charged to operating profit at a substantially level percentage of current and future payrolls with variations being charged over the average remaining working lives of employees. The net amount of pension scheme assets and liabilities was not carried on the balance sheet under UK GAAP.

EMPLOYEE BENEFITS - HOLIDAY PAY

A liability is recorded for employees' entitlement to paid holiday not taken at the balance sheet date. No equivalent liability was held under UK GAAP.

GOODWILL

Goodwill is carried at its book value at the transition date of 1 October 2004 less any amounts provided subsequently for impairment. Goodwill is not amortised but reviewed at least annually for impairment.

Under UK GAAP, goodwill was carried at cost less accumulated amortisation and provisions for impairment. Amortisation was provided at rates to write off the cost of goodwill over five years.

As reported in the Group's December 2005 presentation on the transition to IFRS, in the year ended 30 September 2005 the goodwill relating to the acquisition of Sentinel Products Ltd was impaired by £1.2m. This impairment followed a review of the carrying value of goodwill compared to the present value of cash flows expected to arise from the business. The value is similar in magnitude to the UK GAAP amortisation charge for the year ended 30 September 2005.

DIVIDENDS

Dividends are not accrued until shareholders' rights to the payment are established. Under UK GAAP dividends were treated as an adjusting post balance sheet event and recorded in the result for the period.

TAXATION

Deferred tax is provided on temporary differences that are expected to be recovered, using a balance sheet liability method. Under UK GAAP deferred tax was provided using a profit and loss based method.

INTANGIBLE ASSETS

Where the Group has capitalised expenditure on self-developed software applications which are used within the Group, these have been reclassified as intangible assets. Under UK GAAP these assets were held within tangible fixed assets.

Research and development expenditure must be capitalised when it meets certain criteria, as outlined in the accounting policies. During the periods reported, the Group has reviewed its research and development expenditure against these criteria and no material expenditure has met the capitalisation criteria. Consequently, there is no capitalised research and development expenditure.

LONG-TERM CONTRACT BALANCES

Long-term contract balances have been reclassified as trade and other receivables. Under UK GAAP these assets had been held within inventory as long-term contract balances.

Detailed analysis of the full-year reconciling items was presented in December 2005 and can be found on the Group's Web site at www.rm.com/investors

iii) RECONCILIATION STATEMENTS

Reconciliation of loss for the half-year ended 31 March 2005

£000	UK GAAP	Share-based payment	Defined benefit pension	Holiday pay	Goodwill	Impact of IFRS transition	IFRS
REVENUE	**109,211**						**109,211**
Cost of sales	**(79,856)**	(14)	254	58		**298**	**(79,558)**
GROSS PROFIT	**29,355**	(14)	254	58		**298**	**29,653**
Selling and distribution costs	**(16,095)**	7	128	28		**163**	**(15,932)**
Research and development expenses	**(7,523)**	3	56	12		**71**	**(7,452)**
Administrative expenses before goodwill charges	**(6,332)**	12	223	49		**284**	**(6,048)**
Goodwill charges	**(4,533)**				3,286	**3,286**	**(1,247)**
OPERATING EXPENSES	(34,483)	22	407	89	3,286	**3,804**	**(30,679)**
(Loss)/Profit from operations before goodwill charges	**(595)**	8	661	147		**816**	**221**
Goodwill charges	**(4,533)**				3,286	**3,286**	**(1,247)**
LOSS FROM OPERATIONS	(5,128)	8	661	147	3,286	**4,102**	(1,026)
Investment income	**496**						**496**
Finance costs	**(156)**		(218)			**(218)**	**(374)**
(Loss)/Profit before tax and goodwill charges	**(255)**	8	443	147		**598**	**343**
Goodwill charges	**(4,533)**				3,286	**3,286**	**(1,247)**
LOSS BEFORE TAX	(4,788)	8	443	147	3,286	**3,884**	(904)
Tax	**71**	12	(133)	(44)		**(165)**	**(94)**
LOSS FOR THE PERIOD	(4,717)	20	310	103	3,286	**3,719**	(998)
BASIC EPS	**(5.3)p**	-	0.3p	0.1p	3.7p	**4.1p**	**(1.1)p**
DILUTED EPS	**(5.3)p**	-	0.3p	0.1p	3.7p	**4.1p**	**(1.1)p**

Reconciliation of profit for the year ended 30 September 2005

£000	UK GAAP	Share-based payment	Defined benefit pension	Holiday pay	Goodwill	Impact of IFRS transition	IFRS
REVENUE	**262,707**						**262,707**
Cost of sales	**(188,999)**	(47)	648	(46)		**555**	**(188,444)**
GROSS PROFIT	**73,708**	(47)	648	(46)		**555**	**74,263**
Selling and distribution costs	**(34,224)**	(14)	322	(24)		**284**	**(33,940)**
Research and development expenses	**(16,812)**	(6)	140	(10)		**124**	**(16,688)**
Administrative expenses before goodwill charges	**(11,150)**	81	560	(42)		**599**	**(10,551)**
Goodwill charges	**(7,386)**				4,917	**4,917**	**(2,469)**
OPERATING EXPENSES	**(69,572)**	61	1,022	(76)	4,917	**5,924**	**(63,648)**
Profit from operations before goodwill charges	**11,522**	14	1,670	(122)		**1,562**	**13,084**
Goodwill charges	**(7,386)**				4,917	**4,917**	**(2,469)**
PROFIT FROM OPERATIONS	**4,136**	14	1,670	(122)	4,917	**6,479**	**10,615**
Investment income	**1,359**						**1,359**
Finance costs	**(36)**		(410)			**(410)**	**(446)**
Profit before tax and goodwill charges	**12,845**	14	1,260	(122)		**1,152**	**13,997**
Goodwill charges	**(7,386)**				4,917	**4,917**	**(2,469)**
PROFIT BEFORE TAX	**5,459**	14	1,260	(122)	4,917	**6,069**	**11,528**
Tax	**(3,455)**	183	(378)	37		**(158)**	**(3,613)**
PROFIT FOR THE PERIOD	**2,004**	197	882	(85)	4,917	**5,911**	**7,915**
BASIC EPS	**2.3p**	0.2p	1.0p	(0.1)p	5.5p	**6.6p**	**8.9p**
DILUTED EPS	**2.2p**	0.2p	1.0p	(0.1)p	5.5p	**6.6p**	**8.9p**

Reconciliation of consolidated balance sheet and shareholders' equity at 1 October 2004 (IFRS transition date)

£000	UK GAAP	Share-based payment	Dividends	Defined benefit pension	Holiday pay	Other	Impact of IFRS transition	IFRS
NON-CURRENT ASSETS								
Goodwill	**24,737**							**24,737**
Other intangible assets	**-**					1,882	**1,882**	**1,882**
Property plant and equipment	**20,202**					(1,882)	**(1,882)**	**18,320**
Deferred tax assets	**1,310**	549		4,455	272		**5,276**	**6,586**
	46,249	549		4,455	272	-	**5,276**	**51,525**
CURRENT ASSETS								
Inventories	**16,492**					(2,017)	**(2,017)**	**14,475**
Trade and other receivables	**50,228**					1,775	**1,775**	**52,003**
Cash and cash equivalents	**27,480**							**27,480**
	94,200					(242)	**(242)**	**93,958**
TOTAL ASSETS	**140,449**	549		4,455	272	(242)	**5,034**	**145,483**
CURRENT LIABILITIES								
Trade and other payables	**(84,663)**	1,328	3,195		(906)	242	**3,859**	**(80,804)**
Tax liabilities	**(1,779)**							**(1,779)**
	(86,442)	1,328	3,195		(906)	242	**3,859**	**(82,583)**
NET CURRENT ASSETS	**7,758**	1,328	3,195		(906)	-	**3,617**	**11,375**
NON-CURRENT LIABILITIES								
Retirement benefit obligation	**-**			(14,850)			**(14,850)**	**(14,850)**
Other payables due after one year	**(11,086)**							**(11,086)**
Long-term provisions	**(2,320)**							**(2,320)**
	(13,406)			(14,850)			**(14,850)**	**(28,256)**
TOTAL LIABILITIES	**(99,848)**	1,328	3,195	(14,850)	(906)	242	**(10,991)**	**(110,839)**
NET ASSETS	**40,601**	1,877	3,195	(10,395)	(634)	-	**(5,957)**	**34,644**
EQUITY								
Called-up equity share capital	**1,794**							**1,794**
Share premium account	**20,349**							**20,349**
Own shares	**(1,010)**	(53)					**(53)**	**(1,063)**
Capital redemption reserve	**94**							**94**
Hedging and translation reserve	**-**							**-**
Accumulated profit	**19,374**	1,930	3,195	(10,395)	(634)		**(5,904)**	**13,470**
	40,601	1,877	3,195	(10,395)	(634)	-	**(5,957)**	**34,644**

Reconciliation of consolidated balance sheet and shareholders' equity at 31 March 2005

£000	UK GAAP	Share-based payment	Dividends	Defined benefit pension	Holiday pay	Goodwill	Other	**Impact of IFRS transition**	**IFRS**
NON-CURRENT ASSETS									
Goodwill	**20,151**					3,286		**3,286**	**23,437**
Other intangible assets	**-**						1,687	**1,687**	**1,687**
Property plant and equipment	**24,420**						(1,687)	**(1,687)**	**22,733**
Deferred tax assets	**1,310**	832		4,116	227			**5,175**	**6,485**
	45,881	832		4,116	227	3,286	-	**8,461**	**54,342**
CURRENT ASSETS									
Inventories	**17,928**						(5,944)	**(5,944)**	**11,984**
Trade and other receivables	**30,435**						5,944	**5,944**	**36,379**
Cash and cash equivalents	**13,849**								**13,849**
	62,212						-	**-**	**62,212**
TOTAL ASSETS	**108,093**	832		4,116	227	3,286	-	**8,461**	**116,554**
CURRENT LIABILITIES									
Trade and other payables	**(60,695)**	1,781	932		(758)			**1,955**	**(58,740)**
Tax liabilities	**(267)**								**(267)**
	(60,962)	1,781	932		(758)			**1,955**	**(59,007)**
NET CURRENT ASSETS	**1,250**	1,781	932		(758)		-	**1,955**	**3,205**
NON-CURRENT LIABILITIES									
Retirement benefit obligation	**-**			(13,720)				**(13,720)**	**(13,720)**
Other payables due after one year	**(9,851)**								**(9,851)**
Long-term provisions	**(2,264)**								**(2,264)**
	(12,115)			(13,720)				**(13,720)**	**(25,835)**
TOTAL LIABILITIES	**(73,077)**	1,781	932	(13,720)	(758)			**(12,895)**	**(84,842)**
NET ASSETS	**35,016**	2,613	932	(9,604)	(531)	3,286	-	**(3,304)**	**31,712**
EQUITY									
Called-up equity share capital	**1,795**								**1,795**
Share premium account	**20,464**								**20,464**
Own shares	**(996)**	(67)						**(67)**	**(1,063)**
Capital redemption reserve	**94**								**94**
Hedging and translation reserve	**-**						13	**13**	**13**
Accumulated profit	**13,659**	2,680	932	(9,604)	(531)	3,286	(13)	**(3,120)**	**10,409**
TOTAL EQUITY	**35,016**	2,613	932	(9,604)	(531)	3,286	-	**(3,304)**	**31,712**

Reconciliation of consolidated balance sheet and shareholders' equity at 30 September 2005

£000	UK GAAP	Share-based payment	Dividends	Defined benefit pension	Holiday pay	Goodwill	Other	Impact of IFRS transition	IFRS
NON-CURRENT ASSETS									
Goodwill	17,304					4,917		4,917	22,221
Other intangible assets	-						1,714	1,714	1,714
Property plant and equipment	26,357						(1,714)	(1,714)	24,643
Deferred tax assets	1,105	928		4,767	308			6,003	7,108
	44,766	928		4,767	308	4,917	-	10,920	55,686
CURRENT ASSETS									
Inventories	17,658						(5,791)	(5,791)	11,867
Trade and other receivables	48,351						5,791	5,791	54,142
Cash and cash equivalents	22,942								22,942
	88,951						-	-	88,951
TOTAL ASSETS	133,717	928		4,767	308	4,917	-	10,920	144,637
CURRENT LIABILITIES									
Trade and other payables	(81,958)	2,331	3,399		(1,027)			4,703	(77,255)
Tax liabilities	(1,315)								(1,315)
	(83,273)	2,331	3,399		(1,027)			4,703	(78,570)
NET CURRENT ASSETS	5,678	2,331	3,399		(1,027)		-	4,703	10,381
NON-CURRENT LIABILITIES									
Retirement benefit obligation	-			(15,890)				(15,890)	(15,890)
Other payables due after one year	(9,759)								(9,759)
Long-term provisions	(2,170)								(2,170)
	(11,929)			(15,890)				(15,890)	(27,819)
TOTAL LIABILITIES	(95,202)	2,331	3,399	(15,890)	(1,027)			(11,187)	(106,390)
NET ASSETS	38,515	3,259	3,399	(11,123)	(719)	4,917	-	(267)	38,248
EQUITY									
Called-up equity share capital	1,815								1,815
Share premium account	22,151								22,151
Own shares	(1,386)	(246)						(246)	(1,632)
Capital redemption reserve	94								94
Hedging and translation reserve	-						44	44	44
Accumulated profit	15,841	3,505	3,399	(11,123)	(719)	4,917	(44)	(65)	15,776
TOTAL EQUITY	38,515	3,259	3,399	(11,123)	(719)	4,917	-	(267)	38,248

INDEPENDENT REVIEW REPORT TO RM PLC

INTRODUCTION

We have been instructed by the Company to review the financial information for the half-year ended 31 March 2006 which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules. The accounting policies are consistent with those that the Directors intend to use in the annual financial statements. There is, however, a possibility that the Directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with IFRSs as adopted for use in the EU.

REVIEW WORK PERFORMED

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the half-year ended 31 March 2006.

Deloitte & Touche LLP
Chartered Accountants
Reading
12 May 2006

This document has been made available as a .pdf download from RM's investor relations Web site (www.rm.com/investors) as well as in printed form. If you have obtained this document as a download, please note the following:

> Neither an audit nor a review provides assurance on the maintenance and integrity of the Web site, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.
>
> Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

PAYMENT OF 2006 INTERIM DIVIDEND
30 June 2006

ANNOUNCEMENT OF 2006 PRELIMINARY RESULTS
November 2006

ANNUAL GENERAL MEETING
January 2007

CORPORATE WEB SITE

Information about the Group's activities is available from RM at www.rm.com

INVESTOR INFORMATION

Information for investors is available at www.rm.com/investors Enquiries can be directed to Phil Hemmings, Director of Corporate Affairs, at the Group head office address or by email at phemmings@rm.com

REGISTRARS AND SHAREHOLDING INFORMATION

Shareholders can access the details of their holdings in RM plc via the Shareholder Services option within the investor section of the corporate Web site at www.rm.com/investors Shareholders can also make changes to their address details and dividend mandates online.

All enquiries about individual shareholder matters should be made to the Registrars either via email at ssd@capita-irg.com or telephone: 0870 162 3100. To help shareholders, the Capita Web site at www.capitaregistrars.com contains a shareholders' frequently asked questions section.

DIRECTORS

J.P. LEIGHFIELD Chairman (Non-Executive)
T.R. PEARSON Chief Executive Officer
M.D. GREIG Group Finance Director
R.A. SIRS Chief Operating Officer
S.L. COUTU Senior Independent Non-Executive Director
B. CARSBERG Independent Non-Executive Director
J.R. WINDELER Independent Non-Executive Director
M.J. TOMLINSON Independent Non-Executive Director
T.R.P. BRIGHOUSE Independent Non-Executive Director

COMPANY SECRETARY

A.J. Robson

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Green RM

RM is committed to improving the impact its activities have on the environment.
This report is printed on recycled coated paper using 50% recycled de-inked post-consumer waste. It is made in Britain using waste collected within the area local to the mill to reduce transport effects on the environment. The paper is elemental chlorine-free (ECF) and the non-recycled wood pulp comes from PEFC and FSC certified forests. The paper manufacturer is supported by ISO 14001 accreditation and monitored via EMAS reporting.

RM'S PRODUCTS

RM's products are protected by a comprehensive portfolio of registered patents or patent applications including the following: European Patents – 1300171.4, 1300172.2, 1303887.2, 100278.1, 02250059.9, 02250058.1, 02250061.5; 90313679.4, 90305354.4, 89310209.5 and GB Patents – 100278.1, 0200321.8, 0220230.7, 0226880.3, 0225796.2, 9017491.3, 8917648.1, 8913600.6, 8911622.2, 8823628.6, 0119923.1, 0415108.0.

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