RM plc

Interim Results

Six months to 31 March 2010

RM announces interim results for the six months to 31 March 2010

RM, the international provider of education solutions, announces interim results for the six months to 31 March 2010.

Operational headlines

- Strong revenue growth in Education Resources, BSF and US
- Excellent project win rate including seven BSF project awards year-to date
- Investment in business development in Education Resources and US
- Committed revenues at May 2010: £505m (May 2009: £425m)

Financial headlines

- Revenue up 10%: £156.4m (2009: £141.9m)
- Adjusted* profit from operations: £1.2m (2009: £0.8m)
- Adjusted* profit before tax: £1.2m (2009: £1.0m)
- Adjusted* EPS: 1.0p (2009: 0.8p)
- Dividend per share up 5%: 1.39p (2009: 1.32p)
- Net cash: £4.0m (2009: £4.0m)
- Net funds less deferred consideration: £(1.5)m (2009: £(0.7)m)

*Before amortisation of acquisition related intangible assets

Commenting on the results, Terry Sweeney, Chief Executive of RM, said:

"We've executed well so far in 2010. Group revenue is up, with a particularly strong performance from Education Resources and long-term committed revenues now stand at £505m, including seven new BSF project wins.

"As we always comment at this stage, the seasonality of RM's business means that the first half of the financial year is not a good indicator of results for the year as a whole. However, sales momentum continues across the business and we have seen good progress in each of our divisions. We anticipate further progress in the second half and growth for the year as a whole.

"We look forward to responding to the requirements created by the emerging education policies of the new UK Government and to further growth in international markets. Over the last five years we have broadened the range of education products and services we sell, significantly increased our international footprint, and built a substantial order book. These factors, combined with strong customer loyalty from our individual schools customers, make us a resilient business which is not dependent on any one product or market area."

For further information, please contact:

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A briefing to analysts will take place at 09:30 on Monday 17 May 2010 at Brunswick, 16 Lincoln's Inn Fields, London, WC2A 3ED. A live audio feed will be available to those analysts and shareholders unable to attend this meeting in person. To access this facility, call +44 (0) 1452 561 371, conference ID 74793193.

A copy of the presentation will be available at www.rm.com from 08:30 on 17 May 2010.

17 May 2010

Interim Management Report

RM executed well in the first half of 2010. Group revenue increased by 10% year-on-year, and long-term committed revenues increased by 19% reflecting an excellent performance in winning and extending large education projects.

Results

	Six months to Mar 2010	Six months to Mar 2009	Year to Sep 2009
Revenue	£156.4m	£141.9m	£346.9m
Adjusted* profit from operations	£1.2m	£0.8m	£17.7m
Adjusted* profit before tax	£1.2m	£1.0m	£17.9m
Profit before tax	£0.4m	£0.2m	£16.3m
Adjusted* EPS	1.0p	0.8p	15.3p
Dividend per share	1.39p	1.32p	6.17p
Net cash	£4.0m	£4.0m	£5.0m
Net funds less deferred consideration	£(1.5)m	£(0.7)m	£(0.7)m

RM's business is seasonal, reflecting buying patterns in the education market. Profit in the first half of the year is small relative to that for the year as a whole and is not a good indicator of the outcome for the full year.

Total Group revenue increased by 10% to £156.4m (2009: £141.9m). Of this increase, 7% growth was organic and 3% growth was generated by 2009 acquisitions. Each of our divisions and territories performed well, with Education Resources making a particularly strong contribution to the increase in revenue.

Committed revenues (including education projects won since period end) increased 19% to £505m (May 2009: £425m).

Adjusted* profit from operations increased to £1.2m (2009: £0.8m). Adjusted* earnings per share increased to 1.0p (2009: 0.8p). Profit before tax increased to £0.4m (2009: £0.2m).

The Group's cash position was well controlled in the period. Cash generated by operations was £11.3m (2009: £2.9m). Net cash at the end of the period was £4.0m (Mar 2009: £4.0m; Sep 2009: £5.0m). Total net debt, including loan notes and deferred consideration payable on acquisitions, was £1.5m (Mar 2009: £0.7m; Sep 2009: £0.7m).

Reflecting continued confidence in the Group's progress, the Board is increasing the interim dividend by 5% to 1.39p per share (2009: 1.32p). The dividend is payable on 2 July 2010 to shareholders on the register on 4 June 2010.

Our strategy

RM is a group of education companies, operating internationally. The Group is structured as three distinct divisions, each with a particular product focus and with specific market objectives:

- Learning Technologies provides ICT (information and communications technology) products and services, principally for schools. Its market objectives are to build on its number one position in the UK market by continuing to offer innovative solutions and to grow its presence and product range in the US.
- Education Resources provides curriculum-focused products for use in school classrooms. Its market objectives are to grow its UK market share and to establish an international presence by working with channel partners.
- Assessment and Data Services provides technology outsourcing and process management services to support the delivery of testing and assessment. Its market objectives are to expand its UK position by driving further use of technology for assessment and to further develop its international business.

Across each of our three divisions we offer superior solutions that help teachers to teach and learners to learn. We aim to deliver profitable growth for our shareholders by achieving leading positions in our existing markets, by expanding the breadth of education products and services we offer, and by establishing positions in selected international territories.

Learning Technologies

	Six months to Mar 2010	Six months to Mar 2009	Year to Sep 2009
Learning Technologies total revenue	£107.8m	£107.5m	£263.7m
UK and RoW ex. BSF	£82.3m	£87.0m	£199.5m
BSF	£14.2m	£11.8m	£38.9m
US	£11.3 m	£8.7m	£25.3m
Learning Technologies divisional operating (loss)/profit	£(0.9)m	£(1.3)m	£8.0m

* Adjusted profit and EPS are before amortisation of acquisition related intangible assets and 2009 acquisition integration costs

Revenue in our Learning Technologies division was in line with last year, with growth in the UK from BSF (Building Schools for the Future) and in our US business, offset by a decrease in revenues from individual schools in the UK and the rest of the world. Overall revenue was £107.8m (2009: £107.5m). Revenue from BSF projects increased by 20% reflecting both the commissioning of new schools and managed service delivery in existing schools. US revenue increased by 30% (26% organic growth at constant currency).

The divisional operating loss was £0.9m (2009: loss of £1.3m).

We made excellent progress building our order book during the period. A combination of new business wins and extensions of existing projects contributed in excess of £50m to committed revenues during the period. In addition, in excess of £113m of major project wins have been achieved since the period end.

We continue to be the market leading supplier of managed ICT services to new-build and refurbished schools in the UK. During the half-year, we were selected for three more BSF projects and since the end of the period we have been selected for a further four projects. In total we have now been selected for 19 out of 47 BSF projects, which is ahead of our target of winning one in three. In addition, we have also had significant success in winning schools being renewed under the Academies and One-School Pathfinder programmes.

Revenue from transactional business with individual UK schools reflects both a flat market and the increase in the proportion of educational ICT spend being made through the BSF programme. We anticipate that with a strong set of innovative products, including an improved version of our Kaleidos learning platform and new functionality for our Community Connect network family, we will maintain our strong position in this market. Our individual schools customers continue to show strong loyalty to RM; two-thirds of last year's UK revenues not under long term contracts came from schools that had bought from RM in every one of the last five years.

In the US we have invested in our sales function to capitalise on the enthusiasm we see for interactive classroom technology. We have had discussions with senior officials from the newly-established Office of Educational Technology of the US Department of Education, which reinforce our view that the US will continue to increase its investment in educational technology.

RM Education Resources

	Six months to Mar 2010	Six months to Mar 2009	Year to Sep 2009
Education Resources revenue	£38.3m	£26.5m	£63.9m
Education Resources divisional operating profit	£0.9m	£1.6m	£7.1m

Our Education Resources division showed excellent revenue growth in the period, reflecting both strong performances in our existing businesses and the impact of 2009 acquisitions. Overall revenue growth was 45%, of which 33% was organic and 12% arose from acquisitions. TTS performed particularly well in the period and Isis Concepts, the learning spaces business we acquired in May 2009, made a good start.

Divisional operating profit was £0.9m (2009: £1.6m), reflecting planned investment during the period intended to provide the capacity to support further revenue growth in the second half of the year and beyond. The leadership team in our Education Resources division has been significantly strengthened, including the recruitment of a new Managing Director for TTS. Sales and marketing expenditure increased by £2m year-on-year, reflecting both increased activity in existing businesses and the impact of 2009 acquisitions.

Education Resources is increasingly operating as a single business under the leadership of Rob Sirs. During the period we rationalised our property portfolio, reducing the number of individual warehouse locations from thirteen to eight. We also integrated the Pisces business we acquired last year into TTS.

We continue to enhance the channels we use to address the market and expand the range of market sectors we target. We are seeing particularly strong growth in the early years area and, with the acquisition of Pisces Art, in the art and craft segment.

Our curriculum software business is now focused on internationally exploitable products, most particularly RM Easiteach, our interactive whole class teaching tool. External research suggests that interactive whiteboard sales will grow significantly over the next three years and RM Easiteach is well-positioned in this market, with distribution through a number of international partners.

We have signed a letter of intent with LEGO Education to set up a joint venture which secures the European distribution rights to LEGO Education products for ten years (from 1 January 2011). The joint venture company, LEGO Education Europe, will continue to focus on developing the European distribution channel for LEGO Education products, accelerate the development of educational support materials, and develop an online LEGO Education community.

RM Assessment and Data Services

	Six months to Mar 2010	Mar 2009	Year to Sep 2009
Assessment and Data Services revenue	£10.3m	£7.9m	£19.3m
Assessment and Data Services divisional operating profit	£1.2m	£0.6m	£2.6m

Assessment and Data Services delivered strong revenue growth, reflecting both increased activity from existing strategic partners and initial contributions from our relationships with ACCA and the International Baccalaureate. Revenue increased by 30% to £10.3m (2009: £7.9m).

Future growth in this division will be driven by increasing the use our strategic partners make of our services and by developing new strategic relationships. We are already responsible for providing on-screen marking services for over half of the UK examinations offered by Cambridge Assessment. During the period we continued to develop our relationship with the International Baccalaureate and added the QCDA (Qualifications and Curriculum Development Agency) to our list of strategic partners.

Assessment and Data Services division also represents a significant international opportunity; our capabilities are world-class, and the UK has a strong reputation in this area. We have begun initial pilot activity for partners in Slovenia and Poland, and are exploring other opportunities.

Risks

A statement of risks is included in the Audit Committee Report within RM's most recent Annual Report, which is available on the Group's investor relations Web site. These remain the key risks the Group is exposed to.

Specific risks which affect H2-2010 are:

- Education budgets – Whilst school budgets have been set for the UK Government's year 2010/11, with a new Government in place, priorities may change and our customers may change their spending plans.
- Execution – We anticipate installing equipment in, and beginning service delivery for, a substantial number of schools over the summer. This is a complex operational activity and requires significant working capital investment. In addition, the outsourced services we provide for qualifications providers will be handling a larger volume of scripts than ever before during the summer marking season.
- Securing orders – As is always the case with RM, the seasonal nature of our business, which results from schools scheduling major installations of ICT equipment during their summer holiday, means that a very large proportion of the year's profit arises in the second half. Achieving the result for the year requires a substantial amount of order intake in the second half.

People

Mike Greig, Group Finance Director, retired from the Board on 31 March and was succeeded by Iain McIntosh. Mike served as RM's Finance Director for over twenty years, during which time his insight and sound commercial judgement helped transform the Group from a privately-held computer manufacturer into the international education solutions business it is today. The Board thanks him for his enormous contribution to RM's success and wishes him well for the future. Iain joins us with a wealth of financial experience, most recently as CFO of Axon, the FTSE250 business transformation consultancy.

As ever, RM's success is strongly linked to the talent and commitment of our people. The Board thanks everyone who works for the Group for their contribution.

Outlook

As we always comment at this stage, the seasonality of RM's business means that the first half of the financial year is not a good indicator of results for the year as a whole. However, sales momentum continues across the business and we have seen good progress in each of our divisions. We anticipate further progress in the second half and growth for the year as a whole.

Longer term, we are continuing to execute our strategy. We look forward to responding to the requirements created by the emerging education policies of the new UK Government and to further growth in international markets. Over the last five years we have broadened the range of education products and services we sell, significantly increased our international footprint, and built a substantial order book. These factors, combined with strong customer loyalty from our individual schools customers, make RM a resilient business which is not dependent on any one product or market area.

Condensed consolidated income statement
for the half-year ended 31 March 2010

	Notes	**Adjusted**	**Adjust-ments**	**Total**	Adjusted	Adjust-ments	Total	Adjusted	Adjust-ments	Total
				Half-year ended 31 March 2010			Half-year ended 31 March 2009			Year ended 30 September 2009
	1	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Revenue	3	**156,420**	**-**	**156,420**	141,922	-	141,922	346,917	-	346,917
Cost of sales		**(114,559)**	**-**	**(114,559)**	(104,252)	-	(104,252)	(255,680)	-	(255,680)
Gross profit		**41,861**	**-**	**41,861**	37,670	-	37,670	91,237	-	91,237
Selling and distribution costs		**(23,878)**	**-**	**(23,878)**	(20,560)	-	(20,560)	(39,839)	-	(39,839)
Research and development expenses		**(7,575)**	**-**	**(7,575)**	(7,594)	-	(7,594)	(13,731)	-	(13,731)
Administrative expenses		**(9,282)**	**(809)**	**(10,091)**	(8,713)	(731)	(9,444)	(20,024)	(1,483)	(21,507)
- Acquisition integration costs		**-**	**-**	**-**	-	-	-	-	(89)	(89)
Share of results of associates		**79**	**(11)**	**68**	18	(14)	4	22	(19)	3
		(40,656)	**(820)**	**(41,476)**	(36,849)	(745)	(37,594)	(73,572)	(1,591)	(75,163)
Profit from operations		**1,205**	**(820)**	**385**	821	(745)	76	17,665	(1,591)	16,074
Investment income		**721**	**-**	**721**	632	-	632	1,192	-	1,192
Finance costs		**(713)**	**-**	**(713)**	(480)	-	(480)	(947)	-	(947)
Profit before tax		**1,213**	**(820)**	**393**	973	(745)	228	17,910	(1,591)	16,319
Tax	4	**(315)**	**236**	**(79)**	(253)	217	(36)	(3,809)	448	(3,361)
Profit for the period attributable to equity holders of the parent		**898**	**(584)**	**314**	720	(528)	192	14,101	(1,143)	12,958
Earnings per ordinary share:	5									
Basic		**1.0p**	**(0.7)p**	**0.3p**	0.8p	(0.6)p	0.2p	15.3p	(1.3)p	14.0p
Diluted		**1.0p**	**(0.7)p**	**0.3p**	0.8p	(0.6)p	0.2p	15.2p	(1.2)p	14.0p
Paid and proposed dividend per share:	6									
Interim				**1.39p**			1.32p			1.32p
Final				**-**			-			4.85p

Adjustments relate to amortisation of acquisition related intangible assets and for 2009 acquisition integration costs of £89,000.

All activities relate to continuing operations.

Condensed consolidated statement of comprehensive income
for the half-year ended 31 March 2010

	Half-year ended 31 March 2010 £000	Half-year ended 31 March 2009 £000	Year ended 30 September 2009 £000
Profit for the period	**314**	192	12,958
Exchange gains on translation of foreign operations	**653**	950	957
Actuarial gains/(losses) on defined benefit pension scheme	**(3,536)**	(8,899)	(14,582)
Fair value loss on interest rate swap	**(60)**	-	(61)
Current tax on items taken directly to equity	**33**	121	31
Deferred tax on items taken directly to equity	**956**	2,297	3,893
Other comprehensive (expense) / income for the period	**(1,954)**	(5,531)	(9,762)
Total comprehensive (expense) / income for the period attributable to equity holders of the parent	**(1,640)**	(5,339)	3,196

Total tax credited to equity was £989,000 (2009: period to 31 March £2,418,000; year to 30 September £3,924,000)

Condensed consolidated balance sheet
as at 31 March 2010

	Notes	**31 March 2010 £000**	31 March 2009 £000	30 September 2009 £000
Non-current assets				
Goodwill		**34,276**	31,581	33,818
Acquisition related intangible assets		**4,235**	5,262	4,981
Other intangible assets		**2,663**	2,332	2,654
Property, plant and equipment		**21,069**	17,912	21,321
Interest in associates		**1,035**	968	967
Deferred tax assets		**6,515**	3,596	5,227
		69,793	61,651	68,968
Current assets				
Inventories		**21,935**	18,418	19,905
Trade and other receivables	8	**71,629**	59,635	86,164
Tax asset		**175**	657	-
Cash and cash equivalents		**12,674**	12,048	13,297
		106,413	90,758	119,366
Non-current assets held for sale		**-**	2,580	-
Total assets		**176,206**	154,989	188,334
Current liabilities				
Trade and other payables	9	**(91,592)**	(76,752)	(96,829)
Tax liabilities		**-**	-	(1,320)
		(91,592)	(76,752)	(98,149)
Net current assets		**14,821**	14,006	21,217
Non-current liabilities				
Retirement benefit obligation	10	**(15,705)**	(8,300)	(12,786)
Bank loans		**(8,636)**	(8,037)	(8,281)
Deferred tax liabilities		**(50)**	(203)	(51)
Other payables	9	**(5,002)**	(8,353)	(7,654)
Provisions		**(538)**	(500)	(589)
		(29,931)	(25,393)	(29,361)
Total liabilities		**(121,523)**	(102,145)	(127,510)
Net assets		**54,683**	52,844	60,824
Equity attributable to equity holders of the parent				
Share capital		**1,868**	1,863	1,863
Share premium account		**27,135**	26,642	26,725
Own shares		**(1,305)**	(1,045)	(1,246)
Capital redemption reserve		**94**	94	94
Hedging reserve		**(121)**	-	(61)
Translation reserve		**1,777**	1,117	1,124
Retained earnings		**25,235**	24,173	32,325
Total equity		**54,683**	52,844	60,824

Condensed consolidated cash flow statement
for the half-year ended 31 March 2010

	Notes	**31 March 2010 £000**	31 March 2009 £000	30 September 2009 £000
Profit from operations		**385**	76	16,074
Adjustments for:				
Gain on foreign exchange derivatives		**(458)**	(98)	(160)
Amortisation of acquisition related intangible assets		**820**	745	1,511
Amortisation of other intangible assets		**611**	465	914
Depreciation of property, plant and equipment		**3,933**	4,462	8,331
Gain on disposal of property, plant and equipment		**(152)**	(51)	(499)
Loss on disposal of other intangible assets		**-**	72	123
(Decrease)/increase in provisions		**(51)**	-	61
Share-based payment charge		**528**	208	1,021
Operating cash flows before movements in working capital		**5,616**	5,879	27,376
(Increase)/decrease in inventories		**(2,030)**	1,952	1,129
Decrease/(increase) in receivables		**14,994**	13,146	(12,814)
Decrease in payables		**(7,248)**	(18,061)	(798)
Cash generated by operations		**11,332**	2,916	14,893
Defined benefit pension contribution in excess of current service cost	10	**(936)**	(1,360)	(2,773)
Tax paid		**(1,983)**	(937)	(3,272)
Income on sale of finance lease debt		**417**	338	622
Interest paid:				
- bank overdrafts and loans		**(359)**	(246)	(464)
- other		**(35)**	(34)	(67)
Net cash inflow from operating activities		**8,436**	677	8,939
Investing activities				
Interest received		**202**	122	226
Proceeds on disposal of property, plant and equipment		**254**	215	949
Purchases of property, plant and equipment		**(3,684)**	(3,053)	(7,737)
Purchases of other intangible assets		**(521)**	(597)	(1,398)
Acquisition of subsidiaries and business combinations, net of cash acquired		**-**	(2,094)	(3,418)
Net cash used in investing activities		**(3,749)**	(5,407)	(11,378)
Financing activities				
Dividends paid	6	**(4,492)**	(4,206)	(5,425)
Proceeds from share capital issue, net of share issue costs		**198**	53	91
Repayment of borrowings assumed in acquisitions		**-**	(2,477)	(2,477)
Increase in borrowings		**-**	6,419	7,419
Purchase of own shares		**(735)**	(1,146)	(1,347)
Repayment of loan notes and deferred consideration		**(352)**	(681)	(1,059)
Net cash used in financing activities		**(5,381)**	(2,038)	(2,798)
Net decrease in cash and cash equivalents		**(694)**	(6,768)	(5,237)
Cash and cash equivalents at the beginning of period		**13,297**	18,291	18,291
Effect of foreign exchange rate changes		**71**	525	243
Cash and cash equivalents at the end of period	7	**12,674**	12,048	13,297

Group net funds
for the half-year ended 31 March 2010

	Year ended 30 September 2009	Cash flow	Non-cash movements Foreign exchange	Other	**Half-year ended 31 March 2010**
	£000	£000	£000	£000	**£000**
Cash and cash equivalents	13,297	(694)	71	-	**12,674**
Borrowing	(8,281)	-	(355)	-	**(8,636)**
Net cash	5,016	(694)	(284)	-	**4,038**
Loan notes	(3,606)	352	-	(132)	**(3,386)**
Net funds	1,410	(342)	(284)	(132)	**652**
Deferred consideration	(2,120)	-	(12)	-	**(2,132)**
Net funds less deferred consideration	(710)	(342)	(296)	(132)	**(1,480)**

Condensed consolidated statement of changes in equity
for the half-year ended 31 March 2010

	Share capital	**Share premium account**	**Own shares**	**Capital redemption reserve**	**Hedging Reserve**	**Translation reserve**	**Retained earnings**	**Total equity**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 October 2009	**1,863**	**26,725**	**(1,246)**	**94**	**(61)**	**1,124**	**32,325**	**60,824**
Profit for the half year	**-**	**-**	**-**	**-**	**-**	**-**	**314**	**314**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**653**	**-**	**653**
Actuarial gains/(losses) on defined benefit scheme	**-**	**-**	**-**	**-**	**-**	**-**	**(3,536)**	**(3,536)**
Fair value loss on interest rate swap	**-**	**-**	**-**	**-**	**(60)**	**-**	**-**	**(60)**
Tax charge on items taken directly to equity	**-**	**-**	**-**	**-**	**-**	**-**	**989**	**989**
Purchase of shares	**-**	**-**	**(586)**	**-**	**-**	**-**	**-**	**(586)**
Transfer in respect of issue of shares to employee trusts	**-**	**217**	**-**	**-**	**-**	**-**	**(217)**	**-**
Share-based payment awards exercised in period	**-**	**-**	**527**	**-**	**-**	**-**	**(676)**	**(149)**
Share-based payment charges	**-**	**-**	**-**	**-**	**-**	**-**	**528**	**528**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(4,492)**	**(4,492)**
Share issues	**5**	**193**	**-**	**-**	**-**	**-**	**-**	**198**
At 31 March 2010	**1,868**	**27,135**	**(1,305)**	**94**	**(121)**	**1,777**	**25,235**	**54,683**

Condensed consolidated statement of changes in equity continued

	Share capital	Share premium account	Own shares	Capital redemption reserve	Hedging Reserve	Translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 October 2008	1,863	26,578	(1,323)	94	-	167	35,908	63,287
Profit for the half year	-	-	-	-	-	-	192	192
Exchange differences on translation of foreign operations						950	-	950
Actuarial gains/(losses) on defined benefit scheme	-	-	-	-	-	-	(8,899)	(8,899)
Tax charge on items taken directly to equity	-	-	-	-	-	-	2,418	2,418
Purchase of shares	-	-	(1,006)	-	-	-	-	(1,006)
Transfer in respect of issue of shares to employee trusts	-	11	-	-	-	-	(11)	-
Share-based payment awards exercised in the period	-	-	1,284	-	-	-	(1,437)	(153)
Share-based payment charges	-	-	-	-	-	-	208	208
Dividends paid	-	-	-	-	-	-	(4,206)	(4,206)
Share issues	-	53	-	-	-	-	-	53
At 31 March 2009	1,863	26,642	(1,045)	94	-	1,117	24,173	52,844

	Share capital	Share premium account	Own shares	Capital redemption reserve	Hedging Reserve	Translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 October 2008	1,863	26,578	(1,323)	94	-	167	35,908	63,287
Profit for the year	-	-	-	-	-	-	12,958	12,958
Exchange differences on translation of foreign operations	-	-	-	-	-	957	-	957
Actuarial gains/(losses) on defined benefit scheme	-	-	-	-	-	-	(14,582)	(14,582)
Fair value loss on interest rate swap	-	-	-	-	(61)	-	-	(61)
Tax charge on items taken directly to equity	-	-	-	-	-	-	3,924	3,924
Purchase of shares	-	-	(1,207)	-	-	-	-	(1,207)
Transfer in respect of issue of shares to employee trusts	-	56	-	-	-	-	(56)	-
Share-based payment awards exercised in year	-	-	1,284	-	-	-	(1,423)	(139)
Share-based payment charges	-	-	-	-	-	-	1,021	1,021
Dividends paid	-	-	-	-	-	-	(5,425)	(5,425)
Share issues	-	91	-	-	-	-	-	91
At 30 September 2009	1,863	26,725	(1,246)	94	(61)	1,124	32,325	60,824

Notes to the condensed interim financial statements

1. General information

RM plc is a company incorporated in the United Kingdom. The unaudited condensed consolidated interim financial statements as at 31 March 2010 and for the six months then ended comprise those of the Company and its subsidiaries (together the Group).

The information for the year ended 30 September 2009 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

Income statement presentation

The income statement for the half-year ended 31 March 2010 has been presented in three columns. This presentation is intended to give a better guide to business performance by separately identifying the amortisation charge relating to acquisition related intangible assets and for 2009 acquisition integration costs. The columns extend down the income statement to allow the tax and earnings per share impacts of these transactions to be understood.

2. Accounting policies

The annual financial statements of RM plc are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed set of financial statements included within this interim report has been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting, as required by the UK Listing Authority's December 2006 Disclosure and Transparency Rules.

The accounting policies applied by the Group in the condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 30 September 2009.

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2009.

Going concern

The Directors have assessed forecast future cash flows over the coming year and are satisfied that the Group's agreed working capital facilities are sufficient to meet these cash flows. Given the Group's continued seasonality and Building Schools for the Future contractual commitments, cash flows are forecast to be at their highest outflow between July and September.

Shareholder approval was gained at the Company's 18 January 2010 Annual General Meeting to amend its Articles of Association to change the calculation of borrowing limits to align with the Association of British Insurers (ABI) Investment Committee Guidelines. In accordance with the ABI Guidelines this approval removed the requirement that in calculating adjusted share capital and reserves, for the purposes of establishing borrowing limits, a deduction is made for the book values of goodwill and other intangible assets shown on the Group balance sheet. The Group's forecast funding requirements are comfortably within the borrowing limits established using the revised Articles.

Considering the above, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the interim report and accounts.

3. Business segments

The Group's business is supplying products and services to education. The Group's operating divisions are Learning Technologies which includes Education Management Systems and US operations; Education Resources; and Assessment and Data Services. These divisions are the basis on which the group reports its primary segment information.

The following disclosure shows the result and total assets of these divisions:

Divisional result

Half-year ended 31 March 2010	**Learning Technologies (incl. United States)**	**Education Resources**	**Assessment and Data Services**	**Total**
	£000	**£000**	**£000**	**£000**
Revenue	**107,815**	**38,331**	**10,274**	**156,420**
Adjusted operating profit*	**(874)**	**927**	**1,152**	**1,205**
Net investment income and finance costs				**8**
Adjusted profit before tax*				**1,213**
Amortisation of acquisition related intangible assets				**(820)**
Profit before tax				**393**
Group profit before tax				**314**
Share of associate result				**79**
Profit before tax				**393**

Half-year ended 31 March 2009	Learning Technologies (incl. United States)	Education Resources	Assessment and Data Services	Total
	(Restated)	(Restated)	(Restated)	(Restated)
	£000	£000	£000	£000
Revenue	107,538	26,491	7,893	141,922
Adjusted operating profit*	(1,317)	1,551	587	821
Net investment income and finance costs				152
Adjusted profit before tax*				973
Amortisation of acquisition related intangible assets				(745)
Profit before tax				228
Group profit before tax				224
Share of associate result				4
Profit before tax				228

Year ended 30 September 2009	Learning Technologies (incl. United States)	Education Resources	Assessment and Data Services	Total
	(Restated)	(Restated)	(Restated)	(Restated)
	£000	£000	£000	£000
Revenue	263,699	63,881	19,337	346,917
Adjusted operating profit*	8,037	7,072	2,556	17,665
Net investment income and finance costs				245
Adjusted profit before tax*				17,910
Amortisation of acquisition related intangible assets				(1,502)
Acquisition integration costs				(89)
Profit before tax				16,319
Group profit before tax				16,316
Share of associate result				3
Profit before tax				16,319

* before amortisation of acquisition related intangible assets and 2009 acquisition integration costs.

3. Business segments continued

Comparative interim and prior year-end divisional results have been restated to reflect certain changes to the measurement of their performance. Changes include the movement of all investment income and finance costs from divisional profit; and a basis change for the allocation of corporate costs between divisions. In addition, consistent with the disclosure for the year to 30 September 2009, interim divisional results for the comparative period have been restated to reflect the inclusion of US operations in RM Learning Technologies (previously disclosed within Education Resources). These changes to divisional profit are considered to better reflect the divisions' operating performance. The impact of these changes is summarised below:

Half-year ended 31 March 2009
£1,390,000 of revenue and £243,000 of operating loss moved from Education Resources to Learning Technologies reflecting transfer of US operations.

The transfer of allocated investment income and finance costs from divisional operating profit reduced profit by £310,000 (Learning Technologies' loss increased by £357,000; Education Resources' profit increased by £32,000; and Assessment and Data Services' profit increased by £15,000).

The change in the allocation basis of corporate costs increased Learning Technologies' loss by £447,000; increased Education Resources' profit by £311,000; and increased Assessment and Data Services' profit by £136,000.

Year ended 30 September 2009
The transfer of allocated investment income and finance costs from divisional operating profit reduced Learning Technologies' profit by £965,000.

The change in the allocation basis of corporate costs reduced Learning Technologies profit by £1,182,000; increased Education Resources' profit by £792,000; and increased Assessment and Data Services profit by £390,000.

Divisional assets
Divisional total assets include all assets except for tax asset balances and cash and cash equivalents which are shown as non-divisional balances:

Half-year ended 31 March 2010	**Learning Technologies (incl. United States)**	**Education Resources**	**Assessment and Data Services**	**Total**
	£000	**£000**	**£000**	**£000**
Total assets				
- Divisional	**92,199**	**54,024**	**10,619**	**156,842**
- Other				**19,364**
				176,206

Half-year ended 31 March 2009	Learning Technologies (incl. United States) (Restated)	Education Resources (Restated)	Assessment and Data Services	Total
	£000	£000	£000	£000
Total assets				
- Divisional	93,818	37,502	7,368	138,688
- Other				16,301
				154,989

Comparative interim divisional assets for the half-year ended 31 March 2009 have been restated, to reflect the inclusion of US operating assets of £4,269,000 in Learning Technologies following their movement from Education Resources.

Year ended 30 September 2009	Learning Technologies (incl. United States)	Education Resources	Assessment and Data Services	Total
	£000	£000	£000	£000
Total assets				
- Divisional	103,532	60,088	6,190	169,810
- Other				18,524
				188,334

4. Tax

Corporation tax for the interim period is charged at the expected effective tax rate for the full financial year, based upon adjusted profit which is before adjustments for acquisition related intangible asset amortisation and 2009 acquisition integration costs. The charge incorporates both current and deferred taxation:

	Half-year ended 31 March 2010			Half-year ended 31 March 2009			Year ended 30 September 2009		
			£000			£000			£000
	Adjusted	**Adjust-ments**	**Total**	Adjusted	Adjust-ments	Total	Adjusted	Adjust-ments	Total
Profit before tax	**1,213**	**(820)**	**393**	973	(745)	228	17,910	(1,591)	16,319
Tax (charge)/credit	**(315)**	**236**	**(79)**	(253)	217	(36)	(3,809)	448	(3,361)
Effective rate	**26.0%**	**28.8%**	**20.1%**	26.0%	29.1%	15.8%	21.3%	28.2%	20.6%

In the year to 30 September 2009 the tax rate on adjusted profit benefitted by 3.7% from finalising prior year Research and Development tax credits.

5. Earnings per ordinary share

The calculation of the basic and diluted earnings per ordinary share is shown below. As explained in note 1, adjusted diluted earnings per share have also been presented which remove the impact of amortisation of acquisition related intangible assets and 2009 acquisition integration costs.

Basic earnings per ordinary share:

	Half-year ended 31 March 2010			Half-year ended 31 March 2009			Year ended 30 September 2009		
	Profit after tax £'000	**Weighted average number of shares '000**	**Pence per share**	Profit after tax £'000	Weighted average number of shares '000	Pence per share	Profit after tax £'000	Weighted average number of shares '000	Pence per share
Basic earnings per ordinary share	**314**	**92,547**	**0.3**	192	92,439	0.2	12,958	92,408	14.0
Effect of amortisation of acquisition related intangible assets and 2009 acquisition integration costs	**584**	**-**	**0.7**	528	-	0.6	1,143	-	1.3
Basic earnings per ordinary share adjusted for amortisation of acquisition related intangible assets and 2009 acquisition integration costs	**898**	**92,547**	**1.0**	720	92,439	0.8	14,101	92,408	15.3

5. Earnings per ordinary share continued

Diluted earnings per ordinary share:

	Half-year ended 31 March 2010			Half-year ended 31 March 2009			Year ended 30 September 2009		
	Profit after tax £'000	**Weighted average number of shares '000**	**Pence per share**	Profit after tax £'000	Weighted average number of shares '000	Pence per share	Profit after tax £'000	Weighted average number of shares '000	Pence per share
Basic earnings per ordinary share	**314**	**92,547**	**0.3**	192	92,439	0.2	12,958	92,408	14.0
Effect of dilutive potential ordinary shares: share options	**-**	**118**	**-**	-	273	-	-	240	-
Diluted earnings per ordinary share	**314**	**92,665**	**0.3**	192	92,712	0.2	12,958	92,648	14.0
Effect of amortisation of acquisition related intangible assets and 2009 acquisition integration costs	**584**	**-**	**0.7**	528	-	0.6	1,143	-	1.2
Diluted earnings per ordinary share adjusted for amortisation of acquisition related intangible assets and 2009 acquisition integration costs	**898**	**92,665**	**1.0**	720	92,712	0.8	14,101	92,648	15.2

6. Dividends

Amounts recognised as distributions to equity holders in the period:

	Half-year ended 31 March 2010 £000	Half-year ended 31 March 2009 £000	Year ended 30 September 2009 £000
Final dividend for the year ended 30 September 2009 of 4.85p (2008: 4.55p) per share	**4,492**	4,206	4,206
Interim dividend for the year ended 30 September 2009 of 1.32p per share	**-**	-	1,219
	4,492	4,206	5,425

The proposed interim dividend of 1.39p per share was approved by the Board on 14 May 2010. The expected cost of £1.3m has not been included as a liability at 31 March 2010.

7. Net funds

Cash and cash equivalents comprise cash held by the Group and other short-term bank deposits with an original maturity of three months or less.

The Group meets its seasonal working capital requirements through various facilities. The Group has an annual unsecured sterling dealing line of $40m (set at a minimum of £25m at November 2009 exchange rates and being £26m at March 2010 exchange rates) with HSBC, which was renewed in November 2009. The Group also has an additional £10m revolving credit facility which expires on 12 November 2010 with HSBC and a further annual overdraft facility of £3m with Barclays Bank plc.

The Group also has a committed acquisition borrowing facility of £25m with HSBC which expires in July 2013. At 31 March 2010 £8.6m of this facility was drawn down, with the movement in the six months being due to foreign exchange losses. The £8.6m comprises £1.0m in Sterling and £7.6m in US dollars ($10.0m). The facility can be repaid before expiry, at the discretion of the Group.

The Group's cash and cash equivalents of £12.7m comprises £7.1m in Sterling, £3.2m in US dollars and £2.4m in other operating currencies.

8. Trade and other receivables

Current	**31 March 2010 £000**	31 March 2009 £000	30 September 2009 £000
Trade receivables	**47,257**	41,382	64,826
Long-term contract balances	**14,031**	10,262	13,222
Other receivables	**2,672**	1,448	1,462
Prepayments	**7,056**	6,196	5,481
Accrued income	**613**	347	1,173
	71,629	59,635	86,164

9. Trade and other payables

Current	**31 March 2010 £000**	31 March 2009 £000	30 September 2009 £000
Trade payables	**29,240**	21,325	27,239
Other taxation and social security	**9,145**	6,768	10,202
Other payables - other	**3,732**	637	3,158
Accruals	**25,773**	24,423	29,217
Long-term contract payments on account	**-**	1,010	-
Deferred income	**18,416**	21,755	23,258
Loan notes	**3,386**	397	2,220
Deferred consideration	**1,900**	437	1,535
	91,592	76,752	96,829
Non-current			
Deferred income	**4,770**	4,471	5,683
Loan notes	**-**	3,386	1,386
Deferred consideration	**232**	496	585
	5,002	8,353	7,654

10. Defined benefit pension scheme

In the half-years ended 31 March 2010 and 2009 the financial position of the Group's defined benefit pension scheme has been rolled forward from the respective prior year end. The roll forward includes updating for actual investment returns for the periods; market derived discount rates on liabilities; and market derived inflation assumptions. Mortality assumptions have not been updated at the half-years. At 31 March 2010 the market derived discount rate, given by high grade corporate bond yields, was 5.7%.

The latest triennial valuation as at 31 May 2009 is currently in draft and was used as the basis for the 30 September 2009 IAS 19 valuation and the roll-forward to 31 March 2010. In addition to current service contributions, since 31 May 2009 the Group has continued to make £1.7m per annum deficit catch up payments agreed with the scheme's trustees in the 2006 valuation.

11. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. There have been no other related party transactions in the period.

Responsibility statement
We confirm that to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 - Interim Financial Reporting;
b) the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7R - indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year; and
c) the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.8R -disclosure of related parties' transactions and changes therein.

By order of the Board,

Terry Sweeney	Iain McIntosh
Chief Executive	Chief Financial Officer

17 May 2010

Independent review report to RM plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2010 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdoms' Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
Reading, United Kingdom
17 May 2010

This document has been made available as a .pdf download from RM's investor relations Web site (www.rm.com/investors). 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