

**RM** plc

RM PLC ANNUAL REPORT AND FINANCIAL STATEMENTS

### DELIVERING EDUCATION -SPECIFIC PRODUCTS AND SERVICES TO IMPROVE OUTCOMES FOR YOUNG PEOPLE

RM plc is a major provider of resources, software and services to the education sector.

Our products and services are used in most parts of UK education from early years settings, primary and secondary schools and colleges to major exam boards and central government. We also have a growing international presence for our education resources products. We are uniquely positioned to provide long-term profitable growth in an area of priority government spend.

Further information and investor updates can be found at www.rmplc.com

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### **OPERATING HIGHLIGHTS**

### GROUP

- Another year of delivering solid results in a difficult market, with adjusted operating profits up 5% to £18.8m
- Profit after tax was £11.6m (2015: 15.0m) with the reduction from 2015 being due to the absence of a £2.4m prior year property provision release and a £2.1m charge in the current year for restructuring and acquisition costs
- Full year paid and proposed dividend increased by 20% to 6.00p
- Proposed acquisition of the Education & Care business of Connect Group PLC for a purchase price of £56.5m

### RM RESULTS

- Revenue growth of 3% with e-assessment growth of 11% with contract renewals and additional end-to-end e-assessment contracts more than offsetting planned reductions in Data revenues
- Adjusted operating margins improved to 21.5%

### RM RESOURCES

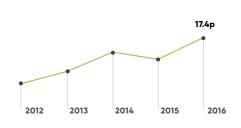
- Revenue decline of 7.4% as UK school budgets impacted by increases in staff pension and NI costs more than offsetting another year of growth in International
- Adjusted operating margins remain strong at 17.3% underpinned by robust cost action

### RM EDUCATION

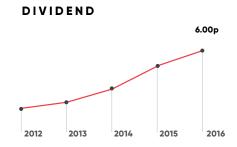
- Operating margins improve to 7.6% with revenues down 4% as anticipated
- Continued strong retention levels across annuity offerings with these recurring revenues now over 60% of the portfolio

### FINANCIAL HIGHLIGHTS

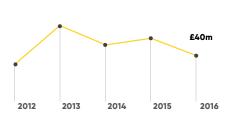
### ADJUSTED OPERATING PROFIT £18.8m



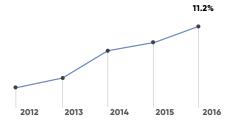
**ADJUSTED EPS** 



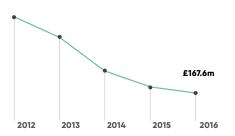
### CASH AND SHORT-TERM DEPOSITS



ADJUSTED OPERATING MARGIN



### REVENUE



### CHAIRMAN'S STATEMENT

2016 was a year of good progress for RM. Although revenue declined as expected, adjusted operating profits and margins improved compared with the prior year. Cash conversion also improved markedly and we finished the year with net cash of £40 million.

RM Resources saw a decline in revenues compared with the prior year during which school expenditure on curriculum resources was higher due to primary school curriculum change. Schools were also impacted by unfunded increases in pension and National Insurance costs. International revenues continued to grow and the Division's margins were maintained.

RM Results delivered good revenue and profit growth supported by an expanded e-testing managed service contract. The Division's future market position was further strengthened by the renewal of several long-term contracts and the securing of an e-assessment contract which, for the first time, combines both e-testing and e-marking.

RM Education revenues declined as a result of its continued reshaping whilst profitability grew and operating margins improved. A further step was undertaken towards the end of the year to remove UK headcount from the lowest margin parts of the business. 2017 will be the last year in which BSF contracts are a significant contributor. Recurring annuity revenues are running at over 60% of the total.

The Group continues to have a strong balance sheet, with cash and short-term deposits at the year end of £40.0 million (2015: £48.3 million). This was after a £12 million pension contribution in the year which included a one off £8 million payment associated with the May 2015 triennial valuation.

The Board is recommending a final dividend of 4.50 pence per share which would constitute, at 6.00 pence per share in total, an increase of 20% over the prior year. This demonstrates the previously stated intention to progress towards a more appropriate level of dividend cover. The proposed dividend would result in cover of 2.9 times.

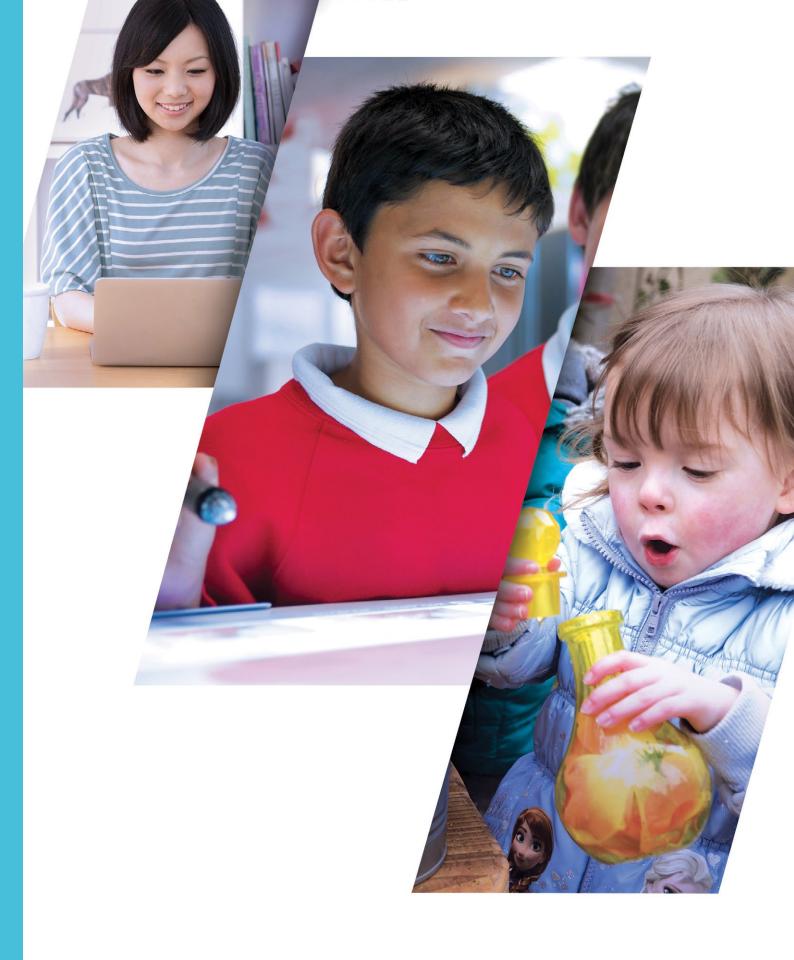
The Company has agreed to buy the Education & Care business of Connect Group PLC, for a purchase price of £56.5 million. This acquisition, which is expected to complete in the first half of 2017, would complement the existing RM Resources business and is expected to be accretive to the Company's adjusted earnings per share in the first year. Completion is conditional inter alia upon shareholder approval and clearance from the Competition & Markets Authority.

The outlook for 2017 is affected by continued pressure on school budgets and adverse changes in foreign exchange rates following the EU Referendum result. However, management is focussed on all three divisions continuing to deliver sound operating margins.

### John Poulter

Chairman 7 February 2017







### OPERATING DIVISIONS

RM's objective is to create shareholder value through the provision of resources, software and services for education.

The Group is structured in three operating divisions, each with its own managing director and management team with some staff functions provided centrally. Each Division has a specific offering and target customers – making RM a portfolio business with a spread of the education budget spend.

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### RM RESOURCES

# ENHANCING CHILDREN'S LEARNING THROUGH THE PROVISION OF SPECIALIST CURRICULUM RESOURCES



RM Resources' strategy is to grow its market share in the provision of resources to schools, early years and special educational needs markets via direct catalogue sales and increasingly via the online channel, both in the UK and internationally.

Underpinned by TTS's own IPR products, growth in international sales to overseas resellers and international schools is expected to continue.

### KEY ATTRIBUTES

- 20,000+ schools
- 19,000 different products
- 3,000 'own IPR products'
- Direct marketing business model
- c. 225 staff
- >20% international revenue

### WHAT WE DO

- Education resources that enhance learning environments
- Supply UK and international schools with an extensive range of specialist education resources
- Focus on early years and primary schools



### HOW WE ADD VALUE

- Unique own brand IPR curriculum resources
- Map our products closely to the curriculum
- Join up whole school needs by supplying products for the classroom, school office and outdoor environments

### WHY CUSTOMERS CHOOSE US

- We pioneer a continual stream of new products strongly linked to customer need
- Unique cross-curricular products
- We are 100% education focussed

### RM RESULTS

## TECHNOLOGY EXPERTS IN END-TO-END HIGH STAKES E-ASSESSMENT



RM Results' strategy is to grow the e-assessment business through expanding the scope of solutions to existing customers and to win new customers in both the UK and overseas markets. Software and services are provided through a combination of proprietary and third party, in-house and outsourced arrangements.

Internationally, the expectation is to develop through partnerships and software licensing rather than as a service based activity.

### KEY ATTRIBUTES

- c. 20 customers
- UK's largest provider of on-screen marking of high stakes schools' exams
- Systems to help create the English schools performance tables
- c. 300 staff, over 50% in India

### WHAT WE DO

- IT software and services to enable onscreen exam marking (e-marking) and testing (e-testing)
- Management and analysis of high stakes and high volume educational data
- RM Assessor marks around 160 million exam pages for UK and International clients annually
- Work with the most respected education assessment brands in the world



### HOW WE ADD VALUE

- Very high visibility of future revenues
- Improve quality and speed of each customer's exam lifecycle
- Provision of secure, seamless and hassle free e-marking, e-testing and data analysis

### WHY CUSTOMERS CHOOSE US

- Trusted supplier
- We manage the end-to-end e-marking and e-testing lifecycle
- We innovate via proprietary and best-in-class partner solutions
- We understand the relationship between high stakes assessment and technology

### RM EDUCATION

## TRUSTED SOFTWARE AND SERVICES PARTNER FOR SCHOOL LEADERS



Recurring annuity revenues were over 60% in 2016 – a significant increase since 2013 levels (36.5%).

### **KEY ATTRIBUTES**

- c. 7,000 customers
- Full IT outsourcing to 700+ customers
- Direct sales business model
- UK market leader
- c. 900 staff, 30% in India
- Annuity-based revenues above 60%

### WHAT WE DO

- IT outsourcing for UK schools and colleges
- Cloud-based SaaS solutions
- Software and services that help improve technology use in the classroom



### HOW WE ADD VALUE

- Save schools money on their IT spend
- Help schools to make the most of their IT investment
- Moving to a predictable recurring revenue model

### WHY CUSTOMERS CHOOSE US

- Trusted and established brand
- Our depth and breadth of technology understanding
- National footprint

### STRATEGIC REPORT



RM plc is a leading education resources, software and services group. The education sector remains the Company's focus as we target delivering sustainable shareholder returns with a resilient and efficient operating model. RM is now delivering double-digit adjusted operating margins and a high return on capital employed.

### **OPERATING REVIEW**

The Group is structured in three operating divisions, each with its own managing director and management team with some staff functions provided centrally. Approximately 36% (2015: 33%) of Group headcount is based in India, providing support services and software development to the operating divisions.

### RM RESOURCES

The RM Resources Division consists of the operating business TTS.

TTS provides education resources used in schools through a predominantly direct marketing business model with goods supplied from large, centralised UK distribution centres. Products supplied are a mix of third party branded and TTS own IPR items manufactured by a network of third party suppliers with a focus on specialist curriculum resources.

The Division's strategy is to grow its market share in the provision of resources to schools, early years and special educational needs markets via direct catalogue and online sales, both in the UK and internationally.

After several years of growth RM Resources revenues decreased by 7.4% to £58.8 million (2015: £63.5 million), with a decline in UK sales partially offset by continued international revenue growth. The decline in the UK was driven by much tighter budgets in primary schools and the end of curriculum change spend that had benefitted FY14 and FY15. International now represents over 20% of revenue in this Division.

Divisional adjusted operating margins remained stable at 17.3% (2015: 17.5%) reflecting the cost reduction activity undertaken once it was clear that schools and nurseries would spend less on curriculum resources in the year. Adjusted operating profit was £10.2 million (2015: £11.1 million).

### TTS UK

Revenue in the UK declined by 10.6% to £46.8 million (2015: £52.2 million). The market has been significantly down this year, impacted by one-off unfunded increases in teacher pension and National Insurance costs that had to be absorbed within primary school budgets. The Company estimates that the market for specialist curriculum resources, an area in which TTS has historically been very strong, has declined by 11% as primary schools and nurseries focus their resources budgets on commodity items, essential in this tighter budgetary environment.

The Company continues to invest in the TTS online channel. Online orders now make up 35.2% of UK direct marketing sales.

The Board expects the UK education resources market to continue to be tough as a result of increased pressure on the discretionary element of school budgets. The Company's focus continues to be on maintaining sector leading margins while looking to retain its strong market position as a specialist curriculum resources supplier.

THE GROUP IS
NOW DELIVERING
DOUBLE-DIGIT
ADJUSTED
OPERATING
MARGINS

### TTS INTERNATIONAL

Revenue from international sales to overseas resellers and international schools increased by 7.5% to £12.0 million (2015: £11.1 million). This was driven by strong growth of TTS own IPR products through reseller channels more than offsetting a decline in sales to international schools in which the prior year benefitted from a large order, in excess of £1 million, from a customer in the Middle East which was not repeated. The Board expects international revenues to continue to grow in the coming year.

### RM RESULTS

The RM Results business provides IT software and services to exam boards and professional awarding bodies to allow e-assessment through the use of on-screen exam marking (e-marking) and on-screen testing (e-testing). In addition, the Division manages and analyses educational data on behalf of the UK central government.

The strategy is to grow the e-assessment business through expanding the scope of solutions to existing customers and to win new customers in both the UK and overseas markets. Software and services are provided through a combination of proprietary and third party, in-house and outsourced arrangements. Internationally, the business is expected to develop through partnerships and software licensing rather than as a service based activity.

Revenue increased by 2.9% to £31.6 million (2015: £30.7 million). The e-assessment part of the business grew strongly by 10.8% which more than offset the planned reduction in the Data business (15.0%). Adjusted operating margins increased further to 21.5% (2015: 18.1%). Adjusted operating profit increased by 21.4% on the prior year to £6.8 million (2015: £5.6 million).

During the year the business successfully secured several new contracts and extensions to existing contracts including a new five year e-testing contract with the Institute of Chartered Accountants in England and Wales (ICAEW). ICAEW has been a customer for e-marking for a number of years and RM Results now provides them with an end-to-end e-assessment offering.

In November 2016, the Council for Curriculum, Examinations and Assessment in Northern Ireland (CCEA) signed a contract for the provision of e-marking services for a further two years.

During the year the contract with the Scottish Qualifications Authority to provide e-marking services for exam scripts in Scotland was extended to February 2018 with the option to extend by a further year.

In July 2016 a five year contract to develop and operate an e-assessment platform for the delivery of English Language tests in 130 countries was signed with Cambridge Assessment.

In addition to the above RM Results has been selected as the Preferred Bidder for the provision of a Global Assessment Platform to Oxford University Press' (OUP) English Language Teaching division. The proposed five year contract provides item and test authoring, online test delivery and online marking of a range of OUP English Language testing products through an integrated technology platform.

The Data business is heavily dependent on the Department for Education, principally through the National Pupil Database contract. RM Results and the Department for Education are in positive discussions over RM continuing to provide data related services to the Department for Education.

The Board is targeting the growth opportunities in e-assessment to more than outweigh reduced revenues in the Data business, thereby allowing the Division to maintain good operating margins.

### RM EDUCATION

RM Education is a UK-focussed business supplying IT software and services to schools and colleges.

After several years of double-digit revenue decline, following the move away from hardware and a reduction in new school openings under the Building Schools for the Future (BSF) programme, revenue decline slowed significantly to 4.0%. The Division turned over £77.0 million (2015: £80.2 million). Adjusted operating profit margins increased to 7.6% (2015: 6.8%). Adjusted operating profit increased to £5.8 million (2015: £5.5 million).

The Division's strategy is to move increasingly to recurring revenue streams while improving margins. The business is successfully delivering this strategy through the increasing adoption of its portfolio of services and software products by existing and new UK school and college customers. Recurring annuity revenues were over 60% in 2016 which has increased significantly since 2013 levels (36.5%).

Market trends affecting the business include the demand from schools for solutions which are low-cost yet can cope with an increasingly diverse range of technologies. In addition, in the last five years, purchasing decisions in England have been increasingly devolved to schools, away from central government and local authorities. RM Education is starting to see an evolving trend of schools who

are part of Multi-Academy Trust chains (MATs) looking to source IT centrally as a MAT, therefore representing a return towards a more aggregated purchasing model.

The RM Education business is made up of Managed Services – IT outsourcing (43% of revenue), Digital Platforms – cloud-based software offerings (9%) and Infrastructure (48%) – generally lower margin solutions aimed at schools who want to run their own IT. The primary focus for this business going forward is in the Managed Services and Digital Platform areas. During the year the Infrastructure part of this Division was restructured away from some of the lowest margin transactional elements such as network infrastructure, network installation and third party hardware sales. This led to a reduction of c. 10% of RM Education's UK staff and a one-off exceptional charge in the year of £1.6 million.

### MANAGED SERVICES

The Managed Services offering is primarily the provision of full IT outsourcing services to UK schools and colleges. Managed Services revenues increased by 2.8% to £33.1 million (2015: £32.2 million). Retention rates of existing customers increased during the year to 97%. In addition, 54 new schools signed managed services contracts in the year.

A proportion of the Division's managed service contracts are subject to long-term project accounting policies, in particular those relating to BSF. Consequently, as these contracts progress towards completion, profits continue to benefit from the effects of good operational performance, risk mitigation and cost control.

### DIGITAL PLATFORMS

These include established products such as RM Integris (RM's cloud-based school management system) as well as newer offerings including RM Unify. Digital Platforms revenues decreased by 9.1% to £7.0 million (2015: £7.7 million) as legacy products such as RM Easiteach and RM Easimaths come to their natural end of life. Underlying sales in RM Integris and RM Unify, the two cloud platforms that the Company is investing in, together grew by 3.5% to £6.1 million.

Going forward, the priority areas of focus are on winning new RM Integris primary, secondary and Multi-Academy Trust customers and on progressing the RM Unify proposition and profile through embedding and expanding system usage amongst existing customers, alongside ensuring the renewal of our Scottish schools digital network contract (Glow) in December 2017, which constitutes a large proportion of the current RM Unify user base.

### INFRASTRUCTURE

Infrastructure is a very tight margin business including the tools, products and services to help schools manage their own IT. Revenues decreased by 8.2% to £37.0 million (2015: £40.3 million) as the Division continues to move away from lower margin transactional business. As highlighted above, during the year the Division restructured this area and reduced the UK workforce. This acceleration of exiting some of the lowest margins elements of the Infrastructure business will not alter the overall profitability of this area but will see revenue decline by double digits in 2017.

### RM INDIA

As at 30 November 2016, RM's operation in Trivandrum accounted for 36% of Group headcount (2015: 33%).

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

### **EMPLOYEES**

Average Group headcount for the year was 1,822 (2015: 1,860), which is comprised of 1,634 (2015: 1,645) permanent and 188 (2015: 215) temporary or contract staff, of which 1,173 (2015: 1,294) were located in the UK and 649 (2015: 566) in India. At 30 November 2016 headcount was 1,731 (2015: 1,899).

The following table sets out a more detailed summary of the permanent staff employed as at 30 November 2016:

	Male	Female
Executive Directors	2 (100%)	0 (0%)
Senior Managers (excluding Executive Directors)	42 (76%)	13 (24%)
All employees	1,063 (67%)	528 (33%)

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

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

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

### **ACQUISITION**

As announced on 7 February 2017, the Company has agreed to buy the Education & Care business of Connect Group PLC, for a purchase price of £56.5 million. Completion is conditional inter alia upon shareholder approval and clearance from the Competition & Markets Authority. This acquisition, which is expected to complete in the first half of 2017, would complement the existing TTS business and is expected to be accretive to the Company's adjusted earnings per share in the first year.

### GROUP FINANCIAL PERFORMANCE

Group revenue declined by 5.9% to £167.6 million (2015: £178.2 million) as anticipated on a statutory basis and by 4.0% to £167.5 million (2015: £174.5 million) on a like-for-like adjusted basis excluding exited businesses.

Details of the adjustments to operating profit quoted within this report can been seen in note 5 to the financial statements.

To provide a better understanding of underlying business performance, amortisation charges relating to acquisition related intangible assets, share-based payment charges, restructuring provision movements, acquisition costs and other items of an exceptional nature have been disclosed in an adjustments column in the income statement to give 'Adjusted' results. Note 5 to these financial statements identifies these adjustments highlighting recurring and non-recurring items.

Adjusted operating profit margins increased again this year from 10.2% in 2015 to 11.1%. Despite the decline in revenue, adjusted operating profit increased to £18.8 million (2015: £18.2 million). On a statutory basis, operating profit was £15.9 million (2015: £19.6 million), with adjustments principally being a provision of £1.6 million for restructuring, £0.5 million of acquisition costs and share-based payments charges of £1.0 million. In 2015, there was a provision release associated with an onerous lease property contract which improved operating profits by £2.4 million.

The Group generated an unadjusted statutory profit before tax of £15.1 million (2015: £19.2 million).

The total tax charge within the income statement for the year was £3.5 million (2015: £4.3 million). The Group's tax charge for the period, measured as a percentage of profit before tax, was 23% (2015: 22%). The increase is principally due to a higher level of expenses that are not deductible for tax purposes, primarily due to the capital costs related to the disposal of Space Kraft Limited in December 2015, and timing differences which offset the reduction in the UK corporate tax rate. Adjusted basic earnings per share were 17.4 pence (2015: 16.2 pence). Statutory basic earnings per share were 14.4 pence (2015: 18.5 pence) and statutory diluted earnings per share were 14.4 pence (2015: 17.8 pence).

RM generated cash from operations for the year of £13.4 million (2015: £10.9 million), which represents a cash conversion from operating profit of 84%. Cash and short-term deposits decreased to £40.0 million (2015: £48.3 million) despite payments of £12.0 million in the year to the Company's Defined Benefit Pension Scheme, which included a one-off £8.0 million payment which was part of the 2015 triennial valuation. The lowest cash and short-term deposit position during the year due to seasonal cash flows was £19.4 million.

Cash generated from operations is expected to continue to be less than operating profit in the year ahead, reflecting the reversal of a favourable working capital position related to long-term contracts.

### DIVIDENDS

The total dividend paid and proposed for the year has been increased by 20% to 6.00 pence per share (2015: 5.00 pence). This is comprised of the interim dividend of 1.50 pence per share and, subject to shareholder approval, a proposed final dividend of 4.50 pence per share. The estimated total cost of normal dividends paid and proposed for 2016 is £4.9 million (2015: £4.1 million). This increased dividend proposal reduces the dividend cover ratio from 3.2 to 2.9 times.

### DEFINED BENEFIT PENSION SCHEME

At 30 November 2016, the IAS 19 scheme deficit (pre-tax) was £34.8 million (2015: £21.9 million). This increase in Scheme deficit results primarily from a reduction in the discount rate to

3.00% from 3.85% in the previous year, following a significant reduction in UK corporate bond yields over that period, resulting in a higher present value of liabilities of the Scheme.

### IMPACT OF THE EU REFERENDUM VOTE

The change in economic conditions following the June 23rd referendum decision on the UK's membership of the EU has had two immediate impacts. First, the Group has foreign currency denominated costs that outweigh foreign currency denominated revenues and, as a consequence of the changes in exchange rates, has identified a circa £2 million potential impact from this exposure in the year ending 30 November 2017. The Group will look at actions to mitigate a proportion of the increased costs. In 2016 we were protected against these movements as a result of our hedging arrangements that were in place.

Secondly, changes in UK Gilt rates that have followed the referendum result have also had a negative impact on the IAS 19 valuation of the Company's Defined Benefit Pension Scheme.

The referendum result has not changed the UK Government's policy of ring fencing funding for priority areas and, therefore, there is no foreseen impact on education funding.

### GOING CONCERN

The financial position, cash flows and liquidity position are described in the financial statements and the associated notes. In addition, the notes to the financial statements include RM's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit and liquidity risk. Having reviewed the future plans and projections for the business, the principal risks that could impact on the Group's liquidity and solvency over the next 12 months and its current financial position, the Board believes that RM is well placed to manage its business risks successfully. Therefore, the Board has a reasonable expectation that RM has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

In relation to the proposed acquisition of the Education & Care business of Connect Group PLC detailed earlier in this Strategic Report, the Group has secured a £75 million revolving credit facility with Barclays Bank plc and HSBC Bank plc in anticipation of the completion of the acquisition. As is usual for such a facility, there are financial covenants that will need to be adhered to over the term of the lending. The Directors have carried out additional due diligence and consider that, should the transaction complete within the timeframe that is currently envisaged, the combined group will be able to comply with the terms of these arrangements. Further details are given in the Directors' Report.

### FINANCIAL VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, in addition to an assessment of going concern, the Directors have also considered the prospects of the Company over a longer time period. The period of assessment chosen is three years, which is consistent with the time over which the Company's medium-term financial plans are prepared. These financial plans include income statements, balance sheets and cash flow statements. They have been assessed by the Board in conjunction with the principal risks of the Company, which are documented within the Principal Risks and Uncertainties section below, along with their mitigating actions.

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

- Public policy risk UK education policy priority changes or restrictions in government funding due to fiscal policy.
- 2. Operational execution including:
  - a. RM Results' operational performance over peak examination marking periods;
  - Significantly increased working capital requirements within the RM Education and RM Results long-term contract portfolios and requirements in evolving RM Education business models;

- Major adverse performance in a key contract or product which results in negative publicity and which damages the Group's brand.
- 3. Business continuity an event impacting the Group's major buildings, systems or infrastructure components. This would include a major incident at TTS's main warehouse.
- 4. Strategic risks loss of a significant contract which underpins an element of a division's activity.
- 5. Defined Benefit Pension Scheme funding of the Scheme deficit in adverse market conditions.

Having assessed the above risks, singularly and in combination, and via sensitivity analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of assessment and are not aware of any reason why viability would be an issue for the foreseeable period after this.

In relation to the proposed acquisition of the Education & Care business of Connect Group PLC detailed earlier in this Strategic Report, the Directors have, as part of the acquisition working capital due diligence, considered the additional risks that could arise as a result. These include considering the impact of the additional £75 million facility that will be used to finance the acquisition. Having completed the analysis and considered those risks, the Directors have a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over the three year period of assessment and are not aware of any reason why the Company's viability would be an issue for the foreseeable period after this.

### ENVIRONMENTAL MATTERS

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

### PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are reviewed by the Executive Committee, Audit Committee and Board. The Board confirms that it has carried out a robust assessment of the principal risks facing the Group and appropriate processes have been put in place to monitor and mitigate them, further details of which are given in the Corporate Governance Report. The key business risks for the Group are set out in the table below.

Risk	Description and likely impact	Mitigation	
Public policy	The majority of RM's business is funded from UK government sources. Changes in political administration, or changes in policy priorities, might result in a reduction in education spending, leading	The Company seeks to understand the education policy environment by regular monitoring of policy positions and by building relationships with education policy makers.  The Group's three divisions have diverse revenue streams and product/service offerings.	
	to a decline in market size.  UK government funding in the education sector is constrained by fiscal policy.		
	Global economic conditions might result in a reduction in budgets available for public spending generally and education spending specifically.	The Company's strategy is to focus on areas of education spend which are important to meet customers' objectives. Where the revenues of an individual business is in decline, management seeks to ensure that the cost base is adjusted accordingly.	
Education practice	Education practices and priorities may change and, as a result, RM's products and services may no longer meet customer requirements, leading to a risk of lower revenue.	The Company seeks to maintain knowledge of current education practice and priorities by maintaining close relationships with customers.	
Operational execution	RM provides sophisticated products and services, which require a high level of technical expertise to develop and support, and on which its customers place a high level of reliance. Any significant operational failure would result in reputational damage and increased costs.  RM is engaged in the delivery of large, multi-year projects, typically involving the development and integration of complex ICT systems, and may have liability for failure to deliver on time.	The Company invests in maintaining a high level of technical expertise.  Internal management control processes are in place to govern the delivery of projects, including regular reviews by relevant management. The operational and financial performance of projects, including future obligations, the expected costs of these and potential risks are regularly monitored by management.	

Risk	Description and likely impact	Mitigation
Data and business continuity	RM is engaged in storing and processing personal data, where accuracy, privacy and security are important.  Any significant security breach could damage reputation and impact future	The Company's IS function has invested in developing its Data Centres, and has been successfully certified to ISO/IEC 27001:2005 for the provision of systems, information and hosting services.
	profit streams.  The Group would be significantly impacted if, as a result of a major incident, one of its major buildings, systems or infrastructure components could not function for a long period of time.	The Company has established a Group Security and Business Continuity Committee to oversee the security aspects of the Group's information systems. This covers data integrity and protection, defence against external threats (including cyber risks) and disaster recovery.
		The Group seeks to protect itself against the consequences of a major incident by implementing a series of back up and safety measures.
		The Group has property and business interruption insurance cover
People	RM's business depends on highly- skilled employees. Failing to recruit or retain such employees could impact operationally on the Company's ability to deliver contractual commitments.	The Company seeks to be an attractive employer and regularly monitors the engagement of its employees. The Company has talent management and career planning programmes.
Innovation	The IT market is subject to rapid, and often unpredictable, change. As a result of inappropriate technology choices, the Group's products and services might become unattractive to its customer base.	The Company monitors technology and market developments and invests to keep its existing products, services and sales methods up-to-date, as well as seeking out new opportunities and initiatives.
	The Group's continued success depends on developing and/or sourcing a stream of innovative and effective products for the education market and marketing these effectively to customers.	The Group works with teachers and educators to understand opportunities and requirements.
Dependence on key contracts	The performance of the RM Education and RM Results Divisions are dependent on the winning and extension of long-term contracts with government, local authorities, examination boards and commercial customers.	The Company invests in maintaining a high level of technical expertise and on building effective working relationships with its customers. The Company has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction.

Risk	Description and likely impact	Mitigation
Pension	The Group operates a defined benefit pension scheme in the UK, which is in deficit. The scheme deficit can adversely	The Scheme was closed to new entrants in 2003 and closed to future accrual of benefits in October 2012.
	impact the net assets position of the trading subsidiary RM Education Ltd.	A pension escrow account was established in 2014 to fund risk mitigation exercises. The first of these was completed in October 2014 with the purchase of a pensioner buy-in from an insurance company and in the year a flexible retirement option exercise was conducted.
		The Company evaluates risk mitigation proposals with the Scheme trustee.
Financial – capital	The Company's ability to pay dividends to shareholders depends on having sufficient distributable reserves in the holding company, RM plc. The Group is reliant on continued dividend distribution from subsidiaries, principally TTS, and ensuring no significant impairment of RM plc's carrying assets.	The Company monitors the level of distributable reserves in RM plc and subsidiary companies and considers their ability to make dividend payments, via the holding company, to the shareholders.

### **David Brooks**

Chief Executive Officer 7 February 2017

### DIRECTORS' BIOGRAPHIES

### JOHN POULTER

Chairman (a) (r) (n)

John Poulter (74) was appointed as Non-Executive Chairman of RM plc on 1 May 2013. He is also Chairman of the Nomination Committee of the Board. Mr Poulter is a former Chairman of 4imprint Group plc and a former Chairman and former Chief Executive of Spectris plc. He has also been a Non-Executive Director of a number of public and private companies including FTSE 250 constituents BTP plc, RAC plc and Kidde plc.

### LORD ANDREW ADONIS

Independent Non-Executive Director (a) (r) (n)

Lord Andrew Adonis (53) joined the Board on 1 October 2011. He served 12 years in government as a Minister and special adviser, including as Secretary of State for Transport, Minister for Schools, Head of the No.10 Policy Unit, and senior No. 10 adviser on education, public services and constitutional reform. Before joining government, he was Public Policy Editor of the Financial Times. Lord Adonis is Interim Chair of the National Infrastructure Commission, and Non-Executive Director of Dods (Group) PLC and a number of charitable organisations.

### **DAVID BROOKS**

Chief Executive Officer

David Brooks (47) was appointed Chief Executive Officer of RM plc on 1 March 2013, having been appointed to the Board as Chief Operating Officer on 1 July 2012. He originally joined RM, with a degree in computing, on the Group's graduate scheme. He has gained extensive experience in the education sector across many parts of the RM Group and is an alumnus of the Harvard Business School Advanced Management Programme.

### PATRICK MARTELL

Independent Non-Executive Director (a) (r) (n)

Patrick Martell (53) joined the Board on 1 January 2014 as a Non-Executive Director and was appointed Chairman of the Remuneration Committee on 19 March 2014. Mr. Martell is a former Group CEO of St Ives plc, having joined in 1980. He was appointed to the Board of St Ives plc on 1 August 2003 and held the position of Managing Director, Media Products and Managing Director, UK Operations from 2006 to 2009, at which point he was appointed Group CEO. Mr. Martell is currently Chief Executive of the Business Intelligence Division of Informa plc and CEO of Penton Information Services (recently acquired by Informa plc).

### **NEIL MARTIN**

Chief Financial Officer

Neil Martin (44) joined the Company and the Board on 28 September 2015. Prior to joining RM, he was CFO for UK and Ireland for the Adecco Group, the leading provider of HR solutions listed on the Swiss Stock Exchange. He was CFO at the UK listed, IT staffing company, Spring plc until it was acquired by Adecco in 2009. Mr Martin started his career by spending seven years at Exxon Mobil.

### **DEENA MATTAR**

Senior Independent Non-Executive Director (a) (r) (n)

Deena Mattar FCA (51) joined the Board on 1 June 2011 as a Non-Executive Director and was appointed Chairman of the Audit Committee on 2 March 2012. She served as Group Finance Director of Kier Group plc from 2001 to 2010, having joined the Group in 1998 as Finance Director of Kier National. Prior to this she held senior positions at KPMG. Ms Mattar is also a Non-Executive Director and Chairman of the Audit Committee of Wates Group Ltd, an Independent Non-Executive on the Partnership Oversight Board of Grant Thornton UK LLP and, until its recent sale to Schneider Electric, she was a Non-Executive Director and Chairman of the Audit Committee for Invensys plc. She is also a former Non-Executive Director of Lamprell plc.

Committee membership as at the date of this report:

- (a) Audit Committee Member
- (r) Remuneration Committee Member
- (n) Nomination Committee Member

### DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated and Company financial statements for the year ended 30 November 2016.

The Corporate Governance Report is incorporated into this report by reference.

### DIVIDENDS

The total dividend paid and proposed for the year has been increased by 20% to 6.00 pence per share (2015: 5.00 pence per share). This is comprised of the interim dividend of 1.50 pence per share paid in September 2016 and, subject to shareholder approval, a final dividend of 4.50 pence per share.

### TREASURY AND FOREIGN EXCHANGE

The Group has in place appropriate treasury policies and procedures, which are approved by the Board. The treasury function manages interest rates for both borrowings and cash deposits for the Group and is also responsible for ensuring there is sufficient headroom against any banking covenants contained within its credit facilities, and for ensuring there are appropriate facilities available to meet the Group's strategic plans.

In order to mitigate and manage exchange rate risk, the Group routinely enters into forward contracts and continues to monitor exchange rate risk in respect of foreign currency exposures.

All these treasury policies and procedures are regularly monitored and reviewed. It is the Group's policy not to undertake speculative transactions which create additional exposures over and above those arising from normal trading activity.

### ENVIRONMENTAL POLICY AND REPORTING

The Group recognises that its activities must be carried out in an environmentally friendly and compliant manner. Good standards of environmental performance are adopted to minimise the potential negative environmental impact of products and processes and also to promote sustainability. These actions include efficient utility usage, waste reduction/recycling and use of energy saving features in products.

The Group is required to report Scope 1 and 2 emissions for all Group companies within the Annual Report and has elected to report emissions for the year to 30 September 2016.

Set out below are all of the emission sources required to be reported under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

The GHG Protocol Corporate Accounting and Reporting Standard (revised edition) has been applied. The figures include emissions arising from all financially controlled assets, as well as business travel arising from air and other vehicle use.

All emissions factors have been selected from the emissions conversion factors published annually by Defra (which can be found at www.gov.uk/measuring-and-reporting-environmental-impactsguidance-for-businesses).



### **Emissions by scope**

Year ended 30 September 2016

Year ended 30 September 2015

Scope	Source	Country	Tonnes CO <sub>2</sub> e	Absolute totals Tonnes CO₂⊖	Tonnes ${ m CO}_{\scriptscriptstyle 2}\!{ m \bf e}$	Absolute totals Tonnes ${ m CO}_2{ m \bf e}$
Scope 1	Air travel	UK	681		1,017	
	Air travel	India	276		350	
	Van/car travel	UK	676		658	
	Van/car travel	India	164		115	
	Gas	UK	467	2,264	689	2,829
Scope 2	Electricity and gas	UK	964		2,227	
	Electricity and gas	India	791	1,756	713	2,940
Total				4,020		5,769

Emissions have also been analysed using an intensity metric, which will enable the Company to monitor how well emissions are controlled on an annual basis, independent of fluctuations in the levels of activity. The metric used is 'emissions per full-time equivalent (FTE) employee'. The Group's emissions per employee are shown in the table below.

Tonnes CO <sub>2</sub> e-/employee	Year ended 30 September 2016	Year ended 30 September 2015
Scope 1	1.25	1.56
Scope 2	0.97	1.62
Total	2.21	3.18

### **HEALTH AND SAFETY**

The Group has implemented a health and safety management system which aims to continually improve health and safety implementation and is designed to meet the requirements of OHSAS 18001. The following objectives are incorporated into the health and safety management system:

- Accident reduction
- Raising health and safety awareness
- Effective training
- Risk reduction and management

### **POLITICAL DONATIONS**

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

### RESEARCH AND DEVELOPMENT

The Company continues to develop and maintain its existing software development products whilst staff work to develop new and more effective systems and products. The Company incurred £8.3 million of research and development in the year which was expensed in the income statement (2015: £7.1 million). This relates to product enhancement and research.

### SUBSTANTIAL SHAREHOLDINGS

On 7 February 2017 the Company had received notifications that the following parties were interested in accordance with DTR 5:

Shareholder	No. of shares	Percentage of Issued Share Capital as at 7 February 2017	No. of shares Direct	No. of shares Indirect
Schroders Investment Management Ltd	16,478,778	19.94%	16,478,778	0
Aberforth Partners	14,669,375	17.75%	0	14,669,375
Artemis Investment Management LLP	11,796,816	14.27%	0	11,796,816
Majedie Asset Management Ltd	5,280,817	6.39%	0	5,280,817
The Wellcome Trust Ltd	4,798,752	5.81%	0	4,798,752
Ennismore Fund Management Limited	3,125,000	3.78%	0	3,125,000
Fidelity International	3,109,433	3.76%	0	3,109,433

### THE TAKEOVERS DIRECTIVE

The Company has one class of share capital, ordinary shares. All the shares rank pari passu. There are no special control rights in relation to the Company's shares. As at 30 November 2016, the RM plc Employee Share Trust owned 1,326,100 ordinary shares in the Company (1.60% of the issued share capital); any voting or other similar decisions relating to those shares would be taken by the Trustees, who may take account of any recommendation of the Board of the Company.

The Group enters into long-term contracts to supply ICT products and services to its customers. Wherever possible, these contracts do not have change of control provisions, but some significant contracts do include such provisions.

In January 2012 the Group entered into a £30 million revolving credit facility with Barclays Bank plc, which has been extended to April 2019 (the "Current Facility"). As noted elsewhere in this Annual Report, on 7 February 2017, the Company agreed to acquire the Education & Care business of Connect Group PLC (the "Acquisition"). In connection with the Acquisition, the Company has entered into a £75 million revolving credit facility (the "New Facility") with Barclays Bank plc and HSBC Bank plc. Completion of the Acquisition is conditional upon, among other things, clearance being received from the Competition and Markets Authority and shareholder approval. The New Facility will become available upon completion of the Acquisition and will expire 36 months from such date. If the Acquisition does not complete for any reason, the New Facility will not come into effect and the Current Facility will remain in force unaffected. Both the Current Facility and the New Facility are subject to termination in the event of change of control of the Company or the de-listing of any part of the share capital of the Company from the Official List.

### REPURCHASE OF OWN SHARES

At the Annual General Meeting held on 23 March 2016, members renewed the authority under section 701 of the Companies Act 2006 to make market purchases on the London Stock Exchange of up to 8,265,001 ordinary shares, being 10% of the issued share capital of the Company. The minimum price which may be paid for each share is the nominal value. The maximum price which may be paid for a share is an amount equal to the higher of (1) 5% above the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased and (2) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. This authority has not been used since the Annual General Meeting.

The Directors will seek to renew this authority at the next Annual General Meeting scheduled for 22 March 2017.

### **OVERSEAS BRANCHES**

The Group has no overseas branches.

### **DIRECTORS**

Details of those Directors who have held office during the financial year and up to the date of signing this report and any changes since the start of the financial year are given below:

John Poulter

Lord Andrew Adonis

David Brooks

Patrick Martell

Neil Martin

Deena Mattar

Biographical details of the current Directors are given in the Directors' Biographies section of the Annual Report. At the forthcoming Annual General Meeting all Directors other than Lord Andrew Adonis will stand for re-election in accordance with best practice and guidance set out in the UK Corporate Governance Code. Lord Andrew Adonis's term of appointment expires in September 2017, at which point he will retire, and so he is not standing

for re-election at the Annual General Meeting. The Directors who are proposed for re-election have either a letter of appointment or a service contract, details of which can be found in the Remuneration Report.

The Group has provided indemnity insurance for one or more of the directors during the financial year and at the date of signing this report. The Directors also have the benefit of a Deed of Indemnity in respect of liabilities which may attach to them in their capacity as Directors of the Company. These provisions are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006.

### INDEPENDENT AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

As far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and each of the Directors have taken reasonable steps in order to make themselves aware of relevant audit information and to establish that the Company's auditor is aware of that information.

A resolution to reappoint KPMG LLP as auditor of the Company will be proposed at the next Annual General Meeting.

### DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable UK law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Company financial statements on the same basis. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Remuneration Report, Corporate Governance Report and Audit Committee Report that complies with that law and those regulations.

Each of the Directors, whose names and functions are listed at the front of the Annual Report, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the information contained in the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

A copy of the Group financial statements is posted on the Group's website (www.rmplc.com). The Directors are responsible for the maintenance and integrity of the Group's website and the financial information included on the website. Information published on the website is accessible in many countries with differing legal requirements but only legislation in the United Kingdom governing the preparation and dissemination of financial statements applies to the Group.

### ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting will be held on 22 March 2017 at 140 Eastern Avenue, Abingdon, Oxfordshire OX14 4SB, at the time set out in the Annual General Meeting notice. The notice of the Annual General Meeting contains the full text of the resolutions to be proposed.

By Order of the Board

### **Greg Davidson**

Company Secretary 7 February 2017

### CORPORATE GOVERNANCE REPORT

### INTRODUCTION FROM THE CHAIRMAN

As Chairman, I am responsible for ensuring that the Company has high standards of corporate governance. On behalf of the Board, I confirm that the Company has complied with the provisions of the UK Corporate Governance Code 2014 (the "Code") throughout the 12 month period ended 30 November 2016. How we have applied the principles of the Code is set out in the table below.

The Code itself provides a framework for corporate governance and, irrespective of the Code, the Board tries to foster throughout the organisation a culture of open and honest communication, constructive challenge and proper division of responsibilities, all set within a structure containing appropriate checks and balances. The Board sees this as a positive contributor to effective business operations.

This Corporate Governance Report provides a summary of the arrangements that are in place and the above is intended to set the context within which those arrangements operate and the importance placed on them by the Board.

### John Poulter

Chairman

### COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2014

### **Code of Best Practice - Principles**

### **RM Statement of compliance**

### A DIRECTORS

### A1 The Role of the Board

Every company should be headed by an effective board which is collectively responsible for the success of the company.

The Directors' responsibilities are outlined in the Directors' Report. The Board meets regularly on a formal basis plus additional ad hoc meetings as necessary. Further details of the operation of the Board and the structure of internal governance arrangements are referred to below.

### A2 Division of Responsibilities

There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.

There is a clear distinction between the role of the Non-Executive Directors on the Board, which is chaired by the Chairman, and the Chief Executive Officer and Chief Financial Officer, who have executive responsibility for the running of the Company's business.

### A3 The Chairman

The Chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.

The Chairman sets the Board's agenda and ensures that adequate time is available for the discussion of all agenda items. The Chairman promotes a culture of openness and debate. He also ensures constructive relations between the Executive Directors and the Non-Executive Directors. The Chairman ensures effective communication with shareholders.

The Chairman meets the independence criteria.

### **A4** Non-Executive Directors

As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.

The Non-Executive Directors scrutinise strategic proposals for the Group and monitor performance on an ongoing basis. The controls in place to ensure the integrity of financial information and systems of risk management are described elsewhere in the Annual Report.

### **B** EFFECTIVENESS

### **B1** The Composition of the Board

The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.

The Board consists of the Chief Executive Officer and Chief Financial Officer plus, currently, four Non-Executive Directors including the Chairman. All of the Non-Executive Directors are considered by the Board to be independent of the management of the Company and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Directors have a combination of financial, business and educational expertise which is suited to the nature of the Company.

### B2 Appointments to the Board

There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.

A separate Nomination Committee, comprised of all Non-Executive Directors, including the Chairman, is responsible for identifying and nominating candidates to fill Board vacancies. While the Chairman chairs the Nomination Committee, the Senior Independent Director would do so if the Committee was dealing with the appointment of a new Chairman.

### **B3** Commitment

All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively. The Board ensures that on appointment and thereafter all Directors have sufficient time to carry out their duties.

### **B4** Development

All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.

All Directors receive an induction on joining the Board.

All Directors have extensive experience and possess relevant skills and knowledge to perform their duties.

### **B5** Information and Support

The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

The Board is supplied with monthly management accounts and detailed operational reviews.

All Directors have access to the advice and services of the Company Secretary or suitably qualified alternative, and all the Directors are able to take independent professional advice, if necessary, at the Company's expense. All Directors are also invited to attend meetings of the Executive Committee and have access to managers within the Group.

### Code of Best Practice - Principles

### **RM Statement of compliance**

### **B6** Evaluation

The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

The performance of the Board and each Board Committee is reviewed on an annual basis and a review was conducted during the year ended 30 November 2016.

The performance of the Chairman is assessed by the Non-Executive Directors led by the Senior Independent Director. The Senior Independent Director also meets with the Non-Executive Directors without the Chairman being present on such other occasions as considered appropriate.

The performance of the Chief Executive Officer is assessed by the Chairman, in consultation with the other Non-Executive Directors. The performance of the Chief Financial Officer is assessed by the Chief Executive Officer, in consultation with the Chairman and other Non-Executive Directors.

The Chairman also holds meetings with the Non-Executive Directors without the Executive Directors present when considered appropriate.

### B7 Re-election

All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

All Directors are appointed for specific terms subject to annual re-election.

### C ACCOUNTABILITY

### C1 Financial and Business Reporting

The board should present a fair, balanced and understandable assessment of the company's position and prospects.

In preparing the Annual Report to shareholders, the Directors consider that they present a summarised but fair, balanced and easily understood assessment of the Group's performance and position and provide guidance on its future prospects.

### C2 Risk Management and Internal Control

The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.

The Company operates a risk management and internal control process, further details of which are given elsewhere in this Report. This process is reviewed at least on an annual basis. The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company. Further details of those risks are in the Strategic Report.

### C3 Audit Committee and Auditors

The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.

The Audit Committee is comprised of Non-Executive Directors and meets at least three times a year. The Chief Executive Officer and Chief Financial Officer are invited to attend. The Audit Committee meets separately with the Company's auditor without the Executive Directors present. Further details are set out in the Audit Committee Report.

### D REMUNERATION

### D1 The Level and Components of Remuneration

Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.

The Remuneration Committee carefully considers the elements of remuneration paid to Executive Directors and the basis on which they are paid. In all cases, remuneration is designed to promote the long-term success of the company. The Remuneration Report sets out further details.

During the period, neither the Chief Executive Officer nor the Chief Financial Officer held any Non-Executive positions with other companies.

### D2 Procedure

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

Remuneration packages for individual Directors are set by the Remuneration Committee after, if required, receiving information from independent sources and the Company's Human Resources function. Further details are provided in the Remuneration Report. The Chief Executive Officer and Chief Financial Officer may be invited to attend the Committee's meetings but are not involved in deciding their own remuneration. The Chairman of the Remuneration Committee is available to discuss remuneration with shareholders as required.

### **E RELATIONS WITH SHAREHOLDERS**

### E1 Dialogue with Shareholders

There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. The Chief Executive Officer and Chief Financial Officer offer meetings with major shareholders at least twice a year after the announcement of preliminary full year and interim results. The Chairman also meets with shareholders, as appropriate.

Deena Mattar is Senior Independent Director and is available to shareholders if they have concerns which contact through the normal channels has failed to resolve.

All Non-Executive Directors are available to meet institutional shareholders on an ad hoc basis.

### E2 Constructive Use of General Meetings

The board should use general meetings to communicate with investors and to encourage their participation.

All Directors make themselves available at the Annual General Meeting to respond to any questions raised by the investors in attendance.

#### **BOARD OF DIRECTORS**

The Board of Directors meets regularly to review strategic, operational and financial matters, including proposed acquisitions and divestments, and has a formal schedule of matters reserved to it for decision. It approves the interim and annual financial statements, the annual financial plan, significant Stock Exchange announcements, significant contracts and capital investment, in addition to reviewing the effectiveness of the internal control systems and business risks faced by the Group. Where appropriate, it has delegated authority to committees of Directors.

#### **BOARD COMMITTEES**

There are three Board committees: Audit, Remuneration and Nomination, each of which comprises only Independent Non-Executive Directors.

The Audit Committee is chaired by Deena Mattar. The Audit Committee is comprised solely of independent Non-Executive Directors. The Audit Committee meets at least three times a year. The Company's external auditor, Chief Executive Officer, Chief Financial Officer, Company Secretary, and the Group Financial Controller, who is Head of Internal Audit, normally attend these meetings. The Audit Committee is responsible for reviewing the accounting policies, internal control environment and the financial information contained in the annual and interim reports. It provides an opportunity for the Non-Executive Directors to make independent judgements and contributions, thus furthering the effectiveness of RM's internal controls, both financial and otherwise. Further details of the Audit Committee's activities are given in the Audit Committee Report. The terms of reference for the Audit Committee are published on www.rmplc.com.

The Remuneration Committee is chaired by Patrick Martell. The Remuneration Committee is comprised solely of independent Non-Executive Directors. Executive Directors and senior managers may be invited to attend Committee meetings but will not be present during any discussion of their own pay arrangements. The Remuneration Committee sets the remuneration of the Executive Directors and recommends and monitors the level and structure of remuneration. for senior management. It also considers grants and performance conditions under RM's sharebased payment schemes and reviews RM's employment strategy generally. Further details of the Remuneration Committee's activities are given in the Remuneration Report. The terms of reference for the Remuneration Committee are published on www.rmplc.com.

The Nomination Committee is chaired by the Chairman and includes all of the independent Non-Executive Directors. The Nomination Committee recommends to the Board candidates for appointment as Directors. It meets as required, when the Group is considering the appointment of Directors. The terms of reference for the Nomination Committee are published on www.rmplc.com.

#### **BOARD ATTENDANCE**

Details of the number of meetings of the Board and each Committee and individual attendances by Directors are set out in the table below.

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held in the period	11	3	3	0
John Poulter	11	3	3	-
Lord Andrew Adonis	7	1	2	=
David Brooks	11	n/a	n/a	n/a
Patrick Martell	11	3	3	-
Neil Martin	11	n/a	n/a	n/a
Deena Mattar	11	3	3	

#### **EXECUTIVE COMMITTEE**

The Executive Committee is chaired by the Chief Executive Officer. The Executive Committee comprises the Chief Executive Officer, Chief Financial Officer and other senior managers within the Group. The Executive Committee normally meets on a monthly basis to discuss policy and operational issues. Those issues outside the delegated authority levels set by the Board are referred to the Board for its decision. All Non-Executive Directors are invited to attend the Executive Committee.

#### RELATIONS WITH SHAREHOLDERS

In order to maintain dialogue with institutional shareholders, the Executive Directors offer to meet with them following interim and final results announcements, or otherwise, as appropriate. Other Directors are available to meet institutional shareholders on request. The Annual Report is made available on the Company's website (www.rmplc.com), and sent to shareholders, as appropriate, at least 21 days before the Annual General Meeting. Each issue for consideration at the Annual General Meeting is proposed as a separate resolution. All Directors generally attend the Annual General Meeting.

#### SOCIAL, ETHICAL AND ENVIRONMENTAL ISSUES

The Board takes regular account of the significance of social, ethical and environmental ('SEE') matters related to the Group's business of providing IT services and solutions (including software, managed services and consultancy) to educational institutions.

The Board considers that it has received adequate information to enable it to assess significant risks to the Company's short and long-term value arising from SEE matters and has concluded that the risks associated with SEE matters are minimal. The Board will continue to monitor those risks on an ongoing basis and will implement appropriate policies and procedures if those risks become significant.

#### INTERNAL CONTROL

The Group maintains an ongoing process in respect of internal control to safeguard shareholders' investments and the Group's assets and to facilitate the effective and efficient operation of the Group.

These processes enable the Group to respond appropriately, and in a timely fashion, to significant business, operational, financial, compliance and other risks, in line with the Code, which may otherwise prevent the achievement of the Group's objectives.

The Group recognises that it operates in a highly competitive market that can be affected by factors and events outside its control. Details of the main risks faced by the Group are set out in the "Principal Risks and Uncertainties" table in the Strategic Report. It is committed to mitigating risks arising wherever possible. Internal controls that are considered, applied and monitored appropriately, are an essential tool in achieving this objective.

The key elements of Group internal control, which have been effective during 2016 and up to the date of approval of the financial statements, are set out below:

- The existence of a clear organisational structure with defined lines of responsibility and delegation of authority from the Board to its Executive Directors and operating divisions
- A procedure for the regular review of reporting business issues and risks by operating divisions
- Regular review meetings with the operating management
- A planning and management reporting system operated by each division and the Executive Directors
- The establishment of prudent operating and financial policies

The Directors have overall responsibility for establishing financial and other reporting procedures to provide them with a reasonable basis on which to make proper judgements as to the financial position and prospects of the Group, and have responsibility for establishing the Group's system of internal control and for monitoring its effectiveness. The Group's systems are designed to provide Directors with reasonable assurance that physical and financial assets are safeguarded, transactions are authorised and properly recorded and material errors and irregularities are either prevented or detected with the minimum of delay. However, systems of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.

The key features of the systems of internal financial control include:

- A financial planning process with an annual financial plan approved by the Board, which plan is regularly updated providing an updated forecast for the year
- Monthly comparison of actual results against plan
- Written procedures detailing operational and financial internal control policies which are reviewed on a regular basis
- Regular reporting to the Board on treasury and legal matters
- Defined investment control guidelines and procedures
- Regular reviews by the Executive Committee
  of the Group's systems and procedures, the
  principal risks facing the Company and the steps
  taken to mitigate and address those risks
- Periodic reviews by the Audit Committee of the principal risks facing the Company and mitigating actions as noted above, as well as of the Group's systems and procedures to identify and address those risks

The majority of the Group's financial and management information is processed and stored on computer systems. The Group is dependent on systems that require sophisticated computer networks. The Group has established controls and procedures over the security of data held on such systems, including business continuity arrangements.

Both the Board and Audit Committee have reviewed the operation and effectiveness of this framework of internal control for the period and up to the date of approval of the Annual Report.

# AUDIT COMMITTEE REPORT

The Audit Committee operates under terms of reference approved by the Board, with the purposes of:

- Monitoring the integrity of the financial statements of the Company and the Group
- Reviewing the adequacy and effectiveness of the Group's internal financial controls and risk management systems
- Reviewing and agreeing the Group's adoption of going concern, and the adequacy of the viability statement
- Reviewing the adequacy and security of the Group's arrangements for whistleblowing, the procedures for detecting fraud and the systems and controls for the prevention of bribery and the reporting of non-compliance
- Monitoring and reviewing the effectiveness of the Group's internal audit processes, the remit of internal audit and its operations
- Considering and making recommendations on matters relating to the appointment of the Company's external auditor, overseeing the relationship with the Company's external auditor (including recommending remuneration levels and considering non-audit services), assessing the auditor's independence and objectivity, monitoring the quality and effectiveness of the external audit process, reviewing the audit plan and reviewing the findings of the audit with the Company's auditor.

#### FINANCIAL STATEMENTS

The Audit Committee reviewed the form and content of the Annual Report and the interim results prior to their publication to provide assurance that the disclosure made in the financial statements was properly set in context.

The Audit Committee reviewed and considered the following areas:

- the methods used to account for significant or unusual transactions where different approaches are possible
- whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the Company's auditor
- the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Group
- the clarity of disclosure in the Company's financial reports

As part of this process the Audit Committee received reports from the management and the external auditor. The external auditor provided its audit opinion along with its audit findings that were of significance in relation to the audit of the annual financial statements and a high-level review of the interim financial statements. The Audit Committee reviewed these reports with the external auditor.

The Audit Committee considers that the significant accounting judgements upon which the accounts are based relate primarily to long-term contract accounting and the related margin recognition.

Long-term contracts represent a significant part of the Group's business and the accounting is inherently judgemental. To determine the margin to be recognised or loss to be provided, it is necessary to estimate future costs and revenues. Also, the Group may sign variations, extensions and/or new contracts with an existing customer and it is necessary to assess whether or not, for accounting purposes, these should be combined with an existing contract, or treated as a separate contract.

Monthly management accounts and reports are provided to the Board and Audit Committee. These management accounts are based on detailed information obtained by management which take into account the following:

- The forecast costs and revenues to complete on contracts and the margin to recognise or loss to be provided
- Contract variations and extensions and whether they should be combined with existing contractual arrangements and their impact on recognised revenue and margin

Where a contract has a significant impact on revenue and profit or where there is a significant variation to the contract outturn or a significant judgement is required this information is typically included in the management accounts and discussed by the Board and the Audit Committee.

Taking into account the track record and experience of the management team which prepares the costs to complete on long-term contracts and after reviewing the presentations and reports from management and the auditor and consulting with the auditor, the Audit Committee was satisfied that, overall, the financial statements appropriately addressed the critical judgements and key estimates (both in respect to the amounts reported and the disclosures).

Management reported to the Committee that they were not aware of any material misstatements. The auditor reported to the Committee that they had not found any material misstatements in the course of their work. The Audit Committee was also satisfied that the significant assumptions used for determining the value of assets and liabilities had been appropriately scrutinised, challenged and were sufficiently robust.

The Audit Committee considered and is satisfied that, taken as a whole, the Annual Report 2016 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

## COMPOSITION AND QUALIFICATIONS OF THE AUDIT COMMITTEE

During the period the Audit Committee comprised Deena Mattar BSc (Econ), FCA (Chairman), John Poulter, Lord Andrew Adonis and Patrick Martell, all of whom are independent Non-Executive Directors. The Group considers that Deena Mattar as a Fellow of the Institute of Chartered Accountants in England and Wales and former FTSE250 Finance Director has significant recent and relevant financial experience.

David Brooks (Chief Executive Officer), Neil Martin, ACMA (Chief Financial Officer), Craig Lewendon, ACA (Group Financial Controller from 27 January 2016), ACMA and Ed Warwick MEng, FCA (Group Financial Controller until 3 January 2016) and other management as appropriate are invited to attend Audit Committee meetings.

#### SCHEDULE OF MEETINGS

The Audit Committee met three times during the period. All of these meetings were part of the regular schedule of meetings set out in the Committee's terms of reference.

Audit Committee meetings have formal agendas, which cover all of the areas of responsibility set out in the Committee's terms of reference. These agendas include meetings with the external auditor without Executive Directors or managers of the Company present.

### APPOINTMENT OF EXTERNAL AUDITOR

The Audit Committee recommended, and shareholders approved at the Company's Annual General Meeting on 23 March 2016, the re-appointment of KPMG LLP as Group external auditor.

KPMG has been the Group's auditor since 2011. The external auditor is required to rotate the audit partner responsible for the Group audit every five years and, as such, a new lead audit partner was appointed in 2016 in order to carry out the 2016 audit.

There are no contractual obligations restricting the Group's choice of external auditor.

#### **OVERSIGHT OF EXTERNAL AUDIT**

The Audit Committee has reviewed the scope and results of the audit services, and the cost effectiveness and independence and objectivity of the external auditor.

#### INTERNAL AUDIT

The Audit Committee approved the appointment of RM's Group Financial Controller as Head of Internal Audit (Ed Warwick MEng FCA until 3 January 2016 and his successor Craig Lewendon ACA from 27 January 2016). For the purposes of this role, the Group Financial Controller reported directly to the Chairman of the Audit Committee. The Audit Committee, with the advice and support of the Head of Internal Audit, sets an internal audit plan, focussed on financial controls and risk areas. The Head of Internal Audit reports on progress against this plan at Audit Committee meetings. Internal audit activities are undertaken on a peer-to-peer basis, or by contracting a suitably qualified third-party firm of accountants.

#### POLICY ON NON-AUDIT WORK

The Audit Committee has considered the issue of the provision of non-audit work by the external auditor and has agreed a policy intended to ensure that the objectivity of the external auditor is not compromised. The policy sets a limit for fees for non-audit work and states that non-audit work should only be undertaken by the external auditor where there is a clear commercial benefit in doing so. Any significant activity must be approved, in advance, by at least two Audit Committee members.

The Audit Committee's policy is to include a cap on fees for non-audit work of 25% of the annual audit fee. This fee incorporates a review of the Group's interim results. In exceptional circumstances it may be appropriate for the auditor to carry out

non-audit work in excess of this cap. If this is the case the type of work and the fee is considered very carefully by the Audit Committee in advance of appointing the auditor to the work. Fees for total non-audit work in the period were 26.8% of the annual audit fee. The majority of the non-audit work was related to acquisition activities and was carried out by the auditor as part of regulatory requirements.

#### INTERNAL CONTROL

#### **Control environment**

The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority to Executive management. A Group-wide approval matrix is in place. Individuals are made aware of their level of authority and their budgetary responsibility which enables them to identify and monitor financial performance. There are established policies and procedures, which are subject to regular review. The Boards of the operating companies work within terms of reference and any matters outside those terms or the agreed business plan are referred to the Group Board for approval.

### Identification and evaluation of business risks and control objectives

The Board has the primary responsibility for identifying the principal business risks facing the Group and developing appropriate policies to manage those risks. It delegates responsibility for operational risks to the Executive Committee which meets monthly.

#### **Public reporting**

The Audit Committee reviews and comments upon both the Group's Annual and interim results prepared by management.

#### **Management information**

Executive managers are required to produce a business plan for approval at the beginning of each financial year and detailed financial reporting is formally compiled monthly and reviewed by the Board. Consolidated management accounts are produced each month and results measured against plan and the previous year to identify significant variances. Forecasts are produced each month during the year, with variances to plan being measured.

#### Main control procedures

The existing finance systems and procedures allow the Board to derive confidence in the completeness and accuracy of the recording of financial transactions. The processes in place and the level of analytical detail given within the management accounts facilitate the identification of unreliable data. The Group's treasury activities are operated within a defined policy designed to control the Group's cash and to minimise its exposure to foreign exchange and liquidity risk.

#### Monitoring

The Audit Committee meets periodically to review reports from management and the external auditor so as to derive reasonable assurance on behalf of the Board that financial control procedures are in place and operate effectively. An internal audit plan is set with the Audit Committee and updates on progress are provided periodically. The internal audit work is performed on a peer-to-peer review basis or by engaging a third party firm of accountants and is directed by a qualified accountant who is independent of the business divisions.

#### 'WHISTLEBLOWING' POLICY

The Group has adopted a formal 'whistleblowing' policy, which allows staff to raise concerns about possible improprieties. No concerns were raised during the year.

#### ANTI-BRIBERY

RM conducts all its business in an honest and ethical manner and seeks to ensure that all associates and business partners do the same.

The Bribery Act 2010 sets clear standards of behaviour, which govern the Group's operations. The Group has implemented policies and procedures to ensure that it is transparent and ethical in all business dealings. The Group has an anti-corruption and anti-bribery policy which sets out the legal standards the Group enforces as part of its ongoing commitment to implement adequate procedures to guard against illegal practices. Staff certification of compliance with the policy is regularly reported to the Committee.

#### STATEMENT OF RISKS

As with any business, RM is exposed to risks as an inherent part of creating value for shareholders. As described above, the Group has put in place processes designed to identify these principal risks and to manage and mitigate the effect of them. The Audit Committee is responsible for ensuring that risks are properly considered and the Board is responsible for deciding what risks should be taken and how best to manage and mitigate the risks.

The Audit Committee is satisfied that the Group's risk management and internal control processes are appropriate to the business and Executive management has identified and addressed the principal risks affecting RM.

The most significant risks the Group is exposed to are set out in the Strategic Report.

#### Deena Mattar

Chairman, Audit Committee 7 February 2017

# REMUNERATION REPORT

## PART A - INTRODUCTION

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 November 2016.

This Report is divided into the following three sections:

Part A – Introduction

Part B – Remuneration Policy

Part C – Implementation Report

The introduction in this Part A provides an overview of the Report and explains any major decisions or changes in remuneration made during the year and the context of those changes (if any). It also summarises the functioning and membership of the Remuneration Committee.

The Implementation Report in Part C will be put to an advisory vote at the next Annual General Meeting. The Remuneration Policy in Part B was approved at the Annual General Meeting in 2015 and so will not be put to a vote this year but will be put to a vote at the 2018 Annual General Meeting.

### 1. THE REMUNERATION COMMITTEE

The Committee operates under terms of reference approved by the Board with the purposes of determining, on behalf of the Board and shareholders, the remuneration of the Executive Directors and senior employees throughout the Group. The Committee also oversees major policy changes (if any) to the overall reward structure of employees throughout the Group. In particular, the Committee keeps under review incentive plans operated throughout the Group so as to ensure that these plans are structured appropriately and are coherent.

The Committee's terms of reference can be found on the Group's website at www.rmplc.com.

### 2. MEMBERSHIP OF THE COMMITTEE

The membership of the Remuneration Committee during the year ended 30 November 2016 comprised Patrick Martell (Chairman), Lord Andrew Adonis, Deena Mattar and John Poulter, all of whom are independent Non-Executive Directors. The other Directors attend meetings as required and by invitation.

None of the members of the Remuneration Committee has any personal financial interest in the Company other than through fees received or as a shareholder. They are not involved in the day-today running of the business and have no personal conflicts of interest which could materially interfere with the exercise of their independent judgement.

### 3. MAJOR DECISIONS ON DIRECTORS' REMUNERATION

During the year, the following key decisions were considered by the Committee:

- Agreement of the bonuses payable in respect of the financial year ended 30 November 2015.
- Approval of the Remuneration Report for the year ended 30 November 2015.
- Agreement to increase the base salary of the CEO and CFO (details provided in Parts B and C below).

#### Patrick Martell

Chairman, Remuneration Committee 7 February 2017

## PART B REMUNERATION POLICY

#### 1. GENERAL OBJECTIVES

The Remuneration Committee is responsible for the remuneration of the Directors and senior employees across the Group.

RM's Remuneration Policy is designed to promote the long-term success of the Company. The Policy is designed to attract, retain and motivate Directors and senior employees, both to achieve the Group's business objectives and to deliver outstanding shareholder returns. To achieve this, RM's Remuneration Policy aims to provide 'median' reward compared to comparator groups when acceptable levels of performance have been delivered. For the achievement of outstanding performance, it aims to deliver 'upper quartile' remuneration compared to comparator groups.

Under these arrangements, the variable component of the remuneration package is designed to be focussed on performance. These incentive arrangements enable Executive Directors and senior employees to have the opportunity to earn higher levels of reward if they enhance shareholder returns by meeting the Group's short-term and long-term targets. The Remuneration Policy therefore seeks to ensure that Executive Directors and senior employees are focussed on the achievement of key company objectives. The Committee is satisfied that this model provides appropriate alignment with shareholder interests and therefore acts as an appropriate motivator.

The Committee, together with the entire Board, also recognises the need for investment in the long-term future of the Company, not just performance in any single year. Since such measures are difficult to quantify, the Committee retains the discretion to adjust annual bonus payments to ensure that balance is maintained between short-term performance and longer-term investment.

The Committee has reviewed the level of risk inherent in the Remuneration Policy and is satisfied that there is an appropriate balance between encouraging entrepreneurial behaviour from Executive Directors and senior employees, whilst at the same time ensuring that there are no areas of the Policy which encourage undue risk taking. In relation to the target setting process and other matters arising in relation to the operation of the annual bonus and long-term incentive plans, the Committee considers that the structure should not encourage excessive risk taking.

## 2. COMPONENTS OF REMUNERATION FOR EXECUTIVE DIRECTORS

The following table sets out a summary of the various components of remuneration for Executive Directors, their purpose and link to strategy, how it operates, the maximum opportunity available, the nature of any applicable performance metrics and changes (if any) made during the year.

Element	Purpose and link to strategy	Operation
Fixed Pay		
Base Salary	To attract and retain talent by ensuring that	Reviewed annually, with changes usually taking effect from 1 January (see note 1 below). Reviews take account of:
	salaries are competitive in the market.	business performance and the wider economic and market conditions;
		market position relative to relevant comparator groups;
		<ul> <li>the range of salary increases (if any) across the Group;</li> <li>and</li> </ul>
		individual experience and performance.
		Reviews may be conducted at other times if appropriate (e.g. on a change in responsibility).
Pension (see also note 2 below)	To attract and retain talent by ensuring that remuneration is competitive in the market.	Entitlement is the same as for other employees within the Group. Cash allowance alternative where individuals are subject to HMRC pension limits (subject to there being the same overall cost to the Group).
Benefits	To attract and retain talent by ensuring that remuneration is competitive in the market.	Entitlement is the same as for other employees within the Group. The range of benefits offered to employees is reviewed periodically to ensure that offerings are in line with market practice.
Variable Pay		
Annual Bonus	Provides an element of at risk pay, which incentivises good annual	Reviewed annually prior to the start of each financial year to ensure targets support short-term and long-term business strategy. Targets are intended to:
	financial results.	be stretching but realistic;
		reflect expectations of the investor community;
		avoid unnecessary risk taking; and
		encourage long-term decision-making     (e.g. incentivising long-term investments).
LTIPs	Incentivises Directors to achieve returns for shareholders over a longer time frame.	Awards are granted to Executives and senior management typically no more than once per year, with the vesting of awards being based on criteria designed to align with shareholder interests and encourage long-term performance.

#### Notes:

1. Having applied the principles set out in the table above, the Committee increased the base salary of David Brooks to £318,000 with effect from 1 April 2016. It was agreed with Neil Martin upon his appointment that his terms would be reviewed after an initial period to assess his performance. The Committee conducted that review in the year and increased his base salary from £270,000 on appointment to £286,200 with effect from 1 April 2016.

Maximum Opportunity	Performance Metrics	Changes for 2016/17
Base salaries will be determined from the outcome of reviews.	None.	No change to policy.
Up to 7% of base salary depending upon level of employee contribution.	None.	No change to policy.
Private healthcare. Permanent health insurance. Life assurance. Car allowance. Mobile phone allowance.	None.	No change to policy.
55% of base salary for on-target performance, with a maximum figure for over-performance of 110% of base salary.	Set by the Committee at the beginning of each year to focus on alignment with shareholders' interests.	No change to policy.
150% of base salary.	Set by the Committee at the date of grant to align with shareholders' interests over a period of not less than 3 years.	No change to policy.

2. Group company RM Education Ltd operates a Defined Benefit Pension Scheme. This closed to new members in 2003 and, in respect of current members, closed to future accruals on 31 October 2012. David Brooks, CEO, has past benefits accrued as at 31 October 2012. His entitlements under that scheme are calculated on the same basis as those of other members. Since 1 November 2012, Mr Brooks has been a member of a defined contribution pension scheme.

#### 3. SHAREHOLDING POLICY

The Committee has implemented the following shareholding policy for all Executive Directors in order to further align their interests with those of the Company's shareholders:

- Within five years of being appointed to the Board, Executive Directors are required to build up, and retain, ordinary shares in the Company equivalent in value to at least 100% of their base annual salary.
- 2. Compliance with the shareholding policy will be measured as at 30 November each year, based on base salaries as at that date.
- 3. To comply with the shareholding policy, the value of Executive Directors' shareholdings must exceed the relevant amount on at least one of the following bases:
  - a. the prevailing share price as at 30 November each year (applied to the total number of shares held); or
  - b. the aggregate of (i) the price actually paid for shares (in the case of prior purchases) and (ii) the value of shares that have vested through earlier share-based awards, based on the share price applicable on the date of vesting of each such award.
- 4. Provided that Executive Directors hold the appropriate level of shares, they may sell shares (i) to realise their LTIP awards or (ii) upon the exercise of share options. If income tax / national insurance becomes payable on the vesting of any awards, Executive Directors may still be able to sell shares to satisfy the relevant liability to income tax / national insurance, even where the appropriate level of shares is not held. In all cases, any such sale will be subject to the normal Listing Rules and Disclosure and Transparency Rules' requirements for directors' dealings.

#### 4. POLICY ON RECRUITMENT

The principles set out elsewhere in this Policy, in particular those in paragraphs 2 and 3 above, apply both to existing Executive Directors and to any new Executive Directors on recruitment. No other amounts or forms of remuneration which would be outside the parameters set out in this Policy would be payable (unless agreed with shareholders).

#### 5. CLAWBACK

Malus and clawback provisions are in place, and will continue to be maintained, in relation to the variable, performance related remuneration of the Executive Directors (annual bonus and LTIPs).

In respect of each award under the RM plc Performance Share Plan 2010 ("PSP Scheme"), the clawback applies where there is a deliberate act of fraud (whether by the Executive Directors or anybody else) that results in the misstatement of the Company's results. The clawback operates to the later of (a) one year from the relevant PSP award vesting and (b) the completion of the next audit of the Group's accounts after the award vests.

In respect of annual bonuses, the payment of all bonuses is at the discretion of the Remuneration Committee and the clawback applies where the Company suffers significant financial or reputational damage as a result of gross or serious misconduct, fraudulent misrepresentation, the Executive being convicted of a criminal offence, wilful default of the relevant Service Agreement or a breach of Company policy or procedure. The clawback operates for up to 18 months after the end of the relevant financial year to which the bonus relates.

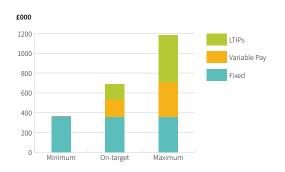
### 6. NON-EXECUTIVE DIRECTOR FEES

The fees payable to Non-Executive Directors are considered periodically by reference to comparable roles in companies of a similar size and complexity as the Company. Fees are not performance-related. Out-of-pocket expenses (such as travel costs) incurred in performing those duties are reimbursed by the Company. It is noted that the fees payable to Non-Executive Directors have not been increased in recent years.

#### 7. ILLUSTRATION OF REMUNERATION POLICY

The graphs below provide estimates of the potential future reward for each of the Executive Directors based on their current roles, the Remuneration Policy outlined above and base salaries as at 1 December 2016. However, it is noted that the illustrations show maximum LTIP awards at 150% of base salary, whereas the typical value of LTIP awards is lower (e.g. the values of the last LTIP awards made (which were during the year ended 30 November 2015) were 107% of base salary for David Brooks and 97% of base salary for Neil Martin).

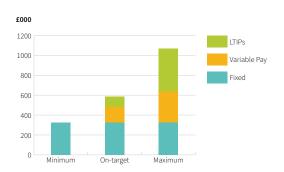
#### David Brooks - Chief Executive Officer



Explanations:

	Base	Benefits	Pension	Total	
Fixed (£000)	318	16	22	356	
On-target	On-target is assumed to be an annual bonus equal to 55% of base salary and an LTIP award of 25% of maximum				
Maximum	<ul> <li>Full pay-out of annual variable pay i.e., 110% of base salary</li> <li>Maximum vesting of LTIP awards</li> </ul>				

#### Neil Martin - Chief Financial Officer



Explanations:

	Base	Benefits	Pension	Total	
Fixed (£000)	286	16	20	322	
On-target	On-target is assumed to be an annual bonus equal to 55% of base salary and an LTIP award of 25% of maximum				
Maximum	• Full pay-out of annual variable pay i.e., 110% of base salary			le pay	
	<ul> <li>Maxi</li> </ul>	imum vesting	g of LTIP awa	ırds	

#### 8. COMPARISON OF REMUNERATION POLICY

This policy sets out the remuneration structure applicable to Directors of the Company. Salary levels and incentive arrangements applicable to other Group employees are determined by reference to local employment conditions for comparative roles.

Budgeted salary increases for Group employees are taken into consideration when determining increases for the Executive Directors.

Employees are provided with a competitive benefits package including (as appropriate) private healthcare, permanent health insurance, life assurance, car allowance, mobile phone allowance and pension.

The closure to future accrual of benefits of RM Education Ltd's Defined Benefit Pension Scheme in October 2012 applied equally to all employees, including Directors.

Consistent with Directors, the majority of employees are eligible to participate in an annual bonus scheme with conditions linked to their personal performance, the performance of their operating subsidiary and the Group overall.

The Group does not consult with employees in respect of the Remuneration Policy. However, the Committee receives regular updates on salary and bonus levels across the Group and is aware of how the remuneration of Directors compares to other employees.

In addition, when setting remuneration levels for the Executive Directors, the Committee takes account of the levels of remuneration received by executive directors of similar companies.

Remuneration consultants have not been engaged during the period.

#### 9. DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The Committee's policy on Executive Directors' Service Contracts is for them to contain a maximum notice period of one year. Each Service Contract is subject to early termination for cause. The contracts are designed to allow for flexibility to deal with each case on its own particular merits in accordance with the law and policy as they have developed at the relevant time. In the event that the Company wishes to terminate the employment of an Executive Director, it will take into account the Executive Director's obligations to mitigate losses when deciding on an appropriate level of compensation.

Details of the Directors' Service Contracts and/or letters of appointment who served for all or part of the year ended 30 November 2016 are shown in the table below:

	Initial agreement date	Expiry date of current agreement	Notice to be given by employer and individual
John Poulter	1 May 2013	30 April 2019	6 months
Lord Andrew Adonis	1 October 2011	30 September 2017	3 months
David Brooks	1 July 2012	Indefinite	12 months
Neil Martin	28 September 2015	Indefinite	12 months
Deena Mattar	1 June 2011	31 May 2020	3 months
Patrick Martell	1 January 2014	31 December 2019	3 months

#### PART C - IMPLEMENTATION REPORT

#### 1. DIRECTORS' REMUNERATION - SINGLE FIGURE OF REMUNERATION

The tables below set out a Single Figure of remuneration for each of the Directors in respect of the year ended 30 November 2016 and, in respect of those Directors, the equivalent figures for the year ended 30 November 2015:

#### Year ended 30 November 2016

Name	Salary and fees £000	Taxable benefits £000	Annual bonus £000	LTIPs £000	Retirement benefits £000	Termination payments £000	Total £000
Executive							
David Brooks	3121	11	154	156	<b>22</b> <sup>1</sup>	-	655
Neil Martin	275 <sup>1</sup>	15	136	-	20 <sup>1</sup>	-	446
Non-Executive							
John Poulter	120	-	-	-	-	-	120
Lord Andrew Adonis	36	-	-	-	-	-	36
Patrick Martell	39	-	-	-	-	-	39
Deena Mattar	43	-	-	-	-	-	43
Total	825	26	290	156	42	_	1,339

#### Year ended 30 November 2015

	Salary and fees	Taxable benefits	Annual bonus	LTIPs	Retirement benefits	Termination payments	Total
Name	£000	£000	£000	£000	£000	£000	£000
Executive							_
David Brooks	300 <sup>1</sup>	11	165	749	211	-	1,246
lain McIntosh (resigned 28 September 2015)	196¹	8	-	479	121	250	945
Neil Martin (appointed 28 September 2015)	481	3	25	-	31	-	79
Non-Executive							
John Poulter	120	-	=	=	-	-	120
Lord Andrew Adonis	36	-	-	-	-	-	36
Patrick Martell	39	-	-	-	-	-	39
Deena Mattar	43	<del>-</del>	=	=	<u> </u>	-	43
Total	782	22	190	1,228	36	250	2,508

#### Notes:

1. The section below headed "Retirement benefits" explains how those benefits have been calculated and presented in the above tables.

The following provides details of how the 'Single Figure' has been calculated:

#### **Taxable benefits**

These comprise the benefits noted in Part B above other than retirement related benefits. The figure included in the above table in respect of such benefits is calculated based on the taxable value of such benefits.

#### **Annual bonus**

As stated in the Remuneration Policy, on-target performance is paid out at 55% of base salary, with over-performance capped at a maximum of 110% of base salary.

At the start of the year, the Committee decided that on-target bonuses for the Executive Directors should be based upon the Company achieving an adjusted operating profit in the year of £19.0 million, subject to the Committee being satisfied as to the long-term underlying performance of the business. In particular, the Committee would not reward achievement against target if that achievement was as a result of an abnormal or unplanned level of movement in work-in-progress or as a result of exceptional items.

In the year, the Company's adjusted operating profit was £18.8 million. On this basis, and also on the basis that the Committee was satisfied as to the underlying performance of the business, the Committee decided to award a bonus of 50% of base salary for each of the Executive Directors.

#### **LTIPs**

On 11 July 2016, the award granted to David Brooks under the RM plc Performance Share Plan 2010 in July 2013 vested in full, the performance criteria having been fully met. 125,000 shares vested at a value of £1.25 per share, making the total value of the award £156,250.

#### **Retirement benefits**

David Brooks and Neil Martin are both members of a defined contribution pension scheme operated by RM Education Ltd, into which the Group makes a contribution of 7% of base salary. A salary sacrifice arrangement is operated in relation to this scheme (for all employees), meaning that base salary is reduced by the contribution that would otherwise be made by the individual, with that amount then being added to the employer contribution made to the scheme. However, to make the figures in the above tables more meaningful, base salaries are stated prior to the reduction in base salary as a result of that salary sacrifice arrangement.

David Brooks is also a member of RM Education Ltd's Defined Benefit Pension Scheme which closed to future accrual with effect from 31 October 2012. During the year, the increase in Mr Brooks' accrued pension under that scheme was nil. The transfer value of accrued benefits under that scheme as at 30 November 2016 was £770,111 (2015: £624,579).

#### **Termination payments**

There were no termination payments in the year.

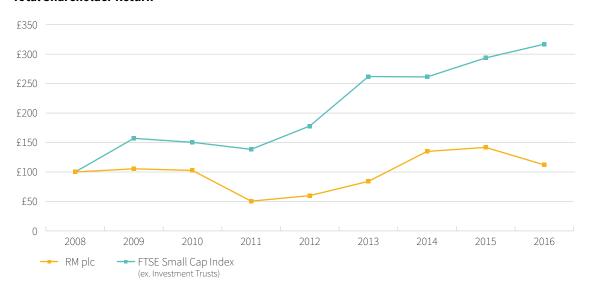
### 2. DIRECTORS' LONG-TERM INCENTIVE PLANS

During the year ended 30 November 2016, no long-term incentive awards were made.

#### 3. PERFORMANCE GRAPH

The following graph shows the value, by 30 November 2016, of £100 invested in RM plc on 30 November 2008 compared with the value of £100 invested in the FTSE Small Cap (ex. Investment Trusts) Index on the same date. The other points plotted are the values at intervening financial year ends.

#### **Total Shareholder Return**



#### 4. HISTORICAL CHIEF EXECUTIVE OFFICER PAY

The table below sets out details of:

- The total pay for each of the persons who have performed the role of Chief Executive for the current year and the preceding six financial years. The 'Single Figure' is calculated using the same methodology as that used for the "Single Figure of Remuneration" table in paragraph 1 above.
- The pay-out of incentive awards as a proportion of the maximum opportunity for the period.

	2010	20111	2012 <sup>2</sup>	2013³	2014	2015	2016
Single Figure (£000)	517	426	286	379	576	1,246	655
Annual variable element award rates against maximum opportunity	56%	0%	0%	58%4	75%	50%	45%
Long-term incentive vesting rates against maximum opportunity	40%	0%	0%	0%	0%	91%	100%

#### Notes:

- 1. Terry Sweeney to 24 October 2011 (Single Figure: £369,000). Rob Sirs from 25 October 2011 to 30 November 2011 (Single Figure: £57,000).
- 2. Rob Sirs from 1 December 2011 to 31 January 2012 (Single Figure: £49,000). Martyn Ratcliffe from 1 February 2012 to 30 November 2012 (Single Figure: £237,000).
- 3. Martyn Ratcliffe from 1 December 2012 to 28 February 2013 (Single Figure: £52,000). David Brooks from 1 March 2013 (Single Figure: £327,000). Figures from the Single Figure table in paragraph 1 of this Part C have been pro-rated to reflect the period during which Mr Ratcliffe and Mr Brooks respectively fulfilled the role of Chief Executive Officer.
- 4. Relates to David Brooks only. Martyn Ratcliffe had no annual variable remuneration.

#### 5. RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out, in respect of the year ended 30 November 2016 and the immediately preceding financial year, the total remuneration paid to all employees as compared to other significant distributions and payments.

	2016 £m	2015 £m
Total remuneration to employees	64.5	66.8
Total remuneration to Directors	1.3	2.5
Dividends paid	4.3	3.4
Corporation tax paid	3.5	0.2
Defined benefit pension cash contribution	12.0	4.0

### 6. RELATIVE CHANGES IN PAY CHIEF EXECUTIVE OFFICER AND EMPLOYEES

The average increase in pay for permanent employees across the Group between the year ended 30 November 2015 and the year ended 30 November 2016 was 3.8% (2.9% in the UK and 13.0% in India). The base salary of the Chief Executive Officer increased by 6% during the year but it is noted that this was the first increase for two years, over which period the average increase in pay for permanent employees across the Group was 7.3%.

#### 7. STATEMENT OF SHAREHOLDER VOTING

Voting at the Annual General Meeting held on 23 March 2016 in respect of the remuneration report for the year ended 30 November 2015 was as follows:

	% of votes in favour	% of votes against	Number of votes withheld
Resolution to approve the remuneration report	81 92	18.07	6.142 (0.01%)
resolution to approve the remaineration report	01.52	10.01	0,142 (0.0170)

#### 8. DIRECTORS' SHAREHOLDINGS

The beneficial interests of the Directors (including connected persons as defined for the purposes of section 96B(2) of the Financial Services and Markets Act 2000) in the ordinary shares of RM plc as at 30 November 2016 were:

	30 November 2016	30 November 2015
John Poulter	87,500	87,500
Lord Andrew Adonis	-	-
David Brooks	311,295	245,163
Patrick Martell	5,000	5,000
Neil Martin	35,000	-
Deena Mattar	17,933	17,933

#### 9. DIRECTORS' INTERESTS IN SHARE PLANS

As at 30 November 2016, the Executive Directors had the following interests in the Company's share plans¹:

	Share Options <sup>2, 6</sup>			PSP Awards <sup>3</sup>		
David Brooks	Date of Grant	No. of Options	Exercise Price	Date of Grant	No. of Shares/	Performance Conditions
	6/12/06 28/11/07	10,000 20,000	£1.742 £1.973	4/8/14	Options 180,000	See notes 4 & 5
				5/8/15	180,000	See notes 4 & 5
Neil Martin	None.			Date of Grant	No. of Shares / Options	Performance Conditions
				2/10/15	160,000	See notes 4 & 5

#### Notes:

- 1. To avoid duplication, and in accordance with Section 17(b)(iii) of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the figures in the above table do not include the shares or share-based awards referred to in paragraph 1 (Directors' Remuneration Single Figure of Remuneration) or in the table in paragraph 8 (Directors' Shareholdings) above.
- 2. Granted under "The RM plc 2004 Inland Revenue Approved Company Share Option Plan and The RM plc 2004 Non-Inland Revenue Approved Company Share Option Plan". All Options lapse if not exercised within 10 years of the date of grant. The Options in the above table have vested and are no longer subject to any performance conditions. Other Options previously granted but which have lapsed due to the performance conditions not having been met are not included.
- 3. Granted under "The RM plc Performance Share Plan 2010". All PSP awards are subject to a minimum vesting period of 3 years.
- 4. Targets are based on relative TSR compared with a comparator group of the companies in the FTSE Small Cap (ex. Investment Trusts) Index. Threshold vesting is at median performance, maximum vesting at upper quartile performance, with straight line vesting in between these points.
- 5. The PSP awards granted in 2014 and 2015 respectively were awards of options, with an exercise price of £0.00 per option. If the options granted in August 2014 vest, they would be exercisable in the period 7 August 2017 to 2 August 2024. If the options granted in August 2015 vest, they would be exercisable in the period 6 August 2018 to 1 August 2025. If the options granted in October 2015 vest, they would be exercisable in the period 4 October 2018 to 30 September 2025.
- 6. At 30 November 2016, the closing price of the Company's shares was £1.26. In the year the highest and lowest share prices were £1.75 and £1.145 respectively.

### 10. DETAILS OF DIRECTORS' SERVICE CONTRACTS

Relevant information relating to the Service Contracts of the Directors is set out in Part B of this Report (Remuneration Policy).

### 11. REMUNERATION COMMITTEE DETAILS

Details of the Remuneration Committee and its membership are contained in Part A of this Report (Introduction).

### 12. COMPLIANCE WITH REGULATIONS

This Report has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008, as amended by The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report also meets the relevant requirements of the Listing Rules of the UK Listing Authority and illustrates how the principles of the UK Corporate Governance Code relating to Directors' remuneration are applied by the Company.

The Group's auditor is required to comment on whether certain parts of the Group's Remuneration Report have been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008. Accordingly, the following sections of this Part C of this Report have been audited by KPMG LLP:

- The "Single Figure of Remuneration" table in paragraph 1.
- Total pension entitlements, as described in the notes to paragraph 1.
- Directors' shareholdings, as set out in paragraph 8.
- Directors' interests in share plans, as set out in paragraph 9.

By Order of the Board

#### **Patrick Martell**

Chairman, Remuneration Committee 7 February 2017



#### INDEPENDENT AUDITOR'S REPORT

#### to the members of RM plc only

### OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

### 1. Our opinion on the financial statements is unmodified

We have audited the financial statements of RM plc for the year ended 30 November 2016 set out on pages 59 to 107. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 November 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### 2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows (unchanged from 2015):

Long-term contracts (Revenue £54.0m (2015:£53.8m); Receivables £0.0m (2015: £0.1m); Payables £16.8m (2015: £25.5m))

Refer to page 38 (Audit Committee statement), page 68 (accounting policy) and page 18 (financial disclosures).

- The risk Long-term contracts including
  Building Schools for the Future implementation
  and managed service contracts and e-marking
  software and services contracts, represent a
  significant part of the Group's business and
  the accounting is inherently judgemental. To
  decide the margin to be recognised or loss to
  be provided, it is necessary to estimate future
  costs, including contingent amounts in respect
  of contract risks. Also, the Group may sign
  variations, extensions and/or new contracts
  with an existing customer and it is necessary
  to assess whether or not, for accounting
  purposes, these should be combined with
  an existing contract.
- Our response Our procedures included making an assessment of the Group's ability to forecast costs. We assessed the knowledge and skill of the Group's project accounting staff by attending two project review meetings at which the progress of a number of contracts was discussed. We assessed the range and seniority of those present, the quality and relevance of documents prepared for discussion, the size of the financial variances in the forecasts for which explanations were sought and the extent of relevant technical and commercial information provided. Separately, we compared actual outturn to previous forecast for a number of contracts as a test of the Group's forecasting accuracy.

We selected for detailed testing a number of long-term contracts based on the magnitude of revenue recognised in the year and risk indicators (such as contracts with a significant change in the estimate of lifetime revenue, margin or risk provision, loss making contracts and contracts with a large work in progress balance). For the contracts we selected, we read any variations, extensions and new contracts and considered, amongst other matters, whether the new agreement provided value to the customer on a stand-alone basis (and therefore should be treated as a separate contract) or whether, together with an existing



contract, it was effectively a single project with an overall profit margin (and therefore should be accounted for as a revision to the existing contract). We assessed the completeness and accuracy of selected cost estimates, including those for specified contract risks and the likelihood of these risks occurring, by reading the contract and customer correspondence and obtaining internal and third party evidence.

Where a contract had been selected for detailed work during a prior year's audit and the contract is now in a stable managed service phase, we determined whether the margin in the current year was in line with our expectation. We also assessed the adequacy of the Group's disclosure about estimation uncertainty regarding long-term contract outcome.

### 3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £0.85 million (2015: £1.0 million) determined with reference to a benchmark of Group profit before taxation, normalised to exclude restructuring and project costs and gains on sale of operations as disclosed in note 5 to the financial statements of £17.1 million (2015: £16.6 million), of which it represents 5.0% (2015: 6.0%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £42,000 (2015: £50,000), in addition to other identified misstatements that warrant reporting on qualitative grounds.

Of the Group's ten (2015: ten) reporting components, we subjected three (2015: three) to audits for Group reporting purposes and two (2015: two) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual risks that needed to be addressed. These Group procedures covered 100% (2015: 98%) of total Group revenue for components subject to audit and 0% (2015: 0%) for those subject to specified risk-focused procedures; 93% (2015: 89%) of the total profits and losses that made up Group profit before tax for components subject to audit and 4% (2015: 5%) for those subject to specified risk-focused procedures; and 94% (2015: 96%) of

total Group assets for components subject to audit and 3% (2%) for those subject to specified risk-focused procedures.

The remaining 0% (2015: 2%) total Group revenue, 3% (2015: 6%) of the total profits and losses that made up Group profit before tax and 3% (2015: 2%) of total Group assets is represented by five (2015: five) reporting components, none of which individually represented more than 2% (2015: 2%) of any of total Group revenue, Group profit before tax or total Group assets. For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.5 million to £0.8 million (2015: £0.5 million to £0.8 million), having regard to the mix of size and risk profile of the Group across the components. The work on two of the six components was performed by component auditors and the rest by the Group audit team. The Group audit team performed procedures on the items excluded from normalised Group profit before tax.

The Group audit team visited one component location in Nottingham, UK, including to assess the audit risk and strategy. Telephone meetings were held with the component auditors in the UK and India. At these meetings, including the site visit, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

### 4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



### 5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Financial Viability Statement on page 13, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the 3 years to 30 November 2019; or
- the disclosures on page 67 of the financial statements concerning the use of the going concern basis of accounting.

## 6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report

- to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 17, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 31 to 34 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

#### **SCOPE AND RESPONSIBILITIES**

As explained more fully in the Directors' Responsibilities Statement set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

#### John Bennett (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants Arlington Business Park, Theale, Reading, RG7 4SD

7 February 2017

### CONSOLIDATED INCOME STATEMENT

		Year ended 30 November 2016		Yea	r ended 30 Nove	ember 2015	
	Note	Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
Revenue	3	167,615	-	167,615	178,228	-	178,228
Cost of sales		(100,365)	-	(100,365)	(109,316)	-	(109,316)
Gross profit		67,250	-	67,250	68,912	-	68,912
Operating expenses	5	(48,421)	(2,907)	(51,328)	(50,713)	1,392	(49,321)
Profit from operations		18,829	(2,907)	15,922	18,199	1,392	19,591
Investment income	7	279	-	279	409	894	1,303
Finance costs	8	(1,012)	(74)	(1,086)	(1,510)	(149)	(1,659)
Profit before tax		18,096	(2,981)	15,115	17,098	2,137	19,235
Tax	9	(3,941)	472	(3,469)	(3,984)	(289)	(4,273)
Profit for the year		14,155	(2,509)	11,646	13,114	1,848	14,962
Earnings per ordinary share	10						
- basic		17.4p		14.4p	16.2p		18.5p
- diluted		17.4p		14.4p	15.6p		17.8p
Paid and proposed dividends per share	11						
- interim				1.50p			1.20p
- final				4.50p			3.80p

Adjustments to results have been presented to give a better guide to business performance (see note 5). All amounts were derived from continuing operations.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 30 November 2016 £000	Year ended 30 November 2015 £000
Profit for the year		11,646	14,962
Items that will not be reclassified subsequently to profit or loss			
Defined Benefit Pension Scheme remeasurements	24	(23,555)	2,402
Tax on items that will not be reclassified subsequently to profit or loss	9	3,970	(950)
Items that are or may be reclassified subsequently to profit or loss			
Fair value gain/(loss) on hedged instruments		515	(180)
Exchange gain/(loss) on translation of overseas operation	ns	261	(80)
Tax on items that are or may be reclassified subsequent to profit or loss	ly 9	32	(36)
Other comprehensive (expense)/income		(18,777)	1,156
Total comprehensive (expense)/income for the year attributable to equity holders		(7,131)	16,118

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

					Capital				
		Share	Share		redemption	Hedging	Translation	Retained	
		capital	premium	Own shares	reserve	reserve	reserve	earnings	Total
	Note	£000	£000	£000	£000	£000	£000	£000	£000
At 1 December 2014		1,889	27,018	(2,950)	94	544	(304)	(18,177)	8,114
Profit for the year		-	-	-	-	-	=	14,962	14,962
Other comprehensive (expense)/income		-	-	-	-	(180)	(80)	1,416	1,156
Total comprehensive (expense)/income		-	-	-	-	(180)	(80)	16,378	16,118
Transactions with own	ers of	the Com	pany						
Shares issued	23	1	17	=	=	-	=	=	18
Sale of shares held in staff share scheme		-	-	-	-	-	-	55	55
Share-based payment awards exercised		-	-	2,910	-	-	-	(3,038)	(128)
Purchase of own shares		-	-	(2,470)	-	-	-	-	(2,470)
Share-based payment fair value charges	26	=	-	-	-	-	-	864	864
Ordinary dividends paid	11	-	-	-	-	-	-	(3,424)	(3,424)
At 30 November 2015		1,890	27,035	(2,510)	94	364	(384)	(7,342)	19,147
Profit for the year		-	-	-	-	-	-	11,646	11,646
Other comprehensive income/(expense)		-	-	-	-	515	261	(19,553)	(18,777)
Total comprehensive income/(expense)		-	-	-	-	515	261	(7,907)	(7,131)
Transactions with own	ers of	the Com	pany						
Share-based payment awards exercised		-	-	840	-	-	-	(1,450)	(610)
Purchase of own shares		-	-	(317)	-	-	-	-	(317)
Share-based payment fair value charges	26	-	-	-	-	-	-	1,006	1,006
Ordinary dividends paid	11	-	-	-	-	-	-	(4,299)	(4,299)
At 30 November 2016		1,890	27,035	(1,987)	94	879	(123)	(19,992)	7,796

### CONSOLIDATED BALANCE SHEET

		At 30 November 2016	At 30 November 2015
	Note	£000	£000
Non-current assets			
Goodwill	12	14,067	14,067
Acquisition related intangible assets	13	-	8
Other intangible assets	13	704	562
Property, plant and equipment	14	6,219	7,059
Other receivables	18	1,153	1,168
Deferred tax assets	9	8,793	6,121
		30,936	28,985
Current assets			
Inventories	16	10,689	10,862
Trade and other receivables	18	24,403	25,592
Cash and short-term deposits	19	39,987	48,320
Assets held for sale	20	-	1,162
		75,079	85,936
Total assets		106,015	114,921
Current liabilities			
Trade and other payables	21	(54,521)	(64,974)
Tax liabilities		(1,259)	(2,787)
Provisions	22	(3,536)	(2,077)
Liabilities directly associated with			
assets classified as held for sale	20	_	(549)
		(59,316)	(70,387)
Net current assets		15,763	15,549
Non-current liabilities		,	,
Other payables	21	(971)	(662)
Provisions	22	(3,157)	(2,864)
Defined Benefit Pension Scheme obligation	24	(34,775)	(21,861)
		(38,903)	(25,387)
Total liabilities		(98,219)	(95,774)
Net assets		7,796	19,147
Equity attributable to shareholders			
Share capital	23	1,890	1,890
Share premium account		27,035	27,035
Own shares	25	(1,987)	(2,510)
Capital redemption reserve		94	94
Hedging reserve		879	364
Translation reserve		(123)	(384)
Retained earnings - (deficit)		(19,992)	(7,342)
Total equity		7,796	19,147

The notes on pages 67 to 107 form an integral part of these financial statements.

These Financial Statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 7 February 2017.

On behalf of the Board of Directors,

David BrooksNeil MartinDirectorDirector

## CONSOLIDATED CASH FLOW STATEMENT

Profit before tax         15,115         19.0           Investment income         7         (279)         (1.3)           Finance costs         8         1,086         1.6           Profit from operations         15,922         19.5           Adjustments for:         15,922         19.5           Impairment of non acquisition related intangible assets         13         77         1           Amortisation of non acquisition related intangible assets         13         239         22           Deperceation and impairment of property, plant and equipment         14         2,223         2.4           Gain on sale of operations         (135)         (135)         (1           Gain on disposal of property, plant and equipment         4         2,223         2.4           Gain on sale of operations         (135)         (1         (105)         (1           Gain on sale of operations         (135)         (1         (105)         (1         (1         (1         (2         23         (2         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4	SIAIEMENI		Year ended	Year ended
Profit before tax				
Investment income		Note		£000
Investment income	Profit before tax		15.115	19,235
Finance costs		7		(1,303)
Profit from operations				1,659
Adjustments for impairment of non-acquisition related intangible assets 13 77 1  Impairment of non-acquisition related intangible assets 13 8 3  Amortisation of acquisition related intangible assets 13 239 2  Depreciation and impairment of property, plant and equipment 14 2,223 2,4  Sain on sale of operations (1335) (1355) (1355) (1355) (1355) (1355) (1355) (1355) (1355) (1355) (1355) (1355) (1355) (1355) (1355) (1355) (1355) (1355) (1355) (1355)				19,591
Impairment of non-acquisition related intangible assets   13   8   3   3   3   3   3   3   3   3				10,001
Amortisation of acquisition related intangible assets 13 8 3 Amortisation of non-acquisition related intangible assets 13 239 2 Depreciation and impairment for property, plant and equipment 14 2,223 2,4 Gain on sale of operations (135) (5 (135) (6) (135) (7 (135)	·	13	77	150
Amortisation of non-acquisition related intangible assets 23 239 22 Depreciation and impairment of property, plant and equipment 14 2,223 2,4 Gain on sale of operations (138) (5) (5) (6) Gain on sale of operations (5) (5) (6) Loss on foreign exchange derivatives 644 1 Share-based payment charge 1,006 88 Increase/(decrease) in provisions 2,557 (7) Defined Benefit Pension Scheme administration cost 24 845 5 Operating cash flows before movements in working capital 1,056 6,1 Decrease in receivables 1,056 6,1 Decrease in receivables 1,056 6,1 Decrease in trade and other payables 1,1056 6,1 Utilisation of onerous lease and dilapidations provisions 22 (345) (2,1 Utilisation of employee-related restructuring provisions 22 (184) (1,1 Utilisation of onerous lease and dilapidations provisions 22 (184) (1,1 Utilisation of onerous lease and dilapidations provisions 22 (184) (1,1 Utilisation of onerous lease and dilapidations provisions 22 (184) (1,1 Utilisation of onerous lease and dilapidations provisions 22 (184) (1,1 Utilisation of onerous lease and dilapidations provisions 22 (184) (1,1 Utilisation of onerous lease and dilapidations provisions 22 (184) (1,1 Utilisation of onerous lease and dilapidations provisions 22 (184) (1,1 Utilisation of onerous lease and dilapidations provisions 22 (184) (1,1 Utilisation of onerous lease and dilapidations provisions 22 (184) (1,1 Utilisation of onerprovisions 22 (184) (1,1 Uti				303
Depreciation and impairment of property, plant and equipment   14   2,223   2,4	· · · · · · · · · · · · · · · · · · ·			297
Gain on sale of operations         (135)         (1           Gain on disposal of property, plant and equipment         (5)         (1           Loss on foreign exchange derivatives         684         1           Share-based payment charge         1,006         8           Increase/(decrease) in provisions         2,557         (7           Defined Benefit Pension Scheme administration cost         24         845         5           Operating cash flows before movements in working capital         23,421         23,3           Increase/(decrease) in inventories         173         (7           Decrease in receivables         1,056         6,1           Decrease in trade and other payables         (10,338)         (14,3           Utilisation of onerous lease and dilapidations provisions         22         (345)         (2,1           Utilisation of employee-related restructuring provisions         22         (346)         (1           Utilisation of other provisions         22         (348)         (1           Utilisation of other provisions         22         (348)         (1           Utilisation of other provisions         22         (348)         (1           Utilisation of other provisions         22         (349)         (1	· · · · · · · · · · · · · · · · · · ·			2,406
Casin on disposal of property, plant and equipment		11		(65)
Loss on foreign exchange derivatives			, ,	(95)
Share-based payment charge         1,006         8           Increase/(decrease) in provisions         2,557         7           Defined Benefit Pension Scheme administration cost         24         845         5           Operating cash flows before movements in working capital         23,421         23,3           Increase/(decrease) in inventories         173         7           Decrease in receivables         1,056         6,1           Decrease in trade and other payables         (10,338)         (14,3           Utilisation of onerous lease and dilapidations provisions         22         (345)         (2,1           Utilisation of other provisions         22         (184)         (1,1           Utilisation of other provisions         22         (396)         (1           Incepating activities         13,387         10,9           Berned Benefit Pension Scheme cash contributions         24         (11,984)         (3,9           Tax paid         (3,567)         (1         1           B			, ,	133
Increase/(decrease) in provisions   2,557   (77     Defined Benefit Pension Scheme administration cost   24   845   55     Defined Benefit Pension Scheme administration cost   23,421   23,3     Increase/(decrease) in inventories   173   (77     Decrease in receivables   1,056   6,1     Decrease in trade and other payables   (10,338)   (14,3     Utilisation of onerous lease and dilapidations provisions   22   (345)   (2,1     Utilisation of employee-related restructuring provisions   22   (396)   (1     Utilisation of other provisions   22   (396)   (1     Utilisation of other provisions   22   (396)   (1     Utilisation of other provisions   24   (11,984)   (3,9     Defined Benefit Pension Scheme cash contributions   24   (11,984)   (3,9     Defined Benefit Pension Scheme cash contributions   24   (11,984)   (3,9     Defined Benefit Pension Scheme cash contributions   24   (11,984)   (3,9     Defined Benefit Pension Scheme cash contributions   24   (11,984)   (3,9     Defined Benefit Pension Scheme cash contributions   24   (11,984)   (3,9     Defined Benefit Pension Scheme cash contributions   24   (11,984)   (3,9     Defined Benefit Pension Scheme cash contributions   24   (11,984)   (3,9     Defined Benefit Pension Scheme cash contributions   25   (2,580)   (6,3     Defined Benefit Pension Scheme cash contributions   25   (2,580)   (6,3     Defined Benefit Pension Scheme cash contributions   2,580   (3,567)   (1     Defined Benefit Pension Scheme cash contributions   2,580   (2,580)   (6,3     Defined Benefit Pension Scheme cash contributions   2,580   (2,580)   (6,3     Defined Benefit Pension Scheme cash contributions   2,580   (2,580)   (6,3     Defined Benefit Pension Scheme   2,270   (2,580)   (3,4     Defined Benefit Pension Scheme   2,270   (2,580)   (3,4     Defined Benefit Pension Scheme   2,270   (2,580)   (3,4     Defined Benefit Pension Scheme   2,286   (3,4     Defined Benefit Pension Scheme   3,4   (4,299)   (3,4     Defined Benefit Pension Scheme   3,4   (4,299)   (3,4     Defined Benefit Pe				864
Defined Benefit Pension Scheme administration cost         24         845         5.           Operating cash flows before movements in working capital increase/(decrease) in inventories         173         174         183         184         184         184         184         184         183         184         184         184         184         184         18	· · ·		· ·	(716)
Operating cash flows before movements in working capital Increase/(decrease) in inventories         23,421         23,33 (ncrease/(decrease) in inventories         173         (7           Decrease in receivables         1,056         6,1 (a)         6,1 (b)         6,1 (a)         6,2 (a)         1,1 (a)         1,3 (a)         1,4 (a)         1,1 (a)         1,2 (a)         1,4 (a)         1,1 (a)         1,3 (a)         1,2 (a)         1,4 (a)         1,3 (a)         1,5 (a)<		24		530
Increase/(decrease) in inventories         173         (7           Decrease in receivables         1,056         6,1           Decrease in treade and other payables         (10,338)         (14,3           Utilisation of onerous lease and dilapidations provisions         22         (345)         (2,1           Utilisation of employee-related restructuring provisions         22         (184)         (1,1           Utilisation of other provisions         22         (396)         (1           Cash generated from operations         22         (396)         (1           Defined Benefit Pension Scheme cash contributions         24         (11,984)         (3,967)         (1           Borrowing facilities arrangement and commitment fees         (422)         (4           Income on sale of finance lease debt         7         6		24		
Decrease in trace and other payables         1,056         6,1           Decrease in trace and other payables         (10,338)         (14,3           Utilisation of onerous lease and dilapidations provisions         22         (345)         (2,1           Utilisation of employee-related restructuring provisions         22         (396)         (1           Utilisation of other provisions         22         (396)         (1           Cash generated from operations         13,387         10,9           Defined Benefit Pension Scheme cash contributions         24         (11,984)         (3,9           Tax paid         (3,567)         (1           Borrowing facilities arrangement and commitment fees         (422)         (4           Income on sale of finance lease debt         7         6				
Decrease in trade and other payables   (10,338)   (14,3   Utilisation of onerous lease and dilapidations provisions   22   (345)   (2,1   Utilisation of employee-related restructuring provisions   22   (184)   (1,1   Utilisation of employee-related restructuring provisions   22   (396)   (1   (2396)   (1   (2396)   (1   (2396)   (1   (2396)   (1   (2396)   (1   (2396)   (1   (2396)   (1   (2396)   (1   (2396)   (1   (2396)   (2396)   (1   (2396)				(707)
Utilisation of onerous lease and dilapidations provisions         22         (345)         (2,1           Utilisation of employee-related restructuring provisions         22         (184)         (1,1           Utilisation of other provisions         22         (396)         (1           Cash generated from operations         13,387         10,9           Defined Benefit Pension Scheme cash contributions         24         (11,984)         (3,9           Tax paid         (3,567)         (1           Borrowing facilities arrangement and commitment fees         (422)         (4           Income on sale of finance lease debt         7         6         6           Net cash (outflow)/inflow from operating activities         (2,580)         6,3           Investing activities         255         3           Interest received         255         3           Repayment of loans by third parties         16         6           Proceeds from sale of other receivables         5         -         1,5           Proceeds from sale of operations         20         759         1           Purchases of property, plant and equipment         44         (1,333)         (1,5           Purchases of property, plant and equipment         14         (1,333)         (1,5<				6,102
Utilisation of employee-related restructuring provisions     22     (184)     (1,1)       Utilisation of other provisions     22     (396)     (1       Cash generated from operations     13,387     10,9       Defined Benefit Pension Scheme cash contributions     24     (11,984)     (3,9       Tax paid     (3,567)     (1       Borrowing facilities arrangement and commitment fees     (422)     (4       Income on sale of finance lease debt     7     6       Net cash (outflow)/inflow from operating activities     (2,580)     6,3       Investing activities     255     3       Interest received     255     3       Repayment of loans by third parties     16     16       Proceeds from sale of other receivables     5     -     1,5       Proceeds from sale of operations     20     759     1,5       Proceeds from sale of operations     20     759     1,5       Proceeds of property, plant and equipment     4     1,333     1,5       Purchases of property, plant and equipment     14     1,333     1,5       Purchases of other intangible assets     13     (456)     (3       Amounts transferred from short-term deposits     19     2,986       Net cash generated by investing activities     2,270     2   <		00		(14,369)
Utilisation of other provisions         22         (396)         (1           Cash generated from operations         13,387         10,9           Defined Benefit Pension Scheme cash contributions         24         (11,984)         (3,967)         (1           Borrowing facilities arrangement and commitment fees         (422)         (4           Income on sale of finance lease debt         7         6           Net cash (outflow)/inflow from operating activities         (2,580)         6,3           Investing activities         (2,580)         6,3           Interest received         255         3           Repayment of loans by third parties         16         16           Proceeds from sale of other receivables         5         -         1,5           Proceeds from sale of operations         20         759         759           Proceeds on disposal of property, plant and equipment         43         1           Purchases of property, plant and equipment         14         (1,333)         (1,5           Purchases of other intangible assets         13         (456)         (3           Amounts transferred from short-term deposits         19         2,986           Net cash generated by investing activities         2,270         2			• •	(2,186)
Cash generated from operations         13,387         10,9           Defined Benefit Pension Scheme cash contributions         24         (11,984)         (3,9           Tax paid         (3,567)         (1           Borrowing facilities arrangement and commitment fees         (422)         (4           Income on sale of finance lease debt         7         6			• •	(1,166)
Defined Benefit Pension Scheme cash contributions         24         (11,984)         (3,967)         (1           Borrowing facilities arrangement and commitment fees         (422)         (4           Income on sale of finance lease debt         7         6		22		(132)
Tax paid         (3,567)         (1           Borrowing facilities arrangement and commitment fees         (422)         (4           Income on sale of finance lease debt         7         6           Net cash (outflow)/inflow from operating activities         (2,580)         6,3           Investing activities         5         5         3           Interest received         255         3           Repayment of loans by third parties         16         255         3           Proceeds from sale of other receivables         5         -         1,5           Proceeds from sale of operations         20         759         759           Proceeds on disposal of property, plant and equipment         43         1           Purchases of property, plant and equipment         14         (1,333)         (1,5           Purchases of other intangible assets         13         (456)         (3           Amounts transferred from short-term deposits         19         2,986           Net cash generated by investing activities         2,270         2           Financing activities         2,270         2           Ordinary and Special dividends paid         11         (4,299)         (3,4           Repayment of capital obligations under vehicle finance l				10,940
Borrowing facilities arrangement and commitment fees (422) (4 Income on sale of finance lease debt 7 6 6	Defined Benefit Pension Scheme cash contributions	24		(3,984)
Income on sale of finance lease debt       7       6         Net cash (outflow)/inflow from operating activities       (2,580)       6,3         Investing activities       Interest received       255       3         Repayment of loans by third parties       16       255       3         Proceeds from sale of other receivables       5       -       1,5         Proceeds from sale of operations       20       759       759         Proceeds on disposal of property, plant and equipment       43       1         Purchases of property, plant and equipment       14       (1,333)       (1,5         Purchases of other intangible assets       13       (456)       (3         Amounts transferred from short-term deposits       19       2,986         Net cash generated by investing activities       2,270       2         Financing activities       2,270       2         Ordinary and Special dividends paid       11       (4,299)       (3,4         Repayment of capital obligations under vehicle finance leases       -       (2         Proceeds of share capital issue, net of share issue costs       -       (2         Proceeds from sale of shares held in Staff Share Scheme       -       (2         Proceeds from sale of share-based payment a			(3,567)	(171)
Net cash (outflow)/inflow from operating activities(2,580)6,3Investing activities2553Interest received2553Repayment of loans by third parties1616Proceeds from sale of other receivables5-1,5Proceeds from sale of operations207591,5Proceeds on disposal of property, plant and equipment431Purchases of property, plant and equipment14(1,333)(1,5Purchases of other intangible assets13(456)(3Amounts transferred from short-term deposits192,986Net cash generated by investing activities2,2702Financing activities2,2702Ordinary and Special dividends paid11(4,299)(3,4Repayment of capital obligations under vehicle finance leases-(2Proceeds of share capital issue, net of share issue costsProceeds from sale of shares held in Staff Share SchemePurchase of own shares(317)(2,4Satisfaction of share-based payment awards(610)(1Net cash used in financing activities(5,226)(6,1Net (decrease)/increase in cash and cash equivalents(5,536)4Cash and cash equivalents at the beginning of the year1942,32041,8Effect of foreign exchange rate changes189	Borrowing facilities arrangement and commitment fees		(422)	(447)
Interest received 255 3 Repayment of loans by third parties 16 Proceeds from sale of other receivables 5 - 1,5 Proceeds from sale of operations 20 759 Proceeds on disposal of property, plant and equipment 43 1 Purchases of property, plant and equipment 14 (1,333) (1,5 Purchases of other intangible assets 13 (456) (3 Amounts transferred from short-term deposits 19 2,986  Net cash generated by investing activities 2,270 2 Financing activities Ordinary and Special dividends paid 11 (4,299) (3,4 Repayment of capital obligations under vehicle finance leases - (2 Proceeds of share capital issue, net of share issue costs - Proceeds from sale of shares held in Staff Share Scheme - Purchase of own shares (317) (2,4 Satisfaction of share-based payment awards (610) (1 Net cash used in financing activities (5,536) 4 Cash and cash equivalents at the beginning of the year 19 42,320 41,8 Effect of foreign exchange rate changes	Income on sale of finance lease debt	7	6	45
Interest received Repayment of loans by third parties Repayment of loans by third parties Proceeds from sale of other receivables Proceeds from sale of operations Proceeds from sale of operations Proceeds on disposal of property, plant and equipment Purchases of property, plant and equipment Purchases of their intangible assets In the transferred from short-term deposits Purchases of other intangible assets In the transferred from short-term deposits In the	Net cash (outflow)/inflow from operating activities		(2,580)	6,383
Repayment of loans by third parties Proceeds from sale of other receivables Proceeds from sale of other receivables Proceeds from sale of operations Proceeds on disposal of property, plant and equipment Purchases of property, plant and equipment Purchases of other intangible assets I3 (456) (3 Amounts transferred from short-term deposits I9 2,986  Net cash generated by investing activities Ordinary and Special dividends paid Repayment of capital obligations under vehicle finance leases Proceeds of share capital issue, net of share issue costs Proceeds from sale of shares held in Staff Share Scheme Purchase of own shares Satisfaction of share-based payment awards (610) (1) Net cash used in financing activities (5,226) Effect of foreign exchange rate changes	Investing activities			
Proceeds from sale of other receivables 5 - 1,5 Proceeds from sale of operations 20 759 Proceeds on disposal of property, plant and equipment 43 1 Purchases of property, plant and equipment 14 (1,333) (1,5 Purchases of other intangible assets 13 (456) (3 Amounts transferred from short-term deposits 19 2,986  Net cash generated by investing activities 2,270 2 Financing activities Ordinary and Special dividends paid 11 (4,299) (3,4 Repayment of capital obligations under vehicle finance leases - (2 Proceeds of share capital issue, net of share issue costs - Proceeds from sale of shares held in Staff Share Scheme - Purchase of own shares (317) (2,4 Satisfaction of share-based payment awards (610) (1 Net cash used in financing activities (5,536) (4,18) Cash and cash equivalents at the beginning of the year 19 42,320 41,8 Effect of foreign exchange rate changes	Interest received		255	364
Proceeds from sale of operations Proceeds on disposal of property, plant and equipment Purchases of property, plant and equipment Purchases of property, plant and equipment Purchases of other intangible assets Amounts transferred from short-term deposits Pet cash generated by investing activities Proceeds of share capital dividends paid Repayment of capital obligations under vehicle finance leases Proceeds of share capital issue, net of share issue costs Proceeds from sale of shares held in Staff Share Scheme Purchase of own shares Satisfaction of share-based payment awards Ret cash used in financing activities  Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year  Effect of foreign exchange rate changes  20 759 759 759 759 759 759 759 759 759 759	Repayment of loans by third parties		16	18
Proceeds on disposal of property, plant and equipment Purchases of property, plant and equipment Purchases of ther intangible assets 13 (456) (3 Amounts transferred from short-term deposits Pet cash generated by investing activities Proceeds of share capital obligations under vehicle finance leases Proceeds of share capital issue, net of share issue costs Proceeds from sale of shares held in Staff Share Scheme Purchase of own shares Satisfaction of share-based payment awards  Net cash used in financing activities (5,226) (6,1  Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year  Effect of foreign exchange rate changes	Proceeds from sale of other receivables	5	-	1,586
Purchases of property, plant and equipment 14 (1,333) (1,5 Purchases of other intangible assets 13 (456) (3 Amounts transferred from short-term deposits 19 2,986  Net cash generated by investing activities 2,270 2  Financing activities  Ordinary and Special dividends paid 11 (4,299) (3,4 Repayment of capital obligations under vehicle finance leases - (2 Proceeds of share capital issue, net of share issue costs - Proceeds from sale of shares held in Staff Share Scheme - Purchase of own shares (317) (2,4 Satisfaction of share-based payment awards (610) (1 Net cash used in financing activities (5,226) (6,1 Net (decrease)/increase in cash and cash equivalents (5,536) 4 (2,320 41,8 Effect of foreign exchange rate changes	Proceeds from sale of operations	20	759	-
Purchases of other intangible assets Amounts transferred from short-term deposits  Net cash generated by investing activities  Ordinary and Special dividends paid Repayment of capital obligations under vehicle finance leases Proceeds of share capital issue, net of share issue costs Proceeds from sale of shares held in Staff Share Scheme Purchase of own shares Satisfaction of share-based payment awards  Net cash used in financing activities  Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year  Effect of foreign exchange rate changes	Proceeds on disposal of property, plant and equipment		43	165
Amounts transferred from short-term deposits 19 2,986  Net cash generated by investing activities 2,270 2  Financing activities  Ordinary and Special dividends paid 11 (4,299) (3,4) Repayment of capital obligations under vehicle finance leases - (2) Proceeds of share capital issue, net of share issue costs - Proceeds from sale of shares held in Staff Share Scheme - Purchase of own shares (317) (2,4) Satisfaction of share-based payment awards (610) (1)  Net cash used in financing activities (5,226) (6,1) Net (decrease)/increase in cash and cash equivalents (5,536) 4 Cash and cash equivalents at the beginning of the year 19 42,320 41,8  Effect of foreign exchange rate changes	Purchases of property, plant and equipment	14	(1,333)	(1,576)
Net cash generated by investing activities2,2702Financing activities3,4Ordinary and Special dividends paid11(4,299)(3,4Repayment of capital obligations under vehicle finance leases-(2Proceeds of share capital issue, net of share issue costsProceeds from sale of shares held in Staff Share SchemePurchase of own shares(317)(2,4Satisfaction of share-based payment awards(610)(1Net cash used in financing activities(5,226)(6,1Net (decrease)/increase in cash and cash equivalents(5,536)4Cash and cash equivalents at the beginning of the year1942,32041,8Effect of foreign exchange rate changes189	Purchases of other intangible assets	13	(456)	(322)
Net cash generated by investing activities2,2702Financing activities11(4,299)(3,4)Ordinary and Special dividends paid11(4,299)(3,4)Repayment of capital obligations under vehicle finance leases-(2Proceeds of share capital issue, net of share issue costsProceeds from sale of shares held in Staff Share SchemePurchase of own shares(317)(2,4)Satisfaction of share-based payment awards(610)(1Net cash used in financing activities(5,226)(6,1)Net (decrease)/increase in cash and cash equivalents(5,536)4Cash and cash equivalents at the beginning of the year1942,32041,8Effect of foreign exchange rate changes189	Amounts transferred from short-term deposits	19		=
Financing activities  Ordinary and Special dividends paid  Repayment of capital obligations under vehicle finance leases  Proceeds of share capital issue, net of share issue costs  Proceeds from sale of shares held in Staff Share Scheme  Purchase of own shares  Satisfaction of share-based payment awards  Net cash used in financing activities  Net (decrease)/increase in cash and cash equivalents  Cash and cash equivalents at the beginning of the year  Effect of foreign exchange rate changes  11 (4,299)  (3,4)  (4,299)  (3,4)  (4,299)  (3,4)  (4,299)  (5,296)  (6,10)  (1)  (1)  (1)  (1)  (1)  (2)  (4)  (5)  (5)  (6,1)  (6)  (1)  (1)  (1)  (1)  (1)  (1)  (	Net cash generated by investing activities			235
Ordinary and Special dividends paid  Repayment of capital obligations under vehicle finance leases  Proceeds of share capital issue, net of share issue costs  Proceeds from sale of shares held in Staff Share Scheme  Purchase of own shares  Satisfaction of share-based payment awards  Net cash used in financing activities  (5,226)  Net (decrease)/increase in cash and cash equivalents  Cash and cash equivalents at the beginning of the year  Effect of foreign exchange rate changes			<u> </u>	
Repayment of capital obligations under vehicle finance leases Proceeds of share capital issue, net of share issue costs Proceeds from sale of shares held in Staff Share Scheme Purchase of own shares Satisfaction of share-based payment awards (610) (1  Net cash used in financing activities (5,226) (6,1  Net (decrease)/increase in cash and cash equivalents (5,536) Cash and cash equivalents at the beginning of the year 19 42,320 41,8  Effect of foreign exchange rate changes		11	(4,299)	(3,424)
Proceeds of share capital issue, net of share issue costs Proceeds from sale of shares held in Staff Share Scheme Purchase of own shares Satisfaction of share-based payment awards (610) (1  Net cash used in financing activities (5,226) (6,1  Net (decrease)/increase in cash and cash equivalents (5,536) Cash and cash equivalents at the beginning of the year 19 42,320 41,8  Effect of foreign exchange rate changes			-	(244)
Proceeds from sale of shares held in Staff Share Scheme Purchase of own shares Satisfaction of share-based payment awards (610) (1  Net cash used in financing activities (5,226) (6,1  Net (decrease)/increase in cash and cash equivalents (5,536) (4,0) Cash and cash equivalents at the beginning of the year Effect of foreign exchange rate changes 189			_	18
Purchase of own shares Satisfaction of share-based payment awards (610) (1  Net cash used in financing activities (5,226) (6,1  Net (decrease)/increase in cash and cash equivalents (5,536) Cash and cash equivalents at the beginning of the year Effect of foreign exchange rate changes (317) (2,4  (610) (1  (5,526) (6,1  42,320 41,8  Effect of foreign exchange rate changes			_	55
Satisfaction of share-based payment awards(610)(1Net cash used in financing activities(5,226)(6,1Net (decrease)/increase in cash and cash equivalents(5,536)4Cash and cash equivalents at the beginning of the year1942,32041,8Effect of foreign exchange rate changes189			(317)	(2,470)
Net cash used in financing activities(5,226)(6,1)Net (decrease)/increase in cash and cash equivalents(5,536)4Cash and cash equivalents at the beginning of the year1942,32041,8Effect of foreign exchange rate changes189			• •	(128)
Net (decrease)/increase in cash and cash equivalents  Cash and cash equivalents at the beginning of the year  19 42,320 41,8  Effect of foreign exchange rate changes				(6,193)
Cash and cash equivalents at the beginning of the year 19 <b>42,320</b> 41,8 Effect of foreign exchange rate changes 189				425
Effect of foreign exchange rate changes 189		19		41,893
		13		2
Cash and cash equivalents at the end of the year 19 36 973 42.2	Cash and cash equivalents at the end of the year	19	36,973	42,320

### COMPANY STATEMENT OF CHANGES IN EQUITY

					Capital		
		Share	Share		redemption	Retained	
		capital	premium		reserve	earnings	Total
	Note	£000	£000	£000	£000	£000	£000
At 1 December 2014		1,889	27,018	(2,950)	94	20,362	46,413
Profit for the year		-	-	-	-	7,386	7,386
Total comprehensive income		=	=	-	=	7,386	7,386
Transactions with owners of the Company	/						
Shares issued	23	1	17	-	-	-	18
Sale of shares held in staff share scheme		-	-	-	-	55	55
Share-based payment awards exercised		-	-	2,910	-	(3,038)	(128)
Purchase of own shares		-	-	(2,470)	-	-	(2,470)
Share-based payment fair value charges	26	-	-	-	-	864	864
Ordinary dividends paid	11	-	-	-	-	(3,424)	(3,424)
At 30 November 2015		1,890	27,035	(2,510)	94	22,205	48,714
Profit for the year		-	-	-	-	6,580	6,580
Total comprehensive income		-	-	-	-	6,580	6,580
Transactions with owners of the Company	/						
Share-based payment awards exercised		-	-	840	-	(1,450)	(610)
Purchase of own shares		-	-	(317)	-	-	(317)
Share-based payment fair value charges	26	-	-	-	-	1,006	1,006
Ordinary dividends paid	11	-	-	-	-	(4,299)	(4,299)
At 30 November 2016		1,890	27,035	(1,987)	94	24,042	51,074

The notes on pages 67 to 107 form an integral part of these financial statements.

As permitted by section 408 of the Companies Act 2006, no separate income statement is presented for the parent company, RM plc.

#### **COMPANY BALANCE SHEET**

		At 30 November 2016	At 30 November 2015
	Note	0003	9000
Non-current assets			
Investments	15	65,263	65,016
Other receivables	18	901	918
		66,164	65,934
Current assets			
Trade and other receivables	18	12,490	5,216
Tax assets		288	46
		12,778	5,262
Total assets		78,942	71,196
Current liabilities			
Accruals	21	(525)	-
Amounts owed to Group undertakings	21	(22,315)	(17,091)
		(22,840)	(17,091)
Net current liabilities		(10,062)	(11,829)
Non-current liabilities			
Provisions	22	(5,028)	(5,391)
Total liabilities		(27,868)	(22,482)
Net assets		51,074	48,714
Equity attributable to equity holders			
Share capital	23	1,890	1,890
Share premium account		27,035	27,035
Own shares	25	(1,987)	(2,510)
Capital redemption reserve		94	94
Retained earnings		24,042	22,205
Total equity		51,074	48,714

The notes on pages 67 to 107 form an integral part of these financial statements.

These Financial Statements of RM plc, registered number 01749877, were approved and authorised for issue by the Board of Directors on 7 February 2017.

On behalf of the Board of Directors,

David BrooksNeil MartinDirectorDirector

### COMPANY CASH FLOW STATEMENT

	Note	Year ended 30 November 2016 £000	Year ended 30 November 2015 £000
Profit before tax		6,111	7,391
Investment income		(7,245)	(9,363)
Finance costs		447	821
Loss from operations		(687)	(1,151)
Adjustments for:			
Impairment of investment in subsidiary	15	-	126
(Decrease)/increase in provisions	22	(363)	498
Operating cash flows before movements in working	capital	(1,050)	(527)
(Increase)/decrease in receivables		(6,042)	7,631
Increase/(decrease) in payables		5,302	(10,790)
Cash utilised by operations		(1,790)	(3,686)
Dividends received		7,000	7,966
Net cash generated from operating activities		5,210	4,280
Investing activities			
Income from sale of other receivables		-	1,604
Interest received		16	83
Net cash generated from investing activities		16	1,687
Financing activities			
Dividends paid		(4,299)	(3,424)
Purchase of own shares		(317)	(2,470)
Satisfaction of share-based payments		(610)	(128)
Proceeds from share capital issue, net of share issue co	sts	-	55
Net cash used in financing activities		(5,226)	(5,967)
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	
Cash and cash equivalents at the end of the year		-	-

## NOTES TO THE FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

RM plc ('Company') is incorporated in the United Kingdom and listed on the London Stock Exchange. It is the parent company of a group of companies ('Group') whose business activities and financial position, together with the factors likely to affect its future development, performance and position, and risk management policies are presented in the Strategic Report and the Directors' Report.

#### Consolidated income statement presentation

The income statement is presented in three columns. This presentation is intended to give a better guide to business performance by separately identifying adjustments to profit which are considered exceptional in nature or with potential significant variability year on year in non-cash items which might mask underlying trading performance.

The columns extend down the income statement to allow the tax and earnings per share impacts of these transactions to be disclosed. Equivalent adjustments to profit arising in future years, including increases in or reversals of items recorded, will be disclosed in a consistent manner.

#### **Adjustments to profit**

See note 5 for further details in respect of adjustments to profit, which have been analysed as recurring and non-recurring items.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are drawn up in accordance with those International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted for use in the EU and therefore comply with Article 4 of the EU IAS Regulation applied in accordance with the provisions of the Companies Act 2006.

These accounting policies have been consistently applied to the years presented.

The financial statements are prepared on a going concern basis. The Directors' reasons for continuing to adopt this basis are set out in the Going Concern section of the Strategic Report.

#### **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 its subsidiaries for the periods during which they were members of the Group.

Inter-company balances and transactions between Group companies 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.

#### **Business combinations**

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred or assumed in exchange for control. The acquired company's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

#### 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 and with consideration of any significant credit risk uncertainty. 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. For multiple element arrangements revenue is allocated to each element on a fair value basis. The portion of the revenue allocated to an element is recognised when the revenue recognition criteria for that element have been met. Appropriate provisions for returns, trade discounts and other allowances are deducted from revenue. Where customer payments are received in advance of the recognition of revenue, the amount is included within deferred income and is aged dependent upon the estimated recognition profile.

#### **Long-term contracts**

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, taking into account the sign-off of milestone delivery by customers.

Long-term contracts represent those accounted for in accordance with the principles of IAS 18 Revenue and related linkage with IAS 11 Construction Contracts.

Profit on long-term contracts is recognised when the outcome of the contract can be assessed with reasonable certainty, including assessment of contingent and uncertain future expenses. Thereafter profit is recognised based upon the expected outcome of the contract and the revenue recognised at the balance sheet date as a proportion of total contract revenue.

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 market's 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 in finance costs.

Where the cumulative fair value of goods and services provided exceeds amounts invoiced the balance is included within trade and other receivables as long-term contract balances. 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 amounts due to long-term contract customers within trade and other payables.

Pre-contract costs are expensed until the awarding of the contract to the Group is considered to be virtually certain which is not before the Group has been appointed sole preferred bidder. Once virtual certainty 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 usually recognised as an asset and accounted for as long-term contract costs.

#### **Intangible assets**

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

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 and recognised immediately in profit or loss. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

#### 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; and
- b. an intention to complete the intangible asset and use or sell it; and
- c. ability to use or sell the intangible asset; and
- d. how the intangible asset will generate probable future economic benefits. Among other things, the Group 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; and

- e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- 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 assessed on an individual basis and is generally reached shortly before the products or services are released, 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 2-8 years.

For business combinations occurring after 1 October 2004, the Group's transition date to IFRS, net assets acquired includes an assessment of the fair value of separately identifiable acquisition related intangible assets, in addition to other assets, liabilities and contingent liabilities purchased. These are amortised over their useful lives which are individually assessed.

#### Property, plant and equipment

Property, plant and equipment assets are stated at cost, less accumulated depreciation and any accumulated impairment losses 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:

Freehold property	Up to 50 years
Leasehold building improvements	Up to 25 years
Plant and equipment	3 - 10 years
Computer equipment	2 - 5 years
Vehicles	2 - 4 years

### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

#### **Financial instruments**

#### Trade and other receivables

Trade and other receivables are not interest bearing, except those specifically detailed in note 18. Trade and other receivables are recognised initially at fair value and subsequent to initial recognition they

are measured at amortised cost using the effective interest method, less any impairment losses.

#### Cash and short-term deposits

Cash comprises cash at bank and in hand and deposits with a maturity of three months or less. Bank overdrafts are included in cash only to the extent that the Group has the right of set-off. Short-term deposits represent cash deposited for a maximum period of six months and where the deposited amounts cannot be recalled on demand.

#### Trade and other payables

Trade payables on normal terms are not interest bearing. Trade and other payables are recognised initially at fair value and subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposure.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the accuracy of inputs used in making the measurements.

## Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

## Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

#### **Inventories**

Finished goods and work-in-progress are valued at cost on a first in first out basis, including appropriate labour costs and other overheads. Raw materials and bought in finished goods are valued at purchase price. Stocks are recognised when the Group has the rights and obligations of ownership, which in the case of supply from the Far East may be from the point of production or the point of shipment. All inventories are reduced to net realisable value where lower than cost. Provision is made for obsolete, slow moving and defective items where appropriate.

#### **Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

### Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

#### Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

## Dilapidations provision

A dilapidations provision is recognised when the Group has an obligation to rectify, repair or reinstate a leased premises to a certain condition in accordance with the lease agreement. The provision is measured at the present value of the estimated cost of rectifying, repairing or reinstating the leased premises at a specified future date. To the extent that future economic benefits associated with leasehold improvements are expected to flow to the Group, this cost is capitalised within the leasehold improvement category of property, plant and equipment and is depreciated over its useful economic life.

#### Leases

Where assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the lower of the fair value or the present value of the minimum lease payments during the lease term determined at the inception of the lease. The assets are depreciated over the shorter of the lease term or their useful life. Obligations relating to finance leases, net of finance charges in respect of future periods, are included, as appropriate, under other payables due within or after one year. The finance charge element of rentals is charged to finance costs in the income statement over the lease term.

All other leases are classified as operating leases, the rentals of which are charged to the income statement on a straight line basis over the lease term.

#### **Share-based payments**

The Group operates a number of executive and employee share schemes. For all grants of sharebased 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. Where the vesting period is shortened after the date of grant, the remaining expense is recognised over the shortened vesting period. Over the vesting period and at vesting the cumulative expense is adjusted to take into account the number of awards expected to or actually vesting as a result of survivorship and where this reflects non-market-based performance conditions. Share-based payment charges which are incurred by a subsidiary undertaking are included as an increase in investments in subsidiary undertakings within the parent company, and a capital contribution in the subsidiary.

#### **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 at each balance sheet date and using the projected unit method, the administrative expenses are charged to operating profit, with the interest cost, net of interest on scheme assets, reported as a financing item. Defined Benefit Pension Scheme remeasurements are recognised as a component of other

comprehensive income such that the balance sheet reflects the Scheme's surplus or deficit as at the balance sheet date.

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

#### **Employee Share Trust**

The Employee Share Trust, which holds ordinary shares of the Company in connection with certain share schemes, is consolidated into the financial statements. Any consideration paid to the Trust for the purchase of the Company's own shares is shown as a movement in shareholders' equity.

#### **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 substantively 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.

Current tax balances are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

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**

The Group presents its financial statements in Sterling because this is the currency in its primary operating environment. Balance sheet items of subsidiary undertakings whose functional currency is not Sterling are translated into Sterling at the period-end rates of exchange. Income statement items and the cash flows of subsidiary undertakings are translated at the average rates for the period. Exchange differences on the translation of subsidiary 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 Sterling 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. Foreign currency non-monetary amounts are translated at rates prevailing at the time of establishing the fair value of the asset or liability.

## **Dividends**

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

## Key sources of estimation uncertainty and critical accounting judgements

In applying the Group's accounting policies the Directors are required to make judgements, estimates and assumptions. Actual results may differ from these estimates. The Group's key risks are set out in the Strategic Report and give rise to the following estimations and judgements which are disclosed within the relevant note to the Report and Accounts:

- Long-term contract outcome see note 17
- Retirement benefit scheme valuation see note 24
- Onerous lease provision see note 22
- Goodwill valuation and impairment see note 12

## Adoption of new and revised International Financial Reporting Standards

The IFRIC interpretations, amendments to existing standards and new standards that are mandatory and relevant for the Company's accounting periods beginning on or after 1 December 2015 have been adopted. The following new standards and interpretations have been adopted in the current period but have not impacted the reported results or the financial position:

- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Amendments to IAS 16 and IAS 38 -Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IFRS 10, IFRS 12 and IAS 28 -Investment entities: Applying the Consolidation Exception
- Disclosure Initiative Amendments to IAS 1

## New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective/endorsed (and in some cases had not yet been adopted by the EU):

- Disclosure Initiative Amendments to IAS 7
- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- IFRS 16 Leases

The Directors are finalising their analysis and do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company and Group in future periods, except potentially IFRS 9 (measurement and disclosure of financial instruments), IFRS 15 (revenue and deferred income) and IFRS 16 (leases). IFRS 15 will first apply for the year ended 30 November 2019, and an exercise to investigate the impact on the Group is planned during the coming financial year.

#### 3. REVENUE

	Year ended 30 November 2016	Year ended 30 November 2015
	£000	£000
Revenue from supply of products	78,966	85,834
Revenue from rendering of services	73,093	78,009
Revenue from the sale of licences and receipt of royalties	15,556	14,385
Total revenue	167,615	178,228

#### 4. OPERATING SEGMENTS

The Group's business is supplying products, services and solutions to the UK and international education markets. Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segmental performance is focussed on the nature of each type of activity.

The Group is structured into three operating divisions: RM Resources, RM Results and RM Education. The exited business in the year relates to Space Kraft Limited.

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

This segmental analysis shows the results and assets of these divisions. Revenue is that earned by the Group from third parties. Net financing costs and tax are not allocated to segments as the funding, cash and tax management of the Group are activities carried out by the central treasury and tax functions.

## Segmental results

Year ended 30 November 2016	RM Resources	RM Results £000	RM Education £000	Corporate Services £000	Exited Businesses £000	Total £000
Revenue						
UK	46,779	26,925	75,450	-	151	149,305
Europe	5,249	3,231	1,138	-	-	9,618
North America	1,723	-	232	-	-	1,955
Asia	981	117	50	-	-	1,148
Middle East	2,815	-	9	-	-	2,824
Rest of the world	1,288	1,307	170	-	-	2,765
	58,835	31,580	77,049	-	151	167,615
Adjusted profit from operations	10,156	6,798	5,820	(3,926)	(19)	18,829
Investment income						279
Adjusted finance costs						(1,012)
Adjusted profit before tax						18,096
Adjustments (see note 5)						(2,981)
Profit before tax						15,115
				Corporate	Exited	
	RM Resources	RM Results	RM Education	Services	Businesses	Total
Year ended 30 November 2015	£000	£000	£000	£000	£000	£000
Revenue						
UK	52,391	26,508	79,285	-	3,279	161,463
Europe	4,062	3,039	423	-	165	7,689
North America	932	-	272	-	64	1,268
Asia	678	109	171	=	22	980
Middle East	4,555	-	7	=	18	4,580
Rest of the world	925	1,069	85	-	169	2,248
	63,543	30,725	80,243	-	3,717	178,228
Adjusted profit from operations	11,107	5,554	5,494	(4,140)	184	18,199
Investment income						409
Adjusted finance costs						(1,510)
Adjusted profit before tax						17,098
Adjustments (see note 5)						2,137
Profit before tax						19,235

## Segmental assets

At 30 November 2016	RM Resources £000	RM Results	RM Education £000	Corporate Services £000	Exited Businesses £000	Total £000
Segmental	31,968	7,085	17,803	217	-	57,073
Other						48,942
Total assets						106,015
At 30 November 2015	RM Resources	RM Results £000	RM Education £000	Corporate Services £000	Exited Businesses £000	Total £000
Segmental	32,962	7,732	16,539	700	1,162	59,095
Other						55,826
Total assets						114,921

Included within the disclosed segmental assets are non-current assets (excluding deferred tax assets) of £20,029,000 (2015: £22,404,000) located in the United Kingdom and £962,000 (2015: £460,000) located in India. Other non-segmented assets includes other receivables, tax assets and cash and short-term deposits.

## 5. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

		Year ended 30 November 2016	Year ended 30 November 2015
	Note	£000	£000
Amortisation of acquisition related intangible assets	13	8	303
Amortisation of other intangible assets	13	239	297
		247	600
Depreciation of property, plant and equipment:			
- charged in cost of sales		931	857
- charged in operating expenses		1,188	1,408
	14	2,119	2,265
Impairment of acquisition related intangible assets	13	-	150
Impairment of other intangible assets	13	77	-
Impairment of property, plant and equipment	14	104	141
		2,300	2,556
Selling and distribution costs		26,369	26,302
Research and development costs		8,291	7,089
Administrative expenses - adjusted		13,761	17,322
Operating expenses - adjusted		48,421	50,713
Adjustments to administrative expenses (see overleaf)		2,907	(1,392)
Total operating expenses		51,328	49,321
Gain on disposal of property, plant and equipment		(5)	(95)
Cost of inventories recognised as an expense		63,075	66,407
Staff costs	6	65,481	67,516
Operating lease expense	Ŭ	4,139	4,202
Foreign exchange gain		(555)	(342)
Decrease in inventory obsolescence provision		(53)	(62)
Fees payable to the Company's auditor			
Fees payable to the Company's auditor for the audit of these Financial Statements:			
- the audit of the Company's Financial Statements		16	16
- the audit of the Company's subsidiaries pursuant to legis	slation	171	163
Other fees payable to the Company's auditor:			
- other services pursuant to legislation		15	49
- corporate finance services		54	2
		256	230

#### Adjustments to administrative expenses

	Year ended	Year ended
	30 November 2016	30 November 2015
	£000	£000
Amortisation of acquisition-related intangible assets	8	303
Impairment of held for sale assets and related transition costs	-	323
Gain on sale of operations	(135)	(65)
Share-based payment charges	1,006	864
Release of provisions for dilapidations on leased properties		
and onerous lease contracts	(90)	(2,368)
Restructuring	1,593	(243)
Acquisition related costs	525	-
Exceptional credit on Defined Benefit Pension Scheme	-	(206)
	2,907	(1,392)

In the year ended 30 November 2016 notable adjustments to profit include:

### **Recurring items:**

These are items which occur regularly but which management judge to have a distorting effect on the underlying results of the Group or are not regularly monitored for the purpose of determining business performance. These items include the amortisation of acquisition related intangible assets, share-based payment charges and changes in the provision for dilapidations and onerous lease contracts.

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

### Non-recurring items:

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

During the year, the restructuring of the Infrastructure part of the RM Education division was undertaken to move away from some of the lowest margin transactional elements such as network infrastructure, network installation and third party hardware sales. This led to a reduction of broadly 10% of the RM Education UK staff and a one-off exceptional charge of £1.6m.

During the year, the Group incurred professional advisor costs relating to an acquisition of £525,000, see note 31 for further details.

In the prior year, the Group's 135 Milton Park leased premises were sub-let to South Oxfordshire District Council for a minimum period of 3 years. The premises are onerous to the Group's requirements, as they were at 30 November 2014, and on sub-letting £2.4m was released from the onerous lease provision.

In the prior year, the Group's interests in Newham Learning Partnership (PSP) Limited were sold for a total cash consideration of £1.6m and a profit of £0.9m was recorded as an adjustment to Investment income (see note 7).

## 6. STAFF NUMBERS AND COSTS

The average number of persons (including directors) employed by the Group during the year was as follows:

	Year ended	Year ended
	30 November 2016	30 November 2015
	Number	Number
Research and development, products and services	1,463	1,465
Marketing and sales	229	257
Corporate services	137	138
	1,829	1,860

Aggregate emoluments of persons employed by the Group comprised:

	Year ended	Year ended
	30 November 2016	30 November 2015
	£000	£000
Wages and salaries	52,495	55,585
Termination payments	2,188	1,070
Social security costs	4,852	4,896
Other pension costs	4,940	5,101
Share-based payments (note 26)	1,006	864
	65,481	67,516

The Company employs no staff (2015: none).

Information regarding the remuneration of the Directors is shown in the Remuneration Report.

## 7. INVESTMENT INCOME

	Year ended 30 November 2016	Year ended 30 November 2015
	£000	£000
Bank interest	123	224
Income on sale of finance lease debt	46	45
Income from sale of other receivables (see note 5)	-	894
Other finance income	110	140
	279	1,303

## 8. FINANCE COSTS

	Year ended 30 November 2016		Year ended 30 November 2015
	Note	£000	£000
Borrowing facilities arrangement fees and commitment fees		421	467
Net finance costs on Defined Benefit Pension Scheme	24	498	964
Unwind of discount on long-term contract provision		37	74
Unwind of discount on onerous lease and dilapidations provisions	22	84	149
Other finance costs		46	5
		1,086	1,659

## 9. TAX

## a) Analysis of tax charge in the consolidated income statement

	Year ended	Year ended
	30 November 2016	30 November 2015
	£000	£000
Current taxation		
UK corporation tax	2,924	3,684
Adjustment in respect of prior years	302	297
Overseas tax	296	278
Total current tax charge	3,522	4,259
Deferred taxation		
Temporary differences	173	259
Adjustment in respect of prior years	(237)	(213)
Overseas tax	11	(32)
Total deferred tax (credit)/charge	(53)	14
Total consolidated income statement tax charge	3,469	4,273

## b) Analysis of tax (credit)/charge in the consolidated statement of comprehensive income

	Year ended	Year ended
	30 November 2016	30 November 2015
	£000	£000
UK corporation tax		
Defined Benefit Pension Scheme	(1,241)	(469)
Shared based payments	(142)	(504)
Deferred tax		
Defined Benefit Pension Scheme movements	(2,325)	949
Defined Benefit Pension Scheme escrow	(749)	-
Share-based payments	110	540
Deferred tax relating to the change in rate	345	470
Total consolidated statement of		
comprehensive income tax (credit)/charge	(4,002)	986

## c) Reconciliation of consolidated income statement tax charge

The tax charge in the consolidated income statement reconciles to the effective rate applied by the Group as follows:

	Year ended 30 November 2016		Year ended 30 November 2015			
	Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
Profit on ordinary activities before tax	18,096	(2,981)	15,115	17,098	2,137	19,235
Tax at 20% (2015: 20.33%) thereon:	3,619	(596)	3,023	3,476	434	3,910
Effects of:						
- change in tax rate on carried forward deferred tax assets	65	-	65	123	-	123
- other expenses not deductible for tax purposes	110	-	110	50	-	50
- other temporary timing differences	-	151	151	(7)	1	(6)
- R&D tax (credit)/charge	(10)	-	(10)	4	-	4
- impairments	-	-	-	12	36	48
- overseas tax	81	-	81	246	-	246
- gain on sale of operations	-	(27)	(27)	-	(182)	(182)
- prior period adjustments	76	-	76	80	-	80
Tax charge in the						
consolidated income statement	3,941	(472)	3,469	3,984	289	4,273

## Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Finance Bill 2016. This was substantively enacted on 6 September 2016.

The above rate changes will reduce the Group's future current tax charge accordingly. The deferred tax assets at 30 November 2016 have been calculated based on the rates that they are expected to reverse in the foreseeable future.

## d) Deferred tax

The Group has recognised deferred tax assets as these are anticipated to be recoverable against profits in future periods. The major deferred tax assets and liabilities recognised by the Group and movements thereon are as follows:

		Defined		Charat tarres	Acquisition	
_	Accelerated tax depreciation	enefit Pension Scheme obligation	Share-based payments	Short-term timing differences	related intangible assets	Total
At 1 December 2014	<b>£000</b> 787	<b>£000</b> 5,351	1,016	1,085	<b>£000</b> (92)	<b>£000</b> 8,147
(Charge)/credit to income	-	-	(53)	(52)	91	(14)
Charge to equity	-	(1,419)	(540)	-	-	(1,959)
Transfer to assets held for sale	(53)	-	-	-	-	(53)
At 30 November 2015	734	3,932	423	1,033	(1)	6,121
Credit/(charge) to income	112	-	(59)	(1)	1	53
Credit to equity	-	1,980	(110)	749	-	2,619
At 30 November 2016	846	5,912	254	1,781	-	8,793

Certain deferred tax assets and liabilities have been offset above.

The Group has recognised deferred tax assets in jurisdictions where these are expected to be recoverable against profits in future periods. At the balance sheet date, the Group has an unrecognised gross deferred tax asset relating to tax losses of £3,908,000 (2015: £3,257,000) which is available for offset against future profits within the United States of America. A deferred tax asset has not been recognised in respect of any of this amount due to uncertainty surrounding the future use of these losses.

No deferred tax liability is recognised on temporary differences of £268,000 (2015: £175,000) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

## 10. EARNINGS PER ORDINARY SHARE

**Year ended 30 November 2016** Year ended 30 November 2015

		Weighted			Weighted	
		average			average	
	Profit for	number of	Pence per		number of	Pence per
	the year	shares	share	Profit for	shares	share
	£000	'000		the year £000	'000	
Basic earnings per ordinary share						_
Basic earnings	11,646	81,144	14.4	14,962	80,954	18.5
Adjustments (see note 5)	2,509	-	3.0	(1,848)	=	(2.3)
Adjusted basic earnings	14,155	81,144	17.4	13,114	80,954	16.2
Diluted earnings per ordinary share						
Basic earnings	11,646	81,144	14.4	14,962	80,954	18.5
Effect of dilutive potential ordinary shares: share-based payment awards	: -	-	-	-	3,080	(0.7)
Diluted earnings	11,646	81,144	14.4	14,962	84,034	17.8
Adjustments (see note 5)	2,509	-	3.0	(1,848)	-	(2.2)
Adjusted diluted earnings	14,155	81,144	17.4	13,114	84,034	15.6

### 11. DIVIDENDS

Amounts recognised as distributions to equity holders were:

	Year ended 30 November 2016 £000	Year ended 30 November 2015 £000
Final dividend for the year ended 30 November 2015 - 3.80p per share (2014: 3.04p)	3,079	2,451
Interim dividend for the year ended 30 November 2016 - 1.50p per share (2015: 1.20p)	1,220	973
	4,299	3,424

The proposed final dividend of 4.50p per share for the year ended 30 November 2016 was approved by the Board on 7 February 2017. The dividend is subject to approval by shareholders at the annual general meeting. The anticipated cost of this dividend is £3,660,000 which is not included as a liability at 30 November 2016.

#### 12. GOODWILL

Group	0003
Cost	
At 1 December 2014, 30 November 2015 and 30 November 2016	23,761
Accumulated impairment losses	
At 1 December 2014, 30 November 2015 and 30 November 2016	(9,694)
Carrying amount	
At 30 November 2016 and 30 November 2015	14,067

The discount rates used for goodwill impairment reviews and the carrying amount of goodwill is allocated as follows:

	Year ended 30 November 2016		-		
Group	Pre tax discount rate	£000	Pre tax discount rate	£000	
RM Resources - TTS Group Limited	11.4%	11,111	9.5%	11,111	
RM Results	11.4%	2,956	15.2%	2,956	
		14,067		14,067	

Further information pertaining to the performance and future strategy of the divisions can be found within the Strategic Report.

A review of the forecast future cash flows of TTS Group Limited and of RM Results indicated no impairment was required.

The recoverable amounts of the Cash Generating Units ('CGU') are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates.

The Group monitors its post-tax Weighted Average Cost of Capital and those of its competitors using market data. In considering the discount rates applying to CGUs, the Directors have considered the relative sizes, risks and the inter-dependencies of its CGUs and their relatively narrow operation within the education products and services market. The impairment reviews use a discount rate adjusted for pre-tax cash flows. Analysis of the sensitivity of the resultant impairment reviews to changes in the discount rate is included below.

The Group prepares cash flow forecasts derived from the most recent annual financial plan approved by the Board, which also contains forecasts for the two years following, and extrapolates cash flows based on internal forecasts with terminal rates of 2% (2015: between 0% and 3%).

## Sensitivity analysis

The sensitivity of goodwill carrying values to reasonably possible changes in key assumptions has been performed. No changes produce a significant movement in the carrying value of goodwill allocated to a CGU and therefore no sensitivity analysis is presented.

## 13. OTHER INTANGIBLE ASSETS

				Acquisition		
			Intellectual	related		
	Customer		property &	intangible	Other	
Group	relationships	Brands		assets sub-total		Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 December 2014	1,599	564	325	2,488	2,626	5,114
Additions	=	-	-	=	322	322
Transfers to assets held for sale	(955)	(454)	-	(1,409)	-	(1,409)
At 30 November 2015	644	110	325	1,079	2,948	4,027
Additions	-	-	-	-	456	456
Exchange differences	-	-	-	-	14	14
At 30 November 2016	644	110	325	1,079	3,418	4,497
Accumulated amortisation and impairment losses						
At 1 December 2014	1,310	392	325	2,027	2,089	4,116
Charge for the year	191	112	-	303	297	600
Impairment on re-classification to assets held for sale	98	52	-	150	-	150
Transfers to assets held for sale	(955)	(454)	=	(1,409)	=	(1,409)
At 30 November 2015	644	102	325	1,071	2,386	3,457
Charge for the year	-	8	-	8	239	247
Exchange differences	-	-	-	-	12	12
Impairments	-	-	-	-	77	77
At 30 November 2016	644	110	325	1,079	2,714	3,793
Carrying amount						
At 30 November 2016	_	-	_	-	704	704
At 30 November 2015	-	8	-	8	562	570

During the year, no material expenditure on research and development is considered to have met the criteria whereby the expenditure is capitalised as an intangible asset (2015: £nil). The carrying amount of capitalised research and development at 30 November 2016 was £nil (2015: £nil).

## 14. PROPERTY, PLANT AND EQUIPMENT

		Short leasehold	Plant &	Computer		
Group	buildings £000	improvements £000	equipment £000	equipment £000	Vehicles £000	Total £000
Cost		1				
At 1 December 2014	2.012	F 707	4 700	7 200	1.510	22.407
	3,012	5,787	4,788	7,390	1,510	22,487
Additions	6	417	242	884	27	1,576
Effect of movements in exchange rates	-	(7)	(19)	(21)	(4)	(51)
Transfers between categories	-	53	442	(498)	3	-
Transfers to assets held						
for sale	-	(256)	(194)	(216)	(70)	(736)
Disposals	(14)	-	(414)	(119)	(450)	(997)
At 30 November 2015	3,004	5,994	4,845	7,420	1,016	22,279
Additions	11	225	642	415	40	1,333
Effect of movements in exchange rates	-	10	(32)	104	(24)	58
Transfers between categories	2	(148)	(981)	1,125	2	_
Disposals	_	-	(36)	(130)	(119)	(285)
At 30 November 2016	3,017	6,081	4,438	8,934	915	23,385
Accumulated depreciation			,			.,
At 1 December 2014	913	3,966	3,532	5,106	930	14,447
Charge for the year	123	425	426	1,131	160	2,265
Effect of movements in						
exchange rates	-	(4)	(17)	(20)	(2)	(43)
Transfers between categories	(245)	2	468	(240)	15	-
Impairment	-	21	85	22	13	141
Transfers to assets held						
for sale	=	(237)	(136)	(237)	(53)	(664)
Disposals	(10)		(409)	(119)	(389)	(926)
At 30 November 2015	781	4,173	3,949	5,643	674	15,220
Charge for the year	125	487	397	1,045	65	2,119
Effect of movements in exchange rates	_	(16)	(55)	54	(13)	(30)
Transfers between categories	_	-	(372)	372	-	-
Impairment	_	_	15	89	_	104
Disposals	_	-	(18)	(121)	(108)	(247)
At 30 November 2016	906	4,644	3,916	7,082	618	17,166
Carrying value				<u> </u>		
At 30 November 2016	2,111	1,437	522	1,852	297	6,219
At 30 November 2015	2,223	1,821	896	1,777	342	7,059

The carrying value of vehicles at the year end included £nil (2015: £50,000) held under finance leases.

## 15. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company at 30 November 2016 were:

Name	Principal activity	Country of incorporation	Class of share	% held
RM Education Limited	Software, services & systems	England	Ordinary	100%
TTS Group Limited	Resource supply	England	Ordinary	100%
RM Education Solutions India Pvt Limited *	Software and corporate services	India	Ordinary	100%
RM Books Limited	Software services	England	Ordinary	100%
RM Group US LLC	Non-trading	USA	Ordinary	100%
RM Education Inc.	Non-trading	USA	Ordinary	100%
RM Pension Scheme Trustee Limited	Corporate Trustee	England	Ordinary	100%
RM Schools Limited	Dormant	England	Ordinary	100%

<sup>\*</sup> Held through subsidiary undertaking.

Space Kraft Limited, a wholly owned subsidiary, was disposed of during the year. DACTA Limited, a wholly owned subsidiary, was closed during the year.

The investment in subsidiary undertakings comprises:

	(	Capital contribution		
	Investment in	shared-based		
	share capital	payments	Total	
Company	£000	£000	£000	
Cost				
At 1 December 2014	57,187	9,980	67,167	
Share-based payments	-	864	864	
At 30 November 2015	57,187	10,844	68,031	
Disposals	(3,682)	(4)	(3,686)	
Share-based payments	-	1,006	1,006	
At 30 November 2016	53,505	11,846	65,351	
Impairment				
At 1 December 2014	2,912	-	2,912	
Impairments	103	-	103	
At 30 November 2015	3,015	-	3,015	
Disposals	(2,927)	-	(2,927)	
At 30 November 2016	88	-	88	
Carrying value				
At 30 November 2016	53,417	11,846	65,263	
At 30 November 2015	54,172	10,844	65,016	

The assumptions for the impairment reviews performed are outlined in note 12.

## 16. INVENTORIES

Group	2016	2015
	£000	£000
Components	5	133
Finished goods	10,684	10,729
	10,689	10,862

All inventory is expected to turnover within 12 months, any inventory that is not expected to be turned over within 12 months has been provided for.

## 17. LONG-TERM CONTRACTS

		2016	2015
Group	Note	£000	£000
Contract costs incurred plus recognised profits less recognised losses to date		391,697	369,997
Less: Progress billings		(408,463)	(395,368)
		(16,766)	(25,371)
Amounts due from contract customers included in trade and other receivables	18	-	138
Amounts due to contract customers included in trade and other payables	21	(16,766)	(25,509)
		(16,766)	(25,371)

Total revenue from long-term contracts recognised in the year ended 30 November 2016 amounted to £54,018,000 (2015: £53,784,000).

## Long-term contract outcome – estimation uncertainty

The Group's long-term contracts represent a significant part of the Group's business. As a result of the accounting for these contracts, as outlined in note 2, it is necessary for the Directors to assess the outcome of each contract and also estimate future costs and contracted revenues to establish ultimate contract profitability. Key judgements include performance indicator outcomes, future inflation rates, implementation/software development costs and whether the contract variations and extensions should be combined with existing arrangements. Profit is then recognised based on these judgements and, depending on the maturity of the contract portfolio, a greater or lesser proportion of Group profit will arise from long-term contracts.

Sensitivity to assumptions has been considered but due to their nature it is not practicable to perform an analysis.

## 18. TRADE AND OTHER RECEIVABLES

		Gro	oup	Comp	oany
		2016	2015	2016	2015
	Note	£000	£000	£000	£000
Current					
Financial assets					
Trade receivables		15,060	17,303	-	=
Long-term contract balances	17	-	138	-	=
Other receivables		1,294	1,048	-	=
Derivative financial instruments		685	138	-	-
Accrued income		1,824	1,489	-	59
Amounts owed by Group undertakings		-	-	12,477	5,143
		18,863	20,116	12,477	5,202
Non-financial assets					
Prepayments		5,540	5,476	13	14
		24,403	25,592	12,490	5,216
Non-current					
Financial assets					
Other receivables		1,153	1,168	901	918
		25,556	26,760	13,391	6,134
Currency profile of receivables					
Sterling		23,943	26,303	13,391	6,134
US Dollar		1,208	150	-	-
Euro		-	44	-	-
Indian Rupee		405	263	-	=
		25,556	26,760	13,391	6,134

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

The Directors consider that the carrying amounts of trade and other receivables approximates their fair values.

The Company's Non-current Other receivables are the gross amounts owed by the Company's 9% equity investments in the BSF delivery company, Essex Schools (Holdings) Ltd. The interest charged on these receivables is 11.75% pa.

## Analysis of trade receivables by type of customer

	2016	2015
Group	£000	£000
Government	7,133	8,879
Commercial	7,927	8,424
	15,060	17,303

Trade receivables included an allowance for estimated irrecoverable amounts at 30 November 2016 of £519,000 (2015: £1,165,000), based on management's knowledge of the customer, externally available information and expected payment likelihood. This allowance has been determined by reference to specific receivable balances and past default experience. New customers are subject to credit checks where available, using third party databases prior to being accepted.

## Ageing of unimpaired trade receivables

	2016	2015
Group	£000	£000
Not past due	11,740	13,835
Overdue by less than 60 days	2,603	1,387
Overdue by between 60 and 90 days	347	876
Overdue by more than 90 days	370	1,205
	15,060	17,303

## 19. CASH AND SHORT-TERM DEPOSITS

	G	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000	
Cash and cash equivalents	36,973	42,320	-	-	
Short-term deposits	3,014	6,000	-	-	
	39,987	48,320	-	=	

The short-term deposits are for a maximum period of 6 months at interest rates of 0.70%.

The interest and currency profile of cash and short-term deposits is disclosed in note 29.

## 20. HELD FOR SALE OPERATIONS

In December 2015, the entire share capital of Space Kraft Limited was disposed. The proceeds on disposal were £759,000 and the gain on disposal was £135,000. In the prior year an impairment of £223,000 was recognised in acquisition related intangibles and property, plant and equipment.

The net assets held for sale balance is £nil at year end (2015: £613,000).

## 21. TRADE AND OTHER PAYABLES

		Gro	up	Com	pany
		2016	2015	2016	2015
	Note	£000	£000	£000	£000
Current liabilities					
Financial liabilities					
Trade payables		13,777	11,518	-	-
Amounts owed to Group undertakings		-	-	22,315	17,091
Other taxation and social security		2,842	4,010	-	-
Other payables		2,284	761	-	-
Accruals		9,096	12,525	525	-
Obligations under finance leases		-	40	-	-
Derivative financial instruments		45	5	-	=
Long-term contract balances	17	16,766	25,509	-	-
		44,810	54,368	22,840	17,091
Non-financial liabilities					
Deferred income		9,711	10,606	-	-
		54,521	64,974	22,840	17,091
Non-current liabilities					
Non-financial liabilities					
Deferred income					
- due after one year but within two years		462	472	-	-
- due after two years but within five years		509	190	-	-
		971	662	-	-
		55,492	65,636	22,840	17,091

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

## Currency profile of trade and other payables

	G	Group		mpany
	2016	2015	2016	2015
	£000	£000	£000	£000
Sterling	54,308	65,156	22,840	17,091
US Dollar	144	26	-	=
Euro	-	4	-	=
Indian Rupee	1,040	449	-	=
Singapore Dollar	-	1	-	=
	55,492	65,636	22,840	17,091

 $The \ Directors \ consider \ that \ the \ carrying \ amount \ of \ trade \ and \ other \ payables \ approximates \ their \ fair \ value.$ 

## Amounts payable under finance lease contracts

	2016		20	015
		Present value of		Present value of
	Minimum lease	minimum lease	Minimum	minimum lease
	payments	payments	lease payments	payments
Group	£000	£000	£000	£000
Within one year	-	-	40	40
Present value of minimum lease payments	-	-	40	40

#### 22. PROVISIONS

	Onerous lease	Employee-related		
	and dilapidations	restructuring	Other	Total
Group	£000	£000	£000	£000
At 30 November 2014	8,094	365	708	9,167
Utilisation of provisions	(2,186)	(1,166)	(132)	(3,484)
Release of provisions	(2,368)	(85)	(423)	(2,876)
Increase in provisions	-	1,070	1,025	2,095
Effect of movements in exchange rates	-	-	2	2
Transfer to held for sale liabilities	(110)	-	(2)	(112)
Unwind of discount	149	-	=	149
At 30 November 2015	3,579	184	1,178	4,941
Utilisation of provisions	(345)	(184)	(396)	(925)
Release of provisions	(161)	-	(147)	(308)
Increase in provisions	-	1,844	1,057	2,901
Unwind of discount	84	-	-	84
At 30 November 2016	3,157	1,844	1,692	6,693

Provisions for onerous leases and dilapidations have been recognised at the present value of the expected obligation at discount rates of 2.6% (2015: 2.6%) per annum reflecting a risk free discount rate, applicable to the liabilities. These discounts will unwind to their undiscounted value over the remaining lives of the leases via a finance cost within the income statement. At 30 November 2016, £1,465,000 (2015: £1,829,000) of the provision refers to onerous leases, and £1,692,000 (2015: £1,750,000) refers to dilapidations. The major release in the prior year relates to the successful sub-letting of one of the Group's properties.

The average remaining life of the leases at 30 November 2016 is 3.1 years (2015: 3.5 years).

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

Employee related restructuring provisions refer to costs arising from restructuring to meet the future needs of the Group and are all expected to be utilised during the following financial year.

Other provisions includes one-off items not covered by any other category. During the year risk provisions totalling £475,000 from ended BSF contracts were transferred from long-term contract creditors to provisions. The other most significant element in the provision at 30 November 2016 relates to regulatory compliance.

## **Disclosure of provisions**

	2016	2015
Group	£000	£000
Current liabilities	3,536	2,077
Non-current liabilities	3,157	2,864
	6,693	4,941
Company		
Non-current liabilities		£000
At 1 December 2014		4,893
Increase in provisions		498
At 30 November 2015		5,391
Decrease in provisions		(363)
At 30 November 2016		5,028

The above provision relates to the guarantee of an intergroup balance between subsidiary undertakings.

The Directors consider that the carrying amounts of provisions in the Group and the Company approximate their fair value.

## 23. SHARE CAPITAL

Company and Group	Ordinary shares of 2¾p		
Allotted, called-up and fully paid	'000	£000	
At 1 December 2014	82,640	1,889	
Issued in the year	10	1	
At 30 November 2015	82,650	1,890	
Issued in the year	-	-	
At 30 November 2016	82,650	1,890	

#### 24. RETIREMENT BENEFIT SCHEMES

#### a. Defined contribution scheme

The Group operates or contributes to a number of defined contribution schemes for the benefit of qualifying employees. The assets of these schemes are held separately from those of the Company. The total cost charged to income of £4,791,000 (2015: £4,930,000) represents contributions payable to these schemes by the Group at rates specified in employment contracts. At 30 November 2016 £380,000 (2015: £396,000) due in respect of the current financial year had not been paid over to the schemes.

#### b. Local government pension schemes

The Group has TUPE employees who retain membership of local government pension schemes. The Group makes payments to these schemes for current service costs in accordance with its contractual obligations, most of which are limited through reimbursement rights under the contracts. The total costs charged to income for these schemes was £149,000 (2015: £171,000). The amount due in respect of these schemes at 30 November 2016 was £55,000 (2015: £49,000).

#### c. Defined Benefit Pension Scheme

One Group sponsored defined benefit pension scheme is in operation, the Research Machines plc 1988 Pension Scheme ("Scheme"). The Scheme is a funded scheme. The Scheme provides benefits to qualifying employees and former employees of RM Education Limited, but was closed to new members with effect from 1 January 2003 and closed to future accrual of benefits from 31 October 2012. The assets of the Scheme are held separately from RM Education Limited's in a trustee-administered fund. The Trustee is a limited company. Directors of the Trustee company are appointed by RM Education Ltd and by members.

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

The most recent actuarial valuation of Scheme assets and the present value of the defined benefit obligation was carried out for statutory funding purposes at 31 May 2015 by a qualified independent actuary. IAS 19 Employee Benefits (revised) liabilities at 30 November 2016 have been rolled forward based on this valuation's base data.

As at 31 May 2015, the triennial valuation for statutory funding purposes showed a deficit of £41,800,000 (31 May 2012: £53,500,000). The Group agreed with the Scheme Trustees that it will repay this amount via deficit catch-up payments of £4,000,000 in December 2015 and £3,600,000 per annum until 30 September 2024. At 30 November 2016 there were amounts outstanding of £300,000 (2015: £300,000) for one month's deficit payment and £32,000 (2015: £32,000) for Scheme expenses. The next triennial valuation of the Scheme is due as at 31 May 2018 and may result in changes to the level of deficit catch-up payments required.

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

Scheme assets are measured at bid-price at 30 November 2016. The present value of the defined benefit obligation was measured using the projected unit method.

The entire deficit position of the Scheme is held within these financial statements on the balance sheet as RM Education Limited in substance bears all of the material risks associated with the Scheme.

IAS 19 Employee Benefits, amended June 2011, has been adopted in these financial statements.

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

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## Amounts recognised in the income statement and in the statement of comprehensive income

		Year ended	Year ended
		30 November 2016	30 November 2015
	Note	£000	€000
Administrative expenses and taxes		(845)	(530)
Operating expense		(845)	(530)
Interest cost		(7,301)	(7,352)
Interest on Scheme assets		6,803	6,388
Net interest expense	8	(498)	(964)
Expense recognised in the income statement		(1,343)	(1,494)
Effect of changes in demographic assumptions		1,838	(1,785)
Effect of changes in financial assumptions		(36,938)	(3,155)
Effect of experience adjustments		-	5,716
Total actuarial (losses)/gains		(35,100)	776
Return on Scheme assets excluding interest on Scheme assets		11,545	1,626
(Expense)/income recognised in the			
statement of comprehensive income		(23,555)	2,402
(Expense)/income recognised in total comprehensive income		(24,898)	908

## Reconciliation of the Scheme assets and obligations through the year

	Year ended 30 November 2016 £000	Year ended 30 November 2015 £000
Assets		
At start of year	174,029	165,839
Interest on Scheme assets	6,803	6,388
Return on Scheme assets excluding interest on Scheme assets	11,545	1,626
Administrative expenses	(845)	(530)
Contributions from Group	11,984	3,984
Benefits paid	(12,533)	(3,278)
At end of year	190,983	174,029
Obligations		
At start of year	(195,890)	(192,592)
Interest cost	(7,301)	(7,352)
Actuarial (losses)/gains	(35,100)	776
Benefits paid	12,533	3,278
At end of year	(225,758)	(195,890)
Deficit in Scheme and obligation recognised on the balance sheet	(34,775)	(21,861)

Reconciliation of net defined benefit obligation	Year ended 30 November 2016 £000	Year ended 30 November 2015 £000
Net obligation at the start of the year	(21,861)	(26,753)
Cost included in income statement	(1,343)	(1,494)
Scheme remeasurements included in the		
Statement of Comprehensive Income	(23,555)	2,402
Cash contribution	11,984	3,984
Deficit in Scheme and obligation recognised on the balance sheet	(34,775)	(21,861)
Obligation by participant status	Year ended	Year ended
	30 November 2016	30 November 2015
	0003	£000
Vested deferreds	198,370	171,194
Retirees	27,388	24,696
	225,758	195,890
Value of Scheme assets	Year ended 30 November 2016 £000	Year ended 30 November 2015 £000
Fair value of Scheme assets with a quoted market price		
Cash and cash equivalents, including escrow	7,370	3,676
Equity instruments	87,274	87,669
Debt instruments	68,951	59,102
Value of unquoted Scheme assets		
Insurance contract	27,388	23,582
	190,983	174,029
Significant actuarial assumptions	Year ended	Year ended
	30 November 2016	30 November 2015
Discount rate	3.00%	3.85%
Rate of RPI price inflation	3.15%	3.25%
Rate of CPI price inflation	2.15%	2.35%
Rate of pensions increases		
pre 6 April 1997 service	1.50%	1.50%
pre 1 June 2005 service	3.10%	3.20%
post 31 May 2005 service	2.20%	2.20%
Post retirement mortality table	S2PA CMI 2015 1.50%	S2PA CMI 2014 1.50%
Weighted average duration of defined benefit obligation	25 years	24 years

Assumed life expectancy on retirement at age 65:

Retiring in 20 years (male member aged 45)

Retiring today (male member aged 65)

22.3

24.1

22.7

24.8

## **Expected cash flows**

	2016	2015
	0003	£000
Expected employer contributions for the year ended 30 November 2017	3,984	11,984
Expected total benefit payments		
Year 1	3,570	3,371
Year 2	3,725	3,466
Year 3	3,837	3,564
Year 4	3,952	3,665
Year 5	4,070	3,768
Years 6 - 10	22,244	20,507

## Sensitivities to assumptions - one item changed with all others held constant

		30 November 2016					30 November 2015
		-0.1%	+0.1%				
		discount	discount				
	Base	rate	rate	-0.1% RPI	+0.1% RPI	Life +1 yr	Base
	£m	£m	£m	£m	£m	£m	£m
Analysis of net balance sheet position							
Fair value of Scheme assets	191.0	191.4	190.6	190.7	191.3	191.7	174.0
Present value of Scheme obligations	(225.8)	(231.5)	(220.2)	(221.2)	(230.4)	(230.9)	(195.9)
Deficit	(34.8)	(40.1)	(29.6)	(30.5)	(39.1)	(39.2)	(21.9)
Actuarial assumptions							
Discount rate	3.00%	2.90%	3.10%	3.00%	3.00%	3.00%	3.85%
Rate of RPI	3.15%	3.15%	3.15%	3.05%	3.25%	3.15%	3.25%
Rate of CPI	2.15%	2.15%	2.15%	2.05%	2.25%	2.15%	2.35%
Mortality table	<b>S2PA CMI 2015 1.5%</b> S2P					S2PA CMI 2014 1.5%	
Rating (years)	-	-	=	=	=	(1)	-

#### 25. OWN SHARES

The RM plc Employee Share Trust (EST) was established in March 2003 to hedge the future obligations of the Group in respect of shares awarded under the RM plc Co-Investment Plan, RM plc Performance Share Plan and Deferred Bonus Plan. The EST has waived any entitlement to the receipt of normal dividends in respect of all of its holding of the Company's ordinary shares. The EST's waiver of dividends may be revoked or varied at any time.

	Ordinary shares of 24/p	
Company and Group	'000	£000
At 1 December 2014	2,351	2,950
Shares released to award holders	(2,272)	(2,910)
Shares re-purchased	1,535	2,458
Transaction costs	-	12
At 30 November 2015	1,614	2,510
Shares released to award holders	(540)	(840)
Shares re-purchased	252	315
Transaction costs	-	2
At 30 November 2016	1,326	1,987

The valuation of the shares is weighted average cost.

## 26. SHARE-BASED PAYMENTS

The Group operates the following executive and employee equity-settled share-based payment schemes:

- a) employee share option schemes
- b) performance share plans

In addition to the above, there was one further scheme open during the year which had no activity.

The fair values of awards made under 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.

Share-based payment awards exercised in the period and disclosed in the statement of changes in equity represents the impact on retained earnings of releasing the fair value charge accrued under IFRS 2 Share-based payment, which for deferred bonus scheme is partially matched by the release of own shares held.

## a) Employee share option scheme

The Group has in place a share option scheme which issued options over shares in the Company. There have been various performance conditions attached to share option grants including EPS, share price and share purchase conditions. Options are usually forfeited if an employee leaves the Group before the options vest.

Details of share options outstanding are as follows:

	Weighted average						
	Number of	Weighted average	share price at				
Group	share options	exercise price	exercise	Exercise price range			
At 1 December 2014	1,279,000	£1.86		£1.54 - £2.05			
Exercised during the year	(10,000)	£1.74	£1.76				
Lapsed during the year	(328,500)	£1.74					
At 30 November 2015	940,500	£1.90		£1.74 - £2.05			
Lapsed during the year	(50,000)	£1.85					
At 30 November 2016	890,500	£1.90		£1.74 - £2.05			

The options outstanding at 30 November 2016 had a weighted average contractual life of 0.8 years (2015: 1.8 years).

All of the outstanding options at the end of the current and prior period are exercisable. No option grants were made under this scheme in the current year (2015: nil).

## b) Performance share plans

The Group uses performance share plans for the remuneration of senior executives and senior management. Details of Directors' awards are contained within the Remuneration Report. Participation has been subject to various vesting conditions, including EPS, total shareholder return and share price conditions. If the participants leave the Group's employment, in most circumstances the award lapses.

Details of performance share plan shares are as follows:

Group	Maximum number of shares	Market price on grant
At 1 December 2014	5,345,833	
Granted during the year	1,735,000	£1.67 - £1.78
Lapsed during the year	(564,118)	
Exercised during the year	(2,271,715)	
At 30 November 2015	4,245,000	
Lapsed during the year	(525,000)	
Exercised during the year	(1,000,000)	
At 30 November 2016	2,720,000	

The plans outstanding at 30 November 2016 had a weighted average contractual life of 1.2 years (2015: 1.8 years).

Comparator company volatility is assessed using annualised, daily historic TSR growth assessed over a period prior to the date of grant that corresponds to the performance period of three years. The company correlation uses historic pairwise correlations of the companies over a three year period. The fair value of the TSR element is based on a large number of stochastic projections of Company and comparator TSR.

In March 2003 the Company established the RM plc Employee Share Trust to hedge the future obligations of the Group in respect of share scheme awards. These shares are used to hedge the estimated liability but until vesting represents own shares held – see note 25.

### Performance conditions - estimation uncertainty

Assigning a fair value charge to share-based payments requires estimation of: the projected share price; the number of instruments which are likely to vest; other non-market based performance conditions. Assigning a fair value charge requires continuing reassessment of these estimates.

#### 27. GUARANTEES AND CONTINGENT LIABILITIES

#### a) Guarantees

The Company has entered into guarantees relating to the performance and liabilities of certain major contracts of its subsidiaries. The Directors are not aware of any circumstances that have given rise to any liability under such guarantees and consider the possibility of any arising to be remote.

#### b) Contingent liabilities

The Group has provided performance guarantees and indemnities relating to performance bonds and letters of credit issued by its banks on its behalf, in the ordinary course of business. The Directors are not aware of any circumstances that have given rise to any liability under such guarantees and indemnities and consider the possibility of any arising to be remote.

#### 28. COMMITMENTS

## a) Operating leases

The Group had outstanding commitments for future minimum lease payments (to the next lease break or to the end of the lease, whichever is sooner) under non-cancellable operating leases which fall due as follows:

Group	2016	2015
	£000	£000
Within 1 year	3,633	3,011
In years 2 to 5 inclusive	5,955	8,263
After year 5	11	334
	9,599	11,608

Operating lease commitments represent rentals payable by the Group for certain of its office properties and include the period up to the first break clause of the lease.

The terms of these leases are subject to renegotiation on average terms of 2.8 years (2015: 2.0 years) and rentals are fixed for an average of 2.8 years (2015: 2.0 years).

## Leases as a lessor

One of the above office properties is sublet under an operating lease. The future minimum lease payments under this non-cancellable lease are:

	2016	2015
Group	£000	€000
Within 1 year	569	474
In years 2 to 5 inclusive	237	806
	806	1,280

The Company had no operating leases during the year.

## b) Capital commitments

The Group had the following capital expenditure commitments:

	2016	2015
Group	£000	€000
Contracted but not provided for	-	140

The Company had no capital commitments at the end of either year.

## 29. FINANCIAL RISK MANAGEMENT

#### Carrying value of financial assets and financial liabilities

	Group		Com	pany
	2016	2015	2016	2015
	£000	£000	£000	£000
Financial assets				
Trade and other receivables - current	18,863	20,116	12,477	5,202
Trade and other receivables - non-current	1,153	1,168	901	918
Cash and short-term deposits	39,987	48,320	-	=
	60,003	69,604	13,378	6,120
Financial liabilities				
Trade and other payables - current	(44,810)	(54,368)	(22,840)	(17,091)
	(44,810)	(54,368)	(22,840)	(17,091)

All financial assets are classified as loans and receivables except for forward foreign exchange contracts of £685,000 (2015: £138,000) which are classified as fair value through profit or loss.

All liabilities classified as financial liabilities are held at amortised cost except for forward foreign exchange contracts of £45,000 (2015: £5,000) which are classified as fair value through profit or loss.

The Directors consider that the carrying amount of all financial assets and financial liabilities approximates their fair value. Fair value information for financial assets and financial liabilities not shown at fair value is therefore not disclosed.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken and the Group does not hold or issue derivative financial instruments for speculative purposes.

The main risks arising from the Company's financial assets and liabilities are market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Board reviews and agrees policies on a regular basis for managing the risks associated with these assets and liabilities.

## Foreign currency risk

## a) Translation

All liabilities classified as financial liabilities are held at amortised cost except for forward foreign exchange contracts of £45,000 (2015: £5,000) which are classified as fair value through profit or loss.

The Group also maintains foreign currency denominated cash accounts, but only holds balances required to settle its payables.

#### b) Transaction

Operations are also subject to foreign exchange risk from transactions in currencies other than their functional currency and, once recognised, the revaluation of foreign currency denominated assets and liabilities. Principally, this relates to transactions arising in US Dollars and Indian Rupees. Specifically, the Group purchases a proportion of its inventory in US dollars and operating costs in the Group's subsidiary RM Education Solutions India Pvt Ltd are in Indian Rupees.

In order to manage these risks the Group enters into derivative transactions in the form of forward foreign currency contracts. To manage the US Dollar to Sterling risk, the forward foreign currency contracts purchased are designed to cover 100% of forecast currency denominated purchases and the contracts are set up to provide coverage over the fixed price periods until 31 May 2017. To manage the Indian Rupee to Sterling risk, the contracts purchased are designed to cover 85% of forecast Rupee costs and are renewed on a revolving basis of approximately eleven to twelve months.

The total amount of outstanding forward foreign exchange contracts to which the Group was committed was:

#### 2016

Currency	Contract type	Forward contract value Currency '000	Forward contract value £000	Mark to market value £000	Fair value £000
US Dollar	Sell	(456)	320	364	(45)
Indian Rupee	Buy	655,324	(6,799)	(7,483)	685
			(6,479)	(7,119)	640

#### 2015

Currency	Contract type	Forward contract value Currency '000	Forward contract value £000	Mark to market value £000	Fair value £000
US Dollar	Sell	(239)	154	159	(5)
US Dollar	Buy	9,500	(6,226)	(6,312)	86
Indian Rupee	Buy	520,660	(5,005)	(5,057)	52
			(11,077)	(11,210)	133

The fair value of the derivative financial instruments is estimated by discounting the future contracted cash flow, using readily available market data and represents a level 2 measurement in the fair value hierarchy under IFRS 7. These fair value gains/(losses) are included within trade and other receivables and trade and other payables respectively.

Of these, forward foreign currency exchange contracts with a contract value of £6,479,000 (2015: £11,077,000) and fair value gain of £640,000 (2015: gain £133,000) have been designated as effective hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The movement in fair value of hedged derivative financial instruments during the year was a credit of £507,000 (2015: debit £429,000) which has been recognised in Other comprehensive income and presented in the hedging reserve in equity. In addition the Group retains the gain or loss on realised foreign currency contracts used to hedge non-financial assets which are realised when the asset is recognised. A fair value gain of £239,000 (2015: £231,000 gain) has been realised on forward contracts which were designated as effective hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The movement in value of realised forward contracts was a credit of £8,000 (2015: credit £249,000) which has been recognised in Other comprehensive income and presented in the hedging reserve in equity.

No forward foreign currency exchange contracts have been designated as ineffective hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement at 30 November 2016 (2015: nil).

Commercially effective hedges may lead to income statement volatility in the future, particularly if the hedges do not meet the criteria of an effective hedge in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

## c) Foreign exchange rate sensitivity

The following table details how the Group's income and equity would increase/(decrease) if there were a 10% increase in the amount of the respective currency which could be purchased with £1 Sterling (assuming all other variables remain constant), for example from \$1.30:£1 to \$1.34:£1 at the balance sheet date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency. A 10% weakening of Sterling against the relevant currency would be estimated to have a comparable but opposite impact on income and equity.

Sensitivity	201	16	2015	
	Income	Equity	Income	Equity
Group	£000	£000	£000	£000
10% increase in foreign exchange rates against Sterling:				
US Dollar	(24)	656	(19)	547
Indian Rupee	(5)	(167)	12	(95)
Euro	-	-	(4)	(52)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period end exposure does not reflect the exposure during the period, as the analysis does not reflect management's proactive monitoring methods and processes for exchange risk.

### Interest rate risk

The only significant interest-bearing financial assets held by the Group are cash and short-term deposits which comprise cash held by the Group and Company and short-term bank deposits with an original maturity of six months or less. Surplus Sterling balances are invested in the money market, or with financial institutions on maturing terms from within 24 hours up to a period of six months with interest earned based on the relevant national inter-bank rates available at the time of investing. During the year, average cash and short-term deposits were £31,879,000 (2015: £48,107,000), and the maximum bank overdraft was £nil (2015: £nil).

The interest and currency profile of cash and short-term deposits is shown below:

	2016				2015	
Group	Floating rate £000	Interest free £000	Total £000	Floating rate £000	Interest free £000	Total £000
Sterling cash and cash equivalents	21,778	13,381	35,159	39,746	2,002	41,748
Sterling short-term deposits	3,014	-	3,014	6,000	-	6,000
US Dollar	-	1,718	1,718	=	470	470
Euro	-	-	-	=	24	24
Indian Rupee	-	96	96	-	78	78
	24,792	15,195	39,987	45,746	2,574	48,320

The Group has a £30,000,000 committed Barclays revolving credit facility signed on 15 April 2016, £5,000,000 of which is allocated to an on demand working capital facility, leaving £25,000,000 unallocated. Separate to this, the Group has a £500,000 performance bond facility.

Interest payable on any utilised revolving credit facility is between 1.40% and 2.75% above LIBOR for the remainder of the committed term (to March 2019) subject to certain financial ratios. A commitment fee of between 0.6% and 1.1% is payable on the unutilised balance and an arrangement fee of £180,000 (2015: £75,000) has been paid in 2016 and is recognised in the consolidated income statement on an effective interest rate basis over the duration of the facility. The total paid since the inception of the facility is £345,000.

The weighted average effective interest rates at the balance sheet date were as follows:

	201	6	2015	
	Weighted average		Weighted average	
	Floating rate	interest rate	Floating rate	interest rate
Group	£000	%	£000	%
Financial assets:				
Cash and short-term deposits	24,792	0.47	45,746	0.49
Trade and other receivables (non-current)	1,153	9.55	1,168	9.85

The interest rate risk sensitivity (assuming all other variables remain constant):

	20	016	2015	
	Income sensitivity	Equity sensitivity	Income sensitivity	Equity sensitivity
Group	£000	£000	£000	£000
1% increase in interest rates	290	290	406	406
1% decrease in interest rates	(290)	(290)	(406)	(406)

## **Credit risk**

The Group's principal financial assets are bank balances and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. Credit checks are performed on new customers and before credit limits are increased. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Note 18 includes an analysis of trade receivables by type of customer and of the ageing of unimpaired trade receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers and a large proportion are ultimately backed by the UK Government.

The carrying amount of financial assets represents the maximum credit exposure. The Group does not hold any collateral to cover its risks associated with financial assets.

## Liquidity risk

Cash is managed to ensure that sufficient liquid funds are available with a variety of counterparties, to meet short, medium and long-term cash flow forecasting requirements.

The Group meets its seasonal working capital requirements from current funds. At the balance sheet date, the Group had a £30,000,000 three year committed revolving credit facility to April 2019 held with Barclays Bank, of which £5,000,000 has been allocated. The unallocated facilities at the end of the year were £25,000,000 of working capital funding capacity at the end of the year. At 30 November 2016 £300,000 of the performance bond facility was utilised (2015: £300,000).

## **Capital management**

The Group monitors capital through the calculation and review of economic profit. A monthly working capital charge on Group operating assets (excluding primarily goodwill, cash, provisions treated as adjustments and tax balances) or credit on Group operating liabilities is applied to the Group adjusted operating profit to provide economic profit, as follows:

	Year ended	Year ended
	30 November 2016	30 November 2015
	£000	£000
Adjusted profit from operations	18,829	18,199
Capital return on net operating liabilities	1,670	2,716
Economic profit	20,499	20,915

#### 30. RELATED PARTY TRANSACTIONS

## a) Key management personnel

The remuneration of the Directors and other key management personnel of the Group during the year, in aggregate, was:

	Year ended	Year ended	
	30 November 2016	30 November 2015	
Group	£000£	£000	
Short-term employee benefits	3,313	2,739	
Post-employment benefits	283	317	
Termination payments	114	250	
Share-based payment	295	495	

Share-based payments above include a fair value charge for Executive Directors of £152,000 in respect of awards to David Brooks (2015: £103,000) and £57,000 in respect of Neil Martin (2015: £9,000).

Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Report.

## b) Transactions between the Company and its subsidiary undertakings

During the year, the Company entered into the following transactions with its subsidiary undertakings:

	Year ended	Year ended	
	30 November 2016	30 November 2015	
Company	£000	£000	
Receipts/(payments)			
Management recharges	(518)	(535)	
Net inter-company interest income	(312)	460	
Dividends received	7,000	7,966	

Total amounts owed between the Company and its subsidiary undertakings are disclosed in notes 18 and 21 respectively.

#### c) Other related party transactions

#### **Ipswich School**

John Poulter, non-executive director of RM plc, is a director of Ipswich School. Sales made in the year total £2,419 and at the year end there is a balance of £90 outstanding.

#### **Grant Thornton LLP**

The Company has engaged Grant Thornton to provide advice in connection with certain acquisition-related activities. No payments were made to Grant Thornton during the year ended 30 November 2016. Deena Mattar, one of the Company's Non-Executive Directors, is a member of the Advisory Board of Grant Thornton. Grant Thornton were chosen from a competitive tender conducted by the Company and Deena Mattar was not involved in that exercise.

## British Educational Suppliers Association

TTS Director Catherine Jeffrey sits on the Executive Council of BESA, in the year the Group made purchases of £7,424.

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

#### 31. EVENTS AFTER THE REPORTING PERIOD

On 7 February 2017, the Company agreed to acquire the entire issued share capital of Hedgelane Limited (including its principal trading subsidiary known as The Consortium) from Smiths News Holdings Limited (part of the Connect Group PLC group of companies) (the "Acquisition"). In connection with the Acquisition, the Company has entered into a £75 million revolving credit facility (the "New Facility") with Barclays Bank plc and HSBC Bank plc. Completion of the Acquisition is conditional upon, among other things, clearance being received from the Competition and Markets Authority and shareholder approval. The New Facility will become available upon completion of the Acquisition and will expire 36 months from such date. If the Acquisition does not complete for any reason, the New Facility will not come into effect and the Current Facility will remain in force unaffected.

# SHAREHOLDER INFORMATION

#### FINANCIAL CALENDAR

Ex-dividend date for 2016 final dividend

Record date for 2016 final dividend

Annual General Meeting

Payment of 2016 final dividend

Announcement of 2017 interim results

Preliminary announcement of 2017 results

16 March 2017

17 March 2017

22 March 2017

21 April 2017

July 2017

February 2018

#### **CORPORATE WEBSITE**

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

## INVESTOR INFORMATION

Information for investors is available at www.rmplc.com. Enquiries can be directed to Greg Davidson, Company Secretary, at the Group head office address or at companysecretary@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 website at www.rmplc.com. 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 shareholderenquiries@capita.co.uk or telephone: 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

To help shareholders, the Capita Share Portal at www.capitashareportal.com contains a shareholders' frequently asked questions section.

## **ELECTRONIC COMMUNICATION**

Shareholders are able to receive company communication via email. By registering your email address, you will receive emails with a web link to information posted on our website. This can include our report and accounts, notice of meetings and other information we communicate to our shareholders.

Electronic communication brings numerous benefits, which include helping us reduce our impact on the environment, increased security (your documents cannot be lost in the post or read by others) and faster notification of information and updates. To sign-up to receive e-communications go to Capita Asset Services' Share Portal at www.capitashareportal.com. All you need to register is your investor code, which can be found on your share certificate or your dividend tax voucher. The Share Portal is a secure online site where you can manage your shareholding quickly and easily. You can check your shareholding and account transactions, change your name, address or dividend mandate details online at any time.

## BENEFICIAL SHAREHOLDERS WITH 'INFORMATION RIGHTS'

Please note that beneficial owners of shares who have been nominated by the registered holders of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to Capita Asset Services, or to the Company directly.

## MULTIPLE ACCOUNTS ON THE SHAREHOLDER REGISTER

If you have received two or more copies of this document, it may be because there is more than one account in your name on the shareholder register. This may be due to either your name or address appearing on each account in a slightly different way. For security reasons, Capita will not amalgamate the accounts without your written consent. If you would like to amalgamate your multiple accounts into one account, please write to Capita Asset Services.

## **COMPANY SECRETARY**

Greg Davidson

## GROUP HEAD OFFICE AND REGISTERED OFFICE

140 Eastern Avenue Milton Park Milton Abingdon Oxfordshire OX14 4SB United Kingdom

Telephone: +44 (0)8450 700 300

#### REGISTERED NUMBER

RM plc's registered number is 01749877

#### **AUDITOR**

KPMG LLP Arlington Business Park Theale Reading RG7 4SD

## FINANCIAL ADVISERS AND STOCKBROKERS

Numis Securities Ltd 10 Paternoster Square London EC4M 7LT

Peel Hunt LLP 120 London Wall London EC2Y 5ET

#### FINANCIAL PUBLIC RELATIONS

FTI Consulting Ltd 200 Aldersgate Aldersgate Street London EC1A 4HD

#### REGISTRAR

Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## LEGAL ADVISER

Osborne Clarke One London Wall London EC2Y 5EB

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