



# RM plc

Six months to 31 March 2010

**Terry Sweeney** Chief Executive

**Iain McIntosh** CFO



# Agenda

**Headlines**

**Strategy**

**Financial review**

**Operating review**

Learning Technologies

Education Resources

Assessment and Data Services

**Looking ahead**

**Questions**

# Headlines

Continuing to execute our strategy

## **Good results**

Group revenue up 10%

## **Strong growth**

Education Resources

Assessment and Data Services

Learning Technologies – BSF (Building Schools for the Future) and US

## **Excellent contract win rate**

Committed revenues at May 2010: £505m (May 2009: £425m)

Seven new BSF contracts year-to-date

## **Investment in business development**

RM US – sales team

Education Resources – people, facilities

## **Dividend per share up 5%**

# Headlines

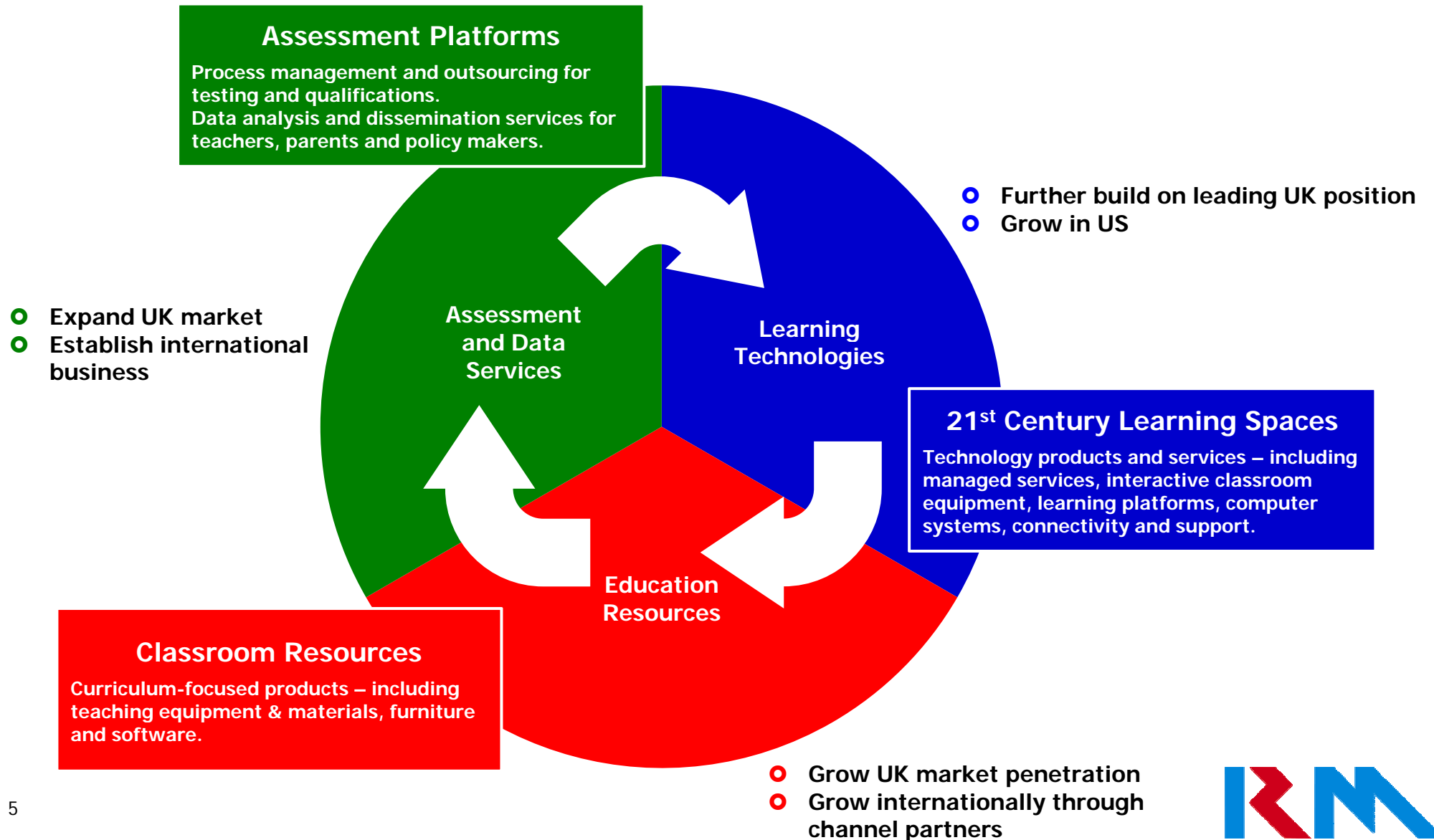
Good results

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

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

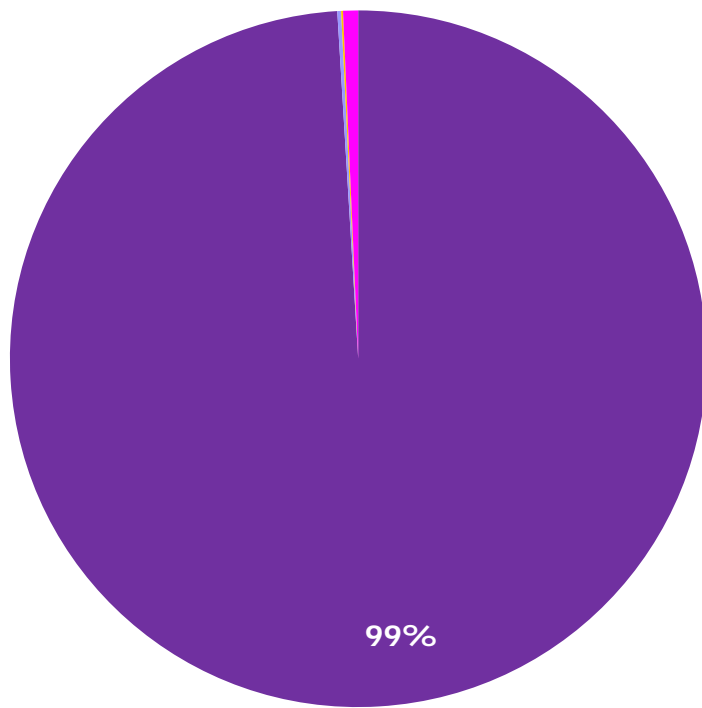
# Our strategy

Addressing the global need for education products and services



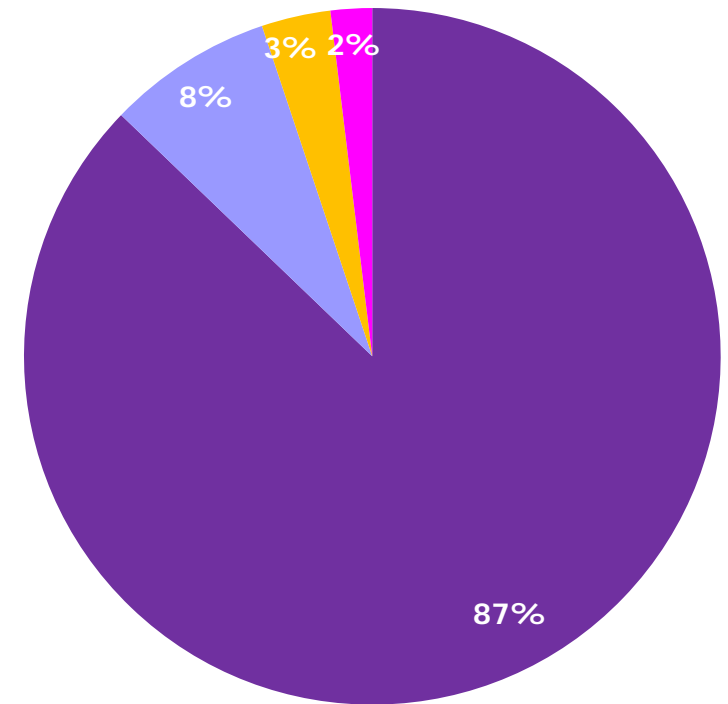
# Revenue by territory

Increasing international revenue



**H1-2006**  
£114m

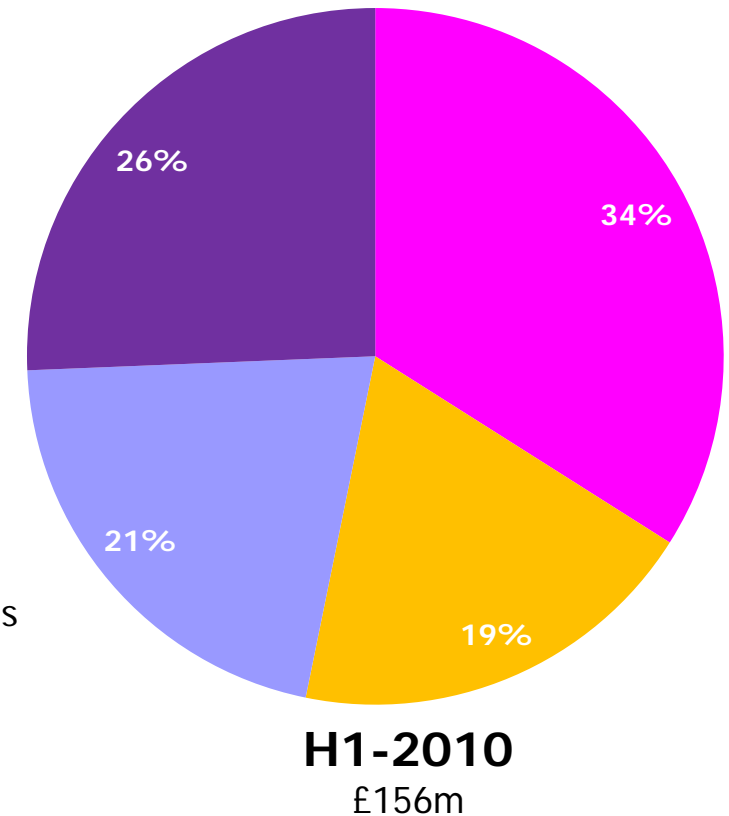
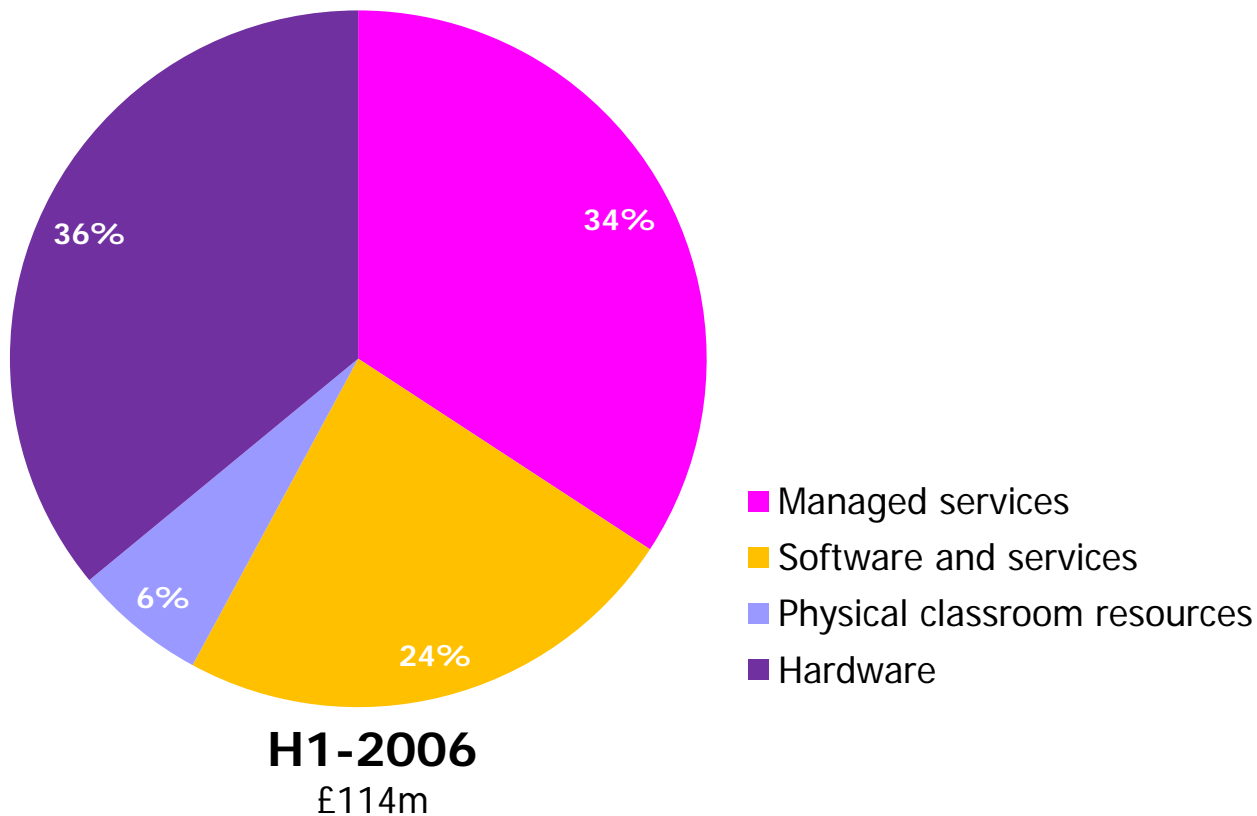
■ UK  
■ US  
■ Europe  
■ Rest of World



**H1-2010**  
£156m

# Revenue by activity

Reducing reliance on UK transactional hardware revenue



**Managed services:** Long-term contract project delivery (inc. software, services and hardware)

**Software and services:** RM & 3<sup>rd</sup> party software products (inc. SaaS), professional and support services

**Physical classroom resources:** Classroom and curriculum products

**Hardware:** RM & 3<sup>rd</sup> party PCs, peripherals, interactive whiteboards





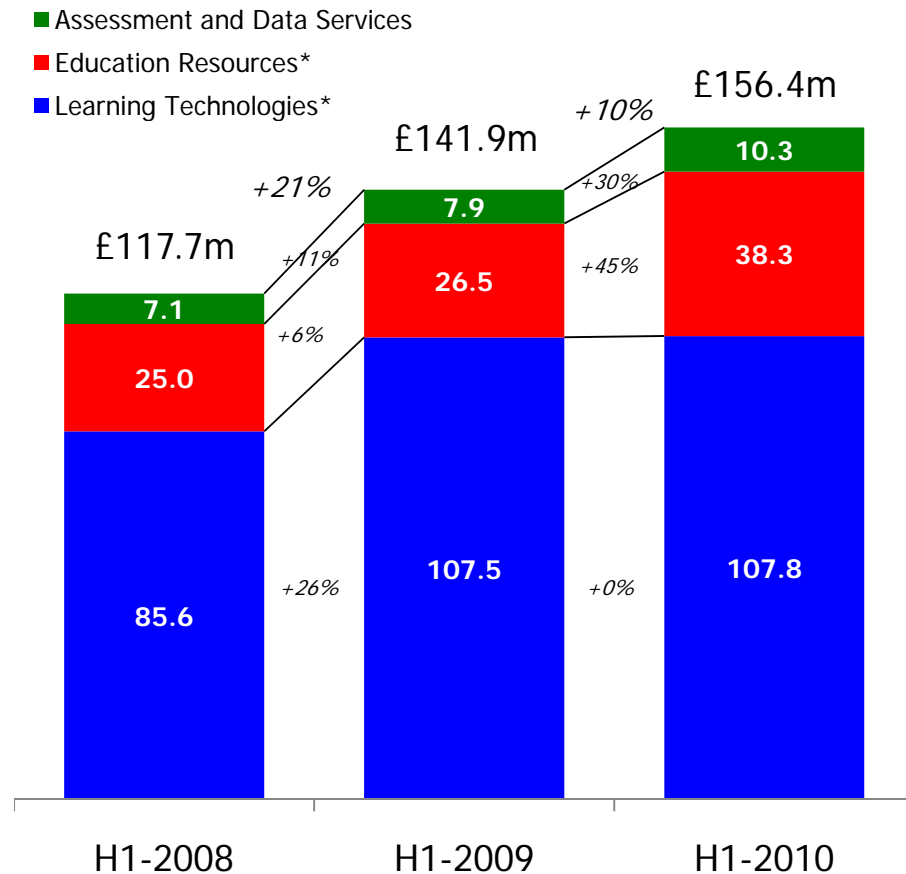
# Financial review

Iain McIntosh CFO



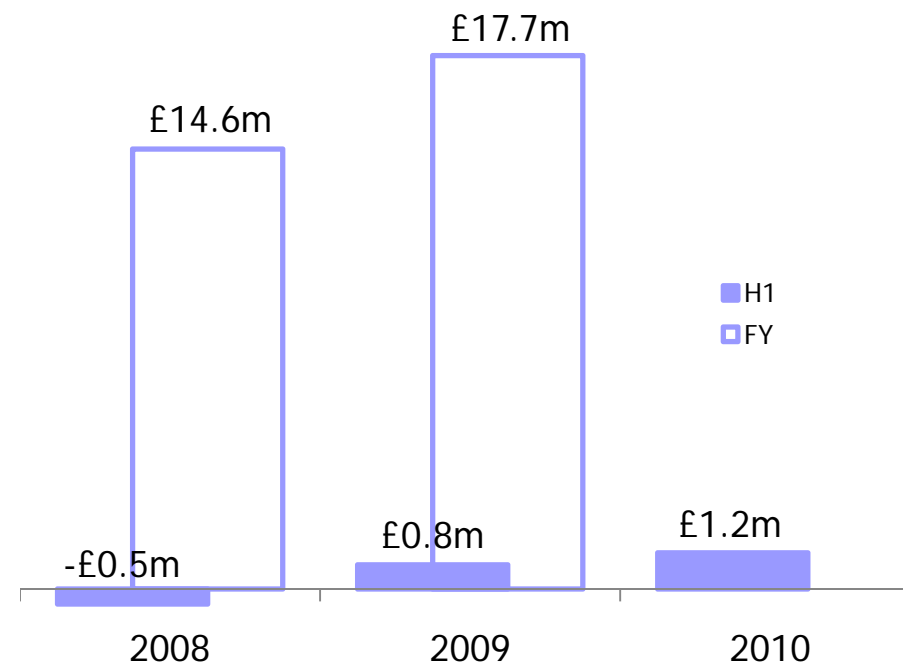


# Group revenue and profit



**Revenue**

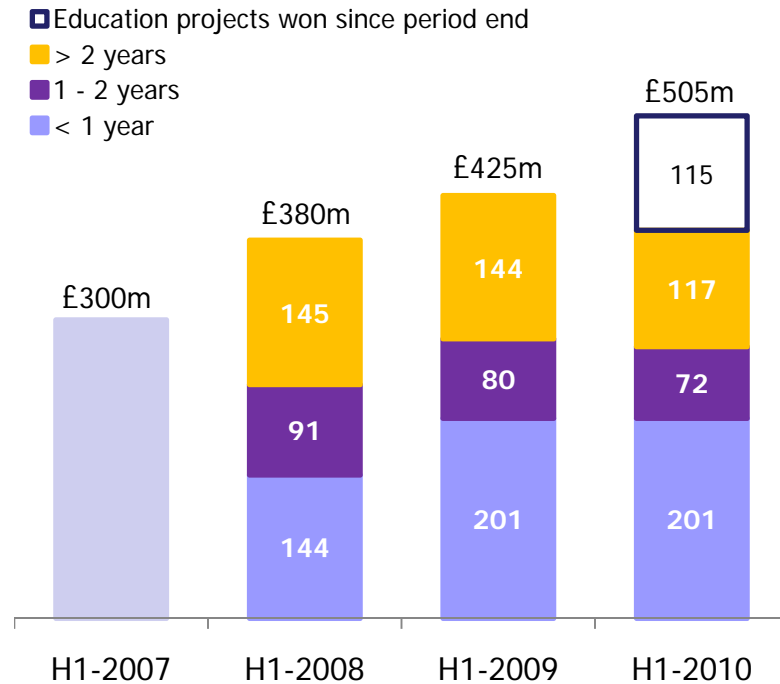
○ First half profitability is not a good indicator of full-year outcome



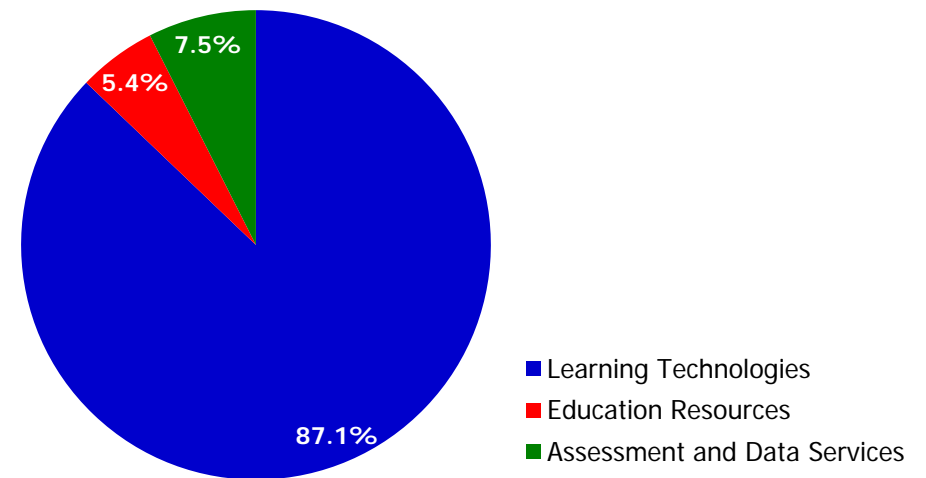
**Adjusted operating profit**

\*H1-2008 and H1-2009 restated with US operations included in Learning Technologies reflecting FY-2009 full-year treatment

# Revenue visibility



**Committed revenue**

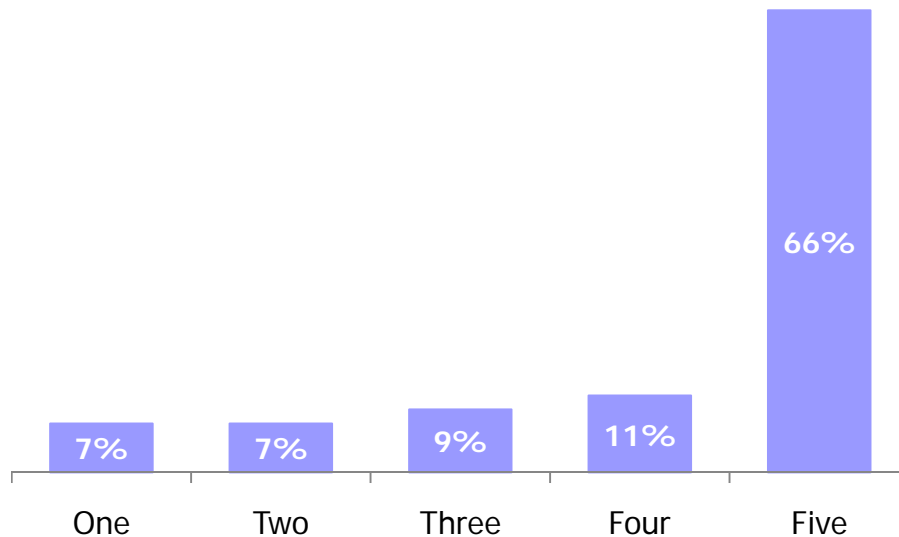


**Committed revenue by division**  
£390m at March 2010

**Committed revenue:** order book; deferred income; contracts at preferred bidder, selected bidder, or equivalent

# Customer loyalty

- 66% of Learning Technologies (UK) transactional revenue comes from customers who purchased in every one of the last five years

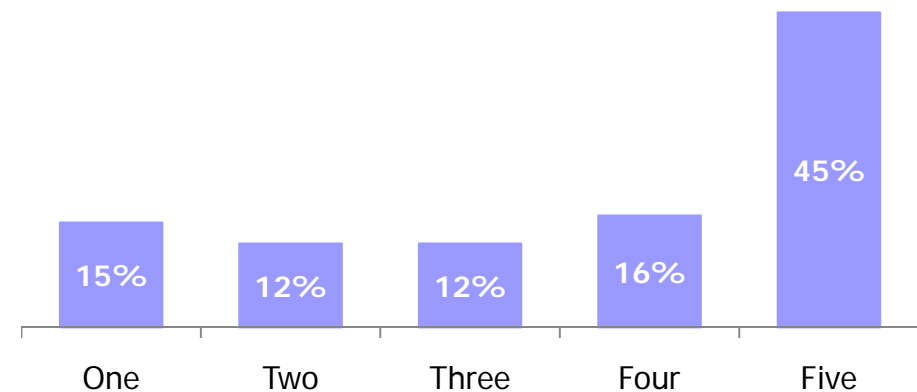


## Learning Technologies (UK)

FY-2009 transactional revenue

by how many of last five years customer has purchased from RM

- 45% of TTS customers purchased in every one of the last five years



## TTS

FY-2009 customers

by how many of last five years customer has purchased from TTS



# Income statement

| £m                                 | Six months to 31 Mar |              |               |              | Year to 30 Sep |
|------------------------------------|----------------------|--------------|---------------|--------------|----------------|
|                                    | 2009                 | 2010         |               |              | 2009           |
|                                    | Adjusted             | Adjusted     | Adjustments*  | Total        | Adjusted       |
| <b>Revenue</b>                     | <b>141.9</b>         | <b>156.4</b> | -             | <b>156.4</b> | <b>346.9</b>   |
| Cost of sales                      | (104.2)              | (114.5)      | -             | (114.5)      | (255.7)        |
| <b>Gross profit</b>                | <b>37.7</b>          | <b>41.9</b>  | -             | <b>41.9</b>  | <b>91.2</b>    |
| <b>Gross profit %</b>              | <b>26.5%</b>         | <b>26.8%</b> | -             | <b>26.8%</b> | <b>26.3%</b>   |
| Selling & distribution             | (20.6)               | (23.9)       | -             | (23.9)       | (39.8)         |
| Research & development             | (7.6)                | (7.6)        | -             | (7.6)        | (13.7)         |
| Administrative                     | (8.7)                | (9.2)        | (0.8)         | (10.0)       | (20.0)         |
| <b>Profit from operations</b>      | <b>0.8</b>           | <b>1.2</b>   | <b>(0.8)</b>  | <b>0.4</b>   | <b>17.7</b>    |
| <b>Profit from operations %</b>    | <b>0.6%</b>          | <b>0.8%</b>  | -             | <b>0.2%</b>  | <b>5.1%</b>    |
| Investment income                  | 0.6                  | 0.7          | -             | 0.7          | 1.2            |
| Finance costs                      | (0.5)                | (0.7)        | -             | (0.7)        | (1.0)          |
| <b>Profit before tax</b>           | <b>1.0</b>           | <b>1.2</b>   | <b>(0.8)</b>  | <b>0.4</b>   | <b>17.9</b>    |
| Tax                                | (0.3)                | (0.3)        | 0.2           | (0.1)        | (3.8)          |
| <i>Tax rate</i>                    | <i>26.0%</i>         | <i>26.0%</i> | <i>28.8%</i>  | <i>20.1%</i> | <i>21.3%</i>   |
| <b>Profit for the period</b>       | <b>0.7</b>           | <b>0.9</b>   | <b>(0.6)</b>  | <b>0.3</b>   | <b>14.1</b>    |
| <b>Earnings per ordinary share</b> | <b>0.8p</b>          | <b>1.0p</b>  | <b>(0.7p)</b> | <b>0.3p</b>  | <b>15.3p</b>   |
| <b>Dividend per share</b>          | <b>1.32p</b>         | <b>1.39p</b> | -             | <b>1.39p</b> | <b>6.17p</b>   |

\*amortisation of acquisition related intangibles



# Cash flow

| Cash flow<br>£m   | H1-2009    | H1-2010     |
|---|------------|-------------|
| <b>Profit from operations</b>                                   | 0.1        | 0.4         |
| Amortisation  | 1.2        | 1.4         |
| Depreciation  | 4.5        | 3.9         |
| Share-based payments  | 0.2        | 0.5         |
| Other adjustments   | (0.1)      | (0.6)       |
| <b>Operating cash flows before movements in working capital</b> | <b>5.9</b> | <b>5.6</b>  |
| (Increase)/decrease in inventories                              | 2.0        | (2.0)       |
| Decrease in receivables   | 13.1       | 15.0        |
| Decrease in payables  | (18.1)     | (7.3)       |
| <b>Cash generated by operations</b>                             | <b>2.9</b> | <b>11.3</b> |

# Balance sheet

| Balance sheet<br>£m                                  | 31 Mar<br>2009 | 31 Mar<br>2010 | 30 Sep<br>2009 |
|--|----------------|----------------|----------------|
| Goodwill and acquisition intangibles                 | 36.8           | 38.5           | 38.8           |
| Property, plant & equipment and software intangibles | 22.8           | 23.7           | 23.9           |
| Interest in associates                               | 1.0            | 1.0            | 1.0            |
| Deferred tax assets                                  | 3.6            | 6.6            | 5.2            |
| <b>Total non current assets</b>                      | <b>64.2</b>    | <b>69.8</b>    | <b>68.9</b>    |
| Inventories  | 18.4           | 21.9           | 19.9           |
| Trade & other receivables                            | 59.6           | 71.6           | 86.2           |
| Tax asset  | 0.8            | 0.2            | -              |
| Cash & cash equivalents                              | 12.0           | 12.7           | 13.3           |
| <b>Total current assets</b>                          | <b>90.8</b>    | <b>106.4</b>   | <b>119.4</b>   |
| <b>Total assets</b>                                  | <b>155.0</b>   | <b>176.2</b>   | <b>188.3</b>   |
| Current liabilities                                  | (76.8)         | (91.6)         | (98.1)         |
| Retirement benefit obligation                        | (8.3)          | (15.7)         | (12.8)         |
| Other non current liabilities                        | (17.1)         | (14.2)         | (16.6)         |
| <b>Total liabilities</b>                             | <b>(102.2)</b> | <b>(121.5)</b> | <b>(127.5)</b> |
| <b>Net assets</b>                                    | <b>52.8</b>    | <b>54.7</b>    | <b>60.8</b>    |
| <b>Total equity</b>                                  | <b>52.8</b>    | <b>54.7</b>    | <b>60.8</b>    |

## Bank facilities

£25m facility with HSBC committed to July 2013

£8.6m drawn at period-end

Provides flexibility and finance for acquisitions

Annual working capital facilities

£38m and agreed for FY-2010

## Defined benefit pension scheme deficit

Increase primarily due to market-derived inflation assumptions





# Operating review

**Terry Sweeney** Chief Executive

**Iain McIntosh** CFO



# RM Learning Technologies

## Update

### UK

Excellent project win rate

- Three BSF projects (plus four since period end)
- Progress in Academies / One-School Pathfinders
- Long-term contract extensions

Innovative products

- CC4 Anywhere (remote network access)
- Three million learning platform users

Continued successful operational delivery

### USA

Revenue growth:

- +30% (year-on-year)
- +26% (organic at constant currency)

### Middle East

Abu Dhabi office established

#### UK – Contract wins in H1-2010

| Customer          | Activity  | Term   | Value         | Award Date |
|-------------------|-----------|--------|---------------|------------|
| Hull              | BSF       | 5-year | £16m (term)   | Nov 2009   |
| Essex             | BSF       | 5-year | £8m (term)    | Feb 2010   |
| Somerset          | BSF       | 5-year | £8m (term)    | Feb 2010   |
| Harris Federation | Academies | 3-year | £5m (FY-2010) | Feb 2010   |

#### UK – Contract wins since period end

| Customer         | Activity | Term     | Value       | Award Date |
|------------------|----------|----------|-------------|------------|
| Bradford Phase 3 | BSF      | 5-year   | £13m (term) | Apr 2010   |
| Ealing           | BSF      | 5-year   | £39m (term) | Apr 2010   |
| Stoke            | BSF      | 6.5-year | £33m (term) | May 2010   |
| Camden           | BSF      | 6-year   | £28m (term) | May 2010   |

#### UK – Contract extensions in H1-2010

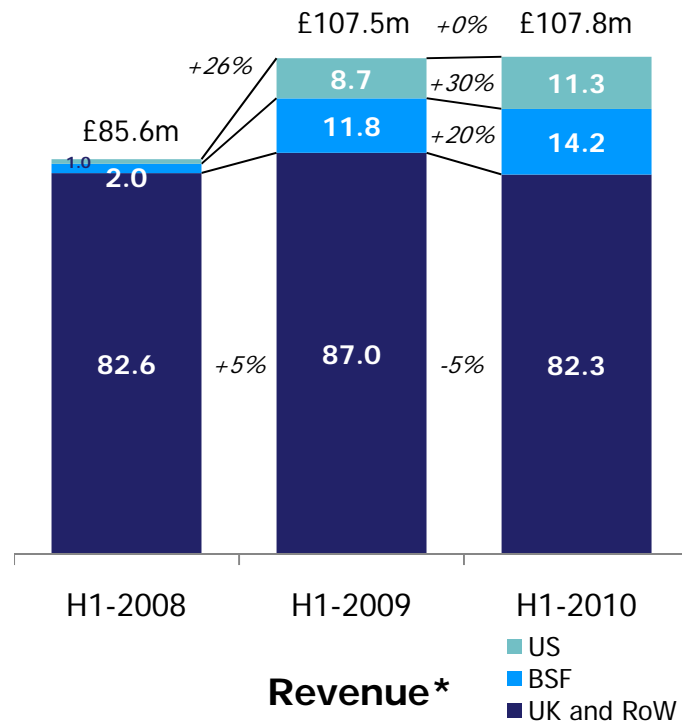
| Customer | Activity          | Term   | Value       | Award Date |
|----------|-------------------|--------|-------------|------------|
| Glow     | Learning platform | 2-year | £10m (term) | Oct 2009   |
| SWGfL    | Web services      | 8-year | £10m (pa)   | Mar 2010   |



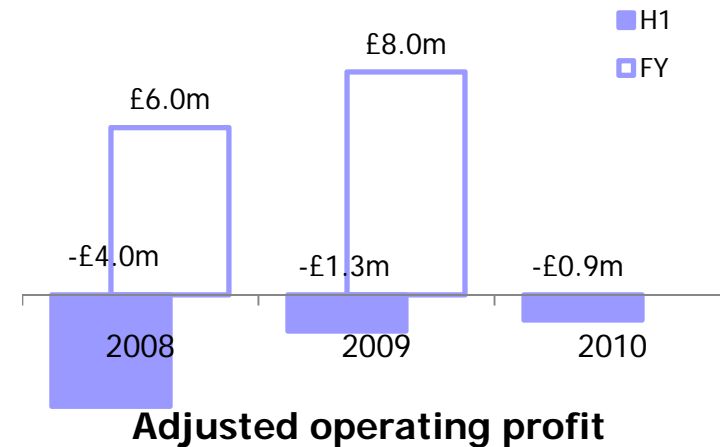


# Learning Technologies

## Performance



- First half profitability is not a good indicator of full-year outcome



\*H1-2008 and H1-2009 restated with US operations included in Learning Technologies reflecting FY-2009 full-year treatment

# Learning Technologies

BSF (Building Schools for the Future)

## Underpinning medium-term growth

### Selected ICT supplier to 19 local authorities (out of 47 awarded)

Total value: £364m

Total number of schools: 201

44 schools to be delivered in H2-2010

vs. 23 in H2-2009

### BSF programme still moving rapidly

Currently working on 13 bids (pre-PB)

Further decisions anticipated in H2-2010

### On track for small positive contribution from BSF in FY-2010

| BSF<br>Authority        | Contracted              |          |           |           |           |           |           |           |           |          |            | Future phases |           |
|-------------------------|-------------------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|------------|---------------|-----------|
|                         | Schools opening in year |          |           |           |           |           |           |           |           |          |            | Schools       | £m        |
|                         | FY06                    | FY07     | FY08      | FY09      | FY10      | FY11      | FY12      | FY13      | FY14      | FY15     | Total      |               |           |
| Solihull                | 1                       | -        | 1         | 3         | -         | -         | -         | -         | -         | -        | 5          | 8             | -         |
| Stoke                   | -                       | 1        | 1         | -         | -         | -         | -         | -         | -         | -        | 2          | 5             | -         |
| Knowsley                | -                       | -        | -         | 5         | 2         | -         | -         | -         | -         | -        | 7          | 18            | -         |
| Lambeth                 | -                       | 1        | 1         | 9         | -         | -         | -         | -         | -         | -        | 11         | 11            | -         |
| Leeds                   | -                       | -        | 7         | 2         | 5         | 1         | 5         | -         | -         | -        | 20         | 31            | -         |
| Hackney                 | -                       | -        | -         | 2         | 1         | -         | -         | -         | -         | -        | 3          | 7             | 6         |
| Islington               | -                       | -        | -         | 1         | 3         | -         | -         | -         | -         | -        | 4          | 6             | 4         |
| Sunderland              | -                       | -        | -         | 6         | 2         | -         | -         | -         | -         | -        | 8          | 16            | 11        |
| Middlesbrough           | -                       | -        | -         | -         | 4         | 3         | 1         | -         | -         | -        | 8          | 10            | -         |
| Newham                  | -                       | -        | -         | -         | 4         | 6         | 3         | -         | 1         | 2        | 16         | 53            | -         |
| Haringey                | -                       | -        | -         | -         | 11        | 1         | -         | -         | -         | -        | 12         | 25            | -         |
| Southwark               | -                       | -        | -         | -         | 1         | 1         | 2         | 7         | 3         | -        | 14         | 4             | -         |
| Salford and Wigan       | -                       | -        | -         | -         | 15        | -         | -         | -         | -         | -        | 15         | 25            | 18        |
| Hull                    | -                       | -        | -         | -         | 1         | 7         | 1         | -         | -         | -        | 9          | 16            | 14        |
| Essex                   | -                       | -        | -         | -         | -         | 1         | 3         | -         | -         | -        | 4          | 8             | 24        |
| Somerset*               | -                       | -        | -         | -         | -         | -         | 6         | 4         | -         | -        | 10         | 8             | -         |
| <b>at 31 March 2010</b> | <b>1</b>                | <b>2</b> | <b>10</b> | <b>28</b> | <b>49</b> | <b>20</b> | <b>21</b> | <b>11</b> | <b>4</b>  | <b>2</b> | <b>148</b> | <b>251</b>    | <b>77</b> |
| Bradford**              | -                       | -        | -         | -         | -         | 4         | 2         | -         | -         | -        | 6          | 13            | 14        |
| Ealing**                | -                       | -        | -         | -         | -         | -         | 5         | 3         | 6         | 2        | 16         | 39            | -         |
| Stoke**                 | -                       | -        | -         | -         | -         | -         | 4         | 9         | 4         | -        | 17         | 33            | -         |
| Camden**                | -                       | -        | -         | -         | -         | -         | 11        | 2         | 0         | 1        | 14         | 28            | -         |
| <b>Total</b>            | <b>1</b>                | <b>2</b> | <b>10</b> | <b>28</b> | <b>49</b> | <b>24</b> | <b>43</b> | <b>25</b> | <b>14</b> | <b>5</b> | <b>201</b> | <b>364</b>    | <b>91</b> |

\*Preferred bidder (PB)

\*\*Since period end



# Education Resources

Update

## **Strong revenue growth in a flat market**

Organic: +33%

Excellent performance in TTS

Acquisitions: +12%

Isis Concepts and Pisces Art

## **UK curriculum software business stabilised**

### **First half profit reflects:**

Planned investment in capacity to support further growth

Average H1 headcount up 41% on last year (19% from acquisitions)

Strengthened leadership team

Increased sales and marketing spend: £2.0m (£1.0m from acquisitions)

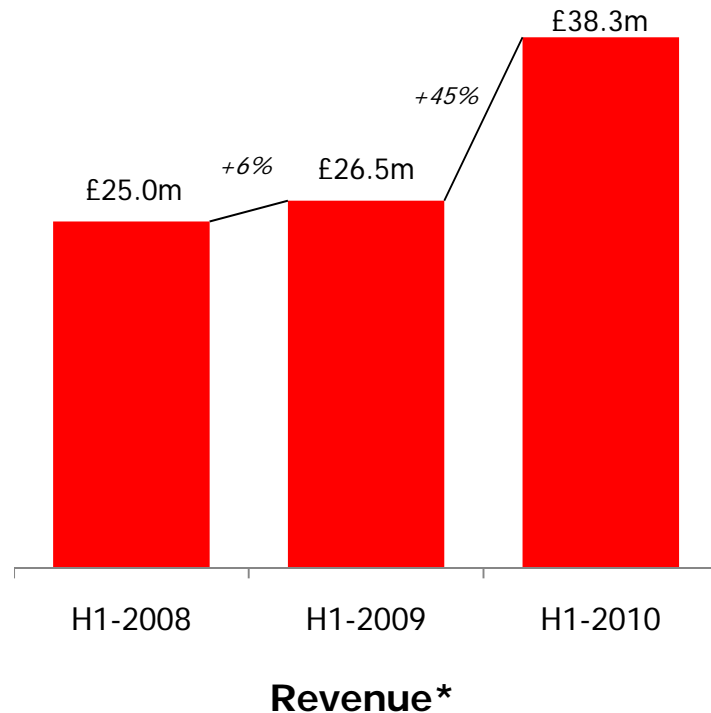
Property rationalisation – one-off cost: £0.2m

From 13 warehouses to 8

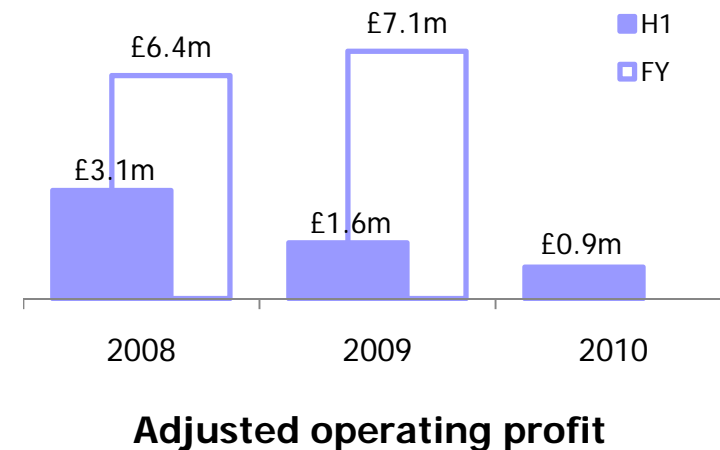
Pisces integrated into TTS operations

# Education Resources

## Performance



- First half profitability is not a good indicator of full-year outcome



\*H1-2008 and H1-2009 restated with US operations included in Learning Technologies reflecting FY-2009 full-year treatment

# Education Resources

## Growth drivers

### Further market penetration

Enhanced product range

Early years and pre-school growth

New catalogue areas – furniture, arts and crafts

Channel development – direct, online, international, trade

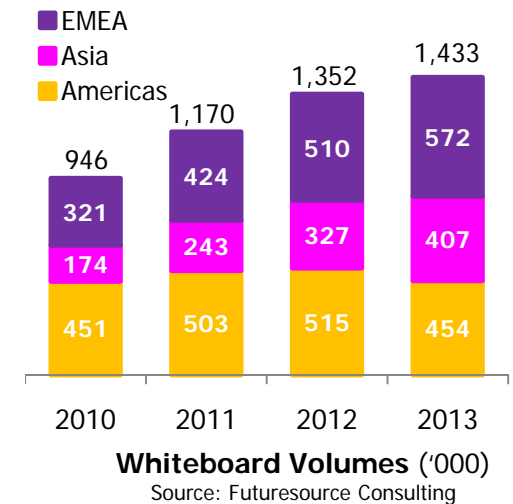
### Curriculum software

Creating internationally-exploitable IP

Easiteach Next Generation

Interactive whole-class teaching software tool

OEM deals signed with Panasonic (Europe), Epson (US), Easisoft (Europe)



# Education Resources

LEGO Education Europe

**Letter of intent signed to create joint venture with LEGO**

51% LEGO; 49% RM



**Focus on growing LEGO Education product sales in Europe**

Distribution of LEGO Education products through channel partners

Development of online LEGO Education community

Increased education value through support materials and specialist backup

**European education distribution rights for LEGO for ten years**

86% of UK teachers agree that LEGO Education products have curriculum relevance\*

\*source: RM research

# Assessment and Data Services

## Update

### Revenue growth

ACCA on-screen marking

Initial activity for International Baccalaureate

### Good period for contract wins

On-screen marking relationships with two new strategic partners

QCDA (Qualifications and Curriculum Development Agency)

International Baccalaureate

Data analysis contract with TSA

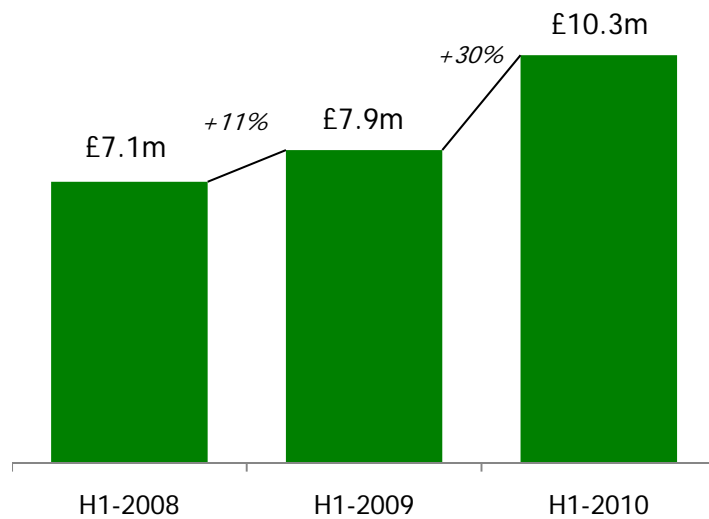
| Contract wins |                   |        |            |
|---------------|-------------------|--------|------------|
| Customer      | Activity          | Term   | Award Date |
| IB            | On-screen marking | 5-year | Jan 2010   |
| QCDA          | On-screen marking | 5-year | Feb 2010   |
| TSA           | Data Analysis     | 4-year | Dec 2010   |

### International activity

Pilot activity in Slovenia and Poland

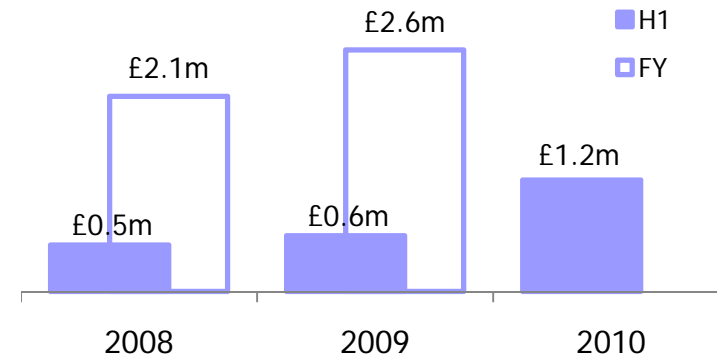
# Assessment and Data Services

## Performance



Revenue

- First half profitability is not a good indicator of full-year outcome



Adjusted operating profit



# Assessment and Data Services

## Growth drivers

### Strategic partners

Strong, growing and global strategic customer base

Examination boards, other qualification providers, government agencies

### Market expansion

#### Assessment

c.50% of UK schools scripts marked on line

Move to on-screen testing in schools

Non-schools qualifications providers

#### Data

Growing demand for accountability in education based on meaningful performance data

### International opportunities

UK data and assessment capabilities well-regarded

| National Pupil Database<br>Achievement and Attainment<br>Tables |
|---|
| 8 million pupils  |
| 25,000 schools  |
| 12 million exam results annually                                |
| 50 awarding bodies  |
| RAISEonline   |
| 1 million reports annually                                      |





# Looking ahead

Terry Sweeney Chief Executive



# UK market landscape

## March 2010 Budget

Education spending allocations confirmed

1.3% spending increase in year to April 2011

Focus on efficiency improvements and reducing central costs

## New Government

Education high priority for Conservative / Liberal Democrat coalition

Common policy themes

I want us to offer all schools the chance to enjoy academy-style freedoms so that heads and teachers across the country can be liberated.

Michael Gove  
Secretary of State for Education

### Common Conservative / Liberal Democrat manifesto themes

Maintaining 'frontline' education

Pupil premium

Focus on performance data

School renewal: 'Free' schools / alternative school providers

Increased school autonomy

Standards

Parent power

### Conservative manifesto

We will improve standards for all pupils and close the attainment gap between the richest and poorest.

We will enhance the prestige and quality of the teaching profession, and give heads and teachers tough new powers of discipline.

We will restore rigour to the curriculum and exam system and give every parent access to a good school.



# US market landscape

**Obama proposed education budget increase of 8%**

**Technology key to Obama's education plans**

Office of Educational Technology formed

National Education Technology Plan published: **Learning Powered by Technology**

Five key focus areas:

Learning, Assessment, Teaching, Infrastructure, Productivity

Grand challenge:

"Establishing an integrated end-to-end real-time system for managing learning outcomes and costs across our entire education system at all levels."

**Continuing interest in interactive classroom technology**

# Outlook

Continuing to execute our strategy

## **Highly seasonal business**

### **Extremely busy summer ahead**

School commissioning – BSF and Academies

Largest ever on-screen marking programme

Continued high demand for education resources products

US classroom technology installations

## **Full-year revenue growth in all three divisions**



# Questions



# Appendices

# Investment proposition

## **Superior education solutions**

## **Strong UK market positions**

UK Learning Technologies

UK Assessment and Data

UK Education Resources

## **Rapidly developing international channels**

150% growth in international sales in FY-2009

## **Growing visibility**

Committed revenues: £505m at May 2010

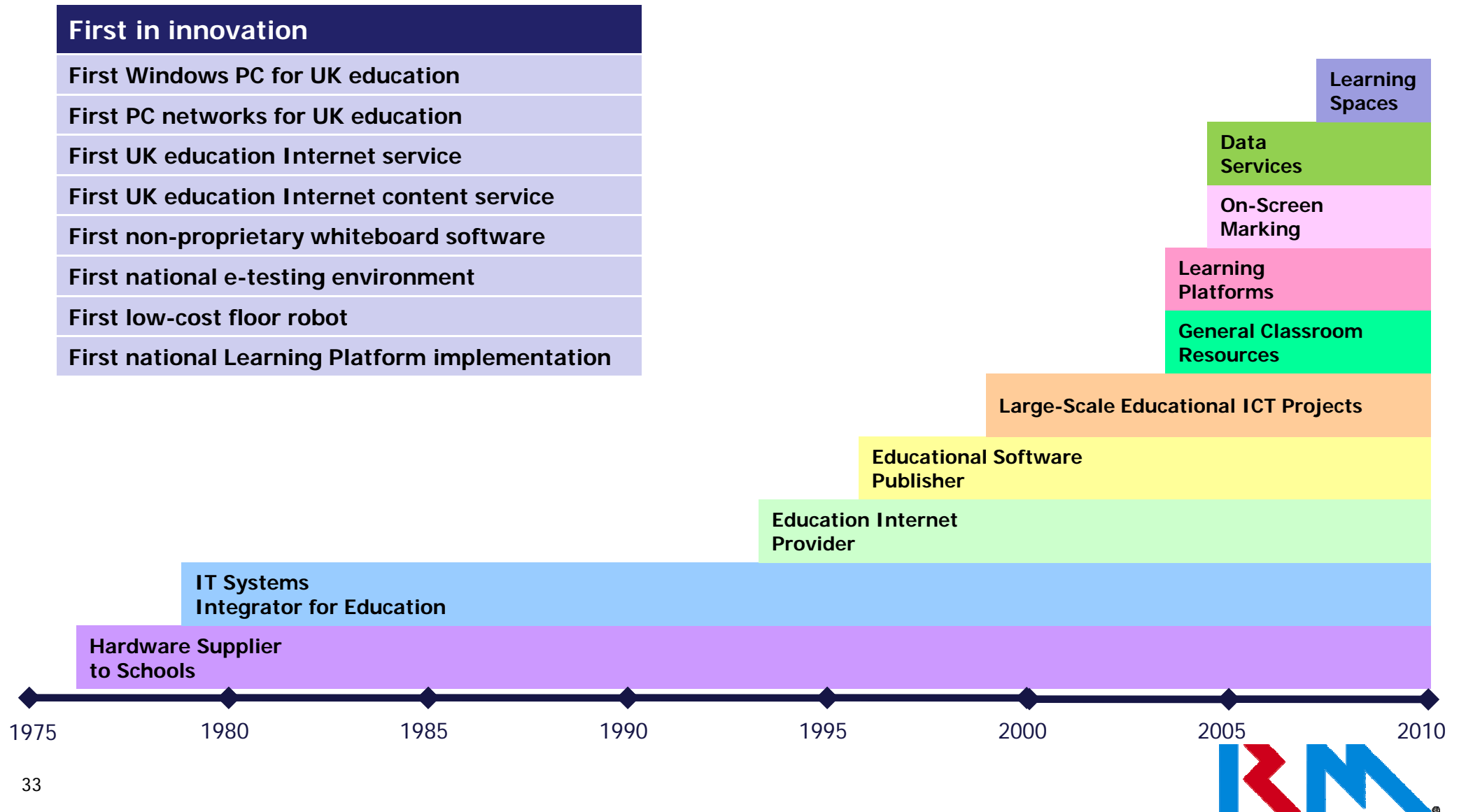
## **Financially secure**

Strong balance sheet and committed bank facilities





# 35 years of superior solutions



# Learning Technologies

UK and RoW

UK Market Snapshot

£1.0bn

UK schools ICT spend  
Source; Atkins / Kable

## RM Education – UK

| Product              | Customer                    | Funding source            | Competition                                   |
|----------------------|-----------------------------|---------------------------|---|
| Classroom technology | Individual schools          | Individual school budgets | Local dealers<br>Generic technology suppliers |
| Managed services     | New school build programmes | Central capital budgets   | Civica / Capita / Northgate                   |
| Web services         | Local authorities           | Aggregated school budgets | Capita / BT                                   |
| Schools MIS          | Local authorities           | Aggregated school budgets | Capita / Pearson / Serco                      |

## AMI Education

| Product                      | Customer                    | Funding source            | Competition                         |
|------------------------------|-----------------------------|---------------------------|-------------------------------------|
| Card and biometric solutions | New school build programmes | Central capital budgets   | Gladstone / Cunningham / Nationwide |
| Network management tools     | Individual schools          | Individual school budgets | Generic technology suppliers        |

## RM Asia Pacific

| Product              | Customer                    | Funding source                | Competition                  |
|----------------------|-----------------------------|-------------------------------|------------------------------|
| Schools MIS          | State education departments | Central education departments |                              |
| Classroom technology | Individual schools          | Individual school budgets     | Generic technology suppliers |

community  
connect4

kaleidos  
learning platform

integris G2

Rangêr  
from ami

easytrace  
from ami

Maze



# A UK secondary school

## Education delivered through ICT

- ...across all curriculum subjects
- Interactive classroom technology
- High computer:pupil ratio
- Learning platforms
- Home access and parental reporting

### Dimensions

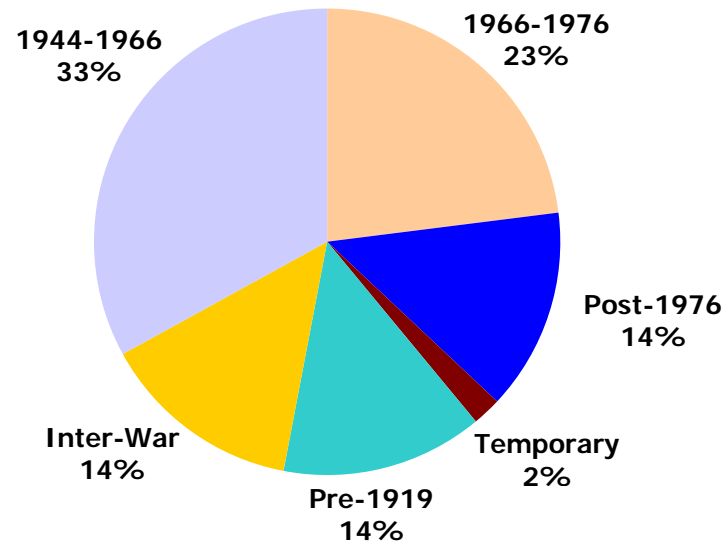
|                          |
|--------------------------|
| Annual budget: £5.2m     |
| 1,000 pupils             |
| 165 staff (100 teachers) |
| 3 ICT staff              |
| 800 computers            |
| 200 applications         |
| 60 whiteboards           |

Source: Becta / RM



## School operations depend on ICT

- Extensive fixed and mobile network
- Management information systems
- Attendance management
- Access control and security
- Cashless catering



Age of English Secondary Schools

# BSF

## Typical project

### Allocation of spend – typical BSF project

|                                |                                  |  |
|--------------------------------|----------------------------------|--|
| Central systems and software   | 15%<br>Recognised on acceptance* | Data centre<br>Learning Platform                                   |
| In-school systems and software | 40%<br>Recognised on acceptance* | User equipment (inc. PC hardware)<br>Network equipment<br>Software |
| Initial services               | 10%<br>Recognised on acceptance* | Implementation and integration<br>Training                         |
| Managed service delivery       | 35%<br>Recognised over term      | Managed Service  |

\*30-day payment terms: 70% on acceptance; 25% two months later; 5% on completion of group of schools

### Timeline – typical BSF project

| Milestone                      | Summer 09          | Summer 10        | Spring 11      | Summer 12                        | Summer 13                        | Summer 13 | Summer 14 | Summer 15 |
|--------------------------------|--------------------|------------------|----------------|----------------------------------|----------------------------------|-----------|-----------|-----------|
|                                | Procurement starts | Preferred bidder | Contract award | 1 <sup>st</sup> schools complete | 2 <sup>nd</sup> schools complete |           |           |           |
| Bid costs expensed             |                    |                  |                |                                  |                                  |           |           |           |
| School construction            |                    |                  |                |                                  |                                  |           |           |           |
| Central systems and software   |                    |                  |                |                                  |                                  |           |           |           |
| In-school systems and software |                    |                  |                |                                  |                                  |           |           |           |
| Services                       |                    |                  |                |                                  |                                  |           |           |           |

# BSF

## Contract awards

| RM                        |                         |       |
|---------------------------|-------------------------|-------|
| Authority                 | Consortium              | Wave  |
| <b>Bradford – Phase 3</b> | ICT only                | 6     |
| <b>Camden</b>             | BAM                     | 5     |
| <b>Ealing</b>             | Balfour Beatty          | 5     |
| <b>Essex</b>              | Skanska                 | 4/5/6 |
| <b>Hackney</b>            | Mouchel /Babcock        | 2     |
| <b>Haringey</b>           | ICT only                | 2     |
| <b>Hull</b>               | Morgan Sindall          | 2     |
| <b>Islington</b>          | Balfour Beatty          | 2     |
| <b>Knowsley</b>           | ICT only                | 1     |
| <b>Lambeth</b>            | ICT only                | 2     |
| <b>Leeds</b>              | ICT only                | 1     |
| <b>Middlesbrough</b>      | ICT only                | 2     |
| <b>Newham</b>             | Laing O'Rourke          | 1     |
| <b>Salford and Wigan</b>  | Hochtief/Laing O'Rourke | 3     |
| <b>Solihull</b>           | ICT Only                | 1     |
| <b>Somerset</b>           | BAM                     | 4     |
| <b>Southwark</b>          | Balfour Beatty          | 3     |
| <b>Stoke-on-Trent</b>     | ICT only                | 1     |
| <b>Sunderland</b>         | ICT only                | 1     |

| Other ICT suppliers                   |                  |            |
|---------------------------------------|------------------|------------|
| Authority                             | ICT Supplier     | Wave       |
| <b>Manchester</b>                     | Ramesys (Capita) | 1          |
| <b>Nottingham</b>                     | Ramesys (Capita) | 2          |
| <b>Tameside</b>                       | Ramesys (Capita) | 3          |
| <b>Tower Hamlets</b>                  | Ramesys (Capita) | 2          |
| <b>Waltham Forest</b>                 | Ramesys (Capita) | 1          |
| <b>Westminster</b>                    | Ramesys (Capita) | 3          |
| <b>Wolverhampton</b>                  | Capita           | 5          |
| <b>Blackburn and Darwen</b>           | Northgate        | 4          |
| <b>Bristol</b>                        | Northgate        | Pathfinder |
| <b>Hartlepool</b>                     | Northgate        | 5          |
| <b>Kent (LEP 1)</b>                   | Northgate        | 3          |
| <b>Leicester City</b>                 | Northgate        | 1          |
| <b>Barnsley</b>                       | Civica           | 3          |
| <b>Luton</b>                          | Civica           | 3          |
| <b>Sheffield</b>                      | Civica           | Pathfinder |
| <b>Cambridgeshire</b>                 | Dell             | 4          |
| <b>Derbyshire</b>                     | Dell             | 3          |
| <b>Birmingham</b>                     | Redstone         | 2          |
| <b>Lancashire</b>                     | Redstone         | 1          |
| <b>Liverpool</b>                      | In-house         | 2          |
| <b>Newcastle</b>                      | In-house         | 1          |
| <b>Durham</b>                         | Carillion        | 3          |
| <b>Rochdale</b>                       | Carillion        | 4          |
| <b>Bradford – Phases 1/2</b>          | Sun              | Pathfinder |
| <b>Lewisham</b>                       | VT               | Pathfinder |
| <b>North Lincolnshire</b>             | MASS             | 3          |
| <b>Sandwell</b>                       | Agilisys         | 3          |
| <b>South Tyneside &amp; Gateshead</b> | Morse            | 1          |
| <b>Greenwich</b>                      | -                | 1          |

# Accounting treatment

## Projects

### **Pre-contract costs not taken to the balance sheet unless contract award virtually certain**

In practice appointment as selected bidder

### **Separable elements**

Accounted for using relevant Group accounting policy for that element

Revenue and profit recognised as the goods and services are delivered

### **Bundled elements**

Accounted for as long-term contracts

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

- Any expected contract loss recognised as soon as foreseen

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

- Thereafter profit recognised proportional to revenue based upon expected outcome

Consequently revenue recognised but typically traded at low margins in early phases until contingent risks are mitigated

# Learning Technologies

US

## US Market Snapshot

**\$17.5bn**

K-12 schools ICT spend  
Source: Compass Intelligence

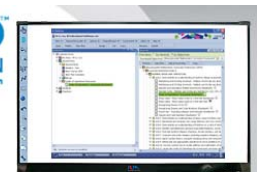
### RM USA

| Product                    | Customer           | Funding source   | Competition                  |
|----------------------------|--------------------|------------------|------------------------------|
| Classroom technology       | School Districts   | District budgets | Generic technology suppliers |
| Learning platform          | School Districts   | District budgets | -                            |
| Curriculum software        | School Districts   | District budgets | Education publishers         |
| Interactive teaching tools | Whiteboard vendors | District budgets | Promethean / Smart           |



**RM math**   
FRAMEWORK EDITION  
Middle and High School Interactive Math Curriculum

State Standards Aligned Digital math curriculum for Middle and High School. Incorporates tools such as Geometer Sketchpad, Wolfram Mathematica and RM Easiteach to motivate students



# Education Resources

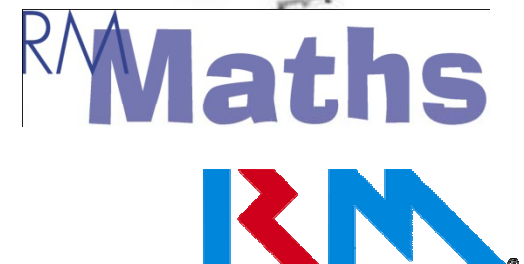
## UK Market Snapshot

**£1.5bn**

Individual schools resources spend – England  
Source: DCSF Consistent Financial Reporting



**education**



### TTS

| Product              | Customer           | Funding source                   | Competition                |
|----------------------|--------------------|----------------------------------|----------------------------|
| Curriculum resources | Individual schools | Individual establishment budgets | Findel / small specialists |
| Furniture            | Individual schools | Individual establishment budgets | Findel / specialists       |

### DACTA

| Product          | Customer           | Funding source            | Competition                |
|------------------|--------------------|---------------------------|----------------------------|
| LEGO Education   | Individual schools | Individual school budgets | -                          |
| Branded products | Individual schools | Individual school budgets | Retail / small specialists |

### SpaceKraft

| Product                        | Customer                    | Funding source                                      | Competition       |
|--------------------------------|-----------------------------|---|-------------------|
| SEN installations              | New school build programmes | Central capital budgets / individual school budgets | Specialists       |
| Multi-sensory and SEN products | Individual schools          | Individual school budgets                           | Small specialists |

### Isis Concepts

| Product             | Customer                    | Funding source          | Competition |
|---------------------|-----------------------------|-------------------------|-------------|
| Education interiors | New school build programmes | Central capital budgets | Specialists |

### Lightbox Education

| Product             | Customer           | Funding source            | Competition                               |
|---------------------|--------------------|---------------------------|---|
| Curriculum software | Individual schools | Individual school budgets | Promethean / Smart / education publishers |



# Assessment and Data

## Strategic Partners

Cambridge Assessment  
International Baccalaureate  
ACCA  
DCSF  
QCDA  
Ofsted

### RM Assessment

| Product           | Customer                | Funding source             | Competition   |
|-------------------|-------------------------|----------------------------|---------------|
| On-screen marking | Qualification providers | Customers' operating costs | DRS / Pearson |
| E-Testing         | Qualification providers | Customers' operating costs | Pearson / ETS |

### RM Data Solutions

| Product           | Customer                | Funding source | Competition |
|-------------------|-------------------------|----------------|-------------|
| Data analysis     | Government and Agencies | Government     |             |
| Data presentation | Government and Agencies | Government     |             |

# Awards



Learning Impact Awards 2009

Glow



Education Resources Awards

TTS Activity Tree  
TTS Easi-Speak  
Podium



BETT Awards

Inclusive Technology  
Podium



techMARK Awards 2008

Achievement in Sustainability



UK's Top Employers 2010

Top IT employer



PfS Awards 2008

Leeds – Innovation in ICT



ICT Excellence Awards 2009

Support for Schools



Ten Best Web Support Sites

2004/2005/2006



Help Desk Institute Awards 2007

Support Excellence Team



Big Chip Awards 2009

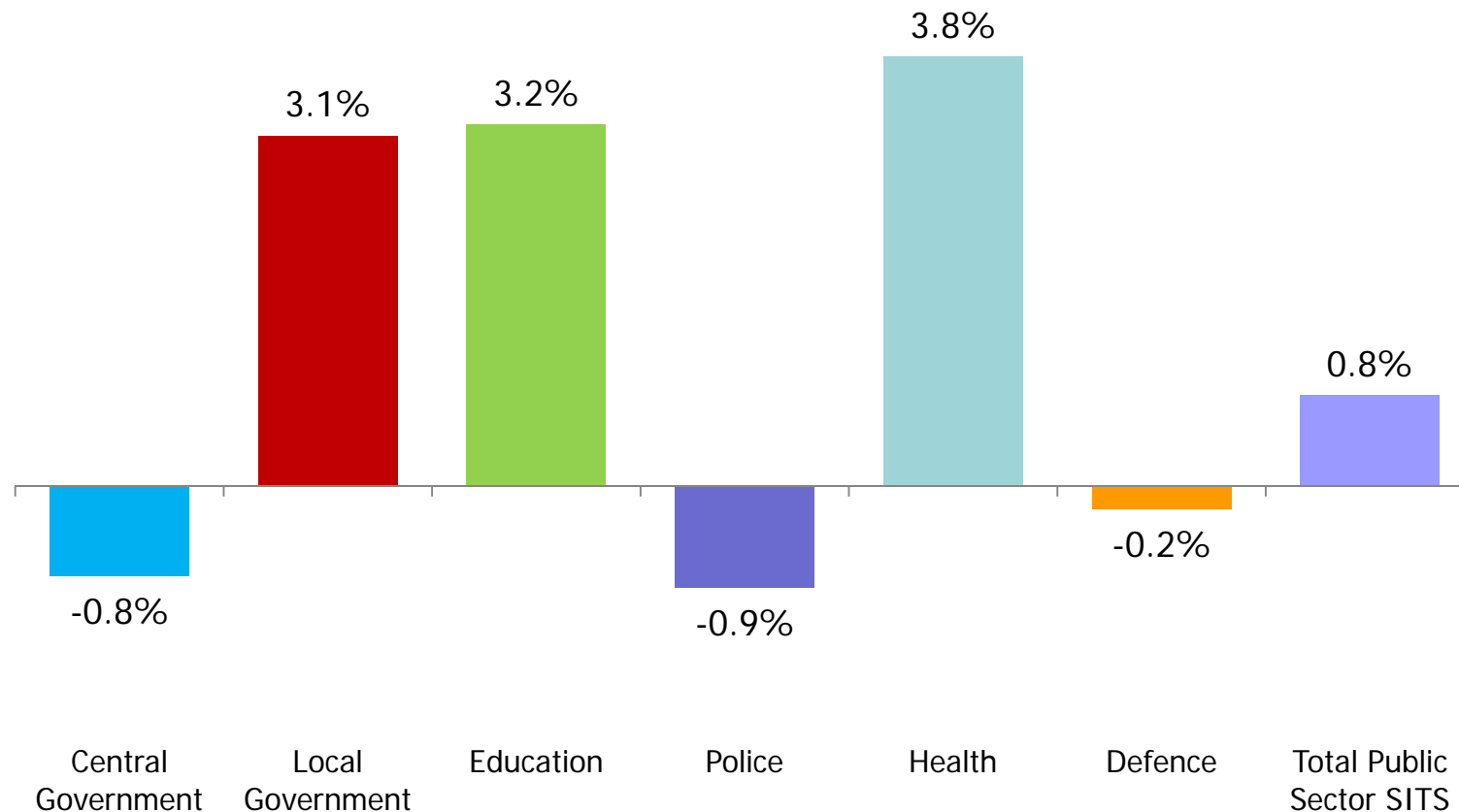
Teacher Training Resource Bank  
Licence to Cook

# Market landscape

| Proportion of GDP spent on education |                        |                  |                        |                  |                        |                  |
|--------------------------------------|------------------------|------------------|------------------------|------------------|------------------------|------------------|
|                                      | 1995                   |                  | 2000                   |                  | 2006                   |                  |
|                                      | Primary /<br>Secondary | All<br>education | Primary /<br>Secondary | All<br>education | Primary /<br>Secondary | All<br>education |
| UK                                   | 3.6%                   | 5.2%             | 3.5%                   | 4.9%             | 4.3%                   | 5.9%             |
| United States                        | 3.8%                   | 6.6%             | 3.9%                   | 7.0%             | 4.0%                   | 7.4%             |
| Australia                            | 3.6%                   | 5.3%             | 4.0%                   | 5.6%             | 4.0%                   | 5.7%             |
| OECD average                         | 3.7%                   | 5.4%             | 3.5%                   | 5.2%             | 3.6%                   | 5.5%             |

Source: OECD

# UK market landscape



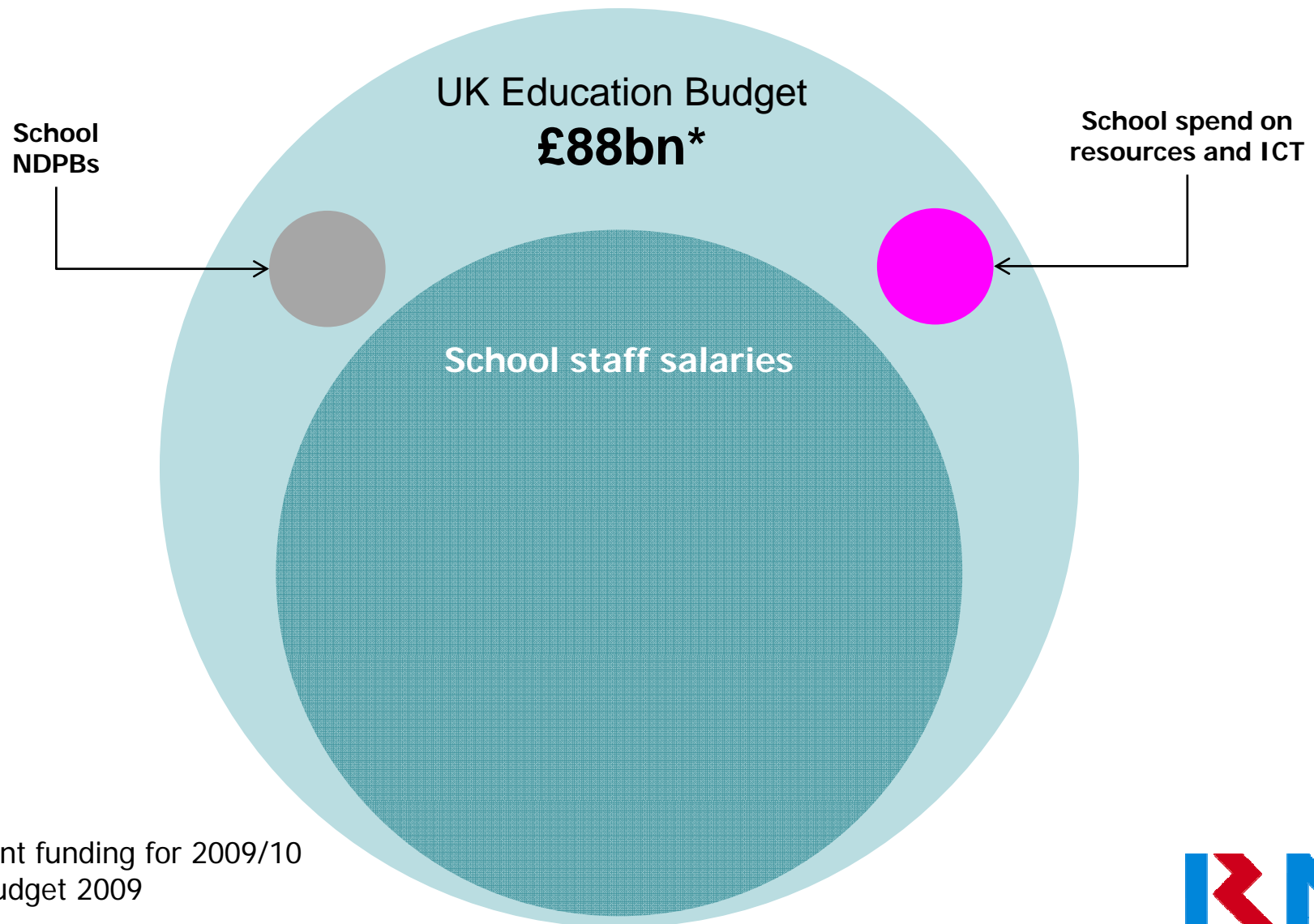
**UK public sector software and IT services market**  
**Cumulative Annual Growth Rate 2009-2013**

Assumptions: Conservative Government implementing cuts

Source: TechMarketView



# UK market landscape



\*Government funding for 2009/10  
source: Budget 2009

# Acquisitions

| Business        | Activities                                | Date      | Net cost |
|-----------------|---|-----------|----------|
| 3T Productions  | Interactive design and development        | Mar 2000  | £5.5m    |
| Softease        | Educational software                      | Oct 2001  | £4.8m    |
| Helicon         | Educational content                       | Feb 2002  | £0.7m    |
| Forvus          | Data analysis                             | Jul 2003  | £4.0m    |
| peakschoolhaus  | Education inspection services             | Oct 2003  | £1.6m    |
| Sentinel        | Network management software               | Feb 2004  | £6.1m    |
| TTS             | Education resources                       | Sep 2004  | £12.0m   |
| Caz Software    | Education management software (Australia) | Jun 2006  | £1.6m    |
| MES             | Education resources                       | Aug 2006  | £1.0m    |
| DACTA           | Education resources (Europe)              | May 2007  | £4.2m    |
| SERAP           | Data analysis                             | Aug 2007  | £0.7m    |
| SpaceKraft      | Education resources (SEN)                 | Oct 2007  | £4.6m    |
| Inclusive (25%) | Education resources (SEN)                 | Apr 2008  | £1.0m    |
| EasyTrace       | Identity management                       | July 2008 | £2.8m    |
| Computrac       | Learning technologies (USA)               | Nov 2008  | £5.0m    |
| Pisces          | Education resources                       | Apr 2009  | £0.4m    |
| ISIS Concepts   | Education resources                       | May 2009  | £2.6m    |

# Pensions

## IAS 19 deficit

Mar 2010: £15.7m (Sep 2009: £12.8m; Mar 2009: £8.3m)

## £2.1m increase in post-tax deficit attributable to:

Changes in market derived liability assumptions: £(6.9)m

Inflation expectation up 0.5%

Asset return in excess of long-term expectations: £3.4m

Cash payment in excess of service cost: £0.9m

Income statement finance cost: £(0.3)m

Tax: £0.8m

### Defined Benefit Pension Scheme

2002: retirement age increased to 65

2003: closed to new members

2005: increase in employee contributions

2007: 5% cap on pensionable salary increase

2007/08: £3.5m special company contribution

2009: increase in employee contributions

| DB pension<br>£m        | 31 Mar<br>2009 | 31 Mar<br>2010 | 30 Sep<br>2009 |
|-------------------------|----------------|----------------|----------------|
| Assets                  | 73.0           | 97.6           | 89.9           |
| Liabilities             | (81.3)         | (113.3)        | (102.7)        |
| <b>Deficit</b>          | <b>(8.3)</b>   | <b>(15.7)</b>  | <b>(12.8)</b>  |
| Deferred tax asset      | 2.4            | 4.4            | 3.6            |
| <b>Deficit post-tax</b> | <b>(5.9)</b>   | <b>(11.3)</b>  | <b>(9.2)</b>   |

Triennial valuation as at 31 May 2009 due in H2

# Investment income/finance costs

## Investment income

| £'000                                  | H1-2009    | H1-2010    | FY-2009 |
|--|------------|------------|---------|
| Bank interest                          | 122        | <b>202</b> | 226     |
| Income from sale of finance lease debt | 338        | <b>417</b> | 622     |
| Other finance income                   | 172        | <b>102</b> | 344     |
|  | <b>632</b> | <b>721</b> | 1,192   |

## Finance costs

| £'000   | H1-2009    | H1-2010    | FY-2009 |
|---|------------|------------|---------|
| Interest on bank overdrafts and loans               | 246        | <b>359</b> | 464     |
| Interest on loan notes                              | 34         | <b>35</b>  | 67      |
| Net finance costs on defined benefit pension scheme | 200        | <b>319</b> | 416     |
|   | <b>480</b> | <b>713</b> | 947     |



# Working capital

| <b>Working capital</b><br>£m  | 31 Mar<br>2009 | 31 Mar<br><b>2010</b> | 30 Sep<br>2009 |
|---|----------------|-----------------------|----------------|
| Inventories   | 18.4           | 21.9                  | 19.9           |
| Trade receivables   | 41.4           | 47.3                  | 64.8           |
| Long-term contract balances   | 10.3           | 14.0                  | 13.2           |
| Other receivables<br>Prepayments / accrued income / other receivables | 8.0            | 10.3                  | 8.1            |
| Trade payables  | (21.3)         | (29.2)                | (27.2)         |
| Other taxation and social security                                    | (6.8)          | (9.1)                 | (10.2)         |
| Accruals and other payables   | (25.1)         | (29.5)                | (32.4)         |
| Deferred income / long-term contract payments on account              | (27.2)         | (23.2)                | (28.9)         |
|   | <b>(2.3)</b>   | <b>2.5</b>            | <b>7.3</b>     |

## Growth in Education Resources business

Trade receivable days 47 (2009: 46)

Continued investment in long-term contracts (inc. BSF)

Trade payable days 48 (2009: 42)

Seasonal business absorbs working capital in the second half