16 May 2011

RM plc announces interim results for the six months ended 31 March 2011

Overview

RM's sole focus is Education. Our strategy in recent years has been to diversify within the sector, giving us the breadth and resilience to navigate through difficult market conditions

Headlines

- UK market remains challenging. Spending reduced due to Education Policy changes and anticipated budget reductions. Trading conditions continue to be very challenging in the US
- Decline in revenues as anticipated in last year's Annual Report and Interim Management Statement; a fall of 15% to £133.0m (2010: £156.4m)
- Continue to attract new business and win major contracts. Forward committed revenues up 12% to £436m at 31 March 2011 (2010: £390m)
- Adjusted* loss before tax of £(1.4)m (2010: profit of £1.2m) after £1.8m restructuring charges (2010: £0.8m). Costs reduced by an annualised £5m
- Net funds less deferred consideration £7.3m (2010: £(1.5)m)
- Adjusted* EPS: (1.1)p (2010: 1.0p)
- Interim dividend per share up by 6% to 1.47p. 8th consecutive year of interim dividend increase

Due to the normal seasonality of RM's business, interim results are not a good indicator of full year performance

* Adjusted profit / (loss) and EPS are before amortisation of acquisition related intangible assets, and in H2 2010 before BSF curtailment costs and an exceptional pension credit

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

"We experienced challenging market conditions in our core markets in the first half, as customers continued to respond to changes in policy and funding in both the UK and the US. We have realigned our cost base through a restructuring programme to reflect the changed conditions and to protect group profitability."

"RM continues to win new strategic customers, and to extend current relationships across all our divisions. Demonstrating the resilience of our business, we have seen 12% growth in our forward committed revenues to £436m. This reflects the value that our customers see RM adding through our expertise and deep understanding of education."

A briefing to analysts will take place at 09:30 on Monday 16 May 2011 at Financial Dynamics, 8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB. A live audio feed will be available. For dial in details please contact Financial Dynamics.

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Interim Management Report

	Six months to		Year to
	Mar 2011	Mar 2010	Sep 2010
Revenue	£133.0m	£156.4m	£380.1m
Adjusted* operating profit / (loss)	£(1.4)m	£1.2m	£19.9m
Adjusted* profit / (loss) before tax	£(1.4)m	£1.2m	£19.6m
Adjusted* basic EPS	(1.1)p	1.0p	16.3p
Dividend per share	1.47p	1.39p	6.64p
Net cash	£8.0m	£4.0m	£2.3m
Net funds less deferred consideration	£7.3m	£(1.5)m	£0.5m

Due to the normal seasonality of RM's business, interim results are not a good indicator of full year performance.

Revenue declined by 15% to £133.0m (2010: £156.4m). The decline was primarily in our Learning Technologies Europe and US businesses. Assessment and Data revenues also declined. Education Resources grew on a like-for-like basis.

Forward committed revenues rose 12% to £436m (2010: £390m) due to long term contract wins in Learning Technologies in the UK, and Assessment and Data.

The adjusted* loss from operations was £(1.4)m (2010: £1.2m profit). This was after incurring restructuring costs of £1.8m (2010: £0.8m), while the charge for share based payments increased by £0.7m to £1.2m. Without these, the interim profit would have been £1.7m (2010 £2.5m). Adjusted loss per share was (1.1)p (2010: earnings 1.0p).

Group cash generation was strong in the period. Cash generated by operations was £17.9m (2010: £11.3m). Net cash at the end of the period was £8.0m (2010: £4.0m). Total net funds less deferred consideration turned positive to £7.3m (2010: £(1.5)m).

Reflecting continued confidence in the Group's progress, the Board is increasing the interim dividend by 6% to 1.47p per share (2010: 1.39p). The dividend is payable on 1 July 2011 to shareholders on the register on 3 June 2011. RM has paid a total of £17.1m in dividends over the last three years.

* Adjusted profit / (loss) and EPS are before amortisation of acquisition related intangible assets, and in H2 2010 before BSF curtailment costs and an exceptional pension credit

Operational Overview

RM is structured into three distinct divisions:

Learning Technologies: works in partnership with schools, local authorities, US districts and other educational establishments, providing technology-based solutions for learning and school management. The division is the market leader in the UK, and also has a presence in the US and Australia. Products and services include cloud-based learning platforms and management information systems, network and broadband solutions for schools, and ruggedised PCs and laptops designed specifically for the school environment.

Education Resources: provides a range of classroom-level products to schools including educational software, resources to aid learning, development and play, furniture, and solutions for special needs children. Examples include Easiteach software that enables teachers to access and create lessons using whiteboards and interactive projectors, and the Bee-Bot floor robot.

Assessment and Data: RM Assessment provides technology, expertise and processes that enable online marking of paper-based exams and the delivery of online tests. The division is increasingly focused on global growth. RM Data Solutions is a leading provider of education data services in the UK. For example it manages the English National Pupil Database.

The three divisions are supported by shared service functions located in India and the UK.

Learning Technologies

	Six months to		Year to
	Mar	Mar	Sep
	2011	2010	2010
UK	£80.8m	£93.7m	£240.5m
US	£3.8m	£11.3m	£27.1m
RoW / Asia Pacific	£2.7m	£2.8m	£6.3m
Learning Technologies total revenue	£87.3m	£107.8m	£273.9m
Learning Technologies adjusted* operating profit / (loss)	£(3.2)m	£(0.9)m	£9.3m

A revenue decline in our Learning Technologies division was anticipated coming into the year. Overall revenue was £87.3m (2010: £107.8m). The adjusted operating loss was £(3.2)m (2010: loss of £(0.9)m).

Our UK classroom technology business saw revenue decline as did our internet hosting business, where we had significant upgrade projects last year. Uncertainty around the new government's plans and the expectation of budget cuts resulted in spending decisions being delayed.

A cost reduction programme was undertaken to reduce fixed cost in the parts of the business most impacted by weak market conditions. The costs of this programme are included in the above operating result.

We continue to be the market-leading supplier of ICT products and services to schools in the UK. RM won 10 major contracts with a total value of £80m, was selected to supply ICT to 6 new academy schools, and won its first Free School project.

Our US business contracted significantly. We had anticipated a large decline as our major Cobb County interactive classroom project wound down. We were also impacted more than expected by lower demand from US schools as states and districts faced budget pressures. We have undertaken a substantial restructuring of our US operations, refocusing efforts on higher quality revenue business.

* Adjusted profit / (loss) and EPS are before amortisation of acquisition related intangible assets, and in H2 2010 before BSF curtailment costs and an exceptional pension credit

Education Resources

	Six months to		Year to
	Mar 2011	Mar 2010	Sep 2010
Education Resources revenue	£37.5m	£38.3m	£83.3m
Education Resources adjusted* operating profit	£0.9m	£0.9m	£7.7m

Our Education Resources division outperformed the market in the first half. Excluding DACTA, revenues increased by 5%. Divisional operating profit was £0.9m (2010: £0.9m).

TTS, our curriculum resources business, had a particularly strong first half, growing revenues by 16% against the background of a UK market decline. It also continued to grow internationally, signing up a major new reseller in the US. The business benefitted from its continued strength in product development and marketing, launching 2,800 new products in 2011, 350 of which were developed in-house. We also successfully implemented a new business management system.

The UK market for curriculum software declined significantly. Lightbox, our curriculum software business, continued to focus on international expansion, signing new distribution contracts in several countries including India and concluding 7 new regional OEM agreements.

LEGO® Education Europe, an RM joint venture with LEGO®, was successfully launched on 1 January, 2011. DACTA's LEGO® related activities were transferred to the new joint venture at that date. This is 51% owned by LEGO® and 49% by RM so customer revenues are no longer reflected in RM's group results from that date.

* Adjusted profit / (loss) and EPS are before amortisation of acquisition related intangible assets, and in H2 2010 before BSF curtailment costs and an exceptional pension credit

Assessment and Data

	Six months to		Year to
	Mar	Mar	Sep
	2011	2010	2010
Assessment and Data revenue	£8.2m	£10.3m	£22.9m
Assessment and Data adjusted* operating profit	£1.0m	£1.2m	£2.8m

Our Assessment and Data business was successful in securing four long term contracts. Forward committed revenues increased 76% to £51m (2010: £29m). However, revenue declined to £8.2m (2010: £10.3m) as contract change requests fell due to projects being put on hold or cancelled in response to new UK education policies.

Our Assessment business signed E-marking contracts with the Scottish Qualifications Authority and extended its relationships with Cambridge Assessment and the International Baccalaureate. We also won an international contract with MeritTrac for E-marking in India.

Our UK Data Solutions business won contracts to conduct research for the Department for Business, Innovation and Skills, and to conduct an International Teacher Survey for the English Department for Education. We also extended our contract to provide the English National Pupil Database and school performance tables.

We continue to invest for growth in Assessment and Data. The division is building an active international pipeline of opportunities and is seeing good growth in the number of long term customers. Underlying service volumes are growing. We expect to double the number of exam scripts processed through our marking software this year, compared with 2008.

* Adjusted profit / (loss) and EPS are before amortisation of acquisition related intangible assets, and in H2 2010 before BSF curtailment costs and an exceptional pension credit

Risks

Public policy and education practice - The majority of RM's business is funded from government sources. Economic conditions in the UK and US have resulted in a reduction in budgets available for public spending generally and education spending specifically. In addition, education policy and practice continue to evolve. In the UK, school 2011/12 budgets have recently been set. It is possible that RM's products and services, principally in ICT and Assessment, will not be prioritised within these budgets.

Order intake and execution - RM's business is highly seasonal because schools order many products and services for delivery and installation during the summer break. This means that a large proportion of Group profit arises in the period between July and September. Achieving our financial result therefore requires securing a substantial amount of order intake in the lead up to the summer, followed by successful execution of these orders including delivery across the Group's long-term contract portfolio. The outsourced services we undertake for qualifications providers will be handling a larger volume of scripts than ever before during the summer marking season.

Medium-term investments - RM has invested in operational and sales capacity within our US Learning Technologies business. During the remainder of this financial period this business is targeted with building committed revenues for Learning Platforms and securing classroom technology orders. Securing these orders is important for the medium-term return on this investment activity.

Year end change

RM is changing its year-end in 2011 and will be reporting a 14 month financial period to 30 November 2011. A pro-forma view of the year to 30 November 2010 is included as an appendix to this statement.

People

After 17 years of service, RM's Chairman, John Leighfield, has informed the Board that he intends to retire in order to reduce his public commitments. The RM Board's Nomination Committee is now engaged in a process to identify a suitable successor.

Outlook

We always comment at this stage that due to the normal seasonality of RM's business, interim results are not a good indicator of full year performance.

Operational delivery will be a major focus area for the remaining 8 months of the financial period.

Our UK and US customers are still reacting to budget and policy changes and we expect challenging market conditions to continue for the foreseeable future.

Due to our early action to reduce the cost base, our profit expectations remain in line with the market, despite declining revenue.

Condensed consolidated income statement
for the half-year ended 31 March 2011

	Notes	**Half-year ended 31 March 2011 Adjusted**	**Adjust-ments**	**Total**	Half-year ended 31 March 2010 Adjusted	Adjust-ments	Total	Year ended 30 September 2010 Adjusted	Adjust-ments	Total
		£000	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Revenue		**132,971**	**-**	**132,971**	156,420	-	156,420	380,124	-	380,124
Cost of sales		**(94,674)**	**-**	**(94,674)**	(114,559)	-	(114,559)	(280,403)	-	(280,403)
Gross profit		**38,297**	**-**	**38,297**	41,861	-	41,861	99,721	-	99,721
Operating expenses		**(39,714)**	**(400)**	**(40,114)**	(40,735)	(809)	(41,544)	(79,920)	4,309	(75,611)
Share of results of associate and joint venture		**52**	**(13)**	**39**	79	(11)	68	67	(28)	39
		(39,662)	**(413)**	**(40,075)**	(40,656)	(820)	(41,476)	(79,853)	4,281	(75,572)
(Loss)/profit from operations		**(1,365)**	**(413)**	**(1,778)**	1,205	(820)	385	19,868	4,281	24,149
Investment income		**428**	**-**	**428**	721	-	721	1,091	-	1,091
Finance costs		**(435)**	**-**	**(435)**	(713)	-	(713)	(1,321)	-	(1,321)
(Loss)/profit before tax		**(1,372)**	**(413)**	**(1,785)**	1,213	(820)	393	19,638	4,281	23,919
Tax	4	**343**	**147**	**490**	(315)	236	(79)	(4,602)	(1,158)	(5,760)
(Loss)/profit for the period attributable to equity holders of the parent		**(1,029)**	**(266)**	**(1,295)**	898	(584)	314	15,036	3,123	18,159
Earnings per ordinary share:	5									
Basic		**(1.1)p**	**(0.3)p**	**(1.4)p**	1.0p	(0.7)p	0.3p	16.3p	3.4p	19.7p
Diluted		**(1.1)p**	**(0.3)p**	**(1.4)p**	1.0p	(0.7)p	0.3p	16.3p	3.4p	19.7p
Paid and proposed dividend per share:	6									
Interim				**1.47p**			1.39p			1.39p
Final				**-**			-			5.25p

Adjustments relate to: amortisation of acquisition related intangible assets of £400,000 and amortisation of acquisition related intangible assets on associates of £13,000 (period to 31 March 2010: £809,000 and £11,000 respectively); (year to 30 September 2010: amortisation of acquisition related intangible assets of £1,273,000, amortisation of acquisition related intangible assets on associates of £28,000, exceptional costs relating to the curtailment of the Building Schools for the Future programme £1,474,000 and an exceptional pension credit on the Group's defined benefit pension scheme, shown net of related costs, of £7,056,000).

All activities relate to continuing operations.

Condensed consolidated statement of comprehensive income
for the half-year ended 31 March 2011

	Half-year ended 31 March 2011 £000	Half-year ended 31 March 2010 £000	Year ended 30 September 2010 £000
(Loss)/profit for the period	**(1,295)**	314	18,159
Exchange gains on translation of foreign operations	**110**	653	505
Actuarial gains and losses on defined benefit pension scheme	**4,383**	(3,536)	(7,913)
Fair value gain/(loss) on interest rate swap	**54**	(60)	(128)
Current tax on items taken directly to equity	**14**	33	(9)
Deferred tax on items taken directly to equity	**(1,194)**	956	2,218
Other comprehensive income/(expense) for the period	**3,367**	(1,954)	(5,327)
Total comprehensive income/(expense) for the period attributable to equity holders of the parent	**2,072**	(1,640)	12,832

Total tax debited to equity was £1,180,000 (2010: period to 31 March credit of £989,000; year to 30 September credit of £2,209,000)

Condensed consolidated balance sheet
as at 31 March 2011

	Notes	**31 March 2011 £000**	31 March 2010 £000	30 September 2010 £000
Non-current assets				
Goodwill		**34,302**	34,276	34,220
Acquisition related intangible assets		**3,297**	4,235	3,690
Other intangible assets		**3,821**	2,663	3,186
Property, plant and equipment		**19,018**	21,069	21,054
Interest in associate and joint venture		**1,055**	1,035	1,013
Other receivables	8	**1,880**	-	-
Deferred tax assets		**3,588**	6,515	4,859
		66,961	69,793	68,022
Current assets				
Inventories		**23,532**	21,935	25,079
Trade and other receivables	8	**65,900**	71,629	97,838
Tax asset		**953**	175	877
Cash and cash equivalents	7	**20,193**	12,674	13,814
		110,578	106,413	137,608
Total assets		**177,539**	176,206	205,630
Current liabilities				
Trade and other payables	9	**(86,179)**	(91,592)	(106,554)
Provisions		**(1,302)**	-	(536)
Tax liabilities		**(220)**	-	(1,878)
		(87,701)	(91,592)	(108,968)
Net current assets		**22,877**	14,821	28,640
Non-current liabilities				
Retirement benefit obligation		**(7,401)**	(15,705)	(12,380)
Bank loans	7	**(12,232)**	(8,636)	(11,507)
Deferred tax liabilities		**(8)**	(50)	(34)
Other payables	9	**(5,029)**	(5,002)	(5,918)
Provisions		**(676)**	(538)	(678)
		(25,346)	(29,931)	(30,517)
Total liabilities		**(113,047)**	(121,523)	(139,485)
Net assets		**64,492**	54,683	66,145
Equity attributable to equity holders of the parent				
Share capital		**1,869**	1,868	1,868
Share premium account		**26,955**	27,135	26,918
Own shares		**(3,683)**	(1,305)	(3,805)
Capital redemption reserve		**94**	94	94
Hedging reserve		**(135)**	(121)	(189)
Translation reserve		**1,739**	1,777	1,629
Retained earnings		**37,653**	25,235	39,630
Total equity		**64,492**	54,683	66,145

Condensed consolidated cash flow statement
for the half-year ended 31 March 2011

	Notes	**31 March 2011 £000**	31 March 2010 £000	30 September 2010 £000
(Loss)/profit from operations		**(1,778)**	385	24,149
Adjustments for:				
(Gain)/loss on foreign exchange derivatives		**(18)**	(458)	160
Share of results of associates		**(39)**	11	(39)
Amortisation of acquisition related intangible assets		**400**	809	1,273
Amortisation of other intangible assets		**509**	611	1,180
Depreciation of property, plant and equipment		**3,529**	3,933	7,554
Gain on disposal of property, plant and equipment		**(46)**	(152)	(322)
Loss on disposal of other intangible assets		**29**	-	-
Increase/(decrease) in provisions		**1,224**	(51)	737
Share-based payment charge		**1,235**	528	1,417
Exceptional pension credit		**-**	-	(7,267)
Operating cash flows before movements in working capital		**5,045**	5,616	28,842
Decrease/(increase) in inventories		**1,547**	(2,030)	(5,174)
Decrease/(increase) in receivables		**31,879**	14,994	(11,773)
(Decrease)/increase in payables		**(20,528)**	(7,248)	11,825
Cash generated by operations		**17,943**	11,332	23,720
Defined benefit pension contribution in excess of current service cost		**(759)**	(936)	(1,682)
Tax paid		**(1,182)**	(1,983)	(3,526)
Income on sale of finance lease debt		**288**	417	795
Interest paid:				
- bank overdrafts and loans		**(256)**	(359)	(627)
- other		**(16)**	(35)	(64)
Net cash inflow from operating activities		**16,018**	8,436	18,616
Investing activities				
Interest received		**81**	202	65
Proceeds on disposal of property, plant and equipment		**194**	254	583
Purchases of property, plant and equipment		**(1,641)**	(3,684)	(7,744)
Purchases of other intangible assets		**(1,167)**	(521)	(1,525)
Amounts advanced to joint venture undertaking	11	**(1,880)**	-	-
Net cash used in investing activities		**(4,413)**	(3,749)	(8,621)
Financing activities				
Dividends paid	6	**(4,786)**	(4,492)	(5,764)
Proceeds from share capital issue, net of share issue costs		**38**	198	198
Increase in borrowings		**837**	-	3,161
Purchase of own shares		**(212)**	(735)	(3,362)
Repayment of loan notes and deferred consideration		**(1,129)**	(352)	(3,841)
Net cash used in financing activities		**(5,252)**	(5,381)	(9,608)
Net increase/(decrease) in cash and cash equivalents		**6,353**	(694)	387
Cash and cash equivalents at the beginning of period		**13,814**	13,297	13,297
Effect of foreign exchange rate changes		**26**	71	130
Cash and cash equivalents at the end of period	7	**20,193**	12,674	13,814

Group net funds
for the half-year ended 31 March 2011

	Year ended 30 September 2010 £000	Cash flow £000	Non-cash movement Foreign exchange £000	**Half-year ended 31 March 2011 £000**
Cash and cash equivalents	13,814	**6,353**	**26**	**20,193**
Borrowings	(11,507)	**(837)**	**112**	**(12,232)**
Net cash	2,307	**5,516**	**138**	**7,961**
Loan notes	(1,379)	**1,129**	**-**	**(250)**
Net funds	928	**6,645**	**138**	**7,711**
Deferred consideration	(390)	**-**	**-**	**(390)**
Net funds less deferred consideration	538	**6,645**	**138**	**7,321**

Condensed consolidated statement of changes in equity
for the half-year ended 31 March 2011

	Notes	Share capital £000	Share premium account £000	Own shares £000	Capital redemption reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
At 1 October 2010		**1,868**	**26,918**	**(3,805)**	**94**	**(189)**	**1,629**	**39,630**	**66,145**
Loss for the period		**-**	**-**	**-**	**-**	**-**	**-**	**(1,295)**	**(1,295)**
Other comprehensive income									
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**110**	**-**	**110**
Actuarial gains and losses on defined benefit scheme		**-**	**-**	**-**	**-**	**-**	**-**	**4,383**	**4,383**
Fair value loss on interest rate swap		**-**	**-**	**-**	**-**	**54**	**-**	**-**	**54**
Tax charge on items taken directly to equity		**-**	**-**	**-**	**-**	**-**	**-**	**(1,180)**	**(1,180)**
Total other comprehensive income		**-**	**-**	**-**	**-**	**54**	**110**	**3,203**	**3,367**
Purchase of shares		**-**	**-**	**(212)**	**-**	**-**	**-**	**-**	**(212)**
Share issues		**1**	**37**	**-**	**-**	**-**	**-**	**-**	**38**
Share-based payment awards exercised in period		**-**	**-**	**334**	**-**	**-**	**-**	**(334)**	**-**
Share-based payment fair value charges		**-**	**-**	**-**	**-**	**-**	**-**	**1,235**	**1,235**
Dividends paid	6	**-**	**-**	**-**	**-**	**-**	**-**	**(4,786)**	**(4,786)**
At 31 March 2011		**1,869**	**26,955**	**(3,683)**	**94**	**(135)**	**1,739**	**37,653**	**64,492**

Condensed consolidated statement of changes in equity (continued)

	Notes	Share capital £000	Share premium account £000	Own shares £000	Capital redemption reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
At 1 October 2009		1,863	26,725	(1,246)	94	(61)	1,124	32,325	60,824
Profit for the period		-	-	-	-	-	-	314	314
Other comprehensive income									
Exchange differences on translation of foreign operations		-	-	-	-	-	653	-	653
Actuarial gains and losses on defined benefit scheme		-	-	-	-	-	-	(3,536)	(3,536)
Fair value loss on interest rate swap		-	-	-	-	(60)	-	-	(60)
Tax charge on items taken directly to equity		-	-	-	-	-	-	989	989
Total other comprehensive income		-	-	-	-	(60)	653	(2,547)	(1,954)
Purchase of shares		-	-	(586)	-	-	-	-	(586)
Share issues		5	193	-	-	-	-	-	198
Transfer in respect of issue of shares to employee trusts		-	217	-	-	-	-	(217)	-
Share-based payment awards exercised in period		-	-	527	-	-	-	(676)	(149)
Share-based payment fair value charges		-	-	-	-	-	-	528	528
Dividends paid	6	-	-	-	-	-	-	(4,492)	(4,492)
At 31 March 2010		1,868	27,135	(1,305)	94	(121)	1,777	25,235	54,683

	Notes	Share capital £000	Share premium account £000	Own shares £000	Capital redemption reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
At 1 October 2009		1,863	26,725	(1,246)	94	(61)	1,124	32,325	60,824
Profit for the year		-	-	-	-	-	-	18,159	18,159
Other comprehensive income									
Exchange differences on translation of foreign operations		-	-	-	-	-	505	-	505
Actuarial gains and losses on defined benefit scheme		-	-	-	-	-	-	(7,913)	(7,913)
Fair value loss on interest rate swap		-	-	-	-	(128)	-	-	(128)
Tax charge on items taken directly to equity		-	-	-	-	-	-	2,209	2,209
Total other comprehensive income		-	-	-	-	(128)	505	(5,704)	(5,327)
Purchase of shares		-	-	(3,213)	-	-	-	-	(3,213)
Share issues		5	193	-	-	-	-	-	198
Share-based payment awards exercised in year		-	-	654	-	-	-	(803)	(149)
Share-based payment fair value charges		-	-	-	-	-	-	1,417	1,417
Dividends paid	6	-	-	-	-	-	-	(5,764)	(5,764)
At 30 September 2010		1,868	26,918	(3,805)	94	(189)	1,629	39,630	66,145

Notes to the condensed interim financial statements

1. General information

RM plc is a company incorporated in the United Kingdom. The unaudited condensed consolidated interim financial statements as at 31 March 2011 and for the six months then ended comprise those of the Company and its subsidiaries (together the Group).

The information for the year ended 30 September 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

Income statement presentation

The income statement for the half-year ended 31 March 2011 has been presented in three columns. This presentation is intended to give a better guide to business performance by separately identifying the amortisation charge relating to acquisition related intangible assets (2010: amortisation charge relating to acquisition related intangible assets; exceptional costs relating to the curtailment of the Building Schools for the Future programme; and an exceptional pension credit on the Group's defined benefit pension scheme, shown net of related costs). The columns extend down the income statement to allow the tax and earnings per share impacts of these transactions to be understood.

Change in year end

The Group has changed its year end to 30 November. These interim financial statements cover the 6 month period to 31 March 2011 and the annual report will cover the 14 month period ending 30 November 2011. Further details are given in the Business Review in the Annual report for the year ended 30 September 2010.

2. Accounting policies

This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 30 September 2010.

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2010.

Going concern

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

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

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

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

Segmental result

Half-year ended 31 March 2011	**Learning Technologies £000**	**Education Resources £000**	**Assessment and Data Services £000**	**Total £000**
Revenue	**87,276**	**37,474**	**8,221**	**132,971**
Adjusted operating profit/(loss)*	**(3,199)**	**870**	**964**	**(1,365)**
Investment income				**428**
Finance costs				**(435)**
Adjusted loss before tax*				**(1,372)**
Adjustments*				**(413)**
Loss before tax				**(1,785)**
Group loss before tax				**(1,824)**
Share of associate result				**39**
Loss before tax				**(1,785)**

Half-year ended 31 March 2010	Learning Technologies £000	Education Resources £000	Assessment and Data Services £000	Total £000
Revenue	107,815	38,331	10,274	156,420
Adjusted operating profit/(loss)*	(874)	927	1,152	1,205
Investment income				721
Finance costs				(713)
Adjusted profit before tax*				1,213
Adjustments*				(820)
Profit before tax				393
Group profit before tax				314
Share of associate result				79
Profit before tax				393

Year ended 30 September 2010	Learning Technologies £000	Education Resources £000	Assessment and Data Services £000	Total £000
Revenue	273,950	83,288	22,886	380,124
Adjusted operating profit*	9,326	7,746	2,796	19,868
Investment income				1,091
Finance costs				(1,321)
Adjusted profit before tax*				19,638
Adjustments*				4,281
Profit before tax				23,919
Group profit before tax				23,880
Share of associate result				39
Profit before tax				23,919

* Adjustments made to profit before tax are explained within the condensed consolidated income statement.

3. Business segments (continued)

Segmental assets
Segmental assets include all assets except for tax balances, balances due from joint venture and investment undertakings and cash and cash equivalents which are shown as non-segmental balances:

As at 31 March 2011	**Learning Technologies £000**	**Education Resources £000**	**Assessment and Data Services £000**	**Total £000**
Total assets				
- Segmental	**83,316**	**56,665**	**10,654**	**150,635**
- Other				**26,904**
				177,539

As at 31 March 2010	Learning Technologies £000	Education Resources £000	Assessment and Data Services £000	Total £000
Total assets				
- Segmental	92,199	54,024	10,619	156,842
- Other				19,364
				176,206

As at 30 September 2010	Learning Technologies £000	Education Resources £000	Assessment and Data Services £000	Total £000
Total assets				
- Segmental	111,146	63,579	11,355	186,080
- Other				19,550
				205,630

4. Tax
Corporation tax for the interim period is charged at the expected effective tax rate for the full financial period, which is the 14 months ending 30 November 2011, based upon adjusted (loss)/profit as explained within the condensed consolidated income statement. The charge incorporates both current and deferred taxation:

			Half-year ended 31 March 2011			Half-year ended 31 March 2010			Year ended 30 September 2010
	Adjusted £000	**Adjust-ments £000**	**Total £000**	Adjusted £000	Adjust-ments £000	Total £000	Adjusted £000	Adjust-ments £000	Total £000
(Loss)/profit before tax	**(1,372)**	**(413)**	**(1,785)**	1,213	(820)	393	19,638	4,281	23,919
Tax credit/(charge)	**343**	**147**	**490**	(315)	236	(79)	(4,602)	(1,158)	(5,760)
Effective rate	**25.0%**	**35.6%**	**27.5%**	26.0%	28.8%	20.1%	23.4%	27.0%	24.1%

In the year to 30 September 2010 the tax rate on adjusted profit benefitted by 2.8% from finalising prior year Research and Development tax credits.

5. Earnings per ordinary share
The calculation of the basic and diluted earnings per ordinary share is shown below. As explained in note 1, adjusted basic and diluted earnings per share have also been presented.

Basic earnings per ordinary share:

			Half-year ended 31 March 2011			Half-year ended 31 March 2010			Year ended 30 September 2010
	Loss after tax £000	**Weighted average number of shares 000**	**Pence per share**	Profit after tax £000	Weighted average number of shares 000	Pence per share	Profit after tax £000	Weighted average number of shares 000	Pence per share
Basic earnings per ordinary share	**(1,295)**	**91,158**	**(1.4)**	314	92,547	0.3	18,159	92,121	19.7
Effect of adjustments*	**266**	**-**	**0.3**	584	-	0.7	(3,123)	-	(3.4)
Adjusted basic earnings per ordinary share*	**(1,029)**	**91,158**	**(1.1)**	898	92,547	1.0	15,036	92,121	16.3

* Adjustments made to profit after tax are explained within the condensed consolidated income statement.

5. Earnings per ordinary share (continued)

Diluted earnings per ordinary share:

	Half-year ended 31 March 2011			Half-year ended 31 March 2010			Year ended 30 September 2010		
	Loss after tax £000	**Weighted average number of shares 000**	**Pence per share**	Profit after tax £000	Weighted average number of shares 000	Pence per share	Profit after tax £000	Weighted average number of shares 000	Pence per share
Basic earnings per ordinary share	**(1,295)**	**91,158**	**(1.4)**	314	92,547	0.3	18,159	92,121	19.7
Effect of dilutive potential ordinary shares: share based payment awards	**-**	**837**	**-**	-	118	-	-	92	-
Diluted earnings per ordinary share	**(1,295)**	**91,995**	**(1.4)**	314	92,665	0.3	18,159	92,213	19.7
Effect of adjustments*	**266**	**-**	**0.3**	584	-	0.7	(3,123)	-	(3.4)
Adjusted diluted earnings per ordinary share*	**(1,029)**	**91,995**	**(1.1)**	898	92,665	1.0	15,036	92,213	16.3

* Adjustments made to profit after tax are explained within the condensed consolidated income statement.

6. Dividends
Amounts recognised as distributions to equity holders in the period:

	Half-year ended 31 March 2011 £000	Half-year ended 31 March 2010 £000	Year ended 30 September 2010 £000
Final dividend for the year ended 30 September 2010 of 5.25p (2009: 4.85p) per share	**4,786**	4,492	4,492
Interim dividend for the year ended 30 September 2010 of 1.39p per share	**-**	-	1,272
	4,786	4,492	5,764

The proposed interim dividend of 1.47p per share was approved by the Board on 13 May 2011. The expected cost of £1.3m has not been included as a liability at 31 March 2011.

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

The Group meets its seasonal working capital requirements through various facilities. The Group has an annual unsecured overdraft facility of $39.5m (set at a minimum of £25m) with HSBC, which was renewed in November 2010. The Group also has a £3m working capital facility with Barclays Bank plc and these facilities combined give £28m of working capital funding.

The Group also has a committed acquisition borrowing facility of £25m with HSBC which expires in July 2013. At 31 March 2011 £12.2m (31 March 2010: £8.6m, 30 September 2010: £11.5m) of this facility was drawn down, with the movement in the six months being due to payment of loan notes and deferred consideration. The £12.2m comprises £5.7m in Sterling and £6.5m in US dollars ($10.4m). The facility can be repaid before expiry, at the discretion of the Group.

The Group's cash and cash equivalents of £20.2m (31 March 2010: £12.7m, 30 September 2010: £13.8m) comprises £17.6m in Sterling, £0.2m in US dollars and £2.4m in other operating currencies (31 March 2010: £7.1m, £3.2m and £2.4m respectively).

8. Trade and other receivables

Current	31 March 2011 £000	31 March 2010 £000	30 September 2010 £000
Trade receivables	**42,337**	47,257	75,076
Long-term contract balances	**13,779**	14,031	13,856
Other receivables including derivative financial instruments	**2,160**	2,672	1,987
Accrued income	**737**	613	1,636
Prepayments	**6,887**	7,056	5,283
	65,900	71,629	97,838
Non-current			
Other receivables - amount owed by joint venture undertaking	**1,880**	-	-
	67,780	71,629	97,838

9. Trade and other payables

Current	31 March 2011 £000	31 March 2010 £000	30 September 2010 £000
Trade payables	**23,576**	29,240	34,379
Other taxation and social security	**9,022**	9,145	12,341
Other payables including derivative financial instruments	**3,254**	3,732	3,042
Accruals	**29,037**	25,773	30,623
Long term contract balances	**97**	-	541
Loan notes	**250**	3,386	1,379
Deferred consideration	**195**	1,900	195
Deferred income	**20,748**	18,416	24,054
	86,179	91,592	106,554
Non-current			
Deferred consideration	**195**	232	195
Deferred income	**4,834**	4,770	5,723
	5,029	5,002	5,918
	91,208	96,594	112,472

10. Defined benefit pension scheme

In the half-years ended 31 March 2011 and 2010 the financial position of the Group's defined benefit pension scheme has been rolled forward from the respective prior year end. The roll forward includes updating for actual investment returns for the periods; market derived discount rates on liabilities; and market derived inflation assumptions. Mortality assumptions have not been updated at the half-years. At 31 March 2011 the market derived discount rate, given by high grade corporate bond yields, was 5.45%. Following UK government announcements, the statutory inflation index has changed from the Retail Price Inflation index to the Consumer Price Inflation index. The change of index has resulted in a £4.7m reduction in scheme liabilities in the period.

The latest triennial valuation as at 31 May 2009 was used as the basis for the 30 September 2010 IAS 19 valuation and the roll-forward to 31 March 2011. In addition to current service contributions, the Group has continued to make £1.7m per annum deficit catch up payments agreed with the scheme's trustees which are due to continue to May 2017.

11. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

On 1 January 2011, the Group established a joint venture entity, Lego Education Europe Limited ('LEE'), with Lego A/S (incorporated in Denmark). This entity is equity accounted in the Group financial statements and is a related party. The Group has completed the following transactions with LEE during the period ended 31 March 2011: sale of services of £469k and provision of a loan of £1,880k (note 8) on which interest is charged at 3.0%.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial period and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining eight months of the period; and
  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial period and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board,

Terry Sweeney	Iain McIntosh
Chief Executive	Chief Financial Officer

16 May 2011

INDEPENDENT REVIEW REPORT TO RM PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2011 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Cash Flow Statement, Condensed Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Tudor Aw
for and on behalf of KPMG Audit Plc
Chartered Accountants
Arlington Business Park, Theale
Reading RG7 4SD
16 May 2011

Appendix to the interim financial statements

Proforma financial statements
for the year ended 30 November 2010

On 20 October 2010 following a detailed review and consultation with major shareholders, the Board agreed to change the Company and Group's year end to 30 November. As explained in the Business review within the 2010 Annual Report and Accounts, the change of year end means that 2011 will be a fourteen month period running from 1 October 2010 to 30 November 2011.

Additional information showing the Group's performance for the twelve months to 30 November 2011 will be provided in the 2011 Annual Report and Accounts. To assist with comparative financial information for this period, proforma financial statements showing the financial performance and cash flows for the twelve months ending 30 November 2010 and the financial position at 30 November 2010 are presented below. This data has been prepared under the basis that the Group has always had a 30 November year end.

The proforma financial statements are unaudited.

Proforma consolidated income statement
for the year ended 30 November 2010

	Notes	Adjusted £000	Adjustments £000	Year ended 30 November 2010 Total £000
Revenue		**376,105**	**-**	**376,105**
Cost of sales		**(277,890)**	**-**	**(277,890)**
Gross profit		**98,215**	**-**	**98,215**
Operating expenses		**(79,619)**	**4,468**	**(75,151)**
Share of results of associate		**63**	**(28)**	**35**
		(79,556)	**4,440**	**(75,116)**
Profit from operations		**18,659**	**4,440**	**23,099**
Investment income		**984**	**-**	**984**
Finance cost		**(1,579)**	**-**	**(1,579)**
Profit before tax		**18,064**	**4,440**	**22,504**
Tax	3	**(4,366)**	**(1,216)**	**(5,582)**
Profit for the year attributable to equity holders of the parent		**13,698**	**3,224**	**16,922**
Earnings per ordinary share:				
Basic		**15.0p**	**3.6p**	**18.6p**
Diluted		**14.9p**	**3.5p**	**18.4p**

Adjustments relate to: amortisation of acquisition related intangible assets of £1,114,000; amortisation of acquisition related intangible assets on associates of £28,000; exceptional costs relating to the curtailment of the Building Schools for the Future programme of £1,474,000 and an exceptional pension credit on the Group's defined benefit pension scheme, shown net of related costs, of £7,056,000.

Proforma consolidated balance sheet
as at 30 November 2010

	As at 30 November 2010 £000
Non-current assets	
Goodwill	**34,255**
Acquisition related intangible assets	**3,573**
Other intangible assets	**3,499**
Property, plant and equipment	**20,365**
Interest in associates	**1,004**
Deferred tax assets	**3,897**
	66,593
Current assets	
Inventories	**25,461**
Trade and other receivables	**77,866**
Tax assets	**1,143**
Cash at bank	**3,669**
	108,139
Total assets	**174,732**
Current liabilities	
Bank overdraft	**(6,083)**
Trade and other payables	**(75,019)**
Provisions	**(220)**
Tax liabilities	**(523)**
	(81,845)
Net current assets	**26,294**
Non-current liabilities	
Retirement benefit obligation	**(8,575)**
Bank loans	**(12,419)**
Deferred tax liabilities	**(32)**
Other payables	**(5,556)**
Provisions	**(678)**
	(27,260)
Total liabilities	**(109,105)**
Net assets	**65,627**
Equity attributable to equity holders of the parent	
Share capital	**1,868**
Share premium account	**26,918**
Own shares	**(3,805)**
Capital redemption reserve	**94**
Hedging reserve	**(156)**
Translation reserve	**1,613**
Retained earnings	**39,095**
Total equity	**65,627**

Proforma consolidated cash flow statement
for the year ended 30 November 2010

	Year ended 30 November 2010 £000
Profit from operations	**23,099**
Adjustments for:	
Gain on foreign exchange derivatives	**(498)**
Share of results of associates	**(35)**
Amortisation of acquisition related intangible assets	**1,114**
Amortisation of other intangible assets	**1,150**
Depreciation of property, plant and equipment	**7,408**
Gain on disposal of property, plant and equipment	**(372)**
Increase in provisions	**737**
Share-based payment charge	**1,501**
Exceptional pension credit	**(7,267)**
Operating cash flows before movements in working capital	**26,837**
Increase in inventories	**(4,533)**
Increase in receivables	**(1,161)**
Decrease in payables	**(6,961)**
Cash generated by operations	**14,182**
Defined benefit pension contribution in excess of current service cost	**(1,730)**
Tax paid	**(4,477)**
Income on sale of finance lease debt	**705**
Interest paid:	
- bank overdrafts and loans	**(627)**
- other	**(64)**
Net cash inflow from operating activities	**7,989**
Investing activities	
Interest received	**48**
Proceeds on disposal of property, plant and equipment	**675**
Purchases of property, plant and equipment	**(6,894)**
Purchases of other intangible assets	**(1,891)**
Net cash used in investing activities	**(8,062)**
Financing activities	
Dividends paid	**(5,764)**
Proceeds from share capital issue, net of share issue costs	**198**
Increase in borrowings	**4,019**
Purchase of own shares	**(3,214)**
Repayment of loan notes and deferred consideration	**(4,386)**
Net cash used in financing activities	**(9,147)**
Net decrease in cash and cash equivalents	**(9,220)**
Cash and cash equivalents at the beginning of year	**6,620**
Effect of foreign exchange rate changes	**186**
Cash and cash equivalents at the end of year	**(2,414)**

Proforma group net funds
as at 30 November 2010

	As at 30 November 2010 £000
Cash at bank	**3,669**
Bank overdraft	**(6,083)**
Cash and cash equivalents	**(2,414)**
Borrowings	**(12,419)**
Net cash	**(14,833)**
Loan notes	**(475)**
Net funds	**(15,308)**
Deferred consideration	**(390)**
Net funds less deferred consideration	**(15,698)**

Notes to the proforma financial statements

1. General information

The proforma financial statements for the year ended 30 November 2010 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The proforma financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 30 September 2010.

2. Operating segments

Segmental results for the year ended 30 November 2010 are provided below on the same basis as disclosed for the year ended 30 September 2010.

Segmental result

	Learning Technologies £000	Education Resources £000	Assessment and Data Services £000	Total £000
Year ended 30 November 2010				
Revenue	**271,827**	**81,582**	**22,696**	**376,105**
Adjusted operating profit*	**8,404**	**7,577**	**2,678**	**18,659**
Investment income				**984**
Finance costs				**(1,579)**
Adjusted profit before tax*				**18,064**

* Adjustments made to profit before tax are explained within the proforma consolidated income statement.

3. Tax

The effective tax rate for the 12 months ended 30 November 2010 is shown below:

	Adjusted	Adjustments	Year ended 30 November 2010 £000 Total
Profit before tax	**18,064**	**4,440**	**22,504**
Tax charge	**(4,366)**	**(1,216)**	**(5,582)**
Effective rate	**24.2%**	**27.4%**	**24.8%**