7 July 2020

RM plc

Interim results for the period ended 31 May 2020

Resilient response in supporting the education system

RM plc ("RM"), a leading supplier of technology and resources to the education sector, reports its interim results for the period ending 31 May 2020.

HIGHLIGHTS

- Positive Q1 offset by COVID-19 dominated Q2 as improving momentum was impacted by school closures and exam cancellations
- Revenues 17% lower and adjusted operating profits reduced by 57%; largely a consequence of the reduction in RM Resources which saw year on year Q2 sales decline 48%; RM Results and RM Education were down by 32% and 8% in Q2 respectively
- Net debt of £14m vs. £21m as at same period last year benefitting from cash conservation actions
- No interim dividend is proposed
- Trading has begun to improve as education systems start to reopen

	2020	2019	Change %
Revenue	**£79.3m**	**£95.5m**	-17.0%
Adjusted* operating profit	**£4.2m**	**£9.7m**	-56.9%
Statutory operating profit	**£2.8m**	**£8.8m**	-67.7%
Adjusted* operating profit margin	**5.3%**	**10.2%**	-4.9pp
Adjusted* diluted EPS	**3.2p**	**9.1p**	-64.8%
Interim dividend	**0.0p**	**2.0p**	-100%
Net debt	**£14.4m**	**£21.2m**	
Pension deficit	**£23.3m**	**£17.8m**	

The results for the first 6 months of 2020 have been prepared under the IFRS16 accounting standard. The results for the comparative period for first 6 months of 2019 have not been restated. The impact of IFRS16 on the adjusted and statutory operating profit in 2020 is £0.1m.

* Throughout this statement, adjusted profit and EPS are stated before adjustments to profit which are considered exceptional in nature or with potential significant variability year on year in non-cash items which might mask underlying trading performance. These include the amortisation of acquisition related intangible assets; acquisition costs, impairment, exceptional property related costs and exceptional sale of assets.

David Brooks, Chief Executive of RM, said:

"In Q1, going into the COVID-19 crisis, RM was trading as expected. Through Q2, trading was significantly impacted as schools and nurseries closed. I would like to take this opportunity to thank our employees and customers who have shown real ingenuity and resilience through these difficult months. As education systems start to reopen, we are seeing trading improve and RM will look to play a key role in helping our customers' transition to new ways of working."

Presentation and live webcast details

A presentation for analysts and investors will be held today at 9.00am. The presentation will be accessible via the following link: https://www.investis-live.com/rmplc/5ef30ed17b676e1e00c47cc4/zpzp

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RM plc

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Notes to Editors:

RM is a UK listed Education technology company, providing market-leading products and services to educational institutions, exam bodies and international governments which improve, simplify and support education and learning.

Technology is transforming Education, and RM is well positioned to capitalise on this through its three divisions:

- **RM Resources** is the established provider of education resources for early years, primary schools and secondary schools across the UK and internationally. Our trusted brands, TTS and Consortium, develop and supply resources to help bring the curriculum to life for teachers and students across over 80 different countries.

- **RM Results** is a leading provider of digital assessment services, enabling e-marking, e-testing and the management and analysis of educational data. RM Results typically marks approximately 200 million exam pages, working with exam awarding bodies, universities and governments.

- **RM Education** is a market-leading supplier of ICT software, technology and services in the UK. It helps schools save time and money and enables them to enhance the impact of technology on teaching and learning.

Response to COVID-19

Below is an overview of our response to the pandemic which has been structured in three phases:

1. Plan and Stabilise
   We enacted business continuity plans to allow all employees who could do their job remotely to work from home. We ensured employees going to sites e.g. distribution centre workers, could do so in a safe environment and implemented actions to conserve cash.

2. Run Lean
   To continue to deliver to our customers while managing our cost base, we stopped permanent staff recruitment, brought down temporary staffing levels, and the Board and Executive team reduced salaries by up to 25%. We selectively used the UK government furlough job retention scheme, primarily in RM Resources, where trading was most materially impacted. We stopped use of the scheme on 1 June, when schools reopened, and as a result of improved trading we expect to repay these receipts to the government in this financial year. All our employees on furlough were paid 100% of their salary.

3. Recovery
   As schools and nurseries start to re-open for more pupils we are seeing an increase in demand for our products and services. We have established a team to focus on how our end markets and customers will change as a result of the COVID-19 pandemic.

Stress tests

Throughout the evolving nature of the pandemic we have regularly reviewed and adapted the stress tests to be applied to ensure that we have appropriate measures in place to secure our financial and operational resilience. As a result, we have taken actions to balance the financial viability of the organisation with its long-term success and have ensured appropriate financial resilience against these stress test scenarios. Nevertheless, due to the uncertainty, we have increased net debt leverage covenants for 2020.

Financial Results

RM plc

Interim results for the 6 months ended 31 May 2020

Results

	6 months to May 2020	6 months to May 2019	12 months to November 2019
Revenue	**£79.3m**	£95.5m	£223.8m
Adjusted* operating profit	**£4.2m**	£9.7m	£27.6m
Adjusted* profit before tax	**£3.5m**	£9.3m	£26.6m
Adjusted* profit after tax	**£2.7m**	£7.5m	£21.9m
Statutory profit after tax	**£1.5m**	£6.8m	£19.1m
Adjusted* diluted Earnings Per Share	**3.2p**	9.1p	26.4p
Diluted Earnings Per Share	**1.8p**	8.2p	23.0p
Ordinary dividend per share	**0.0p**	2.0p	2.0p
Net debt	**£14.4m**	£21.2m	(£15.0m)

RM's financial results have been materially impacted by the COVID-19 crisis. Revenue has decreased by 17% on prior year to £79.3m (H1 2019: £95.5m) primarily driven by trading in RM Resources on the back of schools and nurseries shutting in response to COVID-19. Q1 trading showed positive momentum with Group revenue up 2% year on year. However, trading in Q2 (March-May) was down by 33% as RM Resources revenue decreased by 48%.

Adjusted operating profit decreased by 57% to £4.2m driven by revenue decline in RM Resources and the impact of cancelled exams in RM Results.

The organisation undertook a number of cost actions to mitigate the impact of the revenue reduction. These included the reduction of temporary staff, freezing permanent hiring, reductions in senior management pay, removal of the 2020 annual bonus accrual, selective utilisation of the government job retention scheme and reductions in discretionary spend. These actions, alongside a restructuring that took place in December 2019, helped reduce staff-related and marketing cost in the first half by £7m versus the previous year. These have been partially offset by the SoNET acquisition which was not in the previous year, charges associated with an increase in our customer credit risk and some increased property and IT costs.

Adjusted profit before tax was £3.5m, a decrease of 62% on H1 2019 and diluted earnings per share decreased to 1.8p (2019: 8.2p).

Net debt at the half year was £14m which has improved by £7m compared with May 2019. This position has benefited by £16m as a result of a number of activities to conserve cash as a result of the uncertainty caused by COVID-19. Actions taken included pausing capital programmes, deferral of certain tax payments, an agreed payment holiday on deficit repair payments associated with the defined benefit pension schemes and cancellation of the 2019 final dividend.

Net debt has also benefited from the sale of two assets (a surplus property and an investment in a learning education partnership vehicle as part of the Building Schools for the Future programme) generating sales proceeds of £4.5m. These transactions generated a profit on sale of £1.3m which was treated as exceptional and not included in adjusted operating profit.

We have a revolving credit facility of £70m and we agreed an increase in the net debt leverage covenant from 2.5x to 3.5x for 2020.

Divisional Summaries

RM Resources

This division provides education resources and supplies used in schools and nurseries in the UK and internationally. Products supplied are a mix of own designed items, own branded and third party products.

	6 months to May 2020	6 months to May 2019	12 months to November 2019
RM Resources revenue	**£35.1m**	£49.2m	£114.5m
RM Resources adjusted operating profit / (loss)	**£(2.1)m**	£3.1m	£13.7m

RM Resources is the division that has been most impacted by school and nursery closures put in place to stop the spread of COVID-19. Revenue decreased by 29% compared to H1 2019. At the end of Q1 trading in the UK was flat on last year but offset by international sales which were down primarily due to the absence of a large order in South America in Q1 2019 that was not repeated. In Q2, revenue decreased by 48% as the lock-down came into effect.

The division made an adjusted operating loss of £2.1m driven by the sharpness and pace of the revenue decline limiting cost mitigation actions as well as a £1m charge associated with the ageing of our receivables and credit position of some customers, most notably international distributors.

In March we paused the capital spend associated with the programme to consolidate our four distribution centres into a single automated facility. The construction of the building continues, under contract, with limited delays currently expected.

During the period, we sold the warehouse that was exited in Q1 which generated sales proceeds of £2.9m and a profit on sale of £0.7m. The profit was treated as exceptional and is not included in the adjusted operating profit.

With schools and nurseries opening to more pupils we have seen an increase in demand in recent weeks. However, we still expect trading in the UK and internationally to be negatively impacted through the second half of 2020 and into 2021 as schools and nurseries navigate the journey to full capacity.

RM Results

RM Results provides IT software and end-to-end digital assessment services to enable online exam marking, online testing and the management and analysis of educational data. Customers include government ministries, exam boards and professional awarding bodies in the UK and overseas.

	6 months to May 2020	6 months to May 2019	12 months to November 2019
RM Results revenue	**£15.1m**	£16.8m	£37.7m
RM Results adjusted operating profit	**£3.0m**	£4.5m	£8.7m

Revenue decreased by 10% to £15.1m (H1 2019: £16.8m) driven primarily by the cancellation of many exams this summer. Q1 revenue was up by 25% on the same period last year benefitting from new client volume increases and the acquisition of SoNET in the second half of 2019. Q2 revenue was down by 32% impacted by COVID-19 which required the cancellation or deferral of exams around the world.

The development of the sales pipeline has been significantly restricted by COVID-19 disruption and travel restrictions. That said, during the period we won a new contract with the International Association for the Evaluation of Educational Achievement (IEA) to deliver on-screening testing technology for their Trends in International Mathematics and Science Study (TIMSS) programme across c.70 countries.

Exam awarding bodies are currently planning how to deliver assessments in the autumn and winter as well as building resilience into their processes and systems to ensure they can provide exams in 2021.

RM Education

RM Education provides ICT software and services to UK schools and colleges.

	6 months to May 2020	6 months to May 2019	12 months to November 2019
RM Education revenue	**£29.1m**	£29.5m	£71.6m
RM Education adjusted operating profit	**£4.9m**	£4.3m	£10.4m

Revenue remained relatively stable in the first half compared with the same period last year, decreasing less than 2% reflecting the recurring revenue nature of software and services. The division provided technology support for schools open for the pupils of key workers and supporting remote learning.

Profit increased by 12% driven by the stable revenue and a cost saving programme planned in 2019 and initiated at the start of this financial year.

Despite the challenges to progress key sales activities, two Multi Academy Trust wins were achieved in the first half covering IT programmes across 14 schools.

The blended approach of in-school and remote learning for pupils looks likely to continue as COVID-19 remains a factor. RM Education is well positioned to technically support UK schools in the transition to, and successful delivery of, this new model for teaching and learning.

Corporate Costs

Corporate costs have been reduced compared with the prior year at £1.6m (H1 2019: £2.2m), primarily as a result of lower staff-related costs. These corporate costs include public company and management costs, operating costs associated with the delivery of the group-wide systems replacement project that are not capitalised, costs associated with administration and management of the defined benefit pension schemes and share based payment charges for the Group.

Pension

The IAS 19 deficit relating to RM's defined benefit pension schemes has increased to £23.3m (31 May 2019: £17.8m; 30 November 2019: £6.0m). This increase has been driven primarily by a reduction in the discount rate which is based on corporate bond yields partially offset by favourable movements in inflation rates.

The current deficit recovery plans include payments of £4.1m per annum.

Statement on Principal Risks and Uncertainties

Pursuant to the requirements of the Disclosure and Transparency Rules, the Group provides the following information on its principal risks and uncertainties. The Group considers strategic, operational and financial risks and identifies actions to mitigate those risks. Risk management systems are monitored on an ongoing basis. The principal risks and uncertainties detailed within the Group's 2019 Annual Report remain applicable. This is available from the RM website: www.rmplc.com. In summary, those risks relate to public policy, education practice, the impact of UK's exit from the European Union, operational execution, data and business continuity, people, integration risk, innovation, dependence on key contracts, pensions and dividends.

Since the year end the COVID-19 pandemic has impacted the Group primarily as a result of UK Government announcing the widespread closure of schools and the cancellation of summer exam sessions. The business continuity risks of our customers that could lead to extensive school closures and reduced examinations, such as a pandemic, is now considered as an additional risk. The risk impacts our divisions in different ways, with RM Education continuing to provide software and services to UK schools but with reduced technology sales, RM Results providing digital assessment solutions for International awarding bodies but with reduced volumes and RM Resources has traded at lower volumes. RM's response is managed through an Executive management crisis response committee which manages and coordinates actions appropriate to the circumstances.

Dividend

The Board has decided not to pay an interim dividend in light of the current uncertainty.

Outlook

While COVID-19 continues to impact education systems in the UK and internationally, the demand for our products and services is difficult to predict. During this time, we will need to be flexible in managing costs and will need to keep operating models under continuous review.

Notwithstanding the continued uncertainty, RM remains in a strong financial position. Trading has improved in recent weeks as schools and nurseries start to welcome back pupils and we expect to remain profitable in the second half of the year. We will restart our two major capital programmes to consolidate our distribution centres and replace many of our IT systems. Both of these programmes are critical to the long term success of RM.

The move to technology under-pinning remote and blended learning and, in time, more on-screen assessments, will accelerate the digitisation of the education sector. Over the long term this will be a positive for our business.

Condensed Consolidated Income Statement

For the 6 months ended 31 May 2020

		6 months ended 31 May 2020			6 months ended 31 May 2019			Year ended 30 November 2019		
		Adjusted	**Adjustments**	**Total**	Adjusted	Adjustments	Total	Adjusted	Adjustments	Total
	Note	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Revenue		**79,267**	**-**	**79,267**	95,489	-	95,489	223,765	-	223,765
Cost of sales		**(45,732)**	**-**	**(45,732)**	(54,749)	-	(54,749)	(132,140)	-	(132,140)
Gross profit		**33,535**	**-**	**33,535**	40,740	-	40,740	91,625	-	91,625
Operating expenses	4	**(29,337)**	**(1,349)**	**(30,686)**	(31,010)	(896)	(31,906)	(63,985)	(3,462)	(67,447)
Profit from operations		**4,198**	**(1,349)**	**2,849**	9,730	(896)	8,834	27,640	(3,462)	24,178
Other income		**8**	**-**	**8**	159	-	159	153	-	153
Finance costs		**(659)**	**-**	**(659)**	(578)	(8)	(586)	(1,155)	(8)	(1,163)
Profit before tax		**3,547**	**(1,349)**	**2,198**	9,311	(904)	8,407	26,638	(3,470)	23,168
Tax	5	**(841)**	**151**	**(690)**	(1,767)	157	(1,610)	(4,746)	640	(4,106)
Profit for the period		**2,706**	**(1,198)**	**1,508**	7,544	(747)	6,797	21,892	(2,830)	19,062
Earnings per ordinary share:	6									
Basic		**3.3p**		**1.8p**	9.2p		8.3p	26.6p		23.2p
Diluted		**3.2p**		**1.8p**	9.1p		8.2p	26.4p		23.0p
Paid and proposed dividends per share:	7									
Interim				**-**			2.0p			2.0p
Final				**-**			-			-

The results for the first 6 months of 2020 have been prepared under the IFRS16 accounting standard. The results for the comparative period for first 6 months of 2019 have not been restated. The accompanying notes form part of these financial statements

All amounts were derived from continuing operations.

Condensed Consolidated Statement of Comprehensive Income

For the 6 months ended 31 May 2020

	6 months ended 31 May 2020 £000	6 months ended 31 May 2019 £000	Year ended 30 November 2019 £000
Profit for the period	**1,508**	6,797	19,062
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit pension scheme remeasurements	**(18,111)**	(17,520)	(8,033)
Tax on items that will not be reclassified subsequently to profit or loss	**3,147**	3,031	1,418
Items that are or may be reclassified subsequently to profit or loss:			
Fair value gain/ (loss) on hedged instruments	**393**	106	(806)
Exchange (loss)/ gain on translation of overseas operations	**(99)**	29	(211)
Other comprehensive (expense)	**(14,670)**	(14,354)	(7,632)
Total comprehensive (expense)/income	**(13,162)**	(7,557)	11,430

Condensed Consolidated Balance Sheet

At 31 May 2020	Note	**31 May 2020 £000**	31 May 2019 £000	30 November 2019 £000
Non-current assets				
Goodwill		**49,232**	45,164	49,107
Other intangible assets		**22,697**	18,600	23,274
Property, plant and equipment		**5,558**	10,253	9,183
Right of use asset	18	**6,011**	-	-
Defined Benefit Pension Scheme Surplus		**627**	710	976
Other receivables		**294**	922	939
Contract fulfilment assets	11	**2,729**	1,543	2,193
Deferred tax assets		**6,512**	5,724	3,457
		93,660	82,916	89,129
Current assets				
Inventories		**22,557**	24,971	22,151
Trade and other receivables	8	**24,589**	38,561	31,238
Contract fulfilment assets	11	**1,124**	708	844
Held for Sale Asset	12	**3,065**	-	1,428
Corporation tax assets		**1,810**	409	382
Cash and short-term deposits		**3,945**	1,748	5,534
		57,090	66,397	61,577
Total assets	3	**150,750**	149,313	150,706
Current liabilities				
Trade and other payables	9	**(45,136)**	(53,418)	(51,231)
Lease liabilities		**(1,582)**	-	-
Tax liabilities		**(88)**	(469)	(117)
Provisions	13	**(1,169)**	(6,383)	(1,585)
Overdraft		**(2,635)**	(2,255)	(4,006)
		(50,610)	(62,525)	(56,939)
Net current assets		**6,480**	3,872	4,638
Non-current liabilities				
Other payables	9	**(3,105)**	(2,382)	(3,483)
Lease liabilities		**(4,429)**	-	-
Provisions	13	**(2,594)**	(798)	(3,868)
Deferred tax liability		**(3,525)**	(2,684)	(3,356)
Defined Benefit Pension Scheme obligation	14	**(23,953)**	(18,471)	(6,951)
Borrowings	10	**(15,697)**	(20,665)	(16,534)
		(53,303)	(45,000)	(34,192)
Total liabilities		**(103,913)**	(107,525)	(91,131)
Net assets		**46,837**	41,788	59,575
Equity attributable to shareholders				
Share capital		**1,917**	1,917	1,917
Share premium account		**27,080**	27,080	27,080
Own shares		**(982)**	(1,044)	(1,007)
Capital redemption reserve		**94**	94	94
Hedging reserve		**(18)**	501	(411)
Translation reserve		**(596)**	(257)	(497)
Retained earnings		**19,342**	13,497	32,399
Total equity		**46,837**	41,788	59,575

Condensed Consolidated Statement of Changes in Equity

for the 6 months ended 31 May 2020	**Share capital**	**Share premium**	**Own shares**	**Capital redemption reserve**	**Hedging reserve**	**Translation reserve**	**Retained earnings**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 December 2019	**1,917**	**27,080**	**(1,007)**	**94**	**(411)**	**(497)**	**32,399**	**59,575**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**1,508**	**1,508**
Other comprehensive income/(expense)	**-**	**-**	**-**	**-**	**393**	**(99)**	**(14,964)**	**(14,670)**
Total comprehensive income/(expense)	**-**	**-**	**-**	**-**	**393**	**(99)**	**(13,456)**	**(13,162)**
Transactions with owners of the Company:								
Share-based payment awards exercised	**-**	**-**	**25**	**-**	**-**	**-**	**(25)**	**-**
Share-based payment fair value adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**424**	**424**
At 31 May 2020	**1,917**	**27,080**	**(982)**	**94**	**(18)**	**(596)**	**19,342**	**46,837**

for the 6 months ended 31 May 2019	Note	Share capital	Share premium	Own shares	Capital redemption reserve	Hedging reserve	Translation reserve	Retained earnings	Total
		£000	£000	£000	£000	£000	£000	£000	£000
At 1 December 2018 as reported		1,917	27,080	(1,423)	94	395	(286)	27,215	54,992
IFRS15 restatement		-	-	-	-	-	-	(1,185)	(1,185)
At 1 December 2018		1,917	27,080	(1,423)	94	395	(286)	26,030	53,807
Profit for the period		-	-	-	-	-	-	6,797	6,797
Other comprehensive income/(expense)		-	-	-	-	106	29	(14,489)	(14,354)
Total comprehensive income/(expense)		-	-	-	-	106	29	(7,692)	(7,557)
Transactions with owners of the Company:									
Share-based payment awards exercised		-	-	379	-	-	-	(379)	-
Share-based payment fair value adjustments		-	-	-	-	-	-	236	236
Ordinary dividends paid	7	-	-	-	-	-	-	(4,698)	(4,698)
At 31 May 2019		1,917	27,080	(1,044)	94	501	(257)	13,497	41,788

for the year ended 30 November 2019	Note	Share capital	Share premium	Own shares	Capital redemption reserve	Hedging reserve	Translation reserve	Retained earnings	Total
		£000	£000	£000	£000	£000	£000	£000	£000
At 1 December 2018 as reported		1,917	27,080	(1,423)	94	395	(286)	27,215	54,992
IFRS15 restatement		-	-	-	-	-	-	(1,185)	(1,185)
At 1 December 2018		1,917	27,080	(1,423)	94	395	(286)	26,030	53,807
Profit for the year		-	-	-	-	-	-	19,062	19,062
Other comprehensive income/(expense)		-	-	-	-	(806)	(211)	(6,615)	(7,632)
Total comprehensive income/(expense)		-	-	-	-	(806)	(211)	12,447	11,430
Transactions with owners of the Company:									
Share-based payment awards exercised		-	-	416	-	-	-	(416)	-
Share-based payment fair value adjustments		-	-	-	-	-	-	686	686
Ordinary dividends paid	7	-	-	-	-	-	-	(6,348)	(6,348)
At 30 November 2019		1,917	27,080	(1007)	94	(411)	(497)	32,399	59,575

Condensed Consolidated Cash Flow Statement

	Note	**6 months ended 31 May 2020**	6 months ended 31 May 2019	Year ended 30 November 2019
		£000	£000	£000
Profit before tax		**2,198**	8,407	23,168
Investment income		**(8)**	(159)	(153)
Finance costs		**659**	586	1,163
Profit from operations		**2,849**	8,834	24,178
Adjustments for:				
Amortisation and impairment of intangible assets		**2,264**	1,069	2,690
Depreciation and impairment of property, plant and equipment		**1,958**	860	1,584
(Gain)/ loss on disposal of other intangible assets		**-**	(15)	10
(Gain)/ loss on disposal of property, plant and equipment		**(980)**	19	26
(Gain) on sale of non-current other receivable		**(713)**	-	-
(Gain) on foreign exchange derivatives		**(540)**	(35)	(29)
Share-based payment fair value adjustment		**424**	236	686
Increase/ (decrease) in provisions	13	**671**	(1,155)	(758)
Defined Benefit Pension Scheme administration cost	14	**-**	191	262
Operating cash flows before movements in working capital		**5,933**	10,004	28,649
(Increase) in inventories		**(406)**	(6,935)	(4,115)
Decrease in receivables		**6,299**	197	7,638
(Increase) in contract fulfilment assets		**(816)**	(750)	(1,602)
Movement in payables:				
- decrease in trade and other payables		**(5,919)**	(4,766)	(7,483)
- utilisation of provisions	13	**(2,182)**	(1,036)	(3,161)

Cash generated by/ (used in) operations		**2,909**	(3,286)	19,926
Defined Benefit Pension Scheme cash contributions		**(992)**	(2,208)	(4,618)
Tax paid		**(1,758)**	(1,650)	(3,639)
Net cash inflow/ (outflow) from operating activities		**159**	(7,144)	11,669
Investing activities				
Interest received		**8**	130	153
Acquisition of net cash acquired		**-**	-	(7,109)
Acquisition related costs		**-**	-	(728)
Proceeds on disposal of non-current other receivable		**1,560**	-	-
Proceeds on disposal of property, plant and equipment		**2,900**	-	8
Purchases of property, plant and equipment		**(701)**	(1,787)	(2,876)
Purchases of other intangible assets		**(1,361)**	(1,377)	(3,159)
Net cash generated by/ (used in) investing activities		**2,406**	(3,034)	(13,711)
Financing activities				
Dividends paid	7	**-**	(4,698)	(6,348)
(Repayment)/ drawdown of borrowings		**(1,000)**	14,000	10,000
Borrowing facilities arrangement and commitment fees		**(205)**	(145)	(529)
Repayment of lease obligations		**(1,345)**	-	-
Interest paid		**(332)**	(194)	(513)
Net cash (used in)/ generated by financing activities		**(2,882)**	8,963	2,610
Net (decrease)/increase in cash and cash equivalents		**(317)**	(1,215)	568
Cash and cash equivalents at the beginning of the period/year		**1,528**	712	712
Effect of foreign exchange rate changes		**99**	(4)	248
Cash and cash equivalents at the end of period/ year		**1,310**	(507)	1,528

Notes to the Condensed Interim Financial Statements

1. General information

RM plc (‘Company’) is incorporated in the United Kingdom and listed on the London Stock Exchange. The unaudited Condensed Consolidated Interim Financial Statements as at 31 May 2020 and for the 6 months then ended comprise those of the Company and its subsidiaries (together ‘the Group’).

The comparative figures for the financial year ended 30 November 2019 are not the Group’s statutory accounts for that financial year (see note 2). Those accounts have been reported on by the Group’s auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Condensed Consolidated Income Statement presentation

The Directors assess the performance of the Group using an adjusted operating profit and profit before tax. The Directors use this measurement basis as it excludes the effect of transactions that could distort the understanding of the Group's performance for the year and comparability between periods. This includes making certain adjustments for income and expense which are one-off in nature, or non-cash items and those with potential variability year on year which might mask underlying performance. Further details are provided in note 2.

Other Comprehensive Income

During the period, £18.1m of actuarial losses relating to the defined benefit pension scheme deficit have been recognised in Other Comprehensive Income. These include cash contributions from the Company of £1.0m.

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 Conduct Authority (FCA), 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 November 2019, with the exception of the adoption of IFRS 16 – Leases. The impact of this restatement has been set out in Note 18 to this Half Year financial information.

The preparation of the Condensed Consolidated Interim Financial Statements, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Interim Financial Statements and the reported amounts of revenues and expenses during the reporting period.

Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates

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 November 2019.

Alternative Performance Measures (APMs)
In response to the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA) and the Financial Reporting Council (FRC), additional information on the APMs used by the Group is provided below.

The following APMs are used by the Group:

- Adjusted operating profit
- Adjusted profit before tax;

Further explanation of what each APM comprises and reconciliations between Statutory reported measures and adjusted measures are shown in note 4.

The Board believes that presentation of the Group results in this way is relevant to an understanding of the Group's financial performance, as adjustment items are identified by virtue of their size, nature and/or incidence. This presentation is consistent with the way that financial performance is measured by management, reported to the Board, the basis of financial measures for senior management's compensation schemes and assists in providing supplementary information that assists the user to understand better the financial performance, position and trends of the Group. In determining whether an event or transaction is an adjustment, the Board considers both quantitative and qualitative factors such as the frequency or predictability of occurrence.

The APMs used by the Group are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures. All APMs relate to the current year results and comparative periods where provided.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for the period to the end of July 2021 which indicate that, taking account of reasonably plausible downsides as discussed below, the company will have sufficient funds to meet its liabilities as they fall due for that period. The Group has a bank facility ("the facility") which totalled £70m at the date of this report. The Group had net debt of £14.4m at 31 May 2020. The facility is committed until 2022 and is subject to covenant tests related to the leverage of the Group and interest cover annually in May and November. In June 2020, the banks agreed an extension of the covenant ratios for 2020.

Since the year end the COVID-19 pandemic has impacted the Group primarily as a result of widespread school closures and the cancellation of UK summer exam sessions. Prior to the COVID-19 school closures the Group was trading in line with internal budgets and forecasts. During the period of school closures and subsequent limited school re-openings, the RM Education division continues to provide software, services and technology to UK schools, but the volume of hardware and new installations has fallen. The RM Results division continues to provide digital assessment solutions for International awarding bodies, and is currently in discussions with these customers about the reduction of volumes as a result of COVID-19 in the current exam cycles. Sales of consumables to UK and International schools by the Group's third division, RM Resources, have been materially lower over the lockdown period but since the announcement for certain year groups to return, and the subsequent phased reopening from 1 June 2020, have started to increase.

The Group has assessed a number of scenarios for going concern purposes and is using a base case scenario assessment that UK schools fully re-open no later than September and normal trading activities largely resume from that point ("base case"), subject to a reduced demand in the RM Resources division until 2021. Management has considered a severe but potentially plausible downside scenario where schools fully re-open in September, with a further month lockdown prior to Christmas ("downside scenario"), and an extreme scenario where UK schools do not materially re-open until March 2021 ("severe downside case"). Under both the downside and severe downside cases, the forecasts assume that trading during future lockdowns is equivalent to that experienced during the first few months of the Government imposed the lockdown on 23 March 2020 and, in the case of the severe downside case, that revenues generated in RM Results and RM Education are principally restricted to those that are contracted at the date of this report.

Under all scenarios the Group has availed itself of government initiatives such as VAT deferment, and furloughing a portion of employees that are not directly supporting the Company's existing contracts until the end of May 2020. The Company has also agreed with the Pension Trustees to defer deficit repayments for this calendar year, but now plans to rectify the deferred deficit repayments by the end of the calendar year and these voluntary repayments are included in all the scenarios forecasted. In addition, management has taken the decision to pause certain discretionary spend, senior staff have taken voluntary reduction in remuneration and capital expenditure has been delayed, which have been reflected in all the scenarios. The pauses in discretionary spend are being reassessed in light of current trading after recent government announcements. Under all scenarios the Group has headroom against its available facilities and considers there are sufficient controllable actions it can take, even if the severe downside case were to materialise, to operate within the facility's covenants. At present the directors consider the severe downside case to be highly unlikely given the phased reopening of schools from 1 June 2020 in line with the UK Government announcements, with the aim of getting schools back to normal from September, and that this is a necessary step in restarting the wider economy.

Therefore, the Board has a reasonable expectation that the Group has sufficient funds to meet its liabilities as they fall due for a period of not less than 12 months from the date of approval of the financial statements. For this reason, the Group continues to adopt the going concern basis of accounting in preparing the annual financial statements.

3. Operating segments

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

The Group is structured into three operating divisions: RM Resources, RM Results and RM Education.

Corporate Services consists of central business costs associated with being a listed company, share based payment charges and non-division specific pension costs.

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

Segmental results

6 months ended 31 May 2020	**RM Resources* £000**	**RM Results £000**	**RM Education £000**	**Corporate Services £000**	**Total £000**
Revenue					
UK	**30,742**	**9,831**	**28,640**	**-**	**69,213**
Europe	**2,500**	**2,617**	**159**	**-**	**5,276**
North America	**468**	**-**	**271**	**-**	**739**
Asia	**331**	**534**	**-**	**-**	**865**
Middle East	**403**	**116**	**-**	**-**	**519**
Rest of the world	**641**	**2,009**	**5**	**-**	**2,655**
	35,085	**15,107**	**29,075**	**-**	**79,267**
Adjusted profit/(loss) from operations	**(2,051)**	**2,969**	**4,873**	**(1,593)**	**4,198**
Adjusted other income					**8**
Adjusted finance costs					**(659)**
Adjusted profit before tax					**3,547**
Adjustments (see note 4)					**(1,349)**
Profit before tax					**2,198**

6 months ended 31 May 2019	RM Resources* £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Revenue					
UK	41,421	13,270	28,113	-	82,804
Europe	3,345	2,304	575	-	6,224
North America	1,208	-	134	-	1,342
Asia	634	566	545	-	1,745
Middle East	863	-	-	-	863
Rest of the world	1,774	654	83	-	2,511
	49,245	16,794	29,450	-	95,489
Adjusted profit/(loss) from operations	3,087	4,544	4,340	(2,241)	9,730
Adjusted other income					159
Adjusted finance costs					(578)
Adjusted profit before tax					9,311
Adjustments (see note 4)					(904)
Profit before tax					8,407

Year ended 30 November 2019	RM Resources* £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Revenue					
UK	95,034	27,700	69,748	-	192,482
Europe	8,404	4,966	923	-	14,293
North America	4,141	-	187	-	4,328
Asia	1,348	1,652	541	-	3,541
Middle East	2,575	96	-	-	2,671
Rest of the world	3,024	3,260	166	-	6,450
	114,526	37,674	71,565	-	223,765
Adjusted profit/(loss) from operations	13,691	8,731	10,407	(5,189)	27,640
Investment income					153
Adjusted finance costs					(1,155)
Adjusted profit before tax					26,638
Adjustments (see note 4)					(3,470)
Profit before tax					23,168

* Included in UK are international sales via UK distributors

Segmental assets

Other non-segmental assets include tax assets, cash and short-term deposits and other non-division specific assets.

Segmental assets

At 31 May 2020	**RM Resources £000**	**RM Results £000**	**RM Education £000**	**Corporate Services £000**	**Total £000**
Segmental	**96,427**	**22,838**	**17,216**	**1,364**	**137,845**
Other					**12,905**
Total assets					**150,750**

At 31 May 2019	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Segmental	106,802	15,469	16,731	1,375	140,377
Other					8,936
Total assets					149,313

At 30 November 2019	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Segmental	105,489	20,072	13,208	1,562	140,331
Other					10,375
Total assets					150,706

4. Adjustments to profit before tax

	Note	**6 months ended** **31 May 2020** **£000**	6 months ended 31 May 2019 £000	Year ended 30 November 2019 £000
Amortisation of acquisition related intangible assets		**1,007**	603	1,577
Acquisition related costs	15	**-**	243	728
Property related costs		**-**	50	335
Profit on sale of assets		**(1,344)**	-	-
Impairment		**706**	-	-
Restructuring costs		**980**	-	822
Operating expenses		**1,349**	896	3,462
Finance costs		**-**	8	8
Profit before tax		**1,349**	904	3,470

In the 6 months ended 31 May 2020 notable adjustments to profit include:

Recurring items:
These are items which occur regularly but which management judge to have a distorting effect on the underlying results of the Group or are not regularly monitored for the purpose of determining business performance. These items include the amortisation of acquisition related intangible assets. Recurring items are treated as adjusted each year irrespective of materiality to ensure consistent treatment.

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

During the period the Group disposed of the asset held for Sale at 30 November 2019 and a non-current other receivable. These transactions resulted in a profit of £1.3m.

The restructuring programme charge was announced in December 2019 and completed in the period.

The impairment charge relates to development activity on our ERP programme that needs to be re-performed.

5. Tax

	6 months ended 31 May 2020			6 months ended 31 May 2019			Year ended 30 November 2019		
	Adjusted	**Adjustments**	**Total**	Adjusted	Adjustments	Total	Adjusted	Adjustments	Total
	£000	**£000**	**£000**	£000	£000	£000	£000	£000	£000

Profit before tax	**3,547**	**(1,349)**	**2,198**	9,311	(904)	8,407	26,638	(3,470)	23,168
Tax charge	**(841)**	**151**	**(690)**	(1,767)	157	(1,610)	(4,746)	640	(4,106)
Effective tax rate	**23.7%**	**(11.2%)**	**31.4%**	19.0%	(17.4%)	19.2%	17.8%	(18.4%)	17.7%

In the 6 month period to 31 May 2020, there has been a £0.3m impact to the tax on the adjustment items relating to the change in deferred tax rate from 17% to 19%. This in turn has moved the effective interest rate on adjustments by 16%.

6. Earnings per ordinary share

	6 months ended 31 May 2020			6 months ended 31 May 2019			Year ended 30 November 2019		
	Profit after tax	**Weighted average number of shares**	**Pence per share**	Profit after tax	Weighted average number of shares	Pence per share	Profit after tax	Weighted average number of shares	Pence per share
	£000	**'000**		£000	'000		£000	'000	
Basic earnings per ordinary share:									
Basic earnings	**1,508**	**82,492**	**1.8**	6,797	82,220	8.3	19,062	82,341	23.2
Adjustments (see note 4)	**1,198**	**-**	**1.5**	747	-	0.9	2,830	-	3.4
Adjusted basic earnings	**2,706**	**82,492**	**3.3**	7,544	82,220	9.2	21,892	82,341	26.6
Diluted earnings per ordinary share:									
Basic earnings	**1,508**	**82,492**	**1.8**	6,797	82,220	8.3	19,062	82,341	23.2
Effect of dilutive potential ordinary shares: share-based payment awards	**-**	**1,015**	**-**	-	583	(0.1)	-	577	(0.2)
Diluted earnings per ordinary share	**1,508**	**83,507**	**1.8**	6,797	82,803	8.2	19,062	82,918	23.0
Adjustments (see note 4)	**1,198**	**-**	**1.4**	747	-	0.9	2,830	-	3.4
Adjusted diluted earnings	**2,706**	**83,507**	**3.2**	7,544	82,803	9.1	21,892	82,918	26.4

7. Dividends

Amounts recognised as distributions to equity holders were:

	6 months ended	6 months ended	Year ended
	31 May 2020	31 May 2019	30 November 2019
	£000	£000	£000
Final dividend for the year ended 30 November 2019 – nil p per share (2018: 5.70p)	**-**	4,698	4,698

Interim dividend for the year ended 30 November 2019 -2.0p per share (2018: 1.90p)	-	-	1,650
	-	4,698	6,348

The Board is not recommending a dividend.

8. Trade and other receivables

	Note	**6 months ended 31 May 2020**	6 months ended 31 May 2019	Year ended 30 November 2019
		£000	£000	£000
Current				
Financial assets				
Trade receivables		**14,272**	18,291	21,343
Other receivables		**1,388**	3,335	1,897
Derivative financial instruments		**-**	488	-
Accrued income		**3,564**	8,345	2,384
		19,224	30,459	25,624
Non-financial assets				
Prepayments		**5,365**	8,102	5,614
		24,589	38,561	31,238
Non-current				
Financial assets				
Other receivables		**294**	922	939
		294	922	939
		24,883	39,483	32,177

9. Trade and other payables

	Note	**6 months ended 31 May 2020**	6 months ended 31 May 2019	Year ended 30 November 2019
		£000	£000	£000
Current				
Financial liabilities				
Trade payables		**10,565**	22,664	19,136
Other taxation and social security		**7,953**	3,888	4,364
Other payables		**2,518**	1,701	2,081
Derivative financial instruments		**21**	-	461
Accruals		**8,783**	12,131	11,849
		29,840	40,384	37,891
Non-financial liabilities				
Deferred income		**15,296**	13,034	13,340

	45,136	53,418	51,231
Non-current			
Non-financial liabilities			
Deferred income:			
- due after one year but within two years	**1,310**	1,778	1,783
- due after two years but within five years	**1,645**	604	1.561
- After 5 years	**150**	-	139
	3,105	2,382	3,483
	48,241	55,800	54,714

The Group has utilised COVID-19 Government incentives to defer the second quarter VAT, PAYE and NI payments.

10. Borrowings

	6 months ended 31 May 2020	6 months ended 31 May 2019	Year ended 30 November 2019
	£000	£000	£000
Bank loan	**(16,000)**	(21,000)	(17,000)
Capitalised fees	**303**	335	466
	(15,697)	(20,665)	(16,534)

During the period the Group has repaid £1.0 million of the facility. For details of the facility please see note 30 in the annual report and financial statements for the year ended 30 November 2019.

In June 2020, the facility covenants have been extended from 2.5 times Net Debt/ EBITDA to 3.5 times Net Debt/ EBITDA for 2020.

The bank covenants are calculated using accounting standards that applied in 2017 in respect of leases so are not impacted by the introduction of IFRS16.

11. Contract fulfilment assets

	6 months ended 31 May 2020	6 months ended 31 May 2019	Year ended 30 November 2019
	£000	£000	£000
Current	**1,124**	708	844
Non-current	**2,729**	1,543	2,193
	3,853	2,251	3,037

Contract fulfilment assets represent investment in contract which are recoverable and are expected to provide benefits over the life of the contract. These costs are capitalised only when they relate directly to a contract and are incremental to securing the contract.

12. Held for Sale Asset

As reported in the Annual Report and Financial Statements for the year ended 30 November 2019, the Group is undergoing a programme to consolidate the current estate of five distribution centres to a single automated centre. During the period the Group has disposed of one distribution centre and has reclassified a further distribution centre as Held for Sale.

13. Provisions

	Onerous lease and dilapidations	Employee-related restructuring	Other	Total
	£000	£000	£000	£000
At 1 December 2019	853	2,220	2,380	5,453
Increase in provisions	35	980	-	1,015
Utilisation of provisions	-	(2,182)	-	(2,182)
Release of provisions	-	-	(523)	(523)
At 31 May 2020	**888**	**1,018**	**1,857**	**3,763**

14. Defined Benefit Pension Scheme

The Group has both defined benefit and defined contribution pension schemes. There are three defined benefit pension schemes, the Research Machines plc 1988 Pension Scheme (the "RM Scheme") and, following the acquisition of RM Educational Resources Limited ("The Consortium", acquired by the Company on 30 June 2017), the CARE Scheme and the Platinum Scheme. The RM Scheme and the CARE Scheme are both operated for employees and former employees of the Group only. The Platinum Scheme is a multi-employer scheme, with RM Educational Resources Limited being just one of a number of employers. The Group plays no active part in managing that Scheme, although the number of the Group's employees in that Scheme is small and so the impact / risk to the Group from that Scheme is limited.

For all three Schemes, based on the advice of a qualified independent actuary at each balance sheet date and using the projected unit method, the administrative expenses and current service costs are charged to operating profit, with the interest cost, net of interest on scheme assets, reported as a financing item.

Defined benefit pension scheme remeasurements are recognised as a component of other comprehensive income such that the balance sheet reflects the scheme's surplus or deficit as at the balance sheet date. Contributions to defined contribution plans are charged to operating profit as they become payable.

Scheme assets are measured at bid-price, where available, at 31 May 2020. The present value of the defined benefit obligation was measured using the projected unit method.

Under the guidance of IFRIC 14, the Group are able to recognise a pension surplus on the balance sheet for all three schemes. At 31 May 2020, the Platinum scheme shows a surplus and the RM and CARE schemes are in deficit.

Change in Estimate:

During the six months to 31 May 2020, the Group has proposed that RPI inflation continues to be set in line with market break even expectations less an inflation risk premium. The inflation risk premium has been retained at 0.2%, but an additional 0.1% deduction has been made to reflect potential market distortions caused by the RPI reform proposals. As a result, the impact is expected to be a c.£3m reduction in the Defined Benefit Obligation. The impact is treated as a change in accounting estimate in accordance with IFRS/IAS19.

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

The most recent actuarial valuation of Scheme assets and the present value of the defined benefit obligation was carried out for statutory funding purposes at 31 May 2018 by a qualified independent actuary. IAS 19 Employee Benefits (revised) liabilities at 31 May 2019 have been rolled forward based on this valuation's base data.

As at 31 May 2018, the triennial valuation for statutory funding purposes showed a deficit of £40.6m (31 May 2015: £41.8m). The Group agreed with the Scheme Trustees that it will repay this amount via deficit catch-up payments of £3.7m per annum until 31 May 2026. As part of the management of the COVID-19 pandemic the Group initially agreed with the trustees to defer deficit payments until the next financial year, but the Group is considering earlier repayment based on trading activities as schools reopen. At 31 May 2020 there were amounts outstanding of £0.9m (2019: £0.3m) for three month's deficit payment and £nil (2019: £32,000) for Scheme expenses.

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

The Consortium CARE Scheme
Until 31 December 2005, RM Educational Resources Limited operated the CARE Scheme providing benefits on both a defined benefit (final salary-linked) and a defined contribution basis. From 1 January 2006, the defined benefit (final salary-linked) and defined contribution sections were closed and all employees, subject to the eligibility conditions set out in the Trust Deed and Rules, joined a new defined benefit (Career Average Revalued Earnings) section. As at 28 February 2011 the Scheme was closed to future accruals.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, RM Educational Resources Limited must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The Statutory Funding Objective does not currently impact on the recognition of the Scheme in these accounts. The Scheme is managed by a Board of Trustees appointed in part by the Company and in part from elections by members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing Scheme assets. The Trustees delegate some of these functions to their professional advisers where appropriate. The valuation of the Scheme at 31 December 2016 was a deficit of £4.2m.

Prudential Platinum Pension
The Consortium acquired West Mercia Supplies in April 2012 (prior to the Company acquiring The Consortium). Upon acquisition of West Mercia Supplies by The Consortium, a pension scheme was set up providing benefits on both a defined benefit (final salary-linked) and a defined contribution basis for West Mercia employees. The most recent full actuarial valuation was carried out by the independent actuaries, XPS Group, on 31 December 2018. Using the assumptions below the results of the full valuation were adjusted and rolled forward to form the basis for the current year valuation. The Scheme is administered within a legally separate trust from RM Educational Resources Limited and the Trustees are responsible for ensuring that the correct benefits are paid, that the Scheme is appropriately funded and that the Scheme assets are appropriately invested. The valuation of the Scheme at 31 December 2018 was a surplus of £213,000 (31 December 2015: deficit of £70,000).

15. Related party transactions

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

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

16. Acquisition

On 13 June 2019, the Group acquired all the shares in SoNET Systems Pty Ltd. There have been no changes to the provisional fair values disclosed in note 20 in the Annual Report for the year ended 30 November 2019.

17. Post balance sheet event

There are no post balance sheet events.

18. Impact of adoption of IFRS 16 – Leases

IFRS 16 – Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. It has replaced existing lease guidance, including IAS 17 Leases and IFRIC14. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Group has used the modified retrospective adoption approach under which the Group has applied all of the requirements of IFRS 16 with effect from 1 December 2019.

The Group has made opening balance sheet adjustments arising from changes to the accounting for lease contracts. The impact of the new standard on its 2019 interim accounts is set out below:

	Restated Balance sheet as at 1 December 2019	IFRS 16 impact Income statement for period ended 31 May 2020	Unaudited Balance sheet as at 31 May 2020
	£'000	£'000	£'000
Tangible fixed assets	**7,356**	**1,345**	**6,011**
Lease contract creditors	**(7,356)**	**(1,345)**	**(6,011)**
Retained earnings surplus	**-**	**-**	**-**

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for all the leases on its balance sheet. The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases:

- applied the exemption not to recognise right-of-use assets and liabilities for leases of low value or for which the lease term ends within 12 months of the date of initial application if the lease is not anticipated to renew, on a lease-by-lease basis
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease

- applied the exemption not to separate non-lease components such as service charges from lease rental charges

Under transition rules for leases classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at 1 December 2019.

Right-of-use assets are measured at cost, which comprised the initial amount of the lease liability adjusted for any lease payments made at or before the adoption date, less any lease incentives received at or before the adoption date.

At 1 December 2019 the Group had no lease commitments previously classified as finance leases under IAS 17.

The Group is not required to make any adjustments on transition to IFRS 16 for which it acts as a lessor.

Detailed primary statement restatements

Detailed primary statement restatements arising from the adoption of IFRS 16 are set out below.

Impact on the Half year Condensed Consolidated Income Statement

	As reported	IFRS16 impact	Amounts before adoption of IFRS16
	£'000	£'000	£'000
Revenue	79,267	-	79,267
Cost of sales	(45,732)	(22)	(45,754)
Gross profit	33,535	(22)	33,513
Operating expenses	(30,686)	(109)	(30,795)
Profit from operations	2,849	(131)	2,718
Investment income	8	-	8
Finance costs	(659)	131	(528)
Profit before tax	2,198	-	2,198
Tax	(690)	-	(690)
Profit for the period	1,508	-	1,508

The IFRS16 impact includes an increase in depreciation of £1.3m and a reduction of lease expenses of £1.4m.

Impact on the Half year Condensed Consolidated Statement of Financial Position

	As reported	IFRS16 impact	Amounts before adoption of IFRS16
	£'000	£'000	£'000
Non-current assets			
Goodwill	49,232	-	49,232
Other intangible assets	22,697	-	22,697
Property, plant and equipment	5,558	-	5,558
Right of use asset	6,011	(6,011)	-
Defined Benefit Pension Scheme Surplus	627	-	627
Other receivables	294	-	294
Contract fulfilment assets	2,729	-	2,729
Deferred tax assets	6,512	-	6,512
	93,660	(6,011)	87,649
Current assets			
Inventories	22,557	-	22,557
Trade and other receivables	24,589	-	24,589
Contract fulfilment assets	1,124	-	1,124

Held for Sale asset	**3,065**	**-**	**3,065**
Corporation tax assets	**1,810**	**-**	**1,810**
Cash and short-term deposits	**3,945**	**-**	**3,945**
	57,090	**-**	**57,090**
Total assets	**150,750**	**(6,011)**	**144,739**
Current liabilities			
Trade and other payables	**(45,136)**	**-**	**(45,136)**
Lease liabilities	**(1,582)**	**1,582**	**-**
Tax liabilities	**(88)**	**-**	**(88)**
Provisions	**(1,169)**	**-**	**(1,169)**
Overdraft	**(2,635)**	**-**	**(2,635)**
	(50,610)	**1,582**	**(49,028)**
Net current assets	**6,480**	**1,582**	**8,062**
Non-current liabilities			
Other payables	**(3,105)**	**-**	**(3,105)**
Lease liabilities	**(4,429)**	**4,429**	**-**
Provisions	**(2,594)**	**-**	**(2,594)**
Deferred tax liability	**(3,525)**	**-**	**(3,525)**
Defined Benefit Pension Scheme obligation	**(23,953)**	**-**	**(23,953)**
Borrowings	**(15,697)**	**-**	**(15,697)**
	(53,303)	**4,429**	**(48,874)**
Total liabilities	**(103,913)**	**6,011**	**(97,902)**
Net assets	**46,837**	**-**	**46,837**
Equity attributable to shareholders			
Share capital	**1,917**	**-**	**1,917**
Share premium account	**27,080**	**-**	**27,080**
Own shares	**(982)**	**-**	**(982)**
Capital redemption reserve	**94**	**-**	**94**
Hedging reserve	**(18)**	**-**	**(18)**
Translation reserve	**(596)**	**-**	**(596)**
Retained earnings	**19,342**	**-**	**19,342**
Total equity	**46,837**	**-**	**46,837**

Right-of-use assets: non-current assets have been impacted due to recognition of right-of-use assets on 1 December 2019. The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the adoption date less any lease incentives received at or before the adoption date (reclassified on the opening balance sheet).

Lease liabilities: Financial liabilities have been impacted due to the recognition of lease liabilities. This liability is initially measured at the present value of the lease payments that are not paid at the adoption date, discounted using the Group's incremental borrowing rate. The lease payments comprise fixed payments, including in-substance fixed payments such as service charges and variable lease payments that depend on an index or a rate, initially measured using the minimum index or rate at commencement date. The lease liabilities have been classified between current and non-current.

Impact on the Half year Condensed Consolidated Statement of Cash Flows

As a result of the adoption of IFRS 16, certain reclassifications are required in relation to the recognition of right to use assets and lease liabilities. Although IFRS 16 has no impact on the Group's total cash flow, outflows from financing activities increase while cash outflows from operating activities decrease, as recognition of rental costs, previously recognised solely as cash outflows from operations are now apportioned between finance charges and reduction of the lease obligation.

Impact on the Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity as at 1 December 2019 shows the cumulative effect of initially applying IFRS 16 as nil impact.

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 Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year 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,

Neil Martin

Chief Financial Officer

6 July 2020

INDEPENDENT REVIEW REPORT TO RM PLC

Conclusion

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 May 2019 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Cash Flow Statement and the related explanatory notes.

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 May 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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 FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of the UK FCA. 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.

John Bennett

for and on behalf of KPMG LLP

Chartered Accountants

2 Forbury Place

33 Forbury Road

Reading

RG1 3AD

6 July 2020