4 February 2020

RM plc
Preliminary Results for the year ended 30 November 2019

Steady progress and continued international momentum

RM plc ("RM"), a leading supplier of technology and resources to the education sector, reports its final results for the year ended 30 November 2019.

Highlights

- **Revenue up 1%** as a good performance in the technology divisions offset a more challenging year in RM Resources and the adverse effects of the adoption of IFRS15
- **International revenue growth of 18%** driven primarily by new wins and the development of existing clients in RM Results
- **Acquisition of e-testing company, SoNET**, to augment our software capability to enable full end-to-end digital assessment
- **Adjusted* operating profits increased 1%** as operating margins remained stable at 12.4%
- **Adjusted* diluted earnings per share grew 2%** to 26.4p
- **Net debt increased to £15m** following the funding of the acquisition
- **Full year paid and proposed dividend increased by 5%** to 8.00p

£M	2019**	2018**	Variance
Revenue	**223.8**	221.0	**+1%**
Adjusted* operating profit	**27.6**	27.5	**+1%**
Adjusted* operating profit margin	12.4%	12.4%	
Adjusted* profit before tax	**26.6**	26.0	**+3%**
Statutory profit after tax	**19.1**	16.9	**+13%**
Adjusted* diluted EPS	**26.4p**	25.8p	**+2%**
Paid and proposed dividend* per share**	**8.00**	7.60	**+5%**
Net debt	**15.0**	5.8	
Pension deficit	**6.0**	2.3	

Commenting on the results, David Brooks, Chief Executive of RM, said:

"*This has been a solid year for RM. Revenue and operating profit have been underpinned by a stronger underlying performance from our two technology divisions which have offset a challenging year in our Resources division.*

We have continued to make good progress strategically including the acquisition of SoNET. SoNET enables us to provide end-to-end digital assessment in this growing market.

In the year ahead, we are well placed to address the market opportunities across each of our divisions."

Notes to Editors:

RM plc is a leader in the education sector, providing support throughout the stages of education with its three focused divisions:

- **RM Resources** is an established provider of education resources for early learning centres, primary schools and secondary schools across the UK and internationally. Our brands, TTS and Consortium, develop and supply resources to help bring the curriculum to life for teachers and students.

- **RM Results** is a world-leading provider of e-assessment services, enabling e-marking, e-testing and the management and analysis of educational data. RM Results provides the technology to allow approximately 15 million exams to be taken each year, working with prominent exam providers, professional bodies, universities and governments.

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

* Adjusted operating profit is before the amortisation of acquisition related intangible assets; GMP pension equalisation costs on defined benefit schemes; acquisition related costs; exceptional property related items and restructuring costs.

** Results for 2019 have been presented following adoption of the accounting standard, IFRS15. The prior year results have not been restated to reflect the new accounting standard.

******* The expected timetable for the final dividend and Annual General Meeting is as follows:

Ex-dividend date for 2019 final dividend	12th March 2020
Record date for 2019 final dividend	13th March 2020
AGM	26th March 2020 at 11.30a.m.
Payment of 2019 final dividend	24th April 2020
References to times are to Greenwich Mean Time. If any of the above times or dates should change, the revised times and/or dates will be notified to shareholders by an announcement on a Regulatory Information Service. Payment of the 2019 final dividend is subject to the approval by shareholders.	

Presentation and live webcast details
A webcast for analysts and investors will be held today at 9.00am.

The audio and slide presentation will be webcast live and on demand at the following website:
https://www.investis-live.com/rmplc/5e2575830a12d41100fabda5/dpdp

The webcast will also be accessible via a live conference call:
Dial-in (UK): 020 3936 2999
Dial-in (all other locations): +44 20 3936 2999
Conference password: 070394

Contacts

RM plc

David Brooks, Chief Executive Officer
Neil Martin, Chief Financial Officer
08450 700 300

Headland Consultancy

Stephen Malthouse
Abena Affum
0203 805 4844

Strategic Report

Chairman's statement

Performance
In 2019, there was marginal growth in each of revenue, adjusted operating profit and adjusted earnings per share. Net debt at year end was £15m after funding the acquisition of the digital assessment software company, SoNET Systems.

RM Resources experienced a challenging year with revenue and profit down, primarily as a result of constrained trading in the UK. Progress continues on the consolidation of five distribution centres into a single automated facility which is expected to be completed by the end of 2021. This project will deliver meaningful operational and financial benefits.

RM Results delivered a strong performance. The revenue and profit growth has been driven by new client wins and enhanced business from existing customers. The acquisition of SoNET during the year brings new technology to the division, allowing it to offer end-to-end digital assessment for the developing demand for online testing and marking of exams.

RM Education revenue growth was driven by a good performance in the Services business. Profit grew strongly, benefiting from management focus on cost efficiency alongside the increased revenue and some one-time benefits.

The Board
Paul Dean has been appointed as of 4 February 2020 and will assume the Chairmanship of the Audit Committee on his appointment. Deena Mattar will retire as a Director later in 2020 having completed 9 years of service as a Director.

Dividend
The Board is recommending a final dividend of 6.0 pence per share which would constitute, at 8.0 pence per share in total, an increase of 5% over the prior year.

Outlook
RM enters 2020 in a sound position and continues to have good cash generative characteristics. The Group remains committed to delivering long term sustainable growth.

John Poulter
Chairman
3 February 2020

Chief Executive Officer's statement

In 2019 we made strong progress in our two technology divisions, RM Results and RM Education, while our resources business, RM Resources, continued to see challenging trading. Overall revenue and adjusted operating profit both increased modestly and statutory profit after tax increased more strongly. International revenue across the Group grew well again.

Operating Review

RM Resources had a challenging year of trading, particularly in the UK. This included declining legacy revenues from the planned closure of indirect channels and the focus away from non-education resources. Revenue in the UK was lower than last year, but in-line with the wider UK competitive market decline. International revenues, after a very strong 2018, grew marginally year-on-year.

During 2019, we continued the programme to consolidate the current estate of five distribution centres to a single, automated centre. As well as consolidating the division's head office, planning permission has been granted for the new distribution centre and the lease agreement with our development partners has been signed. We are planning to complete the transition to a single automated distribution centre by the end of 2021.

The TTS brand grew in the UK and outperformed the wider UK competitor market set benefitting from its differentiated brand position and own-developed product portfolio. The Consortium brand declined more than this benchmark with trading impacted by some integration issues and the loss of a key customer framework towards the end of the year. The long term strategy for this division remains unchanged as we continue to focus on improving operational efficiency and investing in our differentiated products to drive growth in the UK and international markets.

RM Results had a strong year of revenue growth. This included good organic growth on the back of new client wins and existing customer growth.

In June 2019, we acquired SoNET Systems Pty Ltd ("SoNET"). Headquartered in Melbourne, Australia, SoNET provides Software as a Service platforms principally to the education and government sectors. SoNET's e-testing software augments our existing e-marking capability. This acquisition is enabling RM Results to offer full end-to-end digital assessment services in the online testing and marking of exams to both existing and new customers. The addition of this technology is starting to open new market opportunities and accelerate the growth of the RM Results division.

The pipeline of opportunities for RM Results continues to be strong going into 2020.

Adjusted operating profit in **RM Education** grew strongly in 2019. Revenue was also up, primarily driven by new customer contracts and increased spend from existing customers. In the year we signed a contract with the UK's largest multi-academy trust to deliver IT managed services to all their schools and help them with their journey to the cloud. Customer renewal rates remained high and in the year we continued to look for opportunities to move processes to our off-shored team in India. Moving forward we see an opportunity to sharpen our approach to the market by focusing on the software offerings separately from the services and infrastructure propositions.

Our Strategic Themes

At the beginning of 2019, on the back of a trend of improved margins and good cash generation we mapped out a set of four strategic themes. We believe these themes will enable the Group to deliver long-term shareholder value. The themes are:

1. Intellectual property ("IP") and technology development
2. International growth
3. Innovate with our customers
4. Efficiency and simplicity

We will consider the potential to accelerate these strategic themes through acquisitions where appropriate.

Below we define further what we mean by each of the four strategic themes and map out where we see these themes meeting growth opportunity.

1. IP and technology development

RM is focused exclusively on the education market and therefore we have a depth of understanding and expertise. Across all three divisions we have market leading IP. We continue to increase our investment in developing our own IP and our product development capability.

An example opportunity
There's strong growth in technology being used in high stakes assessment globally. Education policy makers in countries around the world are looking to digitise their exams systems and move away from relying on paper solutions, leading to quality and reliability improvements.

Our approach
Provide customers with an end-to-end digital assessment offering where the complete exam life-cycle can be delivered without paper.

Evidence of progress
The acquisition of SoNET, in the second half of 2019, has accelerated our ability to bring end-to-end digital assessment to the market. On the back of this, we have been successful in being awarded preferred bidder status with our first new customer, delivering end-to-end digital assessments seamlessly in an integrated platform.

2. International growth

RM's international business grew by 18% in 2019 and has doubled in the last 4 years. We are continuing to invest in our international sales and marketing capability as well as taking our best existing IP to overseas markets.

An example opportunity
The trend is growing in international education systems to include coding and programming within their early years and primary school curriculum.

Our approach
We have developed our own unique range of programmable floor robots that are the perfect starting point for teaching control, directional language and coding.

Evidence of progress
Sales of our robotics range drove an increase of sales of Resources products through international distributors by 17% in 2019.

3. Innovate with our customers

Many of our customers across the Group are long-standing. We will continue to look for ways to help them challenge their business processes and learning environments and see how we can use technology solutions to make it as easy as possible to do business with us.

An example opportunity
In England, the government is urging schools to turn into academies and move away from local authority control. Groups of academies are forming into multi-academy trusts (MATs). As these MATs grow, they are increasingly buying products and services centrally for all of their schools.

Our approach
We can provide improved quality of service and savings to MATs who are prepared to buy the ICT across all their schools under a central contract. The largest benefits come when we provide the MAT with a fully IT managed service. Our national footprint means we can offer this to the smallest and largest of MATs.

Evidence of progress
In 2019, we signed a contract with the UK's largest MAT to provide a full IT managed service to all their schools. This service includes moving much of the ICT delivery in their schools to the cloud. It helps underpin their approach to collaboration across academies and provides them with significant savings that they can redistribute to teaching and learning priorities.

4. Efficiency and simplicity

Our customers continue to need to save money and are always looking for more cost effective ways of doing things; therefore RM needs to continue to drive cost out and be as efficient as possible. We will continue to look for ways of successfully automating and offshoring processes across the Group. We will also invest to simplify our business processes, improve efficiencies, rationalise inventory and consolidate our supply chain.

An example opportunity
Following the acquisition of Consortium, our Resources division has five separate distribution centres that service our customers in the UK and internationally. This footprint of warehouses is costly and inefficient.

Our approach
We are running a programme to consolidate our distribution centres from five to a single, automated facility in the East Midlands. This will lead to significant cost savings and an improved service to our customers.

Evidence of progress
In 2019, we committed the investment and initiated the programme to consolidate our warehouse estate. This included moving to four centres ahead of schedule, gaining planning permission for the new site, signing the lease with the developer and choosing the automation partner for the new facility.

Workforce

Average Group headcount for the year was 2,011 (2018: 1,936), which is comprised of 1,811 (2018: 1,750) permanent and 200 (2018: 186) temporary or contract staff, of which 1,239 (2018: 1,257) were located in the UK, 754 (2018: 679) in India and 18 in Australia.

At 30 November 2019, headcount was 1,983 (2018: 1,952). The following table sets out a more detailed summary of the permanent staff employed as at 30 November 2019:

	Male	**Female**
Executive Directors	2 (100%)	0 (0%)
Senior Managers (excluding Executive Directors)	41 (75%)	14 (25%)
All employees	1,106 (61%)	711 (39%)

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

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

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

The Corporate Governance Report sets out the Company's Diversity Policy.

RM India

As at 30 November 2019, RM's operation in Trivandrum accounted for 38% of Group headcount (2018: 38%).

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

Environmental Matters

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

Principal and Emerging Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The Company has a structured approach to the assessment and management of risks. A detailed risk register is maintained, in which risks are categorised under the following categories: political, strategic, operational and financial. The full register is reviewed at least annually by each division to ensure that the risks that could potentially affect each division are properly captured. The register also includes a summary of the steps taken to manage or mitigate against those risks and the person or people responsible for the relevant actions. This register is then consolidated and Group-wide risks added, to ensure that the register covers the entire Group's operations. This is then reviewed by the Executive Committee, the Audit Committee and the Board. As such, the Board confirms that it has carried out a robust assessment of the principal and emerging risks facing the Group and appropriate processes have been put in place to monitor and mitigate them. Further details are also set out in the Corporate Governance Report.

The key business risks for the Group are set out in the table below.

Risk and categorisation	Description and likely impact	Mitigation
Public policy (Political Risk)	The majority of RM's business is funded from UK government sources. Changes in political administration, or changes in policy priorities, might result in a reduction in education spending, leading to a decline in market size. UK government funding in the education sector is constrained by fiscal policy. Global economic conditions might result in a reduction in budgets available for public spending generally and education spending specifically in the area in which RM specialise.	The Company reviews the education policy environment by regular monitoring of policy positions and by building relationships with education policy makers. The Group's three divisions have diverse revenue streams and product/service offerings. The Company's strategy is to focus on areas of education spend which are important to meet customers' objectives. Where the revenue of an individual business is in decline, management seeks to ensure that the cost base is adjusted accordingly.
Education practice (Political Risk)	Education practices and priorities may change and, as a result, RM's products and services may no longer meet customer requirements, leading to a risk of lower revenue.	The Company maintains knowledge of current education practice and priorities by maintaining close relationships with customers.
Impact of UK's exit from the European Union (Political Risk)	If there is an adverse change in the economic and/or fiscal environment as a result of the UK's exit from the EU without a suitable period for planning and implementation, costs could increase and/or revenues reduce as a result. This could include cost increases as a result of the devaluation of Sterling.	The currency elements of this risk is managed through currency hedging against exchange rate movements, typically 9-12 months into the future. The Group is also working to rebalance its exposure by growing its foreign currency denominated sales ahead of its costs to reduce the currency imbalance and more naturally hedge this risk. The Group has also undertaken a review of the wider risks associated with the UK's exit from the EU, including in the event of a 'no deal' scenario. The

Risk and categorisation	Description and likely impact	Mitigation
		Group is managing the principal risk areas identified and will continue to monitor developments.
Operational execution (Operational Risk)	RM provides sophisticated products and services, which require a high level of technical expertise to develop and support, and on which its customers place a high level of reliance. Any significant operational / system failure would result in reputational damage and increased costs. RM is engaged in the delivery of large, multi-year projects, typically involving the development and integration of complex IT systems, and may have liability for failure to deliver on time. RM's increasing international business make it subject to laws in other countries and higher risk jurisdictions.	The Company invests in maintaining a high level of technical expertise. Internal management control processes are in place to govern the delivery of all projects (including internal projects), including regular reviews by relevant management. The operational and financial performance of projects, including future obligations, the expected costs of these and potential risks are regularly monitored by management and, as appropriate, the Board. The Company has internal policies and procedures across a wide range of areas including bribery and corruption, health and safety, privacy, employment and tax which are regularly monitored and reviewed to ensure we assess and take account of higher risks levels and comply with all relevant laws and regulations.
Data and business continuity (Operational Risk)	RM is engaged in storing and processing personal data, where accuracy, privacy and security are important. Any significant security breach could damage reputation and impact future profit streams. The Group would be significantly impacted if, as a result of a major incident, one of its key buildings, systems, key supply chain partners or infrastructure components could not function for a long period of time or at a key time.	The Company has made a commitment to maintain effective Information Security and Business Continuity management systems and achieve ISO27001 and ISO22301 certifications to demonstrate the robustness and effectiveness of those systems. The Company has a rolling investment programme managed by a dedicated security and compliance function and overseen by the Group Security and Business Continuity Committee, which reports into the Group Executive Committee. This programme covers data integrity and protection, defence against external threats (including cyber risks) and business continuity planning. The Group seeks to protect itself against the consequences of a major incident by implementing a series of back-up and safety measures. The Group has property and business interruption insurance cover.
People (Operational Risk)	RM's business depends on highly skilled employees. Failing to recruit and retain such employees could impact operationally on RM's ability to deliver contractual commitments.	The Company seeks to be an attractive employer and regularly monitors the engagement of its employees. The Company has talent management and career planning programmes.
Transformation Risk (Operational Risk)	Issues in implementing major programs could lead to	Steering committees are established for all major programs which will include a member of the Executive Committee. A number of mechanisms are

Risk and categorisation	Description and likely impact	Mitigation
	business disruption and loss of intended benefits.	in place to monitor the ongoing impact of the various activities, including where appropriate staff consultations and satisfaction surveys, and ongoing customer feedback. The Board is kept appraised of the current status of such activities and projects on a regular and ongoing basis.
Innovation (Strategic Risk)	The IT market and elements of the education resources market are subject to rapid, and often unpredictable, change. As a result of inappropriate technology, product and marketing choices or a failure to adopt and develop new technologies quickly enough, the Group's products and services might become unattractive to its customer base, or new market opportunities missed. The Group's continued success depends on developing and/or sourcing a stream of innovative and effective products for the education market and marketing these effectively to customers.	The Company actively monitors technology and market developments and invests to keep its existing products, services and sales methods up-to-date, as well as seeking out new opportunities and initiatives. The Group works with teachers and educators to understand opportunities and requirements.
Dependence on key contracts (Strategic Risk)	The performance of the RM Education and RM Results divisions is dependent on the winning and extension of long-term contracts with government, local authorities, examination boards and commercial customers.	The Company invests in maintaining a high level of technical expertise and in building effective working relationships with its customers. The Company has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction.
Pensions (Financial Risk)	The Group operates two defined benefit pension schemes in the UK (the "RM Education Scheme" and the "CARE Scheme" respectively) both of which are closed to future accrual. It also participates in a third defined benefit pension scheme (the "Platinum Scheme"). Scheme deficits can adversely impact the net assets position of the trading subsidiaries RM Education Ltd and RM Educational Resources Ltd.	The Company evaluates risk mitigation proposals with the trustees of these respective Schemes. The Platinum Scheme is a multi-employer scheme over which the Company has no direct control. However, due to the small number of the Company's employees who are in this Scheme, the risk to the Company from this Scheme is limited.

Risk and categorisation	**Description and likely impact**	**Mitigation**
Treasury (Financial Risk)	The Group is exposed to treasury risks including fluctuating exchange rates and liquidity.	The Company regularly monitors treasury risks. It actively looks to create natural currency hedges where possible balancing foreign currency sales and purchase levels and hedges net balances 9-12 months into the future for material imbalances. The Company remains cautious with liquidity risk and carefully manages its debt leverage position.

David Brooks
Chief Executive Officer
3 February 2020

Chief Financial Officer's statement

Overview

RM delivered a solid financial performance in 2019 with progress across a number key financial measures. Revenues grew marginally in the year, benefiting from good growth in the two technology divisions which more than offset a decline in RM Resources and a £2.4m reduction in revenue associated with the adoption of the IFRS15 accounting standard. Adjusted operating margins were flat year-on-year which delivered a slight improvement in adjusted operating profit which flowed through to higher adjusted profit after tax and an increased adjusted diluted earnings per share. These improvements in adjusted earnings also flowed through to increases in statutory profit after tax as post-tax adjustments were £1.5m lower than the prior year. Net debt levels increased in the year to £15m following the funding of an acquisition in the second half of 2019. The Group agreed a new three year £70m credit facility, with the option to extend for a further two years.

Group Financial Performance

Group revenue increased by 1% to £223.8m (2018: £221.0m) however this includes the adoption of the new accounting standard, IFRS15, which reduced revenue by £2.4m versus the previous accounting standard. The 2018 numbers have not been adjusted for IFRS15 as the modified adoption approach was taken

£M	2019[1]			2018[1]		
	Adjusted	Adjustment[2]	Statutory	Adjusted	Adjustment[2]	Statutory
Revenue	223.8	-	223.8	221.0	-	221.0
Operating profit	27.6	(3.5)	24.2	27.5	(4.9)	22.6
Profit before tax	26.6	(3.5)	23.2	26.0	(5.0)	21.0
Tax	(4.7)	0.6	(4.1)	(4.7)	0.6	(4.1)
Profit after tax	21.9	(2.8)	19.1	21.2	(4.3)	16.9

1. *2019 results reflect the adoption of the new accounting standard IFRS15. Results in the table for 2018 are presented as reported at the time and not restated as RM took the modified approach to adoption. This approach has been taken throughout the narrative below and explanations are provided in the notes to the accounts to highlight the impacts.*
2. *Adjustments reflect the amortisation of acquisition related intangible assets; acquisition related costs; one time property related items and restructuring costs and costs associated with GMP equalisation. Further details are defined and reconciled in note 5 of the notes to the financial statements*

Revenues increased notably in our international markets, up 18% (+£4.9m) on the prior year driven by customer development across new and existing customers in RM Results. This international performance was also supported by 5 months of revenue (£1.7m) following the acquisition of SoNET, an Australian assessment software company acquired in June 2019.

Adjusted operating profit margins remained flat at 12.4% (2018: 12.4%). Adjusted operating profit increased slightly to £27.6m (2018: £27.5m). However, this was also impacted by the adoption of IFRS15 which reduced operating profit by £1.5m.

In order to provide a better understanding of underlying business performance, some costs are identified as 'adjustments' [2] to underlying business performance. In 2019 these are broken down as follows:

Amortisation charges associated with acquisition related intangible assets	£1.6m
Acquisition related costs	£0.7m
Restructuring costs	£0.8m
One time property related items	£0.3m
Total adjustments[2]	£3.5m

Taking into consideration the adjustments of £3.5m (2018: £4.9m), statutory operating profit increased to £24.2m (2018: £22.6m).

The Group generated a statutory profit before tax of £23.2m (2018: £21.0m) with a net interest charge of £1.0m which primarily relates to the Group credit facility.

The total tax charge within the Income Statement for the year was £4.1m (2018: £4.1m). The Group's tax charge for the year, measured as a percentage of profit before tax, was 17.7% (2018: 19.5%). Statutory profit after tax increased 13% to £19.1m (2018: £16.9m).

Adjusted diluted earnings per share increased to 26.4 pence (2018: 25.8 pence). Statutory basic earnings per share were 23.2 pence (2018: 20.7 pence) and statutory diluted earnings per share were 23.0 pence (2018: 20.6 pence).

RM generated cash from operations for the year of £19.9m (2018: £24.2m) which is down on the prior year primarily due to higher inventory levels in RM Resources and utilisation of property and restructuring provisions. This cash generated was utilised to fund the acquisition of SoNET (£7.8m) including purchase cost and acquisition-related fees, capital expenditure of £6.0m (2018: £1.1m), contributions to the defined benefit pension scheme of £4.6m in line with the prior year, tax payments of £3.6m and dividend cash costs of £6.3m which were up 13% on the prior year. As a result, net debt increased to £15.0m at the end of the year (2018: £5.8m).

RM is currently progressing two large capital projects; consolidation of the existing five distribution centres into a single automated facility and a group-wide IT system implementation. These projects will drive elevated capital expenditure over the next two years, likely to be in excess of £20m. A proportion of this spend will be recovered by the subsequent sale of three freehold properties. Both projects are scheduled to conclude by the end of 2021 and deliver good financial and operational benefits.

Dividend

The total dividend paid and proposed for the year has been increased by 5% to 8.00 pence per share (2018: 7.60 pence). This is comprised of the interim dividend of 2.00 pence per share paid in September 2019 and, subject to shareholder approval, a proposed final dividend of 6.00 pence per share. The estimated total cost of ordinary dividends paid and proposed for 2019 is £6.6m (2018: £6.2m).

The Board is committed to a long-term sustainable dividend policy and the Company has £31.9m of distributable reserves, as at 30 November 2019, available to support the dividend policy.

RM plc is a non-trading investment holding company and derives its profits from dividends paid by subsidiary companies. The Directors consider the Group's capital structure and dividend policy at least twice a year, ahead of announcing results and during the annual budgeting process, looking at longer-term sustainability. The Directors do so in the context of the Company's ability to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value.

The dividend policy is influenced by a number of the principal risks identified in the table of 'Principal and Emerging Risks and Uncertainties' set out above which could have a negative impact on the performance of the Group or its ability to distribute profits.

Defined Benefit Pension Schemes ("Schemes")

The Company operates two defined benefit pension schemes ("RM Education Scheme" and "Care Scheme") and participates in a third, multi-employer, defined benefit pension scheme (the "Platinum Scheme"). Both of the RM Education Scheme and the CARE Scheme are closed to future accrual of benefits. As a result of the intended closure of existing warehouses, the Platinum Scheme will become closed to future accrual of benefits. The number of Group employees participating in that scheme is very small and so the impact of that scheme on the Group is limited. A provision has been made this year to reflect additional pension contributions which may be required to close the scheme.

The IAS19 net deficit (pre-tax) across the Group increased by £3.7m to £6.0m (2018: £2.3m) with the Platinum Scheme being in surplus. This increase was caused by an increase in the liabilities of the Schemes driven by lower discount rates albeit the extent was mitigated by a change in mortality and inflation assumptions and the continuing Group deficit recovery plan payments.

The Group deficit recovery plan payments across all schemes in 2019 were £4.6m which is in line with the prior year. Following the triennial review at 31 May 2018, the Group agreed with the Trustee of the RM Education Scheme to contribute £3.7m per annum until 31 May 2026 and to transfer the remaining

£7m, held in escrow, into the scheme which was completed in 2019. The triennial valuation date for the Care Scheme was 31 December 2019.

RM Resources

RM Resources revenues decreased by 6% to £114.5m (2018: £121.6m), in part, driven by a £3.5m planned reduction in legacy revenue streams. UK education revenue reduced by 4% and was partially offset by a 2% increase in international revenues.

Divisional adjusted operating profit reduced to £13.7m (2018: £16.6m) and operating margins decreased to 12.0% (2018: 13.7%). The reduction was driven by lower revenues with operating costs broadly stable. Cost savings and synergy benefits were offset by higher warehouse and distribution costs as a percentage of revenue associated with required changes to staff contract arrangements, and additional spend in ongoing integration activities.

UK

UK education revenues decreased by 4% to £90.1m (2018: £93.7m). This decline was in line with UK competitive market data representing a difficult economic backdrop driven by continued uncertainty for schools including the announcement of a required increase in teachers' pension funding from 16.5% to 23.6% in 2019. Commitment to fund this pension increase has subsequently been announced by the new government alongside additional school funding of £14bn over the next 3 years.

Revenues arising from the TTS brand grew 4% in the UK benefiting from its clearly differentiated position and innovative, own-developed product portfolio. The Consortium brand saw its revenues decline more than the comparative market set as trading was impacted by some integration related issues and the loss of a customer framework at the end of the year. Delivering an improved performance in this division remains a key focus moving forward and a number of actions were taken towards the end of the 2019.

As outlined in 2018, there are a number of legacy revenue streams in which we have either stopped investment or taken the strategic decision to close immediately to improve the longer term position of our core brands. These revenue streams reduced by £3.5m in 2019 to £2.8m. This included the closure of our UK trade channel, where we sold TTS own-developed products through UK competitors. This should strengthen our RM Resources brand proposition in the longer term. In addition, there were other non-education legacy revenue streams in the Consortium brand which declined by £1.2m to £2.6m.

The division continues to invest in its online presence and the online channel continues to deliver proportional growth and now makes up over half of UK direct education sales.

International

The international business is made up of two key channels, international distributors, through which we sell own-developed products to over 80 countries, and international English curriculum schools to whom we sell a wider portfolio of education supplies. International revenues increased by 2% to £19.5m (2018: £19.1m). This was driven by continued growth of our own-developed products through distributor channels, more than offsetting a reduction in international schools revenues, primarily impacted by lower new school build projects in Europe and the Middle East.

RM Results

Revenue increased by 19% on the prior year to £37.7m (2018: £31.8m), with 59% of the increase from new and existing International customers (including those acquired as part of the acquisition) and 41% from existing UK customers.

Adjusted operating profit increased by 7% on the prior year to £8.7m (2018: £8.2m), with adjusted operating margins decreasing to 23.2% (2018: 25.6%). The dilution of adjusted operating margin was expected with the adoption of IFRS 15 alongside the impact of the SoNET acquisition which delivered £1.7m of revenues with lower operating margins.

RM Results signed a number of new international contracts in the year and is running pilots with several prospective clients, providing a strong pipeline of opportunities for further international growth. The division has also successfully secured several important contract renewals providing a strong platform for future activity and further investment in new product IP. One client has confirmed their intention to insource and formally notified us that they intend to do this at the end of 2020, this has been taken into account in our outlook.

In June 2019, RM acquired SoNET for a consideration of £7.3m. SoNET’s e-testing software augments RM’s existing e-marking capability enabling RM Results to offer full end-to-end digital assessment services in the online testing and marking of exams to both existing and new customers.

The outlook remains positive in the division with the contract performance in 2019, strong pipeline and product investment creating a sound platform on which to deliver long term growth. Progress continues to be made in developing a wider intellectual property portfolio and M&A opportunities will continue to be assessed to look to accelerate strategic progress.

RM Education

Revenues in the division increased by 6% to £71.6m (2018: £67.6m) driven primarily by the performance of Services including higher hardware sales and related installation services. Adjusted operating margins improved to 14.5% (2018: 11.6%) delivering increased adjusted operating profit of £10.4m (2018: £7.8m) benefitting from the higher revenues and good operating leverage from lower costs and some one-time benefits.

The division is made up of Services (85% of revenue) and Digital Platforms (15%) and includes a number of legacy services and contracts that are either in contractual run-off, or in which we have stopped continued investment. In 2019, they constituted 4% of revenues (2018; 5%) and are expected to have materially concluded by 2020.

A key focus of the division is to build its annuity revenue offerings which now account for over 65% of the revenue (2018: 70%). This proportion is down slightly on the previous year due to the strong performance in hardware in 2019 and a high level of some legacy contract spend in its final year.

The following divisional metrics exclude the impact of the legacy revenues to show the underlying trends.

Services
The Services offering is primarily the provision of IT outsourcing and associated technology services (managed services) and managed broadband connectivity to UK schools and colleges. Total Services revenues increased by 6% to £57.6m (2018: £54.3m) with managed services revenues growing 4% to £44.7m and connectivity revenues growing 13% to £12.9m supported, in part, by higher sales of unbundled IP addresses.

Retention rates in the year for managed outsourced services contracts with schools were circa 90% and in addition, 72 new schools signed managed services contracts in the year (2018: 99 schools) resulting in a 5% growth in outsourced school customer numbers across the year.

Digital Software Platforms
The Digital Software Platform offering covers a number of key cloud-based products such as RM Integris (school management system), RM Unify (authentication and portal system) and RM SafetyNet (internet filtering and safeguarding system) as well as other content, finance and network software offerings. Digital Platforms revenues increased by 4% to £10.1m (2018: £9.7m) driven by growth in RM Integris and network software. Customer retention rates of core Digital Platform products remain consistent and in excess of 90% in the year.

Impact of UK withdrawal from the European Union

The Company will continue to monitor the evolving situation regarding the UK withdrawal from the EU on 31 January 2019 given the ongoing risk of a no-deal exit at the end of the transition period if no trade deal is agreed.

The Group has European sales of £14.3m, of which £8.4m relate to physical product sales in RM Resources and £5.9m relate to software and services sales in RM Results and RM Education. The Group has undertaken a review of the potential changes resulting from the UK’s exit from the EU, including in the event of a ‘no deal’ scenario. This review focussed on the principal risk areas of customers and markets, supply chain, people, treasury, legal, data and regulation and customs and tax. Following this review, although we believe the likely impact to be unfavourable, we continue to believe that it will not have a materially adverse effect on the Group as a whole, whilst assuming that the UK government does not fundamentally change its approach to education funding and recent commitments for increased school funding. We continue to monitor the evolving nature of the negotiations.

The Group has foreign currency denominated costs that outweigh foreign currency denominated revenues and therefore increased currency volatility creates an exposure. This is primarily attributed to US Dollar and Indian rupee exposure. This risk is managed through currency hedging against exchange rate movements, typically 9-12 months into the future. The Group is also working to rebalance its exposure by growing its foreign currency denominated sales ahead of its costs to reduce the currency imbalance and more naturally hedge this risk over time.

Going Concern

The financial position, cashflows and liquidity position are described in the financial statements and the associated notes. In addition, the notes to the financial statements include RM's objectives, policies and processes for managing its capital, financial risk management objectives, and exposure to credit and liquidity risk. During the year, the Group renegotiated and extended its revolving credit facility. The current facility is for £70m with a £30m accordion clause, enabling the Group to extend the facility to £100m. The facility is committed to June 2022 but has the option of a further two year extension. The associated financial covenants are based on the definition of finance leases prior to the implementation of the new accounting standard, IFRS16 which RM will adopt in financial year 2020. The Group ended the year with a net debt of £15.0m which is an increase of £9.2m on the prior year end position of £5.8m after costs of acquisition and strategic increases in capital expenditure during the year. The average net debt position during the year was £24.1m with the highest borrowing point being £38.7m.

Having reviewed the future budgets and projections for the business, the principal risks that could impact on the Group's liquidity and solvency over the next 12 months and its current financial position, the Board believes that RM is well placed to manage its business risks successfully and remain in compliance with the financial covenants associated with its borrowings. Therefore, the Board has a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason, the Company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial Viability Statement

In accordance with the UK Corporate Governance Code, in addition to an assessment of going concern, the Directors have also considered the prospects of the Group and Company over a longer time period. The period of assessment chosen is three years, which is consistent with the time period over which the Group's medium-term financial budgets are prepared. These financial budgets include Income Statements, Balance Sheets and Cash Flow Statements. They have been assessed by the Board in conjunction with the principal risks of the Group, which are documented within the Principal and Emerging Risks and Uncertainties section above, along with their mitigating actions.

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

1. Public policy risk – UK education policy priority changes or restrictions in government funding due to fiscal policy.

2. Operational execution – including:
    a. Major adverse performance in a key contract or product which results in negative publicity and which damages the Group's brand.
    b. Delays to key projects where we are investing more significant levels of discretionary capital expenditure.

3. Business continuity – an event impacting the Group's major buildings, systems or infrastructure components. This would include a major incident at one of the RM Resources' main warehouses.

4. Strategic risks
    a. Loss of a significant contract which underpins an element of a division's activity.
    b. Significant reduction in gross margins.
    c. Impact of a 'no-deal' Brexit and resulting possible changes in the fiscal and economic environment

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

Neil Martin
Chief Financial Officer
3 February 2020

CONSOLIDATED INCOME STATEMENT
for the year ended 30 November 2019

	Note	Year ended 30 November 2019 Adjusted £000	Adjustments £000	Total £000	Year ended 30 November 2018 Adjusted £000	Adjustments £000	Total £000
Revenue	2	**223,765**	**-**	**223,765**	220,977	-	220,977
Cost of sales		**(132,140)**	**-**	**(132,140)**	(129,664)	-	(129,664)
Gross profit		**91,625**	**-**	**91,625**	91,313	-	91,313
Operating expenses	2	**(63,985)**	**(3,462)**	**(67,447)**	(63,819)	(4,927)	(68,746)
Profit from operations		**27,640**	**(3,462)**	**24,178**	27,494	(4,927)	22,567
Other income	3	**153**	**-**	**153**	164	-	164
Finance costs	4	**(1,155)**	**(8)**	**(1,163)**	(1,679)	(25)	(1,704)
Profit before tax		**26,638**	**(3,470)**	**23,168**	25,979	(4,952)	21,027
Tax	5	**(4,746)**	**640**	**(4,106)**	(4,734)	634	(4,100)
Profit for the year		**21,892**	**(2,830)**	**19,062**	21,245	(4,318)	16,927
Earnings per ordinary share							
- basic	6	**26.6p**		**23.2p**	26.0p		20.7p
- diluted	6	**26.4p**		**23.0p**	25.8p		20.6p
Paid and proposed dividends per share	7						
- interim				**2.00p**			1.90p
- final				**6.00p**			5.70p

The results for the year ended 30 November 2019 have been presented under IFRS15. The previous year's results have not been restated (see note 16).

Adjustments to results have been presented to give a better guide to business performance (see note 2). All amounts were derived from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 November 2019

	Note	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
Profit for the year		**19,062**	16,927
Items that will not be reclassified subsequently to profit or loss			
Defined Benefit Pension Scheme remeasurements	14	**(8,033)**	15,693
Tax on items that will not be reclassified subsequently to profit or loss	5	**1,418**	(2,716)
Items that are or may be reclassified subsequently to profit or loss			
Fair value gain on hedged instruments		**(806)**	822
Exchange loss on translation of overseas operations		**(211)**	(127)
Other comprehensive (expense)/income		**(7,632)**	13,672
Total comprehensive income		**11,430**	30,599

CONSOLIDATED BALANCE SHEET

	Note	**At 30 November 2019 £000**	At 30 November 2018 £000
Non-current assets			
Goodwill		**49,107**	45,164
Intangible assets		**23,274**	18,465
Property, plant and equipment		**9,183**	9,184
Defined Benefit Pension Scheme surplus	14	**976**	1,253
Other receivables	8	**939**	930
Contract fulfilment assets		**2,193**	-
Deferred tax assets	5	**3,457**	3,385
		89,129	78,381
Current assets			
Inventories		**22,151**	17,787
Trade and other receivables	8	**31,238**	34,878
Contract fulfilment assets		**844**	-
Held for sale asset		**1,428**	-
Tax assets		**382**	424
Cash at bank		**5,534**	2,634
		61,577	55,723
Total assets		**150,706**	134,104
Current liabilities			
Trade and other payables	10	**(51,231)**	(54,637)
Tax liabilities		**(117)**	(1,600)
Provisions	12	**(1,585)**	(5,082)
Overdraft		**(4,006)**	(1,922)
		(56,939)	(63,241)
Net current assets/(liabilities)		**4,638**	(7,518)
Non-current liabilities			
Other payables	10	**(3,483)**	(283)
Provisions	12	**(3,868)**	(2,708)
Deferred tax liability	5	**(3,356)**	(2,817)
Defined Benefit Pension Scheme obligation	14	**(6,951)**	(3,557)
Borrowings	11	**(16,534)**	(6,506)
		(34,192)	(15,871)
Total liabilities		**(91,131)**	(79,112)
Net assets		**59,575**	54,992
Equity attributable to shareholders			
Share capital	13	**1,917**	1,917
Share premium account		**27,080**	27,080
Own shares		**(1,007)**	(1,423)
Capital redemption reserve		**94**	94
Hedging reserve		**(411)**	395
Translation reserve		**(497)**	(286)
Retained earnings		**32,399**	27,215
Total equity		**59,575**	54,992

The results for the year ended 30 November 2019 have been presented under IFRS15. The previous year's results have not been restated (note 16).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 November 2019

	Note	Share capital £000	Share premium £000	Own shares £000	Capital redemption reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Total £000
At 1 December 2017		1,890	27,035	(1,406)	94	(427)	(159)	2,848	29,875
Profit for the year		-	-	-	-	-	-	16,927	16,927
Other comprehensive income/(expense)		-	-	-	-	822	(127)	12,977	13,672
Total comprehensive income/(expense)		-	-	-	-	822	(127)	29,904	30,599
Transactions with owners of the Company:									
Shares issued	13	27	-	(27)	-	-	-	-	-
Share options exercised		-	45	-	-	-	-	-	45
Share-based payment awards exercised		-	-	10	-	-	-	(931)	(921)
Share-based payment fair value charges		-	-	-	-	-	-	993	993
Deferred Tax on Share-based payments		-	-	-	-	-	-	2	2
Ordinary dividends paid	7	-	-	-	-	-	-	(5,601)	(5,601)
At 1 December 2018 as reported		1,917	27,080	(1,423)	94	395	(286)	27,215	54,992
IFRS 15 restatement		-	-	-	-	-	-	(1,185)	(1,185)
At 1 December 2018 as restated		1,917	27,080	(1,423)	94	395	(286)	26,030	53,807
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**19,062**	**19,062**
Other comprehensive (expense)/income		**-**	**-**	**-**	**-**	**(806)**	**(211)**	**(6,615)**	**(7,632)**
Total comprehensive (expense)/income		**-**	**-**	**-**	**-**	**(806)**	**(211)**	**12,447**	**11,430**
Transactions with owners of the Company:									
Share-based payment awards exercised		**-**	**-**	**416**	**-**	**-**	**-**	**(416)**	**-**
Share-based payment fair value charges		**-**	**-**	**-**	**-**	**-**	**-**	**686**	**686**
Ordinary dividends paid	7	**-**	**-**	**-**	**-**	**-**	**-**	**(6,348)**	**(6,348)**
At 30 November 2019		**1,917**	**27,080**	**(1,007)**	**94**	**(411)**	**(497)**	**32,399**	**59,575**

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 November 2019

	Note	**Year ended 30 November 2019**	Year ended 30 November 2018
		£000	£000
Profit before tax		**23,168**	21,027
Investment income	3	**(153)**	(164)
Finance costs	4	**1,163**	1,704
Profit from operations		**24,178**	22,567
Adjustments for:			
Pension GMP	2	**-**	1,200
Amortisation of intangible assets		**2,690**	2,165
Depreciation and impairment of property, plant and equipment		**1,584**	1,920
Loss on disposal of other intangible assets		**10**	-
Loss on disposal of property, plant and equipment		**26**	95
(Gain)/loss on foreign exchange derivatives		**(29)**	79
Share-based payment charge		**686**	993
(Decrease)/increase in provisions		**(758)**	3,598
Defined Benefit Pension Scheme administration cost	14	**262**	645
Operating cash flows before movements in working capital		**28,649**	33,262
(Increase)/decrease in inventories		**(4,115)**	1,626
Decrease/(increase) in receivables		**7,638**	(5,668)
(Increase) in contract fulfilment assets		**(1,602)**	-
Movement in payables			
- decrease in trade and other payables		**(7,483)**	(2,805)
- utilisation of provisions	12	**(3,161)**	(2,263)
Cash generated from operations		**19,926**	24,152
Defined benefit pension scheme cash contributions	14	**(4,618)**	(4,591)
Tax paid		**(3,639)**	(3,134)
Net cash inflow from operating activities		**11,669**	16,427
Investing activities			
Interest received		**153**	109
Repayment of loans by third parties		**-**	12
Acquisition net of cash acquired	9	**(7,109)**	-
Acquisition related costs	2	**(728)**	(335)
Proceeds on disposal of property, plant and equipment		**8**	-
Purchases of property, plant and equipment		**(2,876)**	(1,049)
Purchases of other intangible assets		**(3,159)**	(69)
Net cash used in investing activities		**(13,711)**	(1,332)
Financing activities			
Dividends paid	7	**(6,348)**	(5,601)
Drawdown/(repayment) of borrowings	11	**10,000**	(7,000)
Borrowing facilities arrangement and commitment fees		**(529)**	(303)
Interest paid		**(513)**	(439)
Share options exercised		**-**	45
Share-based payment awards exercised		**-**	(921)
Net cash generated/(used in) by financing activities		**2,610**	(14,219)
Net increase in cash and cash equivalents		**568**	876
Cash and cash equivalents at the beginning of the year		**712**	(231)
Effect of foreign exchange rate changes		**248**	67
Cash and cash equivalents at the end of the year*		**1,528**	712

* Cash and cash equivalents include bank overdrafts as these form an integral part of the Group's cash management

1. Preliminary announcement

The preliminary results for the year ended 30 November 2019 have been prepared in accordance with those International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted for use in the EU and therefore comply with Article 4 of the EU IAS Regulation applied in accordance with the provisions of the Companies Act 2006. However, this announcement does not contain sufficient information to comply with IFRS. The Group expects to publish a full Strategic Report, Directors' Report and financial statements which will be delivered before the Company's annual general meeting on 26 March 2020. The full Strategic Report and Directors' Report and financial statements will be published on the Group's website at www.rmplc.com.

The financial information set out in this preliminary announcement does not constitute the Group's statutory accounts for the year ended 30 November 2019. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's annual general meeting. The auditor's reports on both the 2019 and 2018 accounts were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) of the Companies Act 2006 or equivalent preceding legislation. This Preliminary announcement was approved by the Board of Directors on 3 February 2020.

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.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments, share-based payments and pension assets and liabilities which are measured at fair value. In addition, assets held for sale are stated at the lower of previous carrying amount and the fair value less costs to sell. The preparation of financial statements, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Significant accounting policies

The accounting policies used for the preparation of this announcement have been applied consistently, with the exception of IFRS15.

Revenue

The Group operates a number of diverse businesses and accordingly applies a variety of methods for revenue recognition, based on the principles set out in IFRS15 for the year ended 30 November 2019. Many of the contracts entered into, in the RM Results division, are long-term and complex in nature.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of significant judgements and assumptions. This includes:

- The identification of performance obligations included within the contract
- The allocation of revenue to performance obligations including the impact of variable consideration
- The combination of goods and services into a single performance obligation
- The measurement of progress for performance obligations satisfied over time
- The consideration of onerous contract conditions and associated loss provisions

Revenue is recognised either when the performance obligation in the contract has been performed (so "point in time" recognition) or "over time" as control of the performance obligation is transferred to the customer. For all contracts, the Group determines if the arrangement with a customer creates enforceable rights and obligations.

For contracts with multiple components to be delivered, management applies judgement to consider whether these promised goods or services are; (i) distinct – to be accounted for as separate performance obligations; (ii) not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or (iii) part of a series of goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the performance obligation is satisfied over time. Such amounts are only included based on the expected value or the most likely outcome method, and only to the extent it is highly probable that no revenue reversal will occur.

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services until these are agreed.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when those performance obligations are satisfied. In our RM Results division the Group may sell customer bespoke solutions, and in these cases the Group typically uses the expected cost plus margin or a contractually stated price approach (if set out by performance obligation in the contract) to estimate the stand-alone selling price of each performance obligation. Any remaining performance obligations for which the stand-alone selling price is highly variable or uncertain, due to not having previously been sold on a stand-alone basis, is allocated applying the residual approach.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. Where the Group recognises revenue over time for long term contracts, this is generally due to the Group performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring controls of the good or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant input or output method consistently to similar performance obligations in other contracts.

When using the output method the Group recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to the date relative to the remaining goods and services under the contract. Where the output method is used, where the series guidance is applied (see below for further details), the Group often uses a method of time elapsed which requires minimal estimation. Certain long term contracts use output method based on estimation of number of scripts, or level of service activity. The number of scripts is considered to be variable consideration.

There is judgment in determining whether a contract has onerous conditions. When identified the expected loss is provided for at the time identified.

Transactional (point in time) contracts

The Group delivers goods and services in RM Education and RM Resources that are transactional services for which revenue is recognised at the point in time when the control of the goods or services has transferred to the customer. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria. The nature of contracts or performance obligations categorised within this revenue type includes: (i) provision of curriculum and educational resources for schools and nurseries; (ii) provision of IT hardware goods and (iii) installation of IT hardware goods.

Over time contracts

The Group delivers services in RM Education and RM Results divisions under customer contracts with variable duration. The nature of contracts and performance obligations categorised within this revenue type is diverse and includes: (i) outsourced service arrangements in the public and private sectors; and (ii) Right to Access licenses (see below).

The Group considers that the services provided meet the definition of a series of distinct goods and services as they are: (i) substantially the same; (ii) have the same pattern of transfer (as the series constitutes services provided in distinct time increments (e.g. daily, monthly, quarterly, exam session, or annual service)) and therefore treats the series as one performance obligation. Even if the underlying activities performed by the Group to satisfy a promise vary significantly throughout the day and on a day by day basis, that fact, by itself, does not mean the distinct goods or services are not substantially the same. For the majority of the over time contracts with customers are in this category, the Group recognises revenues using the output method as it best reflects the nature in which the Group is transferring control of the goods or services to the customer.

Right to Access licenses are those where the Group has a continuing involvement after the sale or transfer of control to the customer, which significantly affects the intellectual property to which the customer has rights. The Group is in a majority of cases responsible for maintenance, continuing support, updates and upgrades and accordingly the sale of the initial software is not distinct. The Group's accounting policy for licenses is discussed in more detail below.

Contract modifications

The Group's over time contracts are often amended for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations. Material modifications are predominantly extension to contract. The Group considers whether each contract modification is part of the original contract or is a separate contract and allocates the transaction price accordingly.

Licences

Software licenses delivered by the Group can be either "right to access" or "right to use" licenses. Right to access licenses require continuous upgrade and updates for the software to remain useful, all other licenses are treated as Right to use licenses. The assessment of whether a license is a Right to Access license or a Right to Use license involves judgement. The key determinant of whether a license is a Right to Access license is whether the Group is required to undertake activities that significantly affect the license intellectual property (or the customer has a reasonable expectation that it will do so) and the customer is, therefore exposed to positive or negative impacts resulting from those changes.

The Group considers for each contract that includes a separate license performance obligation all the facts and circumstances in determining whether the license revenue is recognised over time or at a point in time from the go live date of the license.

Contract fulfilment costs

Contract fulfilment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred.

When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those other standards preclude capitalisation of a particular cost, then the asset is not recognised under IFRS15.

If other standards are not applicable to contract fulfilment costs, the Group applies the following criteria which, if met, result in capitalisation: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular at which point the capitalisation ceases and the performance obligation begins.

Amortisation, de-recognition and impairment of contract fulfilment assets and capitalised costs to date

The Group amortises contract fulfilment assets to cost of sales over the expected contract period using a systematic basis that mirrors the pattern in which the Group transfers control of the service to the customer. The amortisation charge is included within cost of sales.

A contract fulfilment asset is derecognised either when it is disposed of or when no further economic benefit are expected to flow from its use or disposal.

Management is required to determine the recoverability of contract related assets within property, plant and equipment, intangible assets as well as contract fulfilment assets, accrued income and trade receivables. At each reporting date, the Group determines whether or not the contract fulfilment assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Deferred and accrued income

The Group's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided. The Group often agrees payment schedules at the inception of long-term contracts under which it receives payments throughout the term of the contracts. These payment schedules may include progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods or services may be at delivery date, in arrears or part payment in advance. There are no material financing arrangements.

Where payments made are greater than the revenue recognised at the period end date, the Group recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Group recognises an accrued income contract asset for this difference. Where accrued income and deferred income exist on the same contract these balances are shown net.

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 2.

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.

2. 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 focused on the nature of each type of activity.

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

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

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

Segmental results

Year ended 30 November 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 below)					**(3,470)**
Profit before tax					**23,168**

Year ended 30 November 2018	RM Resources* £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Revenue					
UK	102,515	25,299	66,736	-	194,550
Europe	8,475	3,343	572	-	12,390
North America	2,876	-	185	-	3,061
Asia	1,390	1,495	-	-	2,885
Middle East	3,164	-	123	-	3,287
Rest of the world	3,151	1,653	-	-	4,804
	121,571	31,790	67,616	-	220,977
Adjusted profit/(loss) from operations	16,626	8,154	7,813	(5,099)	27,494
Investment income					164
Adjusted finance costs					(1,679)
Adjusted profit before tax					25,979
Adjustments (see below)					(4,952)
Profit before tax					21,027

* Included in UK are International Sales via UK Distributors of £1,944,000 (2018: £2,479,000).

Segmental assets

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

	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
At 30 November 2018					
Segmental	105,170	7,833	13,197	177	126,377
Other					7,727
Total assets					134,104

Included within the disclosed segmental assets are non-current assets (excluding deferred tax assets) of £76,559,000 (2018: £74,559,000) located in the United Kingdom, £8,475,000 (2018: nil) located in Australia and £638,000 (2018: £438,000) located in India. Other non-segmented assets includes other receivables, tax assets and cash and short-term deposits.

Adjustments to admnistrative expenses

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Amortisation of acquisition related intangible assets	**1,577**	1,207
Acquisition related costs	**728**	-
Property related costs	**335**	-
Pension GMP	**-**	1,200
Restructuring costs	**822**	2,520
	3,462	4,927

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. The recurring item relates to the amortisation of acquisition related intangible assets. Recurring items are 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; changes in the provision for exceptional property costs; the gain/loss on sale of operations and restructuring and acquisition costs. As these items are one-off or non-operational in nature, management considers that they would distort the Group's underlying business performance.

During the year the Group acquired SoNET Systems Pty Limited (note 9) and incurred £728,000 of associated acquisition costs comprising advisor fees, related intangible impairment and integration costs. During the year the Group exited a number of key properties and entered into new properties resulting in non-recurring exceptional costs of £335,000.

During the prior year, the Group announced an estates strategy review that will mean relocating a number of activities in the RM Resources division to one location. During the year the timing and impact of this has been reviewed and includes a provision for improved contributions to the impacted defined benefit scheme. In 2018 the Group provided for the estimated liability of equalising GMPs in our defined benefit pension schemes of £1.2m (see note 14).

The adjustments have the following impact on key metrics:

	2019	2019	2019	2018	2018	2018
	Measure	Adjustment	Adjusted measure	Measure	Adjustment	Adjusted measure
Profit from operations (£000)	24,178	3,462	27,640	22,567	4,927	27,494
Profit before tax (£000)	23,168	3,470	26,638	21,027	4,952	25,979
Earnings per share:						
Basic (Pence)	23.2p	3.4p	26.6p	20.7p	5.3p	26.0p
Diluted (Pence)	23.0p	3.4p	26.4p	20.6p	5.2p	25.8p

3. Investment income

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Bank interest	**136**	20
Other finance income	**17**	144
	153	164

4. Finance costs

	Note	Year ended 30 November 2019	Year ended 30 November 2018
		£000	£000
Borrowing facilities arrangement fees and commitment fees		**592**	583
Net finance costs on defined benefit pension scheme	14	**(6)**	507
Unwind of discount on long term contract provisions		**-**	48
Unwind of discount on onerous lease and dilapidations provisions	12	**22**	85
Interest on bank loans and overdrafts		**555**	481
		1,163	1,704

5. Tax

a) Analysis of tax charge in the Consolidated Income Statement

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Current taxation		
UK corporation tax	**4,179**	4,289
Adjustment in respect of prior years	**(479)**	(313)
Overseas tax	**385**	395
Total current tax charge	**4,085**	4,371
Deferred taxation		
Temporary differences	**247**	(273)
Adjustment in respect of prior years	**(288)**	2
Overseas tax	**62**	-
Total deferred charge/(credit)	**21**	(271)
Total Consolidated Income Statement tax charge	**4,106**	4,100

5. Tax (continued)

b) Analysis of tax (credit)/charge in the Consolidated Statement of Comprehensive Income

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
UK corporation tax		
Defined benefit pension scheme	**(735)**	(380)
Share based payments	**(38)**	-
Pension escrow account	**(353)**	-
Deferred tax		
Defined benefit pension scheme movements	**(624)**	3,048
Defined benefit pension scheme escrow	**437**	(6)
Share based payments	**(105)**	-
Deferred tax relating to the change in rate	**-**	54
Total Consolidated Statement of Comprehensive Income tax (credit)/charge	**(1,418)**	2,716

c) Reconciliation of Consolidated Income Statement tax charge

The tax charge in the Consolidated Income Statement reconciles to the effective rate applied by the Group as follows:

	Year ended 30 November 2019			Year ended 30 November 2018		
	Adjusted	**Adjustments**	**Total**	Adjusted	Adjustments	Total
	£000	**£000**	**£000**	£000	£000	£000
Profit/(loss) on ordinary activities before tax	**26,638**	**(3,470)**	**23,168**	25,979	(4,952)	21,027
Tax at 19% (2018: 19%) thereon:	**5,061**	**(659)**	**4,402**	4,936	(941)	3,995
Effects of:						
- other expenses not deductible for tax purposes	**133**	**-**	**133**	106	284	390
- other temporary timing differences	**(4)**	**(28)**	**(32)**	(193)	23	(170)
- impairments	**-**	**47**	**47**	-	-	-
- effect of profits/losses in various overseas tax jurisdictions	**67**	**-**	**67**	192	-	192
- Prior period adjustments - UK	**(511)**	**-**	**(511)**	(307)	-	(307)
Tax charge/(credit) in the Consolidated Income Statement	**4,746**	**(640)**	**4,106**	4,734	(634)	4,100

d) Deferred tax

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

Group	Accelerated tax depreciation £000	Defined benefit pension scheme obligation £000	Share-based payments £000	Short-term timing differences £000	Acquisition related intangible assets £000	Total £000
At 1 December 2017	1,154	3,440	233	1,657	(2,993)	3,491
(Credit)/charge to income	(133)	-	161	36	204	268
Charge to equity	-	(3,048)	2	(48)	-	(3,094)
Acquired Deferred tax assets/(liabilities)	-	-	-	(97)	-	(97)
At 30 November 2018	1,021	392	396	1,548	(2,789)	568
Acquired through subsidiary				**69**	**(807)**	**(738)**
(Charge)/credit to income	**(305)**	**-**	**(78)**	**94**	**268**	**(21)**
Credit(charge)/ to equity	**-**	**624**	**105**	**(437)**	**-**	**292**
At 30 November 2019	**716**	**1,016**	**423**	**1,274**	**(3,328)**	**101**

Certain deferred tax assets and liabilities have been offset above.

6. Earnings per share

	Year ended 30 November 2019			Year ended 30 November 2018		
	Profit for the year £000	**Weighted average number of shares '000**	**Pence per share**	£000	Weighted average number of shares '000	Pence per share
Basic earnings per ordinary share						
Basic earnings	**19,062**	**82,341**	**23.2**	16,927	81,779	20.7
Adjustments (see note 2)	**2,830**	**-**	**3.4**	4,318	-	5.3
Adjusted basic earnings	**21,892**	**82,341**	**26.6**	21,245	81,779	26.0
Diluted earnings per ordinary share						
Basic earnings	**19,062**	**82,341**	**23.2**	16,927	81,779	20.7
Effect of dilutive potential ordinary shares: share based payment awards	**-**	**577**	**(0.2)**	-	460	(0.1)
Diluted earnings	**19,062**	**82,918**	**23.0**	16,927	82,239	20.6
Adjustments (see note 2)	**2,830**	**-**	**3.4**	4,318	-	5.2
Adjusted diluted earnings	**21,892**	**82,918**	**26.4**	21,245	82,239	25.8

7. Dividends

Amounts recognised as distributions to equity holders were:

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Final dividend for the year ended 30 November 2018 - 5.70p per share (2017: 4.95p)	**4,698**	4,047
Interim dividend for the year ended 30 November 2019 - 2.00p per share (2018: 1.90p)	**1,650**	1,554
	6,348	5,601

The proposed final dividend of 6.00p per share for the year ended 30 November 2019 was approved by the Board on 3 February 2020. The dividend is subject to approval by Shareholders at the annual general meeting. The anticipated cost of this dividend is £4,948,566.

8. Trade and other receivables

	2019	2018
	£000	£000
Current		
Financial assets		
Trade receivables	**21,343**	21,239
Long-term contract balances	**-**	66
Other receivables	**1,897**	893
Derivative financial instruments	**-**	353
Accrued income	**2,384**	2,013
	25,624	24,564
Non-financial assets		
Prepayments	**5,614**	10,314
	31,238	34,878
Non-current		
Financial assets		
Other receivables	**939**	930
	32,177	35,808

9. Acquisitions of subsidiaries

Acquisitions

On 13 June 2019, the Group acquired all of the shares in SoNET Systems Pty Ltd.

SoNET is a software company which provides SaaS platforms, principally to the education and government sectors. SoNET's e-authoring and testing software augments RM Results' existing e-marking capability, enabling RM Results to offer customers full end-to-end digital assessment services in the online testing and marking of exams.

The role of technology in the assessment landscape is changing and we firmly believe that, in time, on-screen testing will transform the way that assessments are designed and delivered. It has been a strategic priority for RM Results to enable end-to-end digital assessment capability. SoNET's e-testing product, Assessment Master, is a market leading assessment and testing platform with functionality going beyond conventional online examination software (multiple choice etc.) to provide task-oriented and task-simulated assessments of performance in any situation.

The fair value of the cash consideration for the acquisition was £7.3m. Transaction fees associated with the acquisition and expensed to the Consolidated Statement of Comprehensive Income in 2019 were £0.3m.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Fair Value on Acquisition
	£' 000
Acquisition related intangible assets	4,747
Property, plant and equipment	18
Trade receivables	307
Other receivables	79
Cash and cash equivalents	208
Trade and other payables	(538)
Deferred income	(853)
Current tax liabilities	(38)
Deferred tax	(738)
Provisions	(28)
New assets acquired	3,164
Goodwill	4,153
Consideration paid	7,317
Satisfied by	
Cash	7,317
Total purchase consideration	7,317
Net cashflow on acquisition	7,317
Cash and cash equivalents	(208)
Cashflow on acquisition	7,109

The fair values on the acquisition above are provisional.

In the period 14 June 2019 to 30 November 2019 SoNET contributed revenue of £1,700,000 and statutory profit after tax of £nil. If the acquisition had occurred on 1 December 2018 SoNET would have contributed revenue of £3,341,000 and statutory profit after tax of £28,000 in 2019. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 December 2018.

Fair value adjustments

On the acquisition of SoNET all assets were fair valued and appropriate intangible assets recognised following the principles of IFRS 3.

A deferred tax liability related to these intangible assets was also recognised. Management identified the main material intangible assets as the Intellectual Property of the Company's software and customer contracts. These intangible assets were valued at £4.7m using the Relief from Royalty method and are being amortised over 3-10 years which is in accordance with the estimated useful economic life (UEL) and IAS 38.

Goodwill of £4.2m represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The goodwill arising on the acquisition is largely attributable to the synergies and values associated with being part of the enlarged RM Results proposition.

Deferred income has been recognised at fair value at the date of acquisition.

Acquisition related costs

The group incurred acquisition related costs of £0.7m related to advisor fees, related intangible asset impairment and acquisition transition costs. These costs have been included in the administrative expenses in the group's consolidation statement of comprehensive income in 2019.

10. Trade and other payables

		Group
	2019	2018
	£000	£000
Current liabilities		
Financial liabilities		
Trade payables	**19,136**	23,119
Other taxation and social security	**4,364**	4,284
Other payables	**2,081**	1,857
Derivative financial instruments	**461**	-
Accruals	**11,849**	10,557
Long-term contract balances	**-**	4,565
	37,891	44,382
Non-financial liabilities		
Deferred income	**13,340**	10,255
	51,231	54,637
Non-current liabilities		
Non-financial liabilities:		
Deferred income:		
- due after one year but within two years	**1,783**	235
- due after two years but within five years	**1,561**	48
- after five years	**139**	-
	3,483	283
	54,714	54,920

11. Borrowings

	2019	2018
	£000	£000
Bank loan	**(17,000)**	(7,000)
Add capitalised fees	**466**	494
Borrowings	**(16,534)**	(6,506)

12. Provisions

Group	Note	Onerous lease and dilapidations £000	Employee-related restructuring £000	Other £000	Total £000
At 1 December 2017		3,770	978	1,707	6,455
Utilisation of provisions		(694)	(1,569)	-	(2,263)
Release of provisions		(43)	(37)	(479)	(559)
Increase in provisions		400	3,201	471	4,072
Unwind of discount	4	85	-	-	85
At 30 November as reported		3,518	2,573	1,699	7,790
Arising on adoption of IFRS 15		-	44	1,538	1,582
At 1 December 2018 restated		3,518	2,617	3,237	9,372
Acquisition		28	-	-	28
Utilisation of provisions		(1,940)	(1,221)	-	(3,161)
Release of provisions		(802)	(12)	(872)	(1,686)
Increase in provisions		27	836	15	878
Unwind of discount	4	22	-	-	22
At 30 November 2019		**853**	**2,220**	**2,380**	**5,453**

Provisions for onerous leases and dilapidations have been recognised at the present value of the expected obligation at discount rates of 2.6% (2018: 2.6%) per annum reflecting a risk-free discount rate, applicable to the liabilities. These discounts will unwind to their undiscounted value over the remaining lives of the leases via a finance cost within the Income Statement. At 30 November 2019, £nil (2018: £925,000) of the provision refers to onerous leases, and £852,000 (2018: £2,593,000) refers to dilapidations. During the year the Group has exited 5 properties and entered into a number of new building leases. The releases of provisions associated with the above property provisions relate to negotiated exit dates that did not fully align to original lease contract dates.

The average remaining life of the onerous leases at 30 November 2019 is nil years (2018: 1.1 years). In making their assessment of the required onerous lease provisions, the group was required to estimate the likely sub-let income that could be earned over the remaining life of the lease. This required the Directors to make judgements relating to the likelihood that a property will be sub-let and the income that will be earned.

Employee-related restructuring provisions refer to costs arising from restructuring to meet the future needs of the Group. As described in note 2, the Group is undergoing an estates review and £0.6m of the increase relates to changes in the timing and composition of employee costs associates with that review. Of the £2,220,000 provision, £1,393,000 is expected to be utilised during the following financial year.

Other provisions includes one-off items not covered by any other category of which the most significant items are the risk provisions from ended long term contracts transferred from long-term contract creditors to provisions. The release of £872,000 primarily relates to onerous contract risks that have either been re-negotiated or terminated during the year.

During the year the overall movement on long term provisions was an increase of £1,160,000 (2018: decrease of £311,000).

13. Share capital

Company and Group	Ordinary shares of $2^{2}/_{7}$p	
	'000	£000
Allotted, called-up and fully paid:		
At 30 November 2017	82,650	1,890
Issued in 2018	1,200	27
Exercise of share options	25	-
At 30 November 2018 and 2019	**83,875**	**1,917**

Ordinary shares issued carry no right to fixed income.

14. Defined benefit schemes

a. Defined contribution scheme

The Group operates or contributes to a number of defined contribution schemes for the benefit of qualifying employees. The assets of these schemes are held separately from those of the Company. The total cost charged to income of £4,489,000 (2018: £3,997,000) represents contributions payable to these schemes by the Group at rates specified in employment contracts. At 30 November 2019 £308,300 (2018: £324,000) due in respect of the current financial year had not been paid over to the schemes.

b. Local government pension schemes

The Group has TUPE employees who retain membership of local government pension schemes. The Group makes payments to these schemes for current service costs in accordance with its contractual obligations. The total costs charged to income for these schemes was £143,000 (2018: £120,000). The amount due in respect of these schemes at 30 November 2019 was £51,000 (2018: £71,000).

c. Defined benefit pension schemes

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 The Consortium in June 2017, the Consortium CARE Scheme (the "CARE scheme") and the Platinum Scheme (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 The Consortium 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. Last year an estimate for Guaranteed Minimum Pensions (‘GMPs’) was expensed (see below for further explanation).

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 30 November 2019. 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. In the year the Platinum scheme show a surplus and the RM and CARE schemes are in deficit.

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.

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

The most recent actuarial valuation of Scheme assets and the present value of the defined benefit obligation was carried out for statutory funding purposes at 31 May 2018 by a qualified independent actuary. IAS 19 Employee Benefits (revised) liabilities at 30 November 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 £40,600,000 (31 May 2015: £41,800,000). The Group agreed with the Scheme Trustees that it will repay this amount via deficit catch-up payments of £3,700,000 per annum until 31 May 2026.

At 30 November 2019 there were amounts outstanding of £308,300 (2018: £300,000) for one month's deficit payment and £nil (2018: £32,000) for Scheme expenses. The escrow bank account that was set up to manage the deficit risk in 2014 was closed during the year as the funds were paid over to the RM Scheme.

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 (CARE scheme)

Until 31 December 2005, The Consortium for Purchasing and Distribution Ltd ("The Consortium", acquired by the Company on 30 June 2017) operated a pension scheme (the "Consortium 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 disclosures in this report make allowance for this change.

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, The Consortium 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 (Platinum scheme)

The Consortium acquired West Mercia Supplies in April 2012 (prior to the Company acquiring The Consortium). Upon acquisition by The Consortium of West Mercia Supplies, a pension scheme (the Platinum 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 Pensions 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 The Consortium 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 £70,000.

Amounts recognised in the Income Statement and in the Statement of Comprehensive Income

	Note	**Year ended 30 November 2019**	Year ended 30 November 2018
		£000	£000
Administrative expenses and taxes		**(174)**	(537)
Current service costs		**(88)**	(108)
Operating expense		**(262)**	(645)
Interest cost		**(7,219)**	(6,798)
Interest on Scheme assets		**7,225**	6,291
Net interest expense	4	**6**	(507)
Past service costs (GMP)		**-**	(1,200)
Expense recognised in the Income Statement		**(256)**	(2,352)
Effect of changes in demographic assumptions		**1,586**	(1,230)
Effect of changes in financial assumptions		**(45,476)**	19,884
Effect of experience adjustments		**2,150**	4,126
Total actuarial (losses)/gains		**(41,740)**	22,780
Return on Scheme assets excluding interest on Scheme assets		**33,707**	(7,087)
(Expense)/income recognised in the Statement of Comprehensive Income		**(8,033)**	15,693
(Expense)/income recognised in Total Comprehensive Income		**(8,289)**	13,341

GMP equalisation

UK pension schemes are required to pay equal "Guaranteed Minimum Pensions" ("GMPs") to men and women following the 1990 legal case which led to the Barber judgment. Pensions paid have historically been intrinsically different, for example due to different GMP pension ages (60 for a woman and 65 for a man) and therefore difficult to calculate an estimate for pension equalisation.

The court judgment in October 2018 involving the Lloyds Banking Group's pension schemes provided greater clarity, stating both that adjustments to benefits would be required, and giving trustees some details of the methods that could be acceptable for doing so.

The data available on the proportion of the liabilities that relate to post 1988 GMPs is the best data currently available to estimate the quantum of Scheme liabilities that need to be equalised. The Schemes will adopt an approach to GMP equalisation in a way that is generally structured to minimise the costs of achieving this.

Our proposed approach can be broadly summarised as follows:

- Calculate proportion of Scheme's obligations relating to Post 1988 GMP
- Estimate the proportion of GMPs relating to benefits that need to be equalised (post 1990 GMPs) based on a break down of the Scheme rules and individual data for each Scheme.
- Estimate of the cost of removing GMP inequalities in the Scheme.

In 2018, this resulted in a one-off charge of £1m for the Research Machines plc 1988 Pension Scheme, and an exceptional charge of £0.2m for the Consortium CARE Scheme (see Note 5). As the members of the Platinum scheme joined during 2012 and didn't transfer benefits from previous schemes with them, there are no GMPs in the scheme and therefore no adjustment for equalisation was necessary.

In the Director's view, the range of outcomes is not material even though this is an estimate.

Reconciliation of the Scheme assets and obligations through the year

	RM scheme	CARE scheme	Platinum scheme	**Year ended 30 November 2019**	Year ended 30 November 2018
	£000	£000	£000	**£000**	£000
Assets					
At start of year	202,401	13,839	2,090	**218,330**	224,649
Interest on Scheme assets	6,711	440	74	**7,225**	6,291
Return on Scheme assets excluding interest on Scheme assets	32,728	692	287	**33,707**	(7,087)
Administrative expenses	(147)	-	(27)	**(174)**	(537)
Contributions from Group	3,997	401	220	**4,618**	4,591
Contributions from employees	-	-	19	**19**	19
Benefits paid	(5,994)	(557)	(10)	**(6,561)**	(9,596)
At end of year	239,696	14,815	2,653	**257,164**	218,330
Obligations					
At start of year	(201,848)	(17,396)	(1,390)	**(220,634)**	(244,885)
Interest cost	(6,622)	(548)	(49)	**(7,219)**	(6,798)
Actuarial (losses)/ gains	(39,066)	(2,533)	(141)	**(41,740)**	22,780
Benefits paid	5,994	557	10	**6,561**	9,596
Past service cost (GMP)	-	-		**-**	(1,200)
Current service costs	-	-	(88)	**(88)**	(108)
Contributions from employees	-	-	(19)	**(19)**	(19)
At end of year	(241,542)	(19,920)	(1,677)	**(263,139)**	(220,634)
Pension deficit	(1,846)	(5,105)	-	**(6,951)**	(3,557)
Pension surplus	-	-	976	**976**	1,253
Net pension deficit	(1,846)	(5,105)	976	**(5,975)**	(2,304)

Included within the CARE Scheme obligations is an unfunded liability of £190,000 (2018:£203,000) which is a liability of the Group and not the Scheme.

Reconciliation of net defined benefit obligation

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Net obligation at the start of the year	**(2,304)**	(20,236)
Cost included in Income Statement	**(256)**	(2,352)
Scheme remeasurements included in the Statement of Comprehensive Income	**(8,033)**	15,693
Cash contribution	**4,618**	4,591
Net pension deficit	**(5,975)**	(2,304)

Obligation by participant status	**Year ended 30 November 2019**	Year ended 30 November 2018
	£000	£000
Active	**976**	1,135
Vested deferreds	**216,540**	177,305
Retirees	**45,623**	42,194
	263,139	220,634

Under the current agreements, the Group expect to pay approximately £4,600,000 in contributions in the year ending 30 November 2020.

Value of Scheme assets	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Fair value of Scheme assets with a quoted market price		
Cash and cash equivalents, including escrow	**986**	7,696
Equity instruments	**128,445**	107,006
Debt instruments	**2,653**	2,090
Liability driven investments	**97,191**	75,777
Value of unquoted Scheme assets		
Insurance contract	**27,889**	25,761
	257,164	218,330

Significant actuarial assumptions

	Year ended 30 November 2019	Year ended 30 November 2018
Discount rate (RM scheme)	**2.15%**	3.30%
Discount rate (CARE scheme)	**2.10%**	3.20%
Discount rate (Platinum scheme)	**2.15%**	3.40%
Rate of RPI price inflation	**2.95%**	3.35%
Rate of CPI price inflation	**1.80%**	2.25%
Rate of salary increases (Platinum scheme)	**1.85%**	2.25%
Rate of pensions increases		
pre 6 April 1997 service	**1.50%**	1.50%
pre 1 June 2005 service	**2.85%**	3.20%
post 31 May 2005 service	**2.00%**	2.10%
Post retirement mortality table	**S2PA CMI 2018 1.25%**	S2PA CMI 2017 1.25%
Weighted average duration of defined benefit obligation	**23 years**	23 years
Assumed life expectancy on retirement at age 65:		
Retiring at the accounting date (male member aged 65)	**22.3**	22.7
Retiring in 20 years after the accounting date (male member aged 45)	**23.6**	24.1

15. Related party transactions

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.

Spinfield School

Neil Martin, executive director, is a governor of Spinfield School. RM Resources made sales of £1,107 (2018: £10,550). At the year end there is a balance of £nil (2018: £nil) outstanding.

Grant Thornton LLP

Deena Mattar, non-executive director of RM plc, is a non-executive of the Partnership Oversight Board of Grant Thornton. Grant Thornton were chosen from a competitive tender conducted by the Company and Deena Mattar was not involved in that exercise.

The Company has engaged Grant Thornton to provide advice in connection with certain activities.

The following payments were made in the year: £98,901 for strategy work, £27,000 relating to advisory fees in connection with adoption of IFRS15 and 16, £22,172 relation to work on a new ERP system. There were no accruals at the year end.

In the prior year; £167,252 of integration costs, £40,945 work for IFRS15, £11,870 relating to work on a new ERP system, and £245,606 relating to estate strategy. £42,000 was accrued at the year-end for further ERP work.

UBM plc

Patrick Neil Martell, non-executive director of RM plc, is Chief Executive Officer of Informa plc. In the year a payment of £9,136 was made to UBM plc, a subsidiary of Informa plc, relating to an online subscription for legal guidance.

16. Impact of adoption of IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers (IFRS 15) establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It has replaced existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

The Group has used the modified retrospective adoption approach under which the Group has applied all of the requirements of IFRS 15 with effect from 1 December 2018.

The Group has made opening balance sheet adjustments arising from changes to the revenue recognition treatment of goods and services and the capitalisation of costs to obtain contracts. The impact of the new standard on its 2019 accounts is set out below:

	Restated Balance sheet as at 1 December 2018	**IFRS 15 impact Income statement for year ended 30 November 2019**	**Balance sheet as at 30 November 2019**
	£'000	**£'000**	**£'000**
Net current (liabilities)/assets relating to goods and services	(2,898)	(2,416)	**(5,314)**
Capitalised contract costs	1,435	882	**2,317**
Deferred tax asset	278	291	**569**
Retained earnings (deficit)/surplus	**(1,185)**	**(1,243)**	**(2,428)**

The adoption of IFRS 15 has had five principal impacts:

- The Group has separated performance obligations included in long-term contracts that were previously combined under IAS 11/18. The provision of software, services support and maintenance are now recognised over time, typically the duration of the contract, following completion of any development activities.
- Where the group performs development activities, these are now treated as a separate performance obligation. If the customer retains control of the developed Intellectual Property Rights ("IPR"), the revenue is recognised over the period of development activity. If the developed IPR is retained by the group, the costs of development are deferred as a contract fulfilment asset and are amortised over the subsequent licence period.
- A number of separate performance obligations have been identified. Previously these would have all been recognised as part of the long-term contract accounting. Under IFRS 15, certain of these performance obligations are recognised at a point-in-time, typically as the goods are delivered to the customer.
- The Group needs to allocate the transaction price to each of the performance obligations. This requires estimation. Typically, the group uses observable market prices for certain elements such as scanning services provided by third parties. For elements, such as software, that do not have an observable price, the group applies the residual method to determine the fair value of these performance obligations.
- Due to the change in revenue recognition, the group has recognised a deferred tax adjustment at 1 December 2018.

Where the Group incurs identifiable costs that relate to a specific customer contract then these costs are capitalised as contract fulfilment assets and amortised over the contract on a systematic basis consistent with the performance obligations included in the contract.

Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

During the year to 30 November 2019, revenue is recognised “point in time” or revenue recognised “over time”.

An overview of the impact by division is set out below:

RM Resources
RM Resources provides goods to educational organisations and as such revenue is recognised at point of sale. UK Schools tend to purchase the majority of their consumables in preparation for new school years and hence the second half is seasonally stronger.

RM Education
RM Education provides ICT software and services hardware to UK schools and colleges. Hardware is recognised at point of delivery and the remaining services are recognised over time and include a number of different performance obligations. For some larger long term contracts the separation of the hardware performance obligation from the rest of the contract has driven a change in revenue recognition profile leading to an opening reserves adjustment.

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. Long term contracts have been split into separate performance obligations all of which are recognised over time. Whilst this brings some of the revenue recognition forward, within the financial year, there is still a significant seasonality towards exam marking periods.

As a result of long implementation periods associated with many of the bespoke contracts, contract fulfilment assets in relation to development activity have been recognised in the balance sheet and has resulted in an opening reserves adjustment.

Detailed primary statement restatements

Detailed primary statement restatements arising from the adoption of IFRS 15 are set out below.

Impact on the Consolidated Income Statement

	As reported	**IFRS15 impact**	**Amounts before adoption of IFRS15**
	£'000	**£'000**	**£'000**
Revenue	223,765	2,416	**226,181**
Cost of sales	(132,140)	(882)	**(133,022)**
Gross profit	91,625	1,534	**93,159**
Operating expenses	(67,447)	-	**(67,447)**
Profit from operations	24,178	1,534	**25,712**
Investment income	153	-	**153**
Finance costs	(1,163)	-	**(1,163)**
Profit before tax	23,168	1,534	**24,702**
Tax	(4,106)	(291)	**(4,397)**
Profit for the period	19,062	1,243	**20,305**

Impact on the Consolidated Balance Sheet

	As reported	IFRS15 impact	Amounts before adoption of IFRS15
	£'000	£'000	£'000
Non-current assets			
Goodwill	49,107	128	**48,979**
Other intangible assets	23,274	-	**23,274**
Property, plant and equipment	9,183	-	**9,183**
Defined Benefit Pension Scheme Surplus	976	-	**976**
Other receivables	939	-	**939**
Contract fulfilment assets	2,193	2,193	**-**
Deferred tax assets	3,457	-	**3,457**
	89,129	2,321	**86,808**
Current assets			
Inventories	22,151	249	**21,902**
Trade and other receivables	31,238	3,057	**28,181**
Contract fulfilment assets	844	844	**-**
Held for sale asset	1,428	-	**1,428**
Corporation tax assets	382	217	**165**
Cash and short-term deposits	5,534	-	**5,534**
	61,577	4,367	**57,210**
Total assets	150,706	6,688	**144,018**
Current liabilities			
Trade and other payables	(51,231)	(7,885)	**(43,346)**
Tax liabilities	(117)	352	**(469)**
Provisions	(1,585)	(1,583)	**(2)**
Overdraft	(4,006)	-	**(4,006)**
	(56,939)	(9,116)	**(47,823)**
Net current asset/(liabilities)	4,638	(4,749)	**9,387**
Non-current liabilities			
Other payables	(3,483)	-	**(3,483)**
Provisions	(3,868)	-	**(3,868)**
Deferred tax liability	(3,356)	-	**(3,356)**
Defined Benefit Pension Scheme obligation	(6,951)	-	**(6,951)**
Borrowings	(16,534)	-	**(16,534)**
	(34,192)	-	**(34,192)**
Total liabilities	(91,131)	(9,116)	**(82,015)**
Net assets	59,575	(2,428)	**62,003**
Equity attributable to shareholders			
Share capital	1,917	-	**1,917**
Share premium account	27,080	-	**27,080**
Own shares	(1,007)	-	**(1,007)**
Capital redemption reserve	94	-	**94**
Hedging reserve	(411)	-	**(411)**
Translation reserve	(497)	-	**(497)**
Retained earnings	32,399	(2,428)	**34,827**
Total equity	59,575	(2,428)	**62,003**

The opening balance at 1 December 2018 for IFRS15 impacted balances were £1.4m contract fulfilment assets, trade receivables £21.2m, accrued income £1.7m and deferred income £16.2m.

The Group has taken the practical expedient of applying the modified retrospective approach so have taken the aggregate of all contract modifications that occurred before 1 December 2018 into the opening IFRS15 position.