



12 May 2008

Interim Results

Six months to 31 March 2008

RM announces interim results for the six months to 31 March 2008

RM, the UK's leading provider of information and communications technology (ICT) and other products and services to education, announces interim results for the six months to 31 March 2008.

Operational headlines

- BSF win rate excellent – now selected for ten projects in total
- Delivery track record continuing with new projects
- Significant growth in Education Resources and in international sales
- Further growth in committed revenues
- Expectations unchanged for the full year

Financial headlines

- Revenue: £117.7m (2007: £115.6m)
- Adjusted profit before tax*: £0.6m (2007: £2.2m)
- Profit before tax: £0.2m (2007: £5.6m)
- Adjusted diluted EPS*: 0.5p (2007: 1.7p)
- Diluted EPS: 0.2p (2007: 4.3p)
- Dividend per share up 6%: 1.26p (2007: 1.19p)
- Cash and cash equivalents: £13.8m (March 2007: £22.3m)
- Strategic project bid costs expensed: £3.0m (H1-2007: £1.6m; FY-2007: £3.6m)
- Committed revenues: £380m (March 2007: £300m)

*before amortisation of acquisition related intangible assets and 2007 exceptional pension credit of £3.5m

Commenting on the results, Tim Pearson, CEO of RM, said:

'In the first half of 2008 the RM Group made further significant progress: committed revenues were up to a record £380m; we were successful in four of the eight BSF projects awarded, including the largest bid the Group has ever won; and all four of our focus areas are moving forward. The Board's expectations for the full year remain unchanged.'

'RM's business has been transformed over the last six years. We are now a business with significantly improved medium-term visibility of orders, and where over three-quarters of revenues come from innovative, highly differentiated education products and services. Our customers are primarily in the public sector and have three-year budgets. It's a model that provides returns for our shareholders and educationally-useful products and services for our customers.'

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A briefing to analysts will take place at 9.30am on Monday 12 May 2008 at Brunswick, 16 Lincoln's Inn Fields, London, WC2A 3ED. A live audio feed will be available to those analysts and shareholders unable to attend this meeting in person. To access this facility, call +44 (0) 1452 561263.

A copy of the presentation will be available at www.rm.com from 8.30am on 12 May 2008.

Where education and technology meet

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Interim Management Report

In the first half of 2008 the RM Group made further significant progress: committed revenues were up to a record £380m; we were successful in four of the eight BSF projects awarded, including the largest bid the Group has ever won; and all four of our focus areas are moving forward. Delays in some new product and service areas have shifted some revenue into the second half, this is a transitory effect though and the Board's expectations for the full year remain unchanged.

Highlights

RM's business is seasonal, reflecting buying patterns in the education market. Profit in the first half of the year is small relative to that for the year as a whole and is not a good indicator of the outcome for the full year.

	Six months to Mar		Year to
	2008	2007	Sep 2007
Revenue	£117.7m	£115.6m	£270.9m
Profit before tax before amortisation of acquisition related intangible assets and 2007 exceptional pension credit	£0.6m	£2.2m	£15.5m
Profit before tax	£0.2m	£5.6m	£18.4m
Diluted EPS before amortisation of acquisition related intangible assets and 2007 exceptional pension credit	0.5p	1.7p	12.3p
Diluted EPS	0.2p	4.3p	14.5p
Dividend per share	1.26p	1.19p	5.49p
Cash and cash equivalents	£13.8m	£22.3m	£29.3m
Strategic project bid costs expensed BSF and Ultraset	£3.0m	£1.6m	£3.6m
Committed revenues	£380m	£300m	£330m
Customer satisfaction score (scale zero to ten)	7.67	7.51	7.64

Total Group revenue was up £2.1m to £117.7m (2007: £115.6m). Education Resources showed significant growth, more than offsetting reductions in commodity hardware products and the effect of certain, non-BSF, strategic projects moving past their peak revenue phase.

Gross profit was up 6% to £33.1m (2007: £31.3m).

Operating costs (before amortisation of acquisition related intangible assets of £0.5m) were £33.6m (2007: £30.1m before amortisation of acquisition related intangible assets of £0.1m and exceptional pension credit of £3.5m). Recently acquired subsidiaries DACTA, SpaceKraft and SERAP had operating costs of £2.2m in the period (2007: £nil). Selling and distribution costs reflect a £1.4m increase in strategic project bid costs to a peak level of £3.0m expensed in H1 (2007: £1.6m).

Reflecting the increase in operating costs, loss from operations (before amortisation of acquisition related intangible assets) was £0.5m (2007: profit £1.2m). After investment income and income from our leasing operations, profit before tax (before amortisation of acquisition related intangible assets) was £0.6m (2007 on the same basis and before the exceptional pension credit of £3.5m: £2.2m).

Cash and cash equivalents at the end of the period stood at £13.8m (March 2007: £22.3m; September 2007: £29.3m), reflecting business seasonality – RM typically has less cash at the end of H1 than it has at the end of the full year. H1-2008 included the final part of the special pension payment (£1.5m) and there was also the acquisition of SpaceKraft in October 2007 for a net consideration of £4.5m.

Committed revenues (order book, deferred revenues and strategic projects at preferred or selected bidder stage) increased further to £380m (September 2007: £330m; March 2007: £300m).

The Board will increase the interim dividend by 6% to 1.26p per share (2007: 1.19p), reflecting continued confidence in the Group's progress. The dividend is payable on 4 July 2008 to shareholders on the register on 6 June 2008.

Customer satisfaction, our most important non-financial measure, increased again in the period to 7.67 (H1-2007: 7.51; FY-2007: 7.64; on a scale of 0 to 10). This is in line with our target score for the year which, if we achieve it, will mark the fifth consecutive year of increase. Maintaining high levels of customer satisfaction is key to successful, long-term project delivery; it's pleasing to report that the Group's excellent track record of delivery is continuing in our newer strategic projects.

Our activities

RM remains totally focused on education marketplaces, where we are active in four focus areas: Learning Technologies; Educational Resources and Curriculum Software; Assessment and Data Services; and Education Management Systems. Each of these areas is at a different stage of development, and each is progressing in line with our strategy.

UK

In the UK, our customers' budgets are secure for the medium term. Education remains a key public spending priority, with the March 2008 Budget confirming that total education spending would rise in real terms by 2.8% pa between 2007/08 and 2010/11. Nominal increases for 2009/10 and 2010/11 are 5.1% and 6.3% respectively. The Department for Children, Schools and Families (DCSF) is committed to major capital investment through BSF and the Primary Capital Programme, and has recently consulted on plans to accelerate the rollout of BSF.

International

Whilst RM has to date been principally a UK business, our international position has been growing rapidly. International sales in H1 were £7.8m (2007: £3.0m), with significant revenues from education resources, curriculum software and school management software.

With governments across the world seeking to develop their education systems to meet the needs of the 21st century, ICT is seen as both a key basic skill and an important educational delivery mechanism. The UK's reputation as an educational ICT leader means RM is well-positioned for international opportunities: in the English speaking countries where we are already active; in continental Europe, where DACTA transacts 75% of its business; and elsewhere.

Learning Technologies

Learning Technologies revenue was £81.6m (2007: £87.4m). This decrease is principally a result of: reductions in PC, 3rd party hardware products and broadband; the conclusion of the South Yorkshire e-Learning Programme project in 2007; and two projects (Glow and Classroom 2000) having particularly strong comparative periods a year ago.

Kaleidos, our highly sophisticated learning platform, has been well-received by secondary schools. Order intake exceeded plan during the period; however, because of slower than anticipated customer deployments, revenue in H1 was less than planned. Learning platforms are Software as a Service (SaaS) products and revenue will be recognised over several years; this, combined with start-up costs related to software development and hosting, made it an investment area for us in H1.

Glow, the national learning platform we have developed for schools in Scotland, is now in its roll-out phase. With over 120,000 pupils already registered, we believe it is the largest system of its kind in the World. We were very pleased that Laurie O'Donnell, Director of Learning and Teaching Scotland, the government agency responsible for educational ICT in Scotland, has been recognised by the US-based George Lucas Educational Foundation as one of its 'Global Six' educational pioneers for his work on Glow.

RM Community Connect 4, the latest version of the UK's most widely used school networking platform will ship in H2. This is later than anticipated and has reduced network shipments in H1. It is the most fully featured network system we have ever delivered and was well-received by network managers at a recent round of technical seminars. We anticipate strong market interest in H2.

Our PC product range continues to play a significant part in helping build our reputation as the UK's most innovative educational ICT supplier. Our low-energy ecoquiet range now includes entry-level and server products and we are on track to achieve our objective of introducing the UK's first sub-50 watt PC (including monitor). The RM Asus miniBook, which was introduced in October 2007, and which is now available in Microsoft Windows as well as Linux versions, has proved exceptionally popular and is very well-suited to the emerging market for one-per-pupil computers. More recently we were selected by HP as exclusive distributor for their education-focused HP Mini-Note computer, which demonstrates our position as the channel partner of choice for the UK education market.

BSF

The BSF solutions and managed ICT services we provide for our Local Authority partners draw on products and services from across the Group. The delivery of these solutions sits within our Learning Technologies focus area. BSF revenues in H1 were £2.1m (2007: £0.3m), with six projects now in the delivery phase. BSF bid costs expensed in the period were £2.5m (2007: £1.6m); we anticipate expensed bid costs for the full year will be c.£4.5m.

BSF is an enormous long-term opportunity for RM and continues to progress well. We have had strong success bidding for BSF projects, winning four of the eight awarded in the year so far. One of these projects, Newham, is valued at £53m over 11 years, making it the largest contract the Group has ever won. We are the market leading ICT supplier to the programme and have now been selected for ten projects – twice as many as our nearest competitor and in line with our market share target.

BSF success positions the Group well for winning associated business in the same Local Authority. Since the end of H1, we have been awarded a £7m contract extension in Leeds, where we were appointed as strategic ICT partner for BSF in May 2007. The service we are delivering to the Leeds' BSF schools will now be extended to four more recently built schools.

BSF delivery is going extremely well and a further eight schools are due to open in H2. Satisfied customers will be the ultimate driver of long-term BSF success and we are confident that customer satisfaction levels in our BSF projects will be in line with those for the Group as a whole. Our strong delivery performance is making us the 'in-demand' ICT supplier for Local Authorities and consortium partners alike.

Education Resources and Curriculum Software

Education Resources and Curriculum Software revenue was £26.1m (2007: £18.0m). General resources revenues more than doubled, reflecting first-time contributions from recent acquisitions SpaceKraft and DACTA as well as organic growth of 32%.

TTS is delivering the Tesco Sport for Schools and Clubs scheme, which has incurred costs in H1. Whilst the phasing of product shipments is proving to be more H2-weighted than anticipated, we expect the scheme to contribute in H2. Additional expenditure on people and processes at TTS, has allowed us to reduce lead times by 25%, whilst increasing transaction volume by 20%.

Since the end of H1, we have acquired a 25% stake in Inclusive Group Ltd, the UK market leader in Special Educational Needs (SEN) ICT and assistive technology. Our existing SEN activities, SpaceKraft and Special Direct, together with Inclusive, provide us with a strong focus in this area; something which is particularly important for BSF, where 150 schools in the first six waves are special schools.

Curriculum Software continues to be a tight market in the UK. As previously reported, we are concentrating on a small number of differentiated niches, which have international potential. Honeycomb, a Web 2.0 communication and collaboration environment, and Fuse, a content generation system, both come to market in H2 and have already received an enthusiastic response from potential customers. In Sonica ESL, which teaches English to North American Spanish speakers, we have also introduced our first software product specifically developed for the North American market.

Assessment and Data Services

Assessment and Data Services revenue was £7.1m (2007: £7.8m).

Our on-screen marking capability is now well-established. During the summer 2008 marking season, we will process over 50 million on-screen images for Cambridge Assessment, significantly more than in the same period last year. We have also started pilot work with both our first international customer and our first professional qualification awarding body. During H1 the Qualifications and Curriculum Authority selected RM as preferred bidder to provide outsourced marking services for pilots of the new Single Level Test, the proposed replacement for national end of Key Stage testing.

Our Data Services business secured new business worth more than £1.5m during the period: both of our contracts with Ofsted (Self-Evaluation Framework and RAISEonline) have been extended; and we have been selected by the Teacher Development Agency to provide a career management system which will track and monitor the progress of High Level Teaching Assistants. Our largest data project, NPD – AAT (National Pupil Database – Achievement and Attainment Tables) was successfully moved to a new technology platform during H1.

Education Management Systems

Education Management Systems revenue was £2.9m (2007: £2.4m).

Our Integris^{G2}, centrally-hosted, Web-deployed school management system is now in use in 22 UK Local Authorities; 300 new schools went live in H1 and more are scheduled for H2. Whilst a relatively small number of Local Authorities review their school MIS supplier each year, we have had a very high level of success selling the product when an Authority has tendered. Development of Integris^{G2} continues, with a secondary school version and school finances functionality due in the next twelve months.

In the Asia-Pacific region, over 3,500 schools use RM school management software and we are the market leader in Australia. The Western Australia education department renewed its contract with us to supply school management software during H1.

Bidding for the Ultranet project in Australia continued throughout H1, with total bid costs of approximately £0.5m; the customer is expected to make a decision in the near future. The Ultranet project is of a similar scale and sophistication to Glow in Scotland; whether or not RM is successful in this contract, our ability to bid for the project demonstrates the capability and international reputation that the Group now has.

Pensions

Last year we described a series of actions put in place to address the deficit in the Group's defined benefit pension scheme. In H1-2008 we paid the second and final part of the special pension payment (£1.5m) and we have continued to make a £1.7m pa additional cash contribution to the scheme. As a result of these actions, and because of market movements, the scheme has moved to a small surplus of £0.5m. The valuation of the scheme's liabilities is very sensitive to market movements and the scheme's financial position will continue to be volatile.

Risks

A statement of risks is included our most recent Annual Report.

Specific risks which affect H2-2008 are:

- Achieving widespread adoption of Community Connect 4, the new version of our network system. The product was enthusiastically received by our core network customer base at a recent series of technical seminars; we are already working with these customers to help them plan their migration. We also have a substantial sales and marketing programme in place designed to attract new customers during the year's peak buying season.
- Moving our new SaaS products (learning platforms and Integris^{G2}) towards profitability. Orders for these products are ahead of plan and we are working closely with customers to help them achieve successful deployment.
- Successfully achieving large-scale deployment of Glow. We are working closely with Learning and Teaching Scotland (the national body responsible for Glow) and individual Local Authorities and have already made good progress.

As is always the case with RM, the seasonal nature of our business, which results from schools scheduling major installations of ICT equipment during their summer vacation, means that a very large proportion of the year's profit occurs in H2. Achieving the result for the year requires a substantial amount of order intake in H2.

Board

Jo Connell joined the Board as a Non-Executive Director in December 2007, bringing with her enormous experience of the IT industry and, in particular, of large projects and outsourcing. Jo was Managing Director of Xansa until 2003 and has recently served as a Non-Executive Director for THUS plc and @UK plc. She is Chairman of the University of Hertfordshire.

People

With our business increasingly dependent on service delivery, rather than product shipments, it is the people across the Group who are responsible for our continued success. Our annual employee satisfaction survey will not provide results until H2; however, during the period we were pleased to be named both one of the UK's Top Employers and the UK's Top IT Employer by the Corporate Research Foundation. It's good to receive external validation that we are considered an excellent employer.

Looking ahead

As we always comment at this time of year, H1 is not a good indicator of results for the year as a whole. This year, with H1 seeing increased strategic project bid costs and some delays in new product and service areas, is no exception. Whilst there is more to do in the second half than originally anticipated, our expectations for the full year result remain unchanged.

By any measure, our BSF win rate has been excellent and has contributed to a record level of committed revenues. With up to four more BSF projects likely to reach selected bidder stage in H2, and a further 13 in the next financial year, BSF bidding remains a priority for the Group. We still anticipate that BSF will start to make a net contribution to the business in the year from FY-2010.

RM's business has been transformed over the last six years. We are now a business with significantly improved medium-term visibility, and where over three-quarters of revenues come from innovative, highly differentiated education products and services. Our customers are primarily in the public sector and have three-year budgets. It's a model that provides returns for our shareholders and educationally-useful products and services for our customers.

Condensed consolidated income statement

for the half-year ended 31 March 2008

£'000	Notes	Half-year ended 31 March 2008			Half-year ended 31 March 2007			Year ended 30 September 2007		
		Before amortisation of acquisition related intangible assets	Amortisation of acquisition related intangible assets	Total	Before amortisation of acquisition related intangible assets and exceptional pension credit	Amortisation of acquisition related intangible assets and exceptional pension credit	Total	Before amortisation of acquisition related intangible assets and exceptional pension credit	Amortisation of acquisition related intangible assets and exceptional pension credit	Total
Revenue		117,663	-	117,663	115,562	-	115,562	270,910	-	270,910
Cost of sales		(84,556)	-	(84,556)	(84,276)	-	(84,276)	(197,376)	-	(197,376)
Gross profit		33,107	-	33,107	31,286	-	31,286	73,534	-	73,534
Selling and distribution costs		(18,653)	-	(18,653)	(16,570)	-	(16,570)	(33,979)	-	(33,979)
Research and development expenses		(7,626)	-	(7,626)	(8,097)	-	(8,097)	(14,886)	-	(14,886)
Administrative expenses		(7,311)	-	(7,311)	(5,436)	-	(5,436)	(11,174)	-	(11,174)
Amortisation of acquisition related intangible assets		-	(450)	(450)	-	(119)	(119)	-	(580)	(580)
Exceptional pension credit	10	-	-	-	-	3,500	3,500	-	3,500	3,500
		(33,590)	(450)	(34,040)	(30,103)	3,381	(26,722)	(60,039)	2,920	(57,119)
(Loss)/profit from operations		(483)	(450)	(933)	1,183	3,381	4,564	13,495	2,920	16,415
Investment income		1,132	-	1,132	1,007	-	1,007	2,047	-	2,047
Finance costs		(15)	-	(15)	-	-	-	(27)	-	(27)
Profit before tax		634	(450)	184	2,190	3,381	5,571	15,515	2,920	18,435
Tax	4	(171)	131	(40)	(596)	(1,014)	(1,610)	(4,153)	(877)	(5,030)
Profit for the period attributable to equity holders of the parent		463	(319)	144	1,594	2,367	3,961	11,362	2,043	13,405
Earnings per ordinary share:	5									
Basic		0.5p	(0.3)p	0.2p	1.7p	2.6p	4.3p	12.4p	2.2p	14.6p
Diluted		0.5p	(0.3)p	0.2p	1.7p	2.6p	4.3p	12.3p	2.2p	14.5p
Paid and proposed dividend per share:	6									
Interim				1.26p			1.19p			1.19p
Final				-			-			4.30p

All activities relate to continuing operations.

Condensed consolidated statement of recognised income and expense
for the half-year ended 31 March 2008

£'000	Note	Half-year ended		Year ended
		31 March 2008	31 March 2007	30 September 2007
Exchange differences on translation of foreign operations		(30)	21	194
Actuarial gains on defined benefit pension scheme		948	3,200	7,565
Tax on items taken directly to equity		(234)	(913)	(2,096)
Net income recognised directly in equity		684	2,308	5,663
Profit for the period		144	3,961	13,405
Total recognised income and expense for the period attributable to equity holders of the parent		828	6,269	19,068

Condensed consolidated balance sheet

as at 31 March 2008

£'000	Notes	31 March 2008	Half-year ended 31 March 2007	Year ended 30 September 2007
Non-current assets				
Goodwill		27,803	22,450	24,626
Acquisition related intangible assets		4,016	1,001	3,267
Other intangible assets		2,346	2,140	2,395
Property, plant and equipment		20,115	22,119	21,125
Retirement benefit surplus	10	500	-	-
Deferred tax asset		1,503	5,076	2,739
		56,283	52,786	54,152
Current assets				
Inventories		13,499	9,446	13,701
Trade and other receivables	8	45,174	42,474	58,803
Tax asset		997	-	-
Cash and cash equivalents		13,838	22,323	29,321
		73,508	74,243	101,825
Non-current assets held for sale		-	1,094	-
Total assets		129,791	128,123	155,977
Current liabilities				
Trade and other payables	9	(67,219)	(68,796)	(86,006)
Tax liabilities		-	-	(1,221)
		(67,219)	(68,796)	(87,227)
Net current assets		6,289	5,447	14,598
Non-current liabilities				
Retirement benefit obligation	10	-	(8,950)	(3,269)
Deferred tax liabilities		(104)	(158)	(135)
Other payables		(4,879)	(3,681)	(5,182)
Provisions		(2,653)	(601)	(2,252)
		(7,636)	(13,390)	(10,838)
Total liabilities		(74,855)	(82,186)	(98,065)
Net assets		54,936	45,937	57,912
Equity attributable to equity holders of the parent				
Share capital		1,861	1,851	1,854
Share premium account		26,319	25,297	25,727
Own shares		(976)	(855)	(998)
Capital redemption reserve		94	94	94
Translation reserve		160	17	190
Retained earnings		27,478	19,533	31,045
Total equity		54,936	45,937	57,912

Condensed consolidated cash flow statement
for the half-year ended 31 March 2008

E'000	Notes	Half-year ended		Year ended
		31 March 2008	31 March 2007	30 September 2007
(Loss)/profit from operations		(933)	4,564	16,415
Adjustments for:				
(Gain)/loss on derivatives		(55)	120	55
Amortisation of acquisition related intangible assets		450	119	580
Amortisation of other intangible assets		466	520	1,010
Depreciation of property, plant and equipment		4,794	4,410	8,793
Gain on disposal of property, plant and equipment		(227)	(99)	(657)
Decrease in provisions		-	(136)	(195)
Share-based payment charge		357	545	1,038
Defined benefit pension cash contribution in excess of charge to profit		(1,008)	(531)	(1,573)
Exceptional pension credit		-	(3,500)	(3,500)
Operating cash flows before movements in working capital		3,844	6,012	21,966
Decrease/(increase) in inventories		932	1,369	(1,934)
Decrease/(increase) in receivables		14,422	8,395	(6,492)
(Decrease)/increase in payables		(20,588)	(12,390)	4,508
Cash (used)/generated by operations		(1,390)	3,386	18,048
Additional special defined benefit pension cash contribution	10	(1,500)	(2,000)	(2,000)
Tax paid		(1,571)	(1,729)	(3,470)
Income from sale of finance lease debt		393	397	688
Interest paid		(15)	-	(27)
Net cash (outflow)/inflow from operating activities		(4,083)	54	13,239
Investing activities				
Interest received		325	515	872
Proceeds on disposal of property, plant and equipment		367	518	2,004
Purchases of property, plant and equipment		(3,872)	(4,465)	(7,482)
Purchases of other intangible assets		(347)	(558)	(1,303)
Acquisition of subsidiaries, net of cash acquired		(3,008)	-	(2,767)
Net cash used in investing activities		(6,535)	(3,990)	(8,676)
Financing activities				
Dividends paid	6	(3,964)	(3,707)	(4,801)
Proceeds from share capital issue, net of share issue costs		327	927	1,280
Repayment of borrowings assumed in acquisitions		(491)	-	-
Purchase of own shares		(527)	(416)	(559)
Repayment of loan notes and deferred consideration		(246)	(642)	(1,316)
Net cash used in financing activities		(4,901)	(3,838)	(5,396)
Net decrease in cash and cash equivalents		(15,519)	(7,774)	(833)
Cash and cash equivalents at the beginning of period		29,321	30,092	30,092
Effect of foreign exchange rate changes		36	5	62
Cash and cash equivalents at the end of period	7	13,838	22,323	29,321

Notes to the condensed interim financial statements

1. General information

RM plc is a company incorporated in the United Kingdom. The unaudited condensed consolidated interim financial statements as at 31 March 2008 and for the six months then ended comprise those of the Company and its subsidiaries (together the Group).

The information for the year ended 30 September 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

Income statement presentation

The income statement for the half-year ended 31 March 2008 has been presented in three columns. This presentation is intended to give a better guide to business performance by separately identifying the amortisation charge relating to acquisition related intangible assets and, for comparator results, the exceptional pension credit. The columns extend down the income statement to allow the tax and earnings per share impacts of these transactions to be understood.

2. Accounting policies

The annual financial statements of RM plc are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed set of financial statements included within this interim report has been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting, as required by the UK Listing Authority's December 2006 Disclosure and Transparency Rules.

The accounting policies applied by the Group in the condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 30 September 2007, except for a change in a disclosure standard described below.

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2007.

Change in accounting policy

In the current financial year, the Group has adopted IFRS 7 Financial Instruments: Disclosures. This is a disclosure standard and does not affect the presented financial position or performance of the Group, but will enhance year-end disclosure, previously supplied in compliance with IAS 32 Financial Instruments: Disclosure and Presentation. The standard introduces new disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. Full details of the change will be disclosed in the Annual Report and Accounts for the year ending 30 September 2008.

3. Business segments

The Group operates in one primary segment, being the supply of products and services to education.

The Group operates primarily in the UK, with no other geographical segment being material for disclosure.

4. Tax

Corporation tax for the interim period is charged at the expected effective tax rate for the full financial year, based upon profit before acquisition related intangible asset amortisation and the 2007 exceptional pension credit and incorporates both current and deferred taxation:

£'000	Half-year ended			Half-year ended			Year ended		
	Before amortisation of acquisition related intangible assets	Amortisation of acquisition related intangible assets	31 March 2008 Total	Before amortisation of acquisition related intangible assets and exceptional pension credit	Amortisation of acquisition related intangible assets and exceptional pension credit	31 March 2007 Total	Before amortisation of acquisition related intangible assets and exceptional pension credit	Amortisation of acquisition related intangible assets and exceptional pension credit	30 September 2007 Total
Profit/(loss) before tax	634	(450)	184	2,190	3,381	5,571	15,515	2,920	18,435
Tax charge	171	(131)	40	596	1,014	1,610	4,153	877	5,030
Effective rate	27.0%	29.0%	21.7%	27.2%	30.0%	28.9%	26.8%	30.0%	27.3%

5. Earnings per ordinary share

The calculation of the basic and diluted earnings per ordinary share is shown below. As explained in note 1, adjusted diluted earnings per share have also been presented which remove the impact of the 2007 exceptional pension credit and also amortisation of acquisition related intangible assets.

	Half-year ended 31 March 2008			Half-year ended 31 March 2007			Year ended 30 September 2007		
	Profit after tax £'000	Weighted average number of shares '000	Pence per share	Profit after tax £'000	Weighted average number of shares '000	Pence per share	Profit after tax £'000	Weighted average number of shares '000	Pence per share
Basic earnings per ordinary share	144	92,300	0.2	3,961	91,747	4.3	13,405	91,780	14.6
Effect of dilutive potential ordinary shares: share options	-	498	-	-	518	-	-	505	(0.1)
Diluted earnings per ordinary share	144	92,798	0.2	3,961	92,265	4.3	13,405	92,285	14.5
Effect of amortisation of acquisition related intangible assets and exceptional pension credit	319	-	0.3	(2,367)	-	(2.6)	(2,043)	-	(2.2)
Diluted earnings per ordinary share adjusted for amortisation of acquisition related intangible assets and exceptional pension credit	463	92,798	0.5	1,594	92,265	1.7	11,362	92,285	12.3

6. Dividends

Amounts recognised as distributions to equity holders in the period:

£'000	31 March 2008	Half-year ended 31 March 2007	Year ended 30 September 2007
Final dividend for the year ended 30 September 2007 of 4.30p (2006: 4.05p) per share	3,964	3,688	3,688
Interim dividend for the year ended 30 September 2007 of 1.19p per share	-	-	1,113
	3,964	3,688	4,801

The proposed interim dividend of 1.26p per share was approved by the Board on 9 May 2008. The expected cost of £1,164,000 has not been included as a liability at 31 March 2008.

7. Notes to the cash flow statement

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

Net funds

£'000	Year ended 30 September 2007	Cash flow	Non-cash movements	Half-year ended 31 March 2008
Cash and cash equivalents	29,321	(15,519)	36	13,838
Loan notes	(246)	246	(1,032)	(1,032)
Net funds	29,075	(15,273)	(996)	12,806
Issuable loan notes	(1,710)	-	(361)	(2,071)
	27,365	(15,273)	(1,357)	10,735

8. Trade and other receivables

£'000		Half-year ended	Year ended
	31 March	31 March	30 September
Current	2008	2007	2007
Trade receivables	33,083	33,646	47,943
Long-term contract balances	7,120	1,655	6,079
Other receivables	488	494	432
Prepayments and accrued income	4,483	6,679	4,349
	45,174	42,474	58,803

9. Trade and other payables

£'000		Half-year ended	Year ended
	31 March	31 March	30 September
Current	2008	2007	2007
Trade payables	16,572	15,249	26,520
Other taxation and social security	7,612	5,450	11,046
Other payables – deferred consideration	-	61	-
Other payables - other	674	6,053	793
Accruals	20,695	21,535	24,873
Deferred income	21,031	19,564	22,528
Loan notes	635	884	246
	67,219	68,796	86,006

10. Defined benefit pension scheme

In the half-years ended 31 March 2008 and 2007 the financial position of the Group's defined benefit pension scheme has been rolled forward from the respective prior year end. The roll forward includes actual investment returns for the periods; market derived discount rates on liabilities; and market derived inflation assumptions. Mortality assumptions have not been updated at the half-years. At 31 March 2008, as a consequence of current conditions in the credit market, the market derived discount rate, given by the iBoxx £ Corporates AA 15+ index yield, was 6.9% (5.8% at 30 September 2007 and 5.4% at 31 March 2007). As required by IAS 19 Employee Benefits, management has considered whether the rate at 31 March 2008 contains a significant risk premium and has consequently adjusted it down to 6.4%. Each 0.1% reduction in the discount rate increases liabilities by approximately £1.6m.

The latest triennial valuation of the scheme took place as at 31 May 2006 and was used as a basis for the above IAS 19 valuations. Except for the introduction of the pensionable salary cap in January 2007, which was described in detail in the Report and Accounts for 2007, there have not been any significant one-time events since that time which would require adjustment to the valuation.

In October 2007 the Group paid a special contribution of £1.5m into the pension scheme, being the second and final element of a £3.5m special contribution agreed when the 2007 pensionable salary cap was implemented. This contribution is in addition to the Group's current service contributions and £1.7m per annum deficit catch up payments agreed with the scheme's trustees in 2006. The 2007 implementation of a 5% per annum pensionable salary cap gave rise to the exceptional £3.5m credit in the comparative periods.

The above actions and updating to reflect current market conditions as described has resulted in the elimination of the deficit in the scheme and the related deferred tax asset. A small surplus of £0.5m (September 2007 deficit £3.3m) has been recognised. Had the market derived discount rate not been adjusted from 6.9% the surplus would rise to £8.5m.

11. Acquisition of subsidiaries and business combinations

Space Kraft

On 1 October 2007, the Group acquired 100 per cent of the issued share capital of Space Kraft Limited and Space Kraft (International) Limited (together Space Kraft) for an initial cash consideration of £3.0m and issuable loan notes estimated at £1.0m. Space Kraft is a distributor of special educational needs resources. This transaction has been accounted for by the purchase method of accounting.

£'000	Book value	Provisional fair value adjustments	Provisional fair value
Net assets acquired:			
Acquisition related intangible assets	-	1,409	1,409
Property, plant and equipment	114		114
Inventory	1,182	(500)	682
Trade and other receivables	688		688
Trade and other payables	(679)		(679)
Bank loans and overdrafts	(491)		(491)
Deferred tax asset/(liability)	30	(394)	(364)
Other non-current payables	(57)		(57)
	787	515	1,302
Goodwill			2,738
Total consideration			4,040
Satisfied by:			
Initial cash consideration			3,000
Estimated loan note consideration			1,032
Directly attributable costs			8
			4,040

Net cash outflow arising on acquisition:

£'000

Initial cash consideration	3,000
Acquisition costs	8
	3,008

The goodwill arising is attributable to the anticipated future profit from the acquired business operating as part of the Group. Fair value adjustments have been recognised for acquisition related intangible assets and related deferred tax and an inventory provision. Acquisition related intangibles assets relate to the valuation of brands and customer relationships purchased and are being amortised over twenty years. An inventory provision has been made for obsolete and slow moving inventory and brings the accounting policies of Space Kraft in line with those of the Group.

Space Kraft contributed £2.5m revenue and £0.1m to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

Prior year acquisitions

In 2007 the Group acquired DACTA Limited. An amendment of £0.4m has been made to the deferred consideration arising on the acquisition, following upward re-estimation of the amount payable and is reflected as an increase in goodwill arising.

Post period end

On 4 April 2008 the Group made a 25% investment in Inclusive Group Limited. Further details are given in note 13 - Events after the balance sheet date.

12. Reconciliation of shareholders' equity

£'000	Half-year ended		Year ended
	2008	31 March 2007	30 September 2007
Equity brought forward	57,912	42,275	42,275
Profit for the period	144	3,961	13,405
Exchange differences on translation of foreign operations	(30)	21	194
Actuarial gains on retirement benefit scheme	948	3,200	7,565
Tax charge on items taken directly to equity	(234)	(913)	(2,096)
Share-based payment transactions	357	545	1,038
Dividends paid	(3,964)	(3,688)	(4,801)
Other reserve movements	(197)	536	332
Equity carried forward	54,936	45,937	57,912

13. Events after the balance sheet date

On 4 April 2008 the Group acquired 25% of the share capital of Inclusive Group Limited for a consideration of £1.0m. Under the terms of the purchase the Group has the right to appoint one director onto the board of Inclusive Group Limited and coupled with its shareholding has determined that this investment will be accounted for as an associated undertaking. Given the elapsed time it has not been practicable to obtain and perform a fair value exercise on the consideration or net assets acquired and these will be produced for the Group's 30 September 2008 annual financial statements.

14. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There have been no other related party transactions in the period.

Responsibility statement

We confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 - Interim Financial Reporting;
- b) the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7R - indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year; and
- c) the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.8R - disclosure of related parties' transactions and changes therein.

By order of the Board,

Tim Pearson
Chief Executive Officer

Mike Greig
Group Finance Director

12 May 2008

Independent review report to RM plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2008 which comprises the condensed consolidated income statement, condensed consolidated statement of recognised income and expense, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP

Chartered Accountants
Reading, United Kingdom
12 May 2008

This document has been made available as a .pdf download from RM's investor relations Web site (www.rm.com/investors). If you have obtained this document as a download, please note the following.

Neither an audit nor a review provides assurance on the maintenance and integrity of the Web site, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions