RM™
Education

Inspiring
Engaging
Learning

RM plc
Six months to 31 March 2011

Terry Sweeney, CEO
Iain McIntosh, CFO

Agenda

Headlines
Strategy
Financial review
Operating review

- Learning Technologies
- Education Resources
- Assessment and Data

Looking ahead
Questions

Headlines

Inspiring engaging learning

Headlines

Continuing to execute our strategy

- Challenging market conditions in UK and US
- Decline in revenue, as previously anticipated
- Continue to attract new business and win major long-term contracts
- Committed revenues up 12% to £436m at March 2011 (March 2010: £390m)
- Modest first half loss after £1.8m restructuring charges. Costs reduced by an annualised £5m
- Net funds less deferred consideration at March 2011: £7.3m (March 2010 £(1.5)m)
- Interim dividend per share up for 8th successive year by 6% to 1.47p

Headlines

Key financials

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

*Adjusted profit / (loss) and EPS are before amortisation of acquisition related intangible assets for 6 months to March 2010 and March 2011 and for the year to September 2010, before amortisation of acquisition related intangible assets, exceptional charges and exceptional pension credit.

UK market landscape

Government policy changes

Spending Review

- 0.1% pa real terms increase in English maintained school spend
- Introduction of the Pupil Premium
- Substantial cut in capital budgets

Schools White Paper

- Dedicated Schools Grant – single stream funding
- Introduction of the English Baccalaureate
- Emphasis on school-level performance and accountability

Academies Bill

- Role of local authorities reduced
- Intention for Academies to become 'the norm' for schools
- Introduction of 'Free Schools'

James Review

- Future investment expected, recommends centralisation and standardisation – awaiting government response

US market landscape

- The market remains very challenging due to budgetary constraints
- Stimulus funding ends November 2011
- US interactive whiteboard market decreased 16% YoY in the last 3 months to December 2010*
- 35% of classrooms currently have interactive whiteboards (75% for UK)
- Commitment to educational technology remains; UK capability well-regarded

*Source: Futuresource 2011

Our business

Total focus on education

Customer	Assessment and Data	Learning Technologies	Education Resources
Awarding bodies	E-marking E-testing		
National Governments	Data collection, analysis, reporting	Learning platforms	Online learning environments
Local Authorities / Districts. Academy Groups	Data collection and reporting	Learning platforms Managed services Internet and broadband services Network management	
Schools and other education institutions	Data analysis and reporting	Classroom technology (e.g. PCs, slate, audio visual equipment) Network management MIS	Educational software (e.g. EasiTeach), furniture, Special needs resources, classroom resources
Classroom teachers and department heads		Classroom technology (e.g. PCs, slate, audio visual equipment)	Educational software, furniture, classroom resources (e.g. Toughcam)

Major area of focus

Cloud-based solutions

Our business strategy

Total Focus on Education
- UK brand leadership

Diversification across Education
- Resilient to policy change
- Broad offering and customer base

Innovation
- World leading assessment platforms
- Cloud-based enterprise solutions
- Teacher-led innovation

Operational Efficiency
- Rigorous focus on margin and cash
- Allocate resource to greatest opportunity

International Growth
- Direct sales for assessment and enterprise solutions
- OEM / reseller strategy for Education Resources

Our strengths

UK market position

- In England, over 80% of primary schools and 40% of secondary bought from RM Group in the last 12 months
- Leading provider of E-marking services to UK examination awarding bodies

Financially secure

- £7.3m net funds less deferred consideration
- £53m banking facilities

International opportunities

- Global education market growing
- RM Group products sold in more than 50 countries

Forward visibility

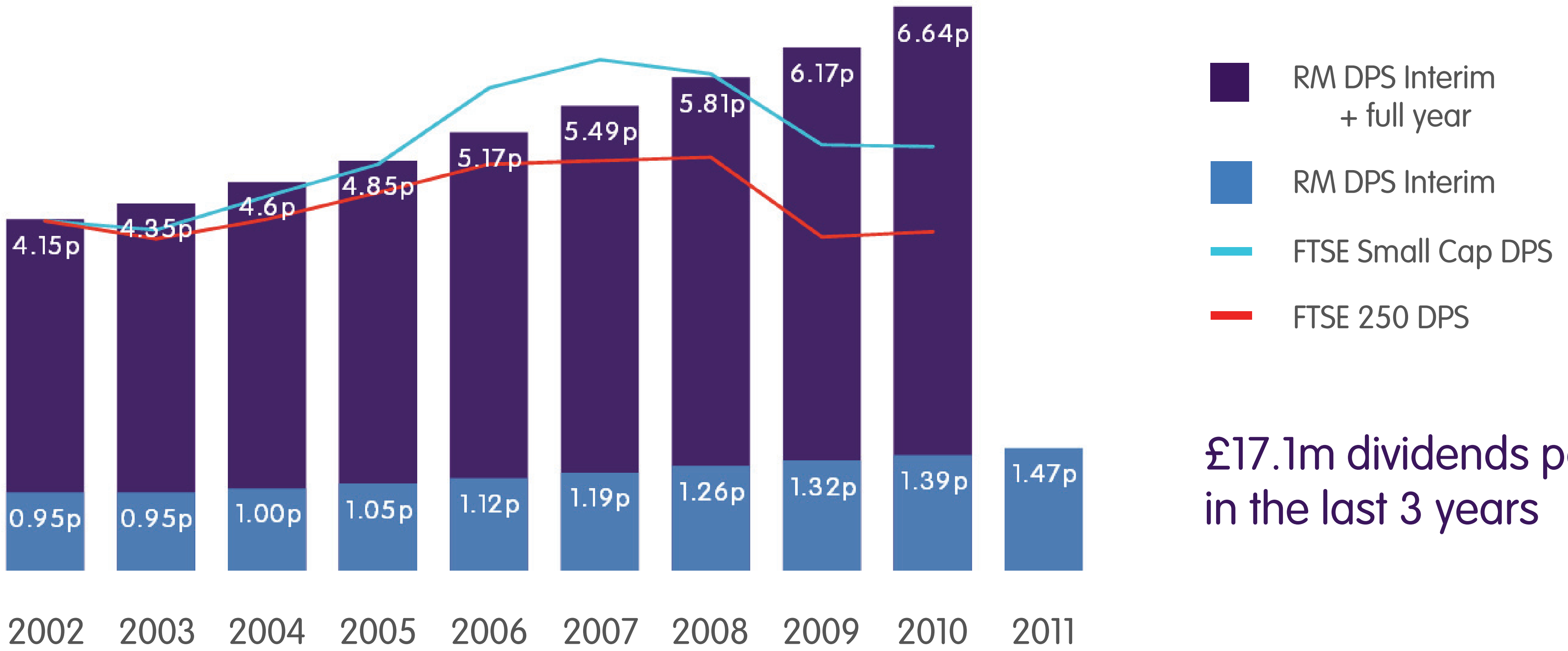
- £436m forward order book: 12% increase on March 2010 (£390m)

Shareholder return

Uninterrupted full-year dividend growth since 2002

Dividend

RM 3 full-year compound annual growth rate: 7%

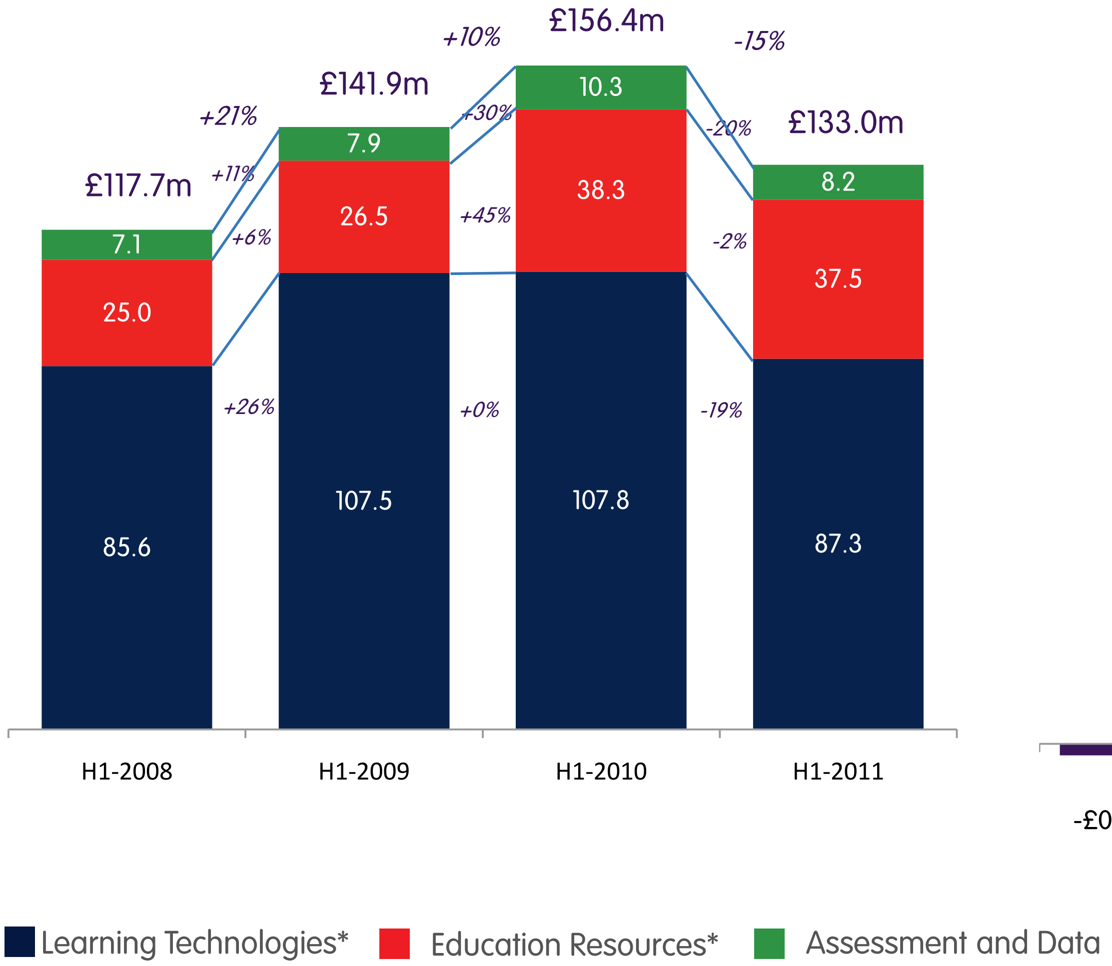


£17.1m dividends paid in the last 3 years

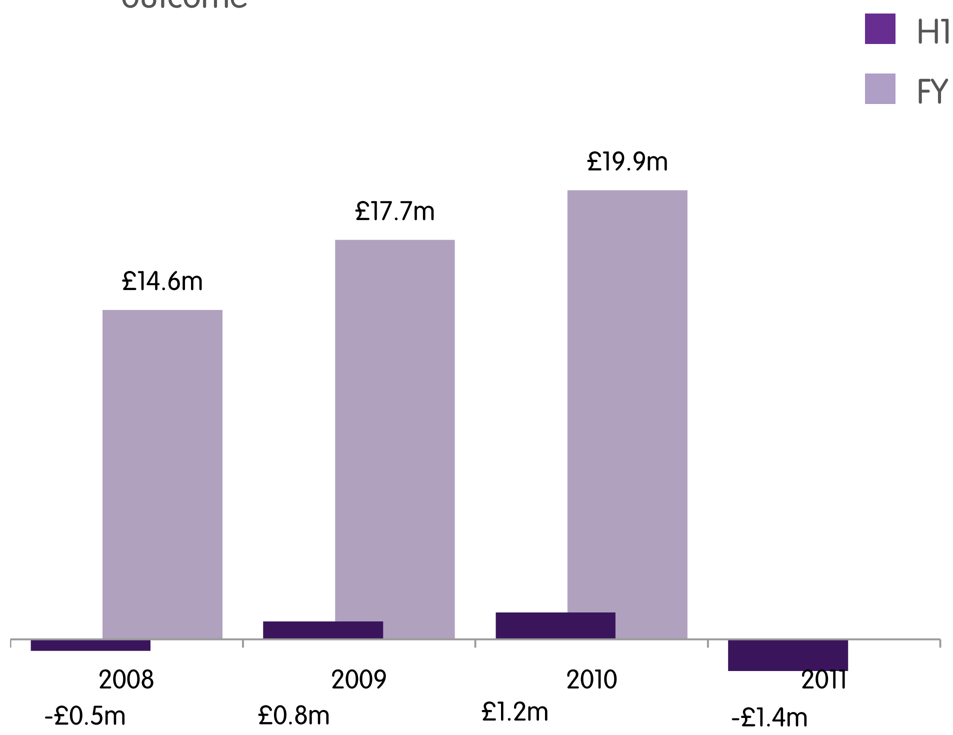
Financial Review

Inspiring engaging learning

Group revenue and profit



Interim profitability is not a good indicator of full-year outcome



Revenue*

Adjusted operating profit

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

Income statement

	Six months to 31 March				Year to 30 Sep
	2010	**2011**	**2011**	**2011**	2010
£m	Adjusted	Adjusted	Adjustments*	Total	Adjusted
Revenue	156.4	**133.0**	-	133.0	380.1
Gross profit	41.9	**38.3**	-	38.3	99.7
Gross profit %	*26.8%*	***28.8%***	-	*28.8%*	*26.2%*
Operating expenses	(40.7)	(39.7)	(0.4)	(40.1)	(79.8)
Profit / (loss) from operations	1.2	**(1.4)**	(0.4)	(1.8)	19.9
Profit / (loss) from operations %	*0.8%*	***(1.1%)***	-	*(1.4%)*	*5.2%*
Investment income less finance costs	-	(0.0)	-	(0.0)	(0.3)
Profit / (loss) before tax	1.2	**(1.4)**	(0.4)	(1.8)	19.6
Tax	(0.3)	0.4	0.1	0.5	(4.6)
Tax rate	*26.0%*	*25.0%*	*35.6%*	*27.5%*	*23.4%*
Profit / (loss) for the period	0.9	**(1.0)**	(0.3)	(1.3)	15.0
Earnings per ordinary share	1.0p	**(1.1)p**	(0.3)p	(1.4)p	16.3p
Dividend per share	1.39p	**1.47p**	-	1.47p	6.64p

*amortisation of acquisition related intangible assets

Income statement

Difference year-on-year

£'000	Six months to March		*Difference*
	2010	**2011**	
Adjusted operating profit / (loss)	**1,205**	**(1,365)**	*(2,570)*
Add back: restructuring costs	801	1,788	987
	2,006	**423**	*(1,583)*
Add back: Share-based payment charges	528	1,235	707
Adjusted operating profit before restructuring costs and share based payments charges	**2,534**	**1,658**	*(876)*

Operational efficiency

Off-shoring

- Services now carried out in India:
  - Software development
  - Internal IT support
  - Online customer support
  - Primary schools accounts receivable
  - Headcount up 41% to 465 at 31 March 2011 (2010: 329)
  - Expansion in seats in 2011 to c.685

Restructuring

- Incurred restructuring costs of £1.8m
- Annualised reduction in net costs of over £5m

Cash flow summary

£m	Six months to March	
	2010	2011
Profit / (loss) from operations	0.4	(1.8)
Amortisation	1.4	0.9
Depreciation	3.9	3.5
Share-based payments	0.5	1.2
Other adjustments	(0.6)	1.2
Operating cash flows before movements in working capital	**5.6**	**5.0**
(Increase) / decrease in inventories	(2.0)	1.5
Decrease in receivables	15.0	31.9
Decrease in payables	(7.3)	(20.5)
Cash generated by operations	**11.3**	**17.9**
Defined benefit pension contribution in excess of current service cost	(0.9)	(0.8)
Tax paid	(2.0)	(1.2)
Net capital expenditure less proceeds on disposal	(4.0)	(2.6)
Dividends paid	(4.5)	(4.8)
Purchase of own shares	(0.7)	(0.2)
Other	0.1	(2.0)
Net (decrease) / increase in cash and cash equivalents	**(0.7)**	**6.3**

Balance sheet

£m	Six months to March 2010	2011	Year to 30 Sep 2010
Goodwill and acquisition intangibles	38.5	37.6	37.9
Property, plant & equipment and software intangibles	23.7	22.8	24.2
Interest in associates	1.0	1.1	1.0
Other receivables	-	1.9	-
Deferred tax assets	6.6	3.6	4.9
Total non current assets	**69.8**	**67.0**	**68.0**
Inventories	21.9	23.5	25.1
Trade & other receivables	71.6	65.9	97.8
Tax asset	0.2	0.9	0.9
Cash & cash equivalents	12.7	20.2	13.8
Total current assets	**106.4**	**110.5**	**137.6**
Total assets	**176.2**	**177.5**	**205.6**
Current liabilities	(91.6)	(87.7)	(109.0)
Retirement benefit obligation	(15.7)	(7.4)	(12.4)
Other non-current liabilities	(14.2)	(17.9)	(18.1)
Total liabilities	**(121.5)**	**(113.0)**	**(139.5)**
Net assets	**54.7**	**64.5**	**66.1**
Total equity	**54.7**	**64.5**	**66.1**

Cash positive

- Net funds less deferred consideration £7.3m (2010: £(1.5)m)

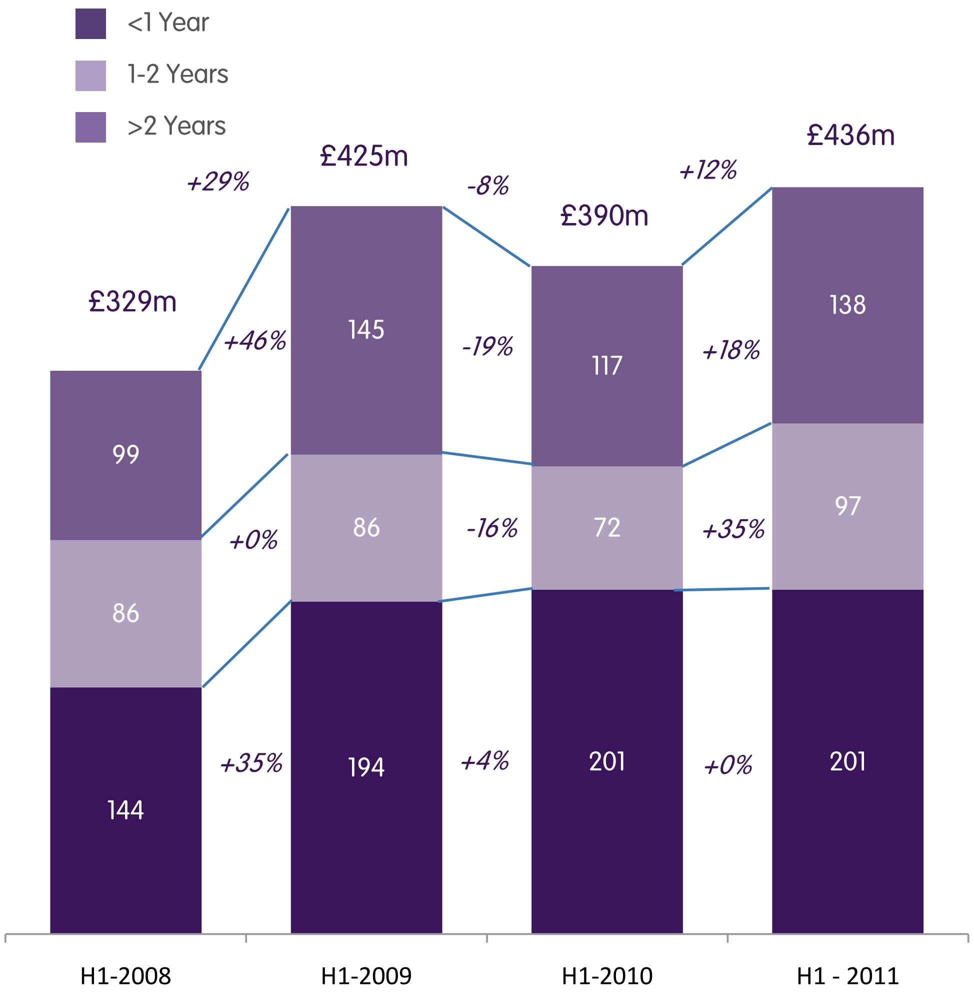
Bank facilities

- £25m facility with HSBC committed to July 2013. £12.2m drawn down at 31 March 2011.
- Annual working capital facilities of £28m

Defined benefit pension scheme deficit reduced

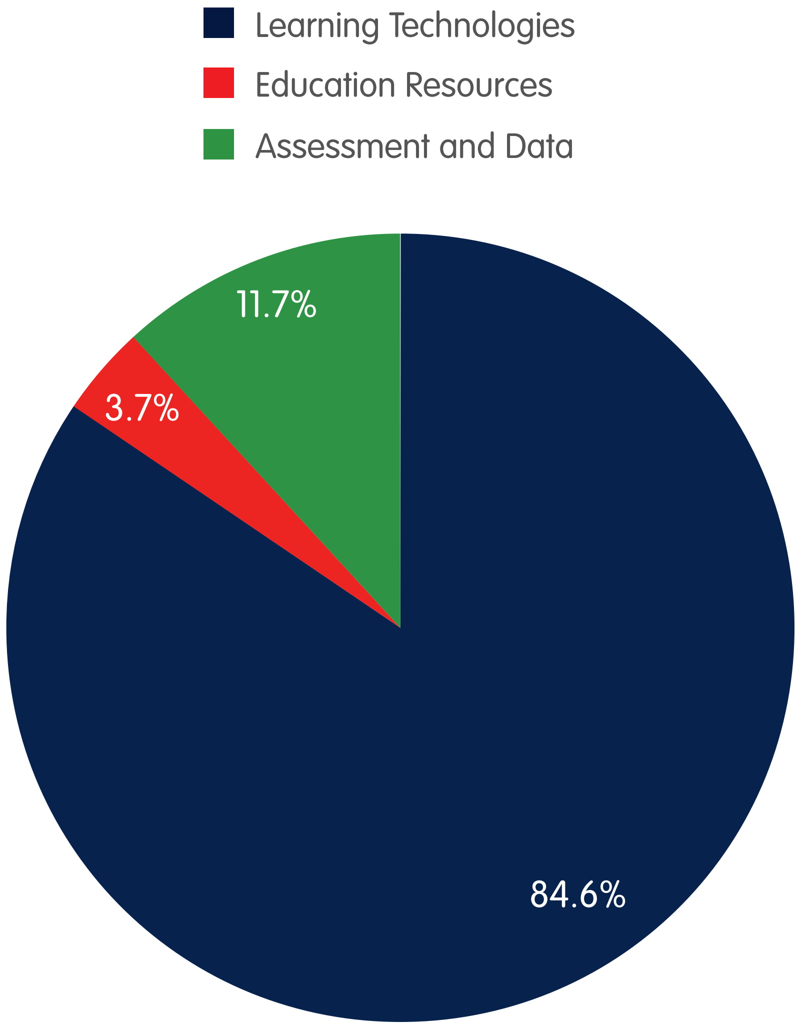
- Reduced primarily due to move from RPI to CPI for a component of scheme liabilities

Revenue visibility



Committed revenue

Order book, deferred income, contracts at preferred bidder, or equivalent



Committed revenue by division at 31 March 2011: £436m

Change of year-end

Financial period of fourteen months to November 2011

- Rationale
  - Separates planning from busiest operational period
  - Separates close of financial year from busiest operational period
  - November aligns with business planning and operational cycles
    …and avoids calendar year-end crowding

- Reporting timeline
  - Annual 2011: 14 months to November 2011 announced February 2012
    Comparators: 12 months to September 2010; *pro-forma* 12 months to September 2011 and 12 months to November 2011 and November 2010
    IMS: October 2011
  - Interim 2012: 6 months to May 2012 announced July 2012
    Comparators: 6 months to March 2011; *pro-forma* 6 months to May 2011
    IMS: April 2012
  - Annual 2012: 12 months to November 2012 announced February 2013
    Comparators: 14 months to November 2011; *pro-forma* 12 months to November 2011
    IMS: October 2012

Operating review

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Learning Technologies

Update

UK

Responding to market conditions:

- Continuing to innovate e.g. RM Learning Platform 11.01
- More for less e.g. Broadband services
- Cost base adjustment

Good project win rate:

- £80m long-term contract wins and renewals
- 35% market share in new build Academies

US

- Significant expected reductions in Cobb County revenues
- New sales disappointing
- Restructuring and new hires

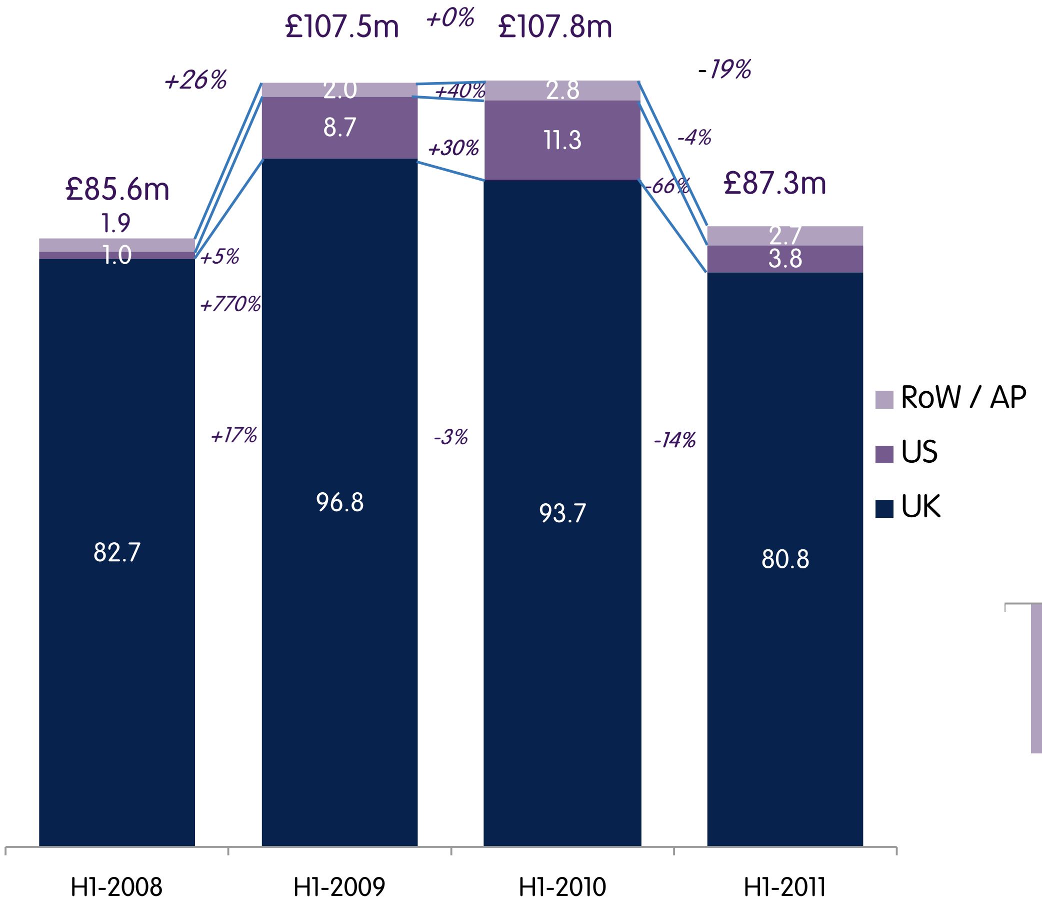
UK long-term contract wins H1-2011

Customer	Activity	Term	Value	Award Date
Dudley	Managed service	10 years	£30m	Mar-11
Newham	BSF	9 years	£7.9m	Mar-11
Hertfordshire	BSF	5 years	£3.1m	Jan-11
Camden	BSF	5 years	£6m	Dec-10
Ealing	BSF	5 years	£5m	Dec-10
Derby City	BSF	5 years	£4.6m	Dec-10
Surrey	Broadband services	3 years	£9.4m	Nov-10
Hackney	BSF	5 years	£6m	Nov-10
Barking and Dagenham	BSF	5 years	£4.5m	Nov-10
Islington	BSF	5 years	£3.7m	Nov-10

One Free School and six new build Academy contract wins totalling £10m in H1-2011

Learning Technologies

Financial performance



Revenue*

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Adjusted operating profit

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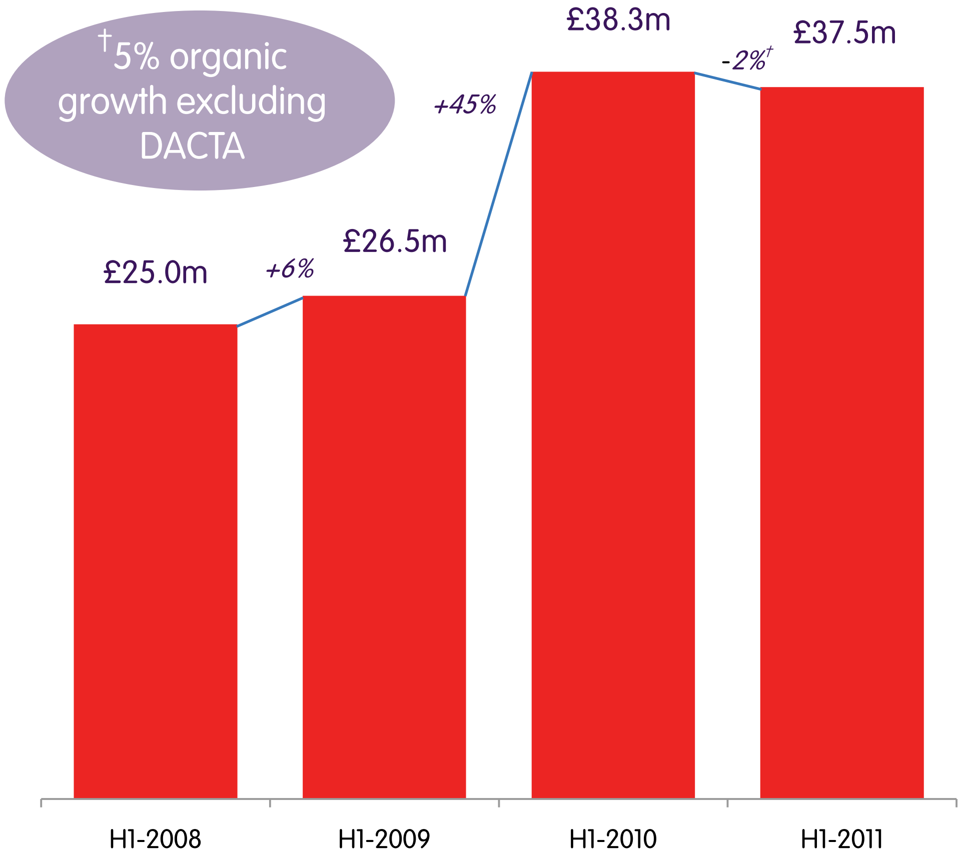
Education Resources

Update

- 5% like-for-like organic growth excluding DACTA
- TTS continue excellent growth, both UK and export, revenues up 16% on last year
- TTS launched more than 2,800 new products, over 350 developed in-house
- LEGO® Education Europe; RM joint venture with LEGO® successfully launched 1 Jan 2011
- UK curriculum software market challenging
- EasiTeach Next Generation: 7 new regional OEM contracts in the period
- Future earnings growth opportunities:
  - market share gain
  - range expansion / product innovation
  - building global channels

Education Resources

Financial performance



Revenue*

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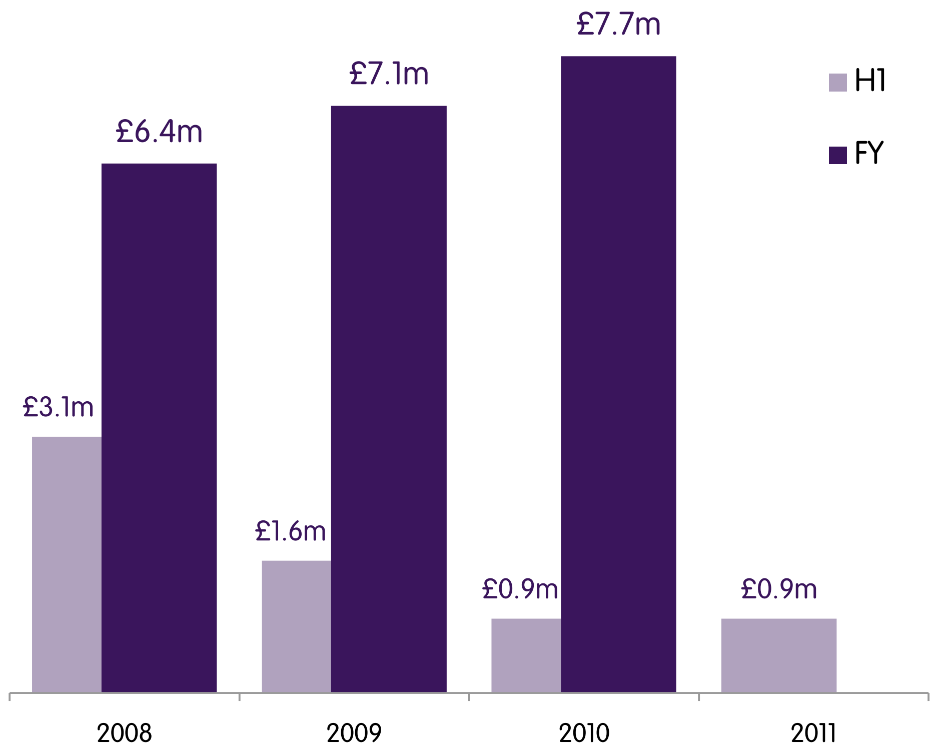


Adjusted operating profit

Assessment and Data

Update

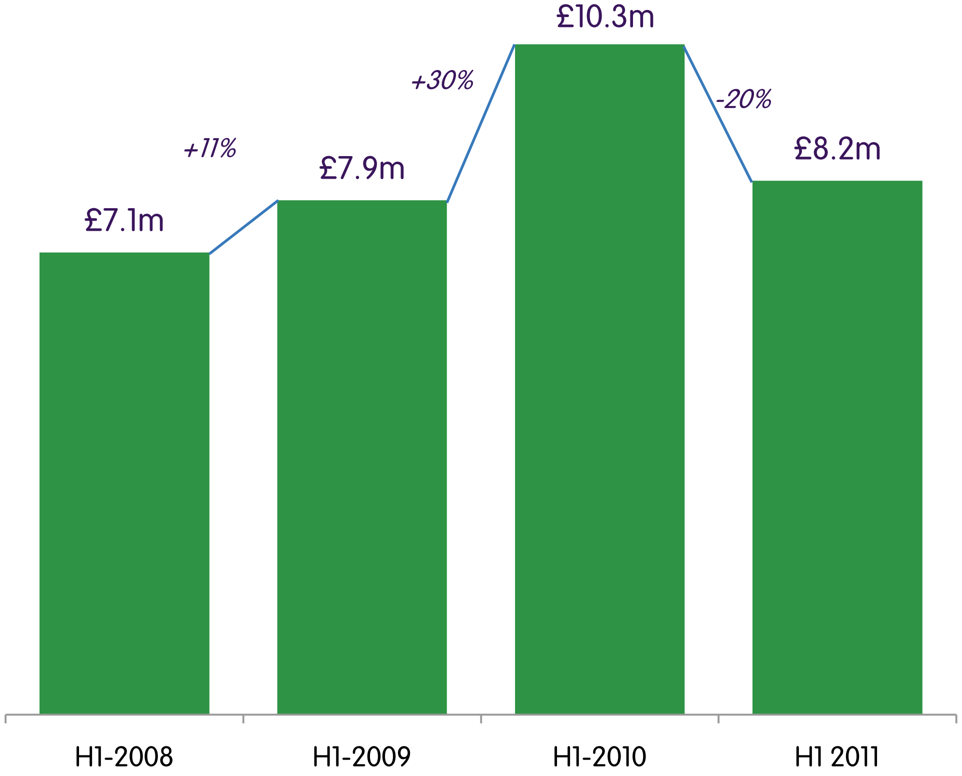
- 76% growth in long-term committed revenues to £51m (2010: £29m)

E-Marking wins	Scottish Qualifications Authority
	MeritTrac (India)
Renewals	Cambridge Assessment Six year E-marking contract extension
	International Baccalaureate extension to 2020 (£7.0m)
Data Services	NPDAAT & DFE English National Pupil database and Performance Tables contracts renewed for two years

- First half revenue decline due to a decrease in contract change requests in both Assessment and Data
- Long-term growth opportunities in education data services in England
- Active international pipeline
- Opportunities for earnings growth through new customer acquisition (UK and international) and growth in services to existing customers

Assessment and Data

Financial performance



Revenue

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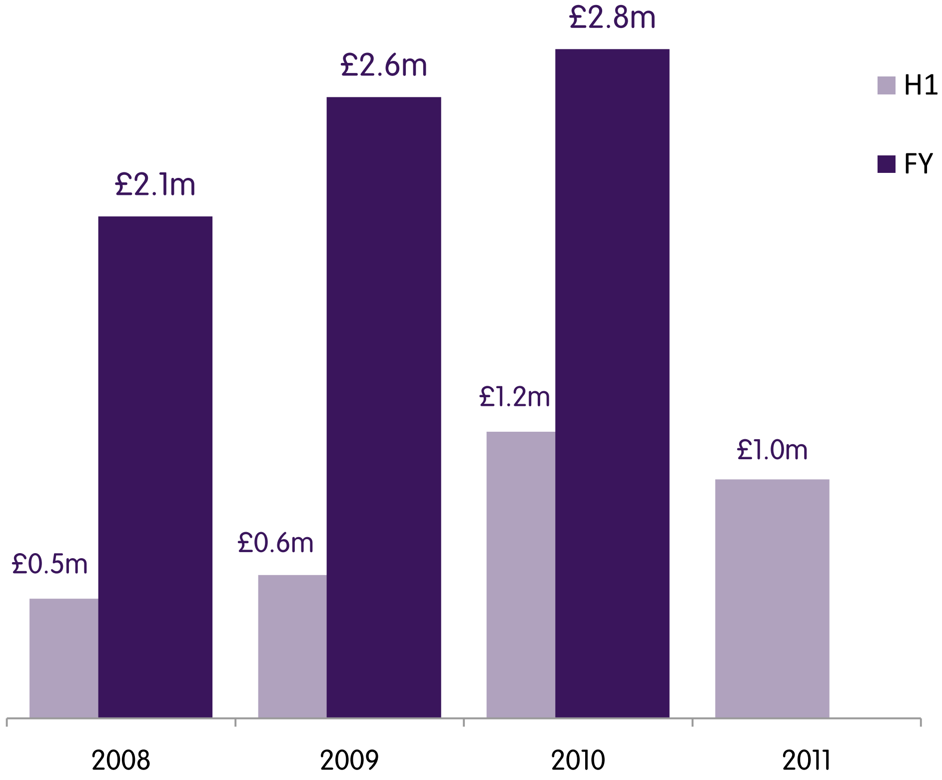

Adjusted operating profit

Looking ahead

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Outlook

Highly seasonal business

Focus on operational delivery in H2-2011

Challenging market conditions in UK and US

Rigorous cost base management

- Early action to adjust cost base in H1-2011
- Protecting Group profitability

Continued operating margin improvement

Questions

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Thank you for listening.

For further information, or a copy of this presentation,
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