

RM plc

Unaudited Preliminary Results for the year ended 30 November 2020**Resilient performance as trading recovered through H2 following COVID-19 impact**

RM plc ("RM"), a leading supplier of technology and resources to the education sector, reports its final results for the year ended 30 November 2020.

Highlights

- Financial performance materially impacted by COVID-19 with school closures and exam cancellations globally – revenue down by 16%
- Trading improved progressively through H2 as education establishments reopened
- Focus on cash and costs enabled a robust financial position with net debt reducing to £1m (2019: £15m)
- Short term outlook remains uncertain following further restrictions and exam cancellations
- Confidence in medium term outlook supports proposed final dividend at 3.00 pps
- Digital and automation investment programmes fully restarted with longer term operational and financial benefits
- Well positioned to capitalise on longer term market trends in education

£M	2020	2019	Variance
Revenue	189.0	223.8	-16%
Adjusted* operating profit	14.4	27.6	-48%
Adjusted* operating profit margin	7.6%	12.4%	-4.8pp
Adjusted* profit before tax	13.4	26.6	-50%
Statutory profit after tax	8.4	19.1	-56%
Adjusted* diluted EPS	13.0p	26.4p	-51%
Diluted EPS	10.1p	23.0p	-56%
Proposed dividend per share	3.00p	2.00p	+50%
Net debt	1.3	15.0	
Pension deficit	18.7	6.0	

* Adjusted operating profit is before the amortisation of acquisition related intangible assets; gains on sale of property and investment assets; restructuring costs; exceptional inventory and impairment adjustments; GMP pension equalisation costs on defined benefit schemes and acquisition related costs.

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

"2020 was a year in which RM showed good resilience and I'd like to pay tribute to our people and our customers who showed real innovation and ingenuity through testing times.

In the first half of 2021 we expect some uncertainty to continue with school closures and the cancellation of UK exams. However, the actions taken over the last year put us in a stronger financial and operational position to meet these challenges.

Looking further out, RM is well placed to capitalise on the longer-term trends in our markets, in particular the shift to digital enablement in education."

Notes to Editors:

RM provides market-leading products and services to educational institutions, exam bodies and international governments which improve, simplify and support education and learning.

The education sector is transforming, and RM is well positioned to capitalise on this through its three divisions:

- RM Resources is the established provider of education resources for early years, primary schools and secondary schools across the UK and to 80 countries internationally.
- RM Results is a leading provider of assessment software, supporting exam awarding bodies, universities and governments worldwide to digitise their assessment delivery.
- RM Education is a market-leading supplier of ICT software, technology and services to UK schools and colleges.

Ex-dividend date for 2020 final dividend	18 th March 2021
Record date for 2020 final dividend	19 th March 2021
AGM	8 th April 2021
Payment of 2020 final dividend	30 th April 2021
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 2020 final dividend is subject to the approval by shareholders.	

Presentation and live webcast details

A presentation 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/601024829a13881000797f1c/pwpp>

The presentation will also be accessible via a live conference call:

United Kingdom : 0800 640 6441

United Kingdom (Local): 020 3936 2999

All other locations : +44 203 936 2999

Participant access code: 400013

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Strategic Report

Chairman's statement

Performance

RM's trading in 2020 was inevitably dominated by the consequences of Covid-19 and the response to its effects. These are covered in detail in the reports which follow and demanded rapid adaptation by management and all the employees, and thanks are due to all concerned. These efforts were successful insofar as the company delivered a creditable, albeit reduced, level of profit and a strong year-end balance sheet.

RM Resources, one of the largest UK suppliers of teaching and learning products for schools and nurseries, experienced a collapse in demand in March as schools adapted to sudden closure. However, the market improved as the year progressed such that, in the latter months, running revenues were close to those enjoyed in 2019. Initial indications are that business in the 2021 school shutdown has fallen less precipitously, although the impact overall will depend on duration and is necessarily uncertain.

Both RM Results and its' examination awarding body customers had to react to last minute cancellations of public examinations. Planned provision was by then well-advanced and both revenues and associated costs were largely committed. As cancellations in 2021 have been announced earlier, revenues are likely to be reduced as mitigating action can be taken by all parties. New international contracts were secured, but overseas travel is essential to frame details around precise customer requirements, and this will remain an impediment well into 2021.

RM Education, supplying services and software support to schools, was less affected by closures as routine IT infrastructure support was maintained as a necessity.

The Board

During the year, Deena Mattar and Andy Blundell retired from the Board and I reiterate the Board's thanks for their service and valuable contribution.

Paul Dean was appointed as an NED and Chairman of the Audit Committee on 4 February 2020 and Vicky Griffiths was appointed as an NED on 1 July 2020. Their biographical details showing the relevance of their qualifications and experience to RM, follow later in this report.

Although not occurring during the year, and as previously announced, David Brooks, our current CEO, will be leaving the company on 31st March 2021, shortly before the date of the AGM. That would normally be the occasion on which to thank him for his service and to wish him well. However, in anticipation of his absence, I should like to take this opportunity on behalf of the Board to do so in this report. David has worked at RM for over 25 years. During the past eight years, as CEO, the company has undergone significant restructuring and development. RM has benefited greatly from his leadership and he leaves with the Board's thanks and best wishes for the future.

The search for a successor is well-advanced and the Board anticipates making an announcement shortly.

Dividend

The Board did not feel it prudent, in light of the prevailing uncertainty, to pay a dividend in 2020 but, given the company's performance and current situation, payment of a final dividend of 3p a share is being recommended to shareholders.

Outlook

Having regard to the outlook for the individual divisions, the Board is confident that the continuing challenges will be effectively addressed, as in 2020, and that RM's future is secure.

John Poulter
Chairman
8 February 2021

Chief Executive Officer's statement

RM showed good resilience in 2020 despite the business being significantly impacted by the closure of schools and nurseries and the cancellation of exams due to COVID-19.

Trading in the second and third quarters saw the biggest downturn when compared with 2019. Revenue and profit were materially down in RM Resources and RM Results while RM Education was less impacted, reflecting the nature of its work. Profit in RM Resources was the most affected as revenue declined sharply on the back of education establishment closures. Across the organisation we implemented a range of cost saving initiatives which enabled all three divisions to remain profitable.

For the year, Group revenue was down 16% and adjusted operating profit declined by 48% compared with 2019. Statutory profit after tax decreased by 56%, however despite the change in profit, careful financial management meant that RM finished the year with an improved net debt position of £1.3m (2019 - £15m).

Our Response to COVID-19

We responded to the pandemic in three phases:

1. Plan and Stabilise
 - Business continuity planning supported all office staff working from home immediately on lockdown
 - Initial focus on safeguarding our people and supporting customers and suppliers
 - COVID-19 stress test scenarios established, and activities initiated to manage funding and cost base
 - Dividend cancelled and capital programmes deferred to conserve cash
2. Run Lean
 - Permanent staff recruitment stopped, temporary staffing levels and discretionary spend materially reduced
 - Board, Executive team and wider senior leaders temporarily reduced salaries by up to 25%
 - Banks relaxed covenants and wider cash conservation activities put in place. Additional funding was not required
 - Government job retention scheme used cautiously in the first half of the year with focus on RM Resources. Company maintained 100% employee pay. We stopped use of the scheme at the end of May ahead of schools reopening in June and paid back these receipts to the government by the end of September
3. Recovery
 - Innovation teams established to assess COVID-19 impact on market and customers
 - Customers engaged to assess short and longer term needs
 - Capital programmes restarted alongside review of Target Operating Model and working practices
 - Trading returned to more normal levels during Q4

Operating Review

RM Resources had a challenging year of trading as schools and nurseries both in the UK and internationally closed for extended periods of time. Revenue in the UK was impacted significantly in Q2 but recovered to more normal levels by the end of Q4. Following a strong Q1, international revenues were materially down on the prior year.

During 2020, we continued the programme to consolidate the current estate of distribution centres to a single, automated centre. The building construction was completed and formally handed over, with our [15 year] lease starting in November 2020. 2021 will be spent equipping the centre with automation equipment, followed by transitioning stock from the current warehouses. Our current plan is to have the distribution centre fully operational in the first half of 2022. During the year we sold one of our freehold properties and have agreed heads of terms for the sale of the remaining two freehold properties.

In **RM Results** trading was impacted by the cancellation of exams and assessments around the world. The division has a mixture of recurring revenues and volume related fees associated with the volume of exams taken which, despite some contractual protection, clearly experienced a decline as many exams were cancelled or deferred around the world.

Whilst the development of the sales pipeline during the year has been significantly restricted by COVID-19 disruption and travel restrictions, we were pleased to win two contracts to provide full end-to-end digital assessment including, for the first time, remote invigilation and also a global research test which will be delivered across circa 70 countries.

The acquisition of SoNET Systems Pty Ltd ("SoNET") in 2019 has enabled RM Results to offer full end-to-end digital assessment services in the online testing and marking of exams to customers. During 2020 we have also started to partner with 3rd parties to provide remote invigilation (proctoring) of exams to both new and existing customers to facilitate the remote taking of high-stakes assessments safely and securely.

Trading in **RM Education** was less impacted by COVID-19 in 2020 than the other two divisions. The provision and support of technology was still needed in schools as they moved between in-class and remote learning models. There was a strong focus in schools to plan the move of their learning materials to the cloud and we see this as a continued opportunity for this division going forward. The sales pipeline has been impacted by COVID-19 as schools made operating safely their key priority.

Current COVID situation

In January UK governments announced a new set of school closures with immediate effect. In addition, England and Northern Ireland confirmed GCSEs and A levels in 2021 would not go ahead as planned. Scotland had already announced the cancelled of school 2021 exams late last year. It is too early to judge what the precise impact on trading in 2021 will be as the length of school closures, the contract covers for exam cancellations and the effect on international business remain uncertain. We intend to continue the investment in our digital and automation programmes to upgrade our IT systems and consolidate our distribution centres.

Future Market Trends

The education marketplace is changing. Some of these trends are in response to COVID-19 while others have been in the pipeline for some time. If we look beyond the disruption of the current pandemic, there are longer-term market trends that should be positive for RM. To help understand this change and RM's response to it, this section maps out four key market trends and gives specific examples of opportunities for the business to deliver shareholder return.

The education market trends we are seeing are:

1. Becoming more Digital
2. Modernisation of Assessment
3. Flexible Learning
4. Buyer Aggregation

Provided below are further details on these trends, together with examples of emerging customer requirements as well as RM's response.

1. Becoming more Digital

Education has traditionally lagged many sectors when it comes to digitisation. Whether it is the delivery of teaching and learning or the buying of products and services online, digital adoption has been slow. However, we are starting to see a change in the marketplace which has been accelerated by COVID-19 in 2020. There have been associated developments in curriculum as education systems around the world are starting to include the development of sequencing and coding skills into the curriculum. This is reflected by the growth for robotics within the education environment which is expected to more than double between 2019 and 2027. Schools and nurseries are increasingly ordering online and utilising more digitised materials in conjunction with physical resources to deliver a blended teaching solution. In

parallel, schools and nurseries are increasingly using digital tools and channels to search and select learning resources.

2. Modernisation of Assessment

Market Trend	Our response	Examples of progress
<u>Becoming more Digital</u> Customers are seeking digital resources for their children to engage with which are different to laptops or tablet	Technology solutions which create immersive environments Robotics designed for Early Years enhancing cause and effect through ICT	Launching two new robots in 2021 which promote independent thinking and computational skills for young learners in the classroom and beyond
Online purchasing of education supplies	Investing in our e-commerce functionality Expanding marketing activities across a broader portfolio of digital marketing channels	On our journey to 100% of orders being online, this figure increased to over 60% in 2020 (up 10%)
<u>Modernisation of Assessment</u> Move to computer-based high-stakes testing in flexible locations to suit test takers (including home)	Providing end-to-end secure assessments onscreen	Won two contracts in 2020 with Accountancy Awarding bodies to provide on screen testing, remote invigilation and on screen marking
Increasing use of digital technology for baseline assessments in international research studies – that inform education policy	Providing digital assessment platforms designed to support standardised assessments in multiple countries, languages and with both online and offline delivery capabilities to deal with variations in infrastructure in different geographies	Won contracts to provide digital assessment for international research studies, for example winning the Global Trends in International Mathematics and Science Study which will be delivered in c. 70 countries in 2023
<u>Flexible Learning</u> Schools needing to provide remoting learning	Helping schools move learning materials to the cloud	Launching new Managed Services proposition – RM's unique cloud proposition for schools
Education bodies wanting to bring digital assessment into the curriculum as a learning tool, and as a precursor to enabling digital exams	Helping curriculum authorities bring curriculum content and digital assessment into the schools setting to aid with learning.	Providing formative assessment solution to customers in Australia
<u>Buyer Aggregation</u>		

MAT and nursery chains buying products on behalf of their establishments	Dedicated sales team engaging with MAT and nursery chains Customised product collections and bespoke marketing for consolidated groups Single dedicated ecommerce site across RM Resources entire portfolio	Over 30 commercial agreements across MATs and nursery chains in 2020 Targeting a material increase of new agreements in 2021
MATS looking for visibility of the purchasing habits of their schools	Investing in increased self-service/data capability	Our major IT programme delivering in stages through 2021 and 2022

Many qualifications are still completed using paper-based exams. In the last five years we have seen these exams converted into a digitised form and marked on-screen. The digitisation of high-stakes assessments is complex and a niche area of expertise but we have seen COVID-19 start to accelerate the adoption of technologies that are modernising assessments. More exam awarding bodies in the UK and internationally are now moving towards a model of computer-based paperless assessments and utilising broader technology enablement around the end-to-end assessment process.

3. Flexible Learning

COVID-19 has forced many learners to remotely engage with their education, and technology underpins this shift. This is accelerating understanding in the market of the role technology can play in improving the flexibility of learning models, reducing the workload for teachers and driving value from ongoing digital assessment as part of the learning journey. We expect this increase in awareness to continue beyond the short term 'remote' learning demands of COVID-19 as focus shifts to the ongoing value technology can add to the delivery of educational outcomes.

4. Buyer Aggregation

England has seen Multi Academy Trusts (MAT) continue to grow. Over the next three years, the number of schools in MAT groupings of all sizes is set to continue to expand with the biggest continuous growth in this area predicted to come from MATs with between 6 and 11 schools. Correspondingly, spend through the MAT sector is predicted to grow in the same time frame. In addition, the provision of nursery education in the UK is consolidating with the larger chains acquiring and growing. Across the nursery sector, the market value of spend through nursery chains is predicted to increase each year over the next three years through the acquisition of single site nurseries. These changes are leading to a growing trend for central bodies to oversee, and step-in to, the purchasing for educational establishments.

Market Trends in Action

Workforce

Average Group headcount for the year was 1,837 (2019: 2,011), which is comprised of 1,716 (2019: 1,811) permanent and 121 (2019: 200) temporary or contract staff, of which 1,072 (2019: 1,239) were located in the UK, 729 (2019: 754) in India and 36 in Australia (2019: 18).

As at 30 November 2020, headcount was 1,853 (2019: 1,983). The following table sets out a more detailed summary of the permanent staff employed as at 30 November 2020:

	Male	Female
Executive Directors	2 (100%)	0 (0%)
Executive Committee and direct reports (excluding EAs and PAs)	23 (53.5%)	20 (46.5%)
Senior Managers (excluding Executive Directors)	33 (63.5%)	19 (36.5%)
All employees	1,055 (62%)	650 (38%)

The Company recognises that talented people are core to the success of the business. The Company is committed to promoting a culture of equal opportunity, diversity and inclusion and its policies, procedures and working practices are designed to attract, retain and motivate the best staff regardless of their age, race, gender, religious or philosophical belief, sexual orientation, disability or educational background. There is a flexible work policy and practices to encourage gender diversity.

The Company does not operate an employees' share scheme due to the size and geography of the Group's workforce. The Company's emphasis is on fair pay structures across the Group and bonus schemes that support and encourage a high-performance culture.

The Company wants to ensure that all employees receive fair and equal treatment, and this applies to recruitment and selection, terms and conditions of employment, promotion, training, development opportunities and employment benefits. HR policies and procedures, including pay and bonus processes, are reviewed to ensure there is no gender bias and last year we rolled out unconscious bias training to all recruiting managers. Our internal communications strategy ensures that diversity and inclusion is talked about on a frequent basis.

Last year we set ourselves the target of having at least 30% of senior positions held by females and we have met this target. There is now an increasingly balanced gender split across our Executive and their direct reports. We support employees with high potential through leadership development programmes.

The Group gives equal consideration to applications for employment received from candidates with disabilities. Employees who become disabled are retained whenever possible through retraining, use of appropriate technology and making available suitable alternative employment within the Group.

Regular assessments of the developmental needs of employees are carried out across the organisation and feedback on this is given and where appropriate training provided. 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, 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 Board Diversity Policy.

RM India

As at 30 November 2020, RM's operation in Trivandrum accounted for 41% of Group headcount (2019: 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.

Purpose, Values, Strategy and Culture

The Company has a clear and stated purpose of *“Enriching the lives of learners worldwide.”*

Our vision is *“Enabling the improvement of educational outcomes around the world.”*

Our strategic goals are:



In the RM Results and RM Education divisions we do this *“through the innovative use of existing and emerging technologies”*

and in the RM Resources division we do this *“with our innovative products and outstanding services”*

Underpinning our culture are our set of ‘5 To Drive’ behaviours:

Consider it Done: *We hold ourselves accountable, as individuals and as a company, for delivering on our promises. We can be relied upon to get the job done for our customers and ourselves. We are tenacious in delivering positive results and respond energetically when faced with new challenges.*

Make it Simple: *We make complex issues easy to understand and we strive for the simplest solutions that deliver the most significant results for our customers and ourselves. We say it as it is and don’t assume that how we have done it in the past will necessarily be how we do it in the future.*

Win Together: *We are at our best when working with our customers and with our colleagues - motivated by the belief that diverse teams are much more successful than the sum of their parts. We strive to see things from the point of view of others, building trust, showing humility and working collaboratively to get great results.*

Be Brave: *We are ambitious, and we push the boundaries to deliver great results for our customers and for our business. We do not settle for less than great, or shy away from the difficult, and we don’t let fear stifle our true potential.*

Be Curious: *We have an intense desire to understand our customers and to imagine new possibilities for our business and theirs. We are hungry to learn, seek out new ideas and best practice, to expand our networks and to develop our understanding. We are inquisitive, creative and we question how things are and can be done.*

These are intended to drive positive and aligned behaviours throughout the organisation. They are intended to benefit not just the Company itself and its staff but also all stakeholders with whom we do business. Each month, employees that demonstrate these behaviours are given awards recognising this.

The Board receives regular reports and updates from the CEO, CFO and General Counsel as well as other members of the Executive and the Group. These reports and updates cover a wide range of matters in order to ensure that policy, practices and behaviour in the Group are aligned with the

Company's purpose, values and strategy and that any issues that may give rise to concerns are brought to the attention of the Board. This has included reviews on particular parts of the business, any significant customer issues, compliance updates, disputes and whistle-blower concerns. The Board requests further information on any matters that they consider relevant. The Board requires ongoing updates, seeks assurance as to the proposed actions to resolve such matters and receives information on the corrective actions taken.

Section 172 (1) Statement

The Company's Directors, individually and collectively, have acted in a way that they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole.

Examples of how the Board has had regard, in its principal decisions made during the year, to the various factors set out in Section 172(1), and the impact that regard has had, are set out below. Additionally, examples appear throughout this Annual Report and these are incorporated into this Section 172(1) Statement.

Key of factors considered:

£	Financial impact	R	Reputation	Sh	Acting fairly between members
LT	Long-term impact	C	Community & environment	BR	Fostering business relationships
W	Employees				

Board Decision	Factors	Factors considered in accordance with s.172(1) and effect
Continue to keep distribution centres open to supply schools with resources and maintain the IT systems of schools during the COVID-19 lockdown	LT, £, Rep, BR C W	- This would maintain our relationship and reputation with schools as a trusted partner - This would enable schools to stay open for the benefit of the wider community - The need to ensure employees are able to continue to work safely
Investments in a new IT system and a new fully automated national distribution centre	£, LT, W BR, R	- This is an important investment for the long-term future of the business - This would enable RM Resources to provide a market leading fully digital service to customers with enhanced user experience
Extension of Board's workforce engagement	W R	- This would enable the Board to hear the views of the workforce more clearly, helping the Board to have regard to these issues when making decisions - This would enhance the Company's reputation as a good employer
Maintaining the Company's financial position during the COVID-19 crisis	£, Sh, LT W BR, R, C	- This would help maintain the liquidity of the Group in the face of the uncertainty caused by the COVID-19 crisis and prevent it impacting long-term plans - Senior management should demonstrate personal commitment to the future of the business by a salary sacrifice - That the Group should only take government support when necessary

Non- Financial Information Statement

This Strategic Report together with the Directors' Report, Corporate Governance Report and Audit Committee Report provide details of the non-financial matters required by sections 414CA and 414CB of the Companies Act 2006.

Environmental Policy and Reporting

The Environmental Policy and Reporting section in the Directors' Report is incorporated into this 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, financial and emerging. 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 major changes to the exam system or 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 and assessment 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. The Company is evolving its product and service offering to help its customers with their developing requirements.
Impact of UK's exit from the European Union (Political Risk)	There may be an adverse change in the economic and/or fiscal environment as a result of the UK's exit from the EU and costs could increase and/or revenues reduce as a result.	The Group has adapted its processes to support the Brexit deal, 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	The Company invests in maintaining a high level of technical expertise.

Risk and categorisation	Description and likely impact	Mitigation
	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.	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, competition law 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 and Emerging Risk)	RM is engaged in storing and processing personal data, where accuracy, privacy and security are important. Any significant security breach could damage reputation, impact future profit streams and lead to potential regulatory action. 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 for all business areas 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 Company analyses all information security and data protection incidents (including their root cause), changes in the regulatory framework, and breaches that have occurred in other companies to identify opportunities for improvement. The Group seeks to protect itself against the consequences of a major incident by implementing a series of back-up and safety measures. It also manages risks with key suppliers by regularly reviewing their security and business continuity systems, conducting assessments and running joint tests. The Group has cyber insurance and 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

Risk and categorisation	Description and likely impact	Mitigation
	business disruption and loss of intended benefits.	Executive Committee. Currently there are 2 major programmes to develop a new automated warehouse and migrate to new CRM and ERP systems. A number of mechanisms are 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 apprised 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.
Impact of the COVID-19 pandemic (Operational Risk)	The impact of the COVID-19 pandemic has put pressure on those with whom we trade and there are risks from customer closures, pricing pressures and service delivery pressures from delays to exams.	The Company manages its relationship with its customers, supplier and other stakeholders. It works closely with customers to avoid potential bad debts and to manage the impact of costs increases from key suppliers. The Company worked closely with customers after the exam cancellations in 2020 and is doing so again with the cancellation of summer 2021 exams..
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	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

Risk and categorisation	Description and likely impact	Mitigation
	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. Pension costs can be significant in respect of staff that transfer across to us, where they are members of Local Authority pension schemes.	Company's employees who are in this Scheme, the risk to the Company from this Scheme is limited. The Company assesses potential pension costs of staff from other employers that would transfer across to the Company and take this into account in its bids for new contracts.
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
8 February 2021

Chief Financial Officer's statement

Overview

RM's financial performance was materially impacted by COVID-19 in 2020. Following a positive start to the year with revenue growth in the first quarter, the closure of schools at the end of March and subsequent cancellation of exams around the world had a significant impact on the Group through the remainder of the year and resulted in full year revenue decline of 16%. The organisation implemented a range of cost savings initiatives which enabled all three divisions to remain profitable but the impact of the pandemic broadly halved profit levels and adjusted diluted earnings per share. Net debt levels reduced by £14m, benefiting from a number of activities that were initiated to conserve cash, ending the year at £1.3m.

Group Financial Performance

Group revenue decreased by 16% to £189.0m (2019: £223.8m).

£M Unaudited	2020 ¹			2019 ¹		
	Adjusted	Adjustment ²	Statutory	Adjusted	Adjustment ²	Statutory
Revenue	189.0	-	189.0	223.8	-	223.8
Operating profit	14.4	(2.9)	11.5	27.6	(3.5)	24.2
Profit before tax	13.4	(2.9)	10.5	26.6	(3.5)	23.2
Tax	(2.6)	0.5	(2.1)	(4.7)	0.6	(4.1)
Profit after tax	10.8	(2.4)	8.4	21.9	(2.8)	19.1

1. 2020 results reflect the adoption of the new accounting standard IFRS16. Results in the table for 2019 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. IFRS16 has impacted the profit before tax by less than £0.1m in 2020.
2. Adjustments reflect the amortisation of acquisition related intangible assets; one time property related items, including a stock write down, restructuring costs, costs associated with GMP equalisation and profits on the sale of non-core assets. Further details are defined and reconciled in note 5 of the notes to the financial statements.

The pandemic impacted revenues in the UK and internationally. UK revenues fell by 14% with international revenues down 25% reflecting a 41% reduction in RM Resources international revenues.

Adjusted operating profit margins reduced to 7.6% (2019: 12.4%). Adjusted operating profit reduced by 48% to £14.4m (2019: £27.6m).

In order to provide a better understanding of underlying business performance, some costs are identified as 'adjustments' ² to underlying business performance. In 2020 these are broken down as follows:

Amortisation charges associated with acquisition related intangible assets	£2.0m
Impairment of intangible software	£0.7m
Restructuring costs	£1.0m
One time property related items	£-0.6m
One time sale of investment	£-0.7m
Stock obsolescence associated with revised warehouse strategy	£0.4m
Pension GMP equalisation	£0.2m
Total adjustments ²	£2.9m

Taking into consideration the adjustments of £2.9m (2019: £3.5m), statutory operating profit decreased to £11.5m (2019: £24.2m).

The Group generated a statutory profit before tax of £10.5m (2019: £23.2m) with a net interest charge of £1.0m which relates to the Group credit facility and finance costs related to the defined benefit pension schemes.

The total tax charge within the Income Statement was £2.1m (2019: £4.1m). The Group's tax charge for the year, measured as a percentage of profit before tax, was 19.8% (2019: 17.7%) and was impacted by the increase in the deferred tax rate which raised the effective tax rate by 2.4% as a percentage of profit before tax. Statutory profit after tax decreased 56% to £8.4m (2019: £19.1m).

Adjusted diluted earnings per share decreased to 13.0 pence (2019: 26.4 pence). Statutory basic earnings per share were 10.2 pence (2019: 23.2 pence) and statutory diluted earnings per share were 10.1 pence (2019: 23.0 pence).

RM generated cash from operations for the year of £27.8m (2019: £19.9m).

Cash generation benefited from reduced inventory levels, a favourable movement in trade and other payables, including positive trading impacts of £8.1m and VAT deferral of £2.4m, and gains through the sale of non-core property and investments of £1.6m. This cash generated was utilised through capital expenditure of £8.5m (2019: £6.0m), contributions to the defined benefit pension scheme of £4.1m (2019: £4.6m) and tax payments of £2.6m (2019: £3.6m). Dividends were suspended in 2020 as part of the activities to conserve cash. As a result, net debt was reduced to £1.3m at the end of the year (2019: £15.0m).

RM is currently progressing two large capital projects; consolidation of five distribution centres into a single automated facility and a group-wide IT system implementation. In March we paused the capital spend associated with the single automated facility and the IT system implementation. The construction of the building continued under contract and was completed at the end of November when RM commenced the lease of this facility. These projects, alongside wider capital investments, will drive further elevated capital expenditure over the next two years, likely to be more than £20m in total. A proportion of this spend will be recovered by the subsequent sale of a further two freehold properties following the completion of the sale of one freehold property in 2020 generating £2.9m of cash and an exceptional profit on sale of £0.7m. Heads of terms are agreed for sales on the remaining two properties with exchange expected in the first half of 2021. Both projects are scheduled to conclude by the end of 2022 and deliver good financial and operational benefits.

Dividend

Following the impact of COVID-19 and subsequent lockdown, RM took the decision to cancel the 2019 final dividend. No interim dividend was paid in the year (2019: 2.0p). The Board proposes a 2020 final dividend of 3.0 pence per share (2019: nil) which is subject to shareholder approval. The estimated cost of the ordinary dividend proposed is £2.5m (2019: £1.7m paid).

The Board is committed to a long-term sustainable dividend policy and the Company has £36.2m of distributable reserves, as at 30 November 2020, 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"). Following the closure of one warehouse during the year (which impacted the Platinum Scheme), all schemes are closed to future accrual of benefits.

The IAS19 net deficit (pre-tax) across the Group increased by £12.7m to £18.7m (2019: £6.0m) with the Platinum Scheme being in surplus. This increase was caused by an increase in the liabilities of the Schemes driven primarily by lower discount rates.

The Group deficit recovery plan payments across all schemes in 2020 were £4.1m which was down slightly on the £4.6m in the prior year. Following the triennial review at 31 December 2019, the Group agreed with the Trustee of the Consortium Care Scheme to contribute £0.7m per annum until 31 December 2027.

RM Resources

RM Resources revenues decreased by 19% to £92.4m (2019: £114.5) resulting from the widespread school closures in the UK and internationally in response to the COVID-19 pandemic. UK education revenue reduced by 15% with international revenues down 41%.

Divisional adjusted operating profit reduced to £3.1m (2019: £13.7m) and operating margins decreased to 3.3% (2019: 12.0%). The reduction was predominantly driven by lower revenues. Underlying operating costs were reduced by 13% but these were offset by a cost of £2.1m associated with higher debtor and stock write down charges largely associated with the impact of COVID-19.

UK

UK education revenues decreased by 13% to £78.5m (2019: £90.1m). This decline was broadly in line with the UK key competitor market set representing the impact of the pandemic and school closures. This performance reflects an improvement in underlying performance in the schools' market offset by two areas that disproportionately impacted RM Resources. The most impacted market sector was the Early Years sector which declined by more than double that of the schools' market. This is also the sector in which RM Resources has the highest market share. Furthermore, revenues were negatively impacted by the loss of the Wales framework agreement at the end of 2019 and the break-up of a nursery chain contract into small agreements in which the business did not win all the sub-agreements.

Revenues arising from the TTS brand fell only 9% 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 disproportionately impacted by the contract loss and Early Years market.

International

International sales are made through 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 declined by 41% to £12.8m (2019: £21.4m). This was again as a direct result of school closures, which in some countries was for a more extended period than that encountered in the UK. There were fewer students in International schools which also saw higher remote learning adoption. The region most impacted was the US which saw sales down 81%.

RM Results

Revenue decreased by 16% on the prior year to £31.6m (2019: £37.7m) as growth in new contracts was materially reduced as a result of the large number of exams cancelled globally resulting from the COVID-19 pandemic which impacted the variable element of many of our contracts.

Geography	RM Customer Exam Bodies	Exam Cancellations
UK General Exams	4	75%
UK Other	5	35%
EMEA	8	90%
Australia / NZ	5	0%
Asia	2	35%
ROW	3	70%

Adjusted operating profit fell by 24% on the prior year to £6.6m (2019: £8.7m), with adjusted operating margins decreasing to 20.9% (2019: 23.2%).

RM Results signed two new end-to-end digital assessment contracts in the year that include e-testing, e-marking and, for the first-time, remote invigilation. The division has also signed a global baseline test with International Association for the Evaluation of Educational Achievement to deliver the Trends in International Mathematics and Science study across c. 70 countries and also agreed several important contract renewals. More widely the sales pipeline has been restricted by COVID-19 disruption and will remain challenging until travel restrictions are eased.

RM Education

Revenues in the division reduced by 9% to £65.0m (2019: £71.6m) driven primarily by the conclusion of the Building Schools for the Future (BSF) programmes in 2019 which resulted in a £5m reduction in revenue in 2020. The Division proved to be more resilient with regard to UK school closures resulting from COVID-19 as most schools remained operational and required technology support as they continued to teach vulnerable children and those of key workers and support remote learning throughout the lockdown. The sales pipeline was impacted through most of the year and remains challenging as school management teams focus on managing the changing COVID-19 protocols and policies. Adjusted operating margins were retained at similar levels to the prior year at 14.3% (2019: 14.5%) delivering adjusted operating profit of £9.3m (2019: £10.4m). This reduction reflects the lower revenues partially offset by benefits from a pre-COVID restructuring programme and reduced discretionary spend through lockdown.

The division is made up of Services (83% of revenue) and Digital Platforms (17%) with a key focus of the division to build its annuity revenue offerings which accounted for 70% of revenue in 2020.

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 declined by 11% to £54.0m (2019: £60.8m) with managed services revenues declining 12% to £42.0m. This was driven primarily by the absence of BSF revenues and a slight reduction in site numbers through the year as converting the sales pipeline became challenged. Connectivity declined 7% to £12.0m due entirely to lower sales of unbundled IP addresses with underlying connectivity revenues up marginally.

Digital Software Platforms

The Digital Software Platform offering covers a number of key cloud-based products and services such as RM Integris (school management system), RM Unify (authentication and identity management system) and RM SafetyNet (internet filtering system) as well as other content, finance and network software offerings. Digital Platforms revenues increased by 2% to £10.9m (2019: £10.8m) driven by sales of RM Unify which is used as part of enabling a cloud platform in schools.

Impact of UK withdrawal from the European Union

The Company will continue to monitor the evolving situation following the UK withdrawal from the EU given the recent trade deal agreement and uncertainty regarding the flow of products through key ports. The Group had European sales of £11.9m in 2020, of which £6.4m relate to physical product sales in RM Resources and £5.6m relate to software and services sales in RM Results and RM Education.

Treasury Management

The Company's financial position is supported by a revolving credit facility of £70million that is shared between two banks, HSBC and Barclays. It also has an additional accordion arrangement for a further £30million, enabling the Group to extend the facility to £100m. The facility is committed to June 2022 but has the option of a further 2-year extension. The associated financial covenants are based on the definition of finance leases prior to the implementation of the new accounting standard, IFRS16.

Treasury activities are managed centrally for the Group including banking relationships and foreign currency hedging. 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.

The Group ended the year with a net debt of £1.3m which is a decrease of £13.7m on the prior year end position of £15.0m. The average net debt position during the year was £16.3m with the highest borrowing point being £29.6m relative to the banking revolving credit facility of £70million.

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

The directors have prepared cash flow forecasts for the period of not less than 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably plausible downsides as discussed below, the company will have sufficient funds to meet its liabilities as they fall due for that period. The facility is committed until 2022 and is subject to covenant tests related to the leverage of the Group and interest cover annually in May and November. Management are not aware of any reasons why the extension would not be granted, if requested to the lenders.

Throughout FY20 the COVID-19 pandemic has impacted the Group primarily as a result of widespread school closures and the cancellation of UK and some International summer exam sessions. In December, prior to the recent COVID-19 school closures the Group was trading in line with internal budgets and forecasts. During previous periods of school closures and subsequent limited school re-openings, the RM Education division continued to provide software, services and technology to UK schools, but the volume of hardware and new installations fell slightly. The RM Results division continues to provide digital assessment solutions for International awarding bodies and is currently in discussions with these customers about the impact of COVID-19 on their exam cycles. While returning close to previous performance during the schools re-opening in FY20, sales of consumables to UK and International schools by the Group's third division, RM Resources, have been materially lower over the periods of lockdown driven by the volume of pupils in schools and nurseries. Actions taken by management to reduce the impact of COVID-19 included a temporary furloughing of employees, later repaid, a deferral of pension deficit payments, also later repaid, and pausing of discretionary spending and capital projects. The proposed FY19 final dividend was also cancelled to protect group cash flow. All business units were profitable in FY20.

The Group has assessed a number of scenarios for going concern purposes and is using a base case scenario assessment based on the known COVID restrictions at January 2021, namely that UK schools will remain closed in quarter 1 FY21, the UK Government announcements of exam cancellations included and reduced international exam volumes ("base case"). Management has considered a severe but plausible downside scenario based on further lockdowns after March 2021 in varying months across the going concern period to reflect the risk of further school closures in quarter 4 FY21 and quarter 1 FY22 ("downside scenario"). Under this downside scenario, the forecasts assume that trading during future lockdowns is equivalent to that experienced to date in the current Government imposed lockdown during January 2021. This is similar to levels experienced in June 2020 when only certain year groups had returned to school.

Under the downside scenario, management would take the decision to reduce further discretionary spend. The levels of discretionary spend reductions are being actively reassessed with the announcements by UK Government indicating their desires to get schools operating normally as soon as practical. Under the downside scenarios the Group has headroom against its available facilities without using all its available options in relation to cash management, and considers there are sufficient controllable actions it can take, even if a more severe downside case were to materialise, to operate within the facility's covenants. At present the directors consider a more severe downside case to be highly unlikely, given the vaccine rollout and the communicated desire by the UK Government to prioritise the reopening of schools at the earliest opportunity.

Therefore, the Board has a reasonable expectation that the Group and Company has adequate resources to continue in operational existence and meet their liabilities as they fall due for a period of not less than 12 months from the date of approval of these financial statements. For this reason, the Group and 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 and failure to exploit the benefits of 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. Further impacts of COVID-19 lockdowns and exam cancellations.

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
8 February 2021

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the year ended 30 November
2020

	Note	Year ended 30 November 2020			Year ended 30 November 2019		
		Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
Revenue	2	188,999	-	188,999	223,765	-	223,765
Cost of sales		(114,669)	(365)	(115,034)	(132,140)	-	(132,140)
Gross profit		74,330	(365)	73,965	91,625	-	91,625
Operating expenses		(59,647)	(1,842)	(61,489)	(63,985)	(3,462)	(67,447)
Impairment losses		(248)	(705)	(953)	-	-	-
Profit from operations		14,435	(2,912)	11,523	27,640	(3,462)	24,178
Other income	3	21	-	21	153	-	153
Finance costs	4	(1,055)	-	(1,055)	(1,155)	(8)	(1,163)
Profit before tax		13,401	(2,912)	10,489	26,638	(3,470)	23,168
Tax	5	(2,552)	477	(2,075)	(4,746)	640	(4,106)
Profit for the year		10,849	(2,435)	8,414	21,892	(2,830)	19,062

Earnings per ordinary share

- basic	6	13.1p	10.2p	26.6p	23.2p
- diluted	6	13.0p	10.1p	26.4p	23.0p

Paid and proposed dividends per share

- interim		-	2.00p
- final		3.00p	-

The results for the year ended 30 November 2020 have been presented under IFRS16. The previous year's results have not been restated (see note 14). 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 (UNAUDITED)

for the year ended 30 November 2020

	Note	Year ended 30 November 2020 £000	Year ended 30 November 2019 £000
Profit for the year		8,414	19,062
Items that will not be reclassified subsequently to profit or loss			
Defined Benefit Pension Scheme remeasurements	13	(16,302)	(8,033)
Tax on items that will not be reclassified subsequently to profit or loss	5	2,851	1,418
Items that are or may be reclassified subsequently to profit or loss			
Fair value gain/ (loss) on hedged instruments		346	(806)
Exchange loss on translation of overseas operations		(205)	(211)
Other comprehensive expense		(13,310)	(7,632)
Total comprehensive (expense)/ income		(4,896)	11,430

CONSOLIDATED BALANCE SHEET (UNAUDITED)

		At 30 November 2020 £000	At 30 November 2019 £000
	Note		
Non-current assets			
Goodwill		49,322	49,107
Intangible assets		22,354	23,274
Property, plant and equipment		8,423	9,183
Right of Use asset		19,391	-
Defined Benefit Pension Scheme surplus	13	665	976
Other receivables	8	63	939
Contract fulfilment assets		3,420	2,193
Deferred tax assets	5	5,333	3,457
		108,971	89,129
Current assets			
Inventories		18,594	22,151
Trade and other receivables	8	31,317	31,238
Contract fulfilment assets		728	844
Held for sale asset		4,793	1,428
Tax assets		2,030	382
Cash at bank		5,941	5,534
		63,403	61,577
Total assets		172,374	150,706
Current liabilities			
Trade and other payables	9	(61,491)	(51,231)
Tax liabilities		(163)	(117)
Provisions	11	(435)	(1,585)
Overdraft		(2,480)	(4,006)
		(64,569)	(56,939)
Net current (liabilities) /assets		(1,166)	4,638
Non-current liabilities			
Other payables	9	(20,987)	(3,483)
Provisions	11	(3,998)	(3,868)
Deferred tax liability		(3,339)	(3,356)
Defined Benefit Pension Scheme obligation	13	(19,318)	(6,951)
Borrowings	10	(4,779)	(16,534)
		(52,421)	(34,192)
Total liabilities		(116,990)	(91,131)
Net assets		55,384	59,575
Equity attributable to shareholders			
Share capital	12	1,917	1,917
Share premium account		27,080	27,080
Own shares		(841)	(1,007)
Capital redemption reserve		94	94
Hedging reserve		(65)	(411)
Translation reserve		(702)	(497)
Retained earnings		27,901	32,399
Total equity		55,384	59,575

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
for the year ended 30 November 2020**

	Share capital	Share premiu m	Own shares	Capital redemptio n reserve	Hedging reserve	Translation reserve	Retained earnings	Total
Note	£000	£000	£000	£000	£000	£000	£000	£000
At 1 December 2018	1,917	27,080	(1,423)	94	395	(286)	26,030	53,807
Profit for the year	-	-	-	-	-	-	19,062	19,062
Other comprehensive income/(expense)	-	-	-	-	(806)	(211)	(6,615)	(7,632)
Total comprehensive income/(expense)	-	-	-	-	(806)	(211)	12,447	11,430
Transactions with owners of the Company:								
Share options exercised	-	-	416	-	-	-	(416)	-
Share-based payment fair value charges	-	-	-	-	-	-	686	686
Ordinary dividends paid	7	-	-	-	-	-	(6,348)	(6,348)
At 1 December 2019	1,917	27,080	(1,007)	94	(411)	(497)	32,399	59,575
Profit for the year	-	-	-	-	-	-	8,414	8,414
Other comprehensive (expense)/income	-	-	-	-	346	(205)	(13,451)	(13,310)
Total comprehensive (expense)/income	-	-	-	-	346	(205)	(5,037)	(4,896)
Transactions with owners of the Company:								
Share-based payment awards exercised	-	-	166	-	-	-	(166)	-
Share-based payment fair value charges	-	-	-	-	-	-	705	705
At 30 November 2020	1,917	27,080	(841)	94	(65)	(702)	27,901	55,384

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
for the year ended 30 November 2020**

		Year ended 30 November 2020	Year ended 30 November 2019
	Note	£000	£000
Profit before tax		10,489	23,168
Investment income	3	(21)	(153)
Finance costs	4	1,055	1,163
Profit from operations		11,523	24,178
Adjustments for:			
Pension GMP		170	-
Amortisation and impairment of intangible assets		3,778	2,690
Depreciation and impairment of property, plant and equipment		3,718	1,584
(Gain) on disposal of other asset		(713)	-
Loss on disposal of other intangible assets		-	10
(Gain)/ loss on disposal of property, plant and equipment		(949)	26
(Gain) on foreign exchange derivatives		(625)	(29)
Share-based payment charge		705	686
Increase/(decrease) in provisions		1,443	(758)
Defined Benefit Pension Scheme administration cost	13	37	262
Operating cash flows before movements in working capital		19,087	28,649
Decrease /(increase) in inventories		3,557	(4,115)
Decrease in receivables		2,520	7,638
(Increase) in contract fulfilment assets		(1,111)	(1,602)

Movement in payables			
- increase/ (decrease) in trade and other payables		6,012	(7,483)
- utilisation of provisions	11	(2,284)	(3,161)
Cash generated from operations		27,781	19,926
Defined benefit pension scheme cash contributions	13	(4,094)	(4,618)
Tax paid		(2,589)	(3,639)
Net cash inflow from operating activities		21,098	11,669
Investing activities			
Interest received		21	153
Acquisition net of cash acquired		-	(7,109)
Acquisition related costs		-	(728)
Proceeds on disposal of investment asset		1,560	-
Proceeds on disposal of property, plant and equipment		2,900	8
Purchases of property, plant and equipment		(5,801)	(2,876)
Purchases of other intangible assets		(2,660)	(3,159)
Net cash used in investing activities		(3,980)	(13,711)
Financing activities			
Dividends paid	7	-	(6,348)
(Repayment)/ drawdown of borrowings	10	(12,000)	10,000
Borrowing facilities arrangement and commitment fees		(226)	(529)
Interest paid		(501)	(513)
Payment of leasing liabilities		(2,523)	-
Net cash (used in)/ generated by financing activities		(15,250)	2,610
Net increase in cash and cash equivalents		1,868	568
Cash and cash equivalents at the beginning of the year		1,528	712
Effect of foreign exchange rate changes		65	248
Cash and cash equivalents at the end of the year		3,461	1,528

1. Preliminary announcement

The consolidated preliminary results are based on International Financial Reporting Standards (IFRS) as adopted by the EU and were also in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 November 2020 or 2019. The financial information for 2019 is derived from the statutory accounts for 2019 which have been delivered to the registrar of companies. The auditor has reported on the 2019 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2020 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

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.

Going concern

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

The directors have prepared cash flow forecasts for the period of not less than 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably plausible downsides as discussed below, the company will have sufficient funds to meet its liabilities as they fall due for that period. The Group has a bank facility ("the facility") which totalled £70m at the date of this report and is subject to annual covenant tests in May and November related to the leverage and interest cover of the Group. The Group had net debt of £1.3m at 30 November 2020; the average net debt position during the year was £16.3m with the peak borrowing point being £29.6m. The facility is committed until June 2022 with the option of a further two-year extension to June 2024. Management are not aware of any reasons why the extension would be not be granted, if requested to the lenders

Throughout FY20 the COVID-19 pandemic has impacted the Group primarily as a result of widespread school closures and the cancellation of UK and some International summer exam sessions. In December, prior to the recent COVID-19 school closures the Group was trading in line with internal budgets and forecasts. During previous periods of school closures and subsequent limited school re-openings, the RM Education division continued to provide software, services and technology to UK schools, but the volume of hardware and new installations fell slightly. The RM Results division continues to provide digital assessment solutions for International awarding bodies and is currently in discussions with these customers about the impact of COVID-19 on their exam cycles. While returning close to previous performance during the schools re-opening in FY20, sales of consumables to UK and International schools by the Group's third division, RM Resources, have been materially lower over the periods of lockdown driven by the volume of pupils in schools and nurseries. Actions taken by management to reduce the impact of COVID-19 included a temporary furloughing of employees, later repaid, a deferral of pension deficit payments, also later repaid, and pausing of discretionary spending and capital projects. The proposed FY19 final dividend was also cancelled to protect group cash flow. All business units were therefore profitable in FY20.

The Group has assessed a number of scenarios for going concern purposes and is using a base case scenario assessment based on the known COVID restrictions at January 2021, namely that UK schools will remain closed in quarter 1 FY21, the UK Government announcements of exam cancellations included and reduced international exam volumes ("base case"). Management has considered a potentially severe but plausible downside scenario based on further lockdowns after March 2021 in varying months across the going concern period to reflect the risk of further school closures in quarter 4 FY21 and quarter 1 FY22 ("downside scenario"). Under this downside scenario, the forecasts assume that trading during future lockdowns is equivalent to that experienced to date in the current Government imposed lockdown during January 2021. This is similar to levels experienced in June 2020 when only certain year groups had returned to school.

Under the downside scenario, management would take the decision to pause further discretionary spend. The levels of discretionary spend pauses are being actively reassessed with the announcements by UK Government indicating their desires to get schools operating normally as soon as practical. Under the downside scenarios the Group has headroom against its available facilities without using all its available options in relation to cash management, and considers there are sufficient controllable actions it can take, even if a more severe downside case were to materialise, to operate within the facility's covenants. At present the directors consider a more severe downside case to be highly unlikely, given the vaccine rollout and the communicated desire by the UK Government to prioritise the reopening of schools at the earliest opportunity.

Therefore, the Board has a reasonable expectation that the Group and Company has adequate resources to continue in operational existence and meet their liabilities as they fall due for a period of not less than 12 months from the date of approval of these financial statements. For this reason, the Group and Company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Significant accounting policies

The accounting policies used for the preparation of this announcement have been applied consistently.

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
- Net debt

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 and 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 (Unaudited)

	RM Resources*	RM Results	RM Education	Corporate Services	Total
Year ended 30 November 2020	£000	£000	£000	£000	£000
Revenue					
UK	80,956	20,473	63,977	-	165,406
Europe	6,362	5,042	533	-	11,937
North America	777	-	412	-	1,189
Asia	848	1,250	-	-	2,098
Middle East	2,196	225	-	-	2,421
Rest of the world	1,303	4,589	56	-	5,948
	92,442	31,579	64,978	-	188,999
Adjusted profit/(loss) from operations	3,081	6,607	9,296	(4,549)	14,435
Investment income					21
Adjusted finance costs					(1,055)
Adjusted profit before tax					13,401
Adjustments					(2,912)
Profit before tax					10,489

	RM Resources*	RM Results	RM Education	Corporate Services	Total
Year ended 30 November 2019	£000	£000	£000	£000	£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					(3,470)
Profit before tax					23,168

* Included in UK are International Sales via UK Distributors of £1,352,000 (2019: £1,944,000).

**Adjustments to cost of sales and administrative expenses
(Unaudited)**

	Year ended 30 November 2020 £000	Year ended 30 November 2019 £000
Adjustments to cost of sales		
Exceptional inventory adjustments	365	-
Adjustments to administrative expenses		
Amortisation of acquisition related intangible assets	1,986	1,577
Acquisition related costs	-	728
Property related (income)/costs	(670)	335
Impairment of intangible assets	705	-
Gain on sale of Essex LEP loan	(673)	-
Pension GMP	170	-
Restructuring costs	1,029	822
Total adjustments to administrative expenses	2,547	3,462
Total adjustments	2,912	3,462

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; gain on 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 period the Group disposed of the asset held for Sale at 30 November 2019, which was a warehouse that will no longer be required following the estates strategy review and a non-current other receivable. These transactions resulted in a profit of £1.3m.

The Group's previously announced an estates strategy review, includes moving to one new automated warehouse. As a result of the new warehouse functionality, we have undertaken a review of inventory and the inventory that is not compliant with the automated solution has been written off. Normal inventory write downs are included in operating profit.

The restructuring costs in the current year, relate to a group restructuring programme that was announced in December 2019 and completed in the year. The costs in the prior year relate to the estates review noted above.

The impairment costs relate to aspects of the ERP solution we are investing in, that will require rework.

The Group provided for the increase in estimated liability of equalising GMPs in our defined benefit pension schemes of £170,000 that arise from the recent Court ruling on valuation of transfer values.

During 2019 the Group acquired SoNET Systems Pty Limited and incurred £728,000 of associated acquisition costs comprising advisor fees, related intangible impairment and integration costs.

During 2019 the Group exited a number of key properties and entered into new properties resulting in non-recurring exceptional costs of £335,000.

The Group previously announced an estates strategy review that will mean relocating a number of activities in the RM Resources division to one location. During 2019 the timing and impact of this was reviewed and includes a provision for improved contributions to the impacted defined benefit scheme.

The adjustments have the following impact on key metrics:

	2020 Measure	2020 Adjust ment	2020 Adjusted measure	2019 Measure	2019 Adjustm ent	2019 Adjusted measure
Profit from operation (£000)	11,523	2,912	14,435	24,178	3,462	27,640
Profit before tax (£000)	10,489	2,912	13,401	23,168	3,470	26,638
Earnings per share (see note 6)						
Basic (Pence)	10.2	2.9	13.1	23.2	3.4	26.6
Diluted (Pence)	10.1	2.9	13.0	23.0	3.4	26.4

3. Other income (Unaudited)

	Year ended 30 November 2020	Year ended 30 November 2019
	£000	£000
Bank interest	21	136
Other finance income	-	17
	21	153

4. Finance costs (Unaudited)

		Year ended 30 November 2020	Year ended 30 November 2019
	Note	£000	£000
Borrowing facilities arrangement fees and commitment fees		468	592
Net finance costs on defined benefit pension scheme	13	83	(6)
Unwind of discount on onerous lease and dilapidations provisions	11	-	22
Interest on lease of Right of Use assets		151	-
Interest on bank loans and overdrafts		353	555

	1,055	1,163
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5. Tax (Unaudited)

a) Analysis of tax charge in the Consolidated Income Statement

	Year ended 30 November 2020	Year ended 30 November 2019
	£000	£000
Current taxation		
UK corporation tax	1,632	4,179
Adjustment in respect of prior years	(305)	(479)
Overseas tax	391	385
Total current tax charge	1,718	4,085
Deferred taxation		
Temporary differences	345	247
Adjustment in respect of prior years	21	(288)
Overseas tax	(9)	62
Total deferred charge	357	21
Total Consolidated Income Statement tax charge	2,075	4,106

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

	Year ended 30 November 2020	Year ended 30 November 2019
	£000	£000
UK corporation tax		
Defined benefit pension scheme	(240)	(735)
Share based payments	(18)	(38)
Pension escrow account	(328)	(353)
Deferred tax		
Defined benefit pension scheme movements	(2,408)	(624)
Defined benefit pension scheme escrow	297	437
Share based payments	66	(105)
Deferred tax relating to the change in rate	(220)	-
Total Consolidated Statement of Comprehensive Income tax credit	(2,851)	(1,418)

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 2020			Year ended 30 November 2019		
	Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
Profit/(loss) on ordinary activities before tax	13,401	(2,912)	10,489	26,638	(3,470)	23,168

Tax at 19% (2019: 19%) thereon:	2,546	(553)	1,993	5,061	(659)	4,402
Effects of:						
- change in tax rate on carried forward deferred tax assets	(137)	391	254	-	-	-
- other expenses not deductible for tax purposes	194	(119)	75	133	-	133
- other temporary timing differences	54	-	54	(4)	(28)	(32)
- impairments	-	-	-	-	47	47
- effect of profits/losses in various overseas tax jurisdictions	53	-	53	67	-	67
- Prior period adjustments - UK	(158)	(196)	(354)	(511)	-	(511)
Tax charge/(credit) in the Consolidated Income Statement	2,552	(477)	2,075	4,746	(640)	4,106

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	Defined benefit pension scheme obligation	Share-based payments	Short-term timing differences	Acquisition related intangible assets	Total
	£000	£000	£000	£000	£000	£000
At 1 December 2018	1,021	392	396	1,548	(2,789)	568
Acquired through subsidiary	-	-	-	69	(807)	(738)
(Credit)/charge to income	(305)	-	(78)	94	268	(21)
(Charge)/ credit to equity	-	624	105	(437)	-	292
At 30 November 2019	716	1,016	423	1,274	(3,328)	101
(Charge)/credit to income	(387)	-	162	(121)	(11)	(357)
Credit/(charge) to equity	-	2,527	(66)	(211)	-	2,250
At 30 November 2020	329	3,543	519	942	(3,339)	1,994

6. Earnings per share (Unaudited)

	Year ended 30 November 2020			Year ended 30 November 2019		
	Profit for the year	Weighted average number of shares	Pence per share		Weighted average number of shares	Pence per share
	£000	'000		£000	'000	
Basic earnings per ordinary share						
Basic earnings	8,414	82,576	10.2	19,062	82,341	23.2
Adjustments (see note 2)	2,435	-	2.9	2,830	-	3.4
Adjusted basic earnings	10,849	82,576	13.1	21,892	82,341	26.6
Diluted earnings per ordinary share						
Basic earnings	8,414	82,576	10.2	19,062	82,341	23.2
Effect of dilutive potential ordinary shares: share based payment awards	-	888	(0.1)	-	577	(0.2)
Diluted earnings	8,414	83,464	10.1	19,062	82,918	23.0
Adjustments (see note 2)	2,435	-	2.9	2,830	-	3.4

Adjusted diluted earnings	10,849	83,464	13.0	21,892	82,918	26.4
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7. Dividends (Unaudited)

Amounts recognised as distributions to equity holders were:

	Year ended 30 November 2020 £000	Year ended 30 November 2019 £000
Final dividend for the year ended 30 November 2019 - nil p per share (2018: 5.70p)	-	4,698
Interim dividend for the year ended 30 November 2020 - nil p per share (2019: 2.0p)	-	1,650
	-	6,348

The proposed final dividend of 3.00p per share for the year ended 30 November 2020 was approved by the board on 8 February 2021. The dividend is subject to approval by Shareholders at the annual general meeting. The anticipated cost of this dividend is £2,481,183.

8. Trade and other receivables (Unaudited)

	2020 £000	2019 £000
Current		
Financial assets		
Trade receivables	22,907	21,343
Other receivables	1,498	1,897
Accrued income	1,997	2,384
	26,402	25,624
Non-financial assets		
Prepayments	4,915	5,614
	31,317	31,238
Non-current		
Financial assets		
Other receivables	63	939
	63	939
	31,380	32,177

9. Trade and other payables (Unaudited)

	2020 £000	2019 £000
Current liabilities		
Financial liabilities		
Trade payables	20,620	19,136
Lease liabilities	4,067	-
Other taxation and social security	6,847	4,364
Other payables	2,503	2,081
Derivative financial instruments	76	461
Accruals	10,740	11,849
	44,853	37,891
Non-financial liabilities		
Deferred income	16,638	13,340
	61,491	51,231

Non-current liabilities**Financial liabilities**

Lease liabilities

- due after one year but within two years	2,301	-
- due after two years but within five years	4,500	-
- after five years	11,346	-

Non-financial liabilities:

Deferred income:

- due after one year but within two years	1,356	1,783
- due after two years but within five years	1,309	1,561
- after five years	175	139
	20,987	3,483
	82,478	54,714

10. Borrowings (Unaudited)

	2020 £000	2019 £000
Bank loan	(5,000)	(17,000)
Add capitalised fees	221	466
Borrowings	(4,779)	(16,534)

Net debt is the total of borrowings, cash at bank and overdraft which was £1.3m as at 30 November 2020 (2019: £15.0 m).

11. Provisions (Unaudited)

Group	Onerous lease and dilapidations £000	Employee- related restructuring £000	Other £000	Total £000
At 1 December 2018	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	22	-	-	22
At 30 November 2019	853	2,220	2,380	5,453
Utilisation of provisions	-	(2,284)	-	(2,284)
Release of provisions	-	-	(525)	(525)
Increase in provisions	381	1,092	314	1,787
Impact of foreign exchange	2	-	-	2
At 30 November 2020	1,236	1,028	2,169	4,433

The onerous lease was exited in 2019. 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 £1.1m of the utilisation relates to this programme. A separate restructuring programme was announced in December 2019 and completed during the year. The majority of the restructuring provision is expected to be utilised during 2022.

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 £525,000 primarily relates to onerous contract risks that have either been re-negotiated or terminated during the year and the increase in provisions relate to new contract risks identified in the year.

12. Share capital (Unaudited)

	Ordinary shares of 2 ² / ₇ p	
	'000	£000
Allotted, called-up and fully paid:		
At 30 November 2018, 2019 and 2020	83,875	1,917

13. Defined benefit schemes (Unaudited)

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 £2,861,000 (2019: £4,489,000) represents contributions payable to these schemes by the Group at rates specified in employment contracts. At 30 November 2020 £233,000 (2019: £308,000) 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 £157,000 (2019: £143,000). The amount due in respect of these schemes at 30 November 2020 was £75,000 (2019: £51,000). The balance sheet liability is included within provisions (see note 11) and incorporates information from over 14 local government pension schemes. The provision is calculated by reference to the latest published triennial valuations and the Group discloses the net position of the Group's share of assets and liabilities.

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 number of the Group's employees in that Scheme is small (and none by 30 November 2020) 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. An estimate for Guaranteed Minimum Pensions ('GMPs') transfer values 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 2020. The present value of the defined benefit obligation was measured using the projected unit method.

Under the guidance of IFRIC 14, the Group are able to recognise a pension surplus on the balance sheet for all three schemes. In the year the Platinum scheme shows 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 2020 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.

The Research Machines plc 1988 Pension Scheme (RM Scheme) continued

At 30 November 2020 there were amounts outstanding of £308,300 (2019: £308,000) for one month's deficit payment and £nil (2019: £nil) for Scheme expenses. The escrow bank account that was set up to manage the deficit risk in 2014 was closed during 2019 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 2019 was a deficit of £5.9m.

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. 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

	Year ended 30 November 2020 £000	Year ended 30 November 2019 £000
No te		
Administrative expenses and taxes	(7)	(174)
Current service costs	(30)	(88)
Operating expense	(37)	(262)
Interest cost	(5,611)	(7,219)
Interest on Scheme assets	5,528	7,225
Net interest expense	4 (83)	6
Past service cost	(350)	-
Expense recognised in the Income Statement	(470)	(256)
Effect of changes in demographic assumptions	(406)	1,586
Effect of changes in financial assumptions	(44,944)	(45,476)
Effect of experience adjustments	2,197	2,150
Total actuarial (losses)/gains	(43,153)	(41,740)
Return on Scheme assets excluding interest on Scheme assets	26,851	33,707
Expense recognised in the Statement of Comprehensive Income	(16,302)	(8,033)
Expense recognised in Total Comprehensive Income	(16,772)	(8,289)

GMP equalisation

Since the 30 November 2018 year-end an allowance has been made for the possible liabilities arising from potential adjustment of benefits to allow for inequalities in any Guaranteed Minimum Pensions for current members. In November 2020, the High Court ruled on the Lloyds Bank GMP inequalities case regarding the equalisation of post-1990 GMP within transfer values paid since 17 May 1990. An estimated allowance for the potential costs of equalising the transfer values has been made. In the Director's view, the range of outcomes is not material even though this is an estimate.

RPI/CPI reform

On 25 November 2020, the government and UK Statistics Authority confirmed that RPI will be changing from February 2030 to bring it into line with the CPIH index, with no compensation to the holders of index-linked gilts. In the year ended 30 November 2020, the Group has revised the RPI and CPI assumptions to reflect the expectations that these reforms proceed as planned. The impact of these changes in assumptions has increased the closing deficit by around £3m.

Reconciliation of the Scheme assets and obligations through the year

	RM scheme £000	CARE scheme £000	Platinum scheme £000	Year ended 30 November 2020 £000	Year ended 30 November 2019 £000
Assets					
At start of year	239,696	14,815	2,653	257,164	218,330
Interest on Scheme assets	5,159	310	59	5,528	7,225
Return on Scheme assets excluding interest on Scheme assets	25,522	1,081	252	26,855	33,707
Administrative expenses	-	-	(7)	(7)	(174)
Contributions from Group	3,700	319	75	4,094	4,618
Contributions from employees	-	-	6	6	19
Benefits paid	(5,928)	(607)	(44)	(6,579)	(6,561)
At end of year	268,149	15,918	2,994	287,061	257,164
Obligations					
At start of year	(241,542)	(19,920)	(1,677)	(263,139)	(220,634)

Interest cost	(5,160)	(413)	(38)	(5,611)	(7,219)
Actuarial (losses)/ gains	(39,984)	(2,731)	(442)	(43,157)	(41,740)
Benefits paid	5,928	607	44	6,579	6,561
Past service cost (GMP)	(130)	(40)	(180)	(350)	-
Current service costs	-	-	(30)	(30)	(88)
Contributions from employees	-	-	(6)	(6)	(19)
At end of year	(280,888)	(22,497)	(2,329)	(305,714)	(263,139)
Pension deficit	(12,739)	(6,579)	-	(19,318)	(6,951)
Pension surplus	-	-	665	665	976
Net pension deficit	(12,739)	(6,579)	665	(18,653)	(5,975)

Included within the CARE Scheme obligations is an unfunded liability of £183,000 (2019: £190,000) which is a liability of the Group and not the Scheme.

Reconciliation of net defined benefit obligation

	Year ended 30 November 2020	Year ended 30 November 2019
	£000	£000
Net obligation at the start of the year	(5,975)	(2,304)
Cost included in Income Statement	(470)	(256)
Scheme remeasurements included in the Statement of Comprehensive Income	(16,302)	(8,033)
Cash contribution	4,094	4,618
Net pension deficit	(18,653)	(5,975)

Obligation by participant status

	Year ended 30 November 2020	Year ended 30 November 2019
	£000	£000
Active	1,463	976
Vested deferreds	254,650	216,540
Retirees	49,601	45,623
	305,714	263,139

Value of Scheme assets

	Year ended 30 November 2020	Year ended 30 November 2019
	£000	£000
Fair value of Scheme assets with a quoted market price		
Cash and cash equivalents, including escrow	1,629	986
Equity instruments	135,547	128,445
Debt instruments	2,995	2,653
Liability driven investments	117,486	97,191
Value of unquoted Scheme assets		
Insurance contract	29,404	27,889
	287,061	257,164

Significant actuarial assumptions

	Year ended 30 November 2020	Year ended 30 November 2019
Discount rate (RM scheme)	1.60%	2.15%
Discount rate (CARE scheme)	1.50%	2.10%
Discount rate (Platinum scheme)	1.60%	2.20%
Rate of RPI price inflation	2.90%	2.95%
Rate of CPI price inflation	2.10%	1.85%
Rate of salary increases (Platinum scheme)	NA	1.85%
Rate of pensions increases		

pre 6 April 1997 service	1.50%	1.50%
pre 1 June 2005 service	2.80%	2.85%
post 31 May 2005 service	2.00%	2.00%
Post retirement mortality table	S2PA CMI	S2PA CMI 2018
	2019 1.25%	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)	22.4	22.3
Retiring in 20 years after the accounting date (male member aged 45)	23.7	23.6

14. Impact of adoption of IFRS16 – Leases (Unaudited)

IFRS 16 – Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. It has replaced existing lease guidance, including IAS 17 Leases and IFRIC 4. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

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

The Group has made opening balance sheet adjustments arising from changes to the accounting for lease contracts. The impact of the new standard at 1 December 2019 is set out below:

	As reported £'000	IFRS16 impact £'000	Adopted IFRS 16 £'000
Non-current assets			
Right of use asset	-	7,031	7,031
Other non current assets	89,129	-	89,129
	89,129	7,031	96,160
Current assets	61,577	-	61,577
Total assets	150,706	7,031	157,737
Current liabilities			
Trade and other payables	(51,231)	210	(51,021)
Lease liabilities	-	(7,241)	(7,241)
Other current liabilities	(5,708)	-	(5,708)
	(56,939)	(7,031)	(63,970)
Net current liabilities	4,638	(7,031)	(2,393)
Non-current liabilities	(34,192)	-	(34,192)
Total liabilities	(91,131)	(7,031)	(98,162)
Net assets	59,575	-	59,575

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

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

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 December 2019.

Under transition rules for leases classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at 1 December 2019. The weighted average discount rate on transition was 1.98%.

Extension options

Some property leases contain options exercisable by the Group to vary the lease term. The Group assesses at the lease commencement date or at the date of transition whether it is reasonably certain to exercise its options and the most likely lease term is used in determining the lease liability.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of £3.2m.

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

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

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

Detailed primary statement restatements

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

Impact on the Consolidated Income Statement

	As reported	IFRS16 impact	Amounts before adoption of IFRS16
	£'000	£'000	£'000
Revenue	188,999	-	188,999
Cost of sales	(115,034)	67	(115,101)
Gross profit	73,965	67	73,898
Operating expenses	(61,489)	153	(61,642)
Impairment losses	(953)	-	(953)
Profit from operations	11,523	220	11,303
Investment income	21	-	21
Finance costs	(1,055)	(151)	(904)
Profit before tax	10,489	69	10,420

Tax	(2,075)	(13)	(2,062)
Profit for the period	8,414	56	8,358

Impact on the Consolidated Statement of Financial Position

	As reported	IFRS16 impact	Amounts before adoption of IFRS16
	£'000	£'000	£'000
Non-current assets			
Goodwill	49,322	-	49,322
Other intangible assets	22,354	-	22,354
Property, plant and equipment	8,423	-	8,423
Right of use asset	19,391	19,391	-
Defined Benefit Pension Scheme Surplus	665	-	665
Other receivables	63	-	63
Contract fulfilment assets	3,420	-	3,420
Deferred tax assets	5,333	-	5,333
	108,971	19,391	89,580
Current assets			
Inventories	18,594	-	18,594
Trade and other receivables	31,317	2,660	28,657
Contract fulfilment assets	728	-	728
Held for sale asset	4,793	-	4,793
Corporation tax assets	2,030	(13)	2,043
Cash and short-term deposits	5,941	-	5,941
	63,403	2,647	60,756
Total assets	172,374	22,038	150,336
Current liabilities			
Trade and other payables	(61,491)	(3,835)	(57,656)
Tax liabilities	(163)	-	(163)
Provisions	(435)	-	(435)
Overdraft	(2,480)	-	(2,480)
	(64,569)	(3,835)	(60,734)
Net current liabilities	(1,166)	(1,188)	22
Non-current liabilities			
Other payables	(20,987)	(18,147)	(2,840)
Provisions	(3,998)	-	(3,998)
Deferred tax liability	(3,339)	-	(3,339)
Defined Benefit Pension Scheme obligation	(19,318)	-	(19,318)
Borrowings	(4,779)	-	(4,779)
	(52,421)	(18,147)	(34,274)
Total liabilities	(116,990)	(21,982)	(95,008)
Net assets	55,384	56	55,328

Equity attributable to shareholders			
Share capital	1,917	-	1,917
Share premium account	27,080	-	27,080
Own shares	(841)	-	(841)
Capital redemption reserve	94	-	94
Hedging reserve	(65)	-	(65)
Translation reserve	(702)	-	(702)
Retained earnings	27,901	56	27,845
Total equity	55,384	56	55,328

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

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

Impact on the Half year Condensed Consolidated Statement of Cash Flows

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

Impact on the Consolidated Statement of Changes in Equity

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