

RM plc

Preliminary Results for the year ended 30 November 2021**Improved 2021 performance despite continued COVID-19 disruption**

RM plc ("RM"), a leading supplier of technology and resources to the education sector, reports its final results for the year ended 30 November 2021.

Highlights

- Satisfactory results versus the prior year taking into account continued disruption to school attendance and examinations
- Revenue up 12% driven by strong trading in RM Resources enabling adjusted operating profit** improvement of 22%
- Balance sheet remains resilient with net debt** at £18.3m and movement of the pension position from a deficit to a surplus
- Statutory profit after tax down 45% with £8.3m (2020: £1.7m) of investment program costs expensed following a change in accounting treatment
- Paid and proposed final dividend of 4.7 pence per share (2020: 3.0p)
- Strategy reset established with plans to deliver sustainable growth
- Good early progress made

£M	2021	2020	Variance
Revenue	210.9	189.0	+12%
Adjusted* operating profit	18.5	15.1	+22%
Adjusted* operating profit margin	8.8%	8.0%	+0.8pp
Adjusted* profit before tax	17.1	14.0	+22%
Statutory profit after tax	4.2	7.6	-45%
Adjusted* diluted EPS	16.4p	13.6p	+21%
Diluted EPS	5.0p	9.1p	-45%
Proposed dividend per share	4.7p	3.0p	+1.7p
Net debt**	18.3	1.3	
IAS 19 Pension surplus/(deficit)	30.4	(18.7)	

* Throughout this statement, adjusted operating profit and EPS are stated after adjusting items (See Note 2) which are identified by virtue of their size, nature and/or incidence. The treatment of adjusted items is applied consistently period on period and is consistent with the way that underlying trading performance is measured by management.

** Alternative performance measure, see Note 2.

Commenting on the results, Neil Martin, Chief Executive of RM, said:

"RM delivered a satisfactory financial performance in another year impacted by COVID-19. While the current environment remains uncertain, market trends are developing positively for the longer-term outlook of RM.

This has been an important year strategically as we acknowledge a need to adapt if we are going to fully capitalise on the supportive structural opportunities and deliver sustainable growth. We refreshed our strategy to sharpen our focus and have made good early progress including a number of key leadership appointments across the Group. This is an exciting time to be involved in education and I continue to be impressed by the commitment and passion of our colleagues and their desire to improve educational outcomes for our customers".

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.

Following a review of strategy, the names of the Divisions have changed to align more closely to their customer proposition

RM Resources (remains the same) 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 becomes **RM Assessment**, acknowledging its broader product portfolio and the shift from a focus on digital marking only, to one engaged in digital solutions throughout the assessment lifecycle. **RM Assessment** is a leading provider of assessment software, supporting exam awarding bodies, universities and governments worldwide to digitise their assessment delivery

RM Education becomes **RM Technology** highlighting the Division's focus on improving the technology environment in schools and colleges to support learner outcomes. **RM Technology** is a market-leading supplier of ICT software, technology and services to UK schools and colleges

Ex-dividend date for 2021 final dividend	17 th March 2022
Record date for 2021 final dividend	18 th March 2022
AGM	7 th April 2022
Payment of 2021 final dividend	29 th April 2022
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 2021 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/61fab7b66c4c440c00000323/csaeg>

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

Dial-in (UK): 0800 640 6441

Dial-in (Local): 020 3936 2999

Dial-in (all other locations): +44 20 3936 2999

Access code: 896032

For additional details and registration for the webcast, please contact Headland Consultancy on +44 203 805 4822 / rm@headlandconsultancy.com.

Contacts:

RM plc

Neil Martin, Chief Executive Officer

Mark Berry, Chief Financial Officer

Headland Consultancy (PR adviser to RM)

0203 805 4822

Stephen Malthouse (smalthouse@headlandconsultancy.com)

Chloe Francklin (cfrancklin@headlandconsultancy.com)

Jemma Savage (jsavage@headlandconsultancy.com)

CHAIRMAN'S STATEMENT

Performance

Detailed assessment of the Group's 2021 performance is inevitably dominated by the pandemic. However, the results reflect the successful efforts of the Group to adapt to the resulting volatility of customer demand. The trading performance did not match pre-pandemic levels but was creditable in the light of the challenges presented, and addressed.

In parallel with accommodating these day-to-day fluctuations, good progress has been made on the warehouse consolidation project and the group-wide IT investment. The new RM Resources distribution facility is now complete, and the efficiency benefits will flow following systems integration and the transition of activities from existing sites. The IT project is in early testing and should also begin to deliver benefits in the current year and will be complete across all divisions by the end of 2022.

The Resources division, which provides teaching and learning products to support the school curriculum, saw early demand impacted by school closures in the first quarter but experienced a strong and pleasing recovery in its UK market following the return to face-to-face teaching. This produced a sales rate which exceeded pre-pandemic levels. It is uncertain how much of this volume was catch-up from earlier weakness, but it appears that the division has enjoyed a useful gain in UK market share. This increase coincided with the widely commented on supply chain constraints and the consequent necessity for price increases, all of which tested the organisation. Inevitably, operating costs increased as a result and margins suffered. The picture overseas was less buoyant as different regional effects of the pandemic made themselves felt. The outlook for RM Resources is positive, although unpredictable, given the short cycle nature of the business.

The Digital Assessment division was again constrained by the absence of formal school examinations in the UK and the difficulties in negotiating new contracts overseas consequent upon lack of an ability to engage directly with customers. The business delivered a respectable result in the circumstances. Although the business has good forward visibility from longer term contracts, performance in 2022 will be affected by a low level of new awards in 2021 and the extent to which UK school public examinations return to normal. In the longer term, the increasing attention being given to on-line examinations and assessment should support positive progress in this division.

The Technology division, providing managed IT services and software for schools had a steady, if unexciting, year as schools maintained their systems, irrespective of short-term attendance. The gradual trend to consolidation of schools into multi-academy trusts will subtly change the nature of the customer relationships and the company will need to offer a more sophisticated service package. The short-term performance will be relatively flat but it is noteworthy that the, historically beneficial, long-term Building Schools for the Future contracts no longer make a contribution.

The Board

Neil Martin was appointed CEO, having previously been CFO, in March 2021. Mark Berry was appointed CFO, after a period as interim, in September 2021. Further appointments at below-Board executive level have subsequently been made to strengthen the management team.

Corporate Governance procedures require that I stand down as Chairman by the ninth anniversary of my appointment, which occurs in May 2022. Accordingly, the Board has conducted a process to identify and appoint Helen Stevenson as my successor and she will assume the Chairmanship the day after the announcement of the preliminary results in February. I welcome her and the new executive team and wish them all, and the Company, well.

Dividend

In the light of the results and the Group's good cash performance, the Board considers it appropriate to recommend the payment of a final dividend of 3.0 p/share, which together with the interim dividend would amount to a total of 4.7 p/share.

Outlook

The short term remains subject to COVID-19 uncertainties, but the achievements of the Company in 2021 set a firm base from which to move forward, supported by the benefits of the current capital investments.

Chief Executive Officer's statement

RM delivered a resilient performance in 2021 in another year impacted by COVID-19 with school closures, travel restrictions and the cancellation of school exams in the UK and Ireland.

Our trading was satisfactory taking into account the market conditions and the performance highlighted some areas of our portfolio that were particularly encouraging, such as the UK market share gains in our Resources division alongside some areas which require more focused attention and a clearer direction such as in our Technology division.

Another year impacted by COVID-19

COVID-19 continued to impact the sector with UK schools closed for 8 weeks in the first quarter of 2021 and school exams cancelled for a second year. School attendance generally ran at a lower level due to isolation rules which deteriorated further in the fourth quarter as more children were forced to study from home. Disruption was not isolated to the UK and school closures were a common occurrence around the world, although we did see exams sat in the majority of geographies in which we operate.

The related restrictions continued to impact the way we operated with work-from-home guidance and travel restrictions influencing the way we deliver projects and progress sales pipelines. Although the organisation has adapted, the changes have come at a time of significant change in the sector and across our organisation with new leadership, organisational structures, and the delivery of a complex IT programme.

We also saw significant supply chain constraints build through the year which impacted pricing, margins, and customer engagement in some parts of the business. Our procurement teams were agile in establishing alternative supply channels to support the network and we did increase prices, but the overall impact was negative.

Given the challenges of the year and the change profile in our organisation I have been delighted by the response of our colleagues who, despite facing a number of challenges, continued to deliver for our customers and each other.

Whilst the current environment continues to remain uncertain as we enter 2022, with the added financial challenge of rising inflation impacting our costs and that of our customers, the pandemic has accelerated a number of important market trends that are positive to the longer-term outlook of RM.

MARKET TRENDS

The education marketplace is changing. Whilst in part, this is a direct response to COVID-19, much reflects a movement that has been evolving for some time. Looking beyond the disruption of the current pandemic, the longer-term market outlook should be positive for RM and our strategy has been refreshed to ensure it is aligned to capitalise on the benefit from these trends.

Use of technology in Education	Digital delivery of Assessment	Aggregated School Procurement
Accelerating as schools progress on long digital maturity journey	Growing engagement on digital solutions post COVID-19 disruption	Growth in larger school groups is key disrupter in buyer behaviour

Use of technology in Education

Education has traditionally lagged many sectors with respect to digital penetration, with currently only c. 4% of the \$6.5tn global education and training market spend being digital.

In the UK, spend on education technology (defined as spend on technology and support services, admin software and digital content and learning) was estimated at c. £2bn in 2019. UK education budgets remain challenged, but despite this, it is anticipated that the proportion spent on technology will increase over the medium term, given the growing acceptance that technology can influence a reduction in teacher workload and an improvement in student attainment. That said, schools are at the start of a long digital maturity journey, beginning from different places and with different capabilities and resources.

Digital delivery of Assessment

COVID-19 has been accountable for a wide-ranging cancellation of global examinations across a range of education sectors. This has accelerated a review of the resilience of exam systems and subsequently the wider

value of digital assessment in not only delivering flexibility and business continuity but also the value it can bring to user experience and data feedback into the learning process. Business models across education sectors from schools to higher education and professional qualifications are assessing the impact of learners studying remotely and consuming materials in different ways and therefore the opportunity for assessment to adapt accordingly.

Millions of exams are sat globally each year, and this continues to be predominantly on paper. Indicatively in 2019, 94% of the 38million UK examinations covering schools, professions, vocation, higher education, and national proficiency tests were done on paper rather than digitally. The UK is not a leader in digital assessment and RM works with several customers in different geographies who are further advanced in their digital engagement, but it does give an indication of the structural opportunity that exists globally for digital assessment solutions.

Consolidated Procurement across Schools

There has been a transition in recent years in England from schools being maintained and managed by local authorities, to schools becoming academies and receiving funding directly from government. Many then come together as a collection of schools in multi-academy trusts (MATs), the average size of which continues to grow. This transition remains a government policy focus and a trend that we predict will continue.

Larger MATS are more likely to centralise the procurement of some key services which leads to a demand for consistency across the school estate and a higher requirement for professionalism, partnering and demonstration of value delivery. Trends are also starting to demonstrate an increasing engagement with outsourced support in areas beyond teaching and learning. This is a positive dynamic for RM as a provider of services such as outsourced IT services with a national scale and reach that is more mature than many competitors.

Looking ahead

Following my appointment as Chief Executive in the second quarter of 2021, it was clear that the priority for RM moving forward should be to establish a clear path to long-term sustainable growth for the benefit of all stakeholders.

RM is a purpose-led organisation with a rich heritage in the education sector following almost 50 years of working exclusively with schools and education bodies globally. Our business has a unique breadth of knowledge and expertise, strong brands, market positions and industry renowned customers and partners. We combine this with a cash generative business model and a resilient balance sheet which provides a positive foundation on which to build.

However, RM has not consistently delivered sustainable growth and the company needs to adapt its go-to-market approach and customer propositions to the more competitive landscape and a market that is changing at an accelerating rate. Opportunities exist to improve operational and commercial execution, reduce complexity and establish clearer accountability.

To address this, we undertook a review of RM's strategy and business model in the second half of the year. This review has been positive in its output and plans are being progressed which will build on the strong business foundations and address the opportunities for improvement that I outlined above. We have made good early progress in changing the go-to-market divisional structure, maturing customer propositions and investing in leadership positions across the Group. Importantly in 2022, we move into the implementation phase of the programme to change our IT platform. The organisation is presently reliant on a legacy technology estate which results in a higher cost to serve than some competitors, a broader exposure to inflation and restricted digital and data capabilities. The transition to the new system, which should be complete by the end of 2022, will see us more than close the technology gap with our peers.

STRATEGY

At a Group level, we have established five simple overarching objectives which are critical to deliver our growth agenda:-

	Why is it important	Where are we today		In progress
Reach more customers	Define target customers Critical to optimize market share	RM Resources	Green	Refreshed propositions
		RM Assessment	Amber	New technology platform
		RM Technology	Amber	New structure & leadership
Improve share of customer spend	Optimize return on investment where cost to sell is high	RM Resources	Amber	Refreshed propositions
		RM Assessment	Amber	New technology platform
		RM Technology	Red	New structure and leadership

		RM Group	Red	
Operational excellence	Customer focus on trust Tights budgets High-touch requirements	Operational efficiency is behind some competitors	Amber	New technology platform Single automated warehouse
Attract & retain talent	Talent has functional expertise Sector knowledge Customer empathy	Purpose led organisation but very challenging labour market	Amber	Employee engagement focus New structure and leadership New technology platform
Maintain strong financial discipline	Need to invest whilst balancing risk and stakeholder needs	Resilient balance sheet Good cash generation Prudent fiscal approach	Green	Large capital programmes conclude in 2022

1. Reach more customers

As an organisation focused on a single sector, customer market share is critical and provides broader commercial opportunities to a portfolio group. It also highlights the value in looking at adjacent markets in education where we are not currently focused but where the same customer need exists.

Example opportunity: whilst we are one of the leading brands in the sector, only 2% of UK schools have an RM Technology Managed Service in a market where this need is increasing.

2. Improve our share of customer spend

The cost to acquire new customers is relatively high and therefore it is critical that once a relationship is established, it is maintained, and the share of customer spend maximised.

Example opportunity: almost 90% of UK Primary Schools buy from the RM Resources brand, TTS. The opportunity exists to further leverage the trust in this brand through this channel. For example, only one third of TTS customers buy wider school supplies from their sister resources brand, Consortium.

3. Operational excellence

Good customer service and operational efficiency is essential to a sector that delivers a critical public service to its end customers.

Example opportunity: RM currently trades with a higher cost to serve than some of its competitors due to its legacy IT platform making it more people intensive to maintain the high customer service levels required by our customers. As outlined, this platform is being replaced in the year ahead which will more than close the technology gap on our peers.

4. Attract and retain talent

RM prides itself on a workforce that has functional expertise, deep sector knowledge and customer empathy. Acquiring, developing and retaining this talent and building a culture of positive employee engagement is a key success factor.

Example opportunity: In the year, we undertook a culture audit and are refreshing our employee engagement approach based on the feedback. We have also recently appointed a number of senior leaders from the education sector and specialisms in broader industry such as Cloud and Managed Services, to support the strategy execution and broader empowerment.

5. Maintain strong financial discipline

RM has a resilient balance sheet, a cash generative business model and a track record of prudent fiscal management. It is imperative that this is maintained and remains a focus on the path to more ambitious growth.

Example Opportunity: our large multi-year investment programmes will be completed in 2022 facilitating a reduction in investment spend and delivery of the financial benefits.

Against the backdrop of these Group-level objectives and coupled with an assessment of our current execution in light of the changes in our respective markets, the three divisions revisited their strategies to ensure that they were ambitious and aligned to the growth agenda. This exercise reconfirmed the need to continue to build on our unique breadth and depth of domain knowledge, brand strength and capabilities. It also highlighted the necessity to focus and be clear on the opportunities where we can grow at scale and sustainably differentiate in the market. This has crystalised a number of activities and exciting changes that are critical to our growth agenda centred

around the clarity of the customer need in a post COVID environment and the impact of the market trends previously outlined.

Opportunities to unlock growth

Underpinning the 5 strategic objectives to unlock more ambitious growth are three key opportunities that we will progress and mature over the next 18 months.

Enablers to unlock growth

New digital and automated platforms	Portfolio & Operating model	Talent & culture
Integrated end to end platform and automated warehouse enable improved customer service and data insight	New divisional structure and operating model to ensuring the whole is greater than the sum of its parts	Building talent and inspiring leadership in a purpose led organisation

The new digital and automated platforms that will be implemented during 2022 constitute a significant transformation for the Group. Replacing eight core, but disparate, IT systems alongside consolidating five distribution centres into a single automated facility will deliver key benefits which include:

- a secure technology and data estate through connected Group systems, a common financial system and a Microsoft cloud estate for resiliency;
- improved efficiency and customer experience through automated, integrated processes, self-serve capability, integrated service management platform and a modern website with improved user interface;
- improved revenue opportunities delivered through improved data insight from a single view of the customer and consolidated CRM, tailored and targeted market and improved digital channels capabilities;
- supply chain optimisation through improved warehouse efficiency and fulfilment performance and integration of demand with suppliers.

In parallel we have revisited our portfolio and operating model establishing a new divisional structure with three leadership teams aligned to the divisional model and market focus. This provides greater customer and domain focus and improved go-to-market execution. We are now developing the operating model to ensure that the value of RM Group is greater than the sum of its parts. This is being approached in two ways:

- a focus on leveraging the relationships held in each division to bring broader value to our customers and a greater awareness of the unique breadth of our Group-wide knowledge and expertise we have in the sector; and
- revisiting the operating model to ensure that the organisation is delivering efficiently and effectively. This has identified centres of excellence that can deliver value across the whole Group rather than being separately delivered in each division. Initial changes have seen the creation of a single Bid Management function and Architecture and Digital product development centres.

Talent and culture should always be at the heart of a successful organisation, and this is particularly important to RM. We have a strong purpose-led culture and committed employees who care about education and learners, and we see exciting opportunities to continue to evolve and develop that culture. To support employee engagement, we have undertaken a culture audit, initiated several equality, diversity and inclusion initiatives and launched a new quarterly engagement survey which will provide valuable information to support our activities in this area. In addition, the establishment of the new leadership structure and the appointments made to key leadership positions in the organisation are designed to foster greater empowerment.

Outlook

The evolving market backdrop provides convincing reasons to believe that the sector is developing in a constructive and commercially positive way.

The actions taken in the last year and the plans we have in place to unlock growth will take time to mature and be fully embedded. With the new IT platform and automated warehouse expected to be fully operational by the end of 2022 and the changes we are making associated with the strategy refresh and new leadership structure, we are entering an 18 month period of transition. Following this, we will move into a phase whereby we are able to

leverage the changes and investments made in the business alongside a greater customer and market focus. It is at this stage where we move beyond pre-COVID levels of financial and operational performance and will be able to more fully capitalise on the organisation's potential to deliver sustainable growth with greater agility to exploit customer and market opportunities as they arise in the future.

All of this represents material change for the organisation, which is essential to achieve its potential and deliver a sustainable pathway for growth and meet the changing needs of the education sector. It has been a challenging time to be involved in delivering and supporting education over the last two years, but this now feels like an exciting time for the sector and for RM. Our plans rely on dedicated and passionate people to be successful and I continue to be impressed by the commitment of our colleagues and their desire to not only develop and advance the organisation but importantly improve educational outcomes for our customers.

Neil Martin
Chief Executive

Chief Financial Officer's statement

Overview

RM's financial performance for the period was resilient despite being materially impacted by school closures, and the cancellation of all 2021 UK school exams.

Group revenue increased by 11.6% to £210.9m (2020: £189.0m) driven by strong trading in RM Resources which recovered quickly following the re-opening of UK schools in March 2021. Revenue growth was driven primarily by demand for UK curriculum resources as schools focused on curriculum spending to support outdoor teaching, physical education and pupil well-being, alongside managing COVID-19 transmission risks. Revenues in RM Assessment were broadly in line with prior year with the partial recovery of global exam activity being offset by a significant customer in-sourcing a contract in 2020. Hardware and connectivity sales in RM Technology improved reflecting the ongoing digitisation of school infrastructure.

Adjusted operating profit³ increased by 22.5% to £18.5m (2020: £15.1m) and was driven by revenue growth partially offset by increased operating costs. Statutory operating profit decreased by 33.9% to £7.0m (2020: £10.6m) primarily as a result of the accounting policy change described below.

The group continued to experience higher frictional costs in respect of freight and Brexit; increased costs associated with the resumption of key projects which were paused in 2020, and the non-repeat of prior year cost savings associated with our response to the COVID-19 pandemic. In addition, the Group continued to face significant wage inflation pressure through the year, most significantly in India.

Net debt³ closed the year at £18.3m (2020: £1.3m). The £17.0m net cash outflow reflected good operating cash generation, offset by planned spending on two large capital programmes, Project Villa, which comprises the consolidation of five distribution centres into a single automated facility, and Project Evolution, which comprises the implementation of a new group-wide IT platform. The completion of both programmes was extended by six months to ensure their successful implementation. This was due to a need to de-risk the transition due to its inherent complexity and the impact of ongoing covid restrictions through the year. Both programmes are expected to complete in 2022 and the Group continues to utilise its £70m revolving credit facility to fund the investments in them.

Group Financial Performance

Income statement

£m	2021			2020 ¹		
	Adjusted ³	Adjustment ²	Statutory	Adjusted ³	Adjustment ²	Statutory
Revenue	210.9	-	210.9	189.0	-	189.0
Operating profit	18.5	(11.5)	7.0	15.1	(4.5)	10.6
Profit before tax	17.1	(11.5)	5.6	14.0	(4.5)	9.5

Tax	(3.3)	1.9	(1.4)	(2.7)	0.8	(1.9)
Profit after tax	13.8	(9.6)	4.2	11.4	(3.7)	7.6

1. Following the IFRS interpretations committee ("IFRIC") agenda decision, we have changed our accounting treatment and policy for IAS38 Intangible Assets accordingly. Prior year comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £1.7 million. See Note 14.
2. Adjustments reflect the amortisation of acquisition related intangible assets; major investment strategy costs including dual run costs, profits on sale of non-core assets, and other property related items. Further details can be found below and in Note 2.
3. Non-GAAP measures. See Note 2.

Group revenue increased by 11.6% to £210.9m (2020: £189.0m).

The pandemic continued to impact revenues in the UK and internationally. UK revenues increased by 9.8% with international revenues up 24.2%.

Adjusted operating profit margins³ improved to 8.8% (2020: 8.0%). Adjusted operating profit improved by 22.5% to £18.5m (2020: £15.1m). Statutory operating profit decreased by 33.9% to £7.0m (2020: £10.6m).

In order to provide an understanding of underlying business performance, certain costs are identified as 'adjustments'² to underlying business performance.

In 2021 Adjusted items comprised the following:

	2021	2020
	£m	£m
Amortisation charges associated with acquisition related intangible assets	2.0	2.0
Stock obsolescence associated with revised warehouse strategy ⁴	-	0.4
Gain on sale of legacy property ⁴	(1.4)	(0.7)
Dual running property & licence costs ⁴	2.0	0.6
Gain on sale of legacy investment	-	(0.7)
Onerous lease commitments	0.5	-
Pension GMP	-	0.2
Restructuring costs	-	1.0
Net Adjustments before SaaS related expenses	3.1	2.8
IT platform costs incurred and expensed under new accounting guidance ²	8.3	1.7
Total adjustments ²	11.5	4.5

The majority of adjusted items relate to planned spending on our two large capital programmes (⁴). These items have been disclosed as adjustments because they are material to the relevant segment.

- (i) £3.1m of net adjustments relate to amortisation of acquisition intangibles, dual running and one-off property costs in relation to the warehouse consolidation programme; and
- (ii) Implementation of Software as a Service ("SaaS") accounting guidance

During the year the Group continued with its implementation of a new group-wide IT platform. Following the IFRS interpretations committee ("IFRIC") agenda decision, we have changed our accounting treatment and policy for IAS38 Intangible Assets accordingly. The directors determined that £8.3m of SaaS related costs incurred during FY21 no longer meet the criteria for recognition as an asset under IAS38. Accordingly, this amount has instead been expensed to the income statement. A total of £6.9 million SaaS related costs incurred in the year have been capitalised and recognised on the balance sheet as an intangible asset.

Prior year comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £1.7m.

Taking into consideration the adjustments of £11.5m (2020: £4.5m), statutory operating profit decreased to £7.0m (2020: £10.6m).

Statutory profit before tax fell to £5.6m (2020: £9.5m) after deducting net interest charges of £1.4m in relation to the Group's credit facility and finance costs related to the defined benefit pension schemes.

The total tax charge for the year was £1.4m (2020: £1.9m). The Group's tax charge measured as a percentage of profit before tax, was 25.3% (2020: 19.9%) driven mainly by an increase in deferred tax rate which was partially offset by the effect of indexation on the sale of property.

Statutory profit after tax decreased 45% to £4.2m (2020: £7.6m).

Adjusted diluted earnings per share³ increased to 16.4 pence (2020: 13.6 pence). Statutory basic earnings per share were 5.0 pence (2020: 9.2 pence) and statutory diluted earnings per share were 5.0 pence (2020: 9.1 pence).

Cash flow

RM generated cash from operations for the year of £8.4m (2020: £25.9m).

Cash from operations is after charging £6.5m of SaaS related costs incurred during FY21 which no longer meet the criteria for recognition as an asset under IAS38. Net working capital outflows for the year were £3.5m as the business returned to growth, and the settlement of £3.5m of VAT liabilities that were deferred from FY20 under the government's deferral scheme.

The use of cash generated comprised net capital expenditure of £11.8m (2020: £2.1m), contributions to the defined benefit pension schemes of £4.4m (2020: £4.1m), and tax payments of £0.1m (2020: £2.6m). Dividend payments were £3.9m having been reinstated following their suspension in 2020.

Divisional performance

RM Resources

RM Resources revenues increased by 24% to £114.4m (2020: £92.4m) driven by strong curriculum sales following the re-opening of schools in March. UK education revenue increased by 22% with international revenues up 39%.

Divisional operating profit increased to £10.1m (2020: £3.1m) and operating margins increased to 8.8% (2020: 3.3%). The increase was predominantly driven by higher revenues partially offset by higher product and freight costs associated with COVID-19 and Brexit, reduced COVID-19 cost saving benefits, and the resumption of the digital and automation projects which were paused in 2020. Uncertainty remains regarding the impact of the pandemic on supply chains in both the UK and International markets.

RM Resources continues to make good progress with its warehouse consolidation programme, with the fit out of the new warehouse and associated office space now complete. The automation and systems integration prior to the majority of inventory transfer is ongoing, and two of the five warehouses have now been exited with one exited in the period.

UK

Revenue in the UK increased by 22% to £98.4m (2020: £81.0m) despite schools closed to face to face teaching for a similar period in 2021 vs. 2020. Our TTS brand performed strongly, particularly in curriculum sales supporting outdoor teaching, physical education, pupil wellbeing and COVID-19 transmission management, benefitting from its differentiated position and innovative, own-developed product portfolio.

International

International sales comprise two key channels, international distributors, through which RM Resources sells own-developed products to over 80 countries, and international English curriculum schools to whom it sells a wider portfolio of education supplies. International revenues increased by 39% to £16.0m (2020: £11.5m) benefiting from reduced restrictions in a number of key territories vs. the prior year however volumes remain depressed vs. pre pandemic levels as COVID-19 continues to impact the international landscape with regard to pupil attendance.

RM Assessment

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

Revenue increased by 1% on the prior year to £31.9m (2020: £31.6m) with the partial recovery of global examination activity in 2021 being offset by a significant customer in-sourcing a contract in 2020. Revenues remain heavily impacted by lower examination volumes with UK general exams cancelled and reduced international exam activity being offset by an increase in professional and language qualification activity.

2021	RM customers	Exam activity vs. 2020	Exam activity vs. 2019
UK School Exams	3	+10%	-95%
UK Other	6	+90%	+85%
International	9	+45%	-30%

Adjusted operating profit fell by 14% on the prior year to £5.7m (2020: £6.6m), with operating margins decreasing to 17.9% (2020: 20.9%).

COVID-19 disruption relating to ongoing international travel restrictions and global lockdown measures continues to adversely impact the sales pipeline development. Wage inflation pressure through the year increased delivery costs, driven in part by a shortage of in demand skilled developers in India.

RM Technology

Revenue decreased by 1% to £64.6m (2020: £65.0m) as the division showed its resilience to UK school closures as schools continued to require technology support with the challenge of progressing new opportunities.

Adjusted operating profit however decreased by 24% to £7.1m (2020: £9.3m), the key drivers being the combination of lower gross margins arising from a higher proportion of hardware sales, together with increased operating costs post lockdown, and the absence of prior-year, one-off benefits.

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 1% to £53.6m (2020: £54.0m) with managed services revenues declining 4% to £40.5m (2020: £42.0m). This was driven primarily by a reduction in revenues from long term contracts and a slight reduction in site numbers through the year as converting the sales pipeline became challenging. Connectivity increased 9% to £13.1m (2020: £12.0m).

Digital Software Platforms

The Digital Software Platform offering covers a number of 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 marginally to £11.0m (2020: £10.9m).

Dividend

The Board took the decision not to pay a 2019 final dividend or a 2020 interim dividend as a result of the pandemic. However, whilst COVID-19 has continued to impact the business, the Board reinstated the 2020 final dividend and paid an interim dividend in the year of 1.7p (2020: nil).

In addition, the Board proposes a 2021 final dividend of 3.0 pence per share (2020: 3.0p) which is subject to shareholder approval. The estimated cost of the final dividend proposed is £2.5m.

The Board is committed to a long-term sustainable dividend policy and the Company has £35.8m of distributable reserves, as at 30 November 2021, 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.

Defined Benefit Pension 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 prior year (which impacted the Platinum Scheme), all schemes are now closed to future accrual of benefits.

The IAS19 net surplus (pre-tax) across the Group increased by £49.1m to £30.4m (2020: £18.7m deficit) with both the RM Education Scheme and the Platinum Scheme being in surplus. The improvement was driven primarily by better than expected returns on scheme assets, together with an increase in the discount rate, which is based on corporate bond yields, both of which were partially offset by an increase in inflation.

The Group deficit recovery plan payments across all schemes in 2021 were £4.4m (2020: £4.1m). The triennial valuation as at 31 May 2021 is nearing completion.

Treasury Management

The Company's financial position is supported by a committed revolving credit facility of £70million that is shared between two banks, HSBC and Barclays. It also has an additional uncommitted accordion arrangement for a further £30million, enabling the Group to extend the facility to £100m. The facility was extended during the year and is now committed to July 2023 and retains the option of a further 1-year extension. The associated financial covenants are based on the definition of finance leases prior to the implementation of the accounting standard, IFRS16. The Group is reliant on the facility in the short term to manage its net current liability position.

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

The Directors have prepared cash flow forecasts for the period to the end of May 2023 which indicate that, taking into account reasonably plausible downsides as discussed below, the Company has sufficient funds to meet its liabilities as they fall due for at least 12 months from the date of this report.

In assessing the going concern position the Directors have considered the balance sheet position and the level of available finance not drawn down. The balance sheet shows net current liabilities of £1.0m. At 30 November 2021, the Group had net debt of £18.3m (November 2020: £1.3m) and drawn facilities of £20m (November 2020: £5m). RM Group has a £70m committed bank facility ("the facility") at the date of this report. Further details are set out in Note 10. Liquidity headroom at 30 November 2021 was £47.9m. Average net debt over the year to 30 November 2021 was £15.8m (2020: £16.3m) with a maximum borrowings position of £29.7m (2020: £29.6m). The debt facilities are subject to financial covenants of a maximum of 2.5 times Net Debt/EBITDA and at least 4 times interest cover/EBITDA. These covenants are tested in May and November. At 30 November 2021 the results of the covenant tests were 0.84 and 22.6 respectively.

The facility was extended by 1 year during 2021 and is committed until July 2023. During this extension process, the Board initiated conversations regarding a 3-year facility to replace the current facility when it expires and is confident in obtaining a new or renewed facility at an appropriate time.

The Chief Financial Officer's statement outlines the performance of the Group in the year to 30 November 2021 including the impact of COVID-19. In this period UK schools were closed for a number of weeks primarily during Q1, and UK and Irish school exams were cancelled by respective governments. Despite this backdrop, revenues increased by 12% compared to 2020 and adjusted profit before tax by 22%. RM Resources continued to provide products to its customers during school closures and has experienced strong curriculum sales in 2021. In RM Assessment, whilst the UK general exams saw a significant reduction compared to 2019, other UK assessment and international examination activity recovered partially. RM Technology continues to be resilient to UK school closures as it provides the technology support to UK schools and colleges that has allowed them to operate remotely. Performance by segment is set out in Note 2. Net cash inflow from operating activities was £3.8m.

For going concern purposes, the Group has assessed a base case scenario that assumes no significant downturn in UK or International markets occurs from that experienced in the year to 30 November 2021. The base case also incorporates a reduced level of investment expenditure in 2022 versus that incurred in 2021 relating to the anticipated completion of its two large capital programmes and assumes a return to shareholders through dividends. Under that base case RM continues to maintain significant headroom against the committed facility and are within the Group's covenants.

The Group has assessed a further severe downside scenario that adjusts the base assumptions to include:

- Further school closures for March through to May 2022 at similar levels of trading experienced in 2021, comprising a c.30% reduction in divisional revenue in those months;
- Reduced International trading and exams, including an c.25% reduction in International general school exams against budget;
- Assumes the UK exams that have been cancelled in 2021 are also cancelled in 2022;
- Slower pipeline conversion, a c.50% of budgeted annuity contracts in RM Assessment and RM Technology being achieved;
- Benefits from our ERP programme are delayed by approximately 1 year
- Business disruption for 2 months in our RM Resources division when the warehouse automation goes live in 2022 reducing order intake by c.50% in those 2 months;
- Minimal cost mitigations and no significant cash flow deferrals.

The Directors do not believe that all these assumptions occurring together are plausible, but under these scenarios, in aggregate, the Company continues to have good headroom against the facility and complies with bank covenants until the facility concludes. Having considered the severity of this scenario, the Board considers this to be an appropriate worst case scenario.

The Board's assessment of the likelihood of a further downside scenario is remote, particularly with the continued vaccine booster/ roll out programmes and lifting of restrictions in key countries and the indications from most governments worldwide that they intend to lift remaining restrictions as soon as practicable.

Therefore, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its 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 continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Mark Berry
Chief Financial Officer
14 February 2022

**CONSOLIDATED INCOME
STATEMENT
for the year ended 30 November
2021**

	Note	Year ended 30 November 2021			Restated Year ended 30 November 2020		
		Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
Revenue	2	210,853	-	210,853	188,999	-	188,999
Cost of sales		(140,220)	-	(140,220)	(121,551)	(365)	(121,916)
Gross profit		70,633	-	70,633	67,448	(365)	67,083
Operating expenses		(52,164)	(11,483)	(63,647)	(52,119)	(4,154)	(56,273)
Impairment losses		-	-	-	(248)	-	(248)
Profit from operations		18,469	(11,483)	6,986	15,081	(4,519)	10,562
Other income	3	28	-	28	21	-	21
Finance costs	4	(1,396)	-	(1,396)	(1,055)	-	(1,055)
Profit before tax		17,101	(11,483)	5,618	14,047	(4,519)	9,528
Tax	5	(3,282)	1,858	(1,424)	(2,668)	775	(1,893)
Profit for the year		13,819	(9,625)	4,194	11,379	(3,744)	7,635
Earnings per ordinary share							
- basic	6	16.6p		5.0p	13.8p		9.2p
- diluted	6	16.4p		5.0p	13.6p		9.1p
Paid and proposed dividends per share							
- interim	7			1.70p			-
- final				3.00p			3.00p

The previous year's results have been restated (see note 14). Throughout this statement, adjusted profit and EPS measures are stated after adjusting items which are identified by virtue of their size, nature and/or incidence. The treatment of adjusted items is applied consistently period on period and is consistent with the way that underlying trading performance is measured by management (see note 2).

All amounts were derived from continuing operations.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 November 2021**

	Note	Year ended 30 November 2021 £000	Restated Year ended 30 November 2020 £000
Profit for the year		4,194	7,635
Items that will not be reclassified subsequently to profit or loss			
Defined Benefit Pension Scheme remeasurements	13	44,860	(16,302)
Tax on items that will not be reclassified subsequently to profit or loss	5	(10,364)	2,854
Items that are or may be reclassified subsequently to profit or loss			
Fair value gain on hedged instruments		242	346
Tax on items that are or may be reclassified subsequently to profit or loss	5	(45)	(3)
Exchange loss on translation of overseas operations		(180)	(205)
Other comprehensive income / (expense)		34,513	(13,310)
Total comprehensive income / (expense)		38,707	(5,675)

The previous year's results have been restated (see note 14).

CONSOLIDATED BALANCE SHEET

		At 30 November 2021 £000	Restated At 30 November 2020 £000
	Note		
Non-current assets			
Goodwill		49,202	49,322
Intangible assets		23,405	19,016
Property, plant and equipment		16,217	8,423
Right of Use asset		18,018	19,391
Defined Benefit Pension Scheme surplus	13	35,037	665
Other receivables	8	82	63
Contract fulfilment assets		4,169	3,420
Deferred tax assets	5	156	5,333
		146,286	105,633
Current assets			
Inventories		19,055	18,594
Trade and other receivables	8	33,865	31,475
Contract fulfilment assets		1,360	728
Held for sale asset		3,034	4,793
Tax assets		3,665	2,633
Cash at bank		3,560	5,941
		64,539	64,164
Total assets		210,825	169,797
Current liabilities			
Trade and other payables	9	(61,369)	(61,491)
Tax liabilities		-	(163)
Provisions	11	(2,066)	(435)
Overdraft		(2,082)	(2,480)
		(65,517)	(64,569)
Net current (liabilities) /assets		(978)	(405)
Non-current liabilities			
Other payables	9	(21,072)	(20,987)
Provisions	11	(1,475)	(3,998)
Deferred tax liability		(10,830)	(3,339)
Defined Benefit Pension Scheme obligation	13	(4,686)	(19,318)
Borrowings	10	(19,744)	(4,779)
		(57,807)	(52,421)
Total liabilities		(123,324)	(116,990)
Net assets		87,501	52,807
Equity attributable to shareholders			
Share capital	12	1,917	1,917
Share premium account		27,080	27,080
Own shares		(444)	(841)
Capital redemption reserve		94	94
Hedging reserve		177	(65)
Translation reserve		(882)	(702)
Retained earnings		59,559	25,324

Total equity	87,501	52,807
---------------------	---------------	---------------

The previous year's results have been restated (see note 14).

**CONSOLIDATED
STATEMENT OF
CHANGES IN EQUITY
for the year ended 30
November 2021**

	Note	Share capital £000	Share premium £000	Own shares £000	Capital redemption reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Total £000
At 1 December 2019 - as reported		1,917	27,080	(1,007)	94	(411)	(497)	32,399	59,575
Configuration costs expensed	14	-	-	-	-	-	-	(1,798)	(1,798)
At 1 December 2019 - as restated		1,917	27,080	(1,007)	94	(411)	(497)	30,601	57,777
Profit for the year-restated		-	-	-	-	-	-	7,635	7,635
Other comprehensive income/(expense)		-	-	-	-	346	(205)	(13,451)	(13,310)
Total comprehensive income/(expense)		-	-	-	-	346	(205)	(5,816)	(5,675)
Transactions with owners of the Company:									
Share-based payment awards exercised		-	-	166	-	-	-	(166)	-
Share-based payment fair value charges		-	-	-	-	-	-	705	705
At 1 December 2020 - as restated		1,917	27,080	(841)	94	(65)	(702)	25,324	52,807
Profit for the year		-	-	-	-	-	-	4,194	4,194
Other comprehensive income/(expense)		-	-	-	-	242	(180)	34,451	34,513
Total comprehensive income/(expense)		-	-	-	-	242	(180)	38,645	38,707
Transactions with owners of the Company:									
Share-based payment awards exercised		-	-	397	-	-	-	(397)	-
Share-based payment fair value charges		-	-	-	-	-	-	(100)	(100)
Ordinary dividends paid	7	-	-	-	-	-	-	(3,913)	(3,913)
At 30 November 2021		1,917	27,080	(444)	94	177	(882)	59,559	87,501

CONSOLIDATED CASH FLOW STATEMENT

		Year ended 30 November 2021	Restated Year ended 30 November 2020
	Note	£000	£000
Profit before tax		5,618	9,528
Investment income	3	(28)	(21)
Finance costs	4	1,396	1,055
Profit from operations		6,986	10,562
Adjustments for:			
Pension GMP		-	170
Amortisation and impairment of intangible assets		2,406	3,038
Depreciation and impairment of property, plant and equipment		4,281	3,718
(Gain) on disposal of other asset		-	(713)
(Gain)/ loss on disposal of property, plant and equipment		(1,449)	(949)
Loss/(gain) on foreign exchange derivatives		64	(625)

Share-based payment (credit)/ charge		(100)	705
(Decrease) / increase in provisions		(353)	1,443
Defined Benefit Pension Scheme administration cost	13	52	37
Operating cash flows before movements in working capital		11,887	17,386
(Increase) / decrease in inventories		(460)	3,557
(Increase) / decrease in receivables		(2,318)	2,362
(Increase) in contract fulfilment assets		(1,381)	(1,111)
Movement in payables			
- increase in trade and other payables		1,177	6,012
- utilisation of provisions	11	(528)	(2,284)
Cash generated from operations		8,377	25,922
Defined benefit pension scheme cash contributions	13	(4,450)	(4,094)
Tax paid		(135)	(2,589)
Net cash inflow from operating activities		3,792	19,239
Investing activities			
Interest received		28	21
Proceeds on disposal of investment asset		-	1,560
Proceeds on disposal of property, plant and equipment		3,214	2,900
Purchases of property, plant and equipment		(8,024)	(5,801)
Purchases of other intangible assets		(6,977)	(801)
Net cash used in investing activities		(11,759)	(2,121)
Financing activities			
Dividends paid	7	(3,913)	-
Drawdown/ (repayment) of borrowings	10	15,000	(12,000)
Borrowing facilities arrangement and commitment fees		(497)	(226)
Interest paid		(675)	(501)
Payment of leasing liabilities		(3,889)	(2,523)
Net cash generated by/ (used in) financing activities		6,026	(15,250)
Net (decrease) /increase in cash and cash equivalents		(1,941)	1,868
Cash and cash equivalents at the beginning of the year		3,461	1,528
Effect of foreign exchange rate changes		(42)	65
Cash and cash equivalents at the end of the year		1,478	3,461
Bank overdraft		(2,082)	(2,480)
Cash at bank		3,560	5,941
Cash and cash equivalents at the end of the year		1,478	3,461

The previous year's results have been restated (see note 14).

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 Group expects to publish a full Strategic Report, Directors' Report and financial statements which will be delivered before the Company's annual general meeting on 7 April 2022. The full Strategic Report and Directors' Report and financial statements will be published on the Group's website at www.rmplc.com.

The financial information set out in this preliminary announcement does not constitute the Group's statutory accounts for the year ended 30 November 2021. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered following the Company's annual general meeting. The 2020 statutory accounts are amended for the restatement of configuration costs relating to a SaaS platform and are set out in Note 14. The auditor's reports on both the 2021 and 2020 accounts were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) of the Companies Act 2006. This Preliminary announcement was approved by the Board of Directors on 14 February 2022.

Consolidated Income Statement presentation

The Directors assess the performance of the Group using an adjusted operating profit and profit before tax. The Board believes that presentation of the Group results in this way is relevant to an understanding of the Group's financial performance (and that of each segment). Underlying performance excludes adjusted items which are identified by virtue of their size, nature and/or incidence. The treatment of adjusted items is applied consistently period on period. 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 the underlying financial performance, position and trends of the Group. 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 to the end of May 2023 which indicate that, taking into account reasonably plausible downsides as discussed below, the company have sufficient funds to meet its liabilities as they fall due for at least 12 months from the date of this report.

In assessing the going concern position the Directors have considered the balance sheet position and the level of available finance not drawn down. The balance sheet shows net current liabilities of £1.0m. At 30 November 2021, the Group had net debt of £18.3m (November 2020: £1.3m) and drawn facilities of £20m (November 2020: £5m). RM Group has a £70m committed bank facility ("the facility") at the date of this report. Further details are set out in Note 10. Liquidity headroom at 30 November 2021 was £47.9m. Average net debt over the year to 30 November 2021 was £15.8m (2020: £16.3m) with a maximum borrowings position of £29.7m (2020: £29.6m). The debt facilities are subject to financial covenants of a maximum of 2.5 times Net Debt/EBITDA and at least 4 times interest cover/EBITDA. These covenants are tested in May and November. At 30 November 2021 the results of the covenant tests were 0.84 and 22.6 respectively.

The facility was extended by 1 year during 2021 and is committed until July 2023. During this extension process, the Board initiated conversations regarding 3 year facilities to replace the current facility when it expires and is confident in obtaining a new or renewed facility at an appropriate time. The Board is satisfied that there are several other financing options that could be put in place to maintain liquidity headroom and that there would be adequate time to complete negotiation of such arrangements.

The CFO report outlines the performance of the Group in the year to 30 November 2021 including the impact of COVID-19. In this period UK schools were closed for a number of weeks primarily during Q1, and many UK and Irish exams were cancelled by respective governments. Despite this backdrop, revenues increased by 12% compared to 2020 and adjusted profit before tax by 22%. In RM Resources we continued to provide products to our customers during school closures and have experienced strong curriculum sales in 2021. In RM Assessment (formerly RM Results), whilst the UK general exams saw a significant reduction compared to 2019, other UK assessment and international examination activity recovered partially. RM Technology (formerly RM Education) continues to be resilient to UK school closures as it provides the technology support to UK schools and colleges that has allowed them to operate remotely. Performance by segment is set out in Note 2. Net cash inflow from operating activities was £3.8m.

For going concern purposes the Group has assessed a base case scenario that assumes no further significant downturn in UK or International markets occurs than that experienced in the year to 30 November 2021. The base case also incorporates a reduced but still significant level of investment expenditure in 2022 as we have spent in 2021 relating to our major transformation projects and assumes a return to shareholders through dividends. Under that base case we continue to maintain significant headroom against our committed facility and are comfortably within our covenants.

The Group has assessed a further severe downside scenario that adjusts our base assumptions to include:

- Further school closures for March through to May 2022 at similar levels of trading experienced in 2021, comprising a c.30% reduction in divisional revenue in those months;
- Reduced International trading and exams, including an c.25% reduction in International general school exams against budget;
- Assumes the UK exams that have been cancelled in 2021 are also cancelled in 2022;
- Slower pipeline conversion, a c.50% of budgeted annuity contracts in RM Assessment and RM Technology being achieved;
- Benefits from our ERP programme are delayed by approximately 1 year
- Business disruption for 2 months in our RM Resources division when the warehouse automation goes live in 2022 reducing order intake by c.50% in those 2 months;
- Minimal cost mitigations and no significant cash flow deferrals.

The Directors do not believe that all these assumptions occurring together is plausible, but even considering all these scenarios in aggregate we continue to have good headroom against the facility and comply with bank covenants until the facility concludes. The Directors also believe there is reasonable expectation of entering into a new agreement on similar terms as the existing renewed facility. Having considered the severity of this scenario, the Board considers this to be an appropriate worst case scenario.

The Board's assessment of the likelihood of a further downside scenario is remote, particularly with the continued vaccine booster/ roll out programmes and lifting of restrictions in key countries and the indications from most governments worldwide that they intend to lift remaining restrictions as soon as practical.

Therefore, the Board has a reasonable expectation that the Group 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 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, apart from the treatment of configuration costs relating to a SaaS platform (see Note 14).

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 operating margin
- Adjusted profit before tax
- Adjusted tax
- Adjusted profit after tax
- Adjusted earnings per share
- Adjusted cash conversion
- 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 (and that of each segment). Underlying performance excludes adjusted items which are identified by virtue of their size, nature and/or incidence. The treatment of adjusted items is applied consistently period on period. 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 the underlying financial performance, position and trends of the Group.

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

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 Assessment (formerly RM Results) and RM Technology (formerly RM Education). The Chief Operating Decision Maker review segments at an adjusted operating profit level and adjustments are not allocated to segments.

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

	RM Resources £000	RM Assessment £000	RM Technology £000	Corporate Services £000	Total £000
Year ended 30 November 2021					
Revenue					
UK	98,448	18,846	64,265	-	181,559
Europe	8,849	6,104	91	-	15,044
North America	1,882	-	138	-	2,020
Asia	772	1,036	-	-	1,808
Middle East	2,004	159	-	-	2,163
Rest of the world	2,469	5,724	66	-	8,259
	114,424	31,869	64,560	-	210,853
Adjusted profit/(loss) from operations	10,073	5,706	7,098	(4,408)	18,469
Investment income					28
Finance costs					(1,396)
Adjusted profit before tax					17,101
Adjustments (see below)					(11,483)
Profit before tax					5,618

	RM Resources £000	RM Assessment £000	RM Technology £000	Corporate Services £000	Total £000
Year ended 30 November 2020					
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 - restated	3,081	6,607	9,296	(3,903)	15,081
Investment income					21
Finance costs					(1,055)
Adjusted profit before tax - restated					14,047
Adjustments (see below) - restated					(4,519)
Profit before tax - restated					9,528

Adjustments to cost of sales and administrative expenses

	Year ended 30 November 2021	Restated Year ended 30 November 2020
--	-----------------------------------	---

	£000	£000
Adjustments to cost of sales		
Exceptional inventory adjustments	-	365
Adjustments to administrative expenses		
Amortisation of acquisition related intangible assets	2,010	1,986
Dual running costs related to investment strategy	2,064	611
Sale of property	(1,399)	(670)
Configuration of SaaS licenses (ERP)	8,337	1,701
Onerous lease	471	-
Gain on sale of Essex LEP loan	-	(673)
Pension GMP	-	170
Restructuring costs	-	1,029
Total adjustments to administrative expenses	11,483	4,154
Total adjustments	11,483	4,519
Tax impact (Note 5)	(1,858)	(775)
Total adjustments after tax	9,625	3,744

The amortisation of acquisition related intangible assets is an annual recurring adjustment to profit that is a non-cash charge arising from investing activity. This adjustment is to clearly communicate with the investment analyst community in common with peer companies across the technology sector. The income generated from the use of these intangible assets is, however, included in the adjusted profit measures.

Other adjusted items:

These are items which are identified by virtue of either their size or their nature to be important to understanding the performance of the business including the comparability of the results year on year. 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.

In 2018, following a large acquisition in the Resources division, the Group announced a new warehouse strategy which involved the disposal of 5 warehouses (including 3 warehouses from the newly acquired group of companies) into one new automated warehouse. Interlinked with the automation software is a requirement to change the ERP solution which is being rolled out across the whole Group. The Group believes that whilst this programme spans a number of years, its size, complexity and number of unusual costs and income, impact the understanding of the trading performance of the business including the comparability of results year on year. As a result, all significant costs or income relating to this programme have been treated as an adjustment to profit, consistently period to period. This programme is expected to complete by the end of 2022. The cumulative net adjustments of these interlinked investment programmes has been £15.8m expense to 30 November 2021 of which £0.9m remains unpaid.

During the year this programme included the following costs and income:

- Dual run related costs during the period (£1.0m), relate to costs associated with the new warehouse that is not yet fully operational but was acquired at the end of November 2020. These costs include items such as utilities, security and increased warehouse staff to test the new facility and to transfer inventory. Other dual run costs include IT costs (excluding configuration costs of SaaS licenses) being expensed that relate to running of IT systems not yet in use (£1.1m).
- During the period the Group disposed of one of the assets Held for Sale at 30 November 2020, which was a warehouse that will no longer be required following the estates strategy review. This warehouse sale generated proceeds of £3.2m and a profit after direct selling costs and costs of moving from the warehouse of £1.4m.

During the prior year this programme included the following costs and income:

- The gain on sale of a held for sale asset, which was a warehouse that will no longer be required following the estates strategy review (£0.7m).

- An adjustment to restructuring costs that related to the warehouse disposal (£0.1m) that were originally provided in 2018 as an adjusting item.
- An inventory obsolescence charge for inventory that was not compliant with the new automated solution (£0.4m).
- Dual run IT costs (excluding configuration costs of SaaS licenses) being expensed that relate to running of IT systems not yet in use (£0.6m).

In addition to the warehouse programme, the Group believes the following items to be significantly large enough and unusual enough to impact the understanding of the performance of the group if not adjusted. In the year ended 30 November 2021, these items comprised:

- The impairment of a right of use asset and onerous service charges relating to a leased office, which no longer meets our requirements following a change in working practises after the COVID-19 pandemic (£0.5m). The costs relating to the new replacement leased office that meets working practises requirements is included in the segmental results.
- The configuration and customisation costs relating to our ERP programme "Evolution", which represents a significant investment and would distort the understanding of the trading performance of the business including the comparability of results year on year if not adjusted. These costs total £8.3m.

During the year ended 30 November 2020 these items comprised:

- The sale of our investment in Essex LEP (£0.7m).
- A material restructuring programme that spanned 3 months was announced and completed prior to the COVID-19 pandemic (£0.9m) relating to the RM Technology and RM Assessment businesses.
- An adjustment to the estimated liability of equalising our GMPs in our defined benefit schemes and was treated as an adjustment for consistency, period to period. This followed a Court ruling in 2020 relating to the valuation of transfer values (£0.2m). In 2018 a charge of £1.2m was treated as an adjusting item.
- Following the IFRIC interpretation in 2021 relating to the accounting treatment for configuration and customisation costs in a cloud computing arrangement the costs associated with our ERP programme have been restated (as set out in Note 14) and amount to £1.7m).

Net debt is the total of borrowings (£19.7m (2020: £4.8m)), cash at bank (£3.6m (2020: £5.9m)) and overdraft (£2.1m (2020: £2.5m)) which was £18.3m as at 30 November 2021 (2020: £1.3m). Lease liabilities of £20.9m (2020: £22.2m) are excluded from this measure as they are not included in the measurement of net debt for the purpose of covenant calculations.

Average net debt is calculated by taking the net debt on a daily basis and dividing by number of days.

The above adjustments that arise during the year have the following impact on the cash flow statement:

	Year ended 30 November 2021			Year ended 30 November 2020		
	£000	£000	£000	Restated £000	Restated £000	Restated £000
	Statutory	Adjustments	Adjusted cash flows	Statutory	Adjustments	Adjusted cash flows
Profit before tax	5,618	11,483	17,101	9,528	4,519	14,047
Profit before operations	6,986	11,483	18,469	10,562	4,519	15,081
Net cash inflow from operating activities	3,792	8,917	12,709	19,397	3,511	22,908
Net cash used in investing activities	(11,759)	(3,214)	(14,973)	(2,279)	(4,460)	(6,739)
Net cash used in financing activities	6,026	-	6,026	(15,250)	-	(15,250)
Net increase in cash & cash equivalents	(1,941)	7,186	5,245	1,868	(949)	919

Adjusted cash conversion percentage is defined as adjusted cash inflow from operating activities as a percentage of adjusted profit before tax.

The adjustments have the following impact on key metrics:

	2021	2021	2021	Restated 2020	Restated 2020	Restated 2020
	Statutory measure	Adjustment	Adjusted measure	Statutory measure	Adjustment	Adjusted measure
Gross profit (£000)	70,633	-	70,633	73,965	365	74,330
Profit from operations (£000)	6,986	11,483	18,469	10,562	4,519	15,081
Operating margin (%)	3.0%	5.0%	9.0%	6.0%	2.0%	8.0%
Profit before tax (£000)	5,618	(11,483)	17,101	9,528	4,519	14,047
Tax (£000)	(1,424)	1,858	(3,282)	(1,893)	775	(2,668)
Profit after tax (£000)	4,194	9,625	13,819	7,635	(3,744)	11,379
Earnings per share (see Note 6)						
Basic (Pence)	5.0	11.6	16.6	9.2	4.6	13.8
Diluted (Pence)	5.0	11.4	16.4	9.1	4.5	13.6

Adjusted operating profit is defined as the profit before operations excluding the adjustments referred to above.
Operating margin is defined as the operating profit as a percentage of revenue.

3. Other income

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Bank interest	24	21
Other finance income	4	-
	28	21

4. Finance costs

	Note	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Borrowing facilities arrangement fees and commitment fees		462	469
Net finance costs on defined benefit pension scheme	13	254	83
Interest on lease of Right of Use assets		361	151
Interest on bank loans and overdrafts		319	352
		1,396	1,055

5. Tax

a) Analysis of tax charge in the Consolidated Income Statement

	Year ended 30 November 2021 £000	Restated Year ended 30 November 2020 £000
--	--	---

Current taxation		
UK corporation tax	442	1,450
Adjustment in respect of prior years	(58)	(305)
Overseas tax	(94)	391
Total current tax charge	290	1,536
Deferred taxation		
Temporary differences	1,398	345
Adjustment in respect of prior years	(258)	21
Overseas tax	(6)	(9)
Total deferred charge	1,134	357
Total Consolidated Income Statement tax charge	1,424	1,893

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

	Year ended 30 November 2021	Year ended 30 November 2020
	£000	£000
UK corporation tax		
Defined benefit pension scheme	(800)	(240)
Share based payments	(10)	(18)
Pension escrow account	(328)	(328)
Deferred tax		
Defined benefit pension scheme movements	9,310	(2,408)
Defined benefit pension scheme escrow	328	297
Share based payments	42	66
Fair value movements of hedging instruments	45	3
Deferred tax relating to the change in rate	1,822	(223)
Total Consolidated Statement of Comprehensive Income tax charge /(credit)	10,409	(2,851)

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 2021			Year ended 30 November 2020		
	Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
Profit/(loss) on ordinary activities before tax	17,101	(11,483)	5,618	14,047	(4,519)	9,528
Tax at 19% (2020: 19%) thereon:	3,249	(2,182)	1,067	2,669	(859)	1,810
Effects of:						
- change in tax rate on carried forward deferred tax assets	(27)	788	761	(137)	391	254
- other expenses not deductible for tax purposes	(52)	-	(52)	187	(111)	76
- non-taxable gains	-	(266)	(266)	-	-	-
- other temporary timing differences	212	-	212	54	-	54
- effect of profits/losses in various overseas tax jurisdictions	18	-	18	53	-	53
- Prior period adjustments - UK	(60)	(198)	(258)	(158)	(196)	(354)

- Prior period adjustments - overseas	(58)	-	(58)	-	-	-
Tax charge/(credit) in the Consolidated Income Statement	3,282	(1,858)	1,424	2,668	(775)	1,893

d) Deferred tax

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

Group	Accelerated tax depreciation £000	Defined benefit pension scheme obligation £000	Share-based payments £000	Short-term timing differences £000	Acquisition related intangible assets £000	Total £000
At 1 December 2019	716	1,016	423	1,274	(3,328)	101
(Credit)/charge to income	(387)	-	162	(121)	(11)	(357)
(Charge)/ credit to other comprehensive income	-	2,527	(66)	(211)	-	2,250
At 30 November 2020	329	3,543	519	942	(3,339)	1,994
(Charge)/credit to income	(564)	-	(241)	77	(405)	(1,133)
(Charge)/ credit to other comprehensive income	-	(11,131)	(42)	(362)	-	(11,535)
At 30 November 2021	(235)	(7,588)	236	657	(3,744)	(10,674)

Certain deferred tax assets and liabilities have been offset above.

6. Earnings per share

	Year ended 30 November 2021			Year ended 30 November 2020		
	Profit for the year £000	Weighted average number of shares '000	Pence per share	£000	Restated Weighted average number of shares '000	Pence per share
Basic earnings per ordinary share						
Basic earnings	4,194	83,150	5.0	7,635	82,576	9.2
Adjustments (see Note 2)	9,625	-	11.6	3,744	-	4.6
Adjusted basic earnings	13,819	83,150	16.6	11,379	82,576	13.8
Diluted earnings per ordinary share						
Basic earnings	4,194	83,150	5.0	7,635	82,576	9.2
Effect of dilutive potential ordinary shares: share based payment awards	-	1,302	(0.0)	-	888	(0.1)
Diluted earnings	4,194	84,452	5.0	7,635	83,464	9.1
Adjustments (see Note 2)	9,625	-	11.4	3,744	-	4.5
Adjusted diluted earnings	13,819	84,452	16.4	11,379	83,464	13.6

7. Dividends

Amounts recognised as distributions to equity holders were:

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000

Final dividend for the year ended 30 November 2020 - 3.0p per share (2019: nil p)	2,497	-
Interim dividend for the year ended 30 November 2021 - 1.70 p per share (2020: nil p)	1,416	-
	3,913	-

The proposed final dividend of 3.00p per share for the year ended 30 November 2021 was approved by the board on 14 February 2021. The dividend is subject to approval by Shareholders at the annual general meeting. The anticipated cost of this dividend is £2,481,000.

8. Trade and other receivables

	2021	Restated 2020
	£000	£000
Current		
Financial assets		
Trade receivables	21,792	22,907
Other receivables	1,629	1,751
Derivative financial instruments	164	-
Accrued income from customer contracts	2,667	1,744
	26,252	26,402
Non-financial assets		
Prepayments	7,613	5,073
	33,865	31,475
Non-current		
Financial assets		
Other receivables	82	63
	82	63
	33,947	31,538

9. Trade and other payables

	2021	2020
	£000	£000
Current liabilities		
Financial liabilities		
Trade payables	21,277	20,620
Lease liabilities	3,125	4,067
Other taxation and social security	4,603	6,847
Other payables	2,893	2,503
Derivative financial instruments	-	76
Accruals	15,444	10,740
	47,342	44,853
Non-financial liabilities		
Deferred income from customer contracts	14,027	16,638
	61,369	61,491
Non-current liabilities		
Financial liabilities		

Lease liabilities		
- due after one year but within two years	1,993	2,301
- due after two years but within five years	4,975	4,500
- after five years	10,835	11,346

Non-financial liabilities:

Deferred income from customer contracts:

- due after one year but within two years	1,496	1,356
- due after two years but within five years	1,138	1,309
- after five years	635	175
	21,072	20,987
	82,441	82,478

10. Borrowings

	2021	2020
	£000	£000
Bank loan	(20,000)	(5,000)
Add capitalised fees	256	221
Borrowings	(19,744)	(4,779)

Net debt is the total of borrowings, cash at bank and overdraft which was £18.3m as at 30 November 2021 (2020: £1.3 m).

11. Provisions

Group	Dilapidations & onerous lease £000	Employee- related restructuring £000	Contract risk provisions £000	Total £000
At 1 December 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
Utilisation of provisions	(90)	(80)	(358)	(528)
Release of provisions	-	(33)	(806)	(839)
Increase in provisions	316	-	170	486
Impact of foreign exchange	(12)	1	-	(11)
At 30 November 2021	1,450	916	1,175	3,541

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 in 2020 £0.1m of the utilisation related to this programme. A separate restructuring programme was announced in December 2019 and completed during the prior year with £0.1m paid in 2021. The remaining restructuring provision is expected to be utilised during 2022 as we complete the estates strategy.

Contract risk provisions includes items not covered by any other category of which the most significant items are the risk provisions from ended long term contracts. During 2021, the release of £806,000 (2020: £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. During 2021 the Group utilised part of an onerous contract provision and was able to release the remaining provision on contract re-negotiation.

During the year the Group decided to leave one property that was no longer suitable in a post COVID environment requiring collaborative working and have expensed an onerous lease provision of £104,000. Dilapidations increased by £212,000 during the year and arise from an updated surveyors report on one lease.

12. Share capital

	Ordinary shares of 2 ² /7p	
	'000	£000
Allotted, called-up and fully paid:		
At 30 November 2019, 2020 and 2021	83,875	1,917

13. Defined benefit schemes

a. Defined contribution scheme

The Group operates or contributes to a number of defined contribution schemes for the benefit of qualifying employees. The assets of these schemes are held separately from those of the Company. The total cost charged to income of £2,255,000 (2020: £2,861,000) represents contributions payable to these schemes by the Group at rates specified in employment contracts. At 30 November 2021 £257,000 (2020: £223,000) 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 £165,000 (2020: £157,000). The amount due in respect of these schemes at 30 November 2021 was £77,000 (2020: £75,000). The balance sheet liability is included within provisions and incorporates information from over 17 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.

There is judgment in determining the appropriate accounting treatment for the participation in these schemes as either a defined benefit or defined contribution scheme, in particular as to whether actuarial and investment risk fall in substance on the Company.

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 (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 2021 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 triennial valuation as at 31 May 2021 is in progress but not yet finalised.

At 30 November 2020 there were amounts outstanding of £308,300 (2020: £308,000) for one month's deficit payment and £nil (2020: £nil) for Scheme expenses.

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

The Consortium CARE scheme (CARE scheme)

Until 31 December 2005, The Consortium for Purchasing and Distribution Ltd ("The Consortium", acquired by the Company on 30 June 2017 and now RM Educational Resources Ltd) 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. From 28 February 2011 the scheme was closed to future accruals.

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 December 2019 by a qualified independent actuary. IAS 19 Employee Benefits (revised) liabilities at 30 November 2021 have been rolled forward based on this valuation's base data.

As at 31 December 2019, the triennial valuation for statutory funding purposes showed a deficit of £5.9m. The Group agreed with the Scheme Trustees that it will repay this amount via deficit catch-up payments of £703,000 per annum until 31 December 2028. The triennial valuation as at 31 May 2021 is in progress but not yet finalised.

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 2021	Year ended 30 November 2020
	Note	£000	£000
Administrative expenses and taxes		(52)	(7)
Current service costs		-	(30)
Operating expense		(52)	(37)
Interest cost		(4,827)	(5,611)
Interest on Scheme assets		4,573	5,528
Net interest expense	9	(254)	(83)
Past service cost		-	(350)
Expense recognised in the Income Statement		(306)	(470)
Effect of changes in demographic assumptions		620	(406)
Effect of changes in financial assumptions		(3,203)	(44,944)
Effect of experience adjustments		847	2,197
Total actuarial losses		(1,736)	(43,153)

Return on Scheme assets excluding interest on Scheme assets	46,596	26,851
Income/ (expense) recognised in the Statement of Comprehensive Income	44,860	(16,302)
Income/ (expense) recognised in Total Comprehensive Income	44,554	(16,772)

The effect of changes in financial assumptions is principally due to the reduction in the discount rate. The strong returns on assets over the period are largely as a result of the ongoing market recovery following the COVID-19 pandemic. In particular the RM Scheme invests significantly in return-seeking assets such as global equities which have seen very strong returns. The effect of strong equity returns coupled with the Scheme's high levels of hedging have had a positive impact on the assets over the year.

Reconciliation of the Scheme assets and obligations through the year

	RM scheme	CARE scheme	Platinum scheme	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Assets					
At start of year	268,149	15,918	2,994	287,061	257,164
Interest on Scheme assets	4,285	240	48	4,573	5,528
Return on Scheme assets excluding interest on Scheme assets	44,910	1,631	55	46,596	26,851
Administrative expenses	-	-	(52)	(52)	(7)
Contributions from Group	3,700	696	54	4,450	4,094
Contributions from employees	-	-	-	-	6
Benefits paid	(4,322)	(627)	(38)	(4,987)	(6,575)
At end of year	316,722	17,858	3,061	337,641	287,061
Obligations					
At start of year	(280,888)	(22,497)	(2,329)	(305,714)	(263,139)
Interest cost	(4,460)	(331)	(36)	(4,827)	(5,611)
Actuarial (losses)	(1,152)	(342)	(242)	(1,736)	(43,153)
Benefits paid	4,322	626	39	4,987	6,575
Past service cost (GMP)	-	-	-	-	(350)
Current service costs	-	-	-	-	(30)
Contributions from employees	-	-	-	-	(6)
At end of year	(282,178)	(22,544)	(2,568)	(307,290)	(305,714)
Pension deficit	-	(4,686)	-	(4,686)	(19,318)
Pension surplus	34,544	-	493	35,037	665
Net pension surplus/ (deficit)	34,544	(4,686)	493	30,351	(18,653)

Included within the CARE Scheme obligations is an unfunded liability of £161,000 (2020: £183,000) which is a liability of the Group and not the Scheme.

Reconciliation of net defined benefit obligation

	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Net obligation at the start of the year	(18,653)	(5,975)
Cost included in Income Statement	(306)	(470)

Scheme remeasurements included in the Statement of Comprehensive Income	44,860	(16,302)
Cash contribution	4,450	4,094
Net pension surplus / (deficit)	30,351	(18,653)

Obligation by participant status	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Active	1,611	1,463
Vested deferreds	243,139	254,650
Retirees	62,540	49,601
	307,290	305,714

Value of Scheme assets	Fair Value hierarchy	Year ended 30 November 2021 £000	Year ended 30 November 2020 £000
Cash and cash equivalents, including escrow	Level 1	542	1,629
Equity instruments	Level 1	129,809	111,373
Equity instruments	Level 2	27,529	24,174
Debt instruments	Level 2	3,061	2,995
Liability driven investments	Level 2	150,147	117,486
Insurance contract	Level 3	26,553	29,404
		337,641	287,061

Significant actuarial assumptions

	Year ended 30 November 2021	Year ended 30 November 2020
Discount rate (RM scheme)	1.75%	1.60%
Discount rate (CARE scheme)	1.75%	1.50%
Discount rate (Platinum scheme)	1.75%	1.60%
Rate of RPI price inflation	3.15%	2.90%
Rate of CPI price inflation - period before 1 January 2030	2.15%	2.10%
Rate of CPI price inflation - period after 1 January 2030	3.15%	2.10%
Rate of salary increases (Platinum scheme)	NA	NA
Rate of pensions increases		
pre 6 April 1997 service	1.50%	1.50%
pre 1 June 2005 service	2.90%	2.80%
post 31 May 2005 service	2.05%	2.00%
Post retirement mortality table	S2PA CMI 2020	S2PA CMI 2019
	1.25%	1.25%
Weighted average duration of defined benefit obligation	24 years	23 years
Assumed life expectancy on retirement at age 65:		
Retiring at the accounting date (male member aged 65)	21.9	22.4
Retiring in 20 years after the accounting date (male member aged 45)	23.3	23.7

14. Restatement for change in accounting policy

In April 2021, an IFRIC agenda decision was issued in relation to the accounting treatment for configuration and customisation costs in a cloud computing arrangement. This guidance clarified that in order for an intangible asset

to be capitalised in relation to customisation and configuration costs in a software-as-a service (SaaS) arrangement, it is necessary for there to be control of the underlying software asset or for there to be a separate intangible asset which meets the definition in IAS 38 Intangible Assets. The Group's previous policy was to capitalise such customisation and configuration costs.

Our major investment IT systems programme, known as Evolution, is predominately using SaaS arrangements and third party implementation partners to improve our systems and processes. Configuration and associated activity costs which had been previously capitalised during 2019 (£2.0m) and 2020 (£2.3m) will now be expensed following the IFRIC interpretation. The impairment charge expensed in 2020 of £0.7m relating to 2019 costs (now expensed), will be reversed. As the costs are material and do not relate to underlying trading, all Evolution Programme costs expensed through the Income Statement in both 2020 and 2021 will be disclosed as "Adjustments" in the financial statements and therefore not included within the Group's adjusted profit figures. These adjustments will include certain dual run costs such as the SaaS licenses themselves (prior to operational use of the system to which the licenses relate), training relating to the Evolution programme, data migration activities and other operating costs that were not previously capitalised (2020: £611,000 reclassified to adjusting expenses (see Note 2)).

In addition, as part of the strategy review currently underway the Directors consider that certain activities previously classified as Research and Development administration expenses and certain selling and distribution administration activities are more appropriately classified as Cost of Sales. Therefore for the year ended 30 November 2020, we have reclassified £0.1m from administration activities (£5.1m from R&D and £1.7m from selling & distribution) to cost of sales. This has had no impact on the operating profit reported.

These adjustments have the following impact on the primary statements for the year ended 30 November 2020:

Year ended 30 November 2020			
Consolidated Income Statement	As reported £000	Restatement Impact £000	Restated £000
Revenues	188,999	-	188,999
Cost of Sales	(115,034)	(6,882)	(121,916)
Gross Profit	73,965	(6,882)	67,083
Operating expenses	(61,489)	5,216	(56,273)
Impairment losses	(953)	705	(248)
Profit from operations	11,523	(961)	10,562
Investment income	21		21
Finance costs	(1,055)		(1,055)
Profit before tax	10,489	(961)	9,528
Tax	(2,075)	182	(1,893)
Profit for the year	8,414	(779)	7,635

Year ended 30 November 2020			
Consolidated Statement of Comprehensive Income	As reported £000	Restatement Impact £000	Restated £000
Profit for the year	8,414	(779)	7,635
Other comprehensive income	(13,310)	-	(13,310)
Total comprehensive (expense)	(4,896)	(779)	(5,675)

Year ended 30 November 2020			
Consolidated Balance Sheet	As reported £000	Restatement Impact £000	Restated £000

Non-current assets			
Goodwill	49,322	-	49,322
Intangible assets	22,354	(3,338)	19,016
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	(3,338)	105,633
Current assets			
Inventories	18,594	-	18,594
Trade and other receivables	31,317	158	31,475
Contract fulfilment assets	728	-	728
Held for sale asset	4,793	-	4,793
Tax assets	2,030	603	2,633
Cash at bank	5,941	-	5,941
	63,403	761	64,164
Total assets	172,374	(2,577)	169,797
Current liabilities			
Trade and other payables	(61,491)	-	(61,491)
Tax liabilities	(163)	-	(163)
Provisions	(435)	-	(435)
Overdraft	(2,480)	-	(2,480)
	(64,569)	-	(64,569)
Net current (liabilities) /assets	(1,166)	761	(405)
Non-current liabilities			
Other payables	(20,987)	-	(20,987)
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)	-	(52,421)
Total liabilities	(116,990)	-	(116,990)
Net assets	55,384	(2,577)	52,807
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	(2,577)	25,324
Total equity	55,384	(2,577)	52,807

Year ended 30 November 2020			
Consolidated Cash Flow Statement	As reported	Restatement Impact	Restated
	£000	£000	£000

Profit before tax	10,489	(960)	9,529
Investment income	(21)	-	(21)
Finance costs	1,055	-	1,055
Profit from operations	11,523	(960)	10,563
Adjustments for:			
Pension GMP	170	-	170
Amortisation and impairment of intangible assets	3,778	(740)	3,038
Depreciation and impairment of property, plant and equipment	3,718	-	3,718
(Gain) on disposal of other asset	(713)	-	(713)
(Gain)/ loss on disposal of property, plant and equipment	(949)	-	(949)
(Gain) on foreign exchange derivatives	(625)	-	(625)
Share-based payment charge	705	-	705
Increase/(decrease) in provisions	1,443	-	1,443
Defined Benefit Pension Scheme administration cost	37	-	37
Operating cash flows before movements in working capital	19,087	(1,700)	17,387
Decrease /(increase) in inventories	3,557	-	3,557
Decrease in receivables	2,520	(158)	2,362
(Increase) in contract fulfilment assets	(1,111)	-	(1,111)
Movement in payables			
- increase/ (decrease) in trade and other payables	6,012	-	6,012
- utilisation of provisions	(2,284)	-	(2,284)
Cash generated from operations	27,781	(1,858)	25,923
Defined benefit pension scheme cash contributions	(4,094)	-	(4,094)
Tax paid	(2,589)	-	(2,589)
Net cash inflow from operating activities	21,098	(1,858)	19,240
Investing activities			
Interest received	21	-	21
Proceeds on disposal of investment asset	1,560	-	1,560
Proceeds on disposal of property, plant and equipment	2,900	-	2,900
Purchases of property, plant and equipment	(5,801)	-	(5,801)
Purchases of other intangible assets	(2,660)	1,858	(802)
Net cash used in investing activities	(3,980)	1,858	(2,122)
Financing activities			
(Repayment)/ drawdown of borrowings	(12,000)	-	(12,000)
Borrowing facilities arrangement and commitment fees	(226)	-	(226)
Interest paid	(501)	-	(501)
Payment of leasing liabilities	(2,523)	-	(2,523)
Net cash (used in)/ generated by financing activities	(15,250)	-	(15,250)
Net increase in cash and cash equivalents	1,868	-	1,868
Cash and cash equivalents at the beginning of the year	1,528	-	1,528
Effect of foreign exchange rate changes	65	-	65
Cash and cash equivalents at the end of the year	3,461	-	3,461