

**RM Education Limited**  
**Annual Report and Financial Statements 2019**

**Registered number 01148594**

**RM Education Limited**

**Annual Report and Financial Statements**

**For the year ended 30 November 2019**



**RM Education Limited**  
**Annual Report and Financial Statements 2019**

<b>CONTENTS</b>	<b>Page</b>
Directors and Advisors	3
Strategic Report	4
Directors' Report	11
Independent Auditor's Report to the Members of RM Education Limited	13
Profit and Loss Account	15
Statement of Comprehensive Income	15
Balance Sheet	16
Statement of Changes in Equity	17
Notes to the Financial Statements	18

**RM Education Limited  
Annual Report and Financial Statements 2019**

**DIRECTORS AND ADVISORS**

**Registered Office and  
Principal Location:**

RM Education Limited  
142B Park Drive  
Milton Park  
Milton  
ABINGDON  
Oxfordshire  
OX14 4SE

Telephone : 08450 700300

**Registered Number:**

01148594

**Directors:**

John Baskerville  
David Brooks  
Emma Dodd  
Mark Lagler  
Neil Martin

**Company Secretary:**

Mark Lagler

**Auditor:**

KPMG LLP  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

**STRATEGIC REPORT**

The Directors submit their Strategic Report for RM Education Limited ("*Company*") for the year ended 30 November 2019.

**Review of the business**

The Company is a wholly-owned operating subsidiary of RM plc ("*Parent Company*"), which, together with its subsidiary undertakings, comprises the RM Group ("*Group*"). The detailed review of the Group's strategy, financial results for the financial year and prospects is included in the Group's annual report and accounts which are published on the Group's web site, [www.rmplc.com](http://www.rmplc.com).

The principal activity of the Company during the year was the supply of IT services and software solutions to educational markets. The Company's business is split into two main trading divisions, *RM Results* and *RM Education*, each with its own Managing Director and management team.

**Divisional Results**

The Table below gives a summary of the revenue and adjusted operating profit by division

**Segmental results**

Year ended 30 November 2019	RM Results £000	RM Education £000	Corporate Services £000	Total £000
<b>Revenue</b>	35,975	71,565	-	<b>107,540</b>
<b>Adjusted profit from operations</b>	8,479	10,407	(5,607)	<b>13,279</b>
	23.6%	14.5%		
Year ended 30 November 2018	RM Results £000	RM Education £000	Corporate Services £000	Total £000
<b>Revenue</b>	31,790	67,590	-	<b>99,380</b>
<b>Adjusted profit from operations</b>	8,154	7,813	(5,286)	<b>10,681</b>
	25.6%	11.6%		

**RM Results**

Revenue increased by 13% on the prior year to £36.0m (2018: £31.8m), with 59% of the increase from new and existing International customers, including those acquired as part of the acquisition of SoNET Systems Pty Limited ("*SoNET*"), and 41% from existing UK customers.

Adjusted operating profit increased by 4% on the prior year to £8.5m (2018: £8.2m), with adjusted operating margins decreasing to 23.6% (2018: 25.6%).

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

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

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

## **STRATEGIC REPORT**

### **RM Education**

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

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

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

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

#### **Services**

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

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

#### **Digital Software Platforms**

The Digital Software Platform offering covers a number of key cloud-based products such as RM Integris (school management system), RM Unify (authentication and portal system) and RM SafetyNet (internet filtering and safeguarding system) as well as other content, finance and network software offerings. Digital Platforms revenues increased by 4% to £10.1m (2018: £9.6m) driven by growth in RM Integris and network software. Customer retention rates of core Digital Platform products remain consistent and in excess of 90% in the year.

### **Key performance indicators**

Management uses a number of key performance indicators to measure the Company's financial and non-financial performance. These include, but are not limited to, as referred to in the previous paragraphs, revenue growth, growth in annuity revenue, adjusted profit and number of contract wins.

### **Company performance**

To provide a better understanding of underlying business performance, items of an exceptional nature have been disclosed in an adjustments column in the Profit and Loss Account to give 'Adjusted' results.

Turnover increased by 8.2% to £107.5m (2018: £99.4m). However, the gross profit percentage decreased to 45.0% for the year (2018: 46.9%), reflecting the mix of turnover and the impact of IFRS15 adoption.

The adjusted operating profit was £13.3m (2018: £10.7m). The operating profit before adjustments was £12.5m (2018: £9.7m).

The profit before tax was £14.7m (2018: £11.7m), and the profit after tax was £11.8m (2018: £9.9m).

## **STRATEGIC REPORT**

### **Impact of the UK withdrawal from European Union**

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

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

The Company has foreign currency denominated costs that outweigh foreign currency denominated revenues and therefore increased currency volatility creates an exposure. This is primarily attributed to 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 and liquidity position are described in the financial statements and the associated notes. In addition, the notes to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit and liquidity risk.

Since the year end the COVID-19 pandemic has impacted the Company and the Group primarily as a result of widespread school closures the cancellation of UK summer exam sessions, and global travel restrictions. Prior to the COVID-19 school closures the Company was trading in line with internal budgets and forecasts. During COVID-19 school closures the RM Education division continues to provide software, services and technology to UK schools, but the volume of hardware and new installations has fallen and the RM Results division continues to provide digital assessment solutions for International awarding bodies. Whilst the UK Government has not yet announced when it will allow schools to reopen, the Company has assessed a number of scenarios and for going concern purposes is using a base case scenario assessment that UK schools re-open no later than September and normal trading activities resume from that point.

The Company utilises the Group funding facility of £70m, and the Group had a net debt of £15m at the year end. The Company has also availed itself of government initiatives such as VAT deferment, and furloughing a portion of employees that are not directly supporting the Company's existing contracts. In addition discretionary spend has been significantly reduced, senior staff have taken voluntary reduction in remuneration and capital expenditure has been delayed. The Company and Group have produced revised post COVID-19 forecasts (based on schools reopening in September 2020) that indicate the existing funding facility will be sufficient for the Group's liquidity and solvency over the next 12 months. Furthermore, the banks supporting the Group funding facility have indicated their willingness to further extend the financial covenant ratios for the relevant periods to provide additional flexibility. Therefore, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason, the Company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

STRATEGIC REPORT

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are reviewed primarily by the Group's Executive Committee, Audit Committee and Board. The Company's directors confirm that, via this Group process, they consider that they have carried out a robust assessment of the principal risks facing the Company and appropriate processes have been put in place to monitor and mitigate them, further details of which are given in the Group Corporate Governance Report. The Group's key business risks relating to the Company are set out in the table below.

Risk and categorisation	Description and likely impact	Mitigation
COVID-19	The UK Government announcement to close UK schools and cancel 2020 summer school exam sessions will have a significant impact on trading.	Many of the recurring revenues are based on software and services provision over a period of time eg connectivity within a school which is not impacted. Discretionary spend that is not related to customer contracts will be significantly reduced including staff hiring, use of temporary staff. Other spend will be reduced as far as possible and large projects, including capital projects have been paused.  The Company's will look to mitigate the impact by availing itself of any appropriate Government support and other support.
Public policy (Political Risk)	The majority of RM's business is funded from UK government sources. Changes in political administration, or changes in policy priorities, might result in a reduction in education spending, leading to a decline in market size.  UK government funding in the education sector is constrained by fiscal policy.  Global economic conditions might result in a reduction in budgets available for public spending generally and education spending specifically in the area in which RM specialise.	The Company reviews the education policy environment by regular monitoring of policy positions and by building relationships with education policy makers.  The Group's three Divisions have diverse revenue streams and product/service offerings.  The Company's strategy is to focus on areas of education spend which are important to meet customers' objectives. Where the revenue of an individual business is in decline, management seeks to ensure that the cost base is adjusted accordingly.
Education practice (Political Risk)	Education practices and priorities may change and, as a result, RM's products and services may no longer meet customer requirements, leading to a risk of lower revenue.	The Company maintains knowledge of current education practice and priorities by maintaining close relationships with customers.
Impact of UK's exit from the European Union (Political Risk)	If there is an adverse change in the economic and/or fiscal environment as a result of the UK's exit from the EU without a	The currency elements of this risk is managed through currency hedging against exchange rate movements, typically 9-12 months into the future. The Group is also working to rebalance its

STRATEGIC REPORT

Risk and categorisation	Description and likely impact	Mitigation
	<p>suitable period for planning and implementation, costs could increase and/or revenues reduce as a result. This could include cost increases as a result of the devaluation of Sterling.</p>	<p>exposure by growing its foreign currency denominated sales ahead of its costs to reduce the currency imbalance and more naturally hedge this risk.</p> <p>The Group has also undertaken a review of the wider risks associated with the UK's exit from the EU, including in the event of a 'no deal' scenario. The Group is managing the principal risk areas identified and will continue to monitor developments.</p>
<p>Operational execution (Operational Risk)</p>	<p>RM provides sophisticated products and services, which require a high level of technical expertise to develop and support, and on which its customers place a high level of reliance. Any significant operational / system failure would result in reputational damage and increased costs.</p> <p>RM is engaged in the delivery of large, multi-year projects, typically involving the development and integration of complex IT systems, and may have liability for failure to deliver on time.</p> <p>RM's increasing international business make it subject to laws in other countries and higher risk jurisdictions.</p>	<p>The Company invests in maintaining a high level of technical expertise.</p> <p>Internal management control processes are in place to govern the delivery of all projects (including internal projects), including regular reviews by relevant management. The operational and financial performance of projects, including future obligations, the expected costs of these and potential risks are regularly monitored by management and, as appropriate, the Board.</p> <p>The Company has internal policies and procedures across a wide range of areas including bribery and corruption, health and safety, privacy, employment and tax which are regularly monitored and reviewed to ensure we assess and take account of higher risks levels and comply with all relevant laws and regulations.</p>
<p>Data and business continuity (Operational Risk)</p>	<p>RM is engaged in storing and processing personal data, where accuracy, privacy and security are important. Any significant security breach could damage reputation and impact future profit streams.</p> <p>The Group would be significantly impacted if, as a result of a major incident, one of its key buildings, systems, key supply chain partners or infrastructure components could not function for a long period of time or at a key time.</p>	<p>The Company has made a commitment to maintain effective Information Security and Business Continuity management systems and achieve ISO27001 and ISO22301 certifications to demonstrate the robustness and effectiveness of those systems.</p> <p>The Company has a rolling investment programme managed by a dedicated security and compliance function and overseen by the Group Security and Business Continuity Committee, which reports into the Group Executive Committee. This programme covers data integrity and protection, defence against external threats (including cyber risks) and business continuity planning</p> <p>The Group seeks to protect itself against the consequences of a major incident by implementing a series of back-up and safety measures.</p> <p>The Group has property and business interruption insurance cover.</p>
<p>People (Operational Risk)</p>	<p>RM's business depends on highly skilled employees. Failing to</p>	<p>The Company seeks to be an attractive employer and regularly monitors the engagement of its</p>



**STRATEGIC REPORT**

Risk and categorisation	Description and likely impact	Mitigation
	recruit and retain such employees could impact operationally on RM's ability to deliver contractual commitments.	employees. The Company has talent management and career planning programmes.
Transformation Risk	Issues in implementing major programs could lead to business disruption and loss of intended benefits.	Steering committees' are established for all major programs which will include a member of the Executive Committee with regular reporting and oversight. A number of mechanisms are in place to monitor the ongoing impact of the various activities, including where appropriate staff consultations and satisfaction surveys and ongoing customer feedback.  The Board is kept apprised of the current status of such activities and projects on a regular and ongoing basis.
Innovation (Strategic Risk)	The IT market and elements of the education resources market are subject to rapid, and often unpredictable, change. As a result of inappropriate technology, product and marketing choices or a failure to adopt and develop new technologies quickly enough, the Group's products and services might become unattractive to its customer base, or new market opportunities be missed.  The Group's continued success depends on developing and/or sourcing a stream of innovative and effective products for the education market and marketing these effectively to customers.	The Company actively monitors technology and market developments and invests to keep its existing products, services and sales methods up-to-date, as well as seeking out new opportunities and initiatives.  The Group works with teachers and educators to understand opportunities and requirements.
Dependence on key contracts (Strategic Risk)	The performance of the RM Education and RM Results Divisions are dependent on the winning and extension of long-term contracts with government, local authorities, examination boards and commercial customers.	The Company invests in maintaining a high level of technical expertise and on building effective working relationships with its customers. The Company has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction.
Pensions (Financial Risk)	The Company operates a defined benefit pension schemes in the UK (the "RM Education Scheme") which is closed to future accrual.  Scheme deficits can adversely impact the net assets position of RM Education Ltd.	The Company evaluates risk mitigation proposals with the trustees of this Scheme.

**STRATEGIC REPORT**

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

**Employees**

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

The Company encourages the participation of all employees in the operation and development of the business and has a policy of regular communications. The Company incentivises employees and senior management through the payment of bonuses linked to performance objectives.

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

The RM plc Corporate Governance Report contained in its Annual Report and Financial Statements sets out the Company's Diversity Policy.

**Pensions**

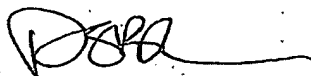
The Company operates a defined contribution scheme for all current employees, and is also the principal employer for a defined benefit scheme, the Research Machines plc 1988 Pension Scheme ('Scheme'). The Scheme was closed to new members with effect from 1 January 2003 and closed to future accrual of benefits from 31 October 2012.

At 30 November 2019 the IAS 19 scheme deficit was (pre-tax) was £1.8m (2018: £0.6m surplus), this decrease in the Scheme deficit results primarily from changes in financial assumptions, mainly the increase in discount rate which decreases the value of pension obligations and is reconciled in note 19.

During the year, agreement was reached with the Trustee of the Scheme with regards to the triennial valuation as at 31 May 2018. The deficit was agreed at £40.6m (31 May 2015: £41.8m). The deficit recovery plan comprises the release of cash held in escrow, together with deficit recovery payments remaining at £3.7m per annum until 2026 (previously 2024).

In the prior year there was an exceptional £1m charge for the costs associated with the High Court decision in October 2018 to implement the alignment of guaranteed minimum payments (GMP) between men and women in defined benefit pension schemes.

By Order of the Board



**David Brooks**

Director

28 May 2020

## **DIRECTORS' REPORT**

The Directors submit their annual report for RM Education Limited ("the Company") together with the financial statements and auditor's report for the year ended 30 November 2019.

### **Strategic Report**

The reporting requirements on principal activities, financial risk management and objectives, comments on the financial performance and position of the Company, principal risks and uncertainties, employees and pensions are contained in the Strategic Report.

### **Directors**

The Directors at the date of approval of these financial statements are listed on page 3. Appointments and resignations of Directors in the year are listed below.

Greg Davidson (resigned 1 October 2019)  
Angela Sherwood (resigned 1 October 2019)  
Monique Louis (appointed 1 October 2019, resigned 1 October 2019)  
Mark Lagler (appointed 1 October 2019)  
Emma Dodd (appointed 1 October 2019)  
Jeremy Cooper (appointed 1 October 2019, resigned 16 January 2020)

The Group has provided indemnity insurance for one or more of the Directors during the financial year and at the date of signing this report. The Directors also have the benefit of a Deed of Indemnity in respect of liabilities which may attach to them in their capacity as Directors of the Company. These provisions are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006.

### **Dividend**

The Directors do not recommend the payment of a final dividend. An interim dividend of £5.0m was paid during the year (2018: £nil).

### **Research and development expenditure**

The Company continues to invest in the research and development of software products. Total research and development expenditure during the year amounted to £9.3m (2018: £8.3m). As disclosed in note 4, research and development expenditure capitalised during the year is £296,000 (2018: £nil).

**DIRECTORS' REPORT (continued)**

**Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

**Statement regarding the disclosure of information to the auditor**

As far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and each of the Directors have taken reasonable steps in order to make themselves aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board



**David Brooks**  
Director

28 May 2020

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RM EDUCATION LIMITED**

### **Opinion**

We have audited the financial statements of RM Education Limited ("the company") for the year ended 30 November 2019 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements.

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analyzed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RM EDUCATION LIMITED

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

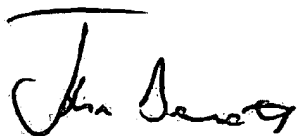
### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**John Bennett (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

28 May 2020

**PROFIT AND LOSS ACCOUNT**

	Note	Year ended 30 November 2019			Year ended 30 November 2018		
		Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
Turnover	3	107,540	-	107,540	99,380	-	99,380
Cost of sales		(59,177)	-	(59,177)	(52,797)	-	(52,797)
<b>Gross profit</b>		<b>48,363</b>	<b>-</b>	<b>48,363</b>	<b>46,583</b>	<b>-</b>	<b>46,583</b>
Operating expenses	4	(35,084)	(750)	(35,834)	(35,902)	(1,025)	(36,927)
<b>Profit from operations</b>	4	<b>13,279</b>	<b>(750)</b>	<b>12,529</b>	<b>10,681</b>	<b>(1,025)</b>	<b>9,656</b>
Interest receivable and similar income	6	2,333	-	2,333	2,621	-	2,621
Interest payable and similar charges	7	(167)	(8)	(175)	(535)	-	(535)
<b>Profit before tax</b>		<b>15,445</b>	<b>(758)</b>	<b>14,687</b>	<b>12,767</b>	<b>(1,025)</b>	<b>11,742</b>
Tax	8	(3,032)	97	(2,935)	(2,046)	195	(1,851)
<b>Profit for the year</b>		<b>12,413</b>	<b>(661)</b>	<b>11,752</b>	<b>10,721</b>	<b>(830)</b>	<b>9,891</b>

**STATEMENT OF COMPREHENSIVE INCOME**

	Note	Year ended	Year ended
		30 November 2019 £000	30 November 2018 £000
<b>Profit for the year</b>		<b>11,752</b>	<b>9,891</b>
<b>Items that will not be reclassified subsequently to profit and loss</b>			
Defined benefit pension scheme remeasurements	19	(6,338)	14,996
Tax credit/(charge) on items that will not be reclassified subsequently to profit and loss	8	1,199	(2,597)
<b>Items that are or may be reclassified subsequently to profit and loss</b>			
Fair value (loss)/gain on hedged instruments		(816)	741
<b>Other comprehensive (expense)/income</b>		<b>(5,955)</b>	<b>13,140</b>
<b>Total comprehensive income</b>		<b>5,797</b>	<b>23,031</b>

The notes on pages 18 to 49 form an integral part of these financial statements.

All amounts were derived from continuing operations.

**BALANCE SHEET**  
**At 30 November 2019**

	Note	2019 £000	2018 £000
<b>Non-current assets</b>			
Intangible assets	9	2,979	221
Tangible assets	10	1,917	980
Investments in subsidiaries	11	426	426
Defined Benefit Pension Scheme surplus	19	-	553
Contract fulfilment assets	12	2,192	-
Other Debtors	13	93	65
Deferred tax assets	13	1,922	2,163
		<b>9,529</b>	<b>4,408</b>
<b>Current assets</b>			
Debtors (£72.8m due after more than 1 year)	13	93,308	92,680
Contract fulfilment assets	12	693	-
Cash at bank and in hand		3,100	400
		<b>97,101</b>	<b>93,080</b>
<b>Total assets</b>		<b>106,630</b>	<b>97,488</b>
Creditors: amounts falling due within one year	14	(51,573)	(45,342)
<b>Net current assets</b>		<b>45,528</b>	<b>47,738</b>
<b>Total assets less current liabilities</b>		<b>55,057</b>	<b>52,146</b>
Creditors: amounts falling due after more than one year	14	(2,785)	(283)
Provisions	15	(2,833)	(4,670)
Defined Benefit Pension Scheme obligation	19	(1,846)	-
		<b>(7,464)</b>	<b>(4,953)</b>
<b>Total liabilities</b>		<b>(59,037)</b>	<b>(50,295)</b>
<b>Net assets</b>		<b>47,593</b>	<b>47,193</b>
<b>Capital and reserves</b>			
Share capital	16	-	-
Share premium account		16,620	16,620
Capital contribution reserve		6,695	5,867
Hedging reserve		(463)	353
Profit and loss account		24,741	24,353
<b>Shareholders' funds</b>		<b>47,593</b>	<b>47,193</b>

The notes on pages 18 to 49 form an integral part of these financial statements. These financial statements of RM Education Limited were approved and authorised for issue by the Board of Directors on 28 May 2020.

On behalf of the Board of Directors



Neil Martin  
Director



**STATEMENT OF CHANGES IN EQUITY**

		Share capital	Share premium	Capital contribution reserve	Hedging reserve	Profit and loss account	Total
	Note	£000	£000	£000	£000	£000	£000
At 1 December 2017		-	16,620	5,862	(388)	2,061	24,155
<b>Comprehensive income for the year</b>							
Profit for the year		-	-	-	-	9,891	9,891
Other comprehensive income		-	-	-	741	12,399	13,140
Total comprehensive income		-	-	-	741	22,290	23,031
<b>Transactions with owners, recorded directly in equity</b>							
Share based awards vested*		-	-	(742)	-	-	(742)
Share-based payment charge		-	-	747	-	-	747
Deferred Tax on Share based payments		-	-	-	-	2	2
At 30 November 2018 as reported		-	16,620	5,867	353	24,353	47,193
IFRS15 restatement		-	-	-	-	(1,225)	(1,225)
At 30 November 2018 as restated		-	16,620	5,867	353	23,128	45,968
<b>Comprehensive income/(expense) for the year</b>							
Profit for the year		-	-	-	-	11,752	11,752
Other comprehensive (expense)		-	-	-	(816)	(5,139)	(5,955)
Total comprehensive (expense)/income		-	-	-	(816)	6,613	5,797
<b>Transactions with owners, recorded directly in equity</b>							
Share-based payment charge		-	-	828	-	-	828
Ordinary dividend paid		-	-	-	-	(5,000)	(5,000)
At 30 November 2019		-	16,620	6,695	(463)	24,741	47,593

\*The Company settled vested share based awards on behalf of RM plc

The notes on pages 18 to 49 form an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. General information**

RM Education Limited is a Company incorporated in the United Kingdom. The Company is part of a European listed group, whose ultimate parent is RM plc.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of RM plc.

The Company's results include a branch in Singapore which was established in 2018.

### **Consolidated income statement presentation**

The Directors assess the performance of the Group using an adjusted operating profit and profit before tax. The Directors use this measurement basis as it excludes the effect of transactions that could distort the understanding of the Group's performance for the year and comparability between periods. This includes making certain adjustments for income and expense which are one-off in nature, or non-cash items and those with potential variability year on year which might mask underlying performance. Further details are provided in Note 4.

### **2. Significant accounting policies**

The Company meets the definition of a qualifying entity under Financial Reporting Standard ('FRS') 100 *Application of Financial Reporting Requirements* issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*.

FRS 101 addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that would otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. Financial statements prepared under FRS 101 are Companies Act individual accounts (in accordance with UK GAAP) and not IAS accounts, both per section 395 (1) of the Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, non-current assets held for sale, financial instruments, capital management, revenue from contracts with customers, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Annual Report and Accounts of the ultimate parent Company, RM plc.

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 Company:

- Adjusted operating profit
- Adjusted profit before tax;

Further explanation of what each APM comprises and reconciliations between Statutory reported measures and adjusted measures are shown in note 4.

The Board believes that presentation of the Company results in this way is relevant to an understanding of the Company's financial performance, as adjustment items are identified by virtue of their size, nature and/or incidence. This presentation is consistent with the way that financial performance is measured by management, reported to the Board, the basis of financial measures for senior management's compensation schemes and assists in providing supplementary information that assists the user to understand better the financial performance, position and trends of the Company. In determining whether an event or transaction is an adjustment, the Board considers both quantitative and qualitative factors such as the frequency or predictability of occurrence.

The APMs used by the Company are not defined terms under IFRS and FRS 101 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.

### **Basis of preparation**

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 2021 which indicate that, taking account of reasonably plausible downsides as discussed below, the company will have sufficient funds to meet its liabilities as they fall due for that period. As part of RM Group plc ("the Group") the company is a guarantor of the Group's bank facility ("the facility") which

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

totalled £70m at the date of this report. The Group had net debt of £15m at the year end. The facility is committed until 2022 and is subject to covenant tests related to the leverage of the group and interest cover annually in May and November.

Since the year end the COVID-19 pandemic has impacted the Company and the Group primarily as a result of widespread school closures and the cancellation of UK summer exam sessions. Prior to the COVID-19 school closures the Company was trading in line with internal budgets and forecasts. During the period of school closures, the RM Education division continues to provide software, services and technology to UK schools, but the volume of hardware and new installations has fallen. The RM Results division continues to provide digital assessment solutions for International awarding bodies, and is currently in discussions with these customers about the impact of COVID 19 on the current exam cycles. Sales of consumables to UK and International schools by the Group's third division, RM Resources, which trades from a separate subsidiary, are materially lower over the lockdown period.

As the UK Government has not yet announced when it will allow schools to reopen fully, the Company has assessed a number of scenarios for going concern purposes and is using a base case scenario assessment that UK schools fully re-open no later than September and normal trading activities largely resume from that point ("base case"). Management has considered a severe but plausible downside scenario where schools fully re-open in September, with a further month lockdown prior to Christmas ("downside scenario"), and an extreme scenario where UK schools do not materially re-open until March 2021 ("severe downside case"). Under both the downside and severe downside cases, the forecasts assume that trading during future lockdowns is equivalent to that experienced since the Government imposed the lockdown on 23 March 2020 and, in the case of the severe downside case, that revenues generated in RM Results and RM Education are principally restricted to those that are contracted at the date of this report.

Under all scenarios the Group has availed itself of government initiatives such as VAT deferment, and furloughing a portion of employees that are not directly supporting the Company's existing contracts. The Company has also agreed with the Pension Trustees to defer deficit repayments until the following calendar year. In addition, management has taken the decision to pause certain discretionary spend, senior staff have taken voluntary reduction in remuneration and capital expenditure has been delayed. Under all scenarios the Group has headroom against its available facilities and considers there are sufficient controllable actions it can take, even if the severe downside case were to materialise, to operate within the facility's covenants. At present the Directors consider the severe downside case to be highly unlikely given the recent announcements by the UK Government for the phased reopening of schools from 1 June 2020 and that this is a necessary step in restarting the wider economy.

Furthermore, the banks supporting the Group funding facility have indicated their willingness to further extend the financial covenant ratios for the relevant periods to provide additional flexibility should the need arise. For the scenarios detailed above, these forecasts assume no change to the existing financial covenant ratios. Changes to the November 2020 covenant have been approved by the lender's Credit Committee but not yet contractually committed. The Directors fully expect amended loan documentation to be signed by early June 2020.

Therefore, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of not less than 12 months from the date of this report. For this reason, the Company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

**2. Significant accounting policies (continued)**

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. 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 turnover 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.

The Company's key risks are set out in the Strategic Report and give rise to the following estimations which are disclosed within the relevant note to the financial statements:

- Retirement benefit Scheme valuation – note 19

The Company's key risks are set out in the Strategic Report and give rise to the following judgements which are disclosed within the relevant note to the financial statements:

- Revenue from contracts over time – note 3

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

The principal accounting policies are set out below:

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

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

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

- The interpretation of contract terms concerning performance obligations
- The allocation of revenue to performance obligations including the impact of variable consideration
- The combination of performance obligations where the services are interrelated
- The measurement of performance obligations for over time revenue
- The consideration of onerous contract conditions and associated loss provisions

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

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

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

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

Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when those performance obligations are satisfied. In our RM Results division the Company may sell customer bespoke solutions, and in these cases the Company typically uses the expected cost plus margin or a contractually stated price approach (if set out by performance obligation in the contract) to estimate the stand-alone selling price of each performance obligation. Any remaining transaction price is allocated on the residual method.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Revenue (continued)

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

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

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

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

**Transactional (point in time) contracts**

The Company delivers goods and services in RM Education that are transactional services for which revenue is recognised at the point in time when the control of the goods or services has transferred to the customer. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

The nature of contracts or performance obligations categorised within this revenue type includes: (i) provision of IT hardware goods and (ii) installation of IT hardware goods.

**Over time contracts**

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

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

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

**Contract modifications**

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Significant accounting policies (continued)**

**Revenue (continued)**

***Licences***

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

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

***Contract fulfilment costs***

Contract fulfilment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those other standards preclude capitalisation of a particular cost, then the asset is not recognised under IFRS15. If other standards are not applicable to contract fulfilment costs, the Company applies the following criteria which, if met, result in capitalisation: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular at which point the capitalisation ceases and the performance obligation begins.

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

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

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

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

***Turnover under IAS 18 applicable for the year ended 30 November 2018***

Turnover represents amounts receivable for goods supplied and services provided to third-parties net of VAT and other sales-related taxes.

Turnover from the sale of goods and services is recognised upon transfer to the customer of the significant risks and rewards of ownership. This is generally when goods are despatched to, or services performed for, customers.

Turnover on hardware and is recognised on shipment providing there are no unfulfilled obligations that are essential to the functionality of the delivered product and with consideration of any significant credit risk uncertainty. If such obligations exist, turnover is recognised as they are fulfilled.

Turnover from term licences is spread over the period of the licence, reflecting the Company's obligation to support the relevant software products or update their content over the term of the licence.

Turnover from contracts for maintenance, support and annually and other periodically contracted products and services is recognised on a pro-rata basis over the contract period.

Turnover from installation, consultancy and other services is recognised when the service has been provided.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Revenue (continued)

For multiple element arrangements turnover is allocated to each element on a fair value basis. The portion of the turnover allocated to an element is recognised when the turnover recognition criteria for that element have been met. In practise, the majority of the multiple element arrangements are long term contracts (see below). Appropriate provisions for returns, trade discounts and other allowances are deducted from turnover. Where customer payments are received in advance of the recognition of turnover, the amount is included within deferred income and is aged dependent upon the estimated recognition profile.

Investment income is recognised in the Profit and Loss Account in the period in which it arises.

*Long-term contracts under IAS 18 applicable for the year ended 30 November 2018*

Turnover on long-term contracts is recognised while contracts are in progress. Turnover is recognised proportionally to the stage of completion of the contract, based upon the fair value of goods and services provided to date, taking into account the sign-off of milestone delivery by customers.

Long-term contracts represent those accounted for in accordance with the principles of IAS 18 Revenue and related linkage with IAS 11 Construction Contracts. It does not cover all of the Company's long-term duration business.

Profit on long-term contracts is recognised when the outcome of the contract can be assessed with reasonable certainty, including assessment of contingent and uncertain future expenses. Thereafter profit is recognised based upon the expected outcome of the contract and the turnover recognised at the balance sheet date as a proportion of total contract turnover.

If the outcome of a long-term contract cannot be assessed with reasonable certainty no profit is recognised. Any expected loss, on a contract as a whole, is recognised as soon as it is foreseen. The loss is calculated using a discounted cash flow model utilising a discount rate that reflects an estimate of the market's assessment of the time value of money and the risks specific to the liability. Any unwinding of the discount is included in the Profit and Loss Account in finance costs.

Where the cumulative fair value of goods and services provided exceeds amounts invoiced, the balance is included within debtors as long-term contract balances. Where amounts invoiced exceed the fair value of goods and services provided, the excess is first set off against long-term contract balances and then included in amounts due from long-term contract customers within creditors.

Pre-contract costs are expensed until the awarding of the contract to the Company is considered to be virtually certain which is not before the Company has been appointed sole preferred bidder. Once virtual certainty has been established and the contract is expected to be awarded within a reasonable timescale and pre-contract costs are expected to be recovered from the contract's net cash flows, pre-contract costs are recognised as an asset and accounted for as long-term contract costs.

Where an existing contract is extended, renewed or replaced, an assessment is made to assess the similarity between the original contract and the extension, renewal or replacement. Where the terms are substantially the same or similar, the Group treat the arrangement as an extension to the original contract. Where there are material changes that arrangement is treated, in effect, as a new and therefore separate contract.

**Intangible assets**

All intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets purchased separately, such as software licences that do not form an integral part of hardware and the costs of internally generated software for the Company's use, are capitalised at cost and amortised over their useful lives of 2-8 years.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Significant accounting policies (continued)**

**Research and development**

Research and development costs associated with the development of software products or enhancements and their related intellectual property rights are expensed as incurred until all of the following criteria can be demonstrated, in which case they are capitalised as an intangible asset:

- a. the technical feasibility of completing the intangible asset so that it will be available for use or sale; and
- b. an intention to complete the intangible asset and use or sell it; and
- c. ability to use or sell the intangible asset; and
- d. how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; and
- e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f. an ability to measure reliably the expenditure attributable to the intangible asset during its development.

The technological feasibility for the Company's software products is assessed on an individual basis and is generally reached shortly before the products are released to manufacturing, and late in the development cycle. Capitalised development costs are amortised on a straight-line basis over their useful lives, once the product is available for use. Useful lives are assessed on a project-by-project basis.

**Tangible fixed assets**

Tangible fixed assets are stated at cost, less depreciation and provision for impairment where appropriate.

Tangible fixed assets are depreciated by equal annual instalments to write down the assets to their estimated disposal value at the end of their useful lives as follows:

Short-term leasehold improvements	Up to 25 years
Plant & equipment	3 - 10 years
Computer equipment	2 - 5 years
Vehicles	2 - 4 years

**Impairment of tangible and intangible assets**

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

The Company assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. An impairment loss can reverse if and only if the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

**Investment in subsidiaries**

Investments in subsidiaries are stated at cost less any provision for impairment where appropriate.



NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Significant accounting policies (continued)

Financial instruments

- Debtors

Debtors other than long-term contract debtors, amounts owed by Group undertakings and short-term deposits are not interest bearing and are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

- Short-term deposits

Short-term deposits represent cash deposited for a maximum period of six months and where the deposited amounts cannot be recalled on demand.

- Cash at bank and in hand

Cash at bank and in hand comprises cash at bank and in hand and deposits with a maturity of three months or less. Bank overdrafts are included in cash only to the extent that the Group has the right of set-off.

- Creditors

Creditors other than amounts owed by Group undertakings on normal terms are non-interest bearing and are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

- Amounts owed by/to Group undertakings

Balances incurred in the normal course of business are payable within 30 days and do not bear interest. Balances in relation to intra-Group funding bear interest of LIBOR plus 2%.

- Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency exposure.

On initial designation of the derivative as the hedging instrument, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the profit or loss account. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

- Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Significant accounting policies (continued)**

**Financial instruments (continued)**

*- Provisions*

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

*- Restructuring*

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

*- Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

*- Dilapidations*

A dilapidations provision is recognised when the Company has an obligation to rectify, repair or reinstate a leased premises to a certain condition in accordance with the lease agreement. The provision is measured at the present value of the estimated cost of rectifying, repairing or reinstating the leased premises at a specified future date. To the extent that future economic benefits associated with leasehold improvements are expected to flow to the Company, this cost is capitalised within the leasehold improvement category of property, plant and equipment and is depreciated over its useful economic life.

**Leases**

Where assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the lower of the fair value or the present value of the minimum lease payments during the lease term determined at the inception of the lease. The assets are depreciated over the shorter of the lease term or their useful life. Obligations relating to finance leases, net of finance charges in respect of future periods, are included, as appropriate, under other creditors due within or after one year. The finance charge element of rentals is charged to finance costs in the Profit and Loss Account over the lease term.

All other leases are classified as operating leases, the rentals of which are charged to the Profit and Loss Account on a straight-line basis over the lease term.

**Share-based payments**

The RM Group operates a number of executive and employee share schemes. For all grants of share-based payments, the fair value as at the date of grant is calculated using a pricing model and the corresponding expense is recognised over the vesting period. Over the vesting period and at vesting the cumulative expense is adjusted to take into account the number of awards expected to or actually vesting as a result of survivorship and where this reflects non-market-based performance conditions.

Share-based payment charges which are incurred by the Company are included as a capital contribution.

**Employee benefits**

The Company has both defined benefit and defined contribution pension schemes. For the defined benefit scheme, based on the advice of a qualified independent actuary at each balance sheet date and using the projected unit method, the administrative expenses are charged to operating profit, with the interest cost, net of interest on scheme assets, reported as a financing item. Defined benefit pension scheme remeasurements are recognised as a component of other comprehensive income such that the balance sheet reflects the scheme's surplus or deficit as at the balance sheet date.

Contributions to defined contribution plans are charged to operating profit as they become payable.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Significant accounting policies (continued)**

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences except in respect of investments in subsidiaries where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis.

Deferred tax is measured on an undiscounted basis, and at the tax rates that are expected to apply in the periods in which the asset or liability is settled. It is recognised in the Profit and Loss Account except when it relates to items credited or charged directly to equity, in which case the deferred tax is also included in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

**Dividends**

Dividends are recognised as a liability in the period in which the shareholder's right to receive payment has been established.

**Foreign currencies**

The Company's functional and presentation currency is Sterling. Transactions denominated in foreign currencies are translated into Sterling at rates prevailing at the dates of the individual transactions. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the balance sheet date. Exchange gains and losses arising are charged or credited to the Profit and Loss Account within operating costs. Foreign currency non-monetary amounts are translated at rates prevailing at the time of establishing the fair value of the asset or liability.

**Adoption of new and revised International Financial Reporting Standards**

The IFRIC interpretations, amendments to existing standards and new standards that are mandatory and relevant for the Company's accounting periods beginning on or after 1 December 2018 have been adopted. The following new standards and interpretations have been adopted in the current year and have impacted the reported results or the financial position as disclosed in note 20:

- IFRS 15 Revenue from Contracts with Customers

*New standards and interpretations not yet adopted*

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective/endorsed (and in some cases had not yet been adopted by the EU):

- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
- IFRS 16 Leases

IFRS 16 Leases (IFRS 16) was issued in January 2016, replacing IAS 17 Leases (IAS 17) and other relevant guidance. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 will be effective for annual periods beginning on or after 1 January 2019.

Under the transition rules, the Company will apply IFRS 16 using the modified retrospective approach, with the cumulative effect of applying the standard recognised in retained earnings on 1 December 2019. Contracts that have not been identified as leases under IAS 17 and IFRS 4 were not reassessed for whether there is a lease.

As at 30 November 2019, the Company held a significant number of operating leases for which the future minimum lease payments amount to £3,936,000 as disclosed in note 17. Adoption of the standard will not have a material impact on the Company's opening retained earnings and future profit before tax, but will have a material impact on the balance sheet (grossing up lease liability recognised and Right of Use asset recognised).

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Turnover

<b>By activity</b>	<b>Year ended 30 November 2019</b>	<b>Year ended 30 November 2018</b>
	<b>£000</b>	<b>£000</b>
Turnover from supply of products	17,512	14,777
Turnover from rendering of services	73,686	62,997
Turnover from the sale of licences and receipt of royalties	16,342	21,606
	<b>107,540</b>	<b>99,380</b>

<b>By division</b>	<b>Year ended 30 November 2019</b>	<b>Year ended 30 November 2018</b>
	<b>£000</b>	<b>£000</b>
RM Education	71,565	67,590
RM Results	35,975	31,790
	<b>107,540</b>	<b>99,380</b>

<b>By geographical market</b>	<b>Year ended 30 November 2019</b>	<b>Year ended 30 November 2018</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	97,448	92,009
Rest of Europe	5,590	3,915
North America	187	1,743
Asia	2,194	1,495
Rest of World	2,121	218
	<b>107,540</b>	<b>99,380</b>

Each contract is analysed separately to identify the performance obligations and judgements made as to whether, for example, goods and services should be combined. Judgement is also required to allocate the transaction price to each performance obligation based on the standalone selling price or, for licences, the residual amount. Judgements include determination of performance obligations and allocation of revenue to performance obligations. Scanning revenues of £6,841,000 are judged to be delivered over time as the associated transaction price will be dependent on over-time variables (such as volumes). Revenue is then recognised based on these judgements which are set out in more detail in note 2.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Profit for the year

Profit is stated after charging/(crediting):		Year ended 30 November 2019	Year ended 30 November 2018
	Note	£000	£000
Depreciation of property, plant and equipment:			
- charged in cost of sales		306	474
- charged in operating expenses		238	438
	10	544	912
Amortisation: charge for the year	9	83	53
Selling and distribution costs		10,729	10,025
Research and development costs		9,307	8,340
Administrative expenses		15,048	17,537
Adjusted operating expenses		35,084	35,902
Adjustments in the profit and loss account (see below)		750	1,025
Operating expenses		35,834	36,927
Staff costs	5	41,936	41,242
Operating lease expense		1,771	2,651
Operating lease income		(135)	(598)
Foreign exchange		(323)	(742)
Cost of inventories recognised as expense		18,786	15,217
Increase in stock obsolescence provision		-	28
Decrease in trade debtors bad and doubtful debts provision		(50)	(423)
Auditor's remuneration for audit services		177	142

The Company undertakes a programme of research and development, in which advancement of technical knowledge and innovative solutions are used to substantially improve the performance of product areas, to develop new products related to existing markets and to enhance access to potential new markets. During the periods reported the Company has reviewed its research and development expenditure against the criteria outlined in Note 2 *Accounting policies*. No material expenditure is considered to have met the capitalisation criteria. Consequently capitalised research and development expenditure is £296,000 (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

**Adjustments to administrative expenses**

	Year ended 30 November 2019	Year ended 30 November 2018
	Adjusted £000	Adjusted £000
Defined Benefit Pension Scheme	-	1,000
Employee restructuring costs	190	-
Expensed development costs	204	-
Exceptional property costs	356	25
	<b>750</b>	<b>1,025</b>

In the year ended 30 November 2019 notable adjustments to profit include:

*Recurring items:*

These are items which occur regularly but which management judge to have a distorting effect on the underlying results of the Company or are not regularly monitored for the purpose of determining business performance.

Recurring items are adjusted each year irrespective of materiality to ensure consistent treatment and there are none in the current year.

*Highlighted items:*

These are items which are non-recurring and are identified by virtue of either their size or their nature. These items can include, but are not restricted to, impairment of held for sale assets and related transaction costs; exceptional property costs (including changes in the provision for onerous lease contracts and; the gain/loss on sale of operations and restructuring costs. As these items are one-off or non-operational in nature, management considers that they would distort the Company's underlying business performance.

During 2018 the Company provided for the estimated liability of equalising GMPs in our defined benefit pension schemes of £1,000,000 (see note 19).

During the year, the Company undertook a review of its operation leading to restructuring costs of £190,000.

During the year the Company incurred £204,000 of development costs for a new software product that was rendered obsolete following the acquisition by the Group of SoNET Systems Pty Ltd.

During the year, the Company transitioned from key properties which resulted in exceptional property costs of £356,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Staff numbers and costs

The average number of full-time equivalent persons (including Directors and contractors) employed by the Company during the year was as follows:

	Year ended 30 November 2019	Year ended 30 November 2018
	Number	Number
Research and development, products and services	551	561
Marketing and sales	90	80
Corporate services	65	53
	<b>706</b>	<b>694</b>

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Their aggregate emoluments comprised:		
Wages and salaries	34,389	33,376
Termination payments	284	835
Social security costs	3,511	3,198
Other pension costs	3,039	3,086
Share-based payments	713	747
	<b>41,936</b>	<b>41,242</b>

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
The remuneration of the Directors paid by the Company was:		
Directors' emoluments	1,820	1,706
Compensation for loss of office	105	-
Amounts receivable under long-term incentive schemes	906	1,026
Company contributions to money purchase pension schemes	89	105
	<b>2,920</b>	<b>2,837</b>

In the year ended 30 November 2019, 5 directors (2018: 7) accrued retirement benefits under money purchase schemes. No Directors exercised share options during the year (2018: nil).

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
The remuneration of the highest paid Director was:		
Director's emoluments	496	535
Amounts receivable under long-term incentive schemes	429	401
Contributions to pension schemes	10	7

NOTES TO THE FINANCIAL STATEMENTS (continued)

**6. Interest receivable and similar income**

	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
Bank interest	-	20
Interest on amounts owed by Group undertakings	1,741	1,563
Finance lease income	-	4
Net interest income on defined benefit pension scheme	89	-
Dividend income	503	1,034
	<b>2,333</b>	<b>2,621</b>

**7. Interest payable and similar charges**

	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
	Note	
Borrowing facilities arrangement and commitment fees	2	2
Interest on amounts owed to Group undertakings	151	24
Net interest expense on defined benefit pension scheme	19	412
Unwind of long term contract discount provisions	-	24
Unwind of discount on onerous lease and dilapidations provisions	15	73
	<b>175</b>	<b>535</b>



NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Tax

a) Analysis of tax charge in the Profit and Loss Account

	Year ended 30 November 2019 £000	Year ended 30 November £000
<b>Current taxation</b>		
UK corporation tax	2,470	2,003
Adjustment in respect of prior years	128	(125)
<b>Total current tax charge</b>	<b>2,598</b>	<b>1,878</b>
<b>Deferred taxation</b>		
Temporary differences	370	(32)
Adjustment in respect of prior years	(32)	5
<b>Total deferred tax charge</b>	<b>338</b>	<b>(27)</b>
<b>Total tax charge</b>	<b>2,936</b>	<b>1,851</b>

The prior year adjustment mainly relates to the release of provisions in respect of previous years.

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

	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
<b>UK corporation tax</b>		
Defined Benefit Pension Scheme	(1,023)	(350)
Adjustments in respect of prior years	(43)	-
Share based payments	(38)	-
<b>Deferred taxation</b>		
Defined Benefit Pension Scheme movements	(408)	2,900
Defined Benefit Pension Scheme escrow	442	-
Share based payments	(129)	-
Deferred tax relating to change in rate	-	47
	<b>(1,199)</b>	<b>2,597</b>

*Factors that may affect future tax charges:*

A reduction in the UK corporation tax rate to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 30 November 2019 has been calculated based on these rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Tax (continued)

c) Reconciliation of Profit and Loss Account tax charge/(credit)

The tax charge/(credit) in the Profit and Loss Account reconciles to the effective rate applied by the Company as follows:

	Year ended 30 November 2019			Year ended 30 November 2018		
	Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
Profit/(loss) on ordinary activities before tax	15,445	(758)	14,687	12,767	(1,025)	11,742
Tax at 19% (2017: 19%) thereon:	2,935	(144)	2,791	2,426	(195)	2,231
Effects of:						
- Other expenses not deductible for tax purposes	79	-	79	99	-	99
- Other temporary differences	13	47	60	(7)	-	(7)
- Share-based payments	41	-	41	(156)	-	(156)
- Non-taxable income	(96)	-	(96)	(196)	-	(196)
- Prior period adjustments	96	-	96	(120)	-	(120)
- Other	(36)	-	(36)	-	-	-
	3,032	(97)	2,935	2,046	(195)	1,851

d) Deferred tax

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

	Accelerated tax depreciation	Retirement benefit obligations	Share-based payments	Short-term timing differences	
At 1 December 2017	718	2,806	163	1,396	5,083
(Charge)/credit to income	(86)	-	120	(6)	28
(Charge)/credit to equity	-	(2,900)	2	(48)	(2,946)
At 30 November 2018	632	(94)	285	1,342	2,165
(Charge)/credit to income	(253)	-	(94)	9	(338)
(Charge)/credit to equity	-	408	129	(442)	95
At 30 November 2019	379	314	320	909	1,922

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Intangible assets

	Purchased software £000	Internally-generated software £000	Total £000
<b>Cost</b>			
At 1 December 2018	518	1,243	1,761
Additions	129	2,712	2,841
Reclassifications	(164)	164	-
<b>At 30 November 2019</b>	<b>483</b>	<b>4,119</b>	<b>4,602</b>
<b>Accumulated amortisation and impairment losses</b>			
At 1 December 2018	297	1,243	1,540
Charge for the year	69	14	83
<b>At 30 November 2019</b>	<b>366</b>	<b>1,257</b>	<b>1,623</b>
<b>Carrying amount</b>			
<b>At 30 November 2019</b>	<b>117</b>	<b>2,862</b>	<b>2,979</b>
At 30 November 2018	221	-	221

10. Tangible assets

	Short leasehold improvements £000	Plant and equipment £000	Computer equipment £000	Vehicles £000	Total £000
<b>Cost</b>					
At 1 December 2018	4,057	2,159	6,515	39	12,770
Additions	47	1,192	242	-	1,481
Disposals	(1,433)	(193)	-	-	(1,626)
<b>At 30 November 2019</b>	<b>2,671</b>	<b>3,158</b>	<b>6,757</b>	<b>39</b>	<b>12,625</b>
<b>Accumulated depreciation and impairment losses</b>					
At 1 December 2018	3,963	2,065	5,723	39	11,790
Charge for the year	99	86	359	-	544
Disposals	(1,433)	(193)	-	-	(1,626)
<b>At 30 November 2019</b>	<b>2,629</b>	<b>1,958</b>	<b>6,082</b>	<b>39</b>	<b>10,708</b>
<b>Carrying value</b>					
<b>At 30 November 2019</b>	<b>42</b>	<b>1,200</b>	<b>675</b>	<b>-</b>	<b>1,917</b>
At 30 November 2018	94	94	792	-	980

NOTES TO THE FINANCIAL STATEMENTS (continued)

**11. Investments in subsidiary undertakings**

	Subsidiary undertakings £000
<b>Cost and carrying value</b>	
At 1 December 2018 and 30 November 2019	<b>426</b>

The subsidiary undertaking is RM Education Solutions Pvt Limited, whose principal activity is the provision of software and corporate services, is incorporated in India, has only ordinary share capital and is 100% owned by the Company.

RM Education Solutions India Pvt Limited is registered at Unit No.8A, Carnival Techno Park Technopark, Kariyavattom PO Trivandrum, Thiruvananthapuram, Kerala 695581, India.

**12. Contract fulfilment assets**

	2019 £000	2018 £000
Current	693	-
Non-current	2,192	-
	<b>2,885</b>	-

The movement in the contract fulfilment asset during the year is as follows:

	2019 £000
At 1 December 2018 as reported	-
IFRS 15 restatement	1,435
At 1 December 2018 as restated	1,435
Additions	2,558
Amortised in the period	(1,108)
<b>At 30 November 2019</b>	<b>2,885</b>

Contract fulfilment assets represent investment in contracts which are recoverable and are expected to provide benefits over the life of the contract. These costs are capitalised only when they relate directly to a contract and are incremental to securing the contract.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Debtors

	Note	2019 £000	2018 £000
<b>Due within one year</b>			
Trade debtors		7,476	6,885
Long-term contract balances		-	66
Other debtors		959	682
Accrued income		2,373	2,008
Prepayments		2,687	5,786
Corporation Tax		1,228	361
Amounts owed by Group undertakings		78,585	76,892
		<b>93,308</b>	<b>92,680</b>
<b>Due after more than one year</b>			
Deferred tax assets	8	1,922	2,165
Defined Benefit Pension Scheme surplus		-	553
Other debtors		93	63
		<b>95,323</b>	<b>95,461</b>

Analysis of amounts owed by Group undertakings

	2019 £000	2018 £000
Owed by fellow Group subsidiary undertakings - interest-free	2,163	1,642
Owed by the parent company - interest at LIBOR plus 2%	72,789	70,844
Owed by fellow Group subsidiary undertakings - interest at LIBOR plus 2%	3,633	4,406
	<b>78,585</b>	<b>76,892</b>

The amount owed by the parent company has no fixed repayment date. All other amounts owed by Group undertakings are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Creditors

	2019	2018
Note	£000	£000
<b>Creditors: amounts falling due within one year</b>		
Trade creditors	9,299	10,371
Amounts owed to Group undertakings	12,149	4,820
Other taxation and social security	3,666	3,200
Bank overdraft	4,006	3,671
Current tax liabilities	-	26
Other creditors	625	71
Accruals	8,859	8,363
Long-term contract balances	-	4,565
Deferred income	12,969	10,255
	<b>51,573</b>	<b>45,342</b>
<b>Creditors: amounts falling due after more than one year</b>		
Deferred income		
- due after one year but within two years	1,517	235
- due after two years but within five years	1,194	48
- after five years	74	-
	<b>2,785</b>	<b>283</b>
	<b>54,358</b>	<b>45,625</b>

The Directors consider that the carrying amount of creditors approximated to their fair value.

**Analysis of amounts owed to Group undertakings**

	2019	2018
	£000	£000
Owed to fellow Group subsidiary undertakings - interest-free	1,458	1,850
Owed to fellow Group subsidiary undertakings - interest at LIBOR plus 2%	10,691	2,970
	<b>12,149</b>	<b>4,820</b>

All amounts owed to Group undertakings are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Provisions

	Onerous leases and dilapidations £000	Employee-related restructuring £000	Other £000	Total £000
At 1 December 2018	2,881	91	1,698	4,670
Arising on adoption of IFRS 15	-	44	1,539	1,583
Release of provisions	(801)	(11)	(872)	(1,684)
Increase in provisions	27	190	15	232
Utilisation of provisions	(1,940)	(50)	-	(1,990)
Unwind of discount	22	-	-	22
<b>At 30 November 2019</b>	<b>189</b>	<b>264</b>	<b>2,380</b>	<b>2,833</b>

Provisions for onerous leases and dilapidations have been recognised at the present value of the expected obligation at discount rates of 2.6% per annum (2018: 2.6%) reflecting a risk-free discount rate, applicable to the liabilities. These discounts will unwind to their undiscounted value over the remaining lives of the leases via a finance charge within the profit and loss account. The average remaining life of the onerous leases is nil years (2018: 1.1 years).

The Company's dilapidation provisions as a whole were reviewed during 2018 aligning to lease contract exit negotiations. During 2019, the Company exited three buildings which accounted for the onerous lease provisions and the majority of the dilapidations provision utilisation and release.

Employee-related restructuring provisions relate to employee-related costs arising from restructuring to meet the future needs of the Company and are all expected to be utilised during the following financial year.

Other provisions includes one-off items not covered by any other category. During the year risk provisions totalling £1,539,000 (2018: £257,000) from ended BSF contracts were transferred from long-term contract creditors to provisions.

16. Share capital

Allotted, called-up and fully paid ordinary shares of £1 each

	Number	£000
At 30 November 2018	132	-
At 30 November 2019	132	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Commitments

Operating leases

The Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019	2018
	£000	£000
Within 1 year	1,438	2,743
In years 2 to 5 inclusive	2,498	705
	<b>3,936</b>	<b>3,448</b>

Operating lease payments represent rentals payable by the Company for certain of its office properties, office equipment and motor vehicles, and they include the period up to the first break clause of the lease.

The balances disclosed above include commitments of £nil (2018: £759,000) which have been included within onerous lease provisions at the balance sheet date.

Leases as a lessor:

One of the properties was sublet under an operating lease. The future minimum lease payments under this non-cancellable lease is £nil (2018: £498,000 within 1 year).

The Company had £2,499,700 capital commitments at 30 November 2019 (2018: £nil) that primarily related to the development of an intangible asset.

18. Share-based payments

The RM plc Group operates a number of executive and employee equity-settled share-based payment schemes of which certain employees of the Company are beneficiaries.

The schemes are:

*Employee share option schemes*

The Company's parent has in place share option schemes which issue options over shares in the parent company. There have been various performance conditions attached to share option grants, including earnings per share, share-price and share purchase conditions. Options are forfeited if the employee leaves the RM Group before the options vest.

*Performance share plans*

The Group uses performance share plans for the remuneration of senior executives and senior management. The plans are subject to various vesting conditions, including EPS, total shareholder return and share-price conditions. If the vesting conditions are either not met or the participants leave the Group's employment, the award lapses.

The weighted average share price at the balance sheet date for each scheme, together with the range of exercise prices on options outstanding and weighted average remaining contractual life at 30 November 2019, was:

	Weighted average share price	Range of exercise prices on options outstanding	Contractual life
	£	£	Years
Performance share plans	N/A	N/A	1.3



NOTES TO THE FINANCIAL STATEMENTS (continued)

**19. Retirement benefit schemes**

**a. Defined contribution schemes**

The Company 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 £2,896,000 (2018: £2,966,000) represents contributions payable to these schemes by the Company at rates specified in employment contracts.

At 30 November 2018 £255,000 (2018: £237,000) due in respect of the current reporting year had not been paid over to the schemes.

**b. Local government pension schemes**

The Company has TUPE employees who retain membership of local government pension schemes. The Company makes payments to these schemes for current service costs in accordance with its contractual obligations, most of which are limited through reimbursement rights under the contracts. The total costs charged to income for these schemes were £143,000 (2018: £120,000).

The amount due in respect of the above schemes at 30 November 2019 was £51,000 (2018: £16,000).

**c. Defined benefit pension scheme**

One Group-sponsored defined benefit pension scheme is in operation, the Research Machines plc 1988 Pension Scheme ("the Scheme"). The Scheme is a funded scheme. The Scheme provides benefits to qualifying employees and former employees of the Company, 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 the Company in a trustee-administered fund. The Trustee is a limited Company. Directors of the Trustee Company are appointed by the Company and by members.

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 2018 have been rolled forward based on this valuation's base data.

As at 31 May 2018, the triennial valuation for statutory funding purposes showed a deficit of £40,600,000 (31 May 2015: £41,800,000). The Group agreed with the Scheme Trustees that it will repay this amount via deficit catch-up payments of £3,700,000 per annum until 31 May 2026.

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

Scheme assets are measured at bid-price at 30 November 2018. The present value of the defined benefit obligation was measured using the projected unit method.

The entire deficit position of the Scheme is held within these financial statements on the balance sheet, as the Company in substance bears all of the material risks associated with the Scheme.

The parent Company RM plc has entered into a pension protection fund compliant guarantee in respect of scheme liabilities.

**d. GMP equalisation**

Since the 1990 legal case which led to the Barber judgment, there has been a requirement that pensions paid to men and women are equal. However, the Scheme is required to pay "Guaranteed Minimum Pensions" ("GMPs") which are unequal, for example due to different GMP pension ages (60 for a woman and 65 for a man). The court judgment in October 2018 involving the Lloyds Banking Group's pension schemes provided greater clarity, stating both that adjustments to benefits would be required, and giving trustees some details of the methods that could be acceptable for doing so.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Retirement benefit schemes (continued)

d. GMP equalisation (continued)

Our proposed approach can be broadly summarised as follows:

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

In the prior year, this has resulted in an exceptional charge of £1m for the Research Machines plc 1988 Pension Scheme.

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

**Amounts recognised in the Profit and Loss Account and in the Statement of Comprehensive Income**

	Year ended 30 November 2019	Year ended 30 November 2018
Note	£000	£000
Administrative expenses	(147)	(511)
Operating expense	(147)	(511)
Interest cost	(6,622)	(6,233)
Interest on Scheme assets	6,711	5,821
Net interest income/(expense)	7                      89	(412)
Past service costs	-	(1,000)
<b>Expense recognised in the Profit and Loss Account</b>	<b>(58)</b>	<b>(1,923)</b>
Effect of changes in demographic assumptions	1,094	(1,366)
Effect of changes in financial assumptions	(42,432)	18,547
Effect of experience adjustments	2,272	4,089
Total actuarial gains	(39,066)	21,270
Return on Scheme assets excluding interest on Scheme assets	32,728	(6,274)
<b>(Expense)/income recognised in the Statement of Comprehensive Income</b>	<b>(6,338)</b>	<b>14,996</b>
<b>(Expense)/income recognised in Total Comprehensive Income</b>	<b>(6,396)</b>	<b>13,073</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Retirement benefit schemes (continued)

Reconciliation of the Scheme assets and obligations through the year

	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
<b>Assets</b>		
At start of period	202,401	206,888
Interest on Scheme assets	6,711	5,821
Return on Scheme assets excluding interest on Scheme assets	32,728	(6,274)
Administrative expenses	(147)	(511)
Contributions from Company	3,997	3,984
Benefits paid	(5,994)	(7,507)
<b>At end of year</b>	<b>239,696</b>	<b>202,401</b>
<b>Obligations</b>		
At start of period	(201,848)	(223,392)
Interest cost	(6,622)	(6,233)
Past service cost	-	(1,000)
Actuarial gains/(losses)	(39,066)	21,270
Benefits paid	5,994	7,507
<b>At end of year</b>	<b>(241,542)</b>	<b>(201,848)</b>
<b>Net pension (deficit)/surplus</b>	<b>(1,846)</b>	<b>553</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Retirement benefit schemes (continued)

**Reconciliation of net defined benefit obligation**

	Year ended 30 November 2019	Year ended 30 November 2018
	£000	£000
Net obligation at the start of the year	553	(16,504)
Cost included in Profit and Loss account	(58)	(1,923)
Scheme remeasurements included in the Statement of Comprehensive Income	(6,338)	14,996
Cash contribution	3,997	3,984
<b>Net pension (deficit)/surplus</b>	<b>(1,846)</b>	<b>553</b>

**Obligation by participant status**

	2019	2018
	£000	£000
Vested deferreds	203,073	166,610
Retirees	38,469	35,238
	<b>241,542</b>	<b>201,848</b>

**Total value of Scheme assets**

	2019	2018
	£000	£000
<b>Fair value of Scheme assets with a quoted market price:</b>		
Cash and cash equivalents, including escrow	785	7,642
Equity instruments	113,831	93,221
Liability-driven investments	97,191	75,777
<b>Value of unquoted Scheme assets:</b>		
Insurance contract	27,889	25,761
	<b>239,696</b>	<b>202,401</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Retirement benefit schemes (continued)

Significant actuarial assumptions

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

Expected cash flows

	£000	£000
Expected employer contributions for the year ended 30 November 2018	3,700	3,984
Expected total benefit payments		
Year 1	2,966	2,896
Year 2	3,313	2,966
Year 3	3,842	3,324
Year 4	3,981	3,663
Year 5	4,293	4,013
Years 6 - 10	28,184	26,511

Sensitivities to assumptions - one item changed with all others held constant:

	30 November 2019						30 November 2018
	Base £ m	-0.1% discount rate £ m	+0.1% discount rate £ m	-0.1% RPI £ m	+0.1% RPI £ m	Life +1 yr £ m	Base £ m
Analysis of net balance sheet position:							
Fair value of Scheme assets	239.7	240.1	239.3	239.5	239.9	240.8	202.4
Present value of Scheme obligations	(241.5)	(247.1)	(236.1)	(237.5)	(245.6)	(248.5)	(201.8)
Deficit	(1.8)	(7.0)	3.2	2.0	(5.7)	(7.7)	0.6
Actuarial assumptions							
Discount rate	2.15%	2.05%	2.25%	2.15%	2.15%	2.15%	3.30%
Rate of RPI	2.95%	3.35%	3.35%	3.25%	3.25%	2.95%	3.35%
Rate of CPI	1.85%	1.85%	1.85%	1.75%	1.95%	1.85%	2.25%
Mortality table	----- S2PA CMI 2018 1.25% -----						S2PA CMI 2017 1.25%
Rating (years)	-	-	-	-	-	(1)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Impact of adoption of IFRS15 – Revenue from Contracts with Customers

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

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

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

	Restated Balance sheet as at 1 December 2018 £000	IFRS 15 impact Income statement for year ended 30 November 2019 £000	Balance sheet as at 30 November 2019 £000
Net current (liabilities) relating to goods and services	(2,660)	(2,202)	(4,862)
Capitalised contract costs	1,435	700	2,135
Deferred tax asset	233	285	518
<b>Retained earnings (deficit)</b>	<b>(992)</b>	<b>(1,217)</b>	<b>(2,209)</b>

The adoption of IFRS 15 has had five principal impacts:

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

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

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

During the year to 30 November 2019, revenue recognised "point in time" and revenue recognised "over time" is set out in Note 3.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Impact of adoption of IFRS15 – Revenue from Contracts with Customers (continued)

**RM Education**

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

**RM Results**

RM Results provides IT software and end-to-end digital assessment services to enable online exam marking, online testing and the management and analysis of educational data. Long term contracts have been split into separate performance obligations all of which are recognised over time. Whilst this brings some of the revenue recognition forward, within the financial year, there is still a significant seasonality towards exam marking periods.

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

**Detailed primary statement restatements**

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

**Impact on the Profit and Loss Account**

	As reported	IFRS15 impact	Amounts before adoption of IFRS15
	£000	£000	£000
Revenue	107,540	2,202	109,742
Cost of sales	(59,177)	(700)	(59,877)
<b>Gross profit</b>	<b>48,363</b>	<b>1,502</b>	<b>49,865</b>
Operating expenses	(35,834)	-	(35,834)
<b>Profit from operations</b>	<b>12,529</b>	<b>1,502</b>	<b>14,031</b>
Investment income	2,333	-	2,333
Finance costs	(175)	-	(175)
<b>Profit before tax</b>	<b>14,687</b>	<b>1,502</b>	<b>16,189</b>
Tax	(2,935)	(285)	(3,220)
<b>Profit for the period</b>	<b>11,752</b>	<b>1,217</b>	<b>12,969</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Impact of adoption of IFRS15 – Revenue from Contracts with Customers (continued)

Impact on the Balance Sheet

	As reported £000	IFRS15 impact £000	Amounts before adoption of £000
<b>Non-current assets</b>			
Other intangible assets	2,979	-	2,979
Property, plant and equipment	1,917	-	1,917
Investment in subsidiaries	426	-	426
Other receivables	93	-	93
Contract fulfilment assets	2,192	2,192	-
Deferred tax assets	1,922	-	1,922
	9,529	2,192	7,337
<b>Current assets</b>			
Trade and other receivables	93,308	2,958	90,350
Contract fulfilment assets	693	693	-
Cash and short-term deposits	3,100	-	3,100
	97,101	3,651	93,450
<b>Total assets</b>	106,630	5,843	100,787
<b>Current liabilities</b>			
Creditors: falling due within 1 year	(51,573)	(6,469)	(45,104)
	(51,573)	(6,469)	(45,104)
<b>Net current assets/(liabilities)</b>	45,528	(2,818)	48,346
<b>Non-current liabilities</b>			
Creditors: falling due after 1 year	(2,785)	-	(2,785)
Provisions	(2,833)	(1,583)	(1,250)
Defined Benefit Pension Scheme obligation	(1,846)	-	(1,846)
	(7,464)	(1,583)	(5,881)
<b>Total liabilities</b>	(59,037)	(8,052)	(50,985)
<b>Net assets</b>	47,593	(2,209)	49,802
<b>Equity attributable to shareholders</b>			
Share capital	-	-	-
Share premium account	16,620	-	16,620
Capital redemption reserve	6,695	-	6,695
Hedging reserve	(463)	-	(463)
Retained earnings	24,741	(2,209)	26,950
<b>Total equity</b>	47,593	(2,209)	49,802

21. Related party transactions

There were no related party transactions not covered by the FRS 101 disclosure exemption.

22. Post balance sheet event

As a result of the COVID-19 pandemic the UK Government has temporarily closed UK schools and have cancelled all summer exams. In addition some international schools and exams have also been affected. The Company has two operating divisions which relate to providing IT services and software to schools (RM Education) and also to the provision of software and services to assessment bodies (RM Results).

Our RM Education division has a high percentage of recurring revenue which relate to the provision of connectivity, software and IT services that have continued during this period of closure and has allowed our customers to continue to access their IT networks. Hardware provision and new installation revenues are reduced but we believe these will occur when the schools fully open.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

Our RM Results division is currently in negotiations and discussions with many of our customers and suppliers as to the impact of each exam session. Many of our contracts are multi-year contracts some of which have minimum commitment volumes both in the UK and internationally so are complex in nature. New tender activity is still ongoing. The Company has also reduced discretionary spend and have managed our cash and funding facilities as set out in the Going Concern section of the Strategic Report.

There are no other post balance sheet events.

**23. Parent undertaking**

The Company's immediate and ultimate parent undertaking is RM plc, a Company incorporated in the United Kingdom.

The largest and the smallest group of undertakings for which group accounts are drawn up and of which the Company is a member is RM plc. The financial statements of RM plc are publicly available and may be obtained from RM plc, 142B Park Drive, Milton Park, Abingdon, Oxfordshire, OX14 4SE.