2 February 2015

RM plc
Preliminary Results for the year ending
30 November 2014

RM plc ("RM"), the educational IT and resources group, reports its results for the year ending 30 November 2014.

SUMMARY

- Total revenue of £202.5m (2013: £261.8m).
  - RM Resources revenue increased 16% to £62.8m (2013: £54.0m)
  - RM Results revenue increased 5% to £27.8m (2013: £26.5m)
  - RM Education revenue decreased as planned by 38% to £111.9m (2013: £181.2m)
- Adjusted operating profit margins increased to 9.1% (2013: 6.6%) with adjusted operating profit* of £18.5m (2013: £17.2m)
- Adjusted profit before tax* increased by 9.9% to £18.1m (2013: £16.4m). Statutory profit before tax increased by 67% to £15.8m (2013: £9.4m)
- Cash generated from operations of £19.1m (2013: £34.7m). Cash and short-term deposits at 30 November 2014 were £47.9m (2013: £63.2m) after payment of the £14.7m special dividend and £8.0m into the pension escrow account
- Pension deficit before tax £26.8m (2013: £15.8m). Pensioner buy-in completed leaving £3.3m in escrow for further risk mitigation exercises
- Adjusted* earnings per share increased by 30% to 16.4 pence (2013: 12.6 pence). Earnings per share increased by 107% to 13.9 pence (2013: 6.7 pence)
- Full year paid and proposed dividend per share increased by 21% to 4.00 pence (2013: 3.30 pence)

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

"2014 was a good year for RM with both RM Resources and RM Results delivering strong organic growth. RM Education has been reshaped, after the closure of the hardware manufacturing and distribution facility in the year. All three divisions improved operating margins with good cash generation.

RM Resources and RM Results are well positioned for further growth in 2015 and we remain focused on the further development of RM Education's provision of software products and services to UK schools."

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* References to adjusted profit exclude: amortisation charges relating to acquisition related intangible assets; gains on sale of operations; impairment of goodwill; restructuring costs; share-based payment charges; movements in property related provisions; and exceptional credits on settlement.

Chairman's Statement

2014 has been a good year for RM plc. Two of RM's three divisions produced encouraging organic growth and all three showed further improvements in annual operating margins. Trading performance, which is detailed below, showed overall Group revenues down as anticipated, although this was combined with improvements in profitability, together with good cash generation.

RM Resources (formerly Education Resources), the largest contributor of profit to the Group, had an excellent year. TTS generated strong organic growth based on market share gains and achieved a further increase in already strong margins, whilst the small SpaceKraft business is no longer loss making.

RM Results (formerly Assessment and Data Services) secured new customers and delivered top-line growth and improving margins.

The reshaping of RM Education (formerly Education Technology) continues. This year saw the successful execution of the move away from the manufacture and sale of hardware devices. A new managing director was appointed to the division and priority areas within services and software have been identified.

The Group has a strong balance sheet, with cash and short term deposits at the year end of £47.9 million (2013: £63.2 million). This was after payment of £14.7 million as a special dividend and £8.0 million into a new escrow account to be applied to reducing risks associated with the defined benefit pension scheme which is now closed to accrual of benefits.

The Group has had four years of over 100% conversion of operating profit to cash generated from operations. It is anticipated that the Group will remain cash generating at an operating level, albeit at lower levels of cash conversion due to the run-down of a favourable working capital position related to long-term contracts.

The Board is recommending a final dividend of 3.04 pence per share which would constitute, at 4.00 pence per share in total, an increase of 21% over the prior year (excluding the impact of the 16.00p per share special dividend). Over time, the Board will adopt a progressive dividend policy towards a more appropriate level of dividend cover.

In the year ahead, we are confident that our two growing divisions will continue to perform well. RM Education, with a more focussed business and reduced cost-base, will take further steps towards building a secure platform for development.

John Poulter
Chairman
2 February 2015

Extract from Strategic Report

RM's objective is to create shareholder value through the provision of resources, software and services to the education sector. The strategies by which the Group pursues this objective are specific to the businesses within the Group and are addressed in the Divisional Reviews contained later in this report.

Group Financial Performance

Group revenue declined by 22.6% to £202.5 million (2013: £261.8 million).

To provide a better understanding of underlying business performance, the Income Statement amortisation charges relating to acquisition related intangible assets, share-based payment charges and other items of an exceptional nature have been disclosed in an adjustments column in the Income Statement to give 'Adjusted' results.

Adjusted operating profit margins increased again this year from 6.6% in 2013 to 9.1%. Adjusted operating profit increased to £18.5 million (2013: £17.2 million). The Group generated an unadjusted statutory profit before tax of £15.8 million (2013: £9.4 million).

The total tax charge within the Income Statement for the year was £4.2 million (2013: £3.3 million). The Group's tax charge for the period, measured as a percentage of profit before tax, was 26% (2013: 35%). This decrease is principally due to the reduction in the UK corporate tax rate and a significant prior year adjustment in 2013, offset by a lower proportion of 'Adjustments' to operating profit being non-tax deductible. Adjusted basic earnings per share were 16.4p (2013: 12.6p). Statutory basic earnings per share were 13.9 pence (2013: 6.7 pence) and statutory diluted earnings per share were 13.0 pence (2013: 6.6 pence).

RM delivered another year of good cash generation with cash generated from operations for the year of £19.1 million (2013: £34.7 million). Cash and short-term deposits decreased to £47.9 million (2013: £63.2 million) principally due to the payment in the year of a £14.7 million special dividend and the payment of £8.0 million into a pension escrow account described in more detail below. The lowest cash position during the year due to seasonal cash flows was £25.9 million (2013: £33.0 million).

Cash generated from operations is expected to be less than operating profit in coming years, reflecting the reversal of a favourable working capital position related to long-term contracts and utilisation of property-related provisions.

Dividends

The total dividend paid and proposed for the year has been increased by 21% to 4.00 pence per share (2013: 3.30 pence excluding the 16.00p special dividend). This comprises an already paid interim dividend of 0.96 pence per share and, subject to shareholder approval, a proposed final dividend of 3.04 pence per share. The estimated total cost of normal dividends paid and proposed for 2014 is £3.3 million (2013: £3.0 million). In addition, a special dividend of 16.00 pence per share was paid at the same time as the final dividend in April 2014.

Defined Benefit Pension Scheme

The RM defined benefit pension scheme was closed to new entrants in 2003. An agreement was reached with the Trustees to close the Scheme to future accrual of benefits from 31 October 2012. At 30 November 2014 the IAS 19R scheme deficit (pre-tax) was £26.8 million (2013: £15.8 million). The principal reason for the deterioration in the balance sheet position was an increase in liabilities due to reduced corporate bond yields which are used to determine the liability discount rate. In addition, as explained below, an insurance policy was purchased in the year with the price paid being higher than the IAS19R value of liabilities insured, partially offset by better than assumed returns on Scheme assets and the shortfall contributions paid by the Group. The triennial valuation of the Scheme's position at 31 May 2012 for statutory funding purposes showed a Scheme deficit of £53.5 million. A deficit recovery plan over 15 years was agreed with the Trustees for future annual deficit recovery payments of £3.6 million, these amounts being guaranteed by the parent company. The Group also pays the Scheme's expenses, including the Payment Protection Fund levy.

An escrow account was established in the year to be utilised for initiatives to reduce the risks related to the Scheme. These funds are held jointly between RM Education Ltd, the principal employer, and the Trustee for the sole purpose of funding risk reduction or risk management exercises for the Scheme. £8.0 million was paid into this account in 2014 in addition to the annual deficit recovery payments to the Scheme. Total cash payments including expenses for the year were £11.8 million (2013: £4.4 million).

In October 2014, £4.7 million of the funds in escrow were paid to the Scheme to help fund a pension buy-in. The transaction will produce an income stream to the Scheme which closely matches payments to all 165 existing pensioners. Such a buy-in largely eliminates the inflation, interest rate and longevity risks associated with these pension benefits. The transaction coverage represented 9% of the Scheme members and around 13% of the total Scheme liability. The insurance premium payable under the buy-in agreement was £30.7 million. The insurance premium was funded by way of £26.0 million of fixed income assets from the Scheme and £4.7 million paid from the escrow account. This leaves £3.3 million remaining in the escrow account to be used for future risk reduction exercises.

Divisional Review

The Group is structured in three operating divisions, each with its own managing director and management team. Some staff functions are provided centrally. Approximately 28% of Group headcount is based in India, providing support services and software development to the operating divisions.

RM Resources

The RM Resources division, formerly known as Education Resources, comprises two operating businesses: TTS and SpaceKraft.

TTS provides resources used in schools through a mainly direct marketing business model with goods supplied from large, centralised UK distribution centres. Products supplied are a mix of third-party branded and TTS branded items manufactured by a network of third party suppliers.

The division's strategy is to grow market share in the provision of resources to the UK schools, early years and Special Educational Needs markets via direct catalogue and on-line sales and marketing channels as well as through selective supply of products to UK trade and international schools and distributors.

Divisional revenue increased by 16% to £62.8 million (2013: £54.0 million) in a flat UK market, with strong UK market share gains and an 18% increase in international revenues.

Divisional adjusted operating margins increased to 16.4% compared with 13.3% in the prior year reflecting the benefits of growth and the realisation of efficiency gains from systems investments made in prior years. Adjusted operating profit was £10.3 million (2013: £7.2 million).

Further investment is being made in direct marketing across on-line and traditional channels and in export business development to support continued growth.

TTS UK Direct Marketing

Revenue from TTS UK direct marketing increased by 19% to £46.2 million (2013: £38.8 million) with a particularly strong performance from products targeted at the new English primary school curriculum. The proportion of sales through on-line channels showed further increases in the year.

TTS International

Revenue from international sales to overseas resellers and to international schools increased by 20% to £8.5 million (2013: £7.0 million). This was driven by growth in Europe, the Middle East and the Americas.

TTS UK Distributors

Revenue from sales to UK trade partners decreased by 7% to £4.4 million.

SpaceKraft

SpaceKraft supplies products and installation services for the Special Educational Needs market. Products are a mix of own-brand manufactured items and third-party sourced. Sales of installations are made direct with other products supplied through catalogues and on-line.

Under the leadership of a new management team appointed at the end of 2013, the recent declining trend in revenue was reversed with growth of 11% to £3.7 million (2013: £3.4 million). The business is no longer loss-making.

RM Results

The RM Results business, formerly known as Assessment and Data Services, provides onscreen exam marking (e-marking), onscreen testing (e-assessment) and the management and analysis of educational data. Its customers include government ministries, exam boards and professional awarding bodies around the world, improving the efficiency, accuracy and clarity of the assessment cycle.

The strategy in the assessment side of the business is to expand the scope of services to existing customers through the provision of leading software products and services and to win new customers in both the UK and overseas markets. Software and services are provided through a combination of proprietary and third-party, in-house and outsourced arrangements. Internationally the business is anticipated to evolve through partnerships and software licensing rather than as a service based activity.

Revenue increased by 5% to £27.8 million (2013: £26.5 million). Adjusted operating margins increased further to 16.7% (2013: 16.1%). Adjusted operating profit was £4.6 million (2013: £4.3 million).

The business was successful in securing a contract with the Caribbean Examinations Council, a new e-marking customer. Divisional revenues rose 5% in the year. The summer 2014 e-marking pilot with the education charity AQA was completed successfully. RM Results has subsequently been appointed as one of two preferred suppliers for long-term e-marking contracts.

Internationally, the business is pursuing opportunities for the onscreen marking of paper-based exams. In the UK, examination and curricula changes introduced by the English Department for Education have reduced the number of exam retakes, while a move away from modular courses to final exam-based assessment will also impact the business in the medium term. There is a long-term trend from paper-based to onscreen testing, though the adoption of such systems for school based examinations is low.

The educational data side of the business is dependent on one public sector customer, the Department for Education. The National Pupil Database and RAISE Online contracts, which include the capture and publishing of data for the school performance tables in England, were extended during the year following the agreement to stop work on the School Performance Data Programme.

RM Education

Formerly known as Education Technology, RM Education is a UK-focused business supplying IT software and services to schools and colleges. The sale of personal computing devices ceased from December 2013 and manufacturing of hardware devices ceased in June 2014.

The divisional strategy, under a new managing director who was appointed in May 2014, is to continue to develop and encourage adoption of its portfolio of software products and services through new and existing propositions which meet the needs of UK schools.

Market trends affecting the business include the demand from schools for solutions which are low-cost yet can cope with an increasingly diverse range of hardware and software. In addition, purchasing decisions in England have been increasingly devolved to schools and academy groups and away from central government and local authorities. This required a change in the way the division engages with its market and the review has resulted in an increased focus on the top c.2,000 customers.

As anticipated, continued funding pressures in the UK education sector and the change of strategy away from selling hardware devices led to overall revenue in RM Education declining by 38% to £111.9 million (2013: £181.2 million). However, adjusted operating profit margins increased again this year from 5.2% to 6.9%. Staff cost reductions were implemented ahead of plan over the year and write downs in the value of remaining inventory have been significantly less than originally expected. The hardware devices business delivered higher revenue with lower costs than planned but this level of contribution will not be repeated in future. In addition, the defined benefit pension scheme was closed to future accrual of benefit in October 2012 and the costs relating to the defined benefit pension scheme (£1.3 million in 2014 and £0.9 million in 2013) are no longer allocated to individual divisions but are shown as unallocated costs. Adjusted operating profit was £7.7 million (2013: £9.4 million).

The performance of the four retained product groups and the personal computing hardware business, which has been exited, are reviewed below.

Services

These include implementation, management and support of IT infrastructure within schools and colleges, including Building Schools for the Future (BSF) contracts. As anticipated, revenues in 2014 again declined with a reduction in new school openings under the BSF programme. Services revenues decreased by 29% to £61.2 million (2013: £85.7 million).

Many services are subject to long-term project accounting policies and revenues and profits were positively affected by good operational performance and cost control in completing BSF contracts.

Priority areas of focus are on retention of existing customers at the end of current contracts and on winning individual school sites.

Digital Platforms and Content

These include established products such as RM Integris (RM's cloud-based school management system), RM Easimaths curriculum software and RM EasiTeach whole class teaching software as well as newer offerings including RM Books and RM Unify. Digital Platforms and Content revenues increased by 4% to £7.6 million.

Revenue from RM Integris increased following good market share gains including Oxfordshire, won in 2013. The strategy is to increase RM's market share in a market dominated by a large competitor and with low levels of switching between suppliers. RM Integris is a cloud-based Software as a Service offering with annual licences.

RM Unify is a product launched by RM in 2013 as a technology solution to allow customers easy access to the varied digital, cloud-based, educational specific content and materials that are now available. RM Unify incorporates a cloud-based 'launchpad' and 'application store' enabling schools to procure and access a wide variety of digital content in a secure, single sign-on environment. Revenue is derived from annual school subscriptions and from fees from sales of third-party applications. The division's strategy is generally not to develop its own curriculum software but to provide the best of what is available from third parties via RM Unify.

RM Books provides the first e-book solution designed for UK schools. The majority of leading UK textbook publishers are now participating, with approximately 16,000 titles currently available. The service is free to schools with RM taking a share of revenue from content sold through the system. The market penetration of e-books in consumer markets has increased dramatically in recent years but e-book adoption in schools is slow and revenue is still limited. The current focus is on demonstrating the educational value added.

Priority areas of focus are on winning new RM Integris customers and on embedding and expanding system usage amongst existing RM Unify customers.

Network Solutions

Network Solutions include sales of RM's Community Connect and Ranger network management tools and related provision of hardware such as routers and wireless systems. Existing products are typically sold as perpetual licences with annual maintenance contracts. Revenues decreased by 45% to £8.6 million (2013: £15.7 million) as demand for established products reduced year on year with reduced school capital budgets.

Sales of RM Neon, a new generation of network and device monitoring tools launched in the year, have been disappointing.

The focus is on ensuring that existing customers are on the latest version of our software and on developing enhanced propositions which meet users' evolving requirements.

Internet

RM is a broadband and e-safety service provider to approximately 5,000 schools. RM designs and manages networks, procuring and integrating bandwidth and e-safety products from third parties. Competitors include regional educational aggregators and some of the large telecom providers who sell to schools directly. The devolution of purchasing decisions to individual schools is reducing the likelihood of local authorities procuring services centrally on their behalf.

This business is dominated by one large regional consortium which accounts for a large share of its revenue. This relationship is underpinned by a contract which runs until 2018 though volumes are variable.

Revenues decreased by 14% to £16.7 million (2013: £19.3 million) reflecting the end of some regional consortium contracts and the movement from private to public networks.

The business' broadband connectivity and e-safety propositions were streamlined and simplified during the year. The priority now is on growing customer numbers.

Personal Computing Hardware

Revenue derived from hardware (RM-branded and third-party computing products, together with maintenance and warranty and other third-party classroom equipment) decreased by 67% to £17.8 million (2013: £53.1 million) with RM's exit of the personal computing devices business over the course of FY14.

Revenue was significantly higher than planned and the costs of exit, including obsolescent inventory, were much lower than expected. These benefits will not recur in future years.

Third party partners Misco and Kelway have been appointed to provide hardware devices to customers, where still required under existing contracts and bundled procurement processes, and to manage existing warranty and maintenance obligations respectively.

RM India

As at 30 November 2014, RM's operation in Trivandrum accounted for 28% of Group headcount (2013: 25%).

The Indian operation provides services solely to RM Group companies. Activities include software development, customer and operational support and back office shared service support (e.g. customer order entry, IT, finance and HR) and administration.

Employees

Average Group headcount for the year was 1,870 (2013: 2,148). At 30 November 2014 headcount was 1,778, a 12% reduction from 2,018 at 30 November 2013. The November 2014 headcount comprises 1,568 permanent and 210 temporary or contract staff, of which 1,274 were located in the UK and 504 in India.

Going Concern

The Directors, having made appropriate enquiries, consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks are reviewed by the Audit Committee and Board and appropriate processes put in place to monitor and mitigate them. The key business risks for the Group are set out in the table below.

Risk	Description	Mitigation
Public policy	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. 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.	The Group seeks to understand 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 Group's strategy is to focus on areas of education spend which are important to meet customers' objectives. Where individual business' revenues are in decline, management seek to ensure that the cost base supporting these is adjusted accordingly.
Education practice	Education practices and priorities may change and, as a result, RM's products and services may no longer meet customer requirements.	The Group seeks to maintain knowledge of current education practice and priorities by maintaining close relationships with customers.
Operational execution	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. RM is engaged in the delivery of large, multi-year education projects, typically involving the development and integration of complex ICT systems, and may have liability for failure to deliver on time.	The Group invests in maintaining a high level of technical expertise. Internal management control processes are in place to govern the delivery of 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.

Risk	Description	Mitigation
Data and business continuity	RM is engaged in storing and processing sensitive data, where accuracy, privacy and security are important. The Group would be significantly impacted if, as a result of a disaster, one of its major buildings, systems or infrastructure components could not function for a long period of time.	The Group's IS function has invested in developing its Data Centres, and has been successfully certified to ISO/IEC 27001:2005 for the provision of systems, information and hosting services. The Group has established an Information Security Committee to oversee the security aspects of the Group's information systems. This covers data integrity and protection, defence against external threats and disaster recovery. The Group seeks to protect itself against the consequences of a disaster by implementing a series of back up and safety measures. The Group has property and business interruption insurance cover.
People	RM's business depends on highly skilled employees.	The Group seeks to be an attractive employer and regularly monitors the engagement of its employees. The Group has talent management and career planning programmes.
Innovation	The IT market is subject to rapid, and often unpredictable, change. As a result of inappropriate technology choices, the Group's products and services might become unattractive to its customer base. 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 Group monitors technology and market developments and invests to keep its existing products and 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.

Risk	Description	Mitigation
Dependence on key contracts	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 Group invests in maintaining a high level of technical expertise and on building effective working relationships with its customers. The Group has in place a range of customer satisfaction programmes, which include management processes designed to address the causes of customers' dissatisfaction.
Pension	The Group operates a defined benefit pension scheme in the UK, which is in deficit. The scheme deficit can adversely impact the net assets position of the trading subsidiary RM Education Ltd.	The Scheme was closed to new entrants in 2003 and closed to future accrual of benefits in October 2012. A pension escrow account was established in 2014 to fund risk mitigation exercises. The first of these was completed in October 2014 with the purchase a pensioner buy-in from an insurance company. The Group evaluates risk mitigation proposals with the Scheme trustee.
Financial – foreign exchange	The Group is exposed to foreign currency risk with respect to purchases of goods in US Dollars and from its operations in India.	The Group enters into US Dollar and Indian Rupee denominated hedging contracts with approved banking organisations.
Financial – liquidity	The Group is exposed to counterparty risk on liquid assets.	Limits are placed on the level of deposit with any one counterparty. Bank selection takes into account credit ratings.
Financial – capital	The Group's ability to pay dividends to shareholders depends on having sufficient distributable reserves in the holding company, RM plc. Additional losses incurred as a result of significant increases in the pension scheme deficit could further impair the ability of RM Education Ltd to pay dividends up to RM plc.	The Group monitors the level of distributable reserves in subsidiary companies and considers their ability to make dividend payments to the holding company.

David Brooks
Director
2 February 2015

Directors' Responsibilities Statement

The responsibility statement below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 30 November 2014. Certain parts thereof are not included within this announcement.

Each of the Directors confirm that, to the best of our knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs, as adopted by the EU, give a true, balanced and fair view of the assets, liabilities, financial position and performance of the Group; and
- the information contained in the Strategic report includes a true, balanced and fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The responsibility statement was approved by the Board of Directors on 2 February 2015 and is signed on its behalf by:

Iain McIntosh
Director

CONSOLIDATED INCOME STATEMENT
for the year ended 30 November 2014

		Year ended 30 November 2014			Year ended 30 November 2013		
		Adjusted	**Adjustments**	**Total**	Adjusted	Adjustments	Total
	Note	**£000**	**£000**	**£000**	£000	£000	£000
Revenue		**202,544**	**-**	**202,544**	261,759	-	261,759
Cost of sales		**(126,974)**	**-**	**(126,974)**	(187,793)	-	(187,793)
Gross profit		**75,570**	**-**	**75,570**	73,966	-	73,966
Operating expenses		**(57,044)**	**-**	**(57,044)**	(56,757)	-	(56,757)
Amortisation of acquisition related intangible assets		**-**	**(303)**	**(303)**	-	(195)	(195)
Impairment of goodwill		**-**	**-**	**-**	-	(328)	(328)
Gain on sale of operations		**-**	**429**	**429**	-	1,387	1,387
Share-based payment charges		**-**	**(932)**	**(932)**	-	(507)	(507)
Increase in provisions for onerous lease contracts		**-**	**(774)**	**(774)**	-	(2,627)	(2,627)
Restructuring costs		**-**	**(472)**	**(472)**	-	(5,128)	(5,128)
Exceptional credit on settlement		**-**	**-**	**-**	-	543	543
		(57,044)	**(2,052)**	**(59,096)**	(56,757)	(6,855)	(63,612)
Profit from operations		**18,526**	**(2,052)**	**16,474**	17,209	(6,855)	10,354
Investment income	3	**476**	**-**	**476**	730	-	730
Finance costs	4	**(924)**	**(269)**	**(1,193)**	(1,490)	(159)	(1,649)
Profit before tax		**18,078**	**(2,321)**	**15,757**	16,449	(7,014)	9,435
Tax	5	**(4,359)**	**201**	**(4,158)**	(4,910)	1,643	(3,267)
Profit for the year		**13,719**	**(2,120)**	**11,599**	11,539	(5,371)	6,168
Earnings per ordinary share	6						
- basic		**16.4p**	**(2.5)p**	**13.9p**	12.6p	(5.9)p	6.7p
- diluted		**15.4p**	**(2.4)p**	**13.0p**	12.4p	(5.8)p	6.6p
Paid and proposed dividends per share	7						
- interim				**0.96p**			0.84p
- final				**3.04p**			2.46p
- special				-			16.00p

Adjustments to results have been presented to give a better guide to business performance (see note 1).

All amounts were derived from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 November 2014

	Note	**Year ended 30 November 2014 £000**	Year ended 30 November 2013 £000
Profit for the year		**11,599**	6,168
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit pension scheme remeasurements	13	**(21,892)**	1,442
Tax on items that will not be reclassified subsequently to profit or loss	5	**4,378**	(799)
Items that are or may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on hedged instruments		**1,018**	(435)
Exchange gain/(loss) on translation of overseas operations		**81**	(329)
Tax on items that are or may be reclassified subsequently to profit or loss	5	**657**	73
Other comprehensive expense		**(15,758)**	(48)
Total comprehensive (expense)/income for the year attributable to equity holders		**(4,159)**	6,120

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 November 2014

	Note	Share capital £000	Share premium £000	Own shares £000	Capital redemption reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Total £000
At 1 December 2012		1,870	26,997	(2,972)	94	(39)	(56)	(662)	25,232
Profit for the year		-	-	-	-	-	-	6,168	6,168
Other comprehensive income/(expense)		-	-	-	-	(435)	(329)	716	(48)
Total comprehensive income		-	-	-	-	(435)	(329)	6,884	6,120
Transactions with owners of the Company									
Share-based payment fair value charges		-	-	-	-	-	-	507	507
Dividends paid	7	-	-	-	-	-	-	(2,834)	(2,834)
At 30 November 2013		1,870	26,997	(2,972)	94	(474)	(385)	3,895	29,025
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**11,599**	**11,599**
Other comprehensive income/(expense)		**-**	**-**	**-**	**-**	**1,018**	**81**	**(16,857)**	**(15,758)**
Total comprehensive income/(expense)		**-**	**-**	**-**	**-**	**1,018**	**81**	**(5,258)**	**(4,159)**
Transactions with owners of the Company									
Shares issued	12	**19**	**21**	**(18)**	**-**	**-**	**-**	**-**	**22**
Share-based payment awards exercised		**-**	**-**	**40**	**-**	**-**	**-**	**(40)**	**-**
Share-based payment fair value charges		**-**	**-**	**-**	**-**	**-**	**-**	**932**	**932**
Dividends paid	7	**-**	**-**	**-**	**-**	**-**	**-**	**(17,706)**	**(17,706)**
At 30 November 2014		**1,889**	**27,018**	**(2,950)**	**94**	**544**	**(304)**	**(18,177)**	**8,114**

CONSOLIDATED BALANCE SHEET
at 30 November 2014

	Note	2014 £000	2013 £000
Non-current assets			
Goodwill		**14,067**	14,067
Acquisition related intangible assets		**461**	764
Other intangible assets		**537**	1,026
Property, plant and equipment		**8,040**	9,099
Other receivables		**1,878**	1,911
Deferred tax assets	5	**8,147**	4,622
		33,130	31,489
Current assets			
Inventories		**10,604**	10,549
Trade and other receivables	8	**32,928**	35,134
Tax assets		**821**	340
Cash and short-term deposits	9	**47,893**	63,169
		92,246	109,192
Total assets		**125,376**	140,681
Current liabilities			
Trade and other payables	10	**(79,085)**	(78,917)
Tax liabilities		**(600)**	-
Provisions	11	**(3,660)**	(7,201)
		(83,345)	(86,118)
Net current assets		**8,901**	23,074
Non-current liabilities			
Other payables	10	**(1,657)**	(3,455)
Provisions	11	**(5,507)**	(6,255)
Defined benefit pension scheme obligation	13	**(26,753)**	(15,828)
		(33,917)	(25,538)
Total liabilities		**(117,262)**	(111,656)
Net assets		**8,114**	29,025
Equity attributable to shareholders			
Share capital	12	**1,889**	1,870
Share premium account		**27,018**	26,997
Own shares		**(2,950)**	(2,972)
Capital redemption reserve		**94**	94
Hedging reserve		**544**	(474)
Translation reserve		**(304)**	(385)
Retained earnings - (deficit)/earnings		**(18,177)**	3,895
Total equity		**8,114**	29,025

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 November 2014

	Note	**Year ended 30 November 2014**	Year ended 30 November 2013
		£000	£000
Profit before tax		**15,757**	9,435
Investment income		**1,193**	1,649
Finance costs		**(476)**	(730)
Profit from operations		**16,474**	10,354
Adjustments for:			
Impairment of goodwill		**-**	328
Amortisation of acquisition related intangible assets		**303**	195
Amortisation of other intangible assets		**417**	582
Depreciation and impairment of property, plant and equipment		**3,415**	3,919
Gain on sale of operations		**(429)**	(1,387)
Loss on disposals of other intangible assets		**73**	736
Gain on disposals of property, plant and equipment		**(398)**	(118)
(Gain)/loss on foreign exchange derivatives		**(83)**	75
Share-based payment charge		**932**	507
Increase in provisions		**1,339**	7,777
Defined benefit pension scheme administration cost	13	**475**	391
Operating cash flows before movements in working capital		**22,518**	23,359
(Increase)/decrease in inventories		**(55)**	4,238
Decrease in receivables		**2,792**	20,383
Decrease in payables:			
- decrease in trade and other payables		**(708)**	(10,779)
- decrease in onerous lease and dilapidations provisions	11	**(836)**	(1,331)
- decrease in employee-related restructuring provisions	11	**(4,348)**	(1,155)
- decrease in other provisions	11	**(289)**	(52)
Cash generated from operations		**19,074**	34,663
Defined benefit pension scheme cash contributions	13		
- deficit catch-up payments and scheme expenses		**(3,821)**	(4,384)
- pension escrow account		**(8,000)**	-
Tax paid		**(2,527)**	(1,790)
Borrowing facilities arrangement and commitment fees		**(353)**	(451)
Interest paid		**-**	(20)
Income on sale of finance lease debt		**55**	289
Net cash inflow from operating activities		**4,428**	28,307
Investing activities			
Interest received		**403**	441
Repayment of loans by third parties		**33**	-
Proceeds of sale of operations		**-**	336
Proceeds on disposal of property, plant and equipment		**661**	420
Purchases of property, plant and equipment		**(2,597)**	(1,980)
Purchases of other intangible assets		**(1)**	(68)
Increase in short-term deposits	9	**-**	(6,000)
Net cash used in investing activities		**(1,501)**	(6,851)

Financing activities			
Dividends paid	7	**(3,028)**	(2,834)
Special dividend paid	7	**(14,678)**	-
(Repayment of)/net proceeds from vehicle finance leases		**(530)**	771
Proceeds of share capital issue, net of share issue costs		**22**	-
Net cash used in financing activities		**(18,214)**	(2,063)
Net (decrease)/increase in cash and cash equivalents		**(15,287)**	19,393
Cash and cash equivalents at the beginning of the year		**57,169**	37,823
Effect of foreign exchange rate changes		**11**	(47)
Cash and cash equivalents at the end of the year	9	**41,893**	57,169

1. Preliminary announcement

The preliminary results for the year ended 30 November 2014 have been prepared in accordance with those International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted for use in the EU and therefore comply with Article 4 of the EU IAS Regulation applied in accordance with the provisions of the Companies Act 2006. However, this announcement does not contain sufficient information to comply with IFRS. The Group expects to publish a full Strategic report, Directors' report and financial statements which will be delivered before the Company's annual general meeting on 25 March 2015. The full Strategic report and Directors' report and financial statements will be published on the Group's website at www.rmplc.com.

The financial information set out in this preliminary announcement does not constitute the Group's statutory accounts for the year ended 30 November 2014. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the Company's annual general meeting. The auditor's reports on both the 2014 and 2013 accounts were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

This Preliminary announcement was approved by the Board of Directors on 2 February 2015.

Consolidated income statement presentation

The Income Statement is presented in three columns. This presentation is intended to give a better guide to business performance by separately identifying the following adjustments to profit which are considered exceptional in nature or with potential significant variability year on year in non-cash items which might mask underlying trading performance: the amortisation of acquisition related intangible assets; the impairment of goodwill; the gain/loss on sale of operations; share-based payment charges; restructuring costs; changes in the provision for onerous lease contracts; and exceptional credit on settlement. The columns extend down the Income Statement to allow the tax and earnings per share impacts of these transactions to be disclosed. Equivalent material adjustments to profit arising in future years, including increases in or reversals of items recorded, will be disclosed in a consistent manner.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments, share-based payments and pension assets and liabilities which are measured at fair value. The preparation of financial statements, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Significant accounting policies

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

2. Operating segments

The Group's business is supplying products, services and solutions to the UK and international education markets.

The Group is structured into three operating divisions: RM Resources (previously known as Education Resources), RM Results (previously Assessment and Data Services) and RM Education (previously Education Technology).

A full description of each division, together with comments on its performance and outlook, is given in the Strategic report.

This Segmental analysis shows the result and assets of these divisions. Revenue is that earned by the Group from third parties.

Segmental results

Year ended 30 November 2014	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Revenue:					
UK	**53,903**	**27,136**	**110,712**	**-**	**191,751**
Europe	**4,052**	**37**	**315**	**-**	**4,404**
North America	**994**	**-**	**206**	**-**	**1,200**
Asia	**2,980**	**119**	**-**	**-**	**3,099**
Rest of the world	**875**	**535**	**680**	**-**	**2,090**
	62,804	**27,827**	**111,913**	**-**	**202,544**
Adjusted profit from operations	**10,330**	**4,648**	**7,700**	**(4,152)**	**18,526**
Investment income					**476**
Adjusted finance costs					**(924)**
Adjusted profit before tax					**18,078**
Adjustments (see note 1)					**(2,321)**
Profit before tax					**15,757**

Year ended 30 November 2013	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Revenue:					
UK	46,458	23,515	180,661	-	250,634
Europe	3,248	2,718	352	35	6,353
North America	575	-	22	-	597
Asia	2,764	312	26	-	3,102
Rest of the world	963	-	110	-	1,073
	54,008	26,545	181,171	35	261,759
Adjusted profit from operations (see note below)	7,164	4,268	9,406	(3,629)	17,209
Investment income					730
Adjusted finance costs					(1,490)
Adjusted profit before tax					16,449
Adjustments (see note 1)					(7,014)
Profit before tax					9,435

In the year ended 30 November 2014 Corporate Services adjusted profit from operations includes £1,272,000 in respect of costs paid by the Group related to the defined benefit pension scheme. In 2013 the equivalent costs of £897,000 have been consistently allocated to Corporate Services, with no impact on overall adjusted profit from operations:

Year ended 30 November 2013	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Adjusted profit from operations as previously disclosed	7,164	4,134	8,643	(2,732)	17,209
Adjustment in respect of costs paid by the Group related to the defined benefit pension scheme	-	134	763	(897)	-
Segmental profit for 2013 comparable to 2014	7,164	4,268	9,406	(3,629)	17,209

Segmental assets

At 30 November 2014	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Segmental	**33,970**	**6,636**	**27,334**	**353**	**68,293**
Other	**-**	**-**	**-**	**-**	**57,083**
Total assets					**125,376**

At 30 November 2013	RM Resources £000	RM Results £000	RM Education £000	Corporate Services £000	Total £000
Segmental	31,794	6,890	33,728	221	72,633
Other	-	-	-	-	68,048
Total assets					140,681

3. Investment income

	Year ended 30 November 2014 £000	Year ended 30 November 2013 £000
Bank interest	**242**	223
Income on sale of finance lease debt	**55**	289
Other finance income	**179**	218
	476	730

4. Finance costs

	Note	**Year ended 30 November 2014** £000	Year ended 30 November 2013 £000
Interest on bank overdrafts and loans		**-**	15
Borrowing facilities arrangement fees and commitment fees		**467**	495
Cost of leasing finance		**-**	130
Finance lease interest		**21**	20
Net finance costs on defined benefit pension scheme	13	**379**	830
Unwind of discount on long term contract provisions		**57**	-
Unwind of discount on onerous lease and dilapidations provisions	11	**269**	159
		1,193	1,649

5. Tax

a) Analysis of tax charge in the Consolidated Income Statement

	Year ended 30 November 2014	Year ended 30 November 2013
	£000	£000
Current taxation		
UK corporation tax	**3,117**	1,707
Adjustment in respect of prior years	**627**	859
Overseas tax	**437**	453
Total current tax charge	**4,181**	3,019
Deferred taxation		
Temporary differences	**34**	206
Adjustment in respect of prior years	**(57)**	93
Overseas tax	**-**	(51)
Total deferred tax (credit)/charge	**(23)**	248
Total Consolidated Income Statement tax charge	**4,158**	3,267

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

	Year ended 30 November 2014	Year ended 30 November 2013
	£000	£000
UK corporation tax		
Defined benefit pension scheme	**(1,533)**	(735)
Deferred tax		
Defined benefit pension scheme movements	**(2,185)**	1,534
Defined benefit pension scheme escrow	**(660)**	-
Share based payments	**(657)**	(73)
Total Consolidated Statement of Comprehensive Income tax (credit)/charge	**(5,035)**	726

c) Reconciliation of Consolidated Income Statement tax charge

The tax charge in the Consolidated Income Statement reconciles to the effective rate applied by the Group as follows:

	Year ended 30 November 2014			Year ended 30 November 2013		
	Adjusted	**Adjustments**	**Total**	Adjusted	Adjustments	Total
	£000	**£000**	**£000**	£000	£000	£000
Profit on ordinary activities before tax	**18,078**	**(2,321)**	**15,757**	16,449	(7,014)	9,435
Tax at 21.67% (2013: 23.33%) thereon:	**3,918**	**(503)**	**3,415**	3,839	(1,637)	2,202
Effects of:						
- change in tax rate on carried forward deferred tax assets	**-**	**-**	**-**	224	(23)	201
- other expenses not deductible for tax Purposes	**104**	**-**	**104**	373	(186)	187
- temporary timing differences unrecognised for deferred tax	**4**	**-**	**4**	(331)	-	(331)
- other temporary timing differences	**-**	**28**	**28**	-	-	-
- R&D tax credit	**(77)**	**-**	**(77)**	(242)	-	(242)
- impairments	**-**	**-**	**-**	(29)	297	268
- overseas tax	**207**	**-**	**207**	124	-	124
- gain on sale of operations	**-**	**(93)**	**(93)**	-	(94)	(94)
- prior period adjustments	**203**	**367**	**570**	952	-	952
Tax charge in the Consolidated Income Statement	**4,359**	**(201)**	**4,158**	4,910	(1,643)	3,267

d) Deferred tax

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

	Accelerated tax depreciation £000	Defined benefit pension scheme obligation £000	Share-based payments £000	Short-term timing differences £000	Acquisition related intangible assets £000	Total £000
At 1 December 2012	1,223	4,700	30	599	(221)	6,331
Credit/(charge) to income	(235)	-	78	(159)	68	(248)
Credit/(charge) to equity	-	(1,534)	73	-	-	(1,461)
At 30 November 2013	988	3,166	181	440	(153)	4,622
Credit/(charge) to income	**(201)**	**-**	**178**	**(15)**	**61**	**23**
Credit to equity	**-**	**2,185**	**657**	**660**	**-**	**3,502**
At 30 November 2014	**787**	**5,351**	**1,016**	**1,085**	**(92)**	**8,147**

Certain deferred tax assets and liabilities have been offset above.

6. Earnings per ordinary share

	Year ended 30 November 2014			Year ended 30 November 2013		
	Profit for the year £000	**Weighted average number of shares '000**	**Pence per share**	Profit for the year £000	Weighted average number of shares '000	Pence per share
Basic earnings per ordinary share:						
Basic earnings	**11,599**	**83,702**	**13.9**	6,168	91,718	6.7
Adjustments*	**2,120**	**-**	**2.5**	5,371	-	5.9
Adjusted basic earnings	**13,719**	**83,702**	**16.4**	11,539	91,718	12.6
Diluted earnings per ordinary share:						
Basic earnings	**11,599**	**83,702**	**13.9**	6,168	91,718	6.7
Effect of dilutive potential ordinary shares: share based payment awards	**-**	**5,346**	**(0.9)**	-	1,153	(0.1)
Diluted earnings	**11,599**	**89,048**	**13.0**	6,168	92,871	6.6
Adjustments*	**2,120**	**-**	**2.4**	5,371	-	5.8
Adjusted diluted earnings	**13,719**	**89,048**	**15.4**	11,539	92,871	12.4

* Refer to note 1 for an explanation of adjustments to profits.

The weighted average number of shares for the year ended 30 November 2014 has been calculated based upon the weighted average of the number of ordinary shares of 2p each and ordinary shares of $2^{2}/_{7}$p each following the share consolidation (see note 12).

7. Dividends

Amounts recognised as distributions to equity holders were:

	Year ended 30 November 2014 £000	Year ended 30 November 2013 £000
Final dividend for the year ended 30 November 2013 of 2.46p per share (2012: 2.25p)	**2,257**	2,064
Special dividend for the year ended 30 November 2013 of 16.00p per share (2012: nil)	**14,678**	-
Interim dividend for the year ended 30 November 2014 of 0.96p per share (2013: 0.84p)	**771**	770
	17,706	2,834

The proposed final dividend of 3.04p per share for the year ended 30 November 2014 was approved by the Board on 30 January 2015. The dividend is subject to approval by shareholders at the annual general meeting. The anticipated cost of this dividend is £2,460,000, which is not included as a liability at 30 November 2014.

8. Trade and other receivables

	2014	2013
	£000	£000
Current		
Financial assets		
Trade receivables	**24,830**	24,599
Long-term contract balances	**154**	671
Other receivables	**1,308**	474
Accrued income	**1,571**	2,990
	27,863	28,734
Non-financial assets		
Prepayments	**5,065**	6,400
	32,928	35,134
Non-current		
Financial assets		
Other receivables	**1,878**	1,911
	34,806	37,045

9. Cash and short-term deposits

	2014	2013
	£000	£000
Cash and cash equivalents	**41,893**	57,169
Short-term deposits	**6,000**	6,000
	47,893	63,169

The short-term deposits are for a maximum period of 6 months at interest rates of 0.80-0.85%.

10. Trade and other payables

	2014	2013
	£000	£000
Current liabilities		
Financial liabilities		
Trade payables	**12,793**	12,163
Other taxation and social security	**4,673**	3,019
Other payables	**2,066**	1,848
Accruals	**14,041**	18,395
Obligations under finance leases	**230**	350
Derivative financial instruments	**3**	544
Long-term contract balances	**31,320**	27,708
	65,126	64,027
Non-financial liabilities		
Deferred income	**13,959**	14,890
	79,085	78,917
Non-current liabilities		
Financial liabilities		
Obligations under finance leases	**49**	438
Non-financial liabilities:		
Deferred income:		
- due after one year but within two years	**1,077**	1,827
- due after two years but within five years	**531**	1,190
	1,657	3,455
	80,742	82,372

11. Provisions

	Onerous lease and dilapidations £000	Employee-related restructuring £000	Other £000	Total £000
At 1 December 2012	6,409	453	2,175	9,037
Utilisation of provisions	(1,331)	(1,154)	(52)	(2,537)
Release of provisions	-	-	(1,092)	(1,092)
Increase in provisions	2,627	4,942	320	7,889
Effect of movements in exchange rates	21	-	(21)	-
Unwind of discount	159	-	-	159
At 30 November 2013	7,885	4,241	1,330	13,456
Utilisation of provisions	**(836)**	**(4,348)**	**(289)**	**(5,473)**
Release of provisions	**(524)**	**(366)**	**(431)**	**(1,321)**
Increase in provisions	**1,298**	**838**	**95**	**2,231**
Effect of movements in exchange rates	**2**	**-**	**3**	**5**
Unwind of discount	**269**	**-**	**-**	**269**
At 30 November 2014	**8,094**	**365**	**708**	**9,167**

Disclosure of provisions

	2014	2013
	£000	£000
Current liabilities	**3,660**	7,201
Non-current liabilities	**5,507**	6,255
	9,167	13,456

Provisions for onerous leases and dilapidations have been recognised at the present value of the expected obligation at discount rates of 3% 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 cost within the Income Statement. At 30 November 2014, £5,738,000 (2013: £5,587,000) of the provision refers to onerous leases, and £2,356,000 (2013: £2,298,000) refers to dilapidations.

The average remaining life of the leases at 30 November 2014 is 5.1 years (2013: 2.1 years). Given the lengths remaining on onerous leases and current market conditions, no assumption has been made for the Group's ability to sub-let, with any sub-letting likely to result in a release of a proportion of the provision held.

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

Other provisions includes one-off items not covered by any other category. The significant elements in the provision at 30 November 2014 continue to be related to on-going legal activity and provisions recognised as part of the exit of operations, both of which were included in the previous year.

12. Share capital

Allotted, called-up and fully paid:	Ordinary shares of 2p Number 000	£000	Ordinary shares of $2^2/_7$p Number 000	£000	Total £000
At 1 December 2012 and 30 November 2013	93,515	1,870	-	-	1,870
Share consolidation	(93,515)	(1,870)	81,826	1,870	-
Issued in the year	-	-	814	19	19
At 30 November 2014	**-**	**-**	**82,640**	**1,889**	**1,889**

During the year 800,000 ordinary shares of $2^2/_7$p were issued to the RM plc Employee Share Trust at par, and 14,000 shares options were exercised at an exercise price of £1.54 from the Employee share option scheme.

Ordinary shares issued carry no right to fixed income.

13. Retirement benefits – Defined benefit pension scheme

One Group sponsored defined benefit pension scheme is in operation, the Research Machines plc 1988 Pension Scheme ("Scheme"). The Scheme is a funded scheme. The Scheme provides benefits to qualifying employees and former employees of RM Education Limited, but was closed to new members with effect from 1 January 2003 and closed to future accrual of benefits from 31 October 2012. The assets of the Scheme are held separately from RM Education Limited's in a trustee-administered fund. The Trustee is a limited company. Directors of the Trustee company are appointed by RM Education Ltd and by members.

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 2012 by a qualified independent actuary. IAS 19 *Employee Benefits* liabilities have been rolled forward based on this valuation's base data.

As at 31 May 2012, the triennial valuation for statutory funding purposes showed a deficit of £53,500,000 (31 May 2009: £16,600,000). RM Education Limited agreed with the Scheme Trustees that it will repay this amount via deficit catch up payments of £4,000,000 per annum until 31 May 2013 and thereafter at £3,600,000 per annum until 31 May 2027. There was one month's deficit payment of £300,000 outstanding at 30 November 2014 (2013: £300,000). The next triennial valuation of the Scheme is due as at 31 May 2015 and may result in changes to the level of deficit catch up payments required.

A further £8,000,000 contribution was paid into an escrow account established during the year, the form of use of which within the Scheme is required to be agreed by RM Education Limited and the Scheme Trustee.

In October, £4,700,000 of this was paid to the Scheme from the escrow account to help fund a pension buy-in, the income from which will closely match payments to all 165 existing pensioners. Such a buy-in largely eliminates the inflation, interest rate and longevity risks associated with these pension benefits. The transaction covered liabilities in respect of 9% of the Scheme members and around 13% of the total Scheme liability. The insurance premium payable under the buy-in agreement was £30,700,000. The insurance premium was funded by way of £26,000,000 of fixed income assets from the Scheme and £4,700,000 paid from the escrow account. This leaves £3,300,000 remaining in the escrow account to be used for future risk reduction exercises.

Scheme assets are measured at bid-price at 30 November 2014. 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 RM Education Limited in substance bears all of the material risks associated with the Scheme.

The parent company RM plc has entered into a guarantee in respect of the £3,600,000 annual deficit recovery payments agreed with the trustees in 2012. The guarantee for the deficit recovery remains in place on condition that the assumptions underlying the valuation in 2012 remain materially unchanged for all subsequent triennial valuations undertaken.

Amounts recognised in the Income Statement and in the Statement of Comprehensive Income

	Note	**Year ended 30 November 2014 £000**	Year ended 30 November 2013 £000
Administrative expenses and taxes		**(475)**	(391)
Operating expense		**(475)**	(391)
Interest cost		**(7,513)**	(6,722)
Interest on Scheme assets		**7,134**	5,892
Net interest expense	4	**(379)**	(830)
Expense recognised in the Income Statement		**(854)**	(1,221)
Effect of changes in demographic assumptions		**1,198**	-
Effect of changes in financial assumptions		**(26,666)**	(8,199)
Total actuarial losses		**(25,468)**	(8,199)
Return on Scheme assets excluding interest on Scheme assets		**3,576**	9,641
(Expense)/income recognised in the Statement of Comprehensive Income		**(21,892)**	1,442
(Expense)/income recognised in Total Comprehensive Income		**(22,746)**	221

Reconciliation of the Scheme assets and obligations through the year

	Year ended 30 November 2014 £000	Year ended 30 November 2013 £000
Assets		
At start of period	**147,688**	129,710
Interest on Scheme assets	**7,134**	5,892
Return on Scheme assets excluding interest on Scheme assets	**3,576**	9,641
Administrative expenses	**(475)**	(391)
Contributions from Group	**11,821**	4,384
Benefits paid	**(3,905)**	(1,548)
At end of period	**165,839**	147,688
Obligations		
At start of period	**(163,516)**	(150,143)
Interest cost	**(7,513)**	(6,722)
Actuarial losses	**(25,468)**	(8,199)
Benefits paid	**3,905**	1,548
At end of period	**(192,592)**	(163,516)
Deficit in Scheme and obligation recognised on the Balance Sheet	**(26,753)**	(15,828)

Reconciliation of net defined benefit obligation

	Year ended 30 November 2014	Year ended 30 November 2013
	£000	£000
Net obligation at the start of the year	**(15,828)**	(20,433)
Cost included in Income Statement	**(854)**	(1,221)
Scheme remeasurements included in the Statement of Comprehensive Income	**(21,892)**	1,442
Cash contribution	**11,821**	4,384
Net obligation at the end of the year	**(26,753)**	(15,828)

Significant actuarial assumptions

	Year ended 30 November 2014	Year ended 30 November 2013
Discount rate	3.85%	4.65%
Rate of RPI price inflation	3.20%	3.45%
Rate of CPI price inflation	2.30%	2.55%
Rate of pensions increases		
pre 6 April 1997 service	1.35%	1.35%
pre 1 June 2005 service	3.30%	3.30%
post 31 May 2005 service	2.10%	2.25%
Post retirement mortality table	S1NA CMI 2013 1.25%	S1NA CMI 2011 1.25%

Weighted average duration of defined benefit obligation		
Assumed life expectancy on retirement at age 65:	25 years	24 years
Retiring today (male member aged 65)	22.3	22.5
Retiring in 20 years (male member aged 45)	24.1	24.2

Expected cash flows

	£000
Expected employer contributions per annum	3,984
Expected total benefit payments	
Year 1	2,186
Year 2	2,247
Year 3	2,309
Year 4	2,373
Year 5	2,439
Years 6 - 10	13,247