9 Aug 2023

RM plc

Interim Results for the six months ended 31 May 2023

Business stabilising, transformation programme initiated and significant cost savings identified and executed

Consortium underperformance clouds value of the rest of the Group

RM plc ("RM"), a leading supplier of technology and resources to the education sector, reports its half year results for the six months ended 31 May 2023.

Mark Cook, Chief Executive of RM, said *"In the first half of the year, our focus has been on the task of stabilising the business financially and operationally. This has seen us improve controls, processes, and the team's capability. Alongside this, we have taken decisive action to reduce our cost base and working capital. Whilst we have accomplished a lot, the most material challenge has been the negative impact of the Consortium business which clouds the good progress made across the rest of the Group. The consequences of its slower recovery can be seen in our financial performance and has impacted our expectations for the full year.*

Now that the 'heavy lifting' stabilisation work is nearing completion, the Transformation Programme, which is focused on improving growth and profit, has identified significant continuous improvement opportunities, which are being reviewed, quantified, and prepared for execution. We have made a good early start in actioning these opportunities, but it will take time for them to be reflected in our financial performance. I continue to be excited by the compelling opportunity to deliver value creation in a growing global EdTech market."

Financial highlights

- Revenue of £87.6m, down 11% (H1 2022: £97.9m), with strong progress in RM Assessment and International (RM Resources) partially offsetting lower trading volumes in Consortium (RM Resources), which was impacted by the late launch of the ecommerce platform and a more challenging trading environment in schools
- The reduction in revenues combined with IT implementation costs and delays in the Consortium go-live flowed through to adjusted operating profit performance, as the Group posted a loss of £4.5m
- Statutory profit up to £6.8m (H1 2022: loss of £5.9m) reflecting lower costs associated with the IT implementation and gains on asset disposals
- Operating within our covenants with Adjusted Net Debt[2] of £52.0m (HY 22: £41.5m) reflecting lower profits, normalised working capital and exceptional spend delivering business transformation activity including the independent business review and disposal of operations
- Completion of the sale of RM Integris and RM Finance, and surplus Internet Protocol v4 ('IPv4') addresses for net cash proceeds of £17.2m.

Strategic highlights

- Leadership team strengthened with appointments of Simon Goodwin as Chief Financial Officer, joining at the end of August, and Dr. Grainne Watson as Chief Digital Officer who joined in June
- "Evolution" ecommerce platform supporting the Consortium business live but customer volumes slower to return than anticipated
- Transformation Programme begun, with clear actions taken in the first half to reduce operating costs, bring key skills in-house, strengthen our management team, and rebuild our finance function
- Identified significant continuous improvement and cost savings opportunities within each of the three divisions and at Group level, with estimated annualised cost savings of £10m in FY24
- Development of strategic roadmap expected to conclude in the second half - with a clear focus on the substantial opportunities within the business.

Current trading and outlook

Since the period end, RM Assessment and RM Technology have continued to trade well, with contract extensions signed with Education Scotland partnership (Glow) and with Brooke Weston Trust (BWT) in RM Technology, with two new contracts alongside 100% customer renewals for the period in RM Assessment.

As a result of the turnaround actions which have taken place in the RM Technology division, we would expect to start to see the results come through into revenue growth for the business in the second half, and small single digit growth for the full year.

We expect the strong performance in the RM Assessment business to continue in the second half of the year and therefore, the year as a whole.

Whilst our stabilisation is nearly complete, the operational issues within Consortium have continued to be a drag on both management time and the overall business, and this is reflected in the financial performance in the first half. We expected to see growth across all our business units and are disappointed by the continuing operational and trading challenges in RM Resources, dominated by Consortium, and exacerbated by the more challenging budgetary environment in schools. As we work to recover sales and win back the trust of our customers, we expect Consortium trading to continue to be below where we would expect it to be, impacting our expectations for the Group's full year adjusted operating profit.

We now expect to deliver Group adjusted operating profit on or around breakeven for the full year, and in excess of £10million of identified annualised cost savings to benefit in FY24.

£m	**H1 2023**	**H1 2022[2]**	**Variance**	**FY 2022[2]**
Revenue from continuing operations	**87.6**	97.9	**(10.5)%**	214.2
Adjusted[1] operating (loss)/profit from continuing operations	**(4.5)**	4.5		7.5
Adjusted[1] operating (loss)/profit margin	**(5.1)%**	4.6%		3.5%
Adjusted[1] (loss)/profit before tax from continuing operations	**(6.7)**	3.7		5.3
Profit from discontinued operations	**0.8**	0.5	**60.0%**	1.6
Statutory profit/(loss) after tax	**6.8**	(5.9)		(14.5)
Adjusted[1] diluted EPS from continuing operations	**(6.7)p**	3.4p	**(10.1)p**	4.2p
Diluted EPS from continuing operations	**(4.2)p**	(7.7)p	**3.5p**	(19.3)p
Adjusted[1] Net debt	**52.0**	41.5		46.8

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

2. Amounts at 31 May 2022 have been restated consistently with the adjustments made at 30 November 2022, see Note 2

Presentation and webcast details

A recording of the presentation for investors and analysts will be available at 9.00am today via a live webcast and on demand at the following website:

https://brrmedia.news/RM_HY23

There will be a live Q&A session following the webcast accessible via a conference call:

United Kingdom (Local)	+44 33 0551 0200
Access Code:	RM – Half Year Results

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

Contacts:

RM plc investorrelations@rm.com

Mark Cook, Chief Executive Officer

Emmanuel Walter, Chief Financial Officer (interim)

Fiona O'Nolan, Investor Relations

Headland Consultancy (Financial PR) +44 203 805 4822

Stephen Malthouse (smalthouse@headlandconsultancy.com)

Chloe Francklin (cfrancklin@headlandconsultancy.com)

Jemma Savage (jsavage@headlandconsultancy.com)

Notes to Editors:

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

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

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

Business Review

Strategic and operational update

The first half of the year was dominated by the extraordinary closing of the prior year's financial reporting, the launch of a new "Evolution" ecommerce platform for the Consortium business in March, and a new automated distribution centre which went live shortly after that. Through the extended year-end process, we collectively tackled and overcame a number of challenges to ensure our financial stability including;

- £70m banking facility extended to July 2025 with revised covenants
- Disposal of RM Integris and Finance businesses, and sale of surplus IPv4 addresses for a net total of £17.2m
- Agreed funding plan with the Pension Trustees and The Pensions Regulator

The first half focus has been the need to stabilise the business and mitigate the considerable negative impact of the Consortium business, which continues to hold back the overall performance of the Group in the current year. Alongside this we have focused on bringing RM's intellectual property in house; improve controls, processes, and finance team capability; implement cost savings; and reduce our working capital. We have also taken the decision to reduce our headcount by circa 325 FTE in a number of operational and support areas. These combined actions have expected annualised cost savings in excess of £10million in FY24.

These necessary actions across a number of operational areas have helped get the business back onto a stronger operational footing and include:

- Reducing dependency on third parties and bringing key skills in-house
- Commenced restructuring and rationalisation of internal support functions
- Rebuilt the finance function
- Reducing working capital through inventory management and accounts receivable overdue in RM Resources
- Paused the planned "Evolution" rollout across the rest of the Group
- Clearing the backlog of customer queries from prior failures on Consortium customer orders
- An internal focus on reducing unnecessary spend

<u>Strengthen and stabilise</u>
After the challenges faced in the prior year, our priorities for the remainder of FY23 remain to strengthen our financial position, review the IT enterprise architecture, and embed our Transformation Programme across the business.

When I first reviewed the business, I used the phrase 'simplify, strengthen and succeed' to frame the phases the company needed to progress through to fully get back to financial and operational fitness. Six months into my role, I have had the opportunity to take a deeper look at our people, products, services and IP and I believe there are substantial opportunities to deliver greater shareholder value from our portfolio of businesses. I therefore focused my efforts in the half on designing and commencing our Transformation Programme, with the initial priority of stabilising the business, which we expect to have been achieved by the year end, but also quickly taking actions which have some benefits in the short term as well as in medium and longer term. We have recruited an experienced Transformation Director, to execute on the Programme workstreams.

<u>Strengths, opportunities, and recovery within our portfolio</u>
RM has a fantastic portfolio of managed services, IP, and digital platforms with leading market positions, and our focus is to better leverage the product opportunities in the education sector as it continues to embrace digitisation and ensure a sharper focus on sales & marketing, product, customer excellence and satisfaction.

We operate across three standalone divisions – RM Resources, RM Assessment and RM Technology, with RM Resources further split into three business units of TTS UK and TTS International, which design and own our proprietary products for schools, and Consortium, our UK school supplies business. Our portfolio of businesses is not well understood by the market, and the business has not been taking full advantage of its enviable market positions across education and learning in the UK and internationally.

Our divisions operate in a market with structural growth drivers, strong market positions and continued advancement of technology across the education sector, with the global EdTech market expected to grow at a CAGR of 13% to 2028.

RM Resources has three strategic business units: TTS UK and TTS International collaborate with teachers and educational experts from across the globe to create unique and innovative learning resources and learning environments for children in more than 115 countries. Each year TTS's educational experts develop hundreds of unique curriculum-aligned resources, from concept to creation, with many of them receiving industry awards. Consortium UK has been supporting learners and educators for over 50 years, supplying everything from classroom essentials to cleaning supplies, sports equipment to musical instruments, with over 35,000 carefully curated products designed to support the whole school or nursery. This is underpinned by bespoke account management and digital shopping solutions that help to save time and money for our customers.

Across TTS, encompassing both UK and International, we continue to see positive demand for our unique in-house developed IP, highlighting the unique value of our curriculum focussed learning resources in supporting teachers and practitioners in improving educational attainment. Leveraging TTS's recognised educational expertise, the brand also successfully launched its first CPD accredited Early Years podcast series and its associated assessments which has attracted more than 80k downloads and has been nominated for three categories at the UK Content Awards.

After the delayed launch in March of a new and much enhanced "Evolution" ecommerce platform for the Consortium brand, which completed the planned technology transformation in the Consortium business unit, marketing activities began to drive customer volumes. However, the pace of the sales recovery is proving to be slower than anticipated as customer confidence has been dented by problems of our own making and needs to be re-built. This is continuing to impact the financial performance of the division.

Following the completion of the IT and distribution centre implementations the division is returning to a stable footing after an extended period of organisational and customer disruption which primarily impacted the Consortium brand. With new technology underpinning operations and ecommerce, management focus now shifts to improving customer return within Consortium and continuous improvement opportunities leveraging TTS's market-leading IP globally and optimising the new infrastructure to increase customer value.

RM Assessment is a global leader in platform delivery of digital assessment and exam marking solutions for learners, accreditors, and professional bodies.

The division has made positive progress in the first half, with successful delivery of the live exam and marking sessions for customers across the professional qualifications, language testing and school exam segments of the market. H1 saw a 100% customer renewal rate with £9.5m of customer contract extensions demonstrating the ongoing commitment of customers to our services.

Two new customers were secured in the Professional Qualifications market, worth an initial £1.2m over the next 3 years.

The first is a contract to digitise the marking of paper exams for technical and vocational qualifications, with a customer taking this first step on their journey to digital examinations. This service is already live, and first exam sessions have been delivered successfully.

The second is a contract for an end-to-end digital assessment solution to support those training for Accountancy qualifications. This uses the whole of the RM Assessment portfolio to bring digital exams to life as candidates progress through their learning journey to qualification. First live exams have already been delivered, with another positive candidate experience being reported back.

The division's focus on leading customers through the journey to digital assessment maturity was recognised by an award at the e-Assessment Association conference, for the 'Most Innovative Use of Technology in Assessment' for its exam malpractice service, recognising RM's continued commitment to overcoming the challenges of digital adoption and enabling the education industry.

RM Technology is a strategic partner for schools, helping them to drive more engaged learning, more collaborative teaching and better outcomes through technology by providing platform-based managed services, ICT solutions and value-added reseller services to schools, authorities and trusts.

Following a restructuring in FY22 and with new leadership now established, the Technology division made good progress in the first half on improving its operating model and efficiency, with both active value creation and defensive value capture initiatives underway. The sale of RM Integris and Finance was also completed in the half and cash proceeds received.

The division has maintained revenue stability across both Connectivity and Digital Platforms (Software) whilst improving the gross margin within those business units. The Hardware strategy and the onboarding of key partners has improved performance since FY22.

Initiatives and market projects including the DfE's Connect the Classroom (CTC) have been established, generating a pipeline valued at £11.5m with an expected conversion rate greater than 50%. Focus on Services continues which has shown growth, improved upsell and cross-sell which has allowed RM to deliver more value to existing clients whilst improving share of wallet. We were pleased to extend our relationships with Education Scotland (Glow) and Brooke Weston Trust (BWT). However, three large customers lost at the start of FY22 have impacted revenue in the half and will continue to do so for the balance of FY23. Gross margin rebuild across Services, Connectivity and Digital Platforms is progressing well whilst Hardware sees a slight dip as it moves into volume sales in line with its strategy to target Multi-Academy Trusts (MAT). Customer retention remains high at 95% showing that RM Technologies' relevance and satisfaction continues to be a driver of its success.

These operational and strategic improvements will take time, and profit recovery will lag revenue growth, but RM Technology continues to benefit from a strong market position and channel reach.

Transformation Programme and strategic roadmap

We embarked on an ambitious Transformation Programme in the first half, and our priority has initially been focused on Phase 1 which was to stabilise operations and financials, following a very challenging 2022, and which continues to be impacted by the ongoing poor trading performance within Consortium. Whilst we have accomplished a lot, these challenges will continue to dominate the full year results and cloud the good progress across the rest of the Group.

The Transformation Programme has five clear workstreams; Stabilisation, People & Teams, Finance & Corporate, Divisions, and Strategy, and the identification, execution and benefit realisation are broken down into six monthly phases. In the Stabilisation phase we have identified opportunities for growth, and operational efficiencies – some of which we have actioned already, albeit they do not yet positively impact our financial performance. We expect the benefit from these actions to flow from FY24.

As RM celebrates 50 years of service this year, we are excited by the opportunity to deliver value creation in a global EdTech market growing at 14% annually, and the drafting of the strategic roadmap for the business is expected to conclude in the second half, setting out our plans for delivering that value. We are committed to properly understanding our business processes in order to define the architecture required, enabling us to drive down our overheads. We remain focused on the substantial IP opportunities which we see within our TTS businesses, as well as developing the broader opportunities within the global EdTech market for our proprietary technology and assessment platform businesses; with the aim of delivering fully digital assessments to the market and providing the best connectivity and managed service across platforms to the education sector.

Financial review

Group performance

Group revenue decreased by 11% to £87.6m (H1 2022: £97.9m) largely driven by lower trading volumes in RM Resources, in particular the Consortium business as it recovers from both the past mismanagement of the IT implementation programme and the challenging education market conditions. Whilst Resources had a difficult H1, the TTS International business grew year on year by 18%. RM Technology revenues declined by 8% reflecting contract losses in the Services business in FY22 and included £1.3m relating to the sale of excess IPv4 addresses. Subsequent sales of IPv4 assets have been classified as other income. Revenues in the RM Assessment division grew by 8% reflecting the results of the improved sales pipeline and the new contracts won in FY22.

Adjusted Operating Loss was £(4.5)m (H1 2022: profit of £4.5m). The profit reduction is most notable in the RM Resources division, with the impact of lower trading volumes in Consortium dropping through to the bottom line. RM Technology saw a reduction due to the lower underlying revenues and IPv4 sales of £1.3m. This was partially offset by strong performance in RM Assessment, reflecting the results of the increased and improved operational gearing.

Adjusted loss before tax was £6.7m, (H1 2022: profit of £3.7m), which alongside the reduced adjusted operating profit, was due to higher interest costs.

Adjusted diluted earnings per share decreased to (5.8p) (H1 2022: 4.0p).

Statutory Profit increased to £6.8m (H1 2022: loss of £5.9m), predominantly driven by the £9.5m gain on the sale of the RM Integris and RM Finance businesses, and the £8.5m benefit of the sale of IPv4 addresses in May. In the period, £3.5m (H1 2022: £7.7m) of one-off costs were incurred relating to the Configuration of SaaS licenses as part of our IT system implementation as well as £1.8m incurred to extend our banking facilities.

Divisional performance

Our services, delivered across three divisions, are spread across the key areas of hardware, software and content. Given our long-term experience, we guide our customers across a complex landscape with a focus on helping to manage the entire learning and assessment lifecycle and providing the best connectivity across platforms.

RM Resources provides educational resources and supplies to schools and nurseries in the UK and internationally. Products supplied are a mix of own-designed items, own-branded and third-party products.

Continuing operations £m	**6 months to May 2023**	6 months to May 2022	Change	12 months to November 2022
TTS	**25.1**	26.9	(6.7)%	58.3
Consortium	**6.7**	16.0	(58.1)%	33.6
TTS International	**10.3**	8.7	18.4%	22.4
RM Resources revenue	**42.2**	51.6	(18.2)%	114.4
RM Resources adjusted operating profit/(loss)	**(4.5)**	1.2	-	2.8

Revenue decreased by 18% to £42.2m (H1 2022: £51.6m). Strong growth in TTS International revenues, which increased by 18% to £10.3m (H1 2022: £8.7m), was driven by improvements across most geographies but notably Europe where revenues have doubled against pre-pandemic levels of 2019. Revenue in the UK decreased by 26% to £31.8m (H1 2022: £42.9m) driven by lower trading volumes in the Consortium business where revenues were impacted by lower customer volumes and decreased spend following the disruption of last year's IT implementation.

Adjusted operating loss was £4.5m (H1 2022: profit of £1.2m). Profitability was impacted by the lower trading volumes and increased costs relating to the ongoing dual running of distribution sites and technology stacks across TTS and Consortium.

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

Continuing Operations £m	**6 months to May 2023**	6 months to May 2022*	Change	12 months to November 2022*
RM Assessment revenue	**19.7**	18.2	8.2%	38.9
RM Assessment adjusted operating profit	**3.2**	2.8	14.3%	7.4

* Amounts at 31 May 2022 have been restated consistently with the adjustments made at 30 November 2022, refer to Note 2.

Revenue from continuing operations increased by 8% to £19.7m (H1 2022: £18.2m) driven by volume growth on existing contracts and the impact of additional revenue from contracts won in FY22.

Adjusted operating profit from continuing operations increased by 14% from the prior year to £3.2m (H1 2022: £2.8m), with operating margins increasing to 16.2% (H1 2022: 15.4%) reflecting the benefit of the additional revenues and improved operational gearing.

RM Technology is a strategic partner for schools to help drive more engaged learning, more collaborative teaching and better outcomes through technology and services to UK schools, Academies, and colleges.

Continuing Operations £m	**6 months to May 2023**	6 months to May 2022	Change	12 months to November 2022
Services	**22.9**	25.1	(8.8)%	55.0
Digital Software Platforms	**2.8**	2.9	(3.4)%	5.9
RM Technology revenue	**25.7**	28.0	(8.2)%	60.9
RM Technology adjusted operating profit/(loss)	**(0.5)**	2.0	-	2.2

Revenue decreased by 8% to £25.7m. Excluding £1.3m IP sales in FY22, the continuing operations revenue decreased by 3.7%. This was driven primarily by reduced Services sales which lost three key customers during FY22.

Adjusted operating profit decreased to a £0.5m loss, mainly driven by the lower revenues and £1.3m of IPv4 sales being included in the operating profit in H1 2022.

Corporate Costs

Corporate costs in the period were £2.8m, up from £1.5m in H1 2022, as a result of higher audit fees, rebuilding the finance function and losses primarily arising from adverse GBP:AUD movements.

Disposals

The sale of RM Integris & RM Finance received shareholder approval and completed at the end of May 2023 with net proceeds of £8.7m received. Subsequently, the transaction was also cleared by the Competition and Markets Authority, and the additional consideration of £3.5m was received in June. A further £0.3m of the Deferred Consideration was received in July. The conditions relating to the payment of the remaining £0.25m of Deferred Consideration remain outstanding.

In December 2022 the Group sold a portion of their IPv4 addresses for a total consideration of £8.5m in cash. Further information on these Disposals can be found in Note 15.

Net debt

The first half of the financial year is normally a working capital outflow period for the Group, with inventory purchases ahead of the second half peak selling period, with the majority of cash inflow from the examinations sessions also coming in the second half. This seasonality continued in 2023 with £(12.9)m (H1 2022: cash outflow of £6.5m) of adjusted cash outflow from operations in H1.

The operating cash outflow was offset by proceeds from the sale of further surplus IPv4 assets (£8.5m) and the sale of RM Integris and RM Finance (£8.7m), which completed in the period.

As a result of this return to more normal seasonal working capital movements, we closed the period at £52.0m of net debt (H1 2022: £41.5m, H2 2022: £46.8m).

In the period, we opted to restructure and extend our £70m revolving credit facility, which will now run to July 2025, and includes resetting the covenant tests. From May 2023 to November 2024, a quarterly Last Twelve Months (LTM) EBITDA test applies, which is then replaced from February 2025 by quarterly LTM EBITDA leverage and interest cover tests, both of which have a threshold of 4x. The business operated within these covenant levels for the duration of the period.

Dividend

A condition of the new extended and amended banking facility agreement has been to restrict dividend distribution until the Company has reduced its net debt to LTM EBITDA (post IFRS 16) leverage to less than 1x for two consecutive quarters, and therefore we are not currently able to declare a dividend.

The Board understands the importance of dividends to our shareholders and are clear that reinstating the dividend is a key milestone on our recovery path.

Pension

The Company operates two defined benefit pension schemes (“RM Education Scheme” and “Care Scheme”) and participates in a third, multi-employer, defined benefit pension scheme (the “Platinum Scheme”). All schemes are now closed to future accrual of benefits.

The IAS19 net position (pre-tax) across the Group reduced by £4.7m in the half to a surplus of £17.9m (30 November 2022: £22.6m) with both the RM Education Scheme and the Platinum Scheme being in surplus. The reduction has been driven by actual inflation experience over the period and a decrease in the value of scheme assets more than offsetting the positive impact of higher discount rates which is based on corporate bond yields.

The 31 May 2021 triennial valuation for the current schemes was completed in 2022, with the total scheme deficit reducing from £46.5m to £21.6m. The deficit recovery payments of £4.4m per annum will continue until the end of 2024, before reducing to £1.2m until the end of 2026 when recovery payments cease.

During the half year ended 31 May 2023, the Group has agreed further positions with the Trustee of the current schemes. The agreement provides the main two pension schemes with a second ranking fixed and floating charge over the shares of all obligor companies (except for RM plc) and a payment of £0.5m at bi-annual intervals starting on August 2024 which is contingent upon the adjusted debt leverage ratio being less than 3.2x at that date. The definition of adjusted leverage is aligned to the banking facility outlined above.

The Group has also agreed to pay a one-off additional contribution of £0.1m to the Platinum Scheme.

Internal Controls

In the Audit and Risk Committee Report in 2022, the targeted internal control project was highlighted. The project was officially launched with relevant stakeholders in April 2023, covering all aspects of the internal control framework. The Project office was set up with a clear governance structure and communication channels. The programme is supported by external specialist experts. The management team and the Board have been regularly updated on the progress made against the project plan.

Board changes

As previously announced, Simon Goodwin will join the Company as Chief Financial Officer at the end of August. Simon will be central to the Group’s transformation strategy and helping to drive value across the business. Following Simon’s appointment, Emmanuel Walter, Interim Chief Financial Officer, will leave the Company in October. We are very grateful to Emmanuel for his support over the last year.

In addition, Christopher Humphrey joined the Board as a Non-Executive Director with effect from 7 July 2023, and became a member of all Board Committees on appointment. Christopher brings extensive technology and software experience to the RM Board and is an experienced Non-Executive Director.

Vicky Griffiths, Non-Executive Director, will step down from the Board with effect from 6 October 2023 due to other commitments. The Board would like to express its gratitude to Vicky for her contribution during her appointment.

Going concern

In assessing the going concern position, the Directors have considered the balance sheet position as included on page 14 and the level of available finance not drawn down. The net current assets and adjusted net debt for the Group at 31 May 2023 were £8.1m and £52.7m respectively (30 November 2022: net current liabilities of £(49.2)m and £46.8m respectively). RM Group plc has a bank facility ("the facility") which totalled £70.0m at the date of this report. The facility maturity was extended in March 2023 and is committed until July 2025. The terms of the revised facility are as disclosed in Note 31 of the 2022 Annual Financial Statements.

The debt facilities are subject to financial covenants from May 2023 to November 2024 on a minimum EBITDA basis for a rolling 12-month historical period ("LTM EBITDA"), and a hard liquidity requirement to maintain net debt below £62.5m. For the period ending 31 May 2023 the LTM EBITDA minimum basis was £3.8m, which the Group did not breach, and adjusted net debt was below the hard liquidity requirement.

The Directors have prepared cash flow forecasts for the period to 12 months from the date of this report utilising a base case and reasonably plausible downside scenario case. Under the base case, taking account of available facilities and existing cash resources, the working capital available to the Group is sufficient to meet its liabilities as they fall due for at least 12 months from the date of this report, but is expected to breach its EBITDA covenant from the third quarter of the financial year in its secured facility. Under the base case it is not expected to breach the liquidity covenant test.

If the Group were unable to mitigate sufficiently the reasonably plausible downside scenario case and were also unable to execute further cost or cash management programmes, in addition to breaching the EBITDA covenant as noted above, the Group would also be at risk of breaching its hard liquidity covenant during FY24.

The Banks agreeing to amendments to covenants is not within the Group's control and as a result the Directors cannot conclude that the possibility of an un-waived breach of covenant is remote.

The Company has shared up to date financial data with the Banks who remain supportive of management, recognise the issues that the business has faced and also the steps taken (cost savings and restructuring) to return to previous levels of financial performance.

In light of the continued headwinds and the need for the annualisation of savings to mature, the Company and the Banks are in discussions and currently expect to agree suitable waivers and amendments (including potential covenant re-sets and maturity extension) to allow the Company's facility to remain available.

After due consideration of these factors, the Directors believe that it remains appropriate to prepare these financial statements on a going concern basis, However, until agreed with the Banks, there remains a material uncertainty related to events or conditions that may cast significant doubt over the Group's ability to continue as a going concern, and hence realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would arise from the basis of preparation being inappropriate.

Further detail on the Directors assessment of Going Concern including details in relation to the base assessment and the reasonably plausible downside scenario are set out in note 2.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with United Kingdom adopted IAS 34 Interim Financial Reporting;
- the interim management report includes a fair review of the information required by:
  a) DTR 4.2.4R of the Disclosure Guidance and Transparency Rules, being the condensed set of financial statements have been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole
  b) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  c) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board,

Mark Cook

Chief Executive Officer

9 August 2023

Condensed Consolidated Income Statement

For the 6 months ended 31 May 2023

		6 months ended 31 May 2023			6 months ended 31 May 2022			Year ended 30 November 2022		
		Adjusted	**Adjustments**	**Total**	Adjusted	Adjustments	Total	Adjusted	Adjustments	Total
	Note	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Continuing operations										
Revenue	4	**87,564**	**-**	**87,564**	97,890	-	97,890	214,167	-	214,167
Cost of sales		**(60,044)**	**-**	**(60,044)**	(64,988)	-	(64,988)	(146,878)	-	(146,878)
Gross profit		**27,520**	**-**	**27,520**	32,902	-	32,902	67,289	-	67,289
Operating expenses	5	**(32,062)**	**(6,361)**	**(38,423)**	(28,411)	(11,464)	(39,875)	(59,806)	(29,069)	(88,875)
Profit/(loss) from operations		**(4,542)**	**(6,361)**	**(10,903)**	4,491	(11,464)	(6,973)	7,483	(29,069)	(21,586)
Finance and other income		**569**	**8,702**	**9,271**	315	-	315	614	3,010	3,624
Finance costs		**(2,771)**	**-**	**(2,771)**	(1,086)	-	(1,086)	(2,825)	-	(2,825)
Profit/(loss) before tax		**(6,744)**	**2,341**	**(4,403)**	3,720	(11,464)	(7,744)	5,272	(26,059)	(20,787)
Tax	6	**1,149**	**(202)**	**947**	(847)	2,186	1,339	(1,760)	6,458	4,698
Profit/(loss) for the period from continuing operations		**(5,595)**	**2,139**	**(3,456)**	2,873	(9,278)	(6,405)	3,512	(19,601)	(16,089)
Profit for the period from discontinued operation	15	**757**	**9,534**	**10,291**	511		511	1,590		1,590
Profit/(loss) for the period		**(4,838)**	**11,673**	**6,835**	3,384	(9,278)	(5,894)	5,102	(19,601)	(14,499)
Earnings per ordinary share on continuing operations:	7									
Basic		**(6.7)p**		**(4.2)p**	3.5p		(7.7)p	4.2p		(19.3)p
Diluted		**(6.7)p**		**(4.2)p**	3.4p		(7.7)p	4.2p		(19.3)p
Earnings per ordinary share on discontinuing operations:	7									
Basic		**0.9p**		**12.4p**	0.6p		0.6p	1.9p		1.9p
Diluted		**0.9p**		**12.2p**	0.6p		0.6p	1.9p		1.9p
Earnings per ordinary share on total operations:	7									
Basic		**(5.8)p**		**8.2p**	4.1p		(7.1)p	6.1p		(17.4)p
Diluted		**(5.8)p**		**8.1p**	4.0p		(7.1)p	6.0p		(17.4)p
Paid and proposed dividends per share:	8									
Interim				**-**			1.7p			**-**
Final				**-**			**-**			**-**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the 6 months ended 31 May 2023

	6 months ended 31 May 2023	6 months ended 31 May 2022	Year ended 30 November 2022
	£000	£000	£000
Profit for the period	**6,835**	(5,894)	(14,499)
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit pension scheme remeasurements	**(7,462)**	5,703	(12,157)
Tax on items that will not be reclassified subsequently to profit or loss	**2,015**	(1,570)	2,914
Items that are or may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on hedged instruments	**(289)**	88	(440)
Exchange gain/(loss) on translation of overseas operations	**(11)**	250	301
Tax on items that are or may be reclassified subsequently to profit or loss	**(15)**	(15)	11
Other comprehensive (expense)/income	**(5,762)**	4,456	(9,371)
Total comprehensive (expense)/income	**1,073**	(1,438)	(23,870)

Condensed Consolidated Balance Sheet

	Note	**6 months ended 31 May 2023**	6 months ended 31/05/2022 Restated *	Year ended 30 November 2022
		£000	£000	£000
Non-current assets				
Goodwill		**49,104**	49,458	49,401
Other intangible assets		**24,446**	27,225	25,510
Property, plant and equipment		**15,133**	16,647	15,892
Right of use asset		**14,804**	16,976	16,364
Defined Benefit Pension Scheme Surplus	14	**18,537**	39,719	23,959
Other receivables	9	**281**	83	291
Contract fulfilment assets	10	**1,582**	1,569	1,713
Deferred tax assets		**10,101**	156	173
		133,988	151,834	133,303
Current assets				
Inventories		**24,153**	23,140	26,359
Trade and other receivables	9	**33,705**	38,299	36,203
Contract fulfilment assets	10	**1,824**	2,155	1,727
Held for sale asset		**-**	3,034	418
Corporation tax assets		**2,305**	6,047	2,733
Cash and short-term deposits		**3,190**	4,258	1,911
		65,177	76,933	69,351
Total assets	3	**199,165**	228,767	202,654
Current liabilities				
Trade and other payables	11	**(50,303)**	(58,582)	(62,495)
Lease liabilities		**(3,037)**	(3,076)	(3,144)
Provisions	13	**(1,314)**	(1,677)	(2,142)
Overdraft		**(2,465)**	(1,899)	-
Borrowings	12	**-**	(43,824)	(48,728)
Liabilities directly associated with assets classified as held for sale		**-**	-	(2,082)
		(57,119)	(109,058)	(118,591)
Net current assets/(liabilities)		**8,058**	(32,125)	(49,240)
Non-current liabilities				
Other payables	11	**(3,058)**	(3,825)	(3,096)
Lease liabilities		**(14,923)**	(17,090)	(15,998)
Provisions	13	**(592)**	(1,682)	(666)
Deferred tax liability		**(8,838)**	(13,098)	(2,306)
Defined Benefit Pension Scheme obligation	14	**(595)**	(1,068)	(1,354)
Borrowings	12	**(52,743)**	-	-
		(80,749)	(36,763)	(23,420)
Total liabilities		**(137,868)**	(145,821)	(142,011)
Net assets		**61,297**	82,946	60,643
Equity attributable to shareholders				
Share capital		**1,917**	1,917	1,917
Share premium account		**27,080**	27,080	27,080
Own shares		**(444)**	(444)	(444)
Capital redemption reserve		**94**	94	94
Hedging reserve		**(552)**	265	(263)
Translation reserve		**(592)**	(632)	(581)
Retained earnings		**33,794**	54,666	32,840
Total equity		**61,297**	82,946	60,643

* Amounts at 31 May 2022 have been restated consistently with the adjustments made at 30 November 2022, refer to Note 2.

Condensed Consolidated Statement of Changes in Equity

for the 6 months ended 31 May 2023	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 2022		**1,917**	**27,080**	**(444)**	**94**	**(263)**	**(581)**	**32,840**	**60,643**
Profit for the period		-	-	-	-	-	-	6,835	6,835
Other comprehensive income/(expense)		-	-	-	-	(289)	(11)	(5,462)	(5,762)
Total comprehensive income/(expense)		-	-	-	-	(289)	(11)	1,373	1,073
Transactions with owners of the Company:									
Share-based payment fair value adjustments		-	-	-	-	-	-	(419)	(419)
At 31 May 2023		**1,917**	**27,080**	**(444)**	**94**	**(552)**	**(592)**	**33,794**	**61,297**

for the 6 months ended 31 May 2022	Note	Share capital £000	Share premium £000	Own shares £000	Capital redemption reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings Restated * £000	Total £000
At 1 December 2021 (restated)		1,917	27,080	(444)	94	177	(882)	59,029	86,971
(Loss) for the period		-	-	-	-	-	-	(5,894)	(5,894)
Other comprehensive income/(expense)		-	-	-	-	88	250	4,118	4,456
Total comprehensive income/(expense)		-	-	-	-	88	250	(1,776)	(1,438)
Transactions with owners of the Company:									
Share-based payment fair value adjustments		-	-	-	-	-	-	(89)	(89)
Ordinary dividends paid	8	-	-	-	-	-	-	(2,498)	(2,498)
At 31 May 2022		1,917	27,080	(444)	94	265	(632)	54,666	82,946

for the year ended 30 November 2022	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 2021		1,917	27,080	(444)	94	177	(882)	59,029	86,971
(Loss) for the period		-	-	-	-	-	-	(14,499)	(14,499)
Other comprehensive income/(expense)		-	-	-	-	(440)	301	(9,232)	(9,371)
Total comprehensive income/(expense)		-	-	-	-	(440)	301	(23,731)	(23,870)
Transactions with owners of the Company:									
Share-based payment fair value adjustments		-	-	-	-	-	-	40	40
Ordinary dividends paid	8	-	-	-	-	-	-	(2,498)	(2,498)
At 30 November 2022		1,917	27,080	(444)	94	(263)	(581)	32,840	60,643

* Amounts at 1 December 2021 and 31 May 2022 have been restated consistently with the adjustments made at 30 November 2022, refer to Note 2.

Condensed Consolidated Cash Flow Statement

	Note	**6 months ended 31 May 2023 £000**	6 months ended 31 May 2022 £000	Year ended 30 November 2022 £000
(Loss)/profit before tax from continuing operations		**(4,403)**	(7,744)	(20,787)
Profit before tax from discontinuing operations		**10,291**	511	1,590
Proceeds on disposal of intangible licences		**(8,531)**	-	(2,791)
Gain on disposal of property		**-**	-	(221)
Gain on disposal of operations		**(9,705)**	-	-
Investment income		**(576)**	(315)	(612)
Finance costs		**2,778**	1,086	2,825
(Loss)/profit from operations		**(10,146)**	(6,462)	(19,996)
Adjustments for:				
Amortisation and impairment of intangible assets		**1,203**	1,048	4,354
Depreciation and impairment of property, plant and equipment		**2,736**	2,151	5,149
Gain/(Loss) on disposal of property, plant and equipment		**(4)**	73	41
Utilisation of contract fulfulment asset		**-**	-	2,326
(Gain)/loss on foreign exchange derivatives		**1,098**	(114)	(204)
Share-based payment fair value adjustment		**(419)**	(89)	40
Increase in provisions	13	**331**	153	1,469
Defined Benefit Pension Scheme administration cost	14	**(6)**	27	8
Operating cash flows before movements in working capital		**(5,207)**	(3,213)	(6,813)
(Increase)/decrease in inventories		**2,205**	(4,085)	(7,304)
Decrease/(increase) in receivables		**2,926**	(4,609)	(4,095)
Decrease/(increase) in contract fufilment assets		**33**	(1,303)	(2,920)
Movement in payables:				
- decrease in trade and other payables		**(14,312)**	314	5,517
- utilisation of provisions	13	**(1,234)**	(336)	(1,514)
Cash (used in)/generated by operations		**(15,589)**	(13,232)	(17,129)
Defined Benefit Pension Scheme cash contributions		**(2,275)**	(2,310)	(4,537)
Tax refunded/(paid)		**(241)**	(211)	880
Net cash (outflow)/inflow from operating activities		**(18,105)**	(15,753)	(20,786)
Investing activities				
Interest received		**6**	4	3
Proceeds on disposal of intangible licences		**8,531**	-	2,791
Proceeds on disposal of property, plant and equipment		**32**	-	3,299
Proceeds on disposal of operations		**8,828**	-	-
Purchases of property, plant and equipment		**(463)**	(857)	(1,575)
Purchases of other intangible assets		**(279)**	(1,607)	(3,627)
Net cash generated by/(used in) investing activities		**16,655**	(2,460)	891
Financing activities				
Dividends paid	8	**-**	(2,498)	(2,498)
Drawdown of borrowings		**13,000**	24,000	73,000
Repayment of borrowings		**(8,717)**	-	(44,000)
Borrowing facilities arrangement and commitment fees		**(379)**	(187)	(436)
Interest paid		**(2,393)**	(820)	(2,312)
Repayment of leasing liabilities		**(1,182)**	(1,509)	(3,461)
Net cash generated by/(used in) financing activities		**329**	18,986	20,293
Net (decrease)/increase in cash and cash equivalents		**(1,121)**	773	398
Cash and cash equivalents at the beginning of the period/year		**1,911**	1,478	1,478
Effect of foreign exchange rate changes		**(65)**	108	35
Cash and cash equivalents at the end of period/ year		**725**	2,359	1,911
Bank overdraft		**(2,465)**	(1,899)	-
Cash at bank		**3,190**	4,258	1,911
Cash and cash equivalents at the end of period/ year		**725**	2,359	1,911

Notes to the Condensed Interim Financial Statements

1. General information

RM plc ('Company') is incorporated in the United Kingdom and listed on the London Stock Exchange. The unaudited Condensed Consolidated Interim Financial Statements as at 31 May 2023 and for the 6 months then ended comprise those of the Company and its subsidiaries (together 'the Group'). Deloitte, the Company's auditors, have not undertaken an independent review of the condensed set of financial statements in this half-yearly financial report as they did in the comparative interim period.

The comparative figures for the financial year ended 30 November 2022 are not the Group's statutory accounts for that financial year (see Note 2). Those accounts have been reported on by the Group's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Principal risks and uncertainties

Pursuant to the requirements of the Disclosure and Transparency Rules, the Group provides the following information on its principal risks and uncertainties. The Group considers strategic, operational and financial risks and identifies actions to mitigate those risks. Risk management systems are monitored on an ongoing basis. The principal risks and uncertainties detailed within the Group's 2022 Annual Report remain applicable. This is available from the RM website: www.rmplc.com.

In summary, those risks relate to public policy, education practice, operational execution, treasury, supply chain, data and business continuity, environmental, people, transformation, innovation, dependence on key contracts, impact of a pandemic, and pensions.

The principal risks remain aligned to those reported in the 2022 Annual Report.

Condensed Consolidated Income Statement presentation

The Directors assess the performance of the Group using Adjusted Operating Profit and Profit Before Tax. The Directors use Adjusted Operating Profit and EPS before adjustments to profit which are identified by virtue of their size, nature and/or incidence. The treatment of adjusted items is applied consistently period on period and is consistent with the way that underlying trading performance is measured by management. Further details are provided in Note 2.

2. Accounting policies

The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 Interim Financial Reporting and in accordance with the Disclosure, Guidance and Transparency rules of the United Kingdom's conduct Authority.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) in accordance with the Disclosure, Guidance and Transparency rules of the United Kingdom's conduct Authority. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA), the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published Consolidated Financial Statements for the year ended 30 November 2022.

The preparation of the Condensed Consolidated Interim 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 Interim 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.

In preparing these Condensed Consolidated Interim Financial Statements, the critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 30 November 2022.

Key sources of estimation uncertainty

In applying the Group's accounting policies the Directors are required to make estimates and assumptions. Actual results may differ from these estimates. The following are considered key sources of estimation uncertainty:

Retirement benefit scheme valuation – The key estimation sensitivities are the discount rate applied to pension liabilities together with RPI/CPI and mortality. We note that every 0.1% movement in discount rate has a c.£2.8m impact on the deficit and a 0.1% movement in RPI has a c.£2.4m impact.

Revenue from contracts over time – There is estimation relating to the output methodology (of script volumes) to determine the transaction price. This estimation was reviewed during H1 2023 to reflect our latest expectations. The key estimation sensitivities are price point changes relating to indexation clauses and expected unit volumes. We note that every 10% movement in indexation has a c.£0.1m impact on revenue and a 10% movement in unit volumes has an c.£0.1m impact.

Critical accounting judgements

Revenue from RM Assessment contracts A number of judgements are made to determine performance obligations and the allocation of revenue to those performance obligations. Each contract is analysed separately to identify the performance obligations. Judgements are made as to whether goods and services should be combined and whether revenue should be recognised at a point in time or over time. Judgement is also required to allocate the transaction price to each performance obligation, based on an estimation of the standalone selling price for scanning and use of the residual method to determine a value for E-marking.

In concluding that the going concern assessment was appropriate and that there were no material uncertainties the Directors have made a number of significant judgements as detailed in Note 2.

Restatement

As set out in the Consolidated Financial Statements for the year ended 30 November 2022, the Group had restated the comparative period Finance Statements for the period to 31 May 2022 to reflect for two prior year errors as detailed in Note 16.

Alternative Performance Measures (APMs)

In response to the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA) and the Financial Reporting Council (FRC), additional information on the APMs used by the Group is provided below.

The following APMs are used by the Group:

- Adjusted operating profit
- Adjusted operating margin
- Adjusted profit before tax
- Adjusted tax
- Adjusted profit after tax
- Adjusted Earnings per Share
- Adjusted diluted earnings per share

- Adjusted cash conversion
- Net debt
- Average net debt

Further explanation of what each APM comprises and reconciliations between Statutory reported measures and adjusted measures are shown in Note 5.

The Board believes that presentation of the Group results in this way is relevant to an understanding of the Group's financial performance, as adjustment items are identified by virtue of their size, nature and/or incidence. This presentation is consistent with the way that financial performance is measured by management, reported to the Board, the basis of financial measures for senior management's compensation schemes and provides supplementary information that assists the user to understand better the financial performance, position and trends of the Group.

In determining whether an event or transaction is an adjustment, the Board considers both quantitative and qualitative factors such as the frequency or predictability of occurrence.

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

Going concern

In assessing the going concern position the Directors have considered the balance sheet position and the level of available finance not drawn down, and the performance of the Group for 12 months from the date of these financial statements

At 31 May 2023, the Group had net debt of £52.0m (30 November 2022: £46.8m) and drawn facilities of £54.5m (30 November 2022: £49.0m). RM Group has a £70m (30 November 2022: £70m) committed bank facility ("the facility") with liquidity headroom of £15.5m as at 31 May 2023 (30 November 2022: £23.2m). Average net debt over the 6 months to 31 May 2023 was £55.9m (6 months to 31 May 2022: £37.2m) with a maximum borrowings position of £64.8m (6 months to 31 May 2022: £48.7m). The drawn facilities are expected to fluctuate and are not anticipated to be fully repaid in the period of 12 months from the date of these financial statements,

Early in the year, the Group secured an agreement with Lenders, which extended the existing £70m facility to July 2025. This agreement provides lenders a fixed and floating charge over the shares of all obligor companies, except for RM plc (which comprise RM Education Limited, RM Educational Resources Limited, RM plc Australia Pty Ltd and SoNET Systems Pty Ltd) and has reset the covenants under the facility. For going concern purposes the Board have assessed performance against the following covenants:

- a quarterly minimum EBITDA basis on a rolling 12 months; and
- Following the completion the sale of RM Finance and RM Integris businesses, a 'hard' liquidity covenant test requiring the Company to have liquidity greater than £7.5 million on the last business day of the month vs our £70m debt facility and liquidity not be below £7.5 million at the end of two consecutive weeks within a month.

For going concern purposes, the Group has assessed a base case scenario that assumes no significant downturn in UK or International markets from that experienced in the period to 31 May 2023 and assumes a broadly similar macroeconomic environment to that currently being experienced.

Revenue in the base case is driven from four key areas:

- Low revenue in Consortium in the forecast period following finalisation of the IT implementation, with volumes in the forecast period not expected to return to 2019 levels.

- New contract wins in RM Assessment and RM Technology and increased hardware and infrastructure revenues in RM Technology associated with the UK government's three-year Connect the Classroom program for which they have provided £150m in funding.
- International volume growth in the RM Resources business, although this is modelled below that seen in 2022 and lower than seen in H1 2023.

Gross margins in the base budget are held flat through H2 2023 and a marginal increase in 2024. The increase in FY24 is largely the result of revenue growth, revenue mix and some underlying service delivery improvements.

Net debt, while fluctuating within the period, is not expected to reduce within the assessment period under the base case, as the conversion of profits into cash is expected to be offset by the ongoing costs of the transformation programme.

Under the base case, taking account of available facilities and existing cash resources, the working capital available to the Group is sufficient to meet its liabilities as they fall due for at least 12 months from the date of this report, but due to performance to date and effect of the rolling 12 month forecast on the quarterly EBITDA this is expected to breach its EBITDA covenant for the third and fourth quarters of this financial year Under the base case it is not expected to breach the liquidity covenant test. There are no mitigating factors that could be applied to mitigate the likelihood of the EBITDA breach.

The Group is in the process of renegotiating with its lenders in order to secure waivers or amendments to potential covenant breaches.

As part of the going concern exercise, the Board has closely monitored the Group's financial forecasts, key uncertainties, and sensitivities. As part of this exercise, the Board has reviewed a number of scenarios, including a reasonable worst case downside scenario which includes:

RM Resources

- School budgets are more challenged than expected and schools focus on essentials leading to a 10% reduction from the base case of TTS brand volumes, taking them below 2022 in the forecast period. Consortium brand revenues are not planned to recover during the forecast period.
- International volume growth is materially below that seen in 2022, with expected growth reduced by one half.

RM Technology

- Removal of revenue growth in the RM Technology business reflecting a more challenging market environment related to new hardware and infrastructure wins. This results in a c14% reduction in revenues for the forecast period over the base case, resulting in these being below 2022.

RM Assessment

- Pipeline delays and reduced conversion in the RM Assessment division reduces new business revenues by c80% in the forecast period. This reduces revenue growth in the base case down to contracted positions.

Other

- Central bank interest rates are maintained above 4% for the entire assessment review period.

While the Board believes that all reasonable worst case downside scenarios occurring together is highly unlikely, under these combined scenarios, the Group would breach its hard liquidity covenant in FY24 (in addition to breaching the EBITDA covenant from the third quarter of this financial year as stated above in the base case), which would require the Directors to discuss with the Banks an amendment to the liquidity covenant. Mitigating actions over and above the suspension of discretionary spend, such as pausing the transformation projects, would be considered detrimental to future recovery.

The Banks agreeing to amendments to covenants is not within the Group's control and as a result the Directors cannot conclude that the possibility of an un-waived breach of covenant is remote.

The Company has shared up to date financial data with the Banks who remain supportive of management, recognise the issues that the business has faced and also the steps taken (cost savings and restructuring) to return to previous levels of financial performance.

In light of the continued headwinds and the need for the annualisation of savings to mature, the Company and the Banks are in discussions and currently expect to agree suitable waivers and amendments (including potential covenant re-sets and maturity extension) to allow the Company's facility to remain available.

After due consideration of these factors, the Directors believe that it remains appropriate to prepare these financial statements on a going concern basis, However, until agreed with the Banks there remains a material uncertainty related to events or conditions that may cast significant doubt over the Group's ability to continue as a going concern and hence realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would arise from the basis of preparation being inappropriate.

3. Operating segments

The Group's business is supplying products, services and solutions to the UK and international education markets. Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segmental performance is focussed on the nature of each type of activity.

The Group is structured into three operating divisions: RM Resources, RM Assessment and RM Technology. Typically, two of the divisions are impacted by seasonality trends. RM Resources experiences increased revenues in March, June, July and October in line with customer financial and academic years. In RM Assessment scanning revenues are recognised over the period of the scanning activity and create seasonality depending on the timing of exam sessions and the number and type of examinations being sat. UK government assessment scanning revenues are spread typically between May to July.

Corporate Services consists of central business costs associated with being a listed company, share based payment charges and non-division specific pension costs.

This segmental analysis shows the results and assets of these divisions. Revenue is that earned by the Group from third parties. Net financing costs and tax are not allocated to segments as the funding, cash and tax management of the Group are activities carried out by the central treasury and tax functions.

Segmental results

6 months ended 31 May 2023	**RM Resources £000**	**RM Assessment £000**	**RM Technology £000**	**Corporate Services £000**	**Total £000**
Revenue					
UK*	**31,817**	**12,014**	**25,624**		**69,455**
Europe	**6,480**	**4,383**	**32**		**10,895**
North America	**1,608**	**62**	**19**		**1,689**
Asia	**440**	**517**	**-**		**957**
Middle East	**1,082**	**79**	**-**		**1,161**
Rest of the world	**731**	**2,676**	**-**		**3,407**
	42,158	**19,731**	**25,675**	**-**	**87,564**
Adjusted profit/(loss) from operations	**(4,508)**	**3,202**	**(456)**	**(2,780)**	**(4,542)**
Adjusted other income					**569**
Adjusted finance costs					**(2,771)**
Adjusted (loss) before tax					**(6,744)**
Adjustments (see note 5)					**2,341**
Profit before tax					**(4,403)**

6 months ended 31 May 2022	RM Resources £000	RM Assessment £000	RM Technology ** £000	Corporate Services £000	Total £000
Revenue					
UK*	42,923	11,376	26,513	-	80,812
Europe	5,513	4,029	13	-	9,555
North America	1,265	68	1,335	-	2,668
Asia	411	344	-	-	755
Middle East	553	78	-	-	631
Rest of the world	977	2,354	138	-	3,469
	51,642	18,249	27,999	-	97,890
Adjusted profit/(loss) from operations	1,239	2,762	2,016	(1,526)	4,491
Adjusted investment income					315
Adjusted finance costs					(1,086)
Adjusted profit before tax					3,720
Adjustments (see note 5)					(11,464)
(Loss) before tax					(7,744)

** Amounts at 31 May 2022 have been restated to exclude discontinuing operations.

Year ended 30 November 2022	RM Resources	RM Assessment	RM Technology	Corporate Services	Total
	£000	£000	£000	£000	£000
Revenue					
UK*	91,939	23,324	59,416	-	174,679
Europe	12,919	8,153	71	-	21,143
North America	3,555	142	1,374	-	5,071
Asia	880	1,299	-	-	2,179
Middle East	3,305	167	-	-	3,472
Rest of the world	1,768	5,855	-	-	7,623
	114,366	38,940	60,861	-	214,167
Adjusted profit/(loss) from operations	2,811	7,378	2,173	(4,879)	7,483
Investment income					614
Adjusted finance costs					(2,825)
Adjusted profit before tax					5,272
Adjustments (see note 5)					(26,059)
(Loss) before tax					(20,787)

* Included in UK are international sales via UK distributors

Segmental assets

Other non-segmental assets include tax assets, cash and short-term deposits and other non division specific assets.

At 31 May 2023	RM Resources £000	RM Assessment £000	RM Technology £000	Corporate Services £000	Total £000
Segmental	**124,430**	**24,174**	**15,282**	**1,102**	**164,988**
Other					**34,177**
Total assets					**199,165**

At 31 May 2022 *	RM Resources £000	RM Assessment £000	RM Technology £000	Corporate Services £000	Total £000
Segmental	134,268	24,578	16,631	3,067	178,544
Other					50,223
Total assets					228,767

At 30 November 2022	RM Resources £000	RM Assessment £000	RM Technology £000	Corporate Services £000	Total £000
Segmental	137,080	23,508	10,936	2,239	173,763
Other					28,891
Total assets					202,654

* Amounts at 31 May 2022 have been restated consistently with the adjustments made at 30 November 2022, refer to Note 2

4. Revenue

Period ended 31 May 2023	RM Resources Transactional £'000	RM Technology Transactional £'000	RM Technology Over time £'000	RM Assessment Over time £'000	Total £'000
Supply of products	**41,865**	**6,782**	**-**	**-**	**48,647**
Rendering services	**293**	**1,464**	**12,859**	**17,603**	**32,219**
Licences	**-**	**1,722**	**2,848**	**2,128**	**6,698**
	42,158	**9,968**	**15,707**	**19,731**	**87,564**

Period ended 31 May 2022	RM Resources Transactional £'000	RM Technology Transactional £'000	RM Technology Over time ** £'000	RM Assessment Over time £'000	Total £'000
Supply of products	51,634	5,765	-	-	57,399
Rendering services	8	-	16,606	16,307	32,921
Licences **	-	1,304	4,324	1,942	7,570
	51,642	7,069	20,930	18,249	97,890

** Amounts at 31 May 2022 have been restated to exclude discontinuing operations

5. Adjustments to profit before tax

In the 6 months ended 31 May 2023 notable adjustments to profit include the following items:

	6 months ended 31 May 2023 £000	6 months ended 31 May 2022 £000	Year ended 30 November 2022 £000
Adjustments to administrative expenses:			
Amortisation of acquisition related intangible assets	**853**	1,004	1,839
Dual running cost related to investment strategy	**(99)**	2,758	5,372
Disposal related costs	**-**	-	845
Configuration of SaaS licenses	**3,497**	7,666	17,355
Impairment of ERP system	**-**	-	2,236
Onerous provision for IS licences	**-**	-	1,168
Independent business review related costs	**1,815**	-	-
Restructuring costs	**295**	36	254
Total adjustments to administrative expenses	**6,361**	11,464	29,069
Other income			
Sale of property	**-**	-	(219)
Gain on disposal of operations	**(171)**	-	-
Sale of IP addresses	**(8,531)**	-	(2,791)
Total adjustments	**(2,341)**	11,464	26,059
Tax impact (Note 6)	**202**	(2,186)	(6,458)
Total adjustments after tax	**(2,139)**	9,278	19,601
Gain on disposal of discontinued operations	**(9,534)**	-	-
Total adjustment for the period	**(11,673)**	9,278	19,601

Amortisation of acquisition related intangible assets:

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

Other adjusted items:

These are items which are identified by virtue of either their size or their nature to be important to understanding the performance of the business, including the comparability of the results year on year. These items can include, but are not restricted to, impairment; gain on held-for-sale assets and related transaction costs; changes in the provision for exceptional property costs; the gain/loss on sale of operations and restructuring and acquisition costs.

In 2018, following a large acquisition in the Resources division, the Group announced a new warehouse strategy which involved the disposal of five warehouses (including three warehouses from the newly acquired group of companies) and transfer into one new automated warehouse. Interlinked with the automation software was a requirement to change the ERP solution which was planned to be rolled out across the whole Group, however the business is currently reviewing the wider IT enterprise architecture needs for the Group before any further IT implementations, which would not be before 2024.

The Group believes that whilst these programmes span a number of years, their size, complexity and number of unusual costs and income are material to the understanding of the trading performance of the business including the comparability of results year on year. As a result, all significant costs or income relating to these programmes have been treated as an adjustment to profit, consistently period to period. The Group has paused certain elements of this programme and therefore are not incurring dual run elements in the current year.

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

- Dual run related credits during the period (£0.1m), relate to adjustments to costs associated with the new warehouse that is now fully operational
- The configuration and customisation costs relating to our ERP programme “Evolution”, which represents a significant investment. These costs totalled £3.5m in the period.

In addition to the warehouse programme, the Group believes the following items to be significantly large enough and unusual in their incidence to impact the understanding of the performance of the Group if not adjusted. In the half year ended 31 May 2023, these items comprised:

- The Group completed the sale of IP addresses which generated income of £8.5m in the period.
- The Group completed the disposals of the iCase business during the period which generated a gain on sale of operations of £0.2m.
- The Group undertook an Independent Business Review on behalf of the lenders and pension scheme costing £1.8m.
- The Group commenced a transformation programme in 2022 which continued in 2023 and has expensed £0.3m of redundancy costs in the period.
- The Group recognised £0.9m of amortisation of acquisition-related intangible assets in the period.

The Group completed the disposals of the Integris and Finance business during the period which generated a gain on sale of operations of £11.3m. The costs associated with the disposal of Integris and Finance businesses have been treated as an adjustment to profit (£1.8m).

Adjusted net debt is the total of borrowings (£52.7m (May 2022: £43.8m)), cash at bank (£3.2m (May 2022: £4.3m)) and overdraft (£3.2m (May 2022: £1.9m)) which was £52.0m as at 31 May 2023 (2021: £41.5m).

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

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

			31-May-23			31-May-22
	Adjusted cash flows	**Adjustments**	**Statutory**	**Adjusted cash flows**	**Adjustments**	**Statutory**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Profit/(loss) before tax **	(6,744)	2,341	(4,403)	3,720	(11,464)	(7,744)
Profit/(loss) from operations **	(4,542)	(6,361)	(10,903)	4,491	(11,464)	(6,973)
Net cash inflow/(outflow) from operating activities	(12,884)	(5,221)	(18,105)	(6,545)	(9,208)	(15,753)
Net cash (used in)/generated by investing activities	(704)	17,359	16,655	33	(2,493)	(2,460)
Net cash (used in)/generated by financing activities	9,046	(8,717)	329	18,986	-	18,986
Net increase/(decrease) in cash & cash equivalents	(4,542)	3,421	(1,121)	12,475	(11,702)	773

** Amounts at 31 May 2022 have been restated to exclude discontinued operations

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

The adjustments have the following impact on key metrics:

	31-May-23			31-May-22		
	Adjusted measure	**Adjustment**	**Statutory measure**	**Adjusted measure ****	**Adjustment**	**Statutory measure**
Gross profit (£000)	27,520	-	27,520	32,902	-	32,902
Profit/(loss) from operations (£000)	(4,542)	(6,361)	(10,903)	4,491	(11,464)	(6,973)
Operating margin (%)	(5.19)%		(12.45)%	4.59%		(7.12)%
Profit before tax (£000)	(6,744)	2,341	(4,403)	3,720	(11,464)	(7,744)
Tax (£000)	1,149	(202)	947	(847)	2,186	1,339
Profit/(loss) after tax (£000)	(5,595)	2,139	(3,456)	2,873	(9,278)	(6,405)
Earnings per share on continuing operations						
Basic (Pence)	(6.7)	-	(4.2)	3.5	-	(7.7)
Diluted (Pence)	(6.7)	-	(4.2)	3.4	-	(7.7)

** Amounts at 31 May 2022 have been restated to exclude discontinued operations

Adjusted operating profit is defined as the profit before operations excluding the adjustments referred to above. Adjusted operating profit margin is defined as the adjusted operating profit as a percentage of revenue. The impact of tax is set out in Note 6.

6. Tax

	6 months ended 31 May 2023			6 months ended 31 May 2022			Year ended 30 November 2022		
	Adjusted	**Adjustments**	**Total**	Adjusted	Adjustments	Total	Adjusted	Adjustments	Total
	£000	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Profit before tax	**(6,744)**	**2,341**	**(4,403)**	3,720	(11,464)	(7,744)	5,272	(26,059)	(20,787)
Tax charge	**1,149**	**(202)**	**947**	(847)	2,186	1,339	(1,760)	6,458	4,698
Effective tax rate	**(17.0%)**	**8.6%**	**(21.5%)**	22.8%	(19.1%)	17.3%	33.4%	(24.8%)	22.6%

For the interim periods, the ETR is calculated by applying a forecast full year ETR to the interim results. The standard rate of corporation tax in the UK for the period is 25%.

7. Earnings per ordinary share

	6 months ended 31 May 2023			6 months ended 31 May 2022 **			Year ended 30 November 2022		
	Profit after tax	**Weighted average number of shares**	**Pence per share**	Profit after tax	Weighted average number of shares	Pence per share	Profit after tax	Weighted average number of shares	Pence per share
	£000	**'000**		£000	'000		£000	'000	
Basic earnings per ordinary share:									
Basic earnings from continuing operations	**(3,456)**	**83,256**	**(4.2)**	(6,405)	83,048	(7.7)	(16,089)	83,256	(19.3)
Adjustments (see note 5)	**(2,139)**	**-**	**(2.6)**	9,278	-	11.2	19,601	-	23.5
Adjusted basic earnings from continuing operations	**(5,595)**	**83,256**	**(6.7)**	2,873	83,048	3.5	3,512	83,256	4.2
Basic earnings from discontinued operation	**10,291**	**83,256**	**12.4**	511	83,048	0.6	1,590	83,256	1.9
Adjusted basic earnings from discontinued operation	**757**	**83,256**	**0.9**	511	83,048	**0.6**	1,590	83,256	1.9
Diluted earnings per ordinary share:									
Basic earnings	**(3,456)**	**83,256**	**(4.2)**	(6,405)	83,048	(7.7)	(16,089)	83,256	(19.3)
Effect of dilutive potential ordinary shares: share-based payment awards	**-**	**1,420**	**-**	-	1,449	-	-	1,335	-
Diluted earnings from continuing operations	**(3,456)**	**84,676**	**(4.2)**	(6,405)	84,497	(7.7)	(16,089)	84,591	(19.3)
Adjustments (see note 5)	**(2,139)**	**-**	**(2.6)**	9,278	-	11.0	19,601	-	23.2
Adjusted diluted earnings from continuing operations	**(5,595)**	**84,676**	**(6.7)**	2,873	84,497	3.4	3,512	84,591	4.2
Basic diluted earnings from discontinued operation	**10,291**	**84,676**	**12.2**	511	84,497	0.6	1,590	84,591	1.9
Adjusted diluted earnings from discontinued operation	**757**	**84,676**	**0.9**	511	84,497	0.6	1,590	84,591	1.9

** Amounts at 31 May 2022 have been restated to exclude discontinued operations

8. Dividends

Amounts recognised as distributions to equity holders were:

	6 months ended 31 May 2023 £000	6 months ended 31 May 2022 £000	Year ended 30 November 2022 £000
Final dividend for the year ended 30 November 2022 - nil p per share (2022: 3.0 p)	**-**	2,498	2,498
Interim dividend for the year ended 30 November 2022 – nil p per share (2022: nil p)	**-**	-	-
	-	2,498	2,498

9. Trade and other receivables

	6 months ended 31 May 2023	6 months ended 31 May 2022 Restated *	Year ended 30 November 2022
	£000	£000	£000
Current			
Financial assets			
Trade receivables	**19,573**	20,048	24,441
Other receivables	**1,778**	2,130	1,934
Derivative financial instruments	**-**	255	-
Accrued income	**4,783**	5,982	2,288
	26,134	28,415	28,663
Non-financial assets			
Prepayments	**7,571**	9,884	7,540
	33,705	38,299	36,203
Non-current			
Financial assets			
Other receivables	**281**	83	291
	281	83	291
	33,986	38,382	36,494

* Amounts at 31 May 2022 have been restated consistently with the adjustments made at 30 November 2022, refer to Note 2

The Directors consider that the carrying amounts of trade and other receivables approximates their fair values.

10. Contract fulfilment assets

	6 months ended 31 May 2023	6 months ended 31 May 2022 Restated *	Year ended 30 November 2022
	£000	£000	£000
Current	**1,824**	2,155	1,727
Non-current	**1,582**	1,569	1,713
	3,406	3,724	3,440

* Amounts at 31 May 2022 have been restated consistently with the adjustments made at 30 November 2022, refer to Note 2

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

11. Trade and other payables

	Note	**6 months ended 31 May 2023 £000**	6 months ended 31 May 2022 Restated * £000	Year ended 30 November 2022 £000
Current				
Financial liabilities				
Trade payables		**19,203**	24,163	34,269
Other payables		**2,893**	2,881	2,721
Derivative financial instruments		**573**	-	272
Accruals		**11,682**	13,603	10,516
		34,351	40,647	47,778
Non-financial liabilities				
Other taxation and social security		**2,892**	3,111	3,149
Deferred income		**13,060**	14,824	11,568
		50,303	58,582	62,495
Non-current liabilities				
Financial liabilities				
Non-financial liabilities				
Deferred income from customer contracts:				
- due after one year but within two years		**1,187**	1,554	1,357
- due after two years but within five years		**1,664**	1,137	1,473
- due after five years		**207**	1,134	266
		3,058	3,825	3,096
		53,361	62,407	65,591

* Amounts at 31 May 2022 have been restated consistently with the adjustments made at 30 November 2022, refer to Note 2

12. Borrowings

	6 months ended 31 May 2023 £000	6 months ended 31 May 2022 £000	Year ended 30 November 2022 £000
Bank loan	**(53,283)**	(44,000)	(49,000)
Capitalised fees	**540**	176	272
	(52,743)	(43,824)	(48,728)

During the period the Group has drawn down £13.0 million of the committed bank facility ("the facility"). For details of the facility please see note 31 in the annual report and financial statements for the year ended 30 November 2022.

In March 2023, the Group secured an agreement with Lenders to extend the facility to July 2023 and it is therefore within management's control not to repay within 12 months. As such, borrowings as at 31 May 2023, have been classified as a non-current liability, whereas at 31 May 2022 and 30 November 2022 borrowings are classified as a current liability.

13. Provisions

	Onerous lease and dilapidations	Employee-related restructuring	Contract risk provisions	Total
	£000	£000	£000	£000
At 1 December 2022	1,271	210	1,327	2,808
Utilisation of provisions	(13)	(571)	(650)	(1,234)
Release of provisions	-	-	(13)	(13)
Increase in provisions	-	361	-	361
Impact of foreign exchange	(1)	-	(15)	(16)
At 31 May 2023	**1,256**	**1**	**649**	**1,906**
- due within one year	708	1	605	1,314
- due after one year	548	-	44	592
	1,256	**1**	**649**	**1,906**

14. Defined Benefit Pension Scheme

The Group has both defined benefit and defined contribution pension schemes. There are three defined benefit pension schemes, the Research Machines plc 1988 Pension Scheme (the "RM Scheme") and, following the acquisition of RM Educational Resources Limited ("The Consortium", acquired by the Company on 30 June 2017), the CARE Scheme and the Platinum Scheme. The RM Scheme and the CARE Scheme are both operated for employees and former employees of the Group only. The Platinum Scheme is a multi-employer scheme, with RM Educational Resources Limited being just one of a number of employers. The Group plays no active part in managing that Scheme, and since 30 November 2020 the Group has no employees in this Scheme.

For all three Schemes, based on the advice of a qualified independent actuary at each balance sheet date and using the projected unit method, the administrative expenses and current service costs are charged to operating profit, with the interest cost, net of interest on scheme assets, reported as a financing item.

Defined benefit pension scheme remeasurements are recognised as a component of other comprehensive income such that the balance sheet reflects the scheme's surplus or deficit as at the balance sheet date. Contributions to defined contribution plans are charged to operating profit as they become payable.

Scheme assets are measured at bid-price, where available, at 31 May 2023. The present value of the defined benefit obligation was measured using the projected unit method.

Under the guidance of IFRIC 14, the Group is able to recognise a pension surplus on the balance sheet for all three schemes. At 31 May 2023, the Platinum and RM scheme show a surplus and the CARE scheme is in deficit.

The Research Machines plc 1988 Pension Scheme (RM Scheme)

The Scheme provides benefits to qualifying employees and former employees of RM Education Limited, but was closed to new members with effect from 1 January 2003 and closed to future accrual of benefits from 31 October 2012. The assets of the Scheme are held separately from RM Education Limited's assets in a trustee-administered fund. The Trustee is a limited company. Directors of the Trustee company are appointed by RM Education Ltd and by members. The Scheme is a funded scheme.

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 2021 by a qualified independent actuary. IAS 19 Employee Benefits (revised) liabilities at 31 May 2021 have been rolled forward based on this valuation's base data.

As at 31 May 2021, the triennial valuation for statutory funding purposes showed a deficit of £15.4m (31 May 2018: £40.6m). The Group agreed with the Scheme Trustees that it will repay this amount via deficit catch-up payments of £3.2m per annum until 31 December 2024. At 31 May 2023 there were amounts outstanding of £0.3m (2022: £0.3m) for one month's deficit payment (2022: 1 months) and £nil (2022: £nil) for Scheme expenses.

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

The Consortium CARE Scheme (CARE Scheme)

Until 31 December 2005, RM Educational Resources Limited operated the CARE Scheme providing benefits on both a defined benefit (final salary-linked) and a defined contribution basis. From 1 January 2006, the defined benefit (final salary-linked) and defined contribution sections were closed and all employees, subject to the eligibility conditions set out in the Trust Deed and Rules, joined a new defined benefit (Career Average Revalued Earnings) section. As at 28 February 2011 the Scheme was closed to future accruals.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, RM Educational Resources Limited must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The Statutory Funding Objective does not currently impact on the recognition of the Scheme in these accounts. The Scheme is managed by a Board of Trustees appointed in part by the Company and in part from elections by members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing Scheme assets. The Trustees delegate some of these functions to their professional advisers where appropriate. The valuation of the Scheme at 31 May 2021 was a deficit of £6.2m (31 December 2019 deficit £5.9m). The Group agreed with the Scheme Trustees that it will repay this amount via deficit catch-up payments of £1.2m per annum until 31 December 2026.

Prudential Platinum Pension (Platinum Scheme)

The Consortium acquired West Mercia Supplies in April 2012 (prior to the Company acquiring The Consortium). Upon acquisition of West Mercia Supplies by The Consortium, a pension scheme was set up providing benefits on both a defined benefit (final salary-linked) and a defined contribution basis for West Mercia employees. The most recent triennial full actuarial valuation was carried out by the independent actuaries XPS Pensions Group on 31 December 2021. Using the assumptions below the results of the full valuation were adjusted and rolled forward to form the basis for the current year valuation. The Scheme is administered within a legally separate trust from RM Educational Resources Limited and the Trustees are responsible for ensuring that the correct benefits are paid, that the Scheme is appropriately funded and that the Scheme assets are appropriately invested. The valuation of the Scheme at 31 December 2021 was a surplus of £71,800 (31 December 2018: surplus of £213,000).

The pension schemes have all seen improvements to their balance sheet position in the period as shown in the table below.

	31-May-23	30-Nov-22	**31-May-23**	30-Nov-22	**31-May-23**	30-Nov-22
	£'000	£'000		**Discount rate**		**RPI %**
RM Scheme	17,877	23,318	5.30%	4.40%	3.15%	3.05%
CARE scheme	(595)	(1,354)	5.35%	4.45%	3.15%	3.10%
Platinum scheme	660	641	5.30%	4.35%	3.15%	3.00%

	31-May-23
	£'000
Opening surplus	**22,605**
Gain from changes to financial assumptions on liabilities	25,878
Employer contributions	2,275
Return on assets	(33,303)
Interest	516
Experience (losses)/gains on liabilities	(37)
Other items	8
Closing surplus	**17,942**

The key areas of sensitivity in respect to the pension surplus are the discount rate and RPI. The discount rates improved by 0.9-0.95 percentage points and RPI rates increased by between 0.5-0.15 percentage points. However, the reduction in the pension deficit of £25.9m due to the discount rate impact on liabilities, is offset by lower than expected invested returns of £(33.3)m. The overall pension surplus decreased by £(4.7)m in the period.

15. Discontinued Operations

RM Integris and RM Finance Business

On 31 May 2023, the Group completed the sale of the RM Integris and RM Finance Businesses and related assets, to The Key Support Services Limited. Total consideration for the Sale will be up to £16.0 million on a cash free/debt free basis of which £12.0 million was paid on completion subject to at £3.3m normalised working capital adjustment. An additional £4.0 million is payable subject to satisfaction of certain conditions, including those related to competition clearance) in cash, of which £3.5m was received in June 2023 and £0.3m was received in July 2023.

A newly incorporated, wholly owned subsidiary Schools Educational Software Limited acquired the RM Integris and RM Finance Business as part of the hive-down transaction prior to completion.

The disposal of the RM Integris and RM Finance businesses during the year which generated a gain on sale of operations, net of the costs associated with the disposal, of £9.5m.

	6 months ended 31 May 2023 £000	6 months ended 31 May 2022 £000	Year ended 30 November 2022 £000
Revenue	**2,412**	2,430	4,871
Cost of sales	**(928)**	(1,172)	(1,894)
Gross profit	**1,484**	1,258	2,977
Operating expenses	**(727)**	(747)	(1,387)
Profit from operations	**757**	511	1,590
Gain on disposal of operations	**9,534**	-	-
Profit for the period/year	**10,291**	511	1,590

16. Restatement for accounting error and classification

The comparative period Financial Statements were restated to reflect two prior year errors:

1. During the year ended 31 November 2022, certain customer contract fulfilment assets were reassessed as fulfilling the capitalisation criteria of IAS38, which should have been applied prior

to an IFRS15 evaluation of contract assets. Restated figures as at 31 May 2021 reflect the reclassification of £3,107k that was previously capitalised within Contract fulfilment assets to Intangible assets. There is no impact on Income Statement, current assets or any other balance sheet line items from this restatement as the asset is still under development.

2. During the year ended 31 November 2022 we restated revenue for prior periods to correct for a mechanical error, which arose from previous forecasts of exam script volumes not being updated at a point when the actual volumes were known. The aggregate impact of this correction is to reduce revenues recognised in periods prior to the period ending 31 May 2022 by £0.5m and to increase contract liabilities recognised by £0.5m.

Results from discontinuing operations have also been reclassified in the prior year period ending 31 May 2022. The impact of these is set out in Note 15.

The adjustments have the following impact on the primary statements for the period ending 31 May 2022:

Consolidated Income Statement

	6 months ended 31 May 2022			
	As reported	Discontinued operations (1)	Restatement impact (2)	Restated
	£000	£000	£000	£000
Continuing operations				
Revenue	100,320	(2,430)	-	97,890
Cost of sales	(66,160)	1,172	-	(64,988)
Gross profit	34,160	(1,258)	-	32,902
Operating expenses	(40,622)	747	-	(39,875)
Profit/(loss) from operations	(6,462)	(511)	-	(6,973)
Finance and other income	315	-	-	315
Finance costs	(1,086)	-	-	(1,086)
Profit/(loss) before tax	(7,233)	(511)	-	(7,744)
Tax	1,339	-	-	1,339
Profit/(loss) for the period from continuing operations	(5,894)	-	-	(6,405)
Profit for the period from discontinued operation	-	511	-	511
Profit/(loss) for the period	(5,894)	511	-	(5,894)

(1) Impact of discontinued operations; (2) Impact of restatements

Consolidated Balance Sheet

	6 months ended 31 May 2022			
	As reported	Discontinued operations (1)	Restatement impact (2)	Restated
	£000	£000	£000	£000
Non-current assets				
Goodwill	49,458	-	-	49,458
Other intangible assets	24,118	-	3,107	27,225
Property, plant and equipment	16,647	-	-	16,647
Right of use asset	16,976	-	-	16,976
Defined Benefit Pension Scheme Surplus	39,719	-	-	39,719
Other receivables	83	-	-	83
Contract fulfilment assets	4,677	-	(3,107)	1,569
Deferred tax assets	156	-	-	156
	151,834	-	-	151,834
Current assets				
Inventories	23,140	-	-	23,140
Trade and other receivables	38,503	-	(204)	38,299
Contract fulfilment assets	2,155	-	-	2,155
Held for sale asset	3,034	-	-	3,034
Corporation tax assets	6,047	-	-	6,047
Cash and short-term deposits	4,258	-	-	4,258
	77,137	-	(204)	76,933
Total assets	228,971	-	(204)	228,767
Current liabilities				
Trade and other payables	(58,256)	-	(326)	(58,582)
Lease liabilities	(3,076)	-	-	(3,076)
Tax liabilities	-	-	-	-
Provisions	(1,677)	-	-	(1,677)
Overdraft	(1,899)	-	-	(1,899)
Borrowings	(43,824)	-	-	(43,824)
	(108,732)	-	(326)	(109,058)
Net current assets/(liabilities)	(31,595)	-	(530)	(32,125)
Non-current liabilities				
Other payables	(3,825)	-	-	(3,825)
Lease liabilities	(17,090)	-	-	(17,090)
Provisions	(1,682)	-	-	(1,682)
Deferred tax liability	(13,098)	-	-	(13,098)
Defined Benefit Pension Scheme obligation	(1,068)	-	-	(1,068)
	(36,763)	-	-	(36,763)
Total liabilities	(145,495)	-	(326)	(145,821)
Net assets	83,476	-	(530)	82,946
Equity attributable to shareholders				
Share capital	1,917	-	-	1,917
Share premium account	27,080	-	-	27,080
Own shares	(444)	-	-	(444)
Capital redemption reserve	94	-	-	94
Hedging reserve	265	-	-	265
Translation reserve	(632)	-	-	(632)
Retained earnings	55,196	-	(530)	54,666
Total equity	83,476	-	(530)	82,946

(1) Impact of discontinued operations; (2) Impact of restatements

17. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

The Group encourages its directors and employees to be Governors, Trustees or equivalent of educational establishments. The Group trades with these establishments in the normal course of its business.

The significant related party transactions relate to scanning services provided by Restore Group and recruitment and executive search services provided by Searchlight Business Services Ltd.

Services amounting to £0.1m were provided by Restore plc group, which is a supplier to RM of scanning and associated services. Charles Bligh, a Non-Executive Director of RM plc, was the CEO of Restore plc, but is not involved in the commercial discussions relating to this supply as set out in the Annual Report and Accounts.

Recruitment services amounting to £0.1m were provided by Searchlight Business Services Ltd. As set out in the Annual Report and Accounts, Mark Cook, the Chief Executive Officer of RM Plc, is the Non-Executive Chairman of Searchlight Business Services Ltd. However, Mark is not involved in the commercial discussions relating to this supply.

18. Post balance sheet event

On 9 June 2023, the Competition and Markets Authority (CMA) granted Phase 1 clearance for the acquisition of the RM Integris and RM Finance Business by The Key Support Services Limited. On 21 June 2023, the Group received £3.5m of additional consideration which has been contingent on this clearance. A further £0.3m of the Deferred Consideration was received in July 2023.

By order of the Board,

Emmanuel Walter

Chief Financial Officer (interim)

9 August 2023