

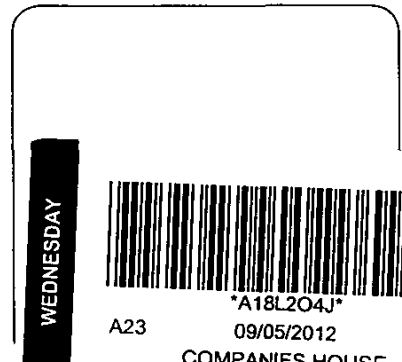
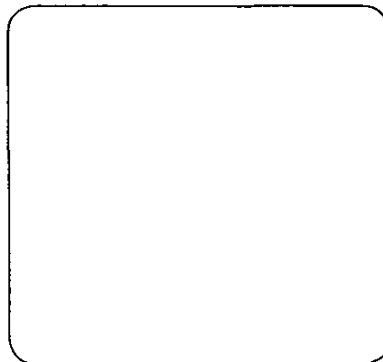
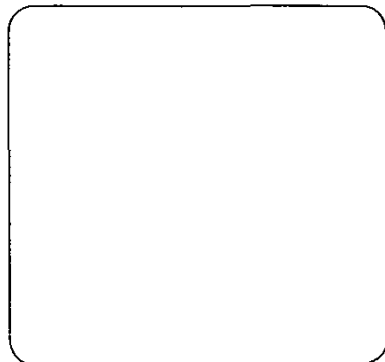
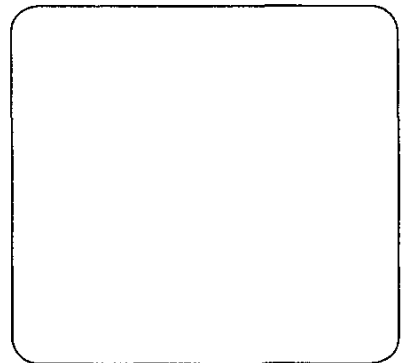
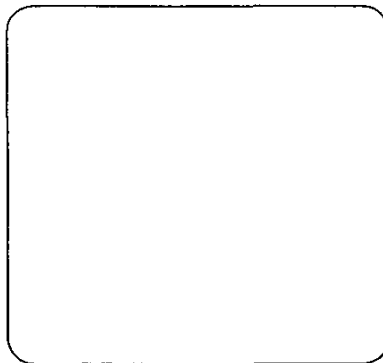
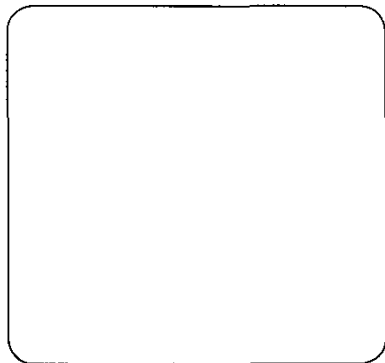
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RPS

RPS GROUP PLC

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Report and Accounts **2011**



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Management & Governance

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Key Performance Indicators	2011	2010
Revenue (£m)	528.7	461.8
Fee income (£m)	452.7	393.3
PBTA ⁽¹⁾ (£m)	50.8	48.0
Adjusted earnings per share ⁽²⁾ (basic) (p)	16.68	15.79
Operating cash flow (£m)	71.1	57.9
Total dividend per share (p)	5.56	4.83
Statutory reporting		
Profit before tax (£m)	40.5	42.5
Earnings per share (basic) (p)	13.49	14.78

Operating Highlights

- diversity of activity and geography enabled the Group to produce results at the top end of market expectations
 - over two thirds of underlying segment profit earned in growth markets of Energy and energy infrastructure,
 - approaching two thirds of underlying segment profit profit earned outside Europe
- excellent conversion of profit to cash with operating cash flow of £71.1m (2010 £57.9m)
- balance sheet remains strong with year end net bank borrowings at £23.5m (2010 £31.5m) having invested £27.2m in acquisitions during 2011
- committed bank facilities of £125m available until July 2013
- proposed full year dividend increased by 15% eighteenth consecutive annual increase of this scale
- acquisition strategy continued with five transactions completed in the year

Notes

(1) PBTA is profit before tax, amortisation of acquired intangibles and transaction related costs as defined in note 1(g)

(2) Adjusted earnings per share is based on earnings before amortisation of acquired intangibles, transaction related costs and tax credit arising on changes in Australian tax law

Strategy

The strategic direction of the Group is determined and monitored by the Board, which each year sets a series of priorities consistent with that strategy. The Board reviews progress against its strategy and priorities on a regular basis.

We provide a wide range of services for our clients and accordingly operate in a large number of markets both functionally and internationally. The long term drivers of our business are:

- the world's need to secure adequate supplies of energy and other natural resources from environmentally acceptable sources
- the commercial advantage resulting from the sustainable development of land and buildings
- the need to provide adequate infrastructure such as airports, power stations, public transport, water treatment plants
- the need to manage environmental, health and safety risks

Our strategy is to operate in those markets that exhibit these drivers, have sound longer-term prospects and where we can potentially achieve leading positions. Within that context we seek to improve continuously the range and quality of the services we offer our clients and where we can best add value to their activities. We are aiming to build multi-disciplinary businesses in Australia and North America as we have in the United Kingdom and Ireland as well as building a presence in the developing world through oil, gas and mineral exploration and production projects.

The development of our business in this way is also important in attracting and retaining high quality employees. This is achieved by providing competitive remuneration and benefits packages, by providing opportunities for professional growth and advancement and striving to maintain an open, creative and positive culture.

Client retention and the maintenance of longstanding partnerships with our clients are at the heart of our success. We seek to deliver focussed and cost-effective advice on both well understood problems and emerging challenges and by doing this to sustain partnerships with our clients. We maintain an international reputation for meeting the challenges posed by large complex projects and problems and conducting business in an open and responsible manner.

The increasing diversity and geographical spread of our businesses requires us to continuously monitor and seek to improve the operational efficiency of our businesses. This entails consideration of management organisation, controls, processes and support services.

The markets in which we operate are fast moving and so our strategy also needs to be sufficiently flexible to ensure that we can respond quickly to changing conditions. The nearer term outlook for each of our business segments and how this may impact strategy is described on pages 5 to 8.

Acquisitions have played an important part in our growth in the past and will continue to be a key part of our strategy. We acquire businesses that are well managed, deliver sound results and have good reputations in their markets. They may be in sectors where we are already operating or offer services that are closely related to our own. We already have well established and strong businesses in a number of countries, which provide a platform for acquisitive growth there. We are seeking to acquire high quality businesses in Europe, Australia and North America that either add depth to or complement the services we offer clients in those countries. The Board will consider larger acquisitions as well as acquisitions in countries in which we do not currently operate that are consistent with overall strategy and provide our international clients with greater local support.

Group Structure

During the year the Group announced that in order to benefit from greater integration it had merged its planning and development business in UK and Ireland with its environmental management businesses in the UK and The Netherlands. As a result the Group now consists of two primary reporting segments, being Energy and Built & Natural Environment. The latter is split into two geographic sub-segments covering Europe and Australia/Asia Pacific.

Energy

This is a global multi-disciplinary consultancy, providing integrated technical, commercial and project management support in the fields of geo-science, engineering, health, safety and environment to the energy sector. Our aim is to help clients develop their energy resources across the complete life cycle, combining our technical and commercial skills with an extensive knowledge of environmental and safety issues. The business has regional offices in UK, North America, Australia and Asia and undertakes projects in many other

countries. The segment is managed by a single divisional Board to which subsidiary operating Boards, with responsibility for UK, North America and Australia Asia Pacific, report.

Built and Natural Environment

This is a leading multi-disciplinary consultancy providing a wide but related range of advisory services on all aspects of the built and natural environment. Planning and development activities, provided from offices throughout the UK and Ireland as well from offices primarily on the East and West Coast of Australia, include planning, urban design and regeneration, environmental assessment and management, transport and infrastructure, architecture and landscape, engineering and surveying. Environmental based services in the UK, The Netherlands and Australia include environmental science, the management of water resources, health safety and risk management, laboratory testing, asbestos consulting, air quality and noise and property services. The business in Europe is managed by a single regional Board. Both are supported by a number of subsidiary operating Boards. Our businesses in the Australia Asia Pacific region are similarly managed by a single regional Board.

Central Costs

Certain central costs are not allocated to the segments because either they predominantly relate to the running of the Group Head Office function or could only be allocated to segments on an arbitrary basis. Such costs include the remuneration and support costs of the main board and the costs of the Group finance and marketing functions. These costs are included in the category 'unallocated expenses' in note 3 to the Consolidated Financial Statements on page 48.

Further Information

A sample of the projects and activities that we undertake are described on our website at www.rpsgroup.com.

2011 Results

Results

PBTA was towards the top end of market expectations at £50.8 million (2010: £48.0 million). Adjusted basic earnings per share were 16.68 pence (2010: 15.79 pence). The underlying profit* contribution of each segment was

(£m)	2011	2010
Energy	32.1	25.3
Built and Natural Environment		
- Europe	18.0	20.2
- Australia, Asia Pacific (AAP)	11.0	12.8
	29.0	33.0
Total	61.1	58.2

* underlying profit is segment profit before amortisation of acquired intangible assets, transaction related costs and reorganisation costs as defined in note 1(g)

Our Energy activities are largely conducted in respect of projects outside Europe. In combination with our Built and Natural Environment business in Australia Asia Pacific ("AAP") we now have over 70% of our underlying profit being generated outside Europe. This exposes us to higher growth economies and better opportunities. A significant proportion of our Built and Natural Environment activity in both Europe and AAP is in respect of projects to provide the infrastructure necessary to process and deliver energy resources. Consequently we estimate almost 70% of our underlying profit is now earned in the global Energy and associated infrastructure markets.

Cash Flow, Funding and Dividend

The Group continued its excellent conversion of profit into cash. Operating cash flow was £71.1 million (2010: £57.9 million). Our balance sheet remains strong, with no defined benefit pension schemes or historic pension liabilities. We have bank facilities of £125 million available until July 2013 and the cost of these facilities remains at historically low levels. Net bank borrowings at the year end were £23.5 million (2010: £31.5 million) after investing in acquisitions to the value of £27.2 million (2010: £18.0 million). We are well positioned to continue to fund the Group's growth strategy.

The Board continues to be confident about the Group's financial strength and is recommending a final dividend of 2.9 pence per share payable on 25 May 2012 to shareholders on the register on 13 April 2012. If approved the total dividend for the full year would be 5.56 pence per share, an increase of 15% (2010: 4.83 pence per share). Our dividend has risen at about this rate for eighteen consecutive years.

Energy

We provide internationally recognised consultancy services to the oil and gas industries from core bases in the UK, USA, Canada and Australia, with support offices in the Middle East, Asia and Brazil. Projects are undertaken in many other countries, some in difficult political and working environments which provide both market opportunities and operational challenges for us.

Trading

	2011	2010
Fee income (£m's)	186.1	146.8
Underlying profit* (£m's)	32.1	25.3
Margin (%)	17.2	17.2

* underlying profit is segment profit before amortisation of acquired intangible assets, transaction related costs and reorganisation costs as defined in note 1(g)

Our 2011 results in all parts of the business were encouraging. Conditions in the traditional oil and gas exploration and production (E&P) market improved steadily during the course of 2011. Our clients increased investment globally, albeit in a cost conscious way. Our activities in the Middle East and North Africa were disrupted by unrest and conflicts, particularly in Libya, where we have yet to see any material resumption of activity. Activity levels in the Gulf of Mexico increased during the second half and our performance in both the US and Canada was particularly strong in the year.

The unconventional liquids and gas markets continued to develop strongly. During 2011 we have been particularly active in shale oil and gas in North America, shale gas in Europe and broadened our involvement in coal seam gas in Australia. Our profile in the financial services sector improved and we secured significant 'competent persons' commissions and other transaction support work during the year.

Current indications are that global E & P spend in 2012 will exceed that in 2011. Our geographical spread and range of skills and involvement at many stages of the project life cycle gives us exposure to most parts of the international market likely to benefit from this increased investment. The global abundance of gas has reduced gas prices and begun to reduce shale gas activity, particularly in the USA. Our clients' focus has instead moved more towards unconventional liquids, where we are already well positioned. Activity levels in the Gulf of Mexico seem likely to continue to increase in the coming months. Activity in North Africa will eventually recommence. Overall, the Board believes we can look forward to a successful 2012 in this business.

Built and Natural Environment (BNE)

Within these businesses we provide a wide range of consultancy services to many aspects of the property and infrastructure development and management sectors. These include the management of water resources, health and safety, risk management, town and country planning, building, landscape and urban design, surveying and transport planning.

2011

	Europe	Australia/ Asia Pacific	Total
Fee income (£m's)	178.2	91.0	269.1
Underlying profit* (£m's)	18.0	11.0	29.0
Margin (%)	10.1	12.1	10.8

2010

	Europe	Australia/ Asia Pacific	Total
Fee income (£m's)	172.9	76.0	248.8
Underlying profit* (£m's)	20.2	12.8	33.0
Margin (%)	11.7	16.9	13.3

* underlying profit is segment profit before amortisation of acquired intangible assets, transaction related costs and reorganisation costs, as defined in note 1(g)

BNE Europe

Bringing together our businesses in Europe is as anticipated, enabling us both to increase efficiency and generate new market opportunities and has helped to counteract difficult market conditions in parts of this business, which are likely to continue.

Performance during the course of the year reflected the differing nature of the various markets in which we operate. Activity in the water management sector grew as our clients increased spend in the second year of the UK regulatory cycles. We have improved our position in this market significantly in recent years and have benefitted as a result, despite competitive rate pressure. Our market profile in respect of both the health and safety and risk management markets also enabled us to deliver good results. The commercial property development market remained subdued throughout the year. In consequence, we continued to pursue planning and development opportunities in a range of energy infrastructure markets, such as waste to energy facilities, a range of power station proposals (nuclear, gas and biomass), on and off shore wind farms, pipelines and grid interconnectors. Investment for these projects is more readily available and we have done well to position ourselves to benefit from this, although lack of clarity in the UK Government's energy policy is undoubtedly affecting our clients' investment levels.

Our main exposure to public sector expenditure is in the Netherlands and Ireland. Our Dutch business had a good year underpinned by the regulatory nature of much of what it does. We continued to downsize our Irish business as needed, as a result it was able to deliver a respectable performance. Since the year end we have exchanged contracts to enable us to dispose of for 15 million Euros, that part of this business which provides facilities management support to clients with manufacturing activity in Ireland. Subject to a TUPE process, this disposal will complete in late March. It will have a minimal affect on the Group's future profitability but should serve to increase margin in the remainder of the Irish business.

The uncertainties in parts of this business are greater than in other parts of the Group as a result of the subdued economic prospects in the UK and Eurozone. This is likely to continue to create volume and pricing pressures, probably limiting our growth opportunity in the current year.

BNE Australia Asia Pacific

Our recovery from the climatic disruption at the beginning of 2011 continued successfully in the second half. This was due to the ability of our staff in Queensland both to respond to reconstruction investment whilst also focussing their activities on the fast expanding coal seam gas/LNG industry. This shift in market positioning was made possible by the skills, experience and profile of our local staff coupled with the skills and market knowledge of our international Energy staff. As a result of this combination we have quickly become important suppliers to this fast growing industry. On the west coast we also remain heavily involved in the permitting and licensing of infrastructure to serve the large scale offshore gas exploration projects. Some of these projects have now reached a more mature stage of development. Clients are, as a result, becoming more focussed on cost management, this is affecting project timing and budgets.

We also continued to develop our operations in support of oil, gas and mining projects across Asia. We had particular success in Mongolia supporting our mining clients.

Outside the natural resources sector the Australian economy is less buoyant. As a result the normal commercial development market in Australia remains subdued. However, our re-positioning away from this slower moving part of the economy suggests we will be able to deliver further growth in 2012.

Acquisitions

During the course of 2011 we continued to develop the capability of the Group with five acquisitions. Good progress has been made with the integration of all these businesses. Terranean is now part of BNE Australia Asia Pacific. The other four businesses now form part of Energy, EHI and ASA, in combination, give us a strong position in the metocean consultancy market in both the US and, together with our capability in Australia, internationally. Nautilus provides an excellent platform to expand our provision of technical training to many parts of the oil and gas industry. Espey gives us a platform from which to build a water resources consultancy in the US.

Despite continuing economic uncertainty we still see markets in which there are growth opportunities and are considering how to develop these organically and with further acquisitions.

Ernst & Young, the Group's auditor, indicated that it did not agree with the Group's interpretation that IFRS3 (2008) *Business Combinations* contains a rebuttable presumption in respect of the treatment of contingent deferred consideration, relating to transactions completed since 1 January 2010. Ernst & Young's view is that the deferred consideration, due to vendors that is contingent on their continued employment, should be expensed through the profit and loss account, rather than being treated as capital cost, as the Group has done previously. Ernst & Young's review of the Group's 2011 interim results had not raised this as an issue.

In view of this and given the previous auditors certification of the Group accounts at 31 December 2010, the Group's Audit Committee commissioned an independent opinion from another "big 4" firm. This supported the Group's interpretation of IFRS3 (2008). DLA Piper, the Group's lawyers, were also asked to give an opinion on specific legal matters raised by Ernst & Young concerning the structure of our transactions. DLA also supported the Board's position. Although the RPS Board remains of the view that these contingent deferred consideration payments can be treated as capital costs, as they were in the audited Report and Accounts 2010, the Audit Committee recommended the policy be changed to adopt the Ernst & Young interpretation. The Board accepted this recommendation. The cash position of the Group is unaffected by these changes.

The Audit Committee also considered the impact of this revised treatment on the 2010 accounts and recommended to the Board that the impact is not material as omitting that information from the comparative results in the Report and Accounts 2011 would not influence decisions that were made about the Group. The Board agreed the 2010 accounts have, therefore, not been restated.

The Board has now modified the Group's acquisition model to enable it to continue to implement its acquisition strategy without having to expense deferred consideration.

Group Prospects

RPS remains well positioned in markets of long term importance to the global economy. Our focus on Energy and energy infrastructure markets provides the Group with a substantial underpin to its prospects. We believe that our strategy of building multi-disciplinary businesses in each of the regions in which we operate to be attractive and achievable. We will, therefore, continue to develop our business organically, whilst seeking further acquisition opportunities. Our balance sheet is strong enough to continue to support this strategy.

We have come through the exceptionally challenging circumstances of the last three years in a strong position. We were able to deliver growth in 2011 and remain on track to produce further growth in 2012. The acquisitions made in 2011 have continued our international diversification. This is a trend we anticipate will continue, further strengthening our prospects.

Risk Management

The Group supplies a wide range of services in many markets and countries. This gives rise to a range of risks that are recognised, assessed and effectively managed. The Group's system of planning, budgeting and performance review assists with the identification and management of risk. The management of these risks is not separated from the business, but is treated as an integral part of our culture and the way we operate. Each of our businesses is expected to identify and take appropriate steps to mitigate risks associated with its operations. The Executive Committee oversees the management of risk to which the Group is exposed and reports those of a material nature to the Board together with recommendations for their mitigation. The principal risks to which the Group is currently exposed and is likely to be exposed in the future are outlined below.

Economic Environment

Continuing economic uncertainty may cause the Group's clients to cancel, postpone or reduce existing or future projects. Continuing projects may be subject to greater cost pressures. The consequence is that we have staff levels that exceed current workload and we therefore incur the cost of un-productive time. Although market factors are beyond our control, our exposure to a wide range of markets across the world mitigates the impact of downturn in any single market. Work on hand is monitored regularly in comparison to the productive capacity of our fee earning staff. Changing economic conditions in our various markets are closely monitored in order that pre-emptive action can, as far as possible, be taken.

Material Adverse Events

Adverse occurrences may impact our ability to deliver our services and our clients' demand for them. These are most likely to be of an environmental nature such as the catastrophic flooding that adversely affected both our own and our clients' operations in Queensland in 2011 and the Macondo oil spill in 2010 that led to a moratorium on deep water drilling in the Gulf of Mexico. Events of this type are impossible to predict but the range of countries within which we operate and markets we serve limits the impact upon the Group as a whole.

A lengthy failure or discontinuity in our IT systems could also have a significant impact upon our operations. The Group's IT systems are centrally managed with certain specific functions carried out locally. An annual Group plan is produced which includes measures designed to ensure reliability and resilience of the Group's systems as well as appropriate catastrophe planning. The Group has operations in a large number of locations, which would enhance its ability to withstand any individual failure or malfunction. The Group has never experienced a significant failure or discontinuity of this type.

Recruitment and Retention of Key Personnel

The Group's services are performed by well-qualified and professional employees with expertise across a wide range of areas. A failure to recruit and retain employees of appropriate calibre will, accordingly, impact our ability to meet our clients' requirements and correspondingly to maintain and grow our business. As described on pages 11 and 12 the Group maintains appropriate remuneration and incentive structures which are reviewed on a regular basis and maintains an environment that is supportive of professional development through training and career opportunity.

Market Position and Reputation

The Group's reputation for project delivery relies upon its public portrayal and the perception of existing and prospective clients.

A major failure of project management or delivery could, accordingly, impact our ability to win future work. The Group operates a range of appropriate management and quality control systems, many of which are externally accredited and are designed to enable our employees to provide a consistently high standard of work.

Compliance and Litigation

A failure to deliver our services in accordance with our contractual obligations may lead to a risk of the Group becoming involved in litigation. In addition, as the contracting environment has evolved, clients in some of our businesses have sought to transfer certain risks to the consultants it employs. The internal review processes operated by the Group seek to ensure that contractual risks are properly scrutinised and mitigated as far as possible whilst the management and quality control systems highlighted above minimise the risk of shortfalls in performance that may give rise to litigation. Appropriate professional indemnity insurance is also maintained in addition to a normal range of other commercial insurance covers.

The Group is subject to a range of taxation and legal requirements. A failure to comply with these obligations could give rise to legal liability, financial loss and reputational damage. The Group has in place appropriate internal controls to deal with such matters and employs appropriately qualified employees through whom it monitors and responds to the regulatory requirements of the countries in which it operates.

Business Acquisitions

As in the past the Group intends to develop and grow the business, in part, by making acquisitions. A failure to identify acquired liabilities or to integrate acquired businesses could have an adverse impact on the Group's performance and prospects. Detailed due diligence is performed on all potential acquisitions drawing upon both internal and external resources. This will include an assessment of the ability to integrate the acquired business within the Group. When a business is acquired detailed integration plans are developed and monitored to ensure successful integration into the Group and its control framework.

Funding

The Group's principal banking facility is a revolving credit of £125,000,000 with Lloyds Bank Plc. This facility expires in 2013 and a failure to replace it with a similar alternative could inhibit the Group's ability to fund acquisitions and correspondingly to achieve future growth. The Group's financial planning anticipates the expiration of the current facility and ongoing dialogue is maintained with appropriate financial institutions with a view to agreeing new facilities during 2012.

Health and Safety

The Group's activities require the monitoring and management of the health and safety of its employees as well as to sub-contractors, client personnel and the general public. A failure to manage this risk could expose the Group to significant potential liabilities as well as damage to reputation. Detailed health and safety policies and procedures are in place to minimise such risk. The Group's approach to the management of health and safety is described on page 14.

Employees

The current profile of the Group's employees and the changes over the last year are as detailed below

Group	2011	2010
Average number of employees		
Energy*	722	637
Built and Natural Environment – Australia Asia Pacific	855	792
Built and Natural Environment – Europe	3,000	2,831
Central	109	112
Group total	4,686	4,372
Days absent (%)	2	2
Average length of service (years)	6	6
Working part time (%)	10	9
Retention rate (%)**	80	84
Female (%)	30	29
Age profile		
Employees aged under 25 (%)	9	8
Employees aged 25-29 (%)	16	17
Employees aged 30-49 (%)	55	55
Employees aged 50+ (%)	20	20
*Also uses extensive number of associates/sub-consultants		
**excluding redundancies		

The attraction, retention and motivation of high calibre employees is a strategic imperative of the Group. To achieve this, the Group maintains appropriate remuneration structures as well as an environment in which employees are able to develop their skills in a way that can be applied to our clients' requirements.

Each of the businesses has the remit to put in place arrangements that meet their specific demands whilst working within the framework of overall Group-wide structures and systems. Human resource professionals are employed throughout the Group to support the achievement of this objective. Each of the Executive Directors has overall accountability for the development of human resource practice within the businesses for which they are responsible.

The Group's policies in relation to health and safety are described on page 14.

Employee Engagement

Building an environment in which employees feel engaged with their business and the Group as a whole is a key component of our strategy. This is of particular importance in ensuring the successful integration of newly acquired businesses. We have continued to develop the Group intranet as a means to communicate the Group's businesses and achievements as well as policies and procedures. Regular corporate newsletters also facilitate this flow of information. New employees receive an induction and regular staff appraisals facilitate open communication between employer and employee as well as identifying developmental needs.

The Group operates share plans across all its businesses aimed at giving employees a tangible interest in the Group's overall performance. Share purchase plans are accordingly open to the vast majority of our employees and enable them to purchase shares in the Company with the benefit of a matching share contribution from the Company. A performance share plan is also operated for more senior employees, which offers the potential to build an interest in the Company over a number of years.

Training and Development

The Group is committed to the education and development of its employees to enable them to realise their potential and effectiveness. Divisional directors and project managers are responsible for the management of training and verification of technical competence for project personnel in accordance with our quality management systems. Continuing professional development is of

particular importance for our professional employees who are required to demonstrate technical competence within their specific sectors. The Group accordingly supports a range of schemes through professional bodies and is a recognised training provider in a number of technical fields. By way of example approved structured training schemes are operated for our chartered water and environmental engineers through CIWEM in the UK and for our civil engineers in the UK and Ireland through MICE and MIEI. Employees are also encouraged to take an active involvement within professional and industry bodies. In Australia, for example, employees are significant contributors to the Society of Petroleum Engineers, The Urban Development Institute and the Property Council of Australia. During 2011 we acquired Nautilus which provides training to the Oil and Gas sector. This will enable us to improve technical training within the Group.

During 2011 RPS continued its long-term practice of supporting staff in pursuing relevant higher education courses. This involved sponsoring courses at a total of 37 universities and colleges across the United Kingdom, Ireland, USA and Australia.

Vacant positions within the Group are, wherever possible, filled from within and our developmental and training programmes support this objective. Prior to external advertisement any available posts are announced internally via the Group's Intranet.

Equal Opportunities

RPS provides equal opportunities for all its employees and potential employees regardless of their sex, sexual orientation, trans-gender status, religion or belief, marital status, civil partnership status, pregnancy, age, disability, race, colour, nationality, national or ethnic origins. The policy applies to the process of recruitment and selection, promotion, training and development, conditions of work, pay and benefits and to every other aspect of employment.

Corporate Responsibility

Commitment

The Group's corporate governance policies are described in detail elsewhere in the Report and Accounts and provide a framework within which it can look to achieve attractive levels of return for its shareholders whilst striking a balance between this objective and recognition of its obligations to its employees, clients and society in general. The Corporate Governance Committee exercises general oversight in relation to environmental, social and governance (ESG) matters although in the normal course of business the Board and the Executive Committee assess the risks and opportunities to which such issues give rise. In the Board's view it has adequate information to enable the proper assessment of these issues.

As noted in the Risk Management section of this report environmental issues are most likely to effect the Group through the impact material adverse events may have on the Group's trading. Whilst given the nature of its activities the Group's own impact on the environment is comparatively modest the Group's performance is monitored as outlined below and appropriate action to minimise impact taken where possible. The Group can, however, make a greater contribution to the environment through its own expertise and many of the projects with which it is involved. The Group advises international bodies, governments, local authorities and companies on the improvement of environmental performance. Projects include the development of strategies to reduce carbon emissions as well as the adaptation of buildings and infrastructure to anticipate climate changes.

The policies adopted by the Group in relation to employees are described elsewhere in this report and those relating to health and safety are described below. The risks associated with failures in both of these areas are described in the Risk Management section of this report. The Group recognises the importance of maintaining high standards of business conduct and contributing to the communities with which it is involved as detailed below. In the Board's view the challenges, risks and opportunities created by ESG issues as outlined in the Report and Accounts are unlikely to change significantly in the foreseeable future.

The Group remains a constituent member of the FTSE4 Good Index, which consists of those companies that satisfy a set of globally recognised standards in the area of corporate responsibility. It is also a participating member of the Carbon Disclosure Project providing data on an annual basis.

Standards of Business

The Group aims to be honest and fair in all aspects of its business. Through codes of conduct employees are required to adopt high standards of behaviour in their daily professional roles or when travelling on business. Employees are also required to be sympathetic to the cultures of and comply with the laws and regulations of the countries in which they operate, also giving due regard to the safety, the well being and the human rights of all project personnel and relevant local communities. All RPS employees must avoid personal or professional activities and financial interests that could conflict with their responsibilities to the Group. If a conflict of interest does arise then this must be acknowledged and reported. Employees must not seek personal gain from third parties or abuse their position within the Group for personal gain. The Group has a policy of zero tolerance towards acts of bribery.

Community Involvement

RPS has supported a range of community and charitable initiatives with gifts in kind and financial contributions throughout the year, mostly at office level. In 2011 the Group and its staff gave or raised £438,000 in charitable contributions (2010 £472,000). Taking into account the £250,000 spent on academic bursaries and educational initiatives (2010 £188,000), the total contribution of the Group and its employees to the communities in which it operates was £688,000 (2010 £660,000).

Tree Aid

The Group has for a number of years been an active supporter of Tree Aid and its programme of education, tree planting and woodland conservation programmes in Sub-Saharan Africa. This support has been sustained over several years through charitable contributions, fund raising and gifts in kind. In 2011 RPS was again acknowledged as the leading corporate sponsor of Tree Aid. The Group has agreed to focus its charitable contribution on Tree Aid by sponsoring two additional projects in Ghana and Mali for which funding of c. £330,000 over a three year period commencing in 2012 will be provided together with appropriate technical support from employees within the Group. We are proud to have further developed our association with this award winning work that assists some of Africa's poorest rural communities to succeed in the fight against poverty and the effects of climate change.

Environmental Management and Climate Change

Although as a consultancy organisation our impact on the environment is comparatively moderate, the Group seeks to keep this to a minimum through the adoption of appropriate standards and the setting of specific targets.

The Group endeavours to

- comply with all relevant national and regional legislation as a minimum standard

- comply with codes of practice and other requirements such as those specified by regulators and our clients,
- utilise suppliers that offer products which are sustainable, recyclable or environmentally sensitive wherever practicable and economic,
- promote practical energy efficiency and waste minimisation measures, and
- provide a shared inter-office IT network together with communications and video conferencing technology that reduces the need for business travel

To achieve these objectives appropriate training is provided to enable activities to be conducted in an environmentally sensitive manner and sufficient management resources are allocated to enable effective implementation of policies. Appropriate parts of the Group have achieved ISO14001 the internationally recognised environmental management system standard. Facilities for recycling office waste are in place at our offices. During 2011 our offices continued to recycle waste paper, spent toner and ink cartridges, obsolete computer hardware printers and mobile phones. Proceeds from this recycling are donated to charity.

The carbon footprint for RPS in 2010, recalculated in accordance with Greenhouse Gas Protocol and current Defra guidance amounted to 16,083 tonnes. Calculated on a similar basis the overall carbon footprint increased to 17,798 tonnes in 2011. This was in part the result of our expansion in the United States. In addition during 2011 the number of vehicles operated by our water business in the United Kingdom again increased significantly. A large number of these new vans are low carbon emission, which will progressively minimise the impact of this fleet on the overall footprint.

The specific target set by the Board is to reduce energy consumption per capita by 5% per annum for office energy consumption. This target was almost achieved in 2011 with office gas and electricity consumption decreasing on a per capita basis by 4.4% over the prior year from 3.64 MWh to 3.48 MWh per employee. Our ability to sustain improvement will, however, be dependent on economic circumstances, the continuing uncertain environment in which we operate means that the structure of our businesses may be affected in ways that make the achievements of our targets more challenging. Expansion in North America and Australia are likely to have an adverse effect as there are high carbon usage regions.

The Group's policies and objectives for environmental management are reviewed from time to time in the light of changes within the Group's businesses new legislation and emerging practice.

Health and Safety

The health and safety of the Group's employees is of paramount importance and we remain committed to the achievement of best practice standards that exceed the requirements of law. The Board receives and considers a report relating to health and safety at all regular meetings. The Board also sets the overall framework and standards for the management of health and safety the implementation of which is overseen by the Company Secretary. Within this context each of the Group's businesses is responsible for the development of appropriate safe working conditions and systems to protect employees, contractors visitors and others who may be affected by the Group's activities. Each business has appropriately qualified health and safety advisors to develop and implement these systems. Health and safety performance is reported to and reviewed by the Board as well as at operating company level. Each business within the Group has a system for reporting and investigating accidents, dangerous occurrences and work-related diseases. All such incidents are investigated to determine the root cause. Any significant incidents are reported within the Group as a whole and specifically brought to the attention of the Board.

Where appropriate activities are assessed for hazards with appropriate controls put in place and documented to ensure that risk is reduced to a satisfactory level. Health and safety systems are subject to regular audit. All employees are trained to ensure that they have the appropriate skills to carry out their job safely. Senior management are trained to ensure that obligations to employees for whom they are responsible are properly discharged.

OHSAS 18001 is an internationally recognised standard for health and safety management that is aligned with the ISO 9000 (Quality Management) and ISO 14000 (Environmental Management) standards. 33% of employees across the Group work in offices that now have third party accreditation to the OHSAS 18001 standard.

During the year the Group was neither prosecuted for the breach of health safety regulations nor subject to any investigation by regulatory authority. In 2011, the reportable accident rate was 2.3 accidents per 1,000 employees (2010 3.3). Accidents that do occur most commonly relate to manual handling activities, as well as slips and falls.

Reportable Accident Rates

Group	2011	2010
Reportable injuries	12	15
Reportable injuries incident rate per 1,000 employees	2.3	3.3

The Board

Brook Land

Non-Executive Chairman

Aged 62 Brook Land was formerly a senior partner of and is now a consultant to Nabarro. He is a director of a number of private companies. Until June 2008 he was Senior Independent Director of Signet Group plc. He was appointed to the Board in 1997 and is also Chairman of the Nomination Committee.

Dr Alan Hearne

Chief Executive

Aged 59 Alan Heame holds a degree in economics and a doctorate in environmental planning. Following a period of academic research into environmental planning he joined RPS in 1978, became a Director in 1979 and Chief Executive in 1981. Alan Heame was the plc Entrepreneur of the Year in 2001, was made a Companion of the Institute of Management in 2002, a member of the Board of the Companions in 2007, a fellow of Aston Business School in 2006 and an honorary Doctor of the University of Kent in 2011.

Gary Young

Finance Director

Aged 52 Gary Young graduated from Southampton University in 1982 and qualified as a Chartered Accountant in 1986 with Price Waterhouse. Before joining RPS he held a number of finance director roles including positions within Rutland Trust plc and AT&T Capital. He joined RPS in September 2000 and was appointed to the Board in November of that year.

Dr Phil Williams

Executive Director

Aged 59 Phil Williams joined the Group in September 2003 through the acquisition of Hydrosearch Associates Limited where he held the position of Managing Director. Phil joined Hydrosearch in 1981 and was appointed Managing Director in 1983. Over the next 20 years he led Hydrosearch as the company developed into one of the world's largest energy sector consulting groups. Phil was appointed to the Board in December 2005.

Robert Miller-Bakewell

Independent Non-Executive Director

Aged 59 Robert joined the Board in May 2010 and is serving an initial three year term. Robert was a Senior Director of Investment Research at Merrill Lynch from 1998 to 2008 and prior to this worked as an investment analyst with NatWest Markets and its predecessor companies. Over the previous twenty years his focus was on analysing and advising water, waste, transport and environmental infrastructure companies both in the UK and internationally. He is also a member of OFWAT's Future Regulation Panel. Robert is a member of the Audit and Nomination Committees as well as being Senior Independent Director.

John Bennett

Independent Non-Executive Director

Aged 64 John was appointed to the Board in June 2006. He is a Chartered Accountant with 30 years experience in the house building industry. He was Finance Director of Westbury plc, until it was acquired early in 2006. He has wide experience of financial management capital and debt raising, acquisitions and investor relations and he played a leading role in the strategic development of Westbury into a top ten volume house builder in the UK. John is serving a second three-year term. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

Louise Charlton

Independent Non-Executive Director

Aged 51 Louise was appointed to the Board in May 2008. She is Group Senior Partner of Brunswick Group LLP, the international corporate communications group of which she was a co-founder. Louise is a Director and Trustee of the Natural History Museum. She is serving a second three-year term and is a member of the Remuneration and Nomination Committees.

Tracey Graham

Independent Non-Executive Director

Aged 46 Tracey Graham joined the Board in September 2011 having been Chief Executive of Talans Limited, an international cash management business, until 2010. Tracey led the management buy-out of Talans from De La Rue Plc, backed by private equity house Carlyle in 2008. Prior to this Tracey was based in California where she was President of Sequoia Voting Systems, an election systems company. Tracey's background is in Banking and Insurance where she held senior positions with HSBC and AXA Insurance. She chairs the Remuneration Committee and is a member of the Audit Committee.

Report of the Directors

The Directors present their report together with the audited financial statements of RPS Group Plc and its subsidiary undertakings (the 'Group') for the year ended 31 December 2011

Results and dividend

The Consolidated Income Statement is set out on page 37 and shows the profit for the year. The Directors recommend a final dividend of 2.9p (2010: 2.52p) per share. This together with the interim dividend of 2.66p (2010: 2.31p) per share paid on 21 October 2011 gives a total dividend of 5.56p (2010: 4.83p) per share for the year ended 31 December 2011.

Principal activities and business review

The Group's principal activities and performance during the year and future prospects as well as its business model and strategy are described on pages 2 to 14. Financial key performance indicators can be found on page 2. The Board does not use non-financial key performance indicators to assess the Group as a whole, but parts of the Group do use non-financial key performance indicators from time to time. Consistent with its size and complexity, the Group has a large number of contractual relationships with clients and suppliers. In the Directors' view, however, there is no single contract or client relationship, which is essential to the Group's business. The principal operating subsidiary undertakings are listed in note 5 to the Parent Company Financial Statements.

The Business Review contains certain forward looking statements with respect to the financial condition, results of operations and businesses of RPS. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. The current uncertainty in global economic outlook inevitably increases the risks to which the Group is exposed. Nothing in the Business Review should be construed as a profit forecast.

Principal risks and uncertainties

The principal risks and uncertainties are reported on pages 9 and 10 in the Risk Management section of the Business Review.

Corporate Governance

The Directors report on corporate governance can be found on pages 21 to 26 and incorporates other parts of the Report and Accounts as detailed therein.

Substantial shareholdings

The Company is aware of the following interests in excess of 3% of the ordinary share capital of the Company as at 1 March 2012.

	No. of shares	Percentage
Aberforth Partners	20,732,360	9.48
Kames Capital	11,059,283	5.06
F & C Asset Management	10,563,336	4.83
Old Mutual Asset Managers	9,542,915	4.36
Impax Asset Management	8,717,245	3.99
Legal & General Investment Management	7,821,831	3.58
Montanaro Investment Managers	6,950,568	3.18
M & G Investment Management	6,685,769	3.06

Management & Governance

Directors

The Directors of the Company as at 31 December 2011 and their beneficial interests in the ordinary share capital of the Company were

	No. of shares at 31/12/11 and at 01/03/12	No. of shares at 31/12/10 and at 02/03/11
Brook Land	30,000	30,000
John Bennett	–	–
Louise Charlton	–	–
Robert Miller-Bakewell	5,000	5,000
Tracey Graham	5,000	–*
Alan Heame	12,030	12,030
Phil Williams	418,439	418,439
Gary Young	88,416	88,416

*As at date of appointment

In addition Roger Devlin and Karen McPherson acted as directors of the Company for part of the year until both retired from the Board on 6 May 2011. Peter Dowen also served as a director for part of the year until his retirement on 30 September 2011.

The Directors' interests under the Company's Share Incentive Plan were

	No. of shares at 31/12/11	No. of shares at 31/12/10
Alan Heame	8,154	6,643
Phil Williams	5,799	4,345
Gary Young	11,361	8,773

The Directors' interests under the Company's Executive Share Option Plan during the year are set out below

Director	1 Jan 2011 number	Exercised number	31 Dec 2011 number	Exercise price	Market value at date of exercise	Date from which exercisable	Expiry date
Alan Heame	62,500	–	62,500	111.0p	–	20/3/2008	20/3/2015
	28,157	–	28,157	146.5p	–	12/8/2008	12/8/2015
Gary Young	13,720	–	13,720	146.5p	–	12/8/2008	12/8/2015
Peter Dowen	32,500	32,500	–*	111.0p	236.5	20/3/2008	–
	15,051	15,051	–*	146.5p	236.5	12/08/2008	–

*As at date of retirement as a Director

The Directors' interests under the Company's Long Term Incentive Plan during the year are set out below:

Director		1 Jan 2011 number	Value of grant at date of grant £000s	Released	Lapsed	31 Dec 2011 number	Market Value of Shares at Grant
Alan Hearn	2008	127,419	395	–	127,419	–	310p
	2009*	275,261	395	–	–	275,261	143.5p
Phil Williams	2008	61,935	192	–	61,935	–	310p
	2009*	156,098	224	–	–	156,098	143.5p
Gary Young	2008	51,612	160	–	51,612	–	310p
	2009*	111,498	160	–	–	111,498	143.5p
Peter Downen	2008	44,129	137	–	44,129	–	310p
	2009**	95,331	137	–	95,331	–	143.5p

* As the performance conditions in respect of these grants will not be satisfied they will not be released and will lapse in March 2012

** Lapsed as at date of retirement as a Director

The market price of the shares at 31 December 2011 was 180.0p and the range during the financial year was 156.6p to 253.0p

None of the Directors were materially interested in any significant contract to which the Company or any of its subsidiaries were party during the year

Employees

The Group's policies in relation to employees are disclosed on pages 11 and 12

Charitable and community donations

During the year the Group made charitable donations in cash of £206,000. The Group made no contribution to political organisations during the year.

Supplier payment policy

The Group has due regard to the payment terms of suppliers and settles all undisputed accounts in accordance with payment terms agreed with the supplier. At the year end the Group had 38 days' purchases outstanding in respect of payments to suppliers and sub-contractors (2010: 33 days). At the year end the Company had 8 days' purchases outstanding in respect of payments to suppliers and sub-contractors (2010: 18 days).

Going concern

The Group's business activities: a review of the 2011 results together with factors likely to affect its future development and prospects are set out on pages 3 to 8. Note 16 to the Consolidated Financial Statements sets out the borrowings of the Group and considers liquidity risk, whilst note 29 describes the Group's approach to capital management and financial risk management in general.

The Group has had good cash flow for a number of years, has a modest amount of net bank debt at the year end and operates well within the financial covenants applying to the main bank facility that expires in July 2013. The Group is confident that it will renew or replace this facility this year.

The Group has a diverse range of businesses in a spread of geographies and as a consequence the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' responsibilities statement

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors Report and Remuneration Report which comply with the requirements of the Companies Act 2006

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and accuracy of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Each of the persons who is a Director at the time of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with the Companies Act 2006. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation. The Directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and its profit or loss for that period.

Parent company financial statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company for that period.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Directors' responsibilities statement pursuant to DTR 4

The Directors confirm that to the best of their knowledge

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- the 'Business Review' includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, and that the 'Risk Management' report includes a description of the principal risks and uncertainties that they face

Financial instruments

Details on the use of financial instruments and financial risk are included in note 29 to the Consolidated Financial Statements

Post balance sheet events

Since the year end the Group has exchanged contracts to dispose of that part of our Republic of Ireland business, part of Built and Natural Environment Europe which provides facilities management support to clients in Ireland. The consideration for the goodwill and contracts is €1,500,000. Certain other assets of the business will be sold at net book value whilst trade receivables will be retained and certain liabilities will be assumed by the acquirer. All staff engaged directly in this business are expected to transfer to the acquirer.

Additional information

The following additional information is provided for shareholders as a result of the implementation of the Takeover Directive into UK Law.

As at 31 December 2011 the Company's issued share capital consisted of 218,138,273 ordinary shares of 3p each. At a general meeting of the Company every holder of ordinary shares present in person is entitled to vote on a show of hands and on a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. There are no shares in issue that carry special rights with regard to control of the Company. There are no restrictions on the transfer of ordinary shares in the Company other than those that may be imposed by law or regulation from time to time.

The Company's Articles of Association may be amended by special resolution at a general meeting of the shareholders. Directors are appointed by ordinary resolution at a general meeting of the shareholders. The Board can appoint a Director but anyone so appointed must be elected by an ordinary resolution at the next general meeting. Under the Articles of Association any Director who has held office for more than three years since their last appointment must offer themselves for re-election at the next annual general meeting. It is the Company's policy, however, that all Directors should stand for annual re-election.

The Directors have power to manage the Company's business subject to the provision of the Company's Articles of Association, law and applicable regulations. The Directors have power to issue and buy back shares in the Company pursuant to the terms and limitations of resolutions passed by shareholders at each annual general meeting of the Company. No such power was exercised during the year under review.

Directors' interests in the share capital of the Company are shown in the table on page 17. Substantial shareholder interests of which the Company is aware are shown on page 16.

The Company is party to a number of commercial agreements which, in line with normal practice in the industry, may be affected by a change of control following a takeover bid. None of these agreements are, however, considered to be of material significance. There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment resulting from a takeover bid.

Annual General Meeting

The Annual General Meeting will be held on 4 May 2012. The Notice of Annual General Meeting circulated with this Report and Accounts contains a full explanation of the business to be conducted at that meeting. This includes a resolution to re-appoint Ernst & Young LLP as the Company's Auditors.

By order of the Board


Nicholas Rowe

Secretary

7 March 2012

Registered Office

20 Milton Park

Abingdon

Oxfordshire OX14 4SH

Registered in England No 02087786

Corporate Governance

Chairman's Introduction

The introduction to the new Combined Code (now renamed the UK Corporate Governance Code) recommends that the Chairman should report personally how the principles relating to the role and effectiveness of the Board have been applied. I am happy to have the opportunity to do this. The report below explains our compliance against the detailed provisions of the Code as well as giving a more detailed view of the activities of the Board and its Committees. It shows a high degree of compliance. As Chairman I have the key roles of providing leadership to the Board and ensuring we maintain an environment to enable the Board to perform effectively. Having in place appropriate governance structures is a vital component in meeting these objectives and I strongly believe that the Board of RPS Group plc achieves this.

The development and membership of the Board is a dynamic process, which is kept under close review. During 2011, one Executive Director retired after over 20 years' service and two Non-executives resigned, one having served nine years and the other seven years. We have transitioned well from having five executives on the Board two years ago to three now. We recruited as an additional Non-executive with the assistance of external consultants Tracey Graham who brings extensive international business experience to the Board. As far as the other Non-executives are concerned John Bennett who chairs the Audit Committee after many years in public company Finance Director roles, Robert Miller Bakewell who has over 30 years' city experience and Louise Charlton, who has extensive corporate communications experience have all made a significant contribution. Of the four Non-executives on the Board you will also see that two are female!

Our annual Board performance review provided the opportunity for our collective and individual performance to be tested and reviewed. The Board was faced with a major challenge this year due to our new auditors sudden and surprise announcement that they interpret IFRS3 (2008) differently from our previous auditors. The detail of this and its implications are explained elsewhere. However from a governance perspective I can report that both the Audit Committee (superbly chaired by John Bennett) and the Board responded exceptionally well and successfully minimised the impact of this event on the operation and performance of the Group. In my view such events are the best test of the quality of a Board and I believe the RPS Board could not have responded any better. The management of the audit was below the standard we expect. I have therefore asked the Audit Committee to see what can be done to improve this going forward.

In addition to the traditional Board Committees (Audit, Remuneration, Nomination and Governance), the involvement of the Non-executives outside the Board Room enables them to have a better understanding of the operational issues facing a group which has diversity in both geography and disciplines. The Board actively encourages Non-executives to take the time to visit and engage directly with our businesses, in addition to the updates they receive at our regular Board meetings.

During the year the Board has continued to review the Group strategy and performance as well as scrutinizing proposed acquisitions. In addition the Board has continued to oversee the maintenance of appropriate systems, controls and employment policies to underpin the Group's commercial strategy. All of these matters are reflected in the Board's agenda and I am pleased that all our directors contribute actively to these discussions.

We will continue to develop our processes, procedures and systems as the Group and the wider governance environment evolves. The performance of RPS over the last three challenging years suggests we have firm foundations on which to build.

Brook Land
Chairman

Corporate Governance Committee

The Corporate Governance Committee is responsible for overseeing the Group structure and organisation and evaluating these in the context of developments in standards of corporate governance. The Committee keeps the Board and its other committees apprised of developments that may impact their structure and activities. It also oversees the policies described in the Corporate Responsibility Statement as well as the Group's environmental policies. The Committee consists of the Chairman, Chief Executive and Company Secretary.

Combined Code

The Company has throughout the year to 31 December 2011, complied with all provisions of the UK Corporate Governance Code (the 'Code') except that in a period of transition from 6 May 2011 when Roger Devlin and Karen McPherson retired from the Board and 12 September 2011 when Tracey Graham was appointed (a) less than half the Board, excluding the Chairman, consisted of Independent Non-Executive Directors and (b) the Audit and Remuneration Committees consisted of only two members. In the period prior to 6 May 2011 and since 12 September 2011 the Company has been fully compliant with the Code.

Board Responsibilities

The Board has a schedule of matters that are reserved for its decision, which includes the matters summarised below

- Determining the Group's overall strategy
- Approving annual budgets and financial reporting including annual and half year results and interim management statements
- The approval and recommendation of dividends
- The approval of significant acquisitions and disposals
- The approval of policies and systems for risk management and assurance
- The approval of overall policies and plans for human resources
- The appointment of key advisers to the Group
- The approval of major items of capital expenditure
- The settlement of major litigation

Board Structure

At the date of this report the Board comprised three Executive and five Non-Executive Directors including the Chairman. During the year, as noted above, Roger Devlin and Karen McPherson both retired as Non-Executive Directors and Tracey Graham was appointed as a Non-Executive Director. In addition Peter Downen, an Executive Director, retired and left the Board. The Executive Directors are responsible for the day-to-day management of all the Group's business activities.

The Non-Executive Directors are, in the opinion of the Board, all independent of management and contribute independent judgement as well as extensive knowledge and experience to the proceedings of the Board. The Chairman was independent on appointment. The Non-Executive Directors are appointed for three-year terms which may subsequently be extended. Any term beyond six years for a Non-Executive is rigorously reviewed, looking at the requirement to refresh the Board. All directors are subject to annual re-election by shareholders.

The Chairman and Chief Executive have clear and distinct roles. The key functions of the Chairman are to conduct Board meetings as well as meetings of shareholders and to ensure that all Directors are properly briefed in order to take a full and constructive part in Board discussions. The Chief Executive's role is to develop and lead business strategies and processes to enable the Group's business to meet the requirements of its clients and the needs of its staff and shareholders.

The Senior Independent Director is available to shareholders who wish to raise concerns that cannot be resolved through the Chairman, Chief Executive or Finance Director. During the year Roger Devlin acted as Senior Independent Director until his retirement from the Board on 6 May 2011 from which time Robert Miller-Bakewell assumed this role.

The Board is assisted by the Audit, Remuneration, Nomination and Corporate Governance Committees, all of which activities are described in this report. The Chairman of each Committee provides updates as to its activities at Board meetings.

The table below shows the number of Board and Committee meetings attended by each of the Directors during the year.

	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance
Brook Land	9	–	–	2	2
Alan Heame	9	–	–	–	2
Gary Young	9	–	–	–	–
Peter Downen*	5	–	–	–	–
Phil Williams	9	–	–	–	–
Roger Devlin*	2	1	2	–	–
Karen McPherson*	3	–	2	2	–
John Bennett	9	5	3	–	–
Louise Charlton**	8	–	1	2	–
Robert Miller-Bakewell †	9	5	–	–	–
Tracey Graham*	4	2	1	–	–
Number of meetings held	9	5	3	2	2

* Served as Directors and Committee members for part-year only

** Served as Remuneration Committee member for part year only

† Served as Nomination Committee member for part year only

Board Operations

The Board generally meets on a monthly basis, except during holiday periods, but may meet more frequently should circumstances require. The Board agenda gives significant focus to business performance and strategy. Comprehensive papers are circulated well in

Management & Governance

advance of Board meetings. These include general updates and briefings on significant issues from each of the Executive Directors and the Company Secretary. These reports and other matters of immediate importance are discussed by the Board. Presentations on the operations of particular operating companies are made from time to time. The Company Secretary assists the Chairman in ensuring that Board procedures are followed and advises on matters of Corporate Governance. The services of the Company Secretary are available to Directors generally.

The Executive Directors meet formally at least once a month. The Executive Committee, which consists of the three Executive Directors supported by the Company Secretary, is responsible for all operational matters within the Group subject to those matters that remain reserved for the Board. The minutes of Executive Committee meetings are circulated to the Non-Executive Directors for review.

Where Directors have concerns that cannot be resolved regarding the management of the Company or a proposed action, these concerns are recorded in the Board minutes. In accordance with Company policy any concerns expressed by a Director on resignation are provided in a written statement, to the Chairman for circulation to the Board.

The Company's Articles of Association contain provisions that allow Directors to authorise conflicts in accordance with the Companies Act 2006. These provisions enable the Directors to authorise a conflict, subject to such terms as they may think fit, which may include exclusion from voting in respect of the relevant issue and exclusion from information and discussion relating to the matter. The procedure approved by the Board for authorising conflicts reminds directors of the need to consider their duties as directors and not grant an authorisation unless they believe, in good faith, that this would be likely to promote the success of the Company. A potentially conflicted Director cannot vote on an authorising resolution or be counted in a quorum for that purpose. Any authority granted may be terminated at any time and the director is informed of his obligation to inform the Company without delay should there be any change in the nature of the conflict authorised. In addition, the Board requires the Nomination Committee to check that any individual it nominates to the Board is free of any potential conflict of interest. No actual or potential conflicts of interest arose during the year under review.

There is an agreed procedure for Directors to take independent professional advice and training at the Company's expense. The Company maintains Directors and Officers liability insurance with a current limit of indemnity of £20m.

The Group's general strategy and its related business model are described on page 3.

Board Performance

The Board undertakes an annual appraisal of its performance. Directors are asked to complete a detailed review relating to the general operation of the Board and its Committees as well as performance against group strategy. The results are discussed with the Chairman and a summary of the principal findings is presented to and discussed by the Board. Where appropriate the Board agrees changes to process and structure that are necessary to address the issues arising. Such a review was undertaken during 2011 and although no major issues arose, some reorganisation of the Board and Board Committee timetable was subsequently agreed in order to facilitate a more efficient transaction of business. In addition the review process highlighted a need to complement the Board's skills through the recruitment of a Non-Executive Director with international management experience, this was achieved on the appointment of Tracey Graham to the Board.

The Non-Executive Directors hold meetings with the Chairman without the Executives present at least twice a year. The Non-Executives, led by the Senior Non-Executive Director, meet on an annual basis to appraise the Chairman's performance. The Executive Directors have their performance individually reviewed by the Chief Executive against annually set objectives. The Chief Executive has his performance reviewed by the Chairman and Senior Independent Non-Executive Director. The Board's annual appraisal process incorporates a review of the performance of Non-Executive Directors.

Directors receive an induction on appointment including considerable information on the Company as well as the Board and its procedures. They also meet other members of the Board to be briefed on strategy, financial matters and other key issues. Advice is available from the Company's solicitors if required. During the year updates are provided on key technical issues as required including those relating to corporate governance and corporate social responsibility. Non-Executive Directors undertake regular visits to operating companies in order to improve understanding of more operational issues.

The Board is mindful of the provisions of the Code indicating that an externally facilitated performance review should be carried out at least once in every three years and is considering its options in this regard. We are concerned that few of those offering such services can claim to be experienced and independent.

Communication

The Company attaches great importance to communication with its shareholders and other stakeholders. In addition to regular financial reporting the Group website provides up-to-date information about its organisation, the services it offers and newsworthy subjects. The Company also responds to numerous letters and enquiries from shareholders and others with an interest in the Group.

In addition to presentations of full and half-year results, senior executives led by the Chief Executive hold meetings with the company's principal shareholders to discuss the Company's strategy and performance. The Chairman and Senior Independent Director are also available to discuss issues with major shareholders. An investor relations report is presented at all regular Board meetings to ensure that the Board is kept aware of the views of major shareholders and the investment community generally.

The Chairman of each of the Board Committees attends the Annual General Meeting and is available to answer questions.

Audit and internal controls

The respective responsibilities of the Directors and the independent auditors in connection with the accounts are explained on pages 19, 20 and 35 and the statement of the Directors in respect of going concern appears on page 18.

The Board has throughout the year and up to the date of approval of the financial statements had procedures in place as recommended in the guidance in the UK Corporate Governance Code and "Tumbull: Guidance on Internal Controls". The principal risks to which the Group is exposed and the measures to mitigate such risks are described on pages 9 and 10.

The Board is responsible for the Group's system of risk management and internal control, which are designed to provide reasonable but not absolute assurance against material misstatement or loss. The Board reviews from time to time the effectiveness of the system of internal control and risk management from information provided by management and the Group's external auditors. Such a review was undertaken during 2011, the outcome of which was satisfactory. The key procedures that the Directors have established to provide effective internal financial controls are as follows:

Financial reporting The results for the Group are reported to and reviewed by the Board on a monthly basis. A detailed formal budgeting process for all Group businesses culminates in an annual Group budget which is approved by the Board.

Financial and accounting principles and internal financial controls assurance Accounting policies and guidelines are issued to all accounting teams including those of acquired companies. These set out the principles and minimum standards required by the Board for effective financial control. Compliance with these policies and guidelines is reviewed on a regular basis.

Capital investment The Group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired.

Treasury the Group operates a central treasury function that undertakes required borrowing and foreign exchange transactions as well as the daily monitoring of bank balances and cash receipts. Appropriate payment authorisation processes are in place in all parts of the Group.

Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors, John Bennett, Robert Miller-Bakewell and Tracey Graham. Roger Devlin served as a member of the Committee until his retirement from the Board and Tracey Graham was appointed as a member on her joining the Board. The Committee has written terms of reference which are available on the Company's website and on request from the Company Secretary. Although the Board considers that all current members of the Committee have experience that is relevant to the role, John Bennett, who is a Chartered Accountant, is the member of the Committee specifically identified as having recent and relevant financial experience.

The major issue the Committee dealt with during the year arose when Ernst & Young indicated that it did not agree with the Group's interpretation of IFRS3 (2008) Business Combinations that it contains a rebuttable presumption in respect of the treatment of contingent deferred consideration, relating to transactions completed since 1 January 2010. Ernst & Young's view is that the deferred consideration due to vendors that is contingent on their continued employment, should be expensed through the profit and loss account, rather than being treated as capital cost, as the Group has done previously. Ernst & Young's review of the Group's 2011 interim results had not raised this as an issue.

In view of this, and given the previous auditors' certification of the Group accounts at 31 December 2010, the Audit Committee commissioned an independent opinion from another 'big 4' firm. This supported the Group's interpretation of IFRS3 (2008). DLA Piper, the Group's lawyers, were also asked to give an opinion on specific legal matters raised by Ernst & Young concerning the structure of our transactions. DLA also supported the Board's position. Although the RPS Board remains of the view that these contingent deferred consideration payments can be treated as capital costs, as they were in the audited 2010 report and accounts, the Audit Committee recommended the accounting treatment be changed to adopt the Ernst & Young interpretation. The Board accepted this recommendation.

The Audit Committee also considered the impact of this revised treatment on the 2010 accounts and recommended to the Board that the impact is not material as omitting that information from the comparative results in the Report and Accounts for 2011 would not influence the decisions that users make about the Group. The Board agreed, the 2010 accounts have, therefore, not been restated.

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The Audit Committee has reviewed and supports the Board's new preferred measures of Group profitability, including profit before tax, amortisation and transaction related costs ("PBTA") and adjusted earnings per share. The Committee and Board consider these provide more meaningful measures than statutory profit before tax and earnings per share.

The Committee reviews and approves audit plans with the Auditors prior to work being undertaken and reviews the integrity of the Group's financial statements and announcements prior to their submission to the Board. This review includes ensuring that statutory and associated legal and regulatory requirements are met as well as considering significant reporting judgements, the adoption of appropriate accounting policies and practices and compliance with accounting standards. As part of this process the Committee receives reports on the scope and outcome of the annual audit and management's response to this. The Committee also monitors the effectiveness of the Group's internal financial controls and risk management processes, this included assisted the Board in conducting the review of internal controls described above. The Audit Committee regularly reviews the need for an internal audit function and remains of the view at present the financial controls operating throughout the Group and the reviews undertaken by the Group Finance function are adequate without a dedicated internal audit function.

The Audit Committee keeps the scope, cost and effectiveness of the external audit under review as well as making recommendations as to the annual re-appointment of Auditors. During the year the Committee undertook a review of the external audit appointment following which a competitive tender process was initiated and Ernst & Young LLP was appointed as Auditor. The independence and effectiveness of the external auditor will continue to be subject to annual review and audit partners rotated at least every five years. As part of its responsibility to ensure independence and objectivity the Committee has adopted a policy to determine the circumstances in which Auditors may be permitted to undertake non-audit work for the Group. Under the terms of this policy the provision of certain services are prohibited and include those listed below:

- bookkeeping services
- preparation of financial statements
- design and implementation of financial systems
- valuation services
- investment advisory, broker and dealing services
- general management services

Certain other services are approved up to agreed financial limits with the provision of such services beyond those limits requiring approval of the Committee. The following fall within this category:

- taxation services
- transaction support including due diligence
- advice relating to risk management and controls
- accountancy advice and training

The provision of any service at any level that does not fall within the above categories requires the approval of the Committee.

The split between audit and non-audit fees for the year under review appears on page 51.

The Committee also keeps under review the means by which staff may, in confidence, raise concerns about financial improprieties relating to financial reporting, internal control or other matters. The company's procedure allows for any such matters to be reported to the Company Secretary who will ensure that any such matters are properly investigated and reported to the Audit Committee and the Board. Any individual raising a concern need not disclose their identity and if such identity is disclosed it will not be passed on without the consent of that individual.

Nomination Committee

The Committee meets as required but not less than once a year and comprises the Non-executive Chairman, Brook Land and two Independent Non-Executive Directors, Louise Charlton and Robert Miller-Bakewell. The Committee's key responsibilities include reviewing the Board structure, size and composition as well as evaluating the balance of skills, knowledge and experience which may be required in the future and making recommendations to the Board accordingly. It is also responsible for nominating candidates to the Board when vacancies arise, recommending Directors who are retiring to be put forward for re-election and where appropriate considering any issues relating to the continuation in office of any Director. It has written terms of reference which are available on the Company's website and on request from the Company Secretary.

The Committee believes that the Board as currently constituted provides an appropriate range and balance of skills and experience. The Executive Directors have many years experience with the Company and of their specific roles. The Non-Executive Directors, as their biographies indicate, have skills ranging across senior level corporate management, finance, law, investment analysis and corporate communication. The Committee, however, keeps Board succession planning and the need to retain Board balance under careful review. Succession plans deal specifically with each of the roles undertaken by the Executive Directors whilst taking into account the developing needs of the business. Account is also taken of the need to periodically refresh the Non-Executive complement and ensure that they continue, as noted above, to provide the range and balance of skills required. The Committee and the Board have remained cognisant of

the need to encourage Board diversity and during the year the Company announced its view that a female representation of 25 per cent Board membership was an appropriate level. On the appointment of Tracey Graham to the Board this level was achieved.

When Directors are appointed to the Board, this is through a formal, rigorous and transparent process. Tracey Graham was appointed as a Non-Executive Director on 12 September 2011. This followed a careful evaluation of the skills currently available at Board level and how these could best be enhanced and balanced. A job specification was prepared and a shortlist of candidates prepared using the services of an external search agency. After a number of detailed and rigorous interviews, the Committee concluded that Tracey Graham's skills and experience offered a strong match with the Company's requirements. The appointment was only then made following meetings with other Directors and final consideration of the appointment by the Committee and the Board.

John Bennett whose second three year term as a Non-Executive Director will expire at the forthcoming Annual General meeting has agreed to continue for a further three year term. This further term was only agreed after careful scrutiny bearing in mind the need to achieve the appropriate balance between the retention of acquired experience and refreshment of the Board.

Remuneration Committee

The membership and activities of the Remuneration Committee are described in the Remuneration Report on pages 27 to 34.

Takeover Directive

Disclosures required under the Takeover Directive are included on page 20 and form part of the Group's Corporate Governance report.

Remuneration Report

The Committee currently comprises Tracey Graham (Chair), John Bennett, and Louise Charlton all of whom are Independent Non-Executive Directors. Karen McPherson and Roger Devlin both served as members of the Committee for part of the year until they retired as Directors. Louise Charlton was appointed to the Committee during the year and Tracey Graham was appointed as Chair of the Committee on her appointment as a Director. The principal responsibility of the Committee is to determine the remuneration of the Executive directors including pension rights and any compensation payments. The Committee also monitors the level and structure of remuneration for the Group's senior management. The Committee's detailed terms of reference are available on the Company's website and on request from the Company Secretary.

The Chairman of the Company and the Chief Executive have both assisted the Remuneration Committee in its deliberations on other Directors' remuneration. The Company Secretary is in attendance at the meeting to provide the Committee with any additional advice that is required. The Committee has continued to receive wholly independent advice on executive compensation from PricewaterhouseCoopers ('PwC'). PwC provide no other services to the Group.

Details of frequency and attendance at meetings of the Committee are detailed on page 22.

Remuneration policy

The Remuneration Committee's policy for 2011 was to set the main elements of the remuneration package in order to reflect

- the performance of the individual concerned,
- the performance of the business unit(s) for which he/she is responsible,
- in the case of the Group directors, the performance of the Group as a whole, and
- the relevant market(s) for the executives and the terms and conditions prevailing in those markets.

The Committee recognises that the main competitors of the Group and, therefore, comparators for their remuneration are found outside the group of companies that are listed. In consequence, the Committee needs to reflect that in its deliberations including RPS market leading position in a number of those markets. The Committee is, in addition, mindful of trends and best practice amongst listed companies of a similar size in the Support Services sector.

The policy is designed to attract, retain and motivate individuals by providing the opportunity to earn competitive levels of compensation provided performance is delivered, whilst remaining within the range of compensation offered by similar companies.

Directors' remuneration is the subject of annual review in accordance with this policy. Additionally, it focuses on the contribution to the continued long-term growth and success of the Company and seeks to align Directors' interests with those of the Company, employees and shareholders.

The table below shows the proportion of the maximum potential compensation that is performance related for each

Executive Director

Analysis of fixed versus performance related pay for Executive Directors 2011		
	Fixed %	Variable %
Alan Heame	35.1	64.9
Gary Young	44.9	55.1
Phil Williams	44.4	55.6
Notes		
Fixed compensation comprises: Basic salary, Pension Contribution, Benefits		
Variable compensation comprises: Maximum contribution under the Bonus Plan		

Base salary

When determining the salary of the Executive Directors the Remuneration Committee takes into consideration

- the performance of the Group as a whole,
- the performance of the individual Executive Director both for the Group and the businesses under his control,
- pay and conditions throughout the Company; and
- the market conditions in the sectors in which the Group operates.

In addition, the salaries and overall remuneration packages of Executive Directors are benchmarked against independently established groups of listed companies operating within the same sector as the Company

Remuneration Review

During the year an independent review of base salaries and total compensation (the 'Review') was undertaken on behalf of the Remuneration Committee by PwC. The review of total compensation utilised PwC's standard methodology to compare the total of base salary on target bonus, the expected value of long term incentives and pension benefits in respect of companies within the comparator group with the equivalent compensation for the Company's Executive Directors

The first grouping reviewed (the 'Main Comparator Group') consisted of the following companies which are broadly the same as those the Remuneration Committee has used in previous years

Aggreko Plc	Hays PLC/Homeserve PLC	Premier Farnell PLC/Regus PLC
Amec Plc	Interserve PLC	Serco Group Plc
Ashtead Group Plc	Intertek Group PLC	Shanks Group Plc
Atkins WS PLC	John Menzies Plc	SIG PLC
Babcock International Group	Lavendon Group Plc	Speedy Hire PLC
Bunzl PLC	Michael Page International Plc	SThree PLC
De La Rue Plc	Mitie Group	Travis Perkins PLC
Electrocomponents Plc	Mouchel Group PLC	White Young Green PLC
Filtrona PLC	PayPoint PLC	WSP Group PLC

In addition a sub-set of the main Comparator Group (the 'International Sub-set') was used. This consisted of the constituents of the main group that generate in excess of 60% of their turnover from overseas. The Group is becoming increasingly international with over two-thirds of operating profit now generated from outside of Europe. The demands placed upon the Executive Directors in managing a substantially more complex multi-national Group have therefore grown significantly. Correspondingly the market in which the Group competes for executive talent is increasingly international. The Remuneration Committee therefore considers the International Subset an important comparator group for the purpose of considering Executive Directors' remuneration.

The International Sub-Set consists of the following companies

Aggreko Plc	Filtrona PLC	Regus PLC
Amec Plc	Hays PLC	Shanks Group Plc
Ashtead Group Plc	Intertek Group PLC	WSP Group PLC
Bunzl Plc	Michael Page International Plc	
Electrocomponents Plc	Premier Farnell PLC	

The Committee also undertook a separate review of the UK Energy sector at Divisional Board level for Phil Williams the Executive Director responsible for the Group's operations in this sector. The review was undertaken using data taken from PwC's proprietary database and conducted at Divisional level to take account of the large size of companies operating within this sector. The Divisional data would not, however, take account of additional responsibilities commensurate with being a director of a listed company. The Committee felt that this separate review was required to reflect the importance of the Group's Energy business and the very competitive market for executive talent within the Energy sector. The positioning of the Executive Directors relative to the relevant comparator groups is summarised below.

In respect of the Chief Executive Alan Hearne, the review showed 2011 base salary to be between lower and median quartile in respect of the Main Comparator Group but below lower quartile in respect of the International Subset. Total compensation in 2011 was below lower quartile in respect of both of these comparator groups.

In respect of the Finance Director Gary Young, base salary and total compensation were below lower quartile in respect of both the Main Comparator Group and the International Subset.

For Phil Williams, the Executive Director responsible for the Group's Energy business, the review showed that base salary was above median in respect of the Main Comparator Group and between lower quartile and median against the International Subset. Against the Energy Sector data base salary was above median. In respect of total compensation, however, he was placed at or below lower quartile in respect of all three comparator groups.

In addition to the consideration of appropriate benchmarking information the Committee has considered other factors in reviewing levels of remuneration. As noted above the Group has become increasingly international, the proportion of the Group's operating profits generated from outside the United Kingdom increased having more than doubled between 2006 and 2011 so that more than two thirds of operating profit is generated from outside Europe. The complexity of the issues with which the Executive team are now

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required to deal has increased correspondingly as well as the demands imposed by working across international time zones and far greater international travel. These pressures have been magnified by a reduction in the size of the Executive team that numbered five at the start of 2009 but has now reduced to three and which has required all to assume additional responsibilities.

The Committee is also mindful of the relationship between the value of remuneration paid to the Board and Group performance. The table below shows the total value of remuneration payable to Directors over a five year period and its relationship to reported Group profits.

£000s	Basic salaries	Annual bonus*	Share plans**	Pension costs	Benefits in kind	Ned fees	Total costs	PBTA	Remuneration Received as % of PBTA
2007	1,180	713	3,788	122	61	183	6,047	45,010	13.43
2008	1,283	795	1,629	133	64	206	4,110	57,512	7.15
2009	1,272	—	567	133	61	235	2,268	52,472	4.32
2010	1,131	356	524	109	48	252	2,420	47,993	5.04
2011	1,145	628	54	124	59	249	2,259	50,812	4.40

* Represents sums paid under the annual bonus plan between 2007 and 2009 and sums paid under the Bonus Banking Plan in respect of 2010 and 2011.

** Represents gains made under the Long Term Incentive Plan and the Executive Share Option Plan by reference to the market price of shares at the time of maturity of award or exercise of share option.

Total remuneration received by Directors over this period relative to Group performance has, therefore, followed a downward trend.

The Committee has access to pay and conditions of other employees within the Group when determining remuneration for the Executive Directors. Also considered the relationship between general changes to pay and conditions within the Group as a whole.

In setting remuneration for 2011 and 2012 the Committee therefore took account of the competitive nature of the markets within which the Group operates, appropriate benchmarking data, changes in the nature of the Group and executive responsibilities, pay and conditions within the Group and overall costs to the Group. Placed in this context the Committee concluded that the changes detailed below were reasonable and struck an appropriate balance between providing remuneration packages that remain competitive but which are not excessive relative to these various factors.

Changes to Remuneration in respect of 2011

In respect of the salary review undertaken as at 1 January 2011, the Committee increased the base salary of Alan Heame by 5% to £425,000, the base salary of Phil Williams by 11.5% to £320,000 and that of Gary Young by 9.75% to £225,000.

Changes to Remuneration in respect of 2012

In the interests of transparency the Remuneration Committee is also disclosing the changes to Executive Remuneration that took effect from 1 January 2012.

In respect of the salary review undertaken at this time the Committee increased the base salary of Alan Heame by 5% to £446,000, the base salary of Phil Williams by 6.25% to £340,000 and that of Gary Young by 3% to £231,750.

With effect from 1 January 2012 the Committee agreed that, in lieu of pension contributions, a salary supplement of 25% of basic salary would be payable to Alan Heame. This payment does not rank for the purposes of calculating payments under the Bonus Banking Plan or other employee benefits linked to salary.

It was also agreed that the employer pension contribution payable for Phil Williams should, with effect from 1 January 2012, be increased from 15% to 17.5%. In addition the maximum annual contribution payable to Phil Williams under the Bonus Banking Plan was increased from 150% to 175% of base salary.

RPS Group Plc Bonus Plan (the 'Bonus Plan')

Background

The Bonus Plan was introduced with effect from 1 January 2010 and 2011 was therefore its second year of operation. This single plan replaced the Company's Long Term Incentive Plan (LTIP) and the annual bonus plan that operated up to 31 December 2009. The Bonus Plan, the rationale for which was set out in last year's report, was introduced following consultation with the Company's major shareholders. The principal details of the Bonus Plan and its operation in 2011 are set out below.

Summary of the Main Features of the Bonus Plan

The Bonus Plan is based on a percentage of the PBTA earned during a three year period which is used to create a bonus pool. 50% of the bonus pool is paid out in year 1, 50% of the cumulative balance of the bonus pool may be paid out in year 2 and the cumulative balance (after payments in years 1 and 2 and contribution to the pool in respect of year 3) may be paid out as a larger final payment at the end of year 3.

The key features of the Bonus Plan are:

- at the beginning of the plan period participants have a plan account to which bonus units are allocated. These bonus units will only have value if the Company makes a contribution to the Plan. On the basis that the threshold profit is exceeded and a contribution is made into the Plan a number of the bonus units will be eligible for release each year. The Remuneration Committee has discretion when determining how many eligible bonus units to release (and therefore the level of annual payment received by the participant) to take into account individual and wider Company and divisional financial and non financial performance, including the Company's sustainability, environmental and corporate governance record,
- the contribution to the Plan is calculated on the following basis:
- the Remuneration Committee sets the threshold profit at the beginning of each financial year. Only in exceptional circumstances will the Committee amend the threshold profit once it has been set,
- up to 3% of the total PBTA for the financial year will be contributed to the Bonus Plan for the Executive Directors provided that the threshold profit is met or exceeded. This is subject to an individual cap as a percentage of salary. The Remuneration Committee considers a 3% maximum contribution to be appropriate based on the historic incentives costs of the Executive Directors of the Company and their counterparts in the other constituents of the Support Services Sector.
- if the actual PBTA for the financial year is less than the threshold profit, 15% of the difference will be deducted from the value of funds held in the Plan provided that the value cannot be less than zero,
- there is a maximum contribution that can be made to a participant's plan account in respect of any financial year (see below)
- the value of deferred contributions in a participant's plan account is held in shares,
- participants will be entitled to the release of bonus units with an aggregate bonus unit price equal to 50% of the balance of their Plan accounts at the end of each financial year, with the final balance of the Plan account paid at the end of the third year.

The following section of the report sets out the principal terms on which the plan operated in 2011.

Maximum Contribution 2011

Name	Maximum Contribution under the Plan (%age Salary)	Maximum Contribution for 2011
Alan Heame	200%	200%
Gary Young	150%	150%
Phil Williams	150%	150%

Profit & Contribution Thresholds for 2011

Level	Level 0	Level 1	Level 2
PBTA Threshold (this figure is net of all bonus costs including the bonus costs under the Plan for this financial year)	<£48m	£48m	£53.5m
Bonus Plan Contribution Percentage		1%*	3%*
Bonus Plan Deduction Percentage	15%		

*Straight line between points.

The Bonus Plan PBTA for 2011 was £50.8m which generated a Total Plan Contribution of £1,028,000.

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Participant Plan Accounts

The following table sets out the details of the Plan Accounts for the Executive Directors

Plan Account Details	Alan Heame £	Phil Williams £	Gary Young £
Opening Balance	201,961	107,534	76,826
2011 Plan Contribution	462,600	328,960	236,440
2011 Plan Deduction	—	—	—
Total	663,561	436,494	313,266
2011 Payment	331,780	218,247	78,316
Closing Balance	331,781	218,247	234,950

The balance of the Bonus Plan contribution for 2010 that was not paid in cash was deferred in the form of shares in the Company that were purchased by and are held by the Company's employee benefit trust. The opening balance represents these shares valued using the closing price of ordinary shares in the Company on 7 March 2012 together with the value of dividends on the shares paid during the year. The closing balance represents the value deferred or to be deferred in the form of shares after the 2011 payment.

The Bonus Plan will be operated for 2012 with the same main parameters. The Remuneration Committee will, however, set the appropriate thresholds and contribution levels for 2012 taking into account the circumstances of the Company and market generally.

Long Term Incentive Plan

As noted above the LTIP has ceased to operate the final award under this plan having been made in 2009.

The table below shows the position in relation to the two awards under the LTIP that were outstanding at the beginning of the year.

Executive	2008 Grant % of Salary/ Condition	2009 Grant % of Salary/ Condition
Maximum Annual Grant	100	100
Chief Executive	100	100
Finance Director	80	80
Executive Directors	60-80	60-80
Performance Condition	EPS Growth (see table below)	EPS Growth (see table below)
Status	This award lapsed on 8 April 2011	This award will lapse on 31 March 2012

The performance conditions that attached to the release of LTIP awards related to EPS growth and were as follows:

% Average Basic EPS Growth p.a. above RPI	% of 3 Award Released*
3	12.5
4	25
5	37.5
6	50
7	62.5
8	75
9	87.5
10	100

*Straight line release applies between these points

The Remuneration Committee determined the satisfaction of the performance conditions in respect of the LTIP. The EPS figure used by the Committee was the audited basic EPS figure disclosed in the Company's Financial Statements.

The performance condition comparing increases in earnings per share against inflation was chosen in order to ensure that LTIP awards would only be received against a background of sustained real increase in the financial performance of the Company. As previously reported the performance conditions attached to the LTIP award made in 2008 were not satisfied and accordingly this award lapsed during 2011. As also previously anticipated the Remuneration Committee has also determined that the performance conditions attaching to the award made in 2009 have not been satisfied and this award will lapse on 31 March 2012.

Full details of the Directors' individual LTIP awards are set out on page 18.

Executive Share Option Plan

In years prior to 2004 when the LTIP was introduced, the Company operated an Executive Share Option Plan. All performance conditions under this Plan were met, details of which have been set out in previous reports of the Committee. No options were issued at a discount under this plan. During the year Peter Dowen exercised options over 32,500 shares granted at an option price of 111p and 15,051 shares at a price of 146.5p. At the date of exercise of these options the market price was 236.5p giving a total gain of £54,333. All outstanding options under this plan are set out on page 17.

Benefits

The Executive Directors participate in defined contribution pension schemes to which the employer contribution rate in 2011 was 15%. In 2006 the Remuneration Committee agreed to a one off payment to be made to the pension plan of Alan Heame representing six years annual contributions. Accordingly no pension contributions were made into his plan for the period expiring in October 2011. In respect of the period from October to December 2011 the Company paid £16,000 to Alan Heame in lieu of pension contributions.

Executive Directors can also participate in the all-employee Inland Revenue Share Incentive Plan (SIP). The SIP gives employees the opportunity to purchase up to £1,500 of shares a year with the Company providing one additional matching share for every employee purchased share. In addition they receive the following benefits:

- healthcare
- life assurance and dependents pensions,
- disability schemes and
- company car or car allowance

Shareholding Guideline

The Committee operates a system of shareholding guidelines to encourage long-term share ownership by the Executive Directors.

The Committee believes this forms a stable platform on which to build a responsible relationship between shareholders, the Executives and the Company. It is intended that the Executives will be able to build up their shareholding by their participation in the Company's incentive plans.

The current guidelines are as detailed below:

Name	Recommended shareholding requirement as percentage of salary
Alan Heame	150%
Gary Young	100%
Phil Williams	100%

Service contracts

It remains the Company's policy that Executive Directors should have rolling service contracts terminable on no more than one year's notice served by the Company or the Director.

Details of the Executive Directors' service contracts are shown below:

Name	Date of Contract	Notice Period (months)
Alan Heame	February 1997	12
Phil Williams	November 2005	12
Gary Young	September 2000	12

The only event on the occurrence of which the Company is liable to make a payment to any of the Executive Directors is cessation of employment. The Company's policy on termination payments is not make payments beyond its contractual obligations, including any payment in respect of notice to which a Director is entitled after mitigation is considered. None of the Directors' contracts provide for extended notice periods or compensation in the event of a change of control. None of the Directors' contracts provide for liquidated damages.

Non-Executive Directors

The fees paid to the Non-Executive Directors are determined by the Board and aim to be competitive with other fully listed companies of equivalent size and complexity. The Chairman of the Company receives a higher fee than the other Non-Executive Directors whilst Committee Chairmen and the Senior Independent Director receive an additional payment. The fees paid to the Chairman and the Non-Executive Directors are detailed on the following page.

Non-Executive Directors are appointed for three years term which may be renewed by mutual agreement. In common with the Executive Directors all Non-Executives are subject to annual re-election by shareholders.

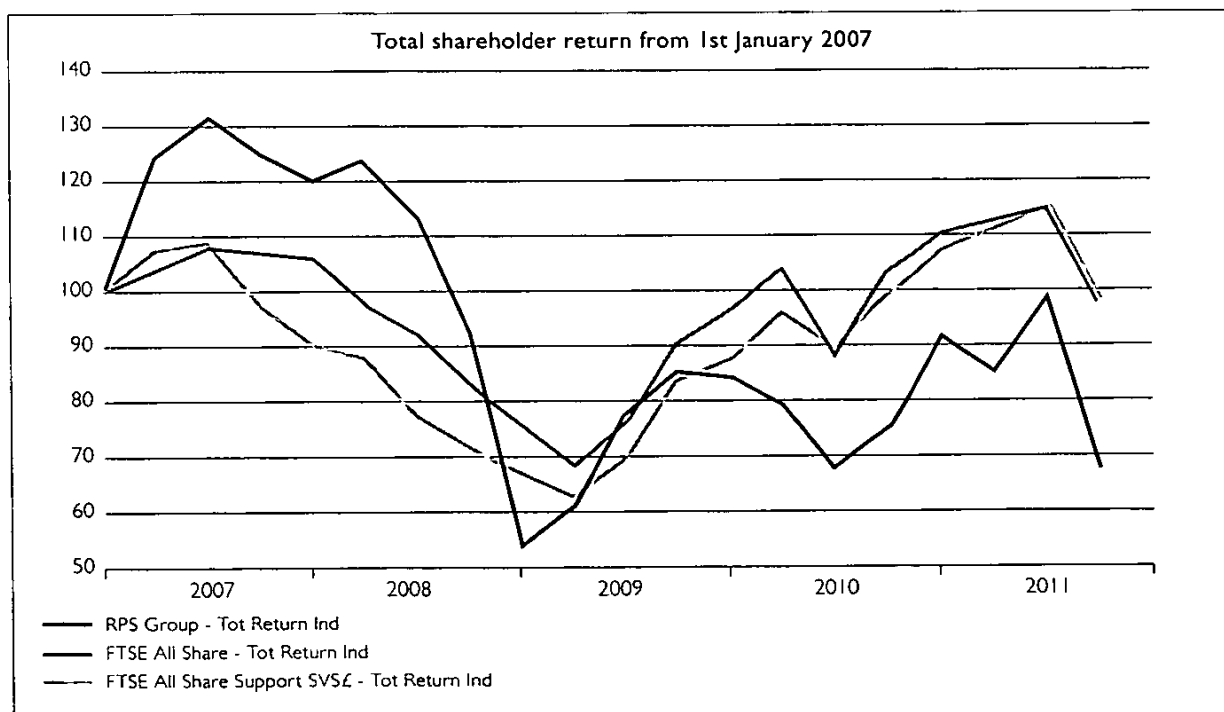
Details of the terms of appointment of the serving Non-Executive Directors are set out in the table below.

Name	Initial Contract date	Unexpired term of contract as at 31 Dec 2010 (months)
Brook Land	September 1997	Annual Review
John Bennett	June 2006	5
Louise Charlton	May 2008	29
Robert Miller-Bakewell	May 2010	17
Tracey Graham	August 2011	32

Non-Executive Directors are not entitled to participate in the pension plan or the performance based pay schemes including annual bonus and share schemes. Terms and conditions of appointment of Non-Executive Directors are available for inspection by any person at the Company's registered office and at the Annual General Meeting.

Performance Graph

The graph shows a comparison of the total shareholder return from the Company's shares for each of the last five financial years against the total shareholder return for the companies comprising the FTSE All Share, the FTSE All Share Support Services sector and the comparator group. The Remuneration Committee has selected these benchmarks as they provide a good indication of the Company's general performance.



Directors' emoluments and compensation

The following disclosures on Directors' remuneration and share incentives have been audited as required by Part 3 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The table below sets out details of the emoluments and compensation received during the year by each Director.

	Basic salary £000s	Bonus £000s	Fees £000s	Benefits £000s	Emoluments excluding pensions		Pension (paid and provided)	
					2011 £000s	2010 £000s	2011 £000s	2010 £000s
Executive								
Alan Heame	425	332	–	20	777	608	16	–
Gary Young	225	78	–	16	319	286	34	31
Peter Dowen*	175	–	–	7	182	244	26	35
Phil Williams	320	218	–	16	554	397	48	43
Non-Executive								
Brook Land	–	–	101	–	101	95	–	–
Roger Devlin*	–	–	13	–	13	35	–	–
Karen McPherson*	–	–	15	–	15	40	–	–
John Bennett	–	–	40	–	40	35	–	–
Louise Charlton	–	–	32	–	32	30	–	–
Robert Miller-Bakewell	–	–	36	–	36	17	–	–
Tracey Graham**	–	–	12	–	12	–	–	–
Total 2011	1,145	628	249	59	2,081	–	124	–
Total 2010	1,131	356	252	48	–	1,787	–	109

The total Directors' emoluments were £2,081,000 (2010: £1,787,000) excluding pension contributions. In addition Employers' National Insurance Contribution paid in respect of these emoluments were £250,000 (2010: £196,000).

* Emoluments in 2011 represent those paid for part of the year up to date of retirement. A payment of £80,000 was made to Peter Dowen after retirement from the Company in consideration of a successful transition of responsibilities.

** Emoluments represent those paid for part year since date of appointment.

Share awards

The tables on pages 17 and 18 set out details of the share options and LTIPs held by each Director during the year.

The Company operates its share schemes within the dilution limits specified by the ABI.

Pensions

The Executive Directors of the Company all participate in Group Money Purchase (defined contribution) pension plans.

An Ordinary Resolution to approve this report will be proposed at the Company's Annual General Meeting on 4 May 2012.

Signed on behalf of the Board

Tracey Graham

Chair of the Remuneration Committee

7 March 2012

Report of the Independent Auditors

To the members of RPS Group Plc

We have audited the group and parent financial statements of RPS Group PLC (registered number 02087786) for the year ended 31 December 2011 which comprise Consolidated Balance Sheet, the Parent Company Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on pages 19 and 20, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the Corporate Governance Statement set out on pages 21 to 26 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a Corporate Governance Statement has not been prepared by the company

Under the Listing Rules we are required to review

- the directors' statement, set out on page 18, in relation to going concern, and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2010 UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration



Kevin Harkin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

7 March 2012

Consolidated Income Statement

£000s	Note	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Revenue	3	528,710	461,830
Recharged expenses	3	(75,981)	(68,568)
Fee income	3	452,729	393,262
Operating profit before amortisation of acquired intangibles and transaction related costs	1(g),3,4,5	53,045	51,833
Amortisation of acquired intangibles and transaction related costs	1(g),4	(10,361)	(5,524)
Operating profit		42,684	46,309
Finance costs	6	(2,541)	(4,025)
Finance income	6	308	185
Profit before tax, amortisation of acquired intangibles and transaction related costs		50,812	47,993
Profit before tax		40,451	42,469
Tax expense	9	(11,340)	(10,733)
Profit for the year attributable to equity holders of the parent		29,111	31,736
Basic earnings per share (pence)	10	13.49	14.78
Diluted earnings per share (pence)	10	13.40	14.69
Adjusted basic earnings per share (pence)	10	16.68	15.79
Adjusted diluted earnings per share (pence)	10	16.56	15.69

Consolidated Statement of Comprehensive Income

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Profit for the year	29,111	31,736
Exchange differences	(811)	6,978
Tax recognised directly in equity	–	85
Total recognised comprehensive income for the year attributable to equity holders of the parent	28,300	38,799

The notes on pages 41 to 73 form part of these financial statements

Consolidated Balance Sheet

£000s	Note	As at 31 Dec 2011	As at 31 Dec 2010
Assets			
Non-current assets			
Intangible assets	11	329,112	314,621
Property, plant and equipment	12	30,070	28,107
Investments		41	447
		359,223	343,175
Current assets			
Trade and other receivables	14	171,751	158,766
Cash at bank		25,989	13,933
		197,740	172,699
Liabilities			
Current liabilities			
Borrowings	16	2,959	1,744
Deferred consideration	18	10,327	9,873
Trade and other payables	15	109,496	86,971
Corporation tax liabilities		3,331	2,618
Provisions	19	3,903	1,768
		130,016	102,974
Net current assets		67,724	69,725
Non-current liabilities			
Borrowings	16	46,554	43,726
Deferred consideration	18	–	8,661
Other payables		1,665	1,052
Deferred tax liability	20	11,594	11,291
Provisions	19	2,684	3,177
		62,497	67,907
Net assets		364,450	344,993
Equity			
Share capital	21	6,544	6,516
Share premium		103,717	101,941
Other reserves	22	43,299	45,581
Retained earnings		210,890	190,955
Total shareholders' equity		364,450	344,993

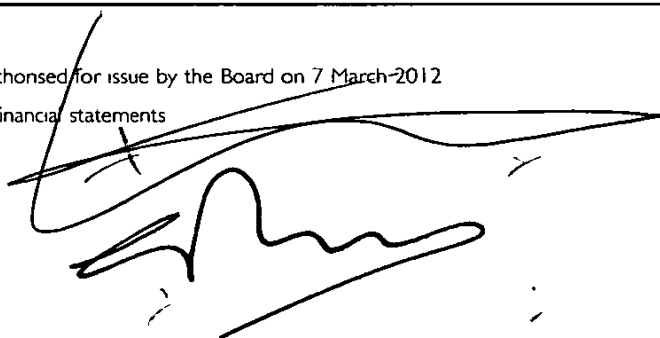
These financial statements were approved and authorised for issue by the Board on 7 March 2012

The notes on pages 41 to 73 form part of these financial statements

Dr Alan Heame, Director

Gary Young, Director

On behalf of the Board of RPS Group Plc



Consolidated Cash Flow Statement

£000s	Note	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Cash generated from operations	26	71 053	57,874
Interest paid		(2,373)	(4 507)
Interest received		308	185
Income taxes paid		(12 781)	(14,384)
Net cash from operating activities		56,207	39,168
Cash flows from investing activities			
Purchases of subsidiaries net of cash acquired		(17 090)	(4,418)
Deferred consideration		(8,827)	(13,626)
Purchase of property, plant and equipment		(9,024)	(6 856)
Sale of property, plant and equipment		362	3 193
Dividends received		256	116
Net cash used in investing activities		(34,323)	(21,591)
Cash flows from financing activities			
Proceeds from issue of share capital		179	229
Purchase of own shares		(356)	–
Proceeds / (repayments) of bank borrowings		2,222	(5,022)
Payment of finance lease liabilities		(1,410)	(1,491)
Dividends paid	23	(11 233)	(9,710)
Payment of pre-acquisition dividend		(402)	(694)
Net cash used in financing activities		(11,000)	(16,688)
Net increase in cash and cash equivalents		10 884	889
Cash and cash equivalents at beginning of year		13,933	13,691
Effect of exchange rate fluctuations		(359)	(647)
Cash and cash equivalents at end of year	26	24,458	13,933
Cash and cash equivalents comprise			
Cash at bank		25,989	13,933
Bank overdraft		(1,531)	–
Cash and cash equivalents at end of year	26	24,458	13,933

The notes on pages 41 to 73 form part of these financial statements

Consolidated Statement of Changes in Equity

£000s	Share capital	Share premium	Retained earnings	Other reserves	Total equity
As 1 January 2010	6,457	98,238	169,254	39,519	313,468
Changes in equity during 2010					
Total comprehensive income	–	–	31,821	6,978	38,799
Issue of new ordinary shares	59	3,703	(2,036)	(916)	810
Share based payment expense	–	–	1,626	–	1,626
Dividends paid	–	–	(9,710)	–	(9,710)
At 31 December 2010	6,516	101,941	190,955	45,581	344,993
Changes in equity during 2011					
Total comprehensive income	–	–	29,111	(811)	28,300
Issue of new ordinary shares	28	1,776	(509)	(1,115)	180
Purchase of own shares	–	–	–	(356)	(356)
Share based payment expense	–	–	2,431	–	2,431
Tax recognised directly in equity	–	–	135	–	135
Dividends paid	–	–	(11,233)	–	(11,233)
At 31 December 2011	6,544	103,717	210,890	43,299	364,450

An analysis of other reserves is provided in note 22

The notes on pages 41 to 73 form part of these financial statements

Notes to the Consolidated Financial Statements

1. Significant accounting policies

RPS Group Plc (the 'Company') is a company domiciled in England. The consolidated financial statements of the Company for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the 'Group').

The consolidated financial statements were authorised for issuance on 7 March 2012.

(a) Basis of preparation

The Group has prepared its annual financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and implemented in the UK. The financial statements are presented in pounds sterling, rounded to the nearest thousand.

During 2011 the IASB has issued a variety of IFRIC amendments and interpretations that have no impact on the Group's reporting.

The Group has augmented its accounting policy in respect of deferred consideration (d) and added policies in respect of negative goodwill (e ii) and operating profit (g). Otherwise, these financial statements have been prepared using accounting policies set out in the Report and Accounts 2010.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(b) Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Consolidated Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

(c) Revenue

Revenue is stated net of sales tax. Revenue is recognised only when the outcome of a transaction can be measured reliably and it is probable that economic benefits will flow to the Group.

i Fees / expenses

Revenue is classified into Fee revenue and Expense revenue. Fee revenue represents the Group's personnel, subcontractor and equipment time and expertise sold to clients. Expense revenue is the recharge of costs incidental to fulfilling the Group's contracts, for example mileage, flights, subsistence and accommodation.

ii Time and materials

In the case of time and materials projects, revenue represents the fair value of services provided using time spent at agreed rates as the basis.

iii Fixed price

In the case of fixed price contracts, revenue is recognised in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due or associated costs. An expected loss on a contract is recognised immediately in the income statement.

iv Tuition

Tuition fees in respect of courses run by RPS are recognised over the period of instruction.

v Agency agreements

The Group enters into certain agreements with clients where it manages client expenditure. It is obliged to purchase third party services and recharges those costs, plus a management fee, to the client. In these cases only the management fee is recognised as revenue. Receivables, payables and cash related to these transactions are included in the consolidated balance sheet.

Accrued revenue is booked as a receivable in the consolidated balance sheet when the amount of revenue recognised on a contract exceeds the amount invoiced. Where the amount invoiced exceeds the amount of revenue recognised, the difference is booked as a payable on the balance sheet in deferred income.

I. Significant accounting policies continued

(d) Deferred consideration

Deferred consideration arises when settlement of all or part of the cost of a business combination falls due after the date the acquisition was completed

i IFRS 3 (2004)

At the date of acquisition, deferred consideration is stated at the fair value of the total consideration outstanding. In these cases all deferred consideration has been treated as part of the cost of investment. At each balance sheet date deferred consideration comprises the fair value of the remaining deferred consideration valued at acquisition

ii IFRS 3 (2008)

Where the payment of deferred consideration is not contingent upon continuing employment of the vendors by the Group, deferred consideration is treated in the same way as under IFRS 3 (2004)

Where the payment of deferred consideration is contingent upon the continuing employment of vendors by the Group, it is treated as a remuneration expense and accounted for as an employment benefit under IAS 19. A charge is made through the consolidated income statement as a cost of employment. The cost associated with each payment is accrued over the period it is earned. At each balance sheet date the contingent deferred consideration balance comprises the accrual for the unsettled remuneration expense to date.

Contingent deferred consideration treated as remuneration is included in the cash flow statement as deferred consideration.

(e) Intangible assets

i Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill has been recognised in acquisitions of subsidiaries and the business, assets and liabilities of partnerships. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

ii Negative Goodwill

Negative goodwill arises where the purchase price of acquisitions for accounting purposes is less than the fair value of the net assets acquired and is immediately credited to the consolidated income statement in accordance with IFRS 3 (2008).

iii Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Intangible assets identified in a business combination are capitalised at fair value at the date of acquisition if they are separable from the acquired entity or give rise to other contractual or legal rights. The fair values ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Expenditure on internally generated goodwill and brands is recognised in income as an expense as incurred.

iv Amortisation

Amortisation is charged to profit or loss on a straight-line basis from the date that the intangible assets are available for use over their estimated useful lives unless such lives are indefinite. The estimated useful lives of the Group's intangible assets are as follows:

Customer relationships	3 to 15 years
Trade names	1 to 5 years
Order backlog	1 to 4 years
Non-complete agreements	5 years
Software	10 years
Intellectual property rights	10 years

(f) Impairment of non financial assets

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill the recoverable amount is estimated at each annual balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset is recorded at a revalued amount in which case it is treated as a revaluation decrease to the extent that a surplus has previously been recorded.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying value of goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

Goodwill was tested for impairment at 31 December 2011 and 31 December 2010.

i Calculation of recoverable amount

The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

ii Reversals of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised.

(g) Operating profit

The Board has disclosed four non statutory performance measures as part of the Consolidated Income Statement. These are 'Operating profit before amortisation of acquired intangibles and transaction related costs', 'Profit before tax, amortisation of acquired intangibles and transaction related costs', 'Adjusted basic earnings per share' and 'Adjusted diluted earnings per share'.

The Board considers these to be more meaningful measures of business performance than the statutory measures 'Operating profit', 'Profit before tax', 'Basic earnings per share' and 'Diluted earnings per share'.

The Board has also shown in note 3 segment "underlying profit" which is segment result before reorganisation costs and amortisation of acquired intangibles and transaction related costs. The Board considers this measure to be a more meaningful measure of performance than the measure "segment result".

i Amortisation of acquired intangibles and transaction related costs (note 4)

This classification of income and expense comprises amortisation of acquired intangibles (see note 1 (e) iv), deferred consideration payments that are contingent on continuing employment and are treated as remuneration (see note 1 (d) ii), negative goodwill that has been credited to the income statement (see note 1 (e) ii), gain on revaluation to fair value of investment in associate upon acquisition of all outstanding share capital (note 28) and third party transaction related costs.

ii Reorganisation costs

This classification of income and expense comprises costs arising as a consequence of reorganisation including redundancy costs, profit or loss on disposal of plant, property and equipment, the costs of consolidating office space and rebranding costs.

An explanation of adjusted earnings per share is given in note 10.

(h) Key accounting estimates and judgements

These significant accounting policies also require the use of judgement, in particular when to recognise revenue, the valuation methods used to ascribe value to intangible assets arising on acquisition and the discount rates and growth rates used when performing impairment reviews.

Notes to the Consolidated Financial Statements continued

2. Other accounting policies

(a) Foreign currency

i Foreign currency transactions

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to pounds sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in income.

ii Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to pounds sterling at the exchange rate ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to pounds sterling at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the translation reserve.

iii Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are recycled and taken to income upon disposal of the operation.

iv Foreign currency forward contracts

Foreign currency forward contracts are initially recognised at nil value, being priced-at-the-money at origination. Subsequently they are measured at fair value (determined by price changes in the underlying forward rate, the interest rate, the time to expiration of the contract and the amount of foreign currency specified in the contract). Changes in fair value are recognised in income as they arise.

(b) Property, plant and equipment

i Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy i (f) above).

ii Leased assets

Leases which contain terms whereby the Group assumes substantially all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Assets acquired under a finance lease are capitalised at the inception of the lease at fair value of the leased assets or if lower, the present value of the minimum lease payments.

Obligations under finance leases are included in liabilities net of finance costs allocated to future periods.

All other leases are classified as operating leases and are not capitalised.

iii Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as incurred.

iv Depreciation

Depreciation is charged to income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Freehold buildings	50 years
Alterations to leasehold premises	Life of lease
Motor vehicles	4 years
Fixtures, fittings, IT and equipment	3 to 8 years

(c) Trade and other receivables

Trade and other receivables are recognised at cost and carried out at cost less impairment losses. Trade and other receivables are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Impairment losses are taken to the income statement as incurred.

(d) Cash and cash equivalents

Cash at bank comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

(e) Employee benefits*i Defined contribution plans*

Obligations for contributions to defined contribution retirement benefit plans are recognised as an expense in the income statement as incurred

ii Share-based payments

The Group operates share based payment arrangements with employees. The fair value of equity settled awards for share based payments is determined at grant and exposed straight line over the period from grant to the date of earliest unconditional exercise.

The Group has calculated the fair market value of options using a binomial model and for whole share awards the fair value has been based on the market value of the shares at the date of grant adjusted to take into account some of the terms and conditions upon which the shares were granted.

Those fair values were charged to the income statement over the relevant vesting period adjusted to reflect actual and expected vesting levels.

The Group has not relied on the exemption afforded under IFRS 1 to exclude instruments granted before 7 November 2002.

Prior to 2004, the Group granted options and super options to employees under the Executive Share Option Scheme ("ESOS") and Save as You Earn ("SAYE") scheme. Under the ESOS share options are granted at the market price on the date of grant with the exercise of options subject to the satisfaction of corporate performance conditions and continuity of employment provisions. For SAYE options, share options are granted at the market price on the date of grant. Employees can exercise the SAYE option at the end of their savings contract.

Since 2004 the Group has incentivised and motivated employees through the grant of conditional share awards under the Long Term Incentive Plan ("LTIP") and Bonus Banking Plan (BBP) for Executive Directors and other senior directors, the Performance Share Plan ("PSP"), for senior managers and staff, and the Share Incentive Plan ("SIP"), available to staff. Under these arrangements shares are granted at no cost to the employee. The release of shares granted under the LTIP, BBP and PSP are subject to the satisfaction of corporate performance conditions and continuity of employment provisions. Shareholder approval has lapsed for the LTIP and therefore no further grants will be made under this plan. The release of shares under the SIP are subject to continuity of employment provisions.

iii Accrued holiday pay

Provision is made at each balance sheet date for holidays accrued but not taken, to the extent that they may be carried forward, calculated at the salary of the relevant employee at that date.

(f) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(g) Trade and other payables

Trade and other payables are stated at cost. Trade payables with a short useful life are not discounted.

(h) Borrowings

Bank overdrafts and interest bearing loans are initially measured at cost. Borrowings are not discounted.

(i) Reserves

The description and purpose of the Group's reserves are as follows:

Notes to the Consolidated Financial Statements continued

2. Other accounting policies continued

Share premium	Premium on shares issued in excess of nominal value, other than on shares issued in respect of acquisitions when merger relief is taken
Merger reserve	Premium on shares issued in respect of acquisitions when merger relief is taken
Employee trust	Own shares held by the SIP and ESOP trusts
Translation reserve	Cumulative gains and losses arising on retranslating the net assets of overseas operations into sterling
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income and consolidated statement of changes in equity

(j) Expenses

i Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense.

ii Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(k) Income tax

Income tax on the income for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity in which case it is recognised in other comprehensive income or in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and the differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. In accordance with IAS 12, deferred tax is taken directly to equity to the extent that the intrinsic value of the outstanding share awards (based on the closing share price) is greater than the share based payment expense already charged to the income statement. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

(m) Employee Share Ownership Plan (ESOP)

As the Company is deemed to have control of its ESOP trust, it is treated as a subsidiary and consolidated for the purpose of the Group accounts. The ESOP's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the Group financial statements. The ESOP's investment in the Company's shares is deducted from shareholders' funds in the Group balance sheet as if they were treasury shares. Proceeds from the sale of ESOP shares in excess of the cost of those shares is not credited to the share premium account.

(n) Accounting standards issued but not adopted

The IASB and the IFRIC have issued additional standards which are effective for periods starting after the date of these financial statements. The following standards and interpretations which would have an impact on the Group's reporting, have yet to be adopted by the Group.

- | | |
|---|---|
| ■ Amendments to IFRS 1 severe hyperinflation and removal of fixed dates for first time adopters | ■ IFRS 9 Financial instruments |
| | ■ IFRS 10 Consolidated financial statements |

- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair value measurement
- Amendments to IFRS 7 – Disclosures offsetting financial assets and financial liabilities
- Amendments to IAS 1 Presentation of items of other comprehensive income
- Amendments to IAS 12 Deferred tax: Recovery of underlying assets
- Amendments to IAS 32 – Offsetting financial assets and financial liabilities
- IAS 19 Employee benefits (June 2011)
- IAS 27 Separate financial statements (May 2011)
- IAS 28 Investments in associates and joint ventures (May 2011)

None of these standards has been endorsed by the EU

The Group is still assessing the impact that these changes will have on its reporting

3. Business and geographical segments

Segment information is presented in the financial statements in respect of the Group's business segments, as reported to the Chief Operating Decision Maker. The business segment reporting format reflects the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segments

As announced on 3 November 2011 the Group merged Planning and Development (UK and Ireland) and Environmental Management. The business segments of the Group are as follows:

Built and Natural Environment ("BNE") - consultancy services advising on all aspects of the built and natural environment including the provision of energy infrastructure, planning and development, engineering, design and surveying, environmental assessment and management and risk management. Consulting services are provided on a regional basis in Europe and Australia Asia Pacific ("AAP").

Energy - the provision of integrated technical, commercial and project management support in the fields of geo-science, engineering and health, safety and environment on a global basis to the energy sector.

Segment results for the year ended 31st December 2011

£000s	Fees	Recharged expenses	Intersegment revenue	External revenue
Built and Natural Environment				
Europe	178,215	24,548	(1,935)	200,828
AAP	90,992	15,451	(945)	105,498
Intra BNE eliminations	(89)	–	89	–
Total BNE	269,118	39,999	(2,791)	306,326
Energy	186,117	36,619	(352)	222,384
Group eliminations	(2,506)	(637)	3,143	–
Total	452,729	75,981	–	528,710

£000s	Underlying profit	Reorganisation costs	Amortisation of acquired intangibles and transaction related costs	Segment result
Built and Natural Environment				
Europe	18,002	(1,572)	(1,365)	15,065
AAP	11,017	(103)	(4,769)	6,145
Total BNE	29,019	(1,675)	(6,134)	21,210
Energy	32,099	(77)	(4,227)	27,795
Total	61,118	(1,752)	(10,361)	49,005

Notes to the Consolidated Financial Statements continued

3 Business and geographical segments continued

Segment results for the year ended 31st December 2010

£000s	Fees	Recharged expenses	Intersegment revenue	External revenue
Built and Natural Environment				
Europe	172,873	26,836	(1,902)	197,807
AAP	76,032	12,096	(951)	87,177
Intra BNE eliminations	(76)	–	76	–
Total BNE	248,829	38,932	(2,777)	284,984
Energy	146,754	30,252	(160)	176,846
Group eliminations	(2,321)	(616)	2,937	–
Total	393,262	68,568	–	461,830

£000s	Underlying profit	Reorganisation costs	Amortisation of acquired intangibles and transaction related costs	Segment result
Built and Natural Environment				
Europe	20,156	86	(1,224)	19,018
AAP	12,826	(1,161)	(2,513)	9,152
Total BNE	32,982	(1,075)	(3,737)	28,170
Energy	25,263	(192)	(1,787)	23,284
Total	58,245	(1,267)	(5,524)	51,454

Group Reconciliation

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Revenue	528,710	461,830
Recharged expenses	(75,981)	(68,568)
Fees	452,729	393,262
Underlying profit	61,118	58,245
Reorganisation costs (note 1(g))	(1,752)	(1,267)
Unallocated expenses	(6,321)	(5,145)
Operating profit before amortisation of acquired intangibles and transaction related costs (note 1(g))	53,045	51,833
Amortisation of acquired intangibles and transaction related costs (note 1(g))	(10,361)	(5,524)
Operating profit	42,684	46,309
Finance costs	(2,233)	(3,840)
Profit before tax	40,451	42,469

£000s	Carrying amount of segment assets		Segment depreciation and amortisation	
	As at 31 Dec 2011	As at 31 Dec 2010	As at 31 Dec 2011	As at 31 Dec 2010
Built and Natural Environment				
Europe	237,335	245,787	3,927	4,333
Australia	120,029	100,938	10,297	4,626
Total BNE	357,364	346,725	14,224	8,959
Energy	195,362	165,373	4,109	3,658
Unallocated	4,237	3,776	538	463
Group total	556,963	515,874	18,871	13,080

Accounts

The table below shows revenue and fees to external customers based upon the country from which billing took place

£000s	Revenue		Fees	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010	Year ended 31 Dec 2011	Year ended 31 Dec 2010
UK	234,344	210,444	198,884	180,224
Ireland	44,365	49,527	37,050	40,690
Australia	129,501	110,712	110,561	93,152
USA	46,573	35,019	41,993	32,349
Netherlands	28,092	25,867	24,393	22,918
Canada	38,285	26,718	32,454	20,422
Other	7,550	3,543	7,394	3,507
Total	528,710	461,830	452,729	393,262

£000s	Carrying amount of non current segment assets	
	As at 31 Dec 2011	As at 31 Dec 2010
UK	170,190	161,033
Ireland	48,942	50,310
Australia	86,967	91,389
USA	30,618	12,325
Netherlands	17,322	17,943
Canada	5,097	10,122
Other	87	53
Total	359,223	343,175

4 Amortisation of acquired intangibles and transaction related costs

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Amortisation of acquired intangibles	10,839	5,524
Contingent deferred consideration treated as remuneration	9,256	–
Negative goodwill	(9,067)	–
Revaluation of investment in associate	(1,490)	–
Acquisition costs	823	–
	10,361	5,524

Notes to the Consolidated Financial Statements continued

5 Operating profit - by nature of expense

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Revenue	528,710	461,830
Recharged expenses	(75,981)	(68,568)
Fee income	452,729	393,262
Staff costs	(216,206)	(194,430)
Depreciation of owned assets	(7,281)	(6,635)
Depreciation of assets held under finance leases	(751)	(921)
Amortisation	(10,839)	(5,524)
(Loss) / profit on disposal of fixed assets	(40)	1,529
Operating lease rentals payable - property	(12,258)	(10,465)
Operating lease rentals payable - equipment and motor vehicles	(4,312)	(3,955)
Other operating costs	(158,358)	(126,552)
Operating profit	42,684	46,309

6. Net financing costs

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Finance costs		
Interest on loans, overdraft and finance leases	(1,710)	(3,079)
Interest imputed on deferred consideration	(190)	(241)
Interest payable on deferred consideration	(641)	(705)
	(2,541)	(4,025)
Finance income		
Deposit interest receivable	308	185
Net financing costs	(2,233)	(3,840)

7 Employee benefit expense

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Wages and salaries	186,943	168,477
Social security costs	16,927	15,343
Pension costs - defined contribution plans	9,905	8,983
Share based payment expense - equity settled	2,431	1,627
	216,206	194,430
Average number of employees (including Executive Directors) was		
Fee earning staff	3,799	3,551
Support staff	887	821
	4,686	4,372

In addition to statutory staff costs, contingent deferred consideration treated as remuneration amounts to £9,256,000 (2010: £nil). The Group considers the Directors to be the key management personnel and details of directors' remuneration are included in the Remuneration Report from page 27. The share based payment charge in respect of key management personnel was £325,000 (2010: £495,000).

8. Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors at costs as detailed below:

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Principal auditors		
Audit services		
Statutory audit of the Group's annual accounts	60	74
Statutory audit of the Group's subsidiaries	75	83
Other services	20	23
Network firms of principal auditors		
Audit services		
Statutory audit of the Group's subsidiaries	195	156
Other services	75	35
Other auditors		
Audit services		
Statutory audit	–	64
Other services	–	13
	425	448

Notes to the Consolidated Financial Statements continued

9. Income taxes

Analysis of tax expense in the income statement for the year

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Current tax		
UK corporation tax	4,679	5,706
Foreign tax	8,524	5,092
	13,203	10,798
Deferred tax		
Origination and reversal of timing differences	(1,687)	20
Effect of change in tax rate	(176)	(85)
	(1,863)	(65)
Tax expense for the year	11,340	10,733
Tax credit in equity for the year	(135)	(85)

The tax expense for the year can be reconciled to the profit as shown in the consolidated income statement as follows

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Profit before tax	40,451	42,469
Tax at the UK effective rate of 26.5% (2010: 28%)	10,720	11,891
Expenses not deductible for tax purposes	627	259
Revaluation of investment not taxable	(395)	-
Negative goodwill not taxable	(2,403)	-
Acquisition consideration treated as remuneration not deductible for tax purposes	2,453	-
Different tax rates applied in overseas jurisdictions	1,123	659
Effect of change in tax rates	(249)	(85)
Effect of change in Australian tax law	(238)	(1,754)
Prior year adjustments	(298)	(237)
Total tax expense for the year	11,340	10,733

The Group's effective rate of tax reduced to 26.5% in 2011 as the UK rate of corporation tax reduced from 28% to 26% on 1 April 2011.

Tax Law Amendment (2010 Measures No. 1) Act 2010 was enacted in Australia during July 2010 and amends the tax treatment of certain assets acquired in business combinations. The impact is to retrospectively reduce the income tax liability for the head company of the Australian tax group for the years ended 31 December 2007 and 2009 when acquisitions entered the tax group. The tax expense for 2011 is reduced by £238,000 (2010: £1,754,000) in relation to the impact of this legislation.

The Budget announced by the Chancellor of the Exchequer on 23 March 2011 included changes to the main rates of tax for UK companies. The main rate of corporation tax will reduce to 25% from 1 April 2012. The reduction to 25% is included in the Finance (No 3) Bill 2011-12. This change of rate became substantively enacted for the purposes of IAS12 - 'Income Taxes' on 5 July 2011 when the bill received its third reading in the House of Commons. The group has remeasured its UK deferred tax assets and liabilities at the end of the reporting period at 25%. This has resulted in recognition of a deferred tax credit of £176,000 in the income statement and recognition of a deferred tax credit of £216,000 in equity.

The Chancellor has also announced his intention to reduce the rate of corporation tax by 1% per year to 23% by 1 April 2014. As these changes have not been substantively enacted at 31 December 2011, they have not been recognised in the financial statements. Had these changes been enacted, the cumulative effects would have been credits to the income statement of £91,000 (24%), or £182,000 (23%) and credits to equity of £179,000 (24%) or £358,000 (23%).

10. Earnings per share

The calculations of basic and diluted earnings per share were based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the related period as shown in the tables below

£000s/000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Profit attributable to ordinary shareholders	29,111	31,736
Weighted average number of ordinary shares for the purposes of basic earnings per share	215,727	214,737
Effect of employee share schemes	1,547	1,311
Weighted average number of ordinary shares for the purposes of diluted earnings per share	217,274	216,048
Basic earnings per share (pence)	13.49	14.78
Diluted earnings per share (pence)	13.40	14.69

The directors consider that earnings per share before amortisation of acquired intangible and transaction related costs and the effect of the change in Australian tax law provides a more meaningful measure of the Group's performance than statutory earnings per share. The calculations of adjusted basic and diluted earnings per share were based on the weighted average number of ordinary shares outstanding during the year as shown above, the profit attributable to ordinary shareholders before the amortisation of acquired intangible assets, transaction related costs and the tax thereon and the change in Australian tax law as shown in the table below:

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Profit attributable to ordinary shareholders	29,111	31,736
Amortisation of acquired intangibles and transaction related costs (note 4)	10,361	5,524
Tax on amortisation of acquired intangibles and transaction related costs	(3,256)	(1,598)
Change in Australian tax law (note 9)	(238)	(1,754)
Adjusted profit attributable to ordinary shareholders	35,978	33,908
Adjusted basic earnings per share (pence)	16.68	15.79
Adjusted diluted earnings per share (pence)	16.56	15.69

Notes to the Consolidated Financial Statements continued

11. Intangible assets

£000s	Intellectual property rights	Customer relationships	Order backlog	Trade names	Non competes agreements	Software	Goodwill	Total
Cost								
At 1 January 2011	201	44,404	3,094	1,547	–	–	291,402	340,648
Additions	2,501	22,229	3,105	812	547	1,121	3,094	33,409
Deferred consideration treated as remuneration	–	–	–	–	–	–	(7,439)	(7,439)
Reduction in deferred consideration payable	–	–	–	–	–	–	(334)	(334)
Adjustment to prior year estimates	–	–	–	–	–	–	(162)	(162)
Foreign exchange differences	80	580	68	8	14	37	(781)	6
At 31 December 2011	2,782	67,213	6,267	2,367	561	1,158	285,780	366,128
Aggregate amortisation and impairment losses								
At 1 January 2011	201	10,554	1,891	1,160	–	–	12,221	26,027
Amortisation	84	7,039	3,285	259	153	19	–	10,839
Foreign exchange differences	–	101	39	7	3	–	–	150
At 31 December 2011	285	17,694	5,215	1,426	156	19	12,221	37,016
Net book value at 31 December 2011	2,497	49,519	1,052	941	405	1,139	273,559	329,112

Intangible asset additions that are recorded in 2011 have been recognised at their provisional fair values (see note 28)

Acquisitions in 2010 were originally stated at provisional values. These fair values have now been finalised and no adjustments have been made to the prior year balance sheet on grounds of immateriality in accordance with IAS 8.

Deferred consideration treated as remuneration

Where contingent deferred consideration is now treated as remuneration for acquisitions completed in 2010 there is a reduction in goodwill brought forward of £7,439,000. This adjustment is not considered to be material and so the prior year balance sheet has not been restated in accordance with IAS 8 (see note 28).

£000s	Intellectual property rights	Customer relationships	Order backlog	Trade names	Goodwill	Total
Cost						
At 1 January 2010	201	35,390	1,872	1,383	275,032	313,878
Additions	–	5,662	1,103	50	7,854	14,669
Reduction in deferred consideration	–	–	–	–	(32)	(32)
Adjustment to prior year estimates	–	–	–	–	(1,366)	(1,366)
Foreign exchange differences	–	–	–	–	1,887	1,887
At 31 December 2010	201	44,404	3,094	1,547	291,402	340,648
Aggregate amortisation and impairment losses						
At 1 January 2010	201	5,610	988	915	12,221	19,935
Amortisation	–	4,431	895	198	–	5,524
Foreign exchange differences	–	513	8	47	–	568
At 31 December 2010	201	10,554	1,891	1,160	12,221	26,027
Net book value at 31 December 2010	–	33,850	1,203	387	279,181	314,621

Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units that are expected to benefit from that business combination. The Group reorganised its management structure during 2011 and has reflected this in new reportable segments as disclosed in note 3. The Group has reviewed and represented the allocation of goodwill to CGUs as a result of this reorganisation. The carrying amount of goodwill has been allocated as follows:

£000s	As at 31 Dec 2011	As at 31 Dec 2010
Built and Natural Environment		
UK and Ireland	142,910	143,843
Netherlands	9,723	9,856
Europe	152,633	153,699
Australia Asia Pacific	54,060	40,895
	206,693	194,594
Energy	66,866	84,587
	273,559	279,181

The Group tests annually for impairment or more frequently if there are indications that goodwill might be impaired. Management have not identified any impairment triggering events in the period since the last annual review.

The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the cash-generating units to which goodwill has been allocated.

The value in use calculation includes estimates about the future financial performance of the CGUs. In all cases the approved budget for the following financial year forms the basis for the cash flow projections for a CGU. The cash flow projections in the four financial years following the budget year reflect management's expectations of the medium-term operating performance of the CGU and the growth prospects in the CGU's market. Thereafter a perpetuity is applied to the final year's cash flows.

Key assumptions

The key assumptions in the value in use calculations are the discount rates applied, the growth rates and margins assumed over the forecast period.

Discount rate applied

The discount rate applied to a CGU represents a pre-tax rate that reflects the market assessment of the time value of money at the end of the reporting period and the risks specific to the CGU. The Group bases its estimate for the long term pre-tax discount rate on its weighted average cost of capital (WACC). The inputs to this calculation are derived from long term market and industry data.

The discount rates applied to the CGUs were in the range 11% to 13%.

Growth rates

The growth rates applied reflect management's expectations regarding the future performance of the business. These incorporate the effects of the global recession over the last three years, the expected recovery of the CGUs affected and the past experience of the Group as it emerged from previous recessions. They also reflect the expected benefits of the reorganisation of the Europe business announced on 3rd November 2011.

The long term growth rates applied to the perpetuity calculations were in the range 2.25% to 2.4% per annum reflecting the average long term growth rates of the economies in which the CGUs are based.

Summary of results

During the year, all goodwill was tested for impairment with no impairment charge resulting (2010: £nil).

In the Directors' view, the results are most sensitive to the discount rate used and a 1% absolute movement in the value of the WACC is reasonably possible. If that movement occurred the Group would not recognise any impairment in the carrying value of the goodwill in any CGU.

Notes to the Consolidated Financial Statements continued

12. Property, plant and equipment

£000s	Freehold land and buildings	Alterations to leasehold premises	Motor vehicles	Fixtures fittings IT and equipment	Total
Cost					
At 1 January 2011	9 392	5 300	3,023	50,189	67 904
Additions	23	761	1,087	7,187	9,058
Disposals	–	(218)	(429)	(2,673)	(3,320)
Additions through acquisition	–	353	4	1 042	1,399
Transfers	(140)	140	–	–	–
Foreign exchange differences	(204)	37	33	(74)	(207)
At 31 December 2011	9,071	6,373	3,718	55 671	74 833
Depreciation					
At 1 January 2011	2,089	1,203	1,099	35,406	39 797
Charge for the year	194	827	606	6,405	8,032
Disposals	–	(213)	(271)	(2 447)	(2 931)
Foreign exchange differences	(41)	5	12	(111)	(135)
At 31 December 2011	2 242	1,822	1,446	39 253	44,763
Net book value at 31 December 2011	6,829	4,551	2,272	16,418	30 070

At 31 December 2011 the Group held under finance lease contracts alterations to leasehold properties motor vehicles and equipment with net book values of £894,000, £435,000 and £812,000 respectively

£000s	Freehold land and buildings	Alterations to leasehold premises	Motor vehicles	Fixtures fittings IT and equipment	Total
Cost					
At 1 January 2010	11,406	3 298	2,793	49 868	67,365
Additions	45	1,859	498	4,511	6 913
Disposals	(1,762)	(423)	(617)	(5,983)	(8,785)
Additions through acquisition	–	10	–	412	422
Foreign exchange differences	(297)	556	349	1,381	1,989
At 31 December 2010	9,392	5 300	3,023	50,189	67,904
Depreciation					
At 1 January 2010	2,280	898	1,069	34,892	39 139
Charge for the year	207	618	505	6,226	7,556
Disposals	(355)	(385)	(536)	(5 894)	(7 170)
Foreign exchange differences	(43)	72	61	182	272
At 31 December 2010	2,089	1,203	1,099	35,406	39 797
Net book value at 31 December 2010	7,303	4,097	1,924	14,783	28,107

At 31 December 2010 the Group held under finance lease contracts alterations to leasehold properties, motor vehicles and equipment with net book values of £1,272,000, £819,000 and £1,537,000 respectively

13. Subsidiaries

A list of the significant subsidiaries including the name, country of incorporation and proportion of ownership interests is given in Note 5 to the Parent Company's financial statements on page 78

14. Trade and other receivables

£000s	As at 31 Dec 2011	As at 31 Dec 2010
Trade receivables	130,528	113,525
Provision for impairment of trade receivables	(8,228)	(6,580)
Trade receivables net	122,300	106,945
Accrued income	45,984	46,571
Provision for impairment of accrued income	(6,496)	(5,996)
Accrued income net	39,488	40,575
Prepayments	6,590	6,963
Other receivables	3,373	4,283
	171,751	158,766

All amounts shown under trade and other receivables fall due within one year

The carrying value of trade and other receivables is considered a reasonable approximation of fair value due to their short term nature and the provisions for impairment recorded against them. The individually impaired balances mainly relate to items under discussion with customers.

Certain trade receivables are past due but have not been impaired. These relate to customers where we have no history of default and no concerns over their financial situation. The ages of financial assets past due but not impaired is as follows:

£000s	As at 31 Dec 2011	As at 31 Dec 2010
Not more than three months	11,778	12,559
More than three months	13,468	13,433
	25,246	25,992

Notes to the Consolidated Financial Statements continued

14 Trade and other receivables continued

Movements in impairment

£000s	Trade receivables	Accrued income	Total
As at 1 January 2011	6,580	5,996	12,576
Income statement charge	3,585	3,191	6,776
Receivables written off during the year as uncollectible	(2,477)	(2,662)	(5,139)
Additions through acquisitions	209	–	209
Foreign exchange	331	(29)	302
As at 31 December 2011	8,228	6,496	14,724

As at 1 January 2010	5,281	4,005	9,286
Income statement charge	1,640	2,198	3,838
Receivables written off during the year as uncollectible	(773)	(1,598)	(2,371)
Additions through acquisitions	382	1,032	1,414
Foreign exchange	50	359	409
As at 31 December 2010	6,580	5,996	12,576

The carrying amounts of the Group's trade and other receivables are denominated as follows

£000s	31 Dec 2011	31 Dec 2010
UK Pound Sterling	59,521	68,082
Euro	28,256	25,645
US Dollar	31,336	14,672
Canadian Dollar	14,892	13,009
Australian Dollar	35,607	35,691
Other	2,139	1,667
	171,751	158,766

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above

15. Trade and other payables

£000s	As at 31 Dec 2011	As at 31 Dec 2010
Trade payables	31,371	24,320
Accruals	37,402	30,224
Creditors for taxation and social security	14,223	12,788
Deferred income	21,041	14,590
Other payables	5,459	5,049
	109,496	86,971

All amounts shown under trade and other payables fall due for payment within one year. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value due to the short term nature of these liabilities.

16. Borrowings

£000s	As at 31 Dec 2011	As at 31 Dec 2010
Bank loans	45,705	41,816
Bank overdraft	1,531	-
Finance lease creditor	2,277	3,654
	49,513	45,470

£000s	as at 31 December 2011			as at 31 December 2010		
	Bank loans and overdraft	Finance lease creditor	Total	Bank loans and overdraft	Finance lease creditor	Total
The borrowings are repayable as follows						
On demand or in not more than one year	1,728	1,231	2,959	322	1,422	1,744
In the second year	45,345	524	45,869	196	1,211	1,407
In the third to fifth years inclusive	163	522	685	41,298	1,021	42,319
	47,236	2,277	49,513	41,816	3,654	45,470
Less amount due for settlement within 12 months	(1,728)	(1,231)	(2,959)	(322)	(1,422)	(1,744)
Amount due for settlement after 12 months	45,508	1,046	46,554	41,494	2,232	43,726

The principal features of the Group's bank loans and overdrafts are as follows

- (i) An uncommitted £1,000,000 bank overdraft facility repayable on demand
- (ii) An uncommitted Australian Dollar denominated overdraft facility of AUD 3,000,000 repayable on demand
- (iii) The Group has two principal bank loans
 - (a) A revolving multi currency credit facility of £125,000,000 with Lloyds TSB Bank plc the Group's principal bank, expiring in 2013. Loans carry interest equal to LIBOR plus a margin determined by reference to the total bank borrowing of the Group. There were loans drawn totalling £45,272,000 (2010: £41,064,000) at 31 December 2011. The facility is guaranteed by the Company and certain subsidiaries but no security over the Group's assets has been given.
 - (b) Australian Dollar denominated loans of AUD 660,000. The loans are guaranteed by interlocking guarantees between the acquired company's entities and fixed and floating charges over its assets.
- (iv) Bonding facility utilisation of £4,725,000 (2010: £6,735,000) drawn against a £12,000,000 ancillary facility with Lloyds TSB Bank plc.

The carrying amounts of short and long term borrowings approximate their fair values

Liquidity risk

The Group has strong cash flow and the funds generated by operating companies are managed on a country basis. The Group also considers its long-term funding requirements as part of the annual business planning cycle.

Loan liquidity risk profile

£000s	2011	2010
<1 year	856	1,144
1-2 years	45,783	990
>2 but <5 years	79	41,718
	46,719	43,852

The liquidity risk profile above shows the expected cashflows in respect of the Group's loan facilities assuming that the loan balance at year end remains constant until expiry of the facilities and foreign exchange rates remain constant at the rates existing at the year end.

The Group intends to renew or replace its main borrowing facility during 2012.

Notes to the Consolidated Financial Statements continued

17. Obligations under finance leases

Amounts payable under finance leases

£000s	as at 31 December 2011			as at 31 December 2010		
	Minimum lease payments	Less future interest charges	Present value of minimum lease payments	Present value of Minimum lease payments	Less future interest charges	Present value of minimum lease payments
Within one year	1,378	(147)	1,231	1,684	(262)	1,422
In two to five years	1,141	(95)	1,046	2,471	(239)	2,232
	2,519	(242)	2,277	4,155	(501)	3,654

For the year ended 31 December 2011 the average effective borrowing rate was 9.0%. Interest rates are fixed at the contract date.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by interlocking guarantees between certain Group entities, the lessors' rights over the leased assets and a letter of credit provided by Lloyds TSB Bank Plc.

The carrying amount of obligations under finance leases is considered to be a reasonable approximation of fair value.

18. Deferred consideration

£000s	As at 31 Dec 2011	As at 31 Dec 2010
Amount due within one year	10,327	9,873
Amount due between one and two years	–	7,530
Amount due between two and five years	–	1,131
Total deferred consideration payable	10,327	18,534
Less amount due for settlement within 12 months	(10,327)	(9,873)
Amount due for settlement after 12 months	–	8,661

The amount due as at 31 December 2011 includes contingent deferred consideration remuneration expense accrued but not paid totalling £5,697,000 (31 December 2010: £nil).

19. Provisions

Property

The provision for property costs relates to onerous operating lease rentals and related costs on vacated property and will be utilised within 14 years

Warranty

This provision is in respect of contractual obligations and will be utilised within two years

Dilapidations

The dilapidations provision is in respect of reinstatement obligations related to leasehold properties and will be utilised within 14 years

£000s	Property	Warranty	Dilapidations	Total
As at 1 January 2011	2,063	631	2,251	4,945
Additional provision in the year	–	2,056	374	2,430
Utilised in year	(597)	(30)	(147)	(774)
Arising on acquisition of subsidiary	–	–	6	6
Exchange difference	(13)	(8)	1	(20)
At 31 December 2011	1,453	2,649	2,485	6,587
£000s			As at 31 Dec 2011	As at 31 Dec 2010
Due as follows				
Within one year			3,903	1,768
After more than one year			2,684	3,177
			6,587	4,945

The carrying value of the provisions disclosed above is a reasonable approximation of their fair value

20 Deferred taxation

The movement for the year in the Group's net deferred tax position was as follows

£000s	2011	2010
Net deferred tax asset / (liability) at 1 January	(11,291)	(9,791)
Credit / (charge) to income for the year	1,687	(20)
Credit to equity for the year	117	62
Effect of change in tax rate	176	85
Liability acquired on acquisition of subsidiary	(2,435)	(1,747)
Fair value adjustments to prior year acquisitions	75	1,061
Exchange differences	77	(941)
Net deferred tax asset / (liability) at 31 December	(11,594)	(11,291)

Notes to the Consolidated Financial Statements continued

20. Deferred taxation continued

Deferred tax assets

£000s	Depreciation in excess of capital allowances	Employment benefits	Share based payments	Total
At 1 January 2010	830	1622	470	2,922
(Charge) / credit to income for the year	(195)	262	(399)	(332)
Charge to equity for the year	–	–	(3)	(3)
Effect of change in tax rate	(40)	(9)	3	(46)
Asset / (liability) acquired on acquisition of subsidiary	(2)	250	–	248
Exchange differences	(9)	283	–	274
At 1 January 2011	584	2,408	71	3,063
Reclassification to deferred tax liabilities	(584)	–	–	(584)
(Charge) / credit to income for the year	–	(27)	121	94
Charge to equity for the year	–	–	(103)	(103)
Effect of change in tax rate	–	(17)	1	(16)
Asset acquired on acquisition of subsidiary	–	292	–	292
Fair value adjustments to prior year acquisitions	–	89	–	89
Exchange differences	–	55	(2)	53
At 31 December 2011	–	2,800	88	2,888

Deferred tax liabilities

£000s	Foreign exchange on investments	Intangible assets and tax deductible goodwill	Capital allowances in excess of depreciation	Provisions and other timing differences	Total
At 1 January 2010	(885)	(10,332)	–	(1,496)	(12,713)
(Charge) / credit to income for the year	279	795	–	(762)	312
Charge to equity for the year	–	65	–	–	65
Effect of change in tax rate	22	140	–	(31)	131
Liability acquired on acquisition of subsidiary	–	(1,977)	–	(18)	(1,995)
Fair value adjustments to prior year acquisitions	–	–	–	1,061	1,061
Exchange differences	–	(746)	–	(469)	(1,215)
At 1 January 2011	(584)	(12,055)	–	(1,715)	(14,354)
Reclassification from deferred tax assets	–	–	584	–	584
(Charge) / credit to income for the year	56	2,265	(1,297)	569	1,593
Credit to equity for the year	–	220	–	–	220
Effect of change in tax rate	–	330	(76)	(62)	192
Asset / (liability) acquired on acquisition of subsidiary	–	(2,876)	(54)	203	(2,727)
Fair value adjustments to prior year acquisitions	–	–	(14)	–	(14)
Exchange differences	–	(5)	(26)	55	24
At 31 December 2011	(528)	(12,121)	(883)	(950)	(14,482)

21. Share capital

	as at 31 December 2011		as at 31 December 2010	
	Authorised Number	Authorised £000s	Authorised Number	Authorised £000s
Ordinary shares of 3p each	240,000,000	7,200	240,000,000	7,200

	as at 31 December 2011		as at 31 December 2010	
	Issued and fully paid		Issued and fully paid	
	Number	£000s	Number	£000s
Ordinary shares of 3p each				
At 1 January	217,218,591	6,516	215,247,277	6,457
Issued under share option schemes	136,670	4	185,303	6
Issued under the Share Incentive Plan	523,766	16	745,667	22
Issued in respect of the Performance Share Plan	259,246	8	378,202	12
Issued in respect of the Long Term Incentive Plan	-	-	347,987	10
Issued in respect of deferred consideration	-	-	314,155	9
At 31 December	218,138,273	6,544	217,218,591	6,516

	As at 31 Dec 2011	As at 31 Dec 2010
Number		
Ordinary shares held by the ESOP Trust	1,982,771	1,582,690
Ordinary shares held by the SIP Trust	3,339,807	3,085,882

The ESOP Trust has elected to waive any dividend on the unallocated ordinary shares held

The table below shows options outstanding at 31 December 2011

Period exercisable	Number	Exercise price (p)
2005 - 2012	69,536	125 - 149
2006 - 2013	136,651	111 - 171
2007 - 2014	39,567	149
2008 - 2015	193,685	111 - 147
2011 - 2018	205,000	295
2013 - 2020	215,000	195
2014 - 2021	205,000	212
	1,064,439	

Notes to the Consolidated Financial Statements continued

22. Other reserves

£000s	Merger reserve	Employee trust	Translation reserve	Total
At 1 January 2010	20,687	(4,419)	23,251	39,519
Changes in equity during 2010:				
Exchange differences	-	-	6,978	6,978
Issue of new shares	569	(1,485)	-	(916)
At 31 December 2010	21,256	(5,904)	30,229	45,581
Changes in equity during 2011:				
Exchange differences	-	-	(811)	(811)
Issue of new shares	-	(1,115)	-	(1,115)
Purchase of own shares	-	(356)	-	(356)
At 31 December 2011	21,256	(7,375)	29,418	43,299

23. Dividends

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Amounts recognised as distributions to equity holders during the year		
Final dividend for the year ended 31 December 2010 of 2.52p (2009 2.19p) per share	5,460	4,722
Interim dividend for the year ended 31 December 2011 of 2.66p (2010 2.31p) per share	5,773	4,988
	11,233	9,710
Proposed final dividend for the year ended 31 December 2011 of 2.90p (2010 2.52p) per share	6,319	5,461

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements

24. Operating lease arrangements

At 31 December 2011 the Group's total remaining commitments as lessee under non-cancellable operating leases were as follows

Commitments

£000s	as at 31 December 2011		as at 31 December 2010	
	Property	Other	Property	Other
Within one year	11,178	2,929	10,731	2,857
In two to five years	26,067	4,322	25,467	3,720
After five years	10,742	-	15,675	-
	47,987	7,251	51,873	6,577

25. Related party transactions

Related parties, following the definitions within IAS 24, are the subsidiary companies and members of the Board and their families. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. There were no transactions within the year in which the Directors had any interest. The Remuneration Report contains details of Board emoluments.

26. Notes to the Consolidated Cash Flow Statement

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Operating profit	42,684	46,309
Adjustments for:		
Depreciation	8,032	7,556
Amortisation of acquired intangibles	10,839	5,524
Negative goodwill	(9,067)	–
Contingent consideration treated as remuneration	9,256	–
Share based payment expense	2,431	1,626
Loss / (profit) on sale of property, plant and equipment	27	(1,579)
Share of profit of associates	(24)	(335)
Revaluation of investment in associate	(1,490)	–
	62,688	59,101
Increase in trade and other receivables	(3,924)	(7,981)
Increase in trade and other payables	12,289	6,754
Cash generated from operations	71,053	57,874

The table below provides an analysis of net bank borrowings, comprising cash and cash equivalents, interest bearing loans and finance leases, during the year ended 31 December 2011.

£000s	At 31 Dec 2010	Cash flow	Acquisitions	Foreign Exchange	At 31 Dec 2011
Cash and cash equivalents	13,933	10,884	–	(359)	24,458
Bank loans	(41,816)	(2,222)	(1,239)	(428)	(45,705)
Finance lease creditor	(3,654)	1,410	–	(32)	(2,276)
	(31,537)	10,072	(1,239)	(819)	(23,523)

The cash balance includes £3,304,000 (2010: £1,079,000) that is restricted in its use.

27. Major non-cash transactions

Major non-cash transactions during the year are as follows:

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Depreciation	8,032	7,556
Amortisation of acquired intangibles	10,839	5,524
Negative goodwill	(9,067)	–
Share based payment expense	2,431	1,626
Share of profit of associates	(24)	(335)
Revaluation of investment in associate	(1,490)	–
	10,721	14,371

Notes to the Consolidated Financial Statements continued

28. Acquisitions

The Group has completed the following acquisitions to strengthen and broaden the skill base of the Group during 2011

Entity acquired	Date of acquisition	Place of incorporation	Percentage of entity acquired	Nature of business acquired
Evans Hamilton Inc	17 Feb	USA	100%	Oceanographic consultancy
Nautilus Group	1 Mar	UK/USA	100%	Training
Terranean Mapping Technology Pty	31 Mar	Australia	50%	Surveying
Espey Consultants Inc	12 Oct	USA	100%	Water consultancy
Applied Science Associates Inc	27 Oct	USA	100%	Oceanographic consultancy

The Group has allocated provisional fair values to the net assets of its acquisitions as it did not have complete information at the date of approval of these accounts. Details of the carrying values of the acquired net assets, the provisional fair values assigned to them by the Group and the fair value of consideration are as follows

£000s	EHI	TMT	Nautilus	Espey	ASA	Total
Intangible assets						
Order book	287	129	2,163	165	361	3,105
Customer relationships	2,618	832	15,954	1,268	1,557	22,229
Intellectual property	–	303	–	–	2,198	2,501
Trade names	–	–	704	108	–	812
Non compete agreements	–	–	547	–	–	547
Software	–	–	–	–	1,121	1,121
PPE	448	175	82	135	559	1,399
Cash	473	239	2,640	103	494	3,949
Other assets	1,015	479	3,919	1,907	3,520	10,840
Borrowings	(1,168)	(42)	–	(29)	–	(1,239)
Other liabilities	(2,263)	(916)	(10,322)	(984)	(2,468)	(16,953)
Net assets acquired	1,410	1,199	15,687	2,673	7,342	28,311
Positive goodwill	1,462	1,632	–	–	–	3,094
Negative goodwill	–	–	(5,137)	(391)	(3,139)	(8,667)
Consideration treated as capital	2,872	2,831	10,550	2,282	4,203	22,738
Satisfied by						
Fair value of original investment	–	1,699	–	–	–	1,699
Initial cash consideration	2,872	1,132	10,550	2,282	4,203	21,039
Deferred consideration	–	–	–	–	–	–
Consideration treated as capital	2,872	2,831	10,550	2,282	4,203	22,738
Contingent deferred consideration treated as remuneration	2,530	567	8,061	1,501	4,203	16,862
Total consideration	5,402	3,398	18,611	3,783	8,406	39,600

Positive goodwill arising of £3,094,000 represents the value of the accumulated workforce associated with these acquisitions. There is tax deductible goodwill of £3,467,000.

The total fair value of receivables acquired was £8,570,000. The gross contractual receivables acquired were £8,736,000 and £166,000 was estimated uncollectible.

The vendors of the acquired companies have entered into warranty arrangements with the Group. The total undiscounted cash flow that could be receivable by the Group is between £nil and £8,570,000. The Group does not expect that these warranties will become receivable and therefore has not recognised an indemnification asset on acquisition.

The Group previously held a 50% investment in TMT and has acquired the remaining 50% in 2011. The gain recognised on the revaluation to fair value of RPS's original 50% holding in Terranean Mapping was £1,490,000. This is included within "amortisation of acquired intangibles and transaction related costs".

The Group incurred acquisition related costs of £823,000, which have been expensed through the consolidated income statement and included within "amortisation of acquired intangibles and transaction related expenses". In 2010, acquisition costs of £324,000 were incurred and included within "reorganisation costs".

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The contribution of the acquisitions to the Group's results for the year is given below:

£000s	Revenue	Operating profit
EHI	3,628	(62)
Nautilus	12,645	531
TMT	2,513	277
Espey	1,221	60
ASA	1,142	98
	21,149	904

The proforma Group revenue and operating profit assuming all acquisitions were completed on the first day of the year would have been £542,193,000 and £38,289,000 respectively.

IFRS 3 (2008) Business Combinations became applicable to the Group with effect from 1st January 2010. The Group reviewed the requirements of this standard and determined that deferred consideration could continue to be treated as consideration for the acquisition and therefore capitalised. In 2011 the Group's new auditors, who interpret this standard differently, advised the Group that the deferred consideration that was contingent on continuing employment should be recognised as a remuneration charge through the Consolidated Income Statement rather than be capitalised.

This revised treatment of deferred consideration impacts the Group accounts in the following ways:

1. In respect of 2010 acquisitions the Group has derecognised the deferred consideration payable that was previously shown in the balance sheet on the date of acquisition of subsidiaries. The value of goodwill has been reduced by a corresponding amount since deferred consideration is no longer considered part of the cost of investment.
2. For those acquisitions in 2010 and 2011 where the fair value of the net assets acquired is greater than the consideration transferred, the Group has recognised negative goodwill through the consolidated income statement and
3. A remuneration charge has been recognised through the consolidated income statement and a corresponding accrual has been recognised in the balance sheet under "deferred consideration".

The Group has calculated the impact of this revised treatment on the 2010 accounts and has determined that it is not material as omitting that information from the comparative results in the Report and Accounts for 2011 would not influence the decisions that users make about the Group. Therefore the 2010 accounts have not been restated and the impact has been included in the 2011 accounts.

A reconciliation of goodwill in respect of acquisitions in 2010 and 2011 is given in the table below:

£000s	HIB	Aquaterra	Boyd	EHI	TMT
Goodwill at 1 January 2011	379	4,409	3,720	–	–
Additions through acquisition	–	–	–	1,462	1,632
Adjustments to opening balance sheet	3	(295)	–	–	–
Reclassification of deferred consideration	(169)	(3,550)	(3,720)	–	–
Foreign exchange gains and losses	–	(408)	–	47	37
Goodwill at 31 December 2011	213	156	–	1,509	1,669

There were no accumulated impairment losses at the beginning or the end of the period.

The total reduction to goodwill as a result of the reclassification of deferred consideration in respect of the 2010 acquisitions, HIB, Boyd and Aquaterra is £7,439,000 (note 11).

The negative goodwill recognised on 2011 acquisitions was £8,667,000 and together with the negative goodwill recognised on Boyd of £400,000 the total credit to the Consolidated Income Statement in respect of negative goodwill in 2011 was £9,067,000.

29. Financial Risk Management

(a) Capital management

The capital of the Group consists of debt, which includes the borrowings and facilities disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in notes 21 and 22. The Group manages its capital to support its strategy, and there were no changes in approach to capital management during the year.

The borrowings are managed centrally and funds are onward lent to operating subsidiaries as required. The main borrowing facility of the Group is a £125 million multi-currency revolving credit facility that provides a high degree of flexibility. There are two financial covenants related to this facility: interest cover (being group profit before interest and tax as a percentage of interest paid and payable) must be no less than 400% and the ratio of group net borrowings to EBITDA of the Group should be no greater than 325%. These covenants are tested regularly and were not breached during the year and have not been since.

The Group's businesses provide a good level of cash generation which helps fund future growth. The Group seeks to minimise borrowings by utilising cash generated by operations that is surplus to the immediate operating needs of the business and an objective is to maintain a minimum level of cash at bank. At the year end the balance is higher than the average month end balance during the year due to good cash collections toward the end of December.

(b) Financial instruments

The Group's financial assets comprise cash and trade and other receivables. The Group's financial liabilities comprise bank loans, deferred consideration and trade and other payables. It is and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Fair values

The fair value of the financial assets and liabilities of the Group are considered to be materially equivalent to their book value. The classification of financial instruments is shown in the table below.

£000s	As at 31 Dec 2011	As at 31 Dec 2010
Cash	25,989	13,933
Trade and other receivables	171,751	158,766
Financial assets	197,740	172,699
Borrowings	49,513	45,470
Deferred consideration	10,327	18,534
Trade and other payables	111,161	88,023
Financial liabilities	171,001	152,027

Interest rate and currency risk are the most significant aspects for the Group in the area of financial instruments. It is exposed to a lesser extent to liquidity risk that is reviewed in note 16. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(c) Interest rate risk

The Group draws down term loans, typically between one and three months, against its revolving credit facility in US Dollars, GB Pounds, Australian Dollars, Canadian Dollars and Euro at fixed rates of interest for the term of the loan. The Group has not entered any contracts to fix interest rates beyond the period of the term loans but will consider doing so if borrowings become significantly larger and longer term. The Group's overdraft bears interest at floating rates. Surplus funds are placed on short-term deposit or held within accounts bearing interest related to bank base rate.

(c) Interest rate risk continued*Interest rate risk and profile of financial liabilities*

The interest rate risk profile of the Group's financial liabilities at 31 December was as follows

£000s	Floating rate		Fixed rate		Non interest bearing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Sterling	–	–	4,778	17,219	40,941	37,502	45,719	54,721
Euro	–	–	–	249	21,558	21,319	21,558	21,568
Australian Dollar	3,902	7,560	5,951	12,129	17,157	15,559	27,010	35,248
Canadian Dollar	–	–	514	4,452	17,401	7,897	17,915	12,349
US Dollar	–	–	44,695	22,395	13,575	5,080	58,270	27,475
Other	–	–	–	–	529	666	529	666
At 31 December	3,902	7,560	55,938	56,444	111,161	88,023	171,001	152,027

The maturity profile of financial liabilities at 31 December was as follows

£000s	Floating rate		Fixed rate		Non interest bearing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Within one year	3,902	3,837	9,383	7,780	109,497	86,971	122,782	98,588
In one to two years	–	3,723	45,948	5,214	1,590	1,052	47,538	9,989
In two to five years	–	–	607	43,450	74	–	681	43,450
	3,902	7,560	55,938	56,444	111,161	88,023	171,001	152,027

The weighted average interest rate and term for interest bearing financial liabilities is shown below

	Fixed and floating rate financial liabilities		Fixed rate financial liabilities	
	Weighted average interest rate % 2011	2010	Weighted average period for which rate is fixed – months 2011	2010
Sterling	2.4	2.0	2	1
Euro	–	3.6	–	11
Australian Dollar	7.1	6.4	9	17
Canadian Dollar	1.0	1.1	8	18
US Dollar	1.3	1.4	2	1
	2.3	3.1	3	6

Notes to the Consolidated Financial Statements continued

29. Financial Risk Management continued

Cash balances at year end

£000s	As at 31 Dec 2011	As at 31 Dec 2010
Sterling	3,042	3,571
Euro	1,249	1,409
US Dollar	6,300	2,322
Australian Dollar	3,990	3,718
Canadian Dollar	8,864	1,672
Mongolian Tugrk	1,567	379
Other	927	862
At 31 December	25,989	13,933

Cash balances are held in either non-interest bearing current accounts or instant access deposit accounts bearing floating rate interest

There are no interest bearing trade and other receivables

Borrowing facilities

The Group's undrawn borrowing facilities comprise revolving credit facilities that expire in 2013 where interest costs are fixed at the time drawings are made. During 2011, the Group had an overdraft facility expiring within one year, carrying floating rate interest

The Group has the following undrawn committed borrowing facilities available in respect of which all conditions precedent had been met

£000s	As at 31 Dec 2011	As at 31 Dec 2010
Expiring in more than one year but not more than 2 years	79,728	
Expiring in more than 2 years but not more than 5 years	—	83,936

Interest rate sensitivity

A 1.0% decrease in interest rates would increase Group profit before tax by £365,000. A further 1.0% increase in interest rates would decrease Group profit before tax by £365,000.

(d) Foreign currency risk

The Group, which is based in the UK and reports in sterling, has significant investments in overseas operations in the Netherlands, Ireland, USA, Canada and Australia that have functional currencies other than sterling. As a result the Group's balance sheet and income statement can be affected by movement in the exchange rate between sterling and the functional currencies of overseas operations. The most important exchange rates as far as the Group is concerned is the GB Pound to Australian dollar rate.

The fair value of the forward foreign exchange contracts held at year end was not material.

The Group does not hedge balance sheet and income statement translation exposures.

A number of the Group's operations transact in currencies other than their functional currency. This creates a foreign currency exposure that is monitored and hedged centrally.

Foreign currency sensitivity

Since the Group hedges its transactional foreign currency, the sensitivity of the results to transactional foreign currency risk is not material.

(e) Credit Risk

It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. The Group does not enter into complex derivatives to manage credit risk. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. The directors consider the Group's financial assets that are not impaired to be of good

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credit quality including those that are past due. See note 14 for further detail on receivables that are past due. The group's financial assets are not secured by collateral advanced by counterparties. In respect of trade and other receivables, the group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties with similar characteristics. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

30. Share-based payments

Share scheme costs

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Share Incentive Plan ("SIP")	1,126	1,064
Performance Share Plan ("PSP")	866	909
Long Term Incentive Plan	–	(653)
Share Option Plan	118	144
Bonus Plan	321	163
	2,431	1,627

The following tables set out details of material share schemes activity:

PSP

Year of grant	Number outstanding 31 Dec 2010	New grants	Grants replaced	Releases	Lapses	Number outstanding 31 Dec 2011	Vesting conditions
2006	4,296	–	–	(2,148)	–	2,148	3 years
2007	54,098	–	–	(48,969)	–	5,129	3 years
2008	58,796	–	–	(56,285)	(2,511)	–	2 or 3 years
2009	1,288,603	–	–	(148,149)	(113,795)	1,026,659	1, 2 or 3 years
2010	38,453	–	–	–	(7,329)	31,124	3 years
2011	–	485,118	–	(3,695)	(30,651)	450,772	3 years
	1,444,246	485,118	–	(259,246)	(154,286)	1,515,832	

Year of grant	Number outstanding 31 Dec 2009	New grants	Grants replaced	Releases	Lapses	Number outstanding 31 Dec 2010	Vesting conditions
2005	–	–	9,443	(9,443)	–	–	3 years
2006	12,044	–	–	(7,748)	–	4,296	3 years
2007	430,191	–	–	(336,467)	(39,626)	54,098	2 or 3 years
2008	100,901	–	–	(9,048)	(33,057)	58,796	1, 2 or 3 years
2009	1,494,634	–	–	(15,496)	(190,535)	1,288,603	3 years
2010	–	38,453	–	–	–	38,453	3 years
	2,037,770	38,453	9,443	(378,202)	(263,218)	1,444,246	

Notes to the Consolidated Financial Statements continued

30. Share-based payments continued

SIP

Year of grant	Number outstanding 31 Dec 2010	New grants	Releases	Forfeits	Number outstanding 31 Dec 2011	Vesting conditions
2008	486,102	–	(462,262)	(26,900)	(3,060)	3 years
2009	530,551	–	(33,069)	(34,144)	463,338	3 years
2010	608,652	–	(29,517)	(36,078)	543,057	3 years
2011	–	566,108	(10,880)	(14,069)	541,159	3 years
	1,625,305	566,108	(535,728)	(111,191)	1,544,494	

Year of grant	Number outstanding 31 Dec 2009	New grants	Releases	Forfeits	Number outstanding 31 Dec 2010	Vesting conditions
2006	15,372	–	(15,372)	–	–	3 years
2007	233,860	–	(221,074)	(12,786)	–	3 years
2008	554,101	–	(28,493)	(39,506)	486,102	3 years
2009	599,828	–	(24,615)	(44,662)	530,551	3 years
2010	–	635,219	(7,234)	(19,333)	608,652	3 years
	1,403,161	635,219	(296,788)	(116,287)	1,625,305	

PSP

For the purposes of calculating the fair value of conditional shares awarded under the PSP the fair value was calculated as the market value of the shares at the date of grant adjusted to reflect that participants are not entitled to receive dividends over the performance period

PSP awards	
Fair value at measurement date	130.01p - 202.58p
Weighted fair value	164.42p
Holding period	3 years
Expected dividend yield	1.83% - 2.44%

SIP

For the purposes of calculating the fair value of conditional shares awarded under the SIP, the fair value was calculated as the market value of the shares at the date of grant as participants are entitled to receive dividends over the three year holding period

SIP awards	
Fair value at measurement date	129.50p - 255.71p
Weighted fair value	196.56p
Holding period	3 years

The Group assumed a 5% annual lapse rate as at the date of grant for the above schemes and all non-market based performance conditions would be satisfied in full (see accounting policy 2(e)(ii))

31. Events after the balance sheet date

Since the year end the Group has exchanged contracts to dispose of that part of Built and Natural Environment Europe which provides facilities management support to clients in Ireland. The consideration for the goodwill and contracts is €1,500,000. Certain other assets of the business will be sold at net book value whilst trade receivables will be retained and certain liabilities will be assumed by the acquirer. All staff engaged directly in this business are expected to transfer to the acquirer. Subject to a TUPE process, this disposal will complete in late March.

32 Commitments and contingencies

The Group has completed a number of acquisitions since 1st January 2010 where deferred consideration payments to vendors are contingent on the vendors' continued employment with the Group and so are recognised as employment costs over the deferred consideration period. The Group considers it probable that these deferred consideration payments will be paid.

The total cash commitments in respect of contingent deferred consideration treated as remuneration that the Group expects to settle and the estimated remuneration charge for each financial year assuming exchange rates remain constant are disclosed in the table below.

£000s	Cash commitment	Remuneration charge
2012	10,341	8,879
2013	7,760	5,962
2014	3,563	1,126
	<u>21,664</u>	<u>15,967</u>

The balance sheet at 31st December 2011 includes, within deferred consideration amount due within one year, contingent deferred consideration remuneration expense accrued but not paid totalling £5,697,000.

Parent Company Balance Sheet

£000s	Notes	As at 31 Dec 2011	As at 31 Dec 2010
Fixed assets			
Intangible assets	3	712	778
Tangible assets	4	2,437	1,241
Investments	5	234,259	234,259
		237,408	236,278
Current assets			
Debtors			
Amounts due from subsidiary undertakings		44,602	45,400
Other debtors		544	833
Prepayments and accrued income		1,152	1,892
		46,298	48,125
Cash at bank and in hand		371	273
		46,669	48,398
Current liabilities			
Creditors amounts falling due within one year			
Trade creditors		363	1,154
Amounts due to subsidiary undertakings		13,247	23,094
Other creditors		377	349
Accruals and deferred income		1,714	1,389
		15,701	25,986
Net current assets		30,968	22,412
Total assets less current liabilities		268,376	258,690
Creditors amounts falling due after more than one year	6	45,272	41,064
Provisions for liabilities	7	154	75
Net assets		222,950	217,551
Capital and reserves			
Called up share capital	9 10	6,544	6,516
Share premium account	10	103,717	101,941
Profit and loss reserve	10	98,776	93,710
Merger reserve	10	21,256	21,256
Revaluation reserve	10	32	32
Employee trust shares	10	(7,375)	(5,904)
		222,950	217,551

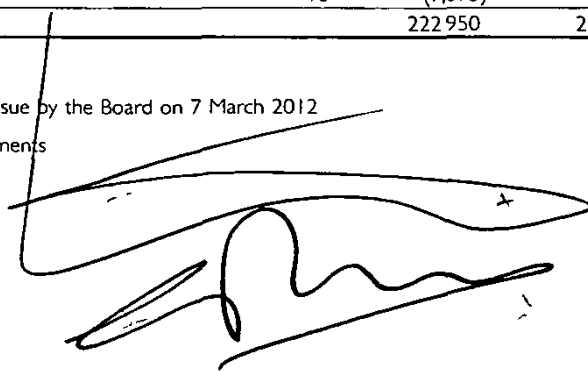
These financial statements were approved and authorised for issue by the Board on 7 March 2012

The notes on pages 75 to 81 form part of these financial statements

Dr Alan Heame Director

Gary Young, Director

On behalf of the Board of RPS Group Plc



Notes to the Parent Company Financial Statements

1. Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and are in accordance with applicable UK accounting standards. The following principal accounting policies have been applied:

Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised. Purchased goodwill is written off on a straight line basis over its useful economic life of up to 20 years.

Valuation of investments

Investments held as fixed assets are stated at cost, less any provision for impairment in value.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets excluding freehold land, over their expected useful lives as follows:

Freehold buildings	50 years
Alterations to leasehold premises	Life of lease
Motor vehicles	4 years
Fixtures, fittings, IT and equipment	3 to 8 years

Revaluation of properties

The Company has taken advantage of the transitional arrangements in FRS 15 'Tangible Fixed Assets' and retained the book values of certain freehold properties that were revalued prior to implementation of that standard. Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss reserve.

Leased assets and assets held under hire purchase contracts

Where assets are financed by hire purchase or leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are split between capital and interest using the actuarial method and the interest element is charged to the profit and loss account.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Foreign currency translation

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date.

Pension costs

Contributions to the Company's defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable.

Share based employee remuneration

The Company has applied FRS 20 "Share-based payment" to all share options and conditional share awards which were granted to employees and had not vested at 1 January 2005. A charge is recognised on the same basis as that recognised for the Group under IFRS 2. Where the Company will be issuing shares to satisfy share awards made by its subsidiaries, the Company makes a charge to its subsidiaries equal to the fair value of the share-based payment incurred.

Notes to the Parent Company Financial Statements continued

I. Accounting policies continued

Taxation

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

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Employee Share Ownership Plan (ESOP)

In accordance with UITF 32, the assets, income and expenditure of the ESOP Trust are incorporated into the Company Financial Statements

Financial instruments

Disclosures on financial instruments have not been included in the Company's financial statements as its consolidated financial statements include appropriate disclosures

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market

Trade debtors and other receivables are financial assets that are recognised at fair value on inception and are subsequently carried at amortised cost. They are subject to impairment tests whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment losses are taken to the profit and loss account as incurred

Amounts held at amortised cost

Trade creditors and other payables including bank loans are financial liabilities that are recognised at fair value on inception and are subsequently carried at amortised cost

Accounts

2. Profit attributable to shareholders

No profit and loss account is disclosed by the Parent Company as allowed by Section 408 of the Companies Act 2006

£000s	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Profit for the year attributable to the shareholders of the Parent Company, dealt with in the accounts of the Parent Company	14,377	17,890

The remuneration of the auditors for the statutory audit of the Company was £33,000 (2010 £33,000)

3. Intangible Assets

£000s	Goodwill
Cost	
At 1 January 2011 and at 31 December 2011	2,134
Amortisation	
At 1 January 2011	1,356
Charge for the year	66
At 31 December 2011	1,422
Net book value at 31 December 2011	712
Net book value at 31 December 2010	778

4. Tangible Assets

£000s	Freehold land and buildings	Alterations to leasehold premises	Fixtures fittings, IT and equipment	Total
Cost or valuation				
At 1 January 2011	432	12	4,427	4,871
Additions	–	722	1,012	1,734
At 31 December 2011	432	734	5,439	6,605
Depreciation				
At 1 January 2011	176	12	3,442	3,630
Provided for the year	9	67	462	538
At 31 December 2011	185	79	3,904	4,168
Net book value at 31 December 2011	247	655	1,535	2,437
Net book value at 31 December 2010	256	0	985	1,241

Notes to the Parent Company Financial Statements continued

5 Investments

£000s	2011	2010
Subsidiary undertakings		
Cost		
At 1 January	235,097	192,970
Additions	–	42,127
At 31 December	235,097	235,097
Provisions		
At 1 January and 31 December	838	838
Net book value at 31 December	234,259	234,259

During 2010 RPS Group Plc converted £42,127 000 of its long term intercompany debt with the Australian sub group into equity in the Australian Holding Company

Subsidiary undertakings

The majority of our trading subsidiaries provide consulting services, although we also provide training and laboratory testing

The following were the principal operating subsidiaries during the year. Shares are held directly by RPS Group Plc except where marked by an asterisk where they are held by a subsidiary undertaking

	Country of registration and operation	Proportion of ordinary share capital held
The Environmental Consultancy Limited	England	100%
RPS Environmental Management Limited (formerly RPS Consultants (UK) Limited)	England	100%
RPS Energy Limited	England	100%
RPS Health in Business Limited	England	100% *
Nautilus Limited	England	100% *
RPS Energy Consultants Limited	England	100% *
RPS Ireland Limited	Northern Ireland	100% *
RPS bv	Netherlands	100%
RPS Advies-en ingenieursbureau bv	Netherlands	100% *
RPS Analyse bv	Netherlands	100% *
RPS Detachering bv	Netherlands	100% *
RPS Group Limited	Ireland	100% *
RPS Engineering Services Limited	Ireland	100% *
RPS Planning & Environment Limited	Ireland	100% *
RPS Consulting Engineers Limited	Ireland	100% *
RPS Consultants Pty Limited	Australia	100% *
RPS Environment Pty Limited	Australia	100% *
MetOcean Engineers Pty Limited	Australia	100% *
RPS Australia East Pty Limited	Australia	100% *
Aquaterra Consulting Pty Limited	Australia	100% *
Cambrian Consultants America Inc	USA	100% *
RPS JD Consulting Inc	USA	100% *
Nautilus World Limited	USA	100% *
Evans Hamilton Inc	USA	100% *
Espey Consultants Inc	USA	100% *
Applied Science Associates Inc	USA	100% *
RPS Energy Canada Limited	Canada	100% *
Geoprojects Canada Limited	Canada	100% *
Boyd Exploration Consultants Limited	Canada	100% *

Accounts

6. Creditors: amounts falling due after more than one year

£000s	31 Dec 2011	31 Dec 2010
Bank loans	45,272	41,064
Due as follows		
After one year and within two years	45,272	–
After two years and within five years	–	41,064
	45,272	41,064

7. Provision for liabilities

£000s	Dilapidations	
As at 1 January 2011		75
Additional provision in the year		79
As at 31 December 2011		154

£000s	As at 31 Dec 2011	As at 31 Dec 2010
This provision is expected to be utilised as follows		
Within one year	100	16
After more than one year	54	59
	154	75

The provision booked during the year relates to dilapidations which have been identified on several buildings leased by the Company

8. Deferred taxation

The movement on deferred taxation in the year was as follows

£000s	As at 31 Dec 2011	As at 31 Dec 2010
Net asset at beginning of year	460	713
Charge to income for the year	(193)	(253)
Net asset at year end	267	460

The deferred taxation balances comprise

£000s	As at 31 Dec 2011	As at 31 Dec 2010
Short term timing differences	136	222
Depreciation in excess of capital allowances	131	238
Deferred tax asset	267	460

Notes to the Parent Company Financial Statements continued

9. Share capital

	Number	Authorised Value £000s	Number	Allotted and fully paid Value £000s
Ordinary shares of 3p each				
At 1 January 2011	240,000,000	7,200	217,218,591	6,516
At 31 December 2011	240,000,000	7,200	218,138,273	6,544

Full details of the share capital of the Company are disclosed in Note 21 to the Consolidated Financial Statements

10. Reconciliation of movements in shareholders' funds

£000s	Share capital	Share premium	Merger reserve	Revaluation reserve	Employee trust shares	Profit and loss reserve	Total
At 1 January 2010	6,457	98,238	20,687	32	(4,419)	85,940	206,935
Issue of new shares	59	3,703	569	–	(1,485)	(2,036)	810
Share based payment expense	–	–	–	–	–	1,626	1,626
Retained profit for the year	–	–	–	–	–	17,890	17,890
Dividend paid	–	–	–	–	–	(9,710)	(9,710)
At 31 December 2010	6,516	101,941	21,256	32	(5,904)	93,710	217,551
Issue of new shares	28	1,776	–	–	(1,115)	(509)	180
Purchase of own shares	–	–	–	–	(356)	–	(356)
Share-based payment expense	–	–	–	–	–	2,431	2,431
Retained profit for the year	–	–	–	–	–	14,377	14,377
Dividend paid	–	–	–	–	–	(11,233)	(11,233)
At 31 December 2011	6,544	103,717	21,256	32	(7,375)	98,776	222,950

11. Dividends

Full details of dividends paid by the Company are disclosed in Note 23 of the Consolidated Financial Statements

12. Commitments under operating leases

The Company had annual commitments under non-cancellable operating leases as set out below

£000s	Land and buildings		Other	
	31 Dec 2011	31 Dec 2010	31 Dec 2010	31 Dec 2009
Operating leases which expire				
Within one year	127	399	17	78
In two to five years	2,450	870	208	93
After five years	1,722	–	–	–
	4,299	768	225	134

13. Directors' interests in transactions

There were no transactions during the year in which the Directors had any interest

Five Year Summary

£000s	2011	2010	2009	2008	2007
Revenue	528 710	461,830	443,909	470,465	362 674
Fee income	452,729	393,262	374,351	392,096	305 108
PBTA	50,812	47,993	52 472	57 512	45,010
Net bank debt	(23,523)	(31,537)	(32,763)	(28,555)	(32,630)
Net assets	364,221	344,993	313,468	287,607	227 534
Cash generated from operating activities	71,053	57,874	70,583	67 386	45 393
Average number of employees	4 686	4,422	4,254	4,438	4,093
Dividend per share	5 56p	4 83p	4 20p	3 66p	3 18p
Adjusted basic EPS	17 37p	15 79p	17 08p	18 92p	15 17p
Adjusted diluted EPS	17 24p	15 69p	16 87p	18 66p	14 95p

The Five Year Summary does not form part of the audited financial statements



Energy

The exploration and production
of energy and other natural resources

Environment

The development and management
of the built & natural environment