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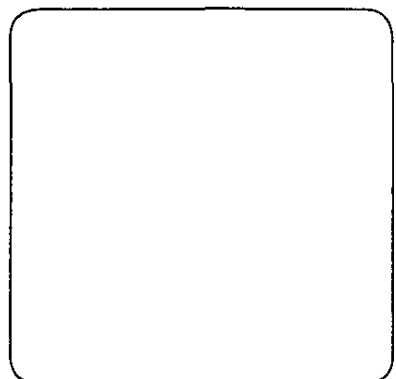
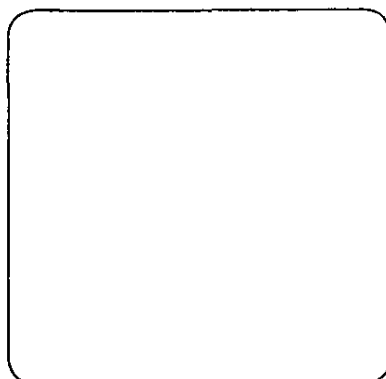
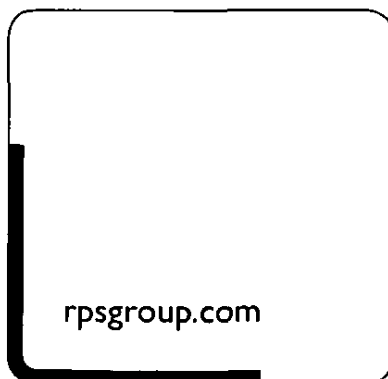
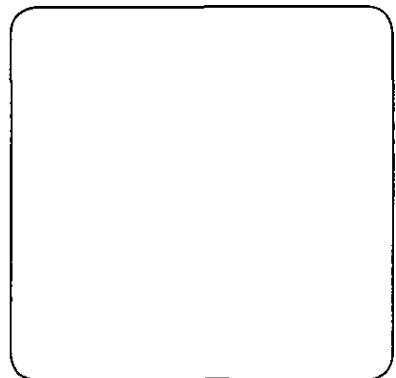
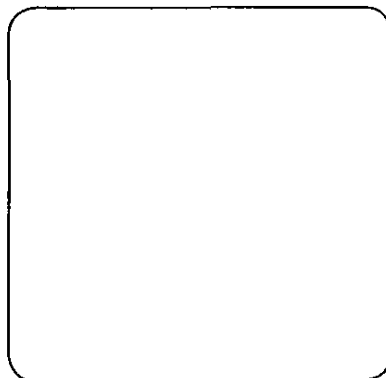
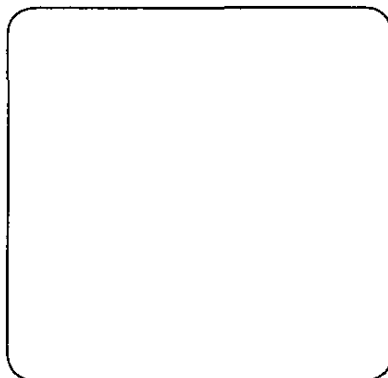
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RPS GROUP PLC

Report and Accounts **2012**



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Key Performance Indicators

	2012	2011
Fee income (£m)	478.8	452.7
PBTA ⁽¹⁾ (£m)	60.1	50.8
Conversion of profit to cash (%) ⁽²⁾	105	113
Adjusted operating cash flow ⁽³⁾ (£m)	76.0	71.1

Statutory reporting

	2012	2011
Revenue (£m)	555.9	528.7
Profit before tax (£m)	40.2	40.5

Operating Highlights

- diversity of activity and geography enabled the Group to produce results at the top end of market expectations,
- all 3 reported segments increased profit contribution and margin,
- balance sheet remains strong with year end net bank borrowings at £13.5m (2011: £23.5m) having invested £24.2m in acquisitions during 2012,
- bank facilities of £125m available until July 2016,
- proposed full year dividend increased by 15%, 19th consecutive annual increase of this scale

Notes

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

(2) Based on operating profit adjusted for depreciation, share scheme costs, amortisation of acquired intangibles, deferred consideration treated as remuneration and non-cash transaction related costs

(3) Operating cash flow prior to deferred consideration treated as remuneration

(4) The Directors review performance using non-statutory measures such as those above and segment profit and underlying profit as they consider these to be more meaningful measures of performance. These performance measures are defined in note 1(g). Note 3 includes a 'Group Reconciliation' of the adjusted measures to the statutory results

Strategy and Business Model

RPS is an international consultancy providing independent advice upon

- the exploration and production of oil and gas and other natural resources, and
- the development and management of the built and natural environment

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, which is determined and monitored by the Board, is to operate in those markets that exhibit these drivers, have sound longer-term prospects and where we can potentially achieve leading positions. Each year the Board sets a series of priorities consistent with that strategy and reviews progress against its strategy and priorities on a regular basis. 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 North America and Australia as we have in Europe 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 important in attracting and retaining high quality employees. This is achieved by providing opportunities for professional growth and advancement as well as by providing competitive remuneration and benefits packages and striving to maintain an open, creative and positive culture.

Client retention and the maintenance of longstanding relationships with our clients are at the heart of our success. We achieve this by seeking to deliver focussed and cost-effective advice on both well understood problems and emerging challenges. We also 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, systems and support services.

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 North America, Australia and Europe 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.

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 Key Performance Indicators the Group employs are monitored monthly and provide the means by which the Board measures the success of its strategy.

Group Structure

The Group consists of two primary reporting segments: Energy and Built & Natural Environment, the latter being 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 and training in the fields of geoscience, 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. Built Environment activities, provided from offices throughout the UK and Ireland, the Netherlands, as well from offices primarily on the East and West Coasts of Australia, include planning, urban design and regeneration, environmental assessment and management, transport and infrastructure, architecture and landscape, engineering and surveying. Natural Environmental based services in the UK and The Netherlands include environmental science, the management of water resources, health safety and risk management, laboratory testing, asbestos consulting, air quality and noise and property services. whilst in Australia we provide oceanographic and mining services. The businesses in Europe are managed by a single regional Board. Our businesses in the Australia Asia Pacific region are similarly managed by a single regional Board whilst both are supported by a number of subsidiary operating Boards.

Further Information

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

2012 Results

Results

PBTA was at the top end of market expectations at £60.1 million (2011: £50.8 million). Adjusted basic earnings per share were 19.48 pence (2011: 16.68 pence). The contribution of each segment grew significantly:

Underlying Profit* (£m)	2012	2011	
Energy	39.7	32.1	+24%
Built and Natural Environment	31.8	29.0	+10%
Total	71.6	61.1	+17%

* as defined in note 1(g) to the Consolidated Financial Statements

Our Energy activities are largely conducted on a worldwide basis. In combination with our Built and Natural Environment business in Australia/Asia Pacific, we now have over 70% of our underlying profit generated outside Europe. During 2012 this generally exposed us to higher growth economies and good opportunities. A significant proportion of our Built and Natural Environment activity relates to projects providing the infrastructure necessary to process and deliver energy and power resources. Consequently, we estimate that approximately 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. Adjusted operating cash flow was £76.0 million (2011: £71.1 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 2016. These comprise a £75 million committed facility, with an additional £50 million available as required. The cost of these facilities remains at a low level. Net bank borrowings at the year end were £13.5 million (2011: £23.5 million), after investing £24.2 million in acquisitions (2011: £27.2 million). We remain 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 3.34 pence per share payable on 24 May 2013 to shareholders on the register on 12 April 2013. If approved the total dividend for the full year would be 6.40 pence per share, an increase of 15% (2011: 5.56 pence per share). Our dividend has risen at about this rate for 19 consecutive years. It increased 75% over the 4 years of the global financial crisis whilst our net debt has reduced substantially, to an 8 year low, after investing £120.6 million in acquisitions in the same period.

Markets and Trading

Energy

We provide internationally recognised consultancy services to the energy sector from bases in the UK, USA, Canada, Australia and Asia. These act as regional centres for projects undertaken in many other countries. The 2012 results show the significant growth anticipated, with a strong margin.

	2012	2011
Fee income (£m's)	225.9	186.1
Underlying profit* (£m's)	39.7	32.1
Margin (%)	17.6	17.2

* as defined in note 1(g) to the Consolidated Financial Statements

As anticipated, this business continued to make good progress in the final months of the year. Our clients' investment in conventional oil and gas exploration and production was generally strong throughout the year. Our activity in the unconventional market remained buoyant internationally, with a shift from shale gas to liquids in the USA. We experienced an encouraging uplift in activity in most parts of the world and continued to see a particularly strong performance in the US. This was based on both domestic and international projects, including good activity levels in the Gulf of Mexico. Following last year's political disturbances, our activity in North Africa was subdued throughout 2012, although opportunities elsewhere in Africa and parts of the Middle East continued to improve.

Our training and oceanographic businesses performed well and our reputation as independent advisors to the financial services market in respect of transactions and asset valuations continued to grow. The acquisition of PEICE, announced on 16 January 2013, accelerates the development of our training business, particularly in Canada.

Good margins have been maintained. With global E&P capital expenditure forecast to grow in 2013, it seems likely that the positive trends in this business will continue.

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 environmental assessment, the management of water resources, health and safety, risk management, town and country planning, building, landscape and urban design, surveying and transport planning. Profit in the year improved, as did the margin.

	2012	2011
Fee income (£m's)	255.3	269.1
Underlying profit* (£m's)	31.8	29.0
Margin (%)	12.5	10.8
* as defined in note 1(g) to the Consolidated Financial Statements		

BNE - Europe

	2012	2011
Fee income (£m's)	157.2	178.2
Underlying profit* (£m's)	18.9	18.0
Margin (%)	12.0	10.1
* as defined in note 1(g) to the Consolidated Financial Statements		

Our BNE business in Europe increased its contribution compared with the same period last year, despite markets remaining uncertain. In this business we provide support to our clients' operations in the water, health and safety and risk management sectors, in order to enable them to comply with legislation and regulation. We continued to see reasonable levels of activity in these markets, although a number of significant projects for UK water clients came to an end around the middle of the year. Both our Irish and Dutch businesses also performed well despite being exposed directly to the economic uncertainty of the eurozone. We concluded the sale of our Irish facilities management business in March. This accounts for most of the year on year reduction in fee income.

Many of our traditional commercial development clients became more cautious about investing in new capital projects during the second half. We have, therefore, been even more selective about the market sectors in which we invest and have, in particular, focussed on providing further support to those clients developing energy infrastructure, such as on and off shore windfarms, pipelines and interconnectors, power stations and waste to energy plants. Investment potential is greater in this market, recent UK Government statements about energy production from gas were encouraging.

It currently seems that market conditions are unlikely to improve in 2013, so we continue to focus upon efficiency improvements to maintain our performance.

BNE - Australia Asia Pacific

	2012	2011
Fee income (£m's)	98.3	91.0
Underlying profit* (£m's)	13.0	11.0
Margin (%)	13.2	12.1
* as defined in note 1(g) to the Consolidated Financial Statements		

Our BNE business in Australia Asia Pacific produced significantly better results than in 2011. In the first part of the year we continued to benefit from the high levels of investment in the activities and associated infrastructure necessary to deliver mining, coal seam gas and associated LNG projects in Queensland and the conventional gas projects offshore Western Australia. These provide the opportunity for us to deliver a wide range of services to clients.

There was however, a change in client sentiment in the second half of the year in these markets. This resulted from a combination of lower levels of Asian demand for certain natural resources, heightened concerns over escalating project costs and a trimming of growth in the Australian economy. We are taking steps to improve the efficiency of this business, enabling us to remain well positioned in sectors which may increase activity again during 2013 and which have excellent medium and long term prospects.

Outside the natural resources sector the Australian economy remained under pressure, as global economic concerns reduced consumer and business confidence. As a result conditions in the commercial development market remained subdued. The acquisition of Manidis Roberts, completed in July, significantly strengthens our business in New South Wales, as well as increasing our penetration into parts of Australian public sector infrastructure market including water, transport and power supply. The integration of this business is progressing well, although the run up to the recently called national election in September is likely to cause uncertainty in its markets.

Subject to global economic progress continuing, conditions in some of our markets should improve during the course of 2013, enabling us to benefit from our strong profile.

Group Strategy and 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 an excellent underpin to its prospects. We continue to believe that our strategy of building multi-disciplinary businesses in each of the regions in which we operate is attractive and achievable. We will, therefore, continue to develop our business organically, whilst seeking further acquisition opportunities. Our balance sheet is strong and supports this strategy.

We have come through the exceptionally challenging circumstances of the last four years in a strong position. We were able to deliver good growth in 2012, which takes us above our previous high, achieved in 2008. Although the outlook in some of our markets is still uncertain, we remain on track to produce further growth in 2013, anticipating this is likely to be more marked in the second half.

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 could have staff levels that exceed current workload and 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. Our contractual order book 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. The risks associated with the Eurozone crisis are limited to the extent that only the Group's businesses in The Netherlands and Republic of Ireland are located within Eurozone and trade through its currency. The wider global downturn that might be triggered by a deterioration in the position are beyond the Group's direct control but may be mitigated to a degree by the factors listed above.

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. No new events of this type and scale affected us during the year.

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 10 and 11 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.

From time to time the Group receives claims from clients and suppliers. Some of these result in payments to the claimants by the Group and its insurers. The Board reviews all significant claims at each board meeting and the Board is currently satisfied that the Group has sufficient provisions in its balance sheet to meet all uninsured liabilities, including those which have arisen for the first time in 2012.

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. The integration of Manidis Roberts has been successful thus far.

Funding

The availability of sufficient and appropriate funding through the Group's bank facilities is important to support the Group's growth and in particular to fund acquisitions.

The Group's facilities which were due to expire in 2013 were renewed during 2012. The Group now has in place a revolving credit facility with Lloyds Bank for £75m, together with an additional £50m in the form of an accordion facility that is available upon request by the Group, subject to credit approval being given by the bank. This new facility will expire in July 2016.

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 12.

Employees

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

Group	2012	2011
Average number of employees		
Energy*	812	722
Built and Natural Environment – Europe	2,662	3,000
Built and Natural Environment – Australia Asia Pacific	924	855
Central	109	109
Group total	4,507	4,686
Days absent (%)	2	2
Average length of service (years)	6	6
Working part time (%)	9	10
Retention rate (%)**	81	80
Female (%)	29	30
Age profile		
Employees aged under 25 (%)	9	9
Employees aged 25-29 (%)	16	16
Employees aged 30-49 (%)	54	55
Employees aged 50+ (%)	21	20
*Additionally Energy makes extensive use of associates and sub-consultants (these equated to approximately 750 full time equivalent employees in 2012)		
**excluding redundancies		

The attraction, retention and motivation of high calibre employees is a strategic imperative for all businesses within the Group. To achieve this businesses maintain 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 a framework of structures and systems that are overseen at Group level. 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 12.

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 use the Group intranet as a means to communicate the Group's businesses and achievements as well as policies and procedures. 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. The Group provides training to the oil and gas sector through its Nautilus business, which also assists in providing technical training within the Group. It has also continued to operate approved structured training schemes for its chartered and water engineers in the UK as well as for civil engineers in the UK and Ireland.

During 2012 RPS continued its long-term practice of supporting staff in pursuing relevant higher education courses. This involved sponsoring courses at a total of 34 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.

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 affect 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 on pages 8 and 9. 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 FTSE4Good 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, as well as 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.

Health and Safety

The health and safety of the Group's employees and others we affect is of paramount importance and we remain committed to good practice that as a minimum complies with 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 work activities are assessed for health and safety risks and appropriate controls put in place. 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. 32% 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 2012, the reportable accident rate was 27 accidents per 1,000 employees (2011: 23). Accidents that do occur most commonly relate to manual handling activities, slips and falls.

Reportable Accident Rates

Group	2012	2011
Reportable injuries	14	12
Reportable injuries incident rate per 1,000 employees	27	23

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 2012 the Group and its staff gave or raised £797,000 in charitable contributions (2011: £438,000). Taking into account the £168,000 spent on academic bursaries and educational initiatives (2011: £250,000), the total contribution of the Group and its employees to the communities in which it operates was £965,000 (2011: £688,000).

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. The Group has increasingly focused its charitable contribution upon its work and is acknowledged as being Tree Aid's largest corporate sponsor, having contributed a total of £153,000 towards projects in Ghana and Mali in 2012. The Group has also committed further funding of £210,000 over the next two years. In addition to its financial support the Group has been able to utilise the skills of its employees to make an increasingly important technical contribution to Tree Aid's work. This has seen a number of employees working on the ground with Tree Aid and has included soil erosion mapping, a biodiversity study and GIS mapping of relevant geographic features. Both Tree Aid and RPS are grateful for the important contribution these employees have made.

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 2012 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 2011, recalculated in accordance with Greenhouse Gas Protocol and current Defra guidance, amounted to 20,168 tonnes. Calculated on a similar basis the overall carbon footprint decreased to 19,584 tonnes in 2012. This small decrease reflects the fact that the company operations were relatively consistent with previous years and demonstrates the continued success of efficiency programmes.

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 not quite achieved in 2012 with office gas and electricity consumption decreasing by 3% over the prior year from 3.5 MWh to 3.4 MWh per employee. The target was set in 2008 and in each year since, with the exception of 2009 when restructuring within

the Group resulted in an increase, a decrease either marginally above or below it has been achieved. As previously our ability to sustain improvement will 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.

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. As an environmental consultancy the Group is fully cognisant of the mandatory carbon reporting regulations that will apply to company's listed on the London Stock Exchange and which will apply to the Group for the financial year ending 31 December 2013. To the limited extent necessary the Group's reporting for that year will be adjusted to fully reflect the new obligations.

The Board

Brook Land

Non-Executive Chairman

Aged 63 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 60 Alan Hearne 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, becoming a Director in 1979 and Chief Executive in 1981. Alan 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 53 Gary Young graduated from Southampton University in 1982 and qualified as a Chartered Accountant in 1986 with Pricewaterhouse. 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 60 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 60 Robert joined the Board in May 2010, is nearing the end of an initial three year term and has agreed to serve for a further three years. 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. Until the end of 2012 he was 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 65 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 third three-year term. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

Louise Charlton

Independent Non-Executive Director

Aged 52 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 also 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 47 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. Tracey is also an independent Non-Executive Director of Dialight Plc, Albemarle and Bond Plc, and the Royal London Group. 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 2012

Results and dividend

The Consolidated Income Statement is set out on page 35 and shows the profit for the year. The Directors recommend a final dividend of 3.34p (2011: 2.9p) per share. This together with the interim dividend of 3.06p (2011: 2.66p) per share paid on 18 October 2012 gives a total dividend of 6.40p (2011: 5.56p) per share for the year ended 31 December 2012.

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 3 to 14. Financial key performance indicators can be found on page 2. The directors review performance using these non-statutory measures as well as segmental and underlying profit, as they consider these to be more meaningful measures of performance. These performance measures are defined in note 1(g) of the Consolidated Financial Statements. Note 3 includes a 'Group Reconciliation' of the adjusted measures to the statutory results. The Board does not use non-financial key performance indicators to assess the Group as a whole, although 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 8 and 9 in the Risk Management section of the Business Review.

Corporate Governance

The Directors report on corporate governance can be found on pages 21 to 25 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 27 February 2013:

	No. of shares	Percentage
Aberforth Partners	16,670,521	7.59
F & C Asset Management	11,508,831	5.24
Kames Capital	10,528,536	4.79
Montanaro Investment Managers	7,844,549	3.57
Legal & General Investment Management	7,685,447	3.50
William Blair & Co	7,431,022	3.38
Impax Asset Management	6,894,063	3.14
Franklin Templeton Fund Management	6,875,000	3.13

Management & Governance

Directors

The Directors of the Company as at 31 December 2012 and their beneficial interests in the ordinary share capital of the Company were

	No. of shares at 31/12/12 and at 27/02/13	No. of shares at 31/12/11 and at 02/03/12
Brook Land	30,000	30,000
John Bennett	–	–
Louise Charlton	–	–
Robert Miller-Bakewell	5,000	5,000
Tracey Graham	5,000	5,000
Alan Heame	12,030	12,030
Phil Williams	418,439	418,439
Gary Young	88,416	88,416

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

	No. of shares at 31/12/12	No. of shares at 31/12/11
Alan Heame	9,883	8,154
Phil Williams	7,459	5,799
Gary Young	13,182	11,361

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

Director	1 Jan 2012 number	Exercised number	31 Dec 2012 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	20/3/2013
	28,157	–	28,157	146.5p	–	12/8/2008	12/8/2013
Gary Young	13,720	–	13,720	146.5p	–	12/8/2008	12/8/2013

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

Director	Year of award	1 Jan 2012 number	Value of grant at date of grant £000s	Released	Lapsed	31 Dec 2012 number	Market Value of Shares at Grant
Alan Hearne	2009	275,261	395	–	275,261	–	143.5p
Phil Williams	2009	156,098	224	–	156,098	–	143.5p
Gary Young	2009	111,498	160	–	111,498	–	143.5p

The awards made in 2009 having lapsed during the year, the Long Term Incentive Plan has now ceased to operate

The market price of the shares at 31 December 2012 was 211.90p and the range during the financial year was 179.6p to 256.6p

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 10 and 11

Charitable and community donations

During the year the Group made charitable donations in cash of £237,000. 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 22 days' purchases outstanding in respect of payments to suppliers and sub-contractors (2011: 38 days). At the year end the Company had 29 days' purchases outstanding in respect of payments to suppliers and sub-contractors (2011: 8 days).

Going concern

The Group's business activities, a review of the 2012 results together with factors likely to affect its future development and prospects are set out on pages 3 to 7. 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, had a modest amount of net bank debt at the year end and operates well within the financial covenants applying to the main bank facility. The Group's banking facilities were renewed during the year and will not now expire until July 2016.

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 despite the current uncertain economic outlook. 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 adequate 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 (United Kingdom Accounting Standards and applicable law)

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

- properly select and apply appropriate accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- 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, and
- make an assessment of the Company's ability to continue as a going concern.

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 UK 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 16 to the Consolidated Financial Statements

Post balance sheet events

On 16 January 2013 the Company announced the acquisition of Petroleum Institute for Continuing Education ('PEICE'), a Canadian based business providing geoscience and engineering training to the oil and gas industries, for a maximum consideration of C \$11.7m

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 2012 the Company's issued share capital consisted of 219,566,269 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 3 May 2013. 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 Deloitte LLP as the Company's Auditors.

By order of the Board

Nicholas Rowe

Secretary

28 February 2013

Registered Office

20 Western Avenue

Milton Park

Abingdon

Oxfordshire OX14 4SH

Registered in England No. 02087786

Corporate Governance

Chairman's Introduction

I am pleased to have the opportunity to report for the second time on how the principles relating to the role and effectiveness of the Board contained within the UK Corporate Governance Code ('the Code') have been applied at RPS. The report below explains our compliance against the detailed provisions of the Code during 2012 as well as giving a more detailed view of the activities of the Board and its Committees. It is satisfying to be able to report that we have been fully compliant throughout the year. 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. I remain of the view that we have the appropriate governance structures in place as a key component of achieving these objectives and that these are provided in a practical and cost effective way. In addition to myself, the Board comprises three executive and four non-executive Directors.

As explained in my first report, 2011 saw a number of changes to the Board. There have been no further changes during 2012 and a welcome stability. Our executive team has many years of experience within RPS and its predecessor companies whilst our non-executives are from a range of highly relevant backgrounds and disciplines as outlined elsewhere in this document. As the year progressed the Board developed into an increasingly cohesive team able and willing to draw on the breadth of talent and experience it possesses. This is particularly reassuring as, in common with many businesses, we continue to face an uncertain trading environment, caused by the continuing turbulence in the financial markets and consequent slow economic growth. The continuing strength of the Group and the quality of its management was demonstrated by the terms and manner on which we were able to renew our banking facilities in July 2012.

Succession planning remains under continuous review. I am personally of the view that over-planning succession accelerates unwanted change, which is neither in the best interests of the Company, nor its shareholders.

Robert Miller-Bakewell, who is our Senior Independent Director, was appointed for a three year term which will expire in 2013 and I am very pleased to report that he has agreed to continue for a further three years.

The Board's agenda continues to reflect the key issues that we face. Our discussions in relation to Group strategy, performance and potential acquisitions are balanced by consideration of appropriate controls, systems and policies to underpin our progress. This year increased prominence has been given to Health & Safety reporting focussing on maintaining a high standard of performance and where appropriate, improvement.

In addition, our non-executive directors continue to visit and engage with our businesses globally in a manner that assists and informs their contributions at Board level.

Our Board Committees, supported by external professional advice as required, continue to operate in an effective and professional manner and enjoy good lines of communication to the Board as a whole.

The Board completed its annual review process in September, which gave rise to no major issues or difficulties. The Board has recently commissioned an externally facilitated review for the first time. This will take place soon and be reported on in the 2013 Report and Accounts.

The Group's performance has remained solid notwithstanding the continuing economic uncertainty. Much of this is down to the hard work and loyalty of our employees to whom I would like to extend the Board's thanks. I am confident that the strength of our Board and the manner in which it operates will continue to be a key element in sustaining this performance.

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.

UK Corporate Governance Code

The Board is pleased to report that the Company complied with all provisions of the UK Corporate Governance Code (the 'Code') throughout the year. A new version of the Code was published in September 2012 which is applicable for financial reporting periods commencing on or after 1 October 2012 and against which the Board will report in future years.

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, four Non-Executive Directors and the Chairman. There were no changes to Board membership during the year. 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, taking account of 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 to meet the requirements of its clients as well as the needs of its employees 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. Robert Miller-Bakewell acted as the Senior Independent Director throughout the year.

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	–	–	1	2
Alan Hearne	9	–	–	–	2
Gary Young	9	–	–	–	–
Phil Williams	9	–	–	–	–
John Bennett	9	5	5	–	–
Louise Charlton	8	–	5	1	–
Robert Miller-Bakewell	9	5	–	–	–
Tracey Graham	8*	5	5	–	–
Number of meetings held	9	5	5	1	2

*Attended BNE AAP board meeting instead of one Group board meeting

Board Operations

The Board generally meets on a monthly basis, except during holiday periods, although additional meetings may be held should circumstances require. The Board agenda gives significant focus to business performance and strategy. Comprehensive papers are circulated well in 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. No issues of this nature have arisen during the year.

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 such 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 for appointment 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 strategy and its 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 reviewed by 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 2012 and identified the need for directors to be better informed in relation to developments in the area of Corporate Governance. Steps have been taken to address this issue through the availability of an educational and updating service available through the Company's Auditors and the inclusion of additional items within Board papers.

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 visits to operating companies in order to improve understanding of more operational issues.

The Chairman is mindful of the provisions of the Code providing that an externally facilitated performance review should be carried out at least once in every three years and has commissioned such a review for 2013. This will be carried out shortly and the results reported in the 2013 Report and Accounts.

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 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 18, 19 and 33 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 the supporting document issued by the Financial Reporting

Council, 'Internal Control: Guidance for Directors on the Combined Code'. The principal risks to which the Group is exposed and the measures to mitigate such risks are described on pages 8 and 9.

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 by the Committee and the Board during 2012, 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 The Group's accounting policies, principles and minimum standards required for effective financial control are communicated to all accounting teams. The Group Finance function undertakes periodic detailed reviews to ensure compliance and to follow up any weaknesses previously identified.

Capital investment The Group has clearly defined guidelines for capital expenditure. These include detailed appraisal and review procedures, levels of authority and due diligence procedures in respect of potential business acquisitions.

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. 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 difference of opinion that arose between the Company and its former auditors Ernst & Young LLP ('EY') during 2011 in relation to IFRS3 (2008) Business Combinations and specifically the appropriate treatment of contingent deferred consideration was reported in some detail last year. Although the Committee fundamentally disagreed with EY's interpretation of this standard, the Board accepted the Committee's recommendation that EY's interpretation be adopted in respect of the 2011 report and accounts.

Against the background of this fundamental disagreement, the Board accepted the Committee's recommendation that the external audit appointment be reviewed. During 2012, the Committee, accordingly, undertook a competitive tender process for the external audit appointment following which Deloitte LLP were appointed as the Group's auditors. EY had held the audit appointment for only one year following a similar review undertaken in 2011 and a further change of external auditors at that time was therefore unusual. The Committee and the Board were however firmly of the view that the nature of the disagreement with EY was so fundamental that a further review was appropriate and in the best interest of shareholders.

At its annual planning meeting, the Committee reviews and approves plans with the Auditors including the locations to be audited and the key areas of audit focus. The Committee also reviews the integrity of the Group's financial statements 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 assisting 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 that 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. In addition, during the year members of the Audit Committee visited Australia and North America to discuss internal control with senior management and were able to report positively in respect of their findings.

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. 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 | ■ design and implementation of financial systems |
| ■ preparation of financial statements | ■ 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

- advice relating to risk management and controls

- transaction support including due diligence

- 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 49. Taxation services undertaken by Deloitte LLP during the year were handled by a team that was separate and independent from the external audit team and led by a different senior partner. The Committee was satisfied that appropriate safeguards were in place and that the provision of these additional services by Deloitte LLP did not affect their independence as external auditor.

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. An 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 range of skills and experience offered by the current directors is highlighted in the Chairman's Statement above and the Committee is satisfied with the balance and membership of the current Board. The Committee does, however, remain mindful of the need to ensure its periodic refreshment. The Committee also keeps succession planning under continuous review and has, at all times, a clear plan which is designed to ensure a smooth transition whenever that is needed, for all posts.

Account is also taken of the need to ensure that the Non-Executive Directors continue to provide the range and balance of skills required. The Committee and the Board recognise the importance of diversity. One quarter of the Board as currently constituted is female which is in line with Group's previously announced 25% target in this regard.

When Directors are appointed to the Board, this is through a formal, rigorous and transparent process. No appointments were made to the Board during the year although on the last occasion that an appointment was made such a process was followed as fully detailed in last year's report.

As noted above Robert Miller-Bakewell's initial three year term as a Non-Executive Director will expire at the forthcoming Annual General meeting and he has agreed to continue for a further three year term. This further term was 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 26 to 32.

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

This report has been prepared in accordance with schedule 8 to the Accounting Regulations under the Companies Act 2006. The Act requires the auditors to report to the Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been prepared in accordance with the Accounting Regulations. This report has therefore been divided into separate sections for audited and non-audited information.

The Committee currently comprises Tracey Graham (Chair), John Bennett, and Louise Charlton all of whom are Independent Non-Executive Directors. There were no changes in Committee membership during the year. 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.

Unaudited Information

Remuneration policy

The Remuneration Committee's policy for 2012 was to set the main elements of the remuneration package in order to reflect

- 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,
- the market conditions in the sectors in which the Group operates and
- the increasingly international and complex nature of the Group.

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.

	Fixed %	Variable %
Alan Heame	39.3	60.7
Phil Williams	41.1	58.9
Gary Young	44.8	55.2
Notes		
Fixed compensation comprises Basic salary, Pension Contribution, Benefits		
Variable compensation comprises Maximum contribution under the Bonus Plan		

Changes for 2013

The current three year bonus banking plan, the operation of which is detailed below, finished at the end of 2012.

The Remuneration Committee has consulted with its main shareholders and shareholder representative bodies (ISS and ABI) regarding a new bonus plan to operate from 2013 onwards. The Committee would like to thank those who took part in the consultation and is

pleased that the large majority of shareholders both by number and percentage holding who were consulted were supportive of the proposed new plan. Approval of the new plan is being sought at the Company's Annual General Meeting and full details are contained in the notice of that meeting.

Base salary and Benchmarking

The Committee sets basic salaries as a part of its overall remuneration policy and therefore takes account of all of those matters listed above. As part of this process the Committee takes account of relevant comparator data. The principal grouping used by the Committee for benchmarking of salaries and other benefits consists of companies with the support services sector and with a range of market capitalisations such that the Company sits within the middle of that grouping. This consists of the following companies:

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

As disclosed in detail in last year's report during 2011 a full and independent benchmarking exercise that considered base salaries and total compensation was carried out on the Committee's behalf by PwC. This exercise also looked at an international sub-set of the main comparator group to reflect the international nature of the Group as well as a review of the UK Energy sector at Divisional level. Having conducted a comprehensive review of this type during 2011 the Committee did not consider it necessary to repeat such an exercise in 2012.

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

As fully disclosed and explained in last year's report, with effect from 1 January 2012 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. The report was approved by shareholders at the 2012 Annual General Meeting of the Company.

With effect from 1 January 2013 the Committee increased the basic salary of all of the directors by 3%, to £459,400 for Alan Heame, £350,200 for Phil Williams and £238,700 for Gary Young.

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

Background

The Bonus Plan was introduced with effect from 1 January 2010 to cover a three year period and 2012 was therefore its third and final 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 the 2010 report, was introduced following consultation with the Company's major shareholders. The principal details of the Bonus Plan and its operation in 2012 are set out below. As this was the Bonus Plan's final year of operation the sums previously deferred under it will, subject to the rules of the plan, be eligible for release along with the 2012 Company contribution.

Summary of the Main Features of the current 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 Company bonus contributions are allocated. There will only be value in a participant's plan account 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 participants will be entitled to an annual payment from their plan accounts. The Remuneration Committee has discretion when determining 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 Remuneration Committee sets the threshold profit at the beginning of each financial year;
- 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 bonus pool 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 eligible for a payment 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

Maximum Contribution 2012

Name	Maximum Contribution under the Plan (%age Salary)	Maximum Contribution for 2012
Alan Hearne	200%	200%
Phil Williams	175%	175%
Gary Young	150%	150%

As disclosed in last year's report the Committee increased the maximum contribution in respect of Phil Williams from 150% to 175% with effect from 1 January 2012.

Profit & Contribution Thresholds for 2012

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))	<£53.5m	<£53.5m	£62.5m
Bonus Plan Contribution Percentage		1%*	3%*
Bonus Plan Deduction Percentage	15%		

*Straight line between points

The Bonus Plan PBTA for 2012 was £60.1m which generated a Total Plan Contribution of £1,482,000.

For 2012 the Committee introduced a second performance condition relating to the Group's cash collection performance. This provided that for every percentile by which the Group's conversion of profit into cash for the year exceeded 100%, subject to an upper limit of 120% and the maximum contribution under the plan, an additional bonus equal to 1% of basic salary would be paid. This also provided that in the event that this measure was below 80% for 2012, a deduction equal to 10% of the normal profit related bonus would be made. The Group's conversion of profit into cash for 2012 was equal to 105% which resulted in an additional contribution of £51,000.

Participant Plan Accounts

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

Plan Account Details	Alan Hearne £000s	Phil Williams £000s	Gary Young £000s
Opening Balance	334	218	234
2012 Plan Contribution	689	491	348
2012 Plan Deduction	—	—	—
Total Payable	1,023	709	582

Shares previously deferred under the Bonus Plan together with value of dividends paid on those shares are held within the Company's employee benefit trust. The shares held in respect of each director as at the date of this report are as follows:

Alan Hearne	142,816
Phil Williams	93,544
Gary Young	100,650

The opening balance shown above represents the value of these shares and related dividends based upon the company's average share price in the three months to 31 December 2012. The plan contribution for 2012 is the final contribution to the Bonus Plan and is ascertained by application of the formula shown above. There were no plan deductions for 2012. The 2012 contribution will, subject to the rules of the plan, be paid in cash and is shown in the directors' remuneration table on page 32. The deferred shares and value of the related dividends will, subject to the rules of the plan, be released to participants.

Long Term Incentive Plan ('LTIP')

The LTIP operated from 2004 until the introduction of the Bonus Banking Plan, the final award under this plan having been made in 2009. As anticipated in last year's report the performance conditions attached to this final award were not satisfied and this award lapsed on 31 March 2012.

The table below confirms the position in relation to the one award under the LTIP that was outstanding at the beginning of the year.

Executive	2009 Grant % of Salary/ Condition
Maximum Annual Grant	100
Chief Executive	100
Finance Director	80
Executive Directors	60-80
Performance Condition	EPS Growth (see table below)
Status	This award lapsed 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. 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. All outstanding options under this plan are set out on page 17.

Benefits

The Executive Directors are eligible to participate in defined contribution pension schemes. As fully disclosed in last year's report, with effect from 1 January 2012, the employer contribution was increased from 15% to 17.5% for Phil Williams and remained at 15% for Gary Young. As also previously disclosed, the Committee agreed that with effect from 1 January 2012, a salary supplement of 25% of basic salary would be payable to Alan Heame in lieu of pension contributions. This payment does not rank for the purposes of calculating payments under the Bonus Banking Plan or other employee benefits linked to salary.

Executive Directors can also participate in the all-employee HMRC 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 committee considers that deferred shares held through the RPS Group Plc Bonus Banking Plan and the plan that will replace it, should count for the purposes of meeting these guidelines.

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 to 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 page 32.

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

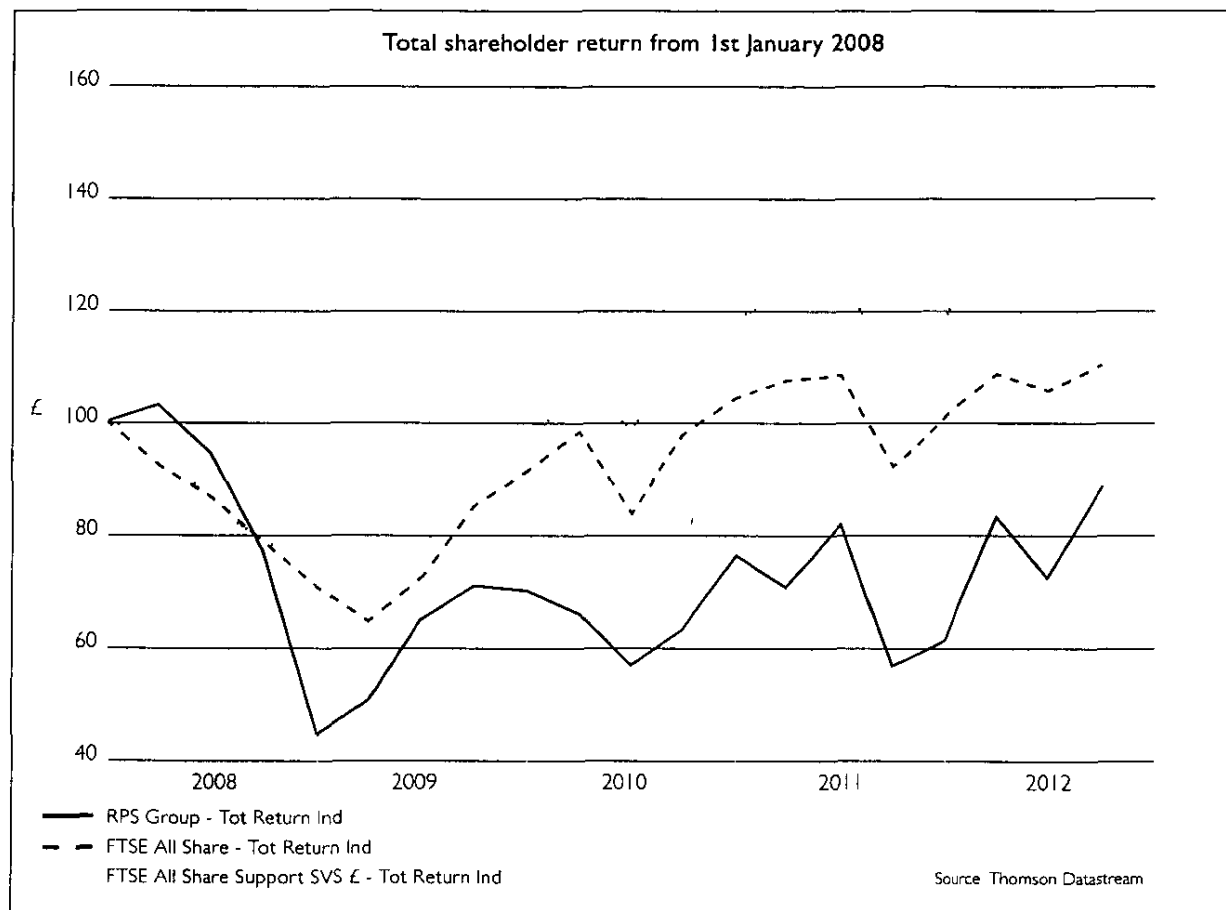
Name	Initial Contract date	Unexpired term of contract as at 31 Dec 2012 (months)
Brook Land	September 1997	Annual Review
John Bennett	June 2006	31
Louise Charlton	May 2008	17
Robert Miller-Bakewell	May 2010	5*
Tracey Graham	August 2011	20

*Has agreed to serve a second three year term

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.

TSR 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 and the FTSE All Share Support Services sector. The Remuneration Committee has selected these benchmarks as they provide a good indication of the Company's general performance.



Audited Information

Directors' emoluments and compensation

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)	
					2012 £000s	2011 £000s	2012 £000s	2011 £000s
Executive								
Alan Heame	446	689	–	19	1,154	777	111	16
Gary Young	232	348	–	16	596	319	35	34
Phil Williams	340	491	–	16	847	554	59	48
Peter Downen*	–	–	–	–	–	182	–	26
Non-Executive:								
Brook Land	–	–	110	–	110	101	–	–
John Bennett	–	–	50	–	50	40	–	–
Louise Charlton	–	–	35	–	35	32	–	–
Robert Miller-Bakewell	–	–	41	–	41	36	–	–
Tracey Graham**	–	–	43	–	43	12	–	–
Roger Devlin*	–	–	–	–	–	13	–	–
Karen McPherson*	–	–	–	–	–	15	–	–
Total 2012	1,018	1,528	279	51	2,876	–	205	–
Total 2011	1,145	628	249	59	–	2,081	–	124

The total Directors' emoluments were £2,876,000 (2011: £2,081,000) excluding pension contributions. In addition Employers' National Insurance Contribution paid in respect of these emoluments were £379,000 (2011: £250,000).

* Peter Downen, Roger Devlin and Karen McPherson ceased to be directors during 2011 and the emoluments shown for that year represent those paid for a part of that year up to date of retirement.

** Tracey Graham was appointed to the Board during 2011 and emoluments shown for that year represent those paid for a part of the year from 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 participate in Group Money Purchase (defined contribution) pension plans. As explained above Alan Heame is in receipt of a salary supplement in lieu of employer pension contributions; this payment being included under the Pension column in the table above.

An Ordinary Resolution to approve this report will be proposed at the Company's Annual General Meeting on 3 May 2013.

Signed on behalf of the Board

Tracey Graham

Chair of the Remuneration Committee

28 February 2013

Report of the Independent Auditor

To the members of RPS Group Plc

We have audited the financial statements of RPS Group PLC (registered number 02087786) for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Parent Company Balance Sheet and the related notes 1 to 32 to the consolidated financial statements and 1 to 13 to the parent company financial statements. 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 auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the 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 and the parent company'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 2012 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, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' 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.

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

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 UK Corporate Governance Code specified for our review and
- certain elements of the report to shareholders by the Board on directors' remuneration



John Clennett FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading United Kingdom

28 February 2013

Consolidated Income Statement

£000s	Note	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Revenue	3	555,863	528,710
Recharged expenses	3	(77,028)	(75,981)
Fee income	3	478,835	452,729
Operating profit before amortisation of acquired intangibles and transaction related costs	1(g),3,4,5	62,069	53,045
Amortisation of acquired intangibles and transaction related costs	1(g),4	(19,925)	(10,361)
Operating profit		42,144	42,684
Finance costs	6	(2,128)	(2,541)
Finance income	6	158	308
Profit before tax, amortisation of acquired intangibles and transaction related costs		60,099	50,812
Profit before tax		40,174	40,451
Tax expense	9	(14,263)	(11,340)
Profit for the year attributable to equity holders of the parent		25,911	29,111
Basic earnings per share (pence)	10	11.94	13.49
Diluted earnings per share (pence)	10	11.87	13.40
Adjusted basic earnings per share (pence)	10	19.48	16.68
Adjusted diluted earnings per share (pence)	10	19.36	16.56

Consolidated Statement of Comprehensive Income

£000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Profit for the year	25,911	29,111
Exchange differences	(5,545)	(811)
Total recognised comprehensive income for the year attributable to equity holders of the parent	20,366	28,300

The notes on pages 39 to 71 form part of these financial statements

Consolidated Balance Sheet

£000s	Note	As at 31 Dec 2012	As at 31 Dec 2011
Assets			
Non-current assets			
Intangible assets	11	328 440	329,112
Property, plant and equipment	12	30,632	30 070
Investments		–	41
		359,072	359 223
Current assets			
Trade and other receivables	14	159,381	171,751
Cash at bank		14,804	25,989
		174,185	197 740
Liabilities			
Current liabilities			
Borrowings	16	748	2,959
Deferred consideration	18	7 842	10,327
Trade and other payables	15	101,921	109 496
Corporation tax liabilities		3,582	3,331
Provisions	19	2,633	3 903
		116 726	130,016
Net current assets		57,459	67 724
Non-current liabilities			
Borrowings	16	27,557	46 554
Deferred consideration	18	3 543	–
Other payables		1,745	1 665
Deferred tax liability	20	8,436	11,594
Provisions	19	1,436	2 684
		42,717	62,497
Net assets		373,814	364 450
Equity			
Share capital	21	6,587	6 544
Share premium		106,198	103 717
Other reserves	22	36,070	43,299
Retained earnings		224,959	210,890
Total shareholders' equity		373,814	364 450

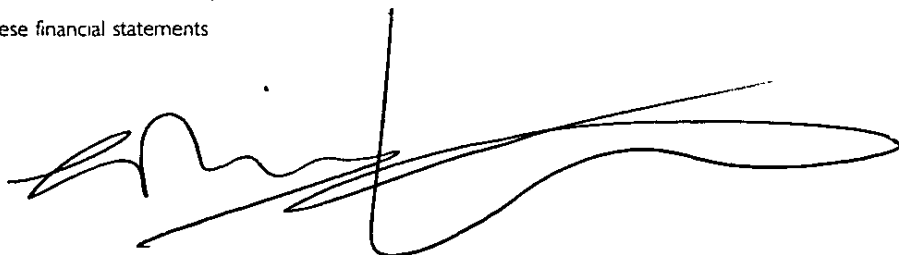
These financial statements were approved and authorised for issue by the Board on 28 February 2013

The notes on pages 39 to 71 form part of these financial statements

Dr Alan Hearne, Director

Gary Young, Director

On behalf of the Board of RPS Group Plc



Consolidated Cash Flow Statement

£000s	Note	Year ended 31 Dec 2012	Year ended 31 Dec 2011 *
Adjusted cash generated from operations	26	76,045	71,053
Deferred consideration treated as remuneration		(9,969)	(3,743)
Cash generated from operations		66,076	67,310
Interest paid		(2,204)	(2,373)
Interest received		158	308
Income taxes paid		(18,162)	(12,781)
Net cash from operating activities		45,868	52,464
Cash flows from investing activities			
Purchases of subsidiaries net of cash acquired		(9,774)	(17,090)
Deferred consideration		(4,130)	(5,084)
Purchase of property, plant and equipment		(9,909)	(9,024)
Sale of property, plant and equipment		713	362
Proceeds from disposal of business		298	–
Dividends received		–	256
Net cash used in investing activities		(22,802)	(30,580)
Cash flows from financing activities			
Proceeds from issue of share capital		240	179
Purchase of own shares		(400)	(356)
(Proceeds from) / repayments of bank borrowings		(17,409)	2,222
Payment of finance lease liabilities		(1,350)	(1,410)
Dividends paid	23	(13,007)	(11,233)
Payment of pre-acquisition dividend		(399)	(402)
Net cash used in financing activities		(32,325)	(11,000)
Net (decrease)/increase in cash and cash equivalents		(9,259)	10,884
Cash and cash equivalents at beginning of year		24,458	13,933
Effect of exchange rate fluctuations		(395)	(359)
Cash and cash equivalents at end of year	26	14,804	24,458
Cash and cash equivalents comprise			
Cash at bank		14,804	25,989
Bank overdraft		–	(1,531)
Cash and cash equivalents at end of year	26	14,804	24,458

* See note 1a

The notes on pages 39 to 71 form part of these financial statements

Consolidated Statement of Changes in Equity

£000s	Share capital	Share premium	Retained earnings	Other reserves	Total equity
At January 2011	6,516	101,941	190,955	45,581	344,993
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
Total comprehensive income	–	–	25,911	(5,545)	20,366
Issue of new ordinary shares	43	2,481	(1,000)	(1,284)	240
Purchase of own shares	–	–	–	(400)	(400)
Share based payment expense	–	–	2,070	–	2,070
Tax recognised directly in equity	–	–	95	–	95
Dividends paid	–	–	(13,007)	–	(13,007)
At 31 December 2012	6,587	106,198	224,959	36,070	373,814

An analysis of other reserves is provided in note 22 and details of dividends paid are provided in note 23

The notes on pages 39 to 71 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 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were authorised for issuance on 28 February 2013.

(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.

No new or revised standards or interpretations have been adopted in the current year.

Restatement

As reported in the Interim Results for the six months ended 30 June 2012, the consolidated cash flow statement for the year ended 31 December 2011 has been restated so that deferred consideration treated as remuneration is included within cash generated from operating activities rather than cash flows from investing activities. Otherwise these financial statements have been prepared using accounting policies set out in the Report and Accounts 2011.

The accounting policies set out below have been applied consistently to both 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 measured by reference to the milestones achieved or cost incurred as a proportion of the total forecast cost. 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 as an agent. 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.

I. Significant accounting policies continued

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.

(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 unsettled remuneration which has been expensed to the balance sheet date.

(e) Intangible assets

i Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill has been recognised on 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 groups of 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 compete agreements	3 years
Software	10 years
Intellectual property rights	10 years

(f) Impairment of non financial assets

The carrying amounts of the Group's non financial 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.

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) Non statutory performance measures

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 shown in note 3 segment profit and underlying profit.

"Segment profit" is defined as profit before interest, tax, amortisation of acquired intangibles and transaction related costs.

"Underlying profit" is defined as segment profit before reorganisation costs.

In 2011 the Group reported segment profit after amortisation of acquired intangibles and transaction related costs. In 2012 it has chosen not to as this measure is not reported to the Group's CODM.

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

The Group considers that the accounting policies above all require judgement to be exercised.

Judgements that could have a material effect on the Group's financial statements include the following:

- 1 **Revenue recognition** – judgement is required to identify when it is appropriate to recognise revenue on contracts, particularly with respect to fixed price contracts.
- 2 **Acquisition accounting** – judgements are made with respect to the fair value of the net assets acquired and with respect to the fair value of the consideration transferred. Market rates of interest are used to discount expected cash flows to derive the fair value of the investment. See note 28 for detail of the acquisition completed in 2012.

Notes to the Consolidated Financial Statements continued

- 3 **Impairment of non-financial assets** – when impairment reviews are undertaken, judgements are made with respect to the discount rates applicable to the Group's cash generating units, along with the expected cash flows of those cash generating units and the growth rates applied to them. Detail of the results of the impairment reviews performed in 2012 can be found in note 11 along with the judgements applied.
- 4 **Impairment of financial assets** – management considers in detail when it is appropriate to recognise impairment reserves against specific financial assets. This judgement will take into account our previous experience with the client in question, their particular circumstances and the markets that they work in. Details of the impairment reserves held for financial assets can be found in note 14.

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 the 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 the income statement 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 1 (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 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 consolidated cash flow statement.

(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 expensed 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.

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.

Notes to the Consolidated Financial Statements continued

2. Other accounting policies continued

(i) Reserves

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

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 equity, in which case it is recognised 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.

(n) Accounting standards issued but not adopted

At the date of authorisation of these financial statements, the following standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and some of which were pending endorsement by the EU)

- Amendments to IAS 19 "Employee benefits"
- IFRS 9 "Financial Instruments Classification and measurement"
– effective for accounting periods beginning on or after 1 January 2015
- IAS 12 "Income Taxes – Limited Scope Amendment"
- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interest in Other Entities"
- IFRS 13 "Fair Value Measurement"
- IAS 27 (amended) "Separate Financial Statements"
- IAS 28 (amended) "Investments in Associates and Joint Ventures"
- IAS 1 (amended) "Presentation of Items in Other Comprehensive Income"
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"
- IFRS 1 (amended) "First-time Adoption of IFRS" – Severe Hyperinflation Removal of Fixed Dates for First-time Adopters and Government Loans
- Annual improvements to IFRSs 2009-2011 Cycle
- IAS 32 (amended) "Offsetting Financial Assets and Financial Liabilities"
- IFRS 7 (amended) "Disclosures – Offsetting Financial Assets and Financial Liabilities"
- IFRS 10 (amended) IFRS 12 (amended) and IAS 27 (amended) – "Investment Entities"

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements of the Group

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

The business segments of the Group are as follows:

Built and Natural Environment ("BNE") - consultancy services to many aspects of the property and infrastructure development and management sectors. These include environmental assessment, the management of water resources, health and safety, risk management, town and country planning, building, landscape and urban design, surveying and transport planning. 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 and training in the fields of geoscience, engineering and health, safety and environment on a global basis to the energy sector.

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 the 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".

"Segment profit" and "Underlying profit" are defined in note 1(g).

Notes to the Consolidated Financial Statements continued

3. Business and geographical segments continued

Segment results for the year ended 31st December 2012

£000s	Fees	Recharged expenses	Intersegment revenue	External revenue
Built and Natural Environment				
Europe	157,200	21,433	(1,301)	177,332
AAP	98,300	19,827	(786)	117,341
Intra BNE eliminations	(193)	(41)	234	–
Total BNE	255,307	41,219	(1,853)	294,673
Energy	225,875	36,017	(702)	261,190
Group eliminations	(2,347)	(208)	2,555	–
Total	478,835	77,028	–	555,863
£000s		Underlying profit	Reorganisation costs	Segment profit
Built and Natural Environment				
Europe		18,874	(754)	18,120
AAP		12,974	(920)	12,054
Total BNE		31,848	(1,674)	30,174
Energy		39,709	(72)	39,637
Total		71,557	(1,746)	69,811

Segment results for the year ended 31st December 2011

	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	Segment profit
Built and Natural Environment				
Europe		18,002	(1,572)	16,430
AAP		11,017	(103)	10,914
Total BNE		29,019	(1,675)	27,344
Energy		32,099	(77)	32,022
Total		61,118	(1,752)	59,366

Accounts

Group Reconciliation

£000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Revenue	555,863	528,710
Recharged expenses	(77,028)	(75,981)
Fees	478,835	452,729
Underlying profit	71,557	61,118
Reorganisation costs	(1,746)	(1,752)
Segment profit	69,811	59,366
Unallocated expenses	(7,742)	(6,321)
Operating profit before amortisation of acquired intangibles and transaction related costs	62,069	53,045
Amortisation of acquired intangibles and transaction related costs	(19,925)	(10,361)
Operating profit	42,144	42,684
Finance costs	(1,970)	(2,233)
Profit before tax	40,174	40,451

£000s	Carrying amount of segment assets		Segment depreciation and amortisation	
	As at 31 Dec 2012	As at 31 Dec 2011	As at 31 Dec 2012	As at 31 Dec 2011
Built and Natural Environment				
Europe	226,861	237,335	3,607	3,927
AAP	124,908	120,029	7,978	10,297
Total BNE	351,769	357,364	11,585	14,224
Energy	179,163	195,362	7,217	4,109
Unallocated	2,325	4,237	784	538
Group total	533,257	556,963	19,586	18,871

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 2012	Year ended 31 Dec 2011	Year ended 31 Dec 2012	Year ended 31 Dec 2011
UK	238,481	234,344	204,436	198,884
Australia	144,753	129,501	123,782	110,561
USA	71,506	46,573	63,736	41,993
Canada	32,769	38,285	28,658	32,454
Ireland	30,917	44,365	24,607	37,050
Netherlands	28,159	28,092	24,483	24,393
Other	9,278	7,550	9,133	7,394
Total	555,863	528,710	478,835	452,729

£000s	Carrying amount of non current segment assets	
	As at 31 Dec 2012	As at 31 Dec 2011
UK	174,829	170,190
Australia	96,433	86,967
USA	26,419	30,618
Canada	4,434	5,097
Ireland	39,064	48,942
Netherlands	17,832	17,322
Other	61	87
Total	359,072	359,223

Notes to the Consolidated Financial Statements continued

4. Amortisation of acquired intangibles and transaction related costs

£000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Amortisation of acquired intangibles	10,636	10,839
Contingent deferred consideration treated as remuneration	8,593	9,256
Negative goodwill (see note 28)	(266)	(9,067)
Transaction costs	827	823
Loss on disposal of business	135	–
Revaluation of investment in associate	–	(1,490)
	19,925	10,361

5. Operating profit - by nature of expense

£000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Revenue	555,863	528,710
Staff costs	(217,932)	(216,206)
Subconsultants costs	(121,354)	(105,222)
Other employment related costs	(17,444)	(17,896)
Depreciation of owned assets	(8,205)	(7,281)
Depreciation of assets held under finance leases	(745)	(751)
Profit on disposal of fixed assets	138	39
Operating lease rentals payable - property	(11,998)	(12,258)
Operating lease rentals payable - equipment and motor vehicles	(4,218)	(4,312)
Travel costs	(14,041)	(15,125)
Office costs	(18,259)	(19,182)
Amortisation of acquired intangibles	(10,636)	(10,839)
Other transaction related costs	(9,289)	(30)
Other costs	(79,736)	(76,963)
Operating profit	42,144	42,684

6. Net financing costs

£000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Finance costs		
Interest on loans, overdraft and finance leases	(1,583)	(1,710)
Interest imputed on deferred consideration	(28)	(190)
Interest payable on deferred consideration	(517)	(641)
	(2,128)	(2,541)
Finance income		
Deposit interest receivable	158	308
Net financing costs	(1,970)	(2,233)

7. Employee benefit expense

£000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Wages and salaries	187,555	186,943
Social security costs	17,536	16,927
Pension costs - defined contribution plans	10,771	9,905
Share based payment expense - equity settled	2,070	2,431
	217,932	216,206
Average number of employees (including Executive Directors) was		
Fee earning staff	3,583	3,799
Support staff	924	887
	4,507	4,686

In addition to statutory staff costs, contingent deferred consideration treated as remuneration amounts to £8,593,000 (2011 £9,256,000)

The Group considers the Directors to be the key management personnel and details of directors' remuneration are included in the Remuneration Report from page 26. The share based payment charge in respect of key management personnel was £221,000 (2011 £325,000)

8. Auditors' remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors (2012 Deloitte, 2011 Ernst & Young) at costs as detailed below

£000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Statutory audit of the Company's annual accounts	45	33
Statutory audit of the Group's subsidiaries	289	297
Total audit fees	334	330
Interim review	25	20
Total assurance services	359	350
Tax compliance services	68	75
Tax advisory services	200	-
Services in relation to taxation	268	75
Total fees	627	425

Notes to the Consolidated Financial Statements continued

9. Income taxes

Analysis of tax expense/(credit) in the income statement for the year

£000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Current tax		
UK Corporation tax	4,596	4,899
Overseas tax	13,133	9,019
Adjustments in respect of prior years	618	(715)
	18,347	13,203
Deferred tax		
Origination and reversal of timing differences	(2,932)	(1,866)
Effect of change in tax rate	(21)	(176)
Adjustments in respect of prior years	(1,131)	179
	(4,084)	(1,863)
Total tax charge to income for the year	14,263	11,340

Analysis of tax credits in equity for the year

Current tax	–	(18)
Deferred tax	(95)	(117)
Total tax credit to equity for the year	(95)	(135)

The effective tax rate for the year on profit before tax is 35.5% (2011: 28.0%). The effective tax rate for the year on profit before tax amortisation of acquired intangibles and transaction related costs is 29.7% (2011: 28.7%) as shown in the table below

£000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Total tax expense in Income Statement	14,263	11,340
Add back:		
Tax on amortisation of acquired intangibles and transaction related costs	3,569	3,256
Adjusted tax charge on the profit for the year	17,832	14,596
Profit before tax, amortisation of acquired intangibles and transaction related costs	60,099	50,812
Adjusted effective tax rate	29.7%	28.7%

Accounts

The UK rate of corporate tax was reduced from 26% to 24% from 1 April 2012. The UK tax expense for the group's UK companies is 24.5% (2011: 26.5%) representing the weighted average annual corporate tax rate for the full financial year.

The actual tax expense for 2012 is different from 24.5% (2011: 26.5%) of profit before tax for the reasons set out in the following reconciliation:

£000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Profit before tax	40,174	40,451
Tax at the standard rate of 24.5% (2010: 26.5%)	9,843	10,720
Effect of:		
Non deductible acquisition consideration treated as remuneration	2,105	2,453
Effect of overseas tax rates	2,339	1,123
Expenses not deductible for tax purposes	632	627
Negative goodwill not taxable	(65)	(2,403)
Effect of change in tax rates	(78)	(249)
Revaluation of investment not taxable	–	(395)
Effect of change in Australian tax law	–	(238)
Adjustments in respect of prior years	(513)	(298)
Total tax charge on the profit for the period	14,263	11,340

The UK government has announced a future decrease in the UK corporation tax rate from 24% to 23% from April 2014. This change has resulted in a deferred tax credit arising from the reduction in the balance sheet carrying value of deferred tax liabilities to reflect the anticipated rate of tax at which those liabilities are expected to reverse.

Notes to the Consolidated Financial Statements continued

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 table below

£000s/000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Profit attributable to ordinary shareholders	25,911	29,111
Weighted average number of ordinary shares for the purposes of basic earnings per share	216,980	215,727
Effect of employee share schemes	1,313	1,547
Weighted average number of ordinary shares for the purposes of diluted earnings per share	218,293	217,274
Basic earnings per share (pence)	11.94	13.49
Diluted earnings per share (pence)	11.87	13.40

The directors consider that earnings per share before amortisation of acquired intangible and transaction related costs and, in respect of 2011, 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 earnings per share were based on the number of shares as above and are shown in the table below

£000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Profit attributable to ordinary shareholders	25,911	29,111
Amortisation of acquired intangibles and transaction related costs (note 4)	19,925	10,361
Tax on amortisation of acquired intangibles and transaction related costs	(3,569)	(3,256)
Change in Australian tax law	—	(238)
Adjusted profit attributable to ordinary shareholders	42,267	35,978
Adjusted basic earnings per share (pence)	19.48	16.68
Adjusted diluted earnings per share (pence)	19.36	16.56

11. Intangible assets

£000s	Intellectual property rights	Customer relationships	Order backlog	Trade names	Non competes agreements	Software	Goodwill	Total
Cost								
At 1 January 2012	2,782	67,213	6,267	2,367	561	1,158	285,780	366,128
Additions	–	2,993	839	–	–	–	12,357	16,189
Reduction due to disposal	–	–	–	–	–	–	(1,135)	(1,135)
Reduction in deferred consideration payable	–	–	–	–	–	–	(107)	(107)
Adjustment to prior year estimates	–	–	–	–	–	–	232	232
Foreign exchange differences	(109)	(1,727)	(152)	(45)	(13)	(51)	(3,759)	(5,856)
At 31 December 2012	2,673	68,479	6,954	2,322	548	1,107	293,368	375,451
Aggregate amortisation and impairment losses								
At 1 January 2012	285	17,694	5,215	1,426	156	19	12,221	37,016
Amortisation	283	8,023	1,700	333	184	113	–	10,636
Foreign exchange differences	(9)	(475)	(109)	(40)	(5)	(3)	–	(641)
At 31 December 2012	559	25,242	6,806	1,719	335	129	12,221	47,011
Net book value at 31 December 2012	2,114	43,237	148	603	213	978	281,147	328,440

Intangible asset additions that are recorded in 2012 have been recognised at their provisional fair values (see note 28)

Acquisitions in 2011 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.

£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

Notes to the Consolidated Financial Statements continued

11. Intangible assets continued

Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the groups of cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows

£000s	As at 31 Dec 2012	As at 31 Dec 2011
Built and Natural Environment		
UK and Ireland	140,870	142,910
Netherlands	9,574	9,723
Europe	150,444	152,633
Australia Asia Pacific	64,220	54,060
	214,664	206,693
Energy	66,483	66,866
	281,147	273,559

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 CGUs 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 are in the range 10.8% to 12.0% (2011: 11.0% to 13.0%).

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.

The long term growth rate applied to the perpetuity calculations was 2.1% per annum (2011: 2.25% to 2.4%) 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 (2011: £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 discount rate is reasonably possible. If that movement occurred the Group would not recognise any impairment in the carrying value of the goodwill in any CGU.

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 2012	9,071	6,373	3,718	55,671	74,833
Additions	4	1,632	1,218	7,089	9,943
Disposals	(450)	(251)	(641)	(1,652)	(2,994)
Additions through acquisition	–	–	18	844	862
Foreign exchange differences	(229)	(156)	(115)	(861)	(1,361)
At 31 December 2012	8,396	7,598	4,198	61,091	81,283
Depreciation					
At 1 January 2012	2,242	1,822	1,446	39,253	44,763
Charge for the year	239	1,012	816	6,883	8,950
Disposals	(208)	(230)	(522)	(1,466)	(2,426)
Foreign exchange differences	(44)	(50)	(48)	(494)	(636)
At 31 December 2012	2,229	2,554	1,692	44,176	50,651
Net book value at 31 December 2012	6,167	5,044	2,506	16,915	30,632

At 31 December 2012 the Group held under finance lease contracts alterations to leasehold properties, motor vehicles and equipment with net book values of £711,000, £40,000 and £262,000 respectively.

£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)	(208)
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.

Notes to the Consolidated Financial Statements continued**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 76

14. Trade and other receivables

£000s	As at 31 Dec 2012	As at 31 Dec 2011
Trade receivables	126,920	130,528
Provision for impairment	(8,820)	(8,228)
Trade receivables net	118,100	122,300
Accrued income	35,576	45,984
Provision for impairment	(5,621)	(6,496)
Accrued income net	29,955	39,488
Prepayments	7,503	6,590
Other receivables	3,823	3,373
	159,381	171,751

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 age of financial assets past due but not impaired is as follows:

£000s	As at 31 Dec 2012	As at 31 Dec 2011
Not more than three months	10,535	11,778
More than three months	11,341	13,468
	21,876	25,246

14. Trade and other receivables continued**Movements in impairment**

£000s	Trade receivables	Accrued income	Total
As at 1 January 2012	8,228	6,496	14,724
Income statement charge	2,589	2,959	5,548
Receivables written off during the year as uncollectible	(2,159)	(3,715)	(5,874)
Additions through acquisitions	51	–	51
Foreign exchange	111	(119)	(8)
As at 31 December 2012	8,820	5,621	14,441
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

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

£000s	31 Dec 2012	31 Dec 2011
UK Pound Sterling	56,399	59,521
Euro	23,760	28,256
US Dollar	29,697	31,336
Canadian Dollar	14,449	14,892
Australian Dollar	31,797	35,607
Other	3,279	2,139
	159,381	171,751

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 2012	As at 31 Dec 2011
Trade payables	31,174	31,371
Accruals	30,932	37,402
Deferred income	20,386	21,041
Creditors for taxation and social security	13,779	14,223
Other payables	5,650	5,459
	101,921	109,496

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.

Notes to the Consolidated Financial Statements continued

16. Borrowings

£000s	As at 31 Dec 2012	As at 31 Dec 2011
Bank loans	27,098	45,705
Bank overdraft	–	1,531
Finance lease creditor	1,207	2,277
	28,305	49,513

£000s	as at 31 December 2012			as at 31 December 2011		
	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	158	590	748	1,728	1,231	2,959
In the second year	70	588	658	45,345	524	45,869
In the third to fifth years inclusive	26,870	29	26,899	163	522	685
	27,098	1,207	28,305	47,236	2,277	49,513
Less amount due for settlement within 12 months	(158)	(590)	(748)	(1,728)	(1,231)	(2,959)
Amount due for settlement after 12 months	26,940	617	27,557	45,508	1,046	46,554

During the year the Group renewed its main bank facility with Lloyds TSB Bank plc

The principal features of the Group's borrowings 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 credit facility of £125,000,000 with Lloyds TSB Bank plc the Group's principal bank, expiring in 2016. This comprises of a £75,000,000 committed facility, with an additional £50,000,000 available as required, subject to credit approval. 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 £26,870,000 (2011 £45,272,000) at 31 December 2012. The facility is guaranteed by the Company and certain subsidiaries but no security over the Group's assets exists.
 - (b) Australian Dollar denominated loans of AUD 358,000. 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 £3,594,000 (2011 £4,725,000) drawn against a £10,000,000 ancillary facility with Lloyds TSB Bank Plc.

The carrying amounts of short term borrowings approximate their fair values, as the impact of discounting is not significant.

The carrying amounts of our long term borrowings also approximate fair value.

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	2012	2011
<1 year	693	856
1-2 years	594	45,783
>2 but <5 years	27,389	79
	28,676	46,718

The liquidity risk profile above shows the expected cashflows in respect of the Group's loan facilities comprising payments of capital and interest 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.

17. Obligations under finance leases

Amounts payable under finance leases

£000s	as at 31 December 2012			as at 31 December 2011		
	Minimum lease payments	Less future interest charges	Present value of minimum lease payments	Minimum lease payments	Less future interest charges	Present value of minimum lease payments
Within one year	670	(80)	590	1,378	(147)	1,231
In two to five years	652	(35)	617	1,141	(95)	1,046
	1,322	(115)	1,207	2,519	(242)	2,277

For the year ended 31 December 2012, the average effective borrowing rate was 8%. 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 2012	As at 31 Dec 2011
Amount due within one year	7,842	10,327
Amount due between one and two years	3,543	–
Total deferred consideration payable	11,385	10,327

The amount due within one year as at 31 December 2012 includes contingent deferred consideration treated as remuneration expense accrued but not paid totalling £4,157,000 (31 December 2011: £5,697,000). See note 32 for detail of the commitment in respect of contingent deferred consideration treated as remuneration.

Notes to the Consolidated Financial Statements continued

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 6 years

Warranty

This provision is in respect of contractual obligations and is expected to be utilised within one year

Dilapidations

The dilapidations provision is in respect of reinstatement obligations related to leasehold properties and will be utilised within 12 years

£000s	Property	Warranty	Dilapidations	Total
As at 1 January 2012	1,453	2,649	2,485	6 587
Additional provision in the year	222	299	70	591
Utilised in year	(1,034)	(1,514)	(527)	(3 075)
Arising on acquisition of subsidiary	–	–	50	50
Exchange difference	(42)	(15)	(27)	(84)
At 31 December 2012	599	1,419	2,051	4,069

£000s	As at 31 Dec 2012	As at 31 Dec 2011
Due as follows		
Within one year	2,633	3,903
After more than one year	1,436	2,684
	4,069	6 587

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

20 Deferred taxation

£000s	Fixed asset timing differences	Goodwill and intangible assets	Foreign exchange on investments	Employment benefits	Share based payments	Provisions and other timing differences	Total
At 1 January 2011	584	(12,055)	(584)	2,408	71	(1,715)	(11,291)
(Charge)/credit to income for the year	(1,297)	2,265	56	(27)	121	569	1,687
(Charge)/credit to income due to change in tax rate	(76)	330	—	(17)	1	(62)	176
(Charge)/credit to equity for the year	—	220	—	—	(103)	—	117
Owned by subsidiaries acquired	(54)	(2,876)	—	292	—	203	(2,435)
Fair value adjustment to prior year acquisitions	(14)	—	—	89	—	—	75
Exchange differences	(26)	(5)	—	55	(2)	55	77
At 31 December 2011	(883)	(12,121)	(528)	2,800	88	(950)	(11,594)
(Charge)/credit to income for the year	26	2,284	—	147	41	1,565	4,063
(Charge)/credit to income due to change in tax rate	(80)	183	—	(15)	3	(70)	21
(Charge)/credit to equity for the year	—	—	—	—	95	—	95
Owned by subsidiaries acquired	(32)	(1,150)	—	—	—	—	(1,182)
Exchange differences	48	244	—	(117)	—	(14)	161
At 31 December 2012	(921)	(10,560)	(528)	2,815	227	531	(8,436)

The balances at 1 January 2011, 31 December 2011 and 31 December 2012 were disclosed within liabilities

No deferred tax liability is recognised on temporary differences of £21,309,000 (2011: £17,137,000) relating to the unremitted earnings of overseas subsidiaries as the group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The temporary differences at 31 December 2012 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which they operate.

Notes to the Consolidated Financial Statements continued

21. Share capital

	as at 31 December 2012		as at 31 December 2011	
	Authorised Number	Authorised £000s	Authorised Number	Authorised £000s
Ordinary shares of 3p each	240,000,000	7,200	240,000,000	7,200

Issued and fully paid	2012		2011	
	Number	£000s	Number	£000s
Ordinary shares of 3p each				
At 1 January	218,138,273	6,544	217,218,591	6,516
Issued under share option schemes	193,905	6	136,670	4
Issued under the Share Incentive Plan	579,283	17	523,766	16
Issued in respect of the Performance Share Plan	654,808	20	259,246	8
At 31 December	219,566,269	6,587	218,138,273	6,544

Number	As at 31 Dec 2012	As at 31 Dec 2011
Ordinary shares held by the ESOP Trust	2,340,216	1,982,771
Ordinary shares held by the SIP Trust	3,602,403	3,339,807

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

The table below shows options outstanding at 31 December 2012

Period exercisable	Number	Exercise price (p)
2006 - 2013	71,038	111
2007 - 2014	750	118
2008 - 2015	136,269	111 - 147
2011 - 2018	205,000	295
2013 - 2020	215,000	195
2014 - 2021	205,000	212
	833,057	

22. Other reserves

£000s	Merger reserve	Employee trust	Translation reserve	Total
At 1 January 2011	21,256	(5,904)	30,229	45,581
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
Exchange differences	–	–	(5,545)	(5,545)
Issue of new shares	–	(1,284)	–	(1,284)
Purchase of own shares	–	(400)	–	(400)
At 31 December 2012	21,256	(9,059)	23,873	36,070

23. Dividends

£000s	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Amounts recognised as distributions to equity holders during the year		
Final dividend for the year ended 31 December 2011 of 2.90p (2010 2.52p) per share	6,325	5,460
Interim dividend for the year ended 31 December 2012 of 3.06p (2011 2.66p) per share	6,682	5,773
	13,007	11,233
Proposed final dividend for the year ended 31 December 2012 of 3.34p (2011 2.90p) per share	7,317	6,319

The proposed final dividend for the year ended 31 December 2012 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 2012 the Group's total remaining commitments as lessee under non-cancellable operating leases were as follows

£000s	as at 31 December 2012		as at 31 December 2011	
	Property	Other	Property	Other
Within one year	10,063	3,004	11,178	2,929
In two to five years	24,528	3,947	26,067	4,322
After five years	3,199	6	10,742	–
	37,790	6,957	47,987	7,251

Notes to the Consolidated Financial Statements continued

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. The Group considers the Directors to be the key management personnel. 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 2012	Year ended 31 Dec 2011
Operating profit	42,144	42,684
Adjustments for:		
Depreciation	8,950	8,032
Amortisation of acquired intangibles	10,636	10,839
Contingent consideration treated as remuneration	8,593	9,256
Share based payment expense	2,070	2,431
Negative goodwill	(266)	(9,067)
Profit / (loss) on sale of property, plant and equipment	(119)	27
Loss on disposal of business	135	–
Share of profit of associates	–	(24)
Revaluation of investment in associate	–	(1,490)
	72,143	62,688
Decrease / (increase) in trade and other receivables	12,491	(3,924)
(Decrease) / increase in trade and other payables	(8,589)	12,289
Adjusted cash generated from operations	76,045	71,053

Adjusted cash generated from operations is before payment of deferred consideration treated as remuneration.

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 2012.

£000s	At 31 Dec 2011	Cash flow	Acquisition debt	Foreign Exchange	At 31 Dec 2012
Cash and cash equivalents	24,458	(9,259)	–	(395)	14,804
Bank loans	(45,705)	17,409	–	1,198	(27,098)
Finance lease creditor	(2,276)	1,350	(334)	53	(1,207)
	(23,523)	9,500	(334)	856	(13,501)

The cash balance at 31 December 2012 includes £3,566,000 (2011: £3,304,000) 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 2012	Year ended 31 Dec 2011
Depreciation	8,950	8,032
Amortisation of acquired intangibles	10,636	10,839
Share based payment expense	2,070	2,431
Negative goodwill	(266)	(9,067)
Share of profit of associates	–	(24)
Revaluation of investment in associate	–	(1,490)
	21,390	10,721

28. Acquisitions

On 18 July 2012, RPS acquired 100% of the issued share capital of Manidis Roberts Pty Ltd (MR), an Australian consultancy firm

The Group has allocated provisional fair values to the net assets of MR. 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	Manidis Roberts
Intangible assets	
Order book	839
Customer relationships	2,993
Property, plant and equipment	862
Cash	2,155
Other assets	3,544
Other liabilities	(3,377)
Net assets acquired	7,016
Initial cash consideration	11,895
Fair value of deferred cash consideration	7,478
Total consideration	19,373
Goodwill	12,357

Goodwill arising of £12,357,000 represents the value of the accumulated workforce and synergies with RPS associated with this acquisition. There is no tax deductible goodwill arising.

The total fair value of receivables acquired was £3,418,000. The gross contractual receivables acquired were £3,469,000 and £51,000 was estimated to be irrecoverable.

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 £3,418,000. The Group does not expect that these warranties will become receivable and therefore has not recognised an indemnification asset on acquisition.

The contribution of MR to the Group's results for the year was £6,027,000 revenue and £37,000 operating profit.

The Group incurred acquisition costs of £449,000 which have been expensed through the consolidated income statement and included within 'amortisation of acquired intangibles and transaction related expenses'.

The proforma Group revenue and operating profit assuming the acquisition had been completed on the first day of the year would have been £564,716,000 and £43,188,000 respectively.

A reconciliation of the goodwill movement in 2012 in respect of the acquisitions in 2011 and 2012 is given in the table below.

£000s	EH1	TMT	MR
Goodwill at 1 January 2012	1,509	1,669	–
Additions through acquisition	–	–	12,357
Adjustments to opening balance sheet	232	–	–
Foreign exchange gains and losses	(69)	(53)	(414)
Goodwill at 31 December 2012	1,672	1,616	11,943

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

Negative goodwill of £266,000 was recognised in 2012 relating to an opening balance sheet adjustment in ASA. This was not recognised in 2011 on the basis of materiality.

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 the consolidated balance sheet and 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 £75 million multi-currency revolving credit facility that provides a high degree of flexibility. An additional £50 million is available as required subject to credit approval. There are two financial covenants related to this facility: interest cover must be no less than 400% and the ratio of group net borrowings to EBITDA should be no greater than 250%. 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.

(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 2012	As at 31 Dec 2011
Cash	14,804	25,989
Trade receivables	148,055	161,788
Financial assets	162,859	187,777
Borrowings	28,305	49,513
Deferred consideration	11,385	10,327
Trade and other payables	73,570	82,484
Financial liabilities	113,260	142,324

The prior year comparatives have been restated to exclude deferred income, creditors for tax and social security, prepayments and other receivables and to include provisions.

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 and Canadian Dollars 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 instant access deposit accounts earning floating rate interest.

(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		2012	Total 2011
	2012	2011	2012	2011	2012	2011		
Sterling	–	–	5,239	4,778	27,907	27,902	33,146	32,680
Euro	–	–	–	–	9,009	11,297	9,009	11,297
Australian Dollar	–	3,902	8,767	5,951	14,379	16,724	23,146	26,577
Canadian Dollar	–	–	361	514	12,135	13,873	12,496	14,387
US Dollar	–	–	25,323	44,695	9,856	12,327	35,179	57,022
Other	–	–	–	–	284	361	284	361
At 31 December	–	3,902	39,690	55,938	73,570	82,484	113,260	142,324

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

£000s	Floating rate		Fixed rate		Non interest bearing		2012	Total 2011
	2012	2011	2012	2011	2012	2011		
Within one year	–	3,902	8,590	9,383	70,389	78,135	78,979	91,420
In one to two years	–	–	4,201	45,948	985	1,956	5,186	47,904
In two to five years	–	–	26,899	607	2,196	2,393	29,095	3,000
	–	3,902	39,690	55,938	73,570	82,484	113,260	142,324

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 %		Weighted average period for which rate is fixed – months	
	2012	2011	2012	2011
Sterling	2.6	2.4	1	2
Australian Dollar	4.8	7.1	13	9
Canadian Dollar	1.0	1.0	8	8
US Dollar	1.8	1.3	1	2
	2.6	2.3	4	3

Notes to the Consolidated Financial Statements continued

29. Financial Risk Management continued

Cash balances at year end

£000s	As at 31 Dec 2012	As at 31 Dec 2011
Sterling	2,356	3,042
Euro	226	1,249
US Dollar	4,572	6,300
Australian Dollar	2,210	3,990
Canadian Dollar	3,473	8,864
Mongolian Tugnk	878	1,567
Other	1,089	977
At 31 December	14,804	25,989

Cash balances are held in either non-interest bearing current accounts or instant access deposit accounts earning 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 2016 where interest costs are fixed at the time drawings are made. During 2012, the Group had an uncommitted overdraft facility, 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 2012	As at 31 Dec 2011
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	48,130	—

Interest rate sensitivity

A 10% decrease in interest rates would increase Group profit before tax by £547,000. A 10% increase in interest rates would decrease Group profit before tax by £547,000.

(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 the majority of its transactional foreign currency exposures, 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 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 2012	Year ended 31 Dec 2011
Share Incentive Plan ("SIP")	1,097	1,126
Performance Share Plan ("PSP")	663	866
Share Option Plan	94	118
Bonus Plan	216	321
	2,070	2,431

The following tables set out details of material share schemes activity

PSP

Year of grant	Number outstanding 31 Dec 2011	New grants	Releases	Lapses	Number outstanding 31 Dec 2012	Vesting conditions
2006	2,148	—	—	—	2,148	2 or 3 years
2007	5,129	—	(786)	—	4,343	1, 2 or 3 years
2009	1,026,659	—	(650,310)	(66,522)	309,827	3 years
2010	31,124	—	—	(22,137)	8,987	3 years
2011	450,772	—	(3,712)	(41,287)	405,773	3 years
2012	—	426,403	—	(7,127)	419,276	
	1,515,832	426,403	(654,808)	(137,073)	1,150,354	

Year of grant	Number outstanding 31 Dec 2010	New grants	Releases	Lapses	Number outstanding 31 Dec 2011	Vesting conditions
2006	4,296	—	(2,148)	—	2,148	2 or 3 years
2007	54,098	—	(48,969)	—	5,129	1, 2 or 3 years
2008	58,796	—	(56,285)	(2,511)	—	3 years
2009	1,288,603	—	(148,149)	(113,795)	1,026,659	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	

30. Share-based payments continued

SIP

Year of grant	Number outstanding 31 Dec 2011	New grants	Releases	Forfeits	Number outstanding 31 Dec 2012	Vesting conditions
2009	460,278	–	(442,542)	(17,736)	–	3 years
2010	543,057	–	(19,645)	(31,127)	492,285	3 years
2011	541,159	–	(18,111)	(44,958)	478,090	3 years
2012	–	541,850	(12,940)	(18,247)	510,663	3 years
	1,544,494	541,850	(493,238)	(112,068)	1,481,038	

Year of grant	Number outstanding 31 Dec 2010	New grants	Releases	Forfeits	Number outstanding 31 Dec 2011	Vesting conditions
2008	489,162	–	(462,262)	(26,900)	–	3 years
2009	527,491	–	(33,069)	(34,144)	460,278	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	

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 - 288.75p
Weighted fair value	196.83p
Holding period	3 years
Expected dividend yield	0.99% - 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	160.20p - 255.71p
Weighted fair value	210.14p
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

In January 2013, RPS completed the acquisition of the entire issued share capital of Petroleum Institute for Continuing Education Inc (' PEICE) a Canadian based business providing geoscience and engineering training to the oil and gas industry, for a maximum consideration of C\$11.7 million (equivalent to approximately £7.4 million) all payable in cash

Consideration paid at completion was C\$5.7m (£3.6m). Subject to further operational conditions being met, two further sums of C\$3.0m (£1.9m) will be paid on the first and second anniversaries of the transaction.

Due to the proximity of the acquisition date to the date of approval of the Report and Accounts, it is impracticable to provide further information.

32. Commitments and contingencies

The Group completed a number of acquisitions between 1st January 2010 and 31 December 2011 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 the remaining deferred consideration payments will be settled.

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
2013	7,564	5,833
2014	3,592	1,165
	11,156	6,998

The cash commitment due in 2013 includes contingent deferred consideration expense accrued, but not paid, totalling £4,157,000 as referred to in note 18.

Parent Company Balance Sheet

£000s	Notes	As at 31 Dec 2012	As at 31 Dec 2011
Fixed assets			
Intangible assets	3	646	712
Tangible assets	4	2,554	2,437
Investments	5	246,154	234,259
		249,354	237,408
Current assets			
Debtors			
Amounts due from subsidiary undertakings		33,759	44,602
Other debtors		1,816	544
Prepayments and accrued income		1,529	1,152
		37,104	46,298
Cash at bank and in hand		–	371
		37,104	46,669
Current liabilities			
Creditors amounts falling due within one year			
Borrowings		2,556	–
Trade creditors		1,139	363
Amounts due to subsidiary undertakings		19,005	13,247
Other creditors		476	377
Accruals and deferred income		3,640	1,714
		26,816	15,701
Net current assets		10,288	30,968
Total assets less current liabilities		259,642	268,376
Creditors amounts falling due after more than one year	6	26,870	45,272
Provision for liabilities	7	205	154
Net assets		232,567	222,950
Capital and reserves			
Called up share capital	9,10	6,587	6,544
Share premium account	10	106,198	103,717
Profit and loss reserve	10	107,585	98,776
Merger reserve	10	21,256	21,256
Revaluation reserve	10	–	32
Employee trust shares	10	(9,059)	(7,375)
Total shareholders' equity		232,567	222,950

These financial statements were approved and authorised for issue by the Board on 28 February 2013

The notes on pages 73 to 79 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

I. 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

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

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

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
£000s		
Profit for the year attributable to the shareholders of the Parent Company, dealt with in the accounts of the Parent Company	20,714	14,377

The remuneration of the auditors for the statutory audit of the Company was £45,000 (2011: £33,000)

3. Intangible Assets

£000s	Goodwill
Cost	
At 1 January 2012 and at 31 December 2012	2,134
Amortisation	
At 1 January 2012	1,422
Charge for the year	66
At 31 December 2012	1,488
Net book value at 31 December 2012	646
Net book value at 31 December 2011	712

4. Tangible Assets

£000s	Freehold land and buildings	Alterations to leasehold premises	Fixtures, fittings, IT and equipment	Total
Cost or valuation				
At 1 January 2012	432	734	5,439	6,605
Additions	–	291	851	1,142
Disposals	(432)	(5)	(262)	(699)
Transfers	–	–	19	19
At 31 December 2012	–	1,020	6,047	7,067
Depreciation				
At 1 January 2012	185	79	3,904	4,168
Provided for the year	6	182	596	784
Disposals	(191)	(5)	(262)	(458)
Transfers	–	–	19	19
At 31 December 2012	–	256	4,257	4,513
Net book value at 31 December 2012	–	764	1,790	2,554
Net book value at 31 December 2011	247	655	1,535	2,437

Notes to the Parent Company Financial Statements continued

5. Investments

£000s	2012	2011
Subsidiary undertakings		
Cost		
At 1 January	235,097	235,097
Additions	11,895	–
At 31 December	246,992	235,097
Provisions		
At 1 January and 31 December	838	838
Net book value at 31 December	246,154	234,259

During 2012 RPS Group Plc invested a further £11,895,000 in RPS Consultants Pty Ltd to fund the acquisition of Manidis Roberts Pty Ltd. See note 28 to the Consolidated Financial Statements.

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 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%*
Manidis Roberts Pty Ltd	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%*

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

£000s	31 Dec 2012	31 Dec 2011
Bank loans	26,870	45,272
Due as follows		
After one year and within two years	–	45,272
After two years and within five years	26,870	–
	<u>26,870</u>	<u>45,272</u>

7. Provision for liabilities

£000s	Property	Dilapidations	Total
As at 1 January 2012	–	154	154
Additional provision in the year	71	–	71
Utilised in the year	–	(20)	(20)
As at 31 December 2012	<u>71</u>	<u>134</u>	<u>205</u>

This provision is expected to be utilised as follows

£000s	As at 31 Dec 2012	As at 31 Dec 2011
Within one year	85	100
After more than one year	120	54
	<u>205</u>	<u>154</u>

The provision booked during the year relates to an onerous operating lease and related costs on vacated property and will be utilised within 3 years

8. Deferred taxation

The movement on deferred taxation in the year was as follows

£000s	As at 31 Dec 2012	As at 31 Dec 2011
Net asset at beginning of year	267	460
Credit / (charge) to income for the year	14	(193)
Net asset at year end	<u>281</u>	<u>267</u>

The deferred taxation balances comprise

£000s	As at 31 Dec 2012	As at 31 Dec 2011
Short term timing differences	165	136
Depreciation in excess of capital allowances	116	131
Deferred tax asset	<u>281</u>	<u>267</u>

Deferred tax is included within other debtors in the balance sheet

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 2012	240,000,000	7,200	218,138,213	6,544
At 31 December 2012	240,000,000	7,200	219,566,269	6,587

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 2011	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
Issue of new shares	43	2,481	–	–	(1,284)	(1,000)	240
Purchase of own shares	–	–	–	–	(400)	–	(400)
Share-based payment expense	–	–	–	–	–	2,070	2,070
Retained profit for the year	–	–	–	–	–	20,714	20,714
Transfer	–	–	–	(32)	–	32	–
Dividend paid	–	–	–	–	–	(13,007)	(13,007)
At 31 December 2012	6,587	106,198	21,256	–	(9,059)	107,585	232,567

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 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Operating leases which expire				
Within one year	–	127	–	17
In two to five years	1,002	2,450	107	208
After five years	–	1,722	–	–
	1,002	4,299	107	225

13. Directors' interests in transactions

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

Five Year Summary

£000s	2012	2011	2010	2009	2008
Revenue	555,863	528,710	461,830	443,909	470,465
Fee income	478,835	452,729	393,262	374,351	392,096
PBTA	60,099	50,812	47,993	52,472	57,512
Net bank debt	(13,501)	(23,523)	(31,537)	(32,763)	(28,555)
Net assets	373,814	364,450	344,993	313,468	287,607
Adjusted cash generated from operating activities	76,045	71,053	57,874	70,583	67,386
Average number of employees	4,507	4,686	4,422	4,254	4,438
Dividend per share	640p	556p	483p	420p	366p
Adjusted basic EPS	1948p	1668p	1579p	1708p	1892p
Adjusted diluted EPS	1936p	1656p	1569p	1687p	1866p

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

Corporate & Social **RESPONSIBILITY**

RPS has supported TREE AID for over 7 years with charitable contributions for some of Africa's poorest rural communities to succeed in the fight against poverty and the effects of climate change

RPS conducts business in a responsible, safe and sustainable manner, through effective interaction with our clients and suppliers, the wider community and the environment

Our people

Only by paying full regard to the welfare and development of all our staff, can we expect to reach and maintain the level of service that we believe is essential to our continued success

Our clients

We conduct business to the highest standards. Our continued reputation and integrity is essential for us to present to regulatory bodies and government agencies on behalf of our clients

Our shareholders

The Group conducts its operations in accordance with the principles of good corporate governance

Our aim is to provide shareholders with a long term return on investment that rewards their financial commitment

TREE AID

RPS supports TREE AID through donations to some of Africa's poorest regions and is its leading corporate sponsor

Our contributions to TREE AID in 2012 and 2013, have supported projects to the value of £2m, helping communities in Africa become more independent. RPS is proud of its continued support of people and the environment in the fight against poverty

The aim of TREE AID's Bongo River Trees project, which was launched on 24 January 2012, is to break the cycle of environmental decline and poverty in one of the poorest traditional communities in Africa

According to TREE AID, progressive deforestation, soil erosion, soil fertility decline and the increased seasonal flooding and landscape aridity of recent years can be combated very successfully at community level with the right education, community ownership, community volunteers (TREE AID has over 50,000) and the strategic deployment of trees, shrubs and vetiver grasses. Key to the strategy is the establishment of protected tree corridors and agroforestry zones along the Nabakulga, Akulpielga and Akorisi river corridors north of the Veia Dam

RPS has not only pledged the budgeted funding for the Bongo River Trees project but is providing advice and support on erosion risk mapping, land cover and land use mapping using remote sensing and biodiversity baseline mapping and monitoring



rpsgroup.com

RPS Group Plc
20 Western Avenue Milton Park
Abingdon Oxon OX14 4SH
T +44 (0)1235 863206

Registered in England No 2087786