

# Report and Accounts **2010**



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We are an international consultancy  
providing expert advice upon:

the exploration  
and production  
of energy and  
other natural  
resources

Energy

the development  
of land, property  
and infrastructure

Planning & Development

the management  
of the environment  
and the health  
and safety of people

Environmental Management

**Local knowledge**  
international expertise

**Successful partners**  
delivering quality results

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**Creative people**  
making a difference

**Trusted leaders**  
of our professions

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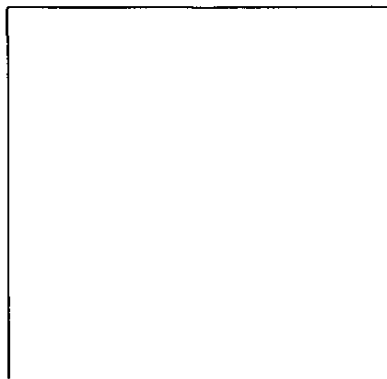
## ■ An effective international presence

RPS

RPS employs around 4,500 people in the UK Ireland the Netherlands the United States Canada, Brazil Africa Australia and Asia Our truly international presence allows us to undertake co-ordinated and integrated projects throughout the world

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Our strategy has been to broaden our range of services and our geographical spread Since the beginning of 2009 we have undertaken projects in over 120 countries across six continents



■ RPS is a remarkable business Whilst the world has been in the grips of financial and economic turbulence we have progressed calmly and effectively Our directors, managers and staff at all levels show tremendous skill application and judgement

**Brook Land**  
Chairman

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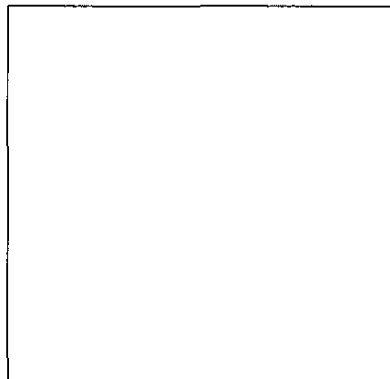
## Integrated Services...

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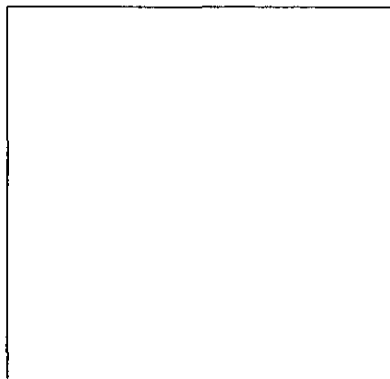
## ...a source of difference and strength

We deliver services internationally across a broad range of disciplines and sectors. As such, we are uniquely placed to provide a fully integrated response to our clients' needs. We have the knowledge and experience to ensure projects are developed in ways which are sensitive to their environmental impacts.

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■ RPS is working with the Waterschap Scheldestromen authority across the Dutch province of Zeeland. We will be advising on the design, procurement and construction phases of flood defence and quay improvements over the next four years across several major estuaries and waterways.



■ Over the past year, RPS has been working closely with the Province of Nova Scotia on a project to help attract the interest of oil and gas companies looking to explore and develop new territories.

**Key Performance Indicators**

	2010	2009
Revenue (£m)	461.8	443.9
Fee income (£m)	393.3	374.4
Profit before taxation* (£m)	48.0	52.5
Earnings per share* (basic) (p)	15.79	17.08
Operating cash flow (£m)	57.9	70.6
Total dividend per share (p)	4.83	4.20

\*Adjusted to add back the amortisation of acquired intangible assets arising on business combinations of £5.5m (2009: £3.9m) and, in respect of EPS, the one-off tax credit arising on changes in Australian tax Law of £1.8m (2009: £nil)

**Results Highlights**

- strong management and diversity of activity and geography enabled the Group to produce resilient results in markets which remained challenging
- almost two thirds of operating profit earned in growth markets of Energy and Australia,
- conversion of profit (ebitda) to cash once again over 100%
- balance sheet remains strong with year end net bank borrowings at £31.5m (2009: £32.8m) having spent £18.0m on acquisitions
- committed bank facilities of £125m available until 2013
- full year dividend increased by 15%
- acquisitions made during the year performing well
- since year end two further acquisitions EHI (announced 18 February) and Nautilus (announced 2 March)

# 2010 Results

## Results

Profit (before tax and amortisation of acquired intangibles) was in line with market expectations at £48.0 million (2009: £52.5 million). Our tax rate at 25.3% (2009: 30.9%) was lower than normal due to a one off benefit arising from changes in the tax law relating to acquisitions in Australia. Basic earnings per share (before amortisation and this one off tax credit) were 15.79 pence (2009: 17.08 pence). Group operating profit (before amortisation) was £51.8 million (2009: £55.3 million). Unallocated central costs were reduced to £5.1 million (2009: £6.2 million) leaving a total result for the three segments of £57.0 million (2009: £61.5 million). Our margins remain exemplary for the sectors in which we operate. The contribution of each segment was:

(£m)	2010	2009
Energy	27.3	27.7
Planning and Development		
- UK and Ireland	10.8	15.6
- Australia	9.4	8.3
	20.2	23.9
Environmental Management	9.4	10.0
Total	57.0	61.5

Both Energy and Environmental Management were broadly flat year on year. Without the Macondo disaster in the Gulf of Mexico, Energy would have made an increased contribution. Planning and Development declined overall, even though the Australian result improved. The significant reduction in the UK and Ireland sub-segment of Planning and Development was the primary cause of the reduction in Group profitability. This was caused by exceptionally difficult trading conditions described below.

Our Energy activities are very largely international in character. In combination with our Planning and Development (Australia) business, we now have approaching two thirds of our profits being generated outside Europe. This exposes us to higher growth economies and better opportunities.

## Cash Flow, Funding and Dividend

2010 was another year of good cash flow, with over 100% of EBITDA being converted into cash once again. Operating cash flow was £57.9 million (2009: £70.6 million). Our balance sheet remains strong and we have no defined benefit pension schemes. We have bank facilities of £125 million available until 2013 and the cost of these facilities remains at historically low levels. Net bank borrowings at the year end were £31.5 million (2009: £32.8 million) after investing in acquisitions to the value of £18.0 million (2009: £44.2 million). We are well positioned to continue to fund the Group's growth strategy.

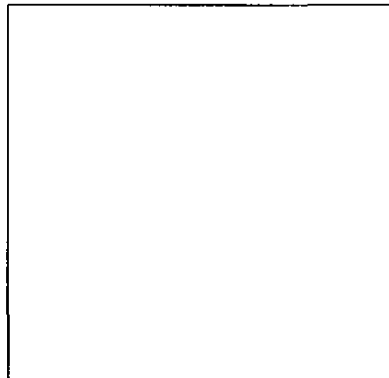
The Board continues to be confident about the Group's financial strength and is recommending a final dividend of 2.52 pence per share payable on 28 May 2011 to shareholders on the register on 15 April 2011. The total dividend for the full year will be 4.83 pence per share, an increase of 15% (2009: 4.20 pence per share). Our dividend has risen at about this rate for 17 consecutive years.

■ RPS is one of the world's leading suppliers of independent oil and gas consultancy encompassing all aspects of geoscience, engineering and commercial advice. Our projects include reserve valuations for IPO and pre-IPO fund raising, M & A due diligence and support and Expert Services to a wide range of clients including major financial institutions and oil companies alike.

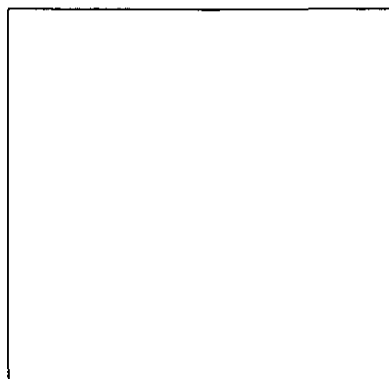
# Energy

RPS is a global, multi-disciplinary consultancy, providing integrated technical, commercial and project management support in the fields of geoscience, engineering and HS&E 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

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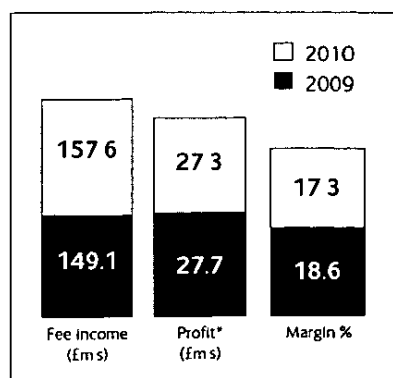


■ RPS advised KNOG in its acquisition of Dana Petroleum by providing a review of production, development and exploration assets as part of their technical due diligence, in what was the largest ever hostile acquisition by a South Korean firm. Our international reputation as an experienced independent global reserves auditor helped successfully conclude negotiations about the value of Dana's assets



■ RPS has successfully completed a deep water Regional Acquisition Programme campaign offshore USA. RPS was commissioned to implement a full-scale visual and acoustic monitoring – the world's largest deployment of this kind

■ Since 2001 RPS has been involved in more than 250 onshore and offshore wind wave and tidal energy projects, including the world's largest offshore wind project the London Array (which when completed will provide approximately 25% of London's electricity supply) and one of the world's largest onshore schemes in Texas



<b>Energy</b>			
<b>Average number of employees</b>			
Number of employees	637	619	
Days absent (%)	1.5	1.1	
Average length of service (years)	5.6	4.9	
Working part time (%)	8.8	10	
Retention rate (%)*	92	88	

<b>Age profile</b>		
Employees aged under 25 (%)	4	4
Employees aged 25-29 (%)	14	13
Employees aged 30-49 (%)	47	49
Employees aged 50+ (%)	35	34

\*excluding redundancies

\*before amortisation of acquired intangible assets of £2.1m (2009: £1.8m) and after reorganisation costs of £0.3m (2009: £0.3m)

## Energy

We provide internationally recognised consultancy services to the oil and gas industries from bases in the UK, USA, Canada, Brazil, Australia, the Middle East and Asia. Projects are undertaken in many other countries including China, India, West Africa and the Arctic. As current events in Libya demonstrate, much of the world's oil reserves are found in difficult working environments. In addition, we are market leaders in the provision of environmental and engineering advice to the UK offshore renewable energy industry.

Global investment in exploration and production slowed significantly during the second quarter of 2009 and remained at a subdued level for the rest of that year. Market conditions in the first part of 2010 showed a modest improvement over the latter part of 2009. However, the explosion on 20 April 2010 of the Deepwater Horizon rig on the Macondo prospect resulted in a moratorium on deep water drilling in the Gulf of Mexico. This adversely affected activity levels in our US operations for the rest of 2010. Elsewhere in the world, towards the end of the year, we experienced improved client confidence, particularly as the oil price increased and investment in exploration for unconventional hydrocarbon resources gathered pace. However, the level of demand did not improve sufficiently to remove the pricing pressure from our clients which had built during 2009.

National Oil Companies were consistently active and have become an increasingly important part of our portfolio of clients. In addition, our reputation within the financial community in respect of determination of oil and gas reserves for reporting purposes, asset evaluation and in support of corporate activity continued to develop during the year. Notably, we advised KNOC in its successful bid for Dana Petroleum.

### Outlook

Trading towards the end of 2010 suggests that a sustainable recovery may be underway in our Energy business. The high and rising oil price seems to be stimulating additional activity. Our business development initiatives in Brazil and the Middle East are showing signs of success and our exposure to new exploration areas such as the Arctic should assist our development.

Many of the projects in which we are involved are of a long term nature reflecting the complexity of identifying and securing sources of oil and gas in increasingly challenging environments. This provides a solid underpin for our business. Our reputation as providers of asset and corporate valuations was enhanced last year and we believe these markets are likely to remain a good source of fee income. New opportunities, for example in relation to unconventional forms of gas and the infrastructure they require, are continuing to develop, particularly in respect of shale gas in North America and coal seam gas in Australia.

The moratorium on deep water drilling in the Gulf has ended and the first licence to drill was awarded recently. We currently anticipate a significant level of activity to develop in the second half. The need to improve safety within the industry globally has already resulted in additional safety and risk management commissions. We envisage this trend continuing.

The acquisition of Boyd in August is, as expected, supporting the development of our oil and gas activities in Canada and increases our exposure to the attractive international mining sector.

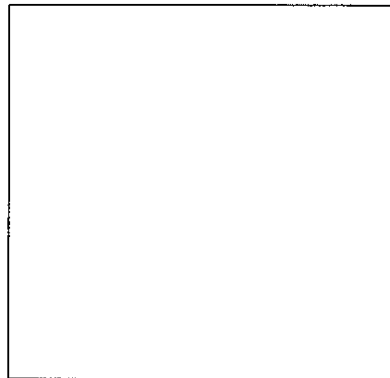
Since the year end we have completed two further acquisitions. Evans Hamilton (announced on 18 February) provides similar services to the offshore exploration and production industry in the Americas as our successful Metocean business does in Australia. Nautilus (announced on 2 March) takes us into the technical, geosciences training market, which we see having good growth opportunities as the need for specialist training increases across the oil and gas sector.

■ RPS is acting as environmental consultant for a major project to revitalise Perth's Swan River shoreline. This Department of Planning initiative will connect the city to the river and deliver strong economic and social benefits.

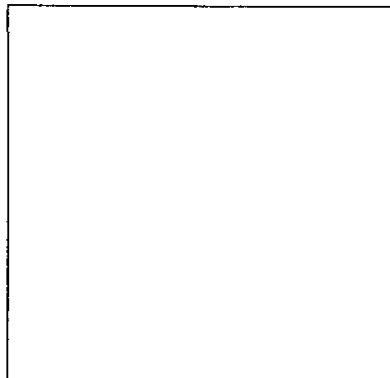
# Planning & Development

RPS is a leading planning-led multi-disciplinary consultancy in the UK, Ireland and Australia. We offer a unique range of professional and technical services in all aspects of planning and development. Acknowledged as experts in planning, transportation and environmental assessment, we have a detailed understanding of all relevant sectors of the economy.

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■ RPS has been appointed by the Comb Partners (Shell, Statoil & Vermilion) to undertake the Town Planning, Engineering, Environment Impact Statement and, most significantly, the local Stakeholder Engagement aspects of an onshore pipeline rerouting in Mayo, Ireland.



■ RPS has secured planning consent for a major new Vodafone call centre in the UK, having previously assisted Amazon in developing its UK distribution centre.

## Planning & Development

Within these businesses we provide consultancy services in respect of town and country planning, building, surveying, landscape and urban design, transport planning and environmental assessment. We remain leaders in this market in the UK and Ireland and Australia.

Our 2010 results reflect the challenging nature of a number of the markets in which we operate but also the high quality management we have brought to bear, enabling us to maintain a respectable return despite demand falling significantly and considerable pricing pressure from clients.

The economic downturn began to be felt in parts of these businesses in the last part of 2008. We moved quickly to reduce capacity and costs, a process which continued throughout 2009 and in 2010 particularly as the effects of the global financial crisis spread to the Australia property market. Our commercial development clients, affected by market uncertainties and a reduced ability to access credit, significantly reduced activity levels and in consequence, the support needed from consultants. Both these characteristics were apparent, internationally throughout 2010. In the UK this effect was exacerbated by uncertainty surrounding the run up to both the General Election and the new Government's spending review.

In Australia commercial developers became increasingly short of appropriate finance, and so operated at reduced levels despite the overall health of their economy, relative to others. We have, however, successfully expanded our support to the energy

infrastructure sector. The acquisition of Aquaterra in May significantly strengthened our activities in the water and mining sectors where we see good growth opportunities. Aquaterra's main operating centre in Perth has relocated into our new Perth office, which is now the Group's largest. Floods in Queensland in both January/February and December had a significant adverse effect.

In Britain we were involved in a number of private sector infrastructure projects and are increasing our involvement in this market, as it seems relatively robust, particularly in respect of energy related projects. The early effects of reduced public expenditure began to be felt by the year end, particularly in Scotland.

Our businesses in both the Republic of Ireland and Northern Ireland depend significantly on public sector investment. The weak state of public finances in the Republic continued to put pressure on our business throughout the year, requiring further cost cutting. In Northern Ireland our business progressed reasonably well until the effects of UK public finance constraints began to appear in the last part of the year.

In our Interim Management Statement dated 28 October 2010 we announced that in order to ensure a robust Planning and Development business we were merging our British, Irish and Northern Ireland businesses. The integration process was successfully completed before the year end and accordingly we are reporting the results of one business *Planning and Development, UK and Ireland* for 2010. In order to provide appropriate year on year comparisons,

business segment information has been revised for prior periods as shown in the announcement made by the Group on 3 February 2011.

### Outlook

As identifying sources of energy, climate change and other environmental issues grow in importance the competitive advantage we derive in these markets from our broad range of integrated services should continue to increase.

We retain long term optimism about the potential for our business in Australia. This is underpinned by public and private sector investment in infrastructure, particularly related to gas exploration and other natural resources projects, as well as the opportunities we now have in the water and mining sectors. However the effects of the recent extreme flooding and Cyclone Yasi in Queensland are likely to be felt for some while and will affect the first half results of Planning and Development (Australia) significantly. Eventually we should benefit from recovery related work, much of which will be done under the control of the newly created Queensland Reconstruction Authority. It remains unclear however, when we will move from adverse to beneficial effects. The Board is hopeful that a more normal workload will return during the course of the second half, as our clients re-establish project requirements and we become involved in the early stages of the reconstruction work.

Until our commercial development clients in the UK experience less economic uncertainty and have better access to credit, achieving organic growth will remain difficult.

and further setbacks are possible. We are therefore focussed on developing additional work with private sector infrastructure providers, particularly in the energy sector. In those parts of the economy more dependent on the public sector we are likely to continue to face uncertainty until the effect of expenditure cuts become clearer.

The integration of our Republic of Ireland and Northern Ireland businesses with the British Planning and Development business has been well received by staff and clients, has proceeded well and is already beginning to open up new domestic and international opportunities. Following the economic and political turbulence in Ireland in recent months it is to be hoped there will now be a period of stability which will allow the economy to begin to recover.

■ RPS provided architectural, engineering and highway design services for this 100,000m<sup>2</sup> high-spec, high security facility for the Ministry of Defence.

The building achieved a BREEAM Excellent rating in line with the Government's agenda for sustainable development.

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## 2010

	Fee income (£m s)	Profit* (£m s)	Margin %
UK & Ireland	105.2	10.8	10.3
Australia	65.2	9.4	14.4
<b>Total</b>	<b>170.4</b>	<b>20.2</b>	<b>11.9</b>

## 2009

	Fee income (£m s)	Profit* (£m s)	Margin %
UK & Ireland	127.7	15.6	12.2
Australia	33.2	8.3	24.9
<b>Total</b>	<b>160.9</b>	<b>23.9</b>	<b>14.9</b>

\* before amortisation of acquired intangible assets of £3.1m (2009: £1.7m) and after reorganisation costs of £0.7m (2009: £2.8m)

## Planning & Development

### Average number of employees

	2010	2009
Number of employees	2,349	2,277
Days absent (%)	1.7	1.4
Average length of service (years)	5.8	4.5
Working part time (%)	7	11
Retention Rate (%)*	85	94

### Age profile

	2010	2009
Employees aged under 25 (%)	7	10
Employees aged 25-29 (%)	19	21
Employees aged 30-49 (%)	60	55
Employees aged 50+ (%)	14	14

\*excluding redundancies

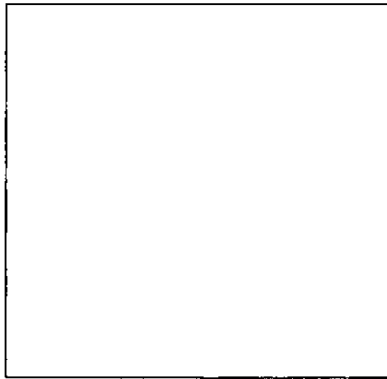
■ RPS won the award for Best Water Consultancy 2010 at the Edie Awards for Environmental Excellence. The Awards seek to celebrate the year's most successful green innovators and environmental breakthroughs.

■ RPS played a critical role as the key contract partner to Dwr Cymru in Wales throughout the freeze and subsequent thaw during Christmas 2010. We were able to deploy vital resource at very short notice in support of our client during this extremely challenging period.

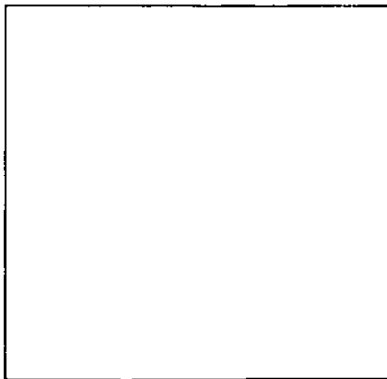
# Environmental Management

During the course of 40 years' involvement in environmental management, we have gained deep insight into the commercial challenges as well as the political, ethical and legal issues facing our clients. Professional advice in this sector has to be technically excellent and commercially appropriate, but also politically aware and culturally sensitive.

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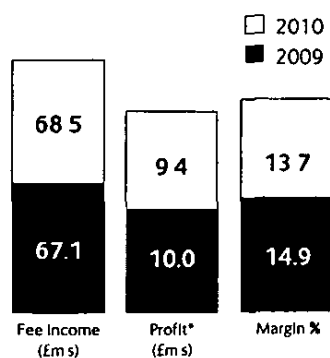


■ RPS is working with Crossrail as the sole provider of Asbestos and Hazardous materials consultancy services



■ RPS provides consultancy advice to prevent and control major accident hazards. For redundant nuclear fuel storage ponds we have developed a generic safety case approach to allow inspections and intervention work to be conducted safely and cost-effectively.

■ RPS provides occupational health services to a range of organisations. This includes employees of the Foreign and Commonwealth Office on a worldwide basis for whom health promotion surveillance and advice is delivered through a 'health line' call centre



#### Environmental Management

##### Average number of employees

	2010	2009
Number of employees	1,275	1,262
Days absent (%)	2.8	2.8
Average length of service (years)	5.4	5.6
Working part time (%)	12	12
Retention rate (%)*	81	82

\*excluding redundancies

##### Age profile

	2010	2009
Employees aged under 25 (%)	12	12
Employees aged 25-29 (%)	16	16
Employees aged 30-49 (%)	51	51
Employees aged 50+ (%)	21	21

\*before amortisation of acquired intangible assets of £0.4m (2009: £0.3m) and after reorganisation costs of £0.3m (2009: £0.4m)

## Environmental Management

This business provides consultancy services in respect of environmental sciences, health, safety, risk and water management in the UK and the Netherlands

This is another good set of results with exemplary margins being sustained despite significant pricing pressure from clients

As expected, our UK water activities remained relatively subdued through much of the year as our clients shifted attention to the new regulatory cycle. Towards the end of the year we saw some signs that the new round of investment is getting underway. The Dutch economy has suffered a serious recession, but we have been well positioned to benefit from Government stimulus expenditure related to water and transport infrastructure. During the course of 2010 and particularly when the Dutch government introduced a consolidation budget, our private sector clients became more cautious. This held back our performance towards the end of the year. Our health and safety activities in the UK are largely in regulated markets, this protects volume to an important degree, but exposes us to pricing pressure. The acquisition of Health in Business in February supported our growing occupational health business. It has been integrated successfully and performed well. Our nuclear safety activities continued to trade well as demand held up in a highly regulated market, short of the specialist skills we provide.

### Outlook

Much of the work we do in these markets is regulatory driven and to a degree non-discretionary enabling us to maintain levels of activity, although we expect pricing pressure to continue. We do not anticipate a particularly good year in the Netherlands, but are well positioned in relation to the new round of investment in the UK water industry.

## Group Prospects

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We have come through the exceptionally challenging circumstances of the last two years in good shape and hope to resume growth in the current year. However, we face continuing uncertainties in Queensland and in understanding our clients' responses to reduced public expenditure in a number of countries. We remain focussed therefore, on continuing to improve the efficiency of our businesses, although enabling our employees to recover some of the ground they have lost in remuneration over the last two years has been important at the beginning of 2011.

RPS remains well positioned in markets of fundamental importance to the global economy. These continue to have significant long term potential. We believe that our strategy of building multi-disciplinary businesses in each of the territories in which we operate to be attractive and achievable and we will therefore, continue to seek acquisition opportunities. Our balance sheet is strong enough to continue to support this strategy.

The main drivers of growth for the Group in 2011 are likely to be steadily improving oil and gas exploration and production markets and activity related to providing energy infrastructure. Environmental management is likely to grow provided the Dutch market does not deteriorate much further. Recovery in commercial property and public sector infrastructure markets seems likely to take longer.

We continue to operate in unpredictable circumstances. Overall however, we currently expect a modestly improved performance in 2011.

## Key Business Drivers:

- the commercial advantage our clients can achieve from sustainable development of land and buildings.
- the sustainable provision of infrastructure including airports, roads, water, waste, public transport and power.
- society's need to secure, in a safe way, adequate supplies of energy from environmentally acceptable sources.
- the need to manage environmental and health & safety risks as well as their related legislation/regulation and the arising staff, customer and governance pressures.
- society's need to deal with climate change and global warming

# Operations

## Employees

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The Group remains committed to creating an employment environment which will attract, retain and motivate employees of high calibre. Emphasis is placed upon personal development to meet both current and future needs. Employee communication and consultation is encouraged at all levels of the business. The criteria for selection and promotion are the individual's suitability for the position offered based on their qualifications, experience, skills and abilities. Business units manage the remuneration of staff within the guidelines of approved annual budgets. We have appropriate human resource structures and systems managed by personnel professionals throughout the businesses and countries in which we operate. RPS was awarded first place in Britain's Top Employers 2010 by the Corporate Research Foundation (CRF) Institute in association with the Daily Telegraph and HR Management. CRF has been given special recognition by the EU Commission for its outstanding contribution to employer best practice in several EU countries.

The Company operates share incentive plans on an international basis. These are open to the majority of the Group's employees and enable employees to purchase RPS shares with the Company providing a matching share contribution. The Company also operates a Performance Share Plan in which more senior employees participate and which offers the potential to build a significant equity interest over a number of years.

## Operating Structure

Our operating structure has developed as the Group has grown in size and complexity. Changes are driven by the need to achieve the correct balance between the autonomy that enables our businesses to operate in a flexible and responsive fashion whilst ensuring transparency and accountability throughout the Group. The Group is split into a number of operating divisions which focus on the principal markets that we serve both by sector and geography. Our smaller business units focus on specialised areas but are accountable to the relevant divisional management board. Underpinning this structure is a set of clear obligations in terms of reporting and authorities that operates throughout the Group. Our principal businesses in both the UK and overseas employ appropriately qualified accounting, human resource and other support staff. In the recent period of economic uncertainty this structure has enabled the extra attention to detail that is vital to ensure operational efficiency and careful cost management. During the course of 2010 we have developed the structure of our Australian business and its Board in order to enable the further expansion of this business. In addition our British, Irish and Northern Irish Planning and Development businesses have now been merged, this will facilitate more efficient management, marketing and resource allocation.

# Operations

In addition to retaining appropriate control, the Group provides support to the sales and marketing activities of our businesses through its business information unit which is also responsible for the maintenance and development of the Group's intranet and website. We have continued to invest in information technology to facilitate better communication and flow of information both internally and externally. Notably during 2010 we installed telepresence video conference systems in the UK and Australia in order to improve communications.

## **Equal Opportunities in Employment**

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, conditions of work, pay and benefits and to every other aspect of employment.

## **Training and Continuous Professional Development**

RPS is committed to the training, education and development of its employees to increase effectiveness, develop potential and ensure adequate succession planning.

Divisional Directors, their appointed project managers and professional

trainers are responsible for the management of training and for the verification of technical competence for project personnel in accordance with our quality management system.

We aim to identify and provide training, education and development for employees, in order that they can develop and apply this knowledge to greater and more demanding roles in the future. Wherever possible we try to identify successors to key posts within the organisation as part of our ongoing succession management policy.

Prior to external advertisement any available posts are published on the [JoinRPS.com](http://JoinRPS.com) careers website and promoted internally via the Group's Intranet. Central to identifying our training and educational needs is staff appraisal. This activity is concerned with developing staff by identifying and meeting performance and training needs as well as developing individual potential.

Appraisals are intended to complement the standard staff induction programme on Company policy and procedures which covers topics including safety or equipment handling and involves assessments of competency on a more administrative level. Staff appraisal is a continuous process and is not limited to formal meetings. However, formal appraisal meetings take place in many parts of the Group at least once a year.

RPS is a recognised commercial training provider in a number of specific technical fields and is certified by such external

bodies as CCNSG (ECITB) on site safety courses. RPS, for example, operates a CIWEM approved structured training scheme for its chartered water and environmental engineers and MICE and MIEI approved CPD schemes for civil engineers in the UK and Ireland. Employees are encouraged to take on active involvement with professional and industry bodies. In Australia, for example, employees are significant contributors to the Society of Petroleum Engineers, The Urban Development Institute and the Property Council of Australia. Our aim is to help the development of individuals throughout their employment with the Company by underpinning their skills and professional ethics whilst broadening their business knowledge. One of the key objectives of the scheme is the long-term commitment to CPD of all existing staff within the organisation. Thereby, individuals are always able to demonstrate technical experience

	Group	
	2010	2009
<b>Average number of employees</b>		
Number of employees*	4 372	4 254
Days absent (%)	2	1.8
Average length of service (years)	6	5.4
Working part time (%)	9	11
Retention rate (%)*	84	90
<b>Age profile</b>		
Employees aged under 25 (%)	8	9
Employees aged 25-29 (%)	17	19
Employees aged 30-49 (%)	55	53
Employees aged 50+ (%)	20	19
*excluding redundancies		

in specific sectors, such as the water industry, or in relevant aspects of environmental consultancy.

#### Academic Bursaries

During 2010 RPS continued its long term practice of awarding academic bursaries to students studying relevant courses at particular colleges and universities as well as supporting staff through further academic study. In doing so RPS supported academic study and/or ongoing research at the universities and colleges listed below.

- University College London
- Imperial College, University of London
- Queen Mary's College, University of London
- Birkbeck College, University of London
- Oxford Brooks University
- University of Gloucester
- University of Central England, Birmingham
- Birmingham City University
- South Birmingham College
- Stourbridge College, Birmingham
- University of Wolverhampton
- University of Coventry
- University of Loughborough
- University of Derby
- De Montfort University

## Operations

- Nottingham Trent University,
- University of Nottingham
- University Lincoln
- Lincoln College
- Anglia Ruskin University
- University of Southampton
- University of Manchester
- University of Salford
- Sheffield Hallam University
- University of Northumbria
- University of York
- The Open University, Milton Keynes
- University College Cardiff
- University of Wales Newport
- University of Glamorgan
- St Andrews University
- Stirling University
- Napier University Edinburgh
- Aberdeen College of Commerce
- Queens University Belfast
- University of Ulster

### Ireland

- University College Dublin
- Trinity College, Dublin
- Dublin City University
- National University of Ireland Galway

### The Netherlands

- Technical University of Delft
- InHolland College, Rotterdam
- Utrecht College

### Australia

- University of New England
- Griffiths University
- Queensland University of Technology
- University of the Sunshine Coast
- Swinburne University
- Curtin University

### Growth and Funding

Despite current economic circumstances RPS operates in markets which are generally attractive and expanding with good long-term prospects but which are fast changing. We need therefore to keep our range of services and the way we market and deliver them under continuous review. The Board believes that the long-term health and growth of the Group will be best secured by ensuring that RPS is, and is perceived by clients and staff to be, a market leader in each of our business areas. Our corporate strategy is designed to achieve this.

We endeavour to deliver long-term shareholder value and have, therefore, to balance annual earnings growth with investment in both our existing clients staff and products and the development of our service offering and capability.

The acquisition strategy RPS has pursued over the last two decades has brought considerable benefit to shareholders, clients and staff. The companies acquired have enabled us to build strong positions in a number of markets. This has included the creation of a substantial business in the energy sector. This, in turn, enables us to offer a broader, higher quality service to our clients and attractive employment to staff and potential recruits. The financial performance of the companies which have been acquired has increased the Group's growth. The Board sees the maintenance of this element of the strategy as being of importance to the continued growth of the Group and will consider more significant acquisitions, as well as making acquisitions outside the countries in which we currently operate.

At the year end the Group had net bank borrowings of £31.5 million (Note 24). RPS normally generates sufficient free cash to fund its working capital and capital expenditure requirements. Additional cash resources are therefore only needed in order to pursue the Group's acquisition strategy.

The Board believes the Group's current bank facilities that include a £125 million revolving credit facility (Note 14) are adequate for current purposes but would be prepared to increase them in order to make appropriate investments.

### **Dividend Policy**

For many years our dividend per share has grown at an average annual compound rate of about 15%. Our ability to maintain this level of growth will depend upon the scale of earnings growth, the nature and scale of future acquisitions and how that investment is funded. The final dividend will normally be greater than the interim payment.

### **Shareholder Value**

The Board manages the Group in order to achieve good levels of growth in shareholder value on a consistent long-term basis. It is, however, recognised that this can only be achieved by providing a competitive service which adds value to our clients' organisations and offering an attractive working environment and career prospects to our staff. Striking this balance whilst also respecting our responsibility to society at large is the main task facing the Board. Current economic circumstances make the achievement of this balance even more challenging.

### **Corporate Governance**

RPS operates to a strong system of governance in order to safeguard the interests of its shareholders. The structures and policies that are in place to achieve this are set out on pages 44 to 59.

# Risk Management

## RPS Group Risk Analysis

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RPS supplies a wide range of services to many sectors of the economy in a significant number of countries. This gives rise to a range of potential risks that need to be individually recognised, assessed and effectively managed. The management of these risks is not separated from the business, but is treated as an integral part of the way we operate. A key role of the Executive Directors is to assess the risks to which the Group may be exposed, to report material risks to the Board and to recommend measures for their mitigation.

The Group has well-established and embedded systems of internal controls and risk management that is designed to safeguard shareholders' investment, as well as the Group's personnel, assets and reputation. Whilst the Group Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, it is the role of management to implement policies relating to risk and control.

The principal risks identified by the Group can be described under the following categories:

- **Business Strategy** - the risk of not delivering the Group's long-term strategy. The Group's principal risks include loss of competitive position and strategic risks in relation to specific activities.
- **Business Continuity** - the risk that in the event of an adverse occurrence the business operations will not be able to operate. The main risks are failure of IT systems and the recruitment and retention of key staff, although in 2010 we have been affected by the cessation of drilling in the Gulf of Mexico following the Macondo spill and the beginning of catastrophic flooding in Queensland.
- **Financial and Commercial** - the risk of performance falling short of expectations including the reputational risk linked to quality of work.
- **Legal and Compliance** - the risk of failing to comply with all relevant legislation and regulations as well as liabilities arising from trading activities which are not covered by professional indemnity insurance.
- **Health, Safety and Environment** - the risk related to the safety of staff, clients, sub-contractors, members of the public and the environment.

### Business Strategy

The Group's strategy seeks to ensure continuous improvement in the range and quality of our services and our financial performance by:

- operating in markets where we can add value to our clients' activities,
- endeavouring to achieve leadership in those markets, and

## Risk Management

- making acquisitions of quality businesses in order to extend our expertise and geographical presence

Successful implementation of the strategy requires the Board to identify appropriate markets and how to operate in them successfully. Each year the Board sets itself a series of specific objectives and priorities. Progress against these is measured on a regular basis.

The Executive Committee reviews and has to approve all acquisitions before any binding commitment is made. Normally in respect of acquisitions with an enterprise value in excess of £20 million, full Group Board approval is required prior to any binding commitment being made. In the recent economic climate, however, the Group Board has been considering all acquisitions.

The Executives have developed comprehensive methods to evaluate potential acquisitions, including the legal framework within which businesses are acquired and methods of integration.

### Business Continuity

Failure to recruit and retain qualified and talented staff can disrupt the Group's ability to win new contracts and/or execute contracts effectively.

Each of the Group's businesses has as a management priority, the successful implementation of a recruitment and retention strategy that is appropriate to the markets in which they operate. At Group level advice is provided to the businesses

about recruitment techniques, remuneration strategies and people management. In addition share schemes are in place to assist staff motivation and retention. The Executive Directors have overall responsibility for the development of human resource policies in the businesses for which they are responsible.

RPS Technology Services (RPSTS) manages all the Group's IT systems although some specific functions are carried out locally on site. Each year RPSTS produces a plan for the improvement of the Group's systems. The Board approves that plan and allocates the appropriate budget. The plan includes measures designed to ensure the reliability and resilience of the Group's systems.

The fact that the Group has operations in a large number of locations increases its ability to withstand events which cut power and communications, cause equipment malfunction or result from theft.

Events in the Gulf of Mexico and Queensland reminded the Board in 2010 that our business can be adversely affected by natural and man made disasters which cannot be anticipated and which are not controllable by RPS. In both cases our response has been measured and served to limit impacts on our staff, company assets and our financial performance. However, in both those cases the financial impact was significant. There was no additional specific pre-planning which could have been done which would have lessened the impact materially.

### Financial and Commercial Management

The financial management of the Group is undertaken within the framework of the operating structure that is described on page 25. Business units are treated as separate entities for the purposes of budgeting and accounting.

Each business unit maintains a business plan which defines the activities and scope of business to be conducted. The budgets quantify the expectations for the Group. The plans (including budgets) are agreed with the Group Board. The businesses in the UK are supported by centrally managed accounting and personnel functions. Our overseas businesses have their own accounting and personnel functions. RPS has a detailed financial reporting management system which incorporates checks and reviews, financial modelling, accountability and transparency at every level.

During the recent financial crisis and economic recession changes have been made to the planning and budgeting processes. These have been successfully designed to reduce resources and processes with a high degree of uncertainty enabling focus to be maintained on work winning and delivery.

Operational staff have no access to the underlying processing of transactions. Invoices from suppliers are approved by the Operational Directors and are sent to the finance function for processing and payment. Remittances from clients are received by the finance function.

Segregation of duties within the finance team itself and between the offices and the accounting function ensures accountability and sound financial practice at every level.

Business unit and office financial results are reviewed monthly by relevant boards and directors. This detailed review, together with the checking and reconciliation work done by the accounting team, ensures the high degree of scrutiny required to minimise the possibility of mistakes, irregularity or fraud remaining undetected.

The Group's Executive Committee, which comprises the Group's Executive Directors and the Company Secretary, meets at least once a month and discusses newly emerging risks as they occur. The minutes of these meetings are provided to the Non-Executive Directors.

The RPS Board monitors the Group's financial performance on a monthly basis using the detailed budgets as the benchmark. Future performance is estimated by reference to forward order books, although the nature of most contracts means that such forecasting cannot be completely accurate and the degree of imprecision cannot be statistically tested.

The Group's financial instruments comprise cash, bank loans and items such as receivables and payables that arise directly from its operations. The main purpose of these instruments is to provide finance for the Group's operations.

The Group reports its results in sterling but has operations in Australia, Ireland, the Netherlands, USA, Canada, Malaysia, Singapore and Brazil that have functional currencies other than sterling. As a result the Group's balance sheet, income statement and statement of consolidated income can be affected by movement in the exchange rate between sterling and the functional currencies of the overseas operations. The Group does not hedge such translation exposures.

Where operations have part of their trade in currencies other than their functional currency they endeavour where possible to match the currency of revenues and cost of sales. The Group uses foreign exchange contracts and loans to manage transactional risks for commercial but not accounting purposes.

It has been and remains the Group's policy that financial instruments are not used for speculative purposes.

The Group has strong review procedures for monitoring and controlling cash flows and funding requirements. This includes the production of cash flow projections and the reporting and review of daily cash collections against targets.

The internal audit function is undertaken by the Group financial accounting team as part of its other functions. Given the current structure of the Group, the Board and the Audit Committee consider that a separate internal audit function is not at present required. During the year the Executive Committee performed a full review of internal controls within the

## Risk Management

Group the details of which were reported to the Audit Committee. The Board recognises that control risks increase during the integration of newly acquired businesses and during this period monitors closely the status of the systems and commercial integration.

RPS is a multi-disciplinary Group operating across international boundaries with a broad base of clients and skilled professional employees. Correspondingly and consistent with its size and complexity, the Group has a large number of contractual relationships. In the Directors' view, however, there is no single contract or client relationship which is essential to the Group's business.

### Compliance, Litigation and Insurance

It is essential that RPS complies with prevailing legislation and with the terms of its contracts with clients, staff and suppliers. In order to ensure this the Group has in place a series of quality management systems.

In appropriate parts of its business RPS maintains and implements documented Quality Management Systems which satisfy, as a minimum, the requirements of ISO 9001:2000 through the

- documenting of procedures to control the quality of services,
- maintaining records to control and show compliance with quality and client requirements,

- recording the implementation of corrective measures necessary to ensure the quality of service provided,
- taking appropriate preventative measures to improve quality and minimise the possibility of unsatisfactory service, and
- monitoring the quality management system in operation at each office at regular intervals in order to ensure its continuing and improving effectiveness.

Formal certification to ISO 9001:2000 standard is a required procedure for some aspects of RPS' business; therefore a number of RPS' offices in the UK, Ireland and the Netherlands are certified to ISO 9001. Offices in North America and Australia have quality systems that are based on formal procedures that have been developed in line with ISO 9001 guidelines.

Those RPS offices providing environmental monitoring and analytical services hold external accreditations from additional quality assurance schemes. Quality accreditations held by individual RPS offices include those externally audited by UKAS, Aquacheck, RICE, UK NEQAS and the UK Health and Safety Executive's WASP scheme.

In Ireland our offices are quality accredited through the NSAI (National Standards Authority of Ireland) and SGS and for Safety Management through the NISO (National Irish Safety Organisation).

However, even when these systems work well issues can arise which may give rise to litigation in which RPS needs to participate. There are procedures in place for managing such litigation. The Group also has extensive insurance cover in place to ensure against such losses and potential losses. A range of policies are in place, the principal of which relate to professional indemnity, employers, public and third party liability.

### Health and Safety

The health and safety performance of the Group is fundamental to RPS operations worldwide. Safeguarding the employee's well-being is of paramount importance with responsibility resting with the Board. This responsibility is shared with the local management boards within the organisation and is passed down to each manager and employee.

The Board sets the policy and objectives for health and safety management. The Company Secretary oversees implementation of the health and safety management within the Group. Health and safety performance is reported at Divisional Board meetings. An analysis of accidents and incidents is presented at every Group Board meeting.

The Board requires that each business provides and maintains safe working conditions, suitable equipment and resources to implement safe systems of work to protect employees, contractors, visitors and other people who could be affected by the Group's activities.

Compliance with legislation in all the countries where activities are carried out is mandatory although wherever possible the Group aims to surpass minimum standards and develop best-practice within the industry.

Each business in the Group has appointed health and safety professionals to implement appropriate management systems. 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. 32.4% of employees across the Group work in offices that now have third party accreditation to the OHSAS 18001 standard (2009: 29.3%).

All activities that are undertaken are assessed for hazards with appropriate controls put in place to ensure the risk is reduced to a satisfactory level. Where necessary, safe systems of work are documented. There are systems in place throughout the organisation to audit activities to ensure compliance.

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 they can discharge their responsibilities to their staff.

Each Group business has a system for reporting and investigating accidents, dangerous occurrences and near misses. All incidents are investigated to determine the root cause. Any significant incidents

are reported throughout the organisation and brought to the attention of the Board.

In 2010, the reportable accident rate was 3.3 accidents per 1,000 employees (2009: 4.6). Typically the accidents that occurred are related to manual handling activities, however, slips and falls also account for a significant proportion of the accidents.

### Reportable Accident Rates Group

	2010	2009
Reportable injuries	15	19
Reportable injuries incident rate per 1,000 employees	3.3	4.6

■ RPS has supported Tree Aid for over 5 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

# Corporate Responsibility

## Social Responsibility and Sustainability

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RPS is committed to ensuring that it conducts its business in a responsible and sustainable way. Taking care of our clients, suppliers, employees, the wider community and the environment and conducting operations with a high standard of business integrity are all essential to the long term success of our business.

The Group requires its staff to adopt high standards of behaviour in their daily professional conduct or when travelling on business. Employees are required to be sympathetic to the cultures of and comply with the laws and regulations of the countries in which they operate, also giving due regard to the safety, the well being and the human rights of all project personnel and relevant local communities.

RPS has set itself the task of reducing per capita energy consumption by 5% each year using 2007 as the base. This would, if achieved, halve our (per capita) energy use by 2020. The need to reduce staff numbers in parts of the Group as a result of recent trading conditions has made this task more challenging than originally envisaged. Our likely success can only be evaluated when economic circumstances improve, allowing staff numbers to stabilise.

## Clients

The Group aims to develop and maintain strong and lasting relationships with its clients. RPS endeavours to deliver all services and reports to the required quality and specification within the time frame agreed with the client. RPS employees work with their clients to meet and anticipate their needs.

## Conflicts of Interest

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.

## Community Involvement

RPS has supported community and charitable fund raising with gifts in kind and financial contributions throughout the year, mostly at office level. In 2010 the Group and its staff gave or raised £472,000 in charitable contributions (2009 £480,000). Taking into account the £188,000 spent on academic bursaries and educational initiatives (2009 £105,000), the Group's total contribution to the communities in which it operates was £660,000 (2009 £585,000).

Across our businesses we have contributed to a wide range of charities and initiatives. At Group level we made a donation of £25,500 to Tree Aid in support of its educational, tree planting and woodland conservation programmes in Sub-Saharan Africa. RPS has supported Tree Aid for several years with charitable contributions.

## Corporate Responsibility

fund raising and gifts in kind. In 2010 RPS was again acknowledged as the leading corporate sponsor of Tree Aid. We are proud to continue our association with their 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

RPS contributes to environmental management as part of many projects that it undertakes for clients. The Group advises international bodies, governments, local authorities and private companies on improving their environmental performance. We have many employees with professional qualifications in environmental management, some have achieved international recognition for their work and play a leading role in professional bodies.

Although RPS seeks to manage and reduce its own environmental impact, our greatest impact is to be found in the advice we provide to clients many of whom are undertaking major capital projects.

RPS 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 and communications technology that reduces the need for business travel.

In order to achieve this RPS

- ensures employees are trained and motivated to conduct their activities in an environmentally responsible manner
- reviews the policy on a regular basis to take into account any new developments in legislation or environmental management or shareholder expectations, and
- allocates sufficient management resources to ensure effective implementation of the environmental policies.

Parts of the Group has achieved ISO14001 the internationally recognised environmental management system standard.

Facilities for recycling office waste are in place at our offices. During 2010 our offices recycled waste paper, spent toner and ink cartridges, obsolete computer hardware, printers and mobile phones. Proceeds from this recycling were donated to charity.

### Climate Change

RPS has extensive skills that enable us to understand and advise upon the causes and effects of climate change. RPS undertakes projects that involve developing strategies to reduce our clients' carbon emissions and adapt

buildings and infrastructure to cope with anticipated climatic changes. We expect the workload in this area to increase.

The carbon footprint for RPS in 2009, recalculated in accordance with Greenhouse Gas Protocol and current Defra guidance amounted to 14 662 tonnes. Calculated on a similar basis the overall carbon footprint increased to 16 972 tonnes in 2010. This was in part the result of the first time inclusion of our Eastern Australian offices in the calculations, these being part of a business acquired during 2009. In addition during 2010 the number of vans operated by our Environmental Management business in the United Kingdom increased significantly as the business grew. A large number of these new vans are low carbon emission, which will progressively minimise the impact of this fleet on the overall footprint.

The specific target set by the Board is to reduce per capita office energy consumption by 5% per annum. This target was achieved in 2010 with office gas and electricity consumption decreasing by 77% per capita over the prior year from 3.9 per capita to 3.6 MWh per employee. As indicated above, however, 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 achievement of our targets more challenging.

#### **Shareholders**

The Group conducts its operations in accordance with what it believes are principles of good corporate governance. Our aim is to provide shareholders with a return on investment that rewards their financial commitment. The Board understands the importance of strong cash flows and earnings and develops its business in such a way as to grow these in a sustainable way as far as possible. The Board endeavours to maintain involvement of shareholders by keeping them informed on major actions or decisions affecting their investment, through a year-round Investor Relations programme.

The Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee attend the Annual General Meeting, and are available to answer shareholders' questions. The Chairman and the Senior Independent Non-Executive Director are available to discuss governance, strategy and any issues of concern or interest with any major shareholders. The Chief Executive and Finance Director meet frequently with major institutional shareholders and fund managers.

Investor Relations is discussed at every Board meeting which enables the Board to keep abreast of and develop an understanding of the views expressed by major shareholders.

RPS Offices in Perth, Australia

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# The Board

## Brook Land

Non-Executive Chairman

Aged 61 Brook Land was formerly a 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.

## Dr Alan Hearne

Chief Executive

Aged 58 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, became a Director in 1979 and Chief Executive in 1981. Alan Hearne 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 and fellow of Aston Business School in 2006.

## Gary Young

Finance Director

Aged 51 Gary Young graduated from Southampton University in 1982 and qualified as a Chartered Accountant in 1986 with Price Waterhouse. Before joining RPS he held a number of financial 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 2000.

## Peter Downen

Executive Director

Aged 62 Peter Downen graduated from Leeds School of Architecture in 1972 and qualified as a Chartered Architect in 1973. After a period in private practice he became a director of Brian Clouston and Partners in 1980 before joining RPS in 1989 when he was appointed to the Board.

## Dr Phil Williams

Executive Director

Aged 57 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.

## Roger Devlin

Senior Independent  
Non-Executive Director

Aged 53 Roger Devlin chairs four private companies - Principal Hotels (on behalf of Permira), Traveljigsaw, Gamesys and Satellite Information Services. He is also a non-executive director of National Express Group Plc. Roger read Law at Oxford and trained in the City with Hill Samuel, before going on to join the boards of both Hilton International and Ladbrokes. He joined the Board on 29 April 2002 and is serving a final three-year term.

## Karen McPherson

Independent Non-Executive Director

Aged 59 Karen was a Non-Executive Director of F&C Asset Management Plc from 1985 to October 2006. Karen has extensive Human Resources experience and currently runs her own independent HR consultancy business, Potential Unlimited, which she founded in 2000. Prior to this Karen worked for F&C Management Plc from 1996 to 1998 as Director and Head of Human Resources. She previously worked for JP Morgan and Chemical Bank. Karen was appointed to the Board in June 2005 and is serving a second three-year term.

## John Bennett

Independent Non-Executive Director

Aged 63 John was appointed to the Board on 1 June 2006. He is a Chartered Accountant with 30 years experience in the house building industry. He was Finance Director of Westbury plc until it was acquired early in 2006. He has wide experience of financial management, capital and debt raising, acquisitions and investor relations and he played a leading role in the strategic development of Westbury into a top ten volume house builder in the UK. John is serving a second three year term.

## Louise Charlton

Independent Non-Executive Director

Aged 50 Louise was appointed to the Board on 22 May 2008. She is Group Senior Partner of Brunswick Group LLP, the international corporate communications group of which she was a co-founder. Louise is a Director and Trustee of the Natural History Museum. She is serving an initial three-year term.

## Robert Miller-Bakewell

Independent Non-Executive Director

Aged 58 Robert joined the Board on 4 May 2010 and is serving an initial three year term. Robert was a Senior Director of Investment Research at Merrill Lynch from 1998 to 2008 and prior to this worked as an investment analyst with NatWest Markets and its predecessor companies. Over the previous twenty years his focus was on analysing and advising water, waste, transport and environmental infrastructure companies both in the UK and internationally. He is also a member of OFWAT's Future Regulation Panel.

# Committees

## Committee membership

### Audit Committee

John Bennett (Chairman)  
Roger Devlin  
Robert Miller-Bakewell

### Nomination Committee

Brook Land (Chairman)  
Louise Charlton  
Karen McPherson

### Corporate Governance

Brook Land (Chairman)  
Alan Heame  
Nicholas Rowe (Secretary)

### Remuneration Committee

Karen McPherson (Chairman)  
John Bennett  
Roger Devlin

### Executive Committee\*

Alan Heame (Chairman)  
Peter Downen  
Phil Williams  
Gary Young  
Nicholas Rowe (Secretary)

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The number of Board and Committee meetings attended by each of the Directors during the year was as follows

	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance
Brook Land	8	–	–	3	2
Alan Heame	8	–	–	–	2
Gary Young	8	–	–	–	–
Peter Downen	8	–	–	–	–
Phil Williams	8	–	–	–	–
Roger Devlin	7	3	3	–	–
Karen McPherson	8	–	3	3	–
John Bennett	8	3	3	–	–
Louise Charlton	8	–	–	3	–
Robert Miller-Bakewell**	5	2	–	–	–
Number of meetings held	8	3	3	3	2

\* The Executive Committee meets monthly or more frequently if required

\*\* Robert Miller Bakewell joined the Board and the Audit Committee during the year

# Corporate Governance

## Corporate Governance Committee

The Corporate Governance Committee is responsible for overseeing the Group structure and organisation and evaluating these in the context of developments in standards of corporate governance. The Committee keeps the Board and its other committees apprised of developments that may impact their structure and

activities. It also oversees the policies described in the Corporate Responsibility Statement as well as the Group's environmental policies. The Committee consists of the Chairman, Chief Executive and Company Secretary.

## Combined Code

The Company has, throughout the year to 31 December 2010, complied with all

provisions of the Combined Code on Corporate Governance 2008 (the Code) except that in the period to 4 May 2010, the Audit Committee consisted of only two independent Non-Executive Directors. On appointment of Robert Miller-Bakewell to that Committee full compliance with the Code was achieved. The table below summarises how the Company has applied each of the provisions of the Code.

	Combined Code paragraph	Comment	Page
The Board should meet regularly to discharge its duties. There should be a formal schedule of matters specifically reserved for its decision. The annual report should include a statement of how the Board operates, including a high level statement of which types of decisions are to be taken by the Board and which are delegated to management.	A1.1	Compliant	47-48
The Annual Report should identify the Chairman, Chief Executive, Senior Director and Chairman and Independent Non-Executive members of Nomination Audit and Remuneration Committees. It should also set out the number of meetings held and individual attendance.	A1.2	Compliant	42-43
The Chairman should hold meetings with Non-Executive Directors without the Executives present. Led by the Senior Independent Non-Executive Director, the Non-Executive Directors should meet without the Chairman present at least annually to appraise the Chairman's performance.	A1.3	Compliant	48
Where Directors have concerns which cannot be resolved about the running of the Company or a proposed action, these concerns should be recorded in the Board minutes. On resignation, these concerns should be provided in a written statement to the Chairman for circulation to the Board.	A1.4	Compliant	48
The Company should arrange appropriate insurance cover in respect of legal action against Directors.	A1.5	Compliant	48
The roles of the Chairman and Chief Executive should be split. The division of responsibilities between the Chairman and Chief Executive should be clearly established, set out in writing and agreed by the Board.	A2.1	Compliant	47
The Chairman on appointment should be independent.	A2.2	Compliant	47
The Board should identify in the annual report each Non-Executive Director it considers to be independent.	A3.1	Compliant	42
At least half the board, excluding the Chairman, should comprise Non-Executive Directors determined by the board to be independent.	A3.2	Compliant	47

## Management & Governance

	Combined Code paragraph	Comment	Page
The Board should appoint one of the Independent Non-Executive Directors to be the Senior Independent Non Executive Director. The Senior Independent Director should be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.	A.3.3	Compliant	47
There should be a Nomination Committee. A majority of the members should be independent Non Executive Directors. The Chairman or independent non executive director should chair the committee unless it is dealing with the appointment of a successor to the Chairmanship. The Nomination Committee should make available its terms of reference.	A.4.1	Compliant	58-59
The Nomination Committee should evaluate the balance of skills, knowledge and experience on the Board and evaluate the role and capabilities required for a particular appointment.	A.4.2	Compliant	58-59
On appointment of a Chairman, the Nomination Committee should prepare a job specification. A Chairman's other significant commitments should be disclosed to the Board before appointment and included in the Annual Report.	A.4.3	Compliant	58-59
The terms and conditions of appointment of Non-Executive Directors should be made available for inspection by any person at the Company's registered office and at the AGM.	A.4.4	Compliant	55
The annual report should describe the work of the Nomination Committee, including processes it has used in relation to Board appointments. An explanation should be given if neither an external search consultancy nor open advertisement has been used in the appointment of a non-executive director.	A.4.6	Compliant	58-59
New Directors should receive a full, formal and tailored induction on joining the Board. Shareholders should be offered the opportunity to meet the new Non-Executive.	A.5.1	Compliant	48
All Directors should have access to independent professional advice. Committees should be provided with sufficient resources to undertake their duties.	A.5.2	Compliant	48
All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.	A.5.3	Compliant	48
The Board should state in the Annual Report how it evaluates the performance of the Board, its committees and its individual Directors. The Non Executive Directors led by the Senior Independent Director should be responsible for performance evaluation of the Chairman.	A.6.1	Compliant	48
All Directors should be subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election thereafter at intervals of no more than three years. The names of Directors submitted for election or re-election should be accompanied by sufficient biographical details and any other relevant information.	A.7.1	Compliant	Notice of Meeting
The Non-Executive Directors should be appointed for specified terms subject to re-election. Any term beyond six years for a Non Executive should be subject to particularly rigorous review and take into account the need for progressive refreshing of the Board.	A.7.2	Compliant	47
Performance related elements of remuneration should form a significant proportion of the total remuneration package of the Executive Directors.	B.1.1	Compliant	49
Share options should not be offered at a discount.	B.1.2	Compliant	54
Remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of the role and should not include share options.	B.1.3	Compliant	55
The Remuneration Committee should consider what compensation commitments the Directors, terms of appointment would entail in the event of early termination.	B.1.5	Compliant	55
Notice or contract periods of Executive Directors should be one year or less.	B.1.6	Compliant	55
A Remuneration Committee should be established with at least three Independent Non Executives.	B.2.1	Compliant	49
The Remuneration Committee should make available its terms of reference.	B.2.1	Compliant	50

## Corporate Governance continued

	Combined Code paragraph	Comment	Page
The Remuneration Committee should set remuneration for all executives	B 2 2	Compliant	49 54
The Remuneration Committee should recommend and monitor the level and structure of remuneration for senior management.			
The Board should determine the remuneration of the Non-Executive Directors	B 2 3	Compliant	55
Shareholders should be invited specifically to approve all new long-term incentive schemes (as defined in the Listing Rules) and significant changes to existing schemes	B 2 4	Compliant	50
The Directors should explain in the annual report their responsibility for preparing accounts and there should be a statement by the auditors about their reporting responsibilities	C 1 1	Compliant	65 67
The Directors should report that the business is a going concern	C 1 2	Compliant	65
The Board should conduct at least annually a review of the effectiveness of the Group's system of internal controls and should report to shareholders that they have done so	C 2 1	Compliant	58
The Board should establish an Audit Committee with at least three members who should all be Independent Non-Executive Directors. At least one member of the Audit Committee should have recent and relevant financial experience	C 3 1	Compliant *	57
The role and responsibility of the Audit Committee should be set out in written terms of reference. This should be disclosed in the annual report	C 3 2/3 3	Compliant	57-58
The Audit Committee should review arrangements by which staff of the Company may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters	C 3 4	Compliant	57
The Audit Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board	C 3 5	Compliant	57
The Audit Committee should have primary responsibility for making a recommendation on the appointment, reappointment or removal of the external auditors	C 3 6	Compliant	57
If the Board does not accept the Audit Committee's recommendation it should include in its annual report a statement explaining why the Board take a different position	C 3 6	Compliant	n/a
The annual report should explain to shareholders how independence is safeguarded if the auditor provides non-audit services	C 3 7	Compliant	57
The Chairman should ensure that the views of the shareholders are disclosed to the Board as a whole. The Chairman is available to discuss governance and strategy with the shareholders. The Senior Independent Director should attend sufficient meetings with a range of major shareholders in order to develop a balanced understanding of the issues and concerns of the shareholders	D 1 1	Compliant	39
The Board should state in their Annual Report the steps they have taken to ensure Board members develop an understanding of the views of major shareholders about their Company	D 1 2	Compliant	39
The Company should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the report and accounts	D 2 1	Compliant	Notice of Meeting
The Company should count all proxy votes and indicate the level of proxies lodged on each resolution and the balance for and against the resolution and the number of abstentions. The Company should ensure that votes cast are properly received and recorded	D 2 2	Compliant	
Chairmen of the Audit, Remuneration and Nomination Committees should attend the AGM in order to be available to answer questions	D 2 3	Compliant	39
The Company should arrange for the Notice of AGM and related papers to be sent to shareholders at least 20 working days before the meeting	D 2 4	Compliant	Notice of Meeting

\* On appointment of an additional Non-Executive Director to the Committee in May 2010 compliance with this provision was achieved

### Board Responsibilities

The Board has a schedule of matters that are reserved for its decision

The key responsibilities of the Board are as follows

- 1 To ensure that the Group maintains a strategy that is capable of delivering realistic returns to shareholders
- 2 To organise and monitor the performance of the Group's operations through the Divisional structure
- 3 To keep that structure under review and be prepared to change the number and nature of the Divisions in order both to take account of market opportunities and also to deal with management issues
- 4 To clarify any ambiguities in the authority responsibilities and obligations of the various parts of the Divisions both in terms of managing their businesses and reporting upon those businesses
- 5 To keep under review the composition of the Divisional Management teams and monitor their performance being prepared to make changes in order to maintain or improve performance in terms of both delivery to clients and financial results
- 6 To ensure the Group and Divisional Boards have policies in place to attract and retain high quality staff
- 7 To manage and promote the RPS brand by ensuring it has an adequate profile amongst the client base and is respected and strengthened
- 8 To keep under review opportunities to extend the range of products RPS offers and the sectors in which it operates
- 9 To keep under review opportunities to extend the geographic areas in which RPS operates
- 10 To ensure that the Board has available an appropriate and effective advisory team including brokers, financial advisers, auditors, lawyers and financial public relations professionals

- 11 To maintain together with our brokers, an active Investor Relations programme designed to ensure full exposure of the RPS investment case to appropriate fund managers in the UK, Europe and USA
- 12 To maintain contact with a wide range of analysts and brokers to ensure current independent research is available to the market
- 13 To maintain systems of corporate governance compliant with the Combined Code and appropriate for a company of RPS type and size To discuss these matters with major shareholders on a regular basis
- 14 To ensure that the Group operates appropriate risk management systems in respect of all aspects of its business
- 15 To ensure that the Group has in place IT systems appropriate for the proper operation of the business and its likely expansion
- 16 To ensure that the Group has in place both a web-site and an intranet that provides an effective communication medium for staff, clients and others with an interest in RPS
- 17 To ensure that the Group has sufficient and adequate funding in place to maintain its strategy

The Board is also responsible for the financing of the Group material capital commitments, commencing or settling major litigation, corporate acquisitions and disposals, appointments to subsidiary company boards and anything else which may materially affect the Group's performance The requirement to obtain Board approval is communicated widely throughout the Group's senior management.

### Board Structure

At the date of this report the Board comprised four Executive and six Non-Executive Directors including the Chairman Robert Miller-Bakewell was appointed as a Non-Executive Director on 4 May 2010 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 are subject to re-election Any term beyond six years for a Non-Executive is rigorously reviewed, looking at the requirement to refresh the Board With effect from the 2011 Annual General Meeting all directors will be subject to annual re-election

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

The Senior Independent Director is available to shareholders who wish to raise concerns that cannot be resolved through the Chairman, Chief Executive or Finance Director Roger Devlin acted as Senior Independent Director throughout the year under review

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

### Board Operations

The Board generally meets on a monthly basis, except during holiday periods but may meet more frequently should circumstance 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 the Chief Executive, the Finance Director, each of the Executive Directors and the Company Secretary. At meetings oral reports are made on issues arising from written reports; both these 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 is responsible for all operational matters within the Group except in respect of any decision, or group of decisions, which could not be executed within the limit of funds available to the Group or which are likely to have a material effect upon the trading prospects of the Group. The minutes of meetings are circulated to the Non-Executive Directors for review.

Operational matters do not include the setting of the Group Strategy or budgets for the Group as a whole or raising of equity or debt finance; these remain matters for decision of the full Board along with anything which requires shareholder consultation or approval, such as results announcements, the Annual Report or Circulars.

Where Directors have concerns which cannot be resolved regarding the management of the Company or a proposed action, these concerns are recorded in the Board minutes. It is Company policy that if a Director resigns any concerns expressed are provided, in a written statement, to the Chairman for circulation to the Board.

Shareholders have previously approved changes to the Company's Articles of Association to allow Directors to authorise conflicts in accordance with the

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

The Company maintains Directors and Officers liability insurance with a current limit of indemnity of £20m.

There is an agreed procedure for Directors to take independent professional advice and training at the Company's expense.

#### Board Performance

The Board undertakes an annual appraisal of its performance. Directors are asked to complete a detailed review relating to the general operation of the Board and its Committees as well as performance against group strategy. The results are discussed with the Chairman and a summary of the principal findings is presented to and discussed by the Board. Where appropriate the Board agrees changes to process and structure that are necessary to address the issues arising.

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 issues as required, including visits to operating companies to meet local management.

#### Communication

The Company attaches great importance to communication with its shareholders and other stakeholders. The full report and accounts is made available to all shareholders and to other parties who have an interest in the Group's performance on the Group's website. In addition the Company's website provides up-to-date information about its organisation, the services it offers and newsworthy subjects. The Company also responds to numerous letters and enquires from shareholders and others with an interest in the Group.

There is regular dialogue with individual institutional shareholders as well as presentations after the interim and annual results and at other events. All shareholders have the opportunity to ask questions at the Company's Annual General Meeting.

### Audit and internal controls

The respective responsibilities of the Directors and the independent auditors in connection with the accounts are explained on pages 65-67 and the statement of the Directors in respect of going concern appears on page 65

The Board has procedures in place as recommended in the guidance in 'The Combined Code on Corporate Governance' and 'Turnbull Guidance on Internal Controls'. These have been in place for the whole year and up to the date of approval of the financial statements

The risk management policies are described on pages 31-35

The Board is responsible for the Group's system of internal control which is designed to provide reasonable but not absolute assurance against material misstatement or loss. The Board reviews from time to time the effectiveness of the system of internal control and risk management from information provided by management and the Group's external auditors. Such a review was undertaken during 2010 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** A detailed formal budgeting process for all Group businesses culminates in an annual Group budget which is approved by the Board. The results for the Group are reported monthly against this budget to the Board.

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

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

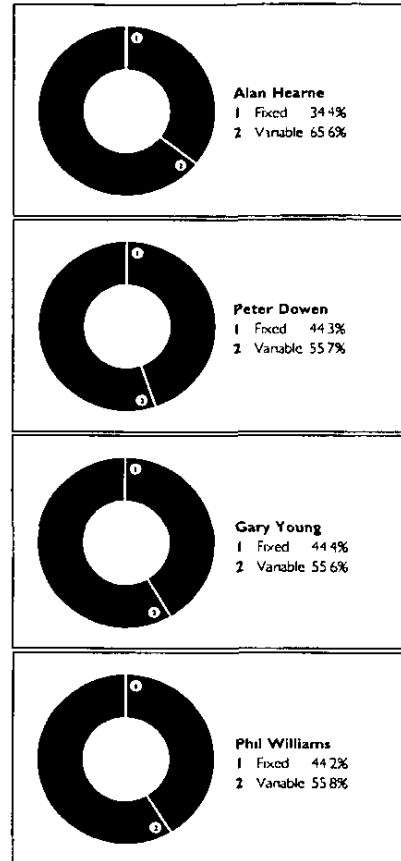
### Remuneration Report

The Committee comprises Karen McPherson (Chairman), John Bennett and Roger Devlin, all of whom were members throughout the year.

The Chairman of the Company and Chief Executive have assisted the Remuneration Committee in their 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 frequency of, and attendance by members at, Remuneration Committee meetings is set out on page 43 of the report and accounts.

The Remuneration Committee appointed and received wholly independent advice on executive compensation from PricewaterhouseCoopers ('PwC').



**Analysis of fixed versus performance related pay for Executive Directors 2010**

Notes

#### Fixed compensation comprises:

Basic salary  
Pension Contribution  
Benefits

#### Variable compensation comprises:

Maximum contribution under the Bonus Plan

### Remuneration Committee - Terms of Reference

The terms of reference of the Remuneration Committee are as set out below

- the Committee has been delegated responsibility by the Board to determine and agree with the Board the framework or broad policy for remuneration of the Executive Directors and Senior Employees of the Company; the remuneration of Non-Executive-Directors is a matter for the executive members of the Board who, when necessary, take advice from the independent consultants. No Director or manager is involved in any decisions as to their own remuneration
- within the terms of the agreed policy, to determine the total individual remuneration package of each Executive Director including, where appropriate, bonuses, benefits, and long term incentive allocations,
- the quorum necessary for the transaction of business is 2 members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities powers and discretions vested in or exercisable by the Committee,
- to determine the policy for and scope of pension arrangements for each Executive Director;
- to determine targets for any performance related pay and share schemes operated by the Company
- in determining such packages and arrangements give due regard to the comments and recommendations of the Combined Code as well as the Listing Rules of the Financial Services Authority and associated guidance,
- to ensure that contractual terms on termination, and any payments made, are fair to the individual and the

Company that failure is not rewarded and that the duty to mitigate loss is fully recognised in line with the statement of best practice in the ABL guidelines,

- to ensure that provisions regarding disclosure of remuneration, including pensions, as set out in The Large & Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code, are fulfilled,
- to be aware of and advise on any major changes in employee benefit structures throughout the Company or Group,
- to be exclusively responsible for establishing the selection criteria selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee
- to meet as required during the year; and
- to report the frequency of and attendance by members at Remuneration Committee meetings in the annual report

### Background

The Remuneration Committee indicated in its 2008 Report that it was reviewing the operation of the Company's executive annual bonus arrangements and long-term incentives upon the expiry of the shareholder approval for the RPS Group Plc Long-Term Incentive Plan (the "LTIP") in the context of its whole remuneration policy in line with best practice

The Remuneration Committee started the consultation process in November 2009 with its major shareholders on a new incentive plan the RPS Group Plc Bonus Plan (the 'Bonus Plan'). This exercise was completed in the first quarter of 2010. Feedback was sought from and provided by shareholders and as a result of this the final design and operation of the Bonus Plan was amended and broad shareholder support confirmed

The Bonus Plan replaced the annual bonus plan and LTIP for Executive Directors for 2010. Full details of the Bonus Plan are set out below

### Remuneration policy

The Remuneration Committee's policy for 2010 was to set the main elements of the remuneration package in order to reflect

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

The Committee recognises that the main competitors of the Group and, therefore, comparators for the 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 Director interests with those of the Company, employees and shareholders

The charts on page 49 demonstrate the proportion of the maximum potential compensation which is performance related for each Executive Director

#### Base salary

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

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

The results of this exercise are then benchmarked against an independently established group of listed companies

This group is identified independently by PwC

The basis of selection of the group is

- companies within the same sector as the Company, and
- companies with a range of market capitalisations such that the Company sits within the middle of the comparator group. This group is reviewed on an annual basis

The companies comprising the comparator group used in the last review were as follows

Aggreko Plc  
Alfred McAlpine Plc  
Amec Plc  
Ashted Group Plc  
Atkins WVS PLC  
Babcock International Group  
BPP Holdings PLC  
BSS Group PLC  
Bunzl PLC  
Connaught Plc  
Davis Service Group PLC  
De La Rue Plc  
Diploma Plc  
Electrocomponents Plc  
Filtrona PLC  
Galiform Plc  
Hays PLC  
Homeserve PLC  
Interserve PLC  
Intertek Group PLC  
John Menzies Plc  
Lavendon Group Plc  
Michael Page International Plc  
Mitie Group  
Mouchel Group PLC  
PayPoint PLC  
Premier Farnell PLC  
Regus PLC  
Scott Wilson Group Plc  
Serco Group Plc  
Shanks Group Plc  
SIG PLC  
Speedy Hire PLC  
SThree PLC  
Travis Perkins PLC  
White Young Green PLC  
WSP Group PLC

The Committee has access to information on the pay and conditions of other employees in the Group when determining the remuneration packages for Executive Directors. The Remuneration Committee actively considers the relationship between general changes to employees pay and conditions and any proposed changes in the remuneration packages for Executive Directors to ensure it can be sufficiently

robust in its determinations in light of the position of the Company as a whole

Taking account all of the above factors the Executive Directors were all awarded a basic salary increase of 2.5% as at 1 January 2010

#### Bonus Plan

##### Rationale for the Bonus Plan

The Remuneration Committee believes that the Bonus Plan is an appropriate incentive arrangement for the Company for the following reasons

- the Plan provides a direct link between the level of profit generated by the Company and the total incentive cost,
- the Plan is self-financing, if threshold profit levels are not achieved there will be no Company contribution
- there is a risk adjustment mechanism built in to the operation of the Plan with a claw back of contributions if the threshold profit is not met for any financial year during the Plan period
- the Plan allows the Remuneration Committee to align performance conditions to the budget and performance of the Company for each financial year
- the operation of the Plan is simple and transparent to participants, the Company and shareholders,
- the Plan has a potential retentive effect as participants can see the potential benefits accruing over the plan period,
- there is an alignment of Executive Directors' interests with shareholders
  - shareholders receive a minimum level of profit prior to any incentive payments to Executive Directors,
  - Executive Directors are encouraged to pursue consistent levels of profit and

- there is a long term alignment with the interests of shareholders as the deferred element of the Plan is in the form of equity

#### Summary of the Main Features of the Bonus Plan

The Bonus Plan is based on a percentage of the profits 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 is 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) is 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 will have a plan account to which bonus units will be allocated. These bonus units will only have value if the Company makes a contribution to the Plan. On the basis that the threshold profit is exceeded and a contribution is made into the Plan a number of the bonus units will be eligible for release each year. The Remuneration Committee will in its discretion when determining how many eligible bonus units to release (and therefore the level of annual payment received by the participant) take into account individual and wider Company and divisional financial and non financial performance, including the Company's sustainability environmental and corporate governance record.

- the contribution to the Plan will be calculated on the following basis
- the Remuneration Committee will set the threshold profit at the beginning of each financial year. Only in exceptional circumstances will the Committee amend the threshold profit once it has been set,
- up to 3% of the total profit for the financial year will be contributed to the Bonus Plan for the Executive Directors. This is subject to an individual cap as a percentage of salary provided that the threshold profit is met or exceeded. The Remuneration Committee considers the 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;
- where the actual profit for the financial year is less than the threshold profit, 15% of the difference will be deducted from the value of funds held in the Plan provided that the value cannot be less than zero.
- there is a maximum contribution that can be made to a participant's plan account in respect of any financial year (see below). The Remuneration Committee determined these limits based on the aggregate of the historic level of LTIP award and bonus potential set by the Committee. The Committee was keen to ensure that the total incentive compensation

available was not increased by the implementation of the new Plan.

- the value of deferred contributions in to a participant's plan account will be held in shares,
- participants will be entitled to the release of bonus units with an aggregate bonus unit price equal to 50% of the balance of their Plan accounts at the end of each financial year with the final balance of the Plan account paid at the end of the third year.

#### Details of Bonus Plan Operation for 2010

This section of the report sets out the following information in respect of the 2010 operation of the Bonus Plan.

- the maximum contribution set for each Executive Director
- the profit thresholds and contribution percentages set for the 2010 financial year;
- the actual contribution made to the Bonus Plan in respect of the 2010 financial year and
- the corresponding plan account payments and balances for participants.

#### Maximum Contribution 2010

Name	Maximum Contribution	
	under the Plan (%age Salary)	for 2010
Alan Heame	200%	200%
Gary Young	150%	150%
Phil Williams	150%	150%
Peter Downen	150%	150%

**Profit & Contribution Thresholds for 2010**

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)	<£45m	£45m	£52.5m
Bonus Plan Contribution Percentage		1%*	3%*
Bonus Plan Deduction Percentage	15%		
Actual PBTA for 2010	£48m	Total Plan Contribution	£874,000

\*Straight line between points

**Participant Plan Accounts**

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

Plan Account Details	Alan Hearne £	Gary Young £	Phil Williams £
<b>Opening Balance</b>			
2010 Plan Contribution	372,813	141,579	198,206
2010 Plan Deduction	—	—	—
<b>Balance</b>			
2010 Payment	186,407	70,790	99,103
Closing Balance	186,406	70,789	99,103
Value to be deferred in Shares	186,406	70,789	99,103

Peter Downen will, as announced, be leaving the Company in September 2011 and will not therefore, be participating in the Plan

The Bonus Plan will be operated for 2011 with the same main parameters. However the Remuneration Committee will set the appropriate thresholds and contribution levels for 2011 taking into account the circumstances of the Company and market generally

**Long-term Incentives**

Shareholder approval has lapsed for the LTIP and therefore no further grants will be made under this Plan as indicated above the LTIP and former annual bonus plan have been replaced by the Bonus Plan

The following table and paragraphs summarise the operation of the Company's LTIP:

Executive	2007 Grant % of Salary/ Condition	2008 Grant % of Salary/ Condition	2009 Grant % of Salary/ Condition
Maximum Annual Grant	100	100	100
Chief Executive	100	100	100
Finance Director	80	80	80
Executive Directors	80	60-80	60-80
Performance Condition	EPS Growth (see table below)	EPS Growth (see table below)	EPS Growth (see table below)
Status	Released in full on 14 March 2010 as the EPS performance condition was satisfied (see table below)	Based on current performance it is anticipated that the grant will lapse on 8 April 2011	Release Date 31 March 2012

## Corporate Governance continued

100% of the shares subject to the 2007 grant were released on 14 March 2010. The following table sets out the number of shares released to the Executive Directors

Name	Number of ordinary shares
Alan Heame	124 893
Gary Young	49 272
Phil Williams	60 222
Peter Dowen	60 222

The market price of shares on release was £1.781

The performance conditions attached to the release of LTIP shares related to EPS growth are as follows

% Average Basic EPS Growth p.a. above RPI	% of LTIP 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 will determine the satisfaction of the performance conditions in respect of both the LTIP. The EPS figure used by the Company will be 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 and options would only be received against a background of sustained real increase in the financial performance of the Company. The Committee has determined that there will be no release of the 2008 grant made in 2011. A charge of £495,000 made previously was, therefore, released into the 2010 profit and loss account. In addition the Committee has determined that there

is no realistic prospect that the 2009 grant under the LTIP will result in any release in March 2012. As a result a charge of £214,000 made previously has also been released into the 2010 profit and loss account. There are no other outstanding awards under the LTIP and in consequence the LTIP is in practical terms closed.

Full details of the Directors LTIP awards are set out on page 64.

In years prior to the introduction of the LTIP in 2004 the Company operated an Executive Share Option Plan. All outstanding options under this plan are set out on page 63. 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.

### Benefits

The Executive Directors participate in a Company money purchase (defined contribution) scheme for which the Employer contribution is 15%. In 2006 the Remuneration Committee agreed to pay a one-off pension contribution in respect of Alan Heame representing six years of annual contributions. No further pension contributions are therefore being paid in respect of Alan Heame during that period.

Executive Directors can also participate in the all-employee Inland Revenue Share Incentive Plan (SIP). The SIP gives employees the opportunity to purchase up to £1,500 of shares a year with the Company providing one additional matching share for every employee purchased share. Total participation in the SIP scheme across the group is 30% of eligible employees.

The Executive Directors also receive the following additional benefits

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

### Shareholding Guideline

Shareholdings across the Executive Directors and Senior Executives are not uniform. Therefore, four years ago the Remuneration Committee introduced shareholding guidelines to encourage long-term share ownership by the Executives.

The guidelines encourage Executive Directors to build up and retain a holding of shares. The Remuneration Committee believes this forms a stable incentive pay 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.

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

### Service contracts

The Company's policy on the duration of service contracts is that

- Executive Directors should have rolling service contracts terminable on no more than one year's notice served by the Company or the Director and
- Non-Executive Directors are appointed for fixed terms of three years renewable on agreement of both the Company and the Director

The policy on termination payments is that the Company does not make payments beyond its contractual obligations, including any payment in respect of notice to which a Director is entitled after mitigation is considered. None of the Directors' contracts provide for automatic payments in excess of one year or for extended notice periods or compensation in the event of a change of control. None of the Directors' contracts provide for liquidated damages.

All of the Company's Executive Directors have service contracts with the Company as detailed below

Name	Date of Contract	Notice Period (months)
Alan Heame	February 1997	12
Peter Dowen	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. With effect from the Company's annual general meeting in 2011 all directors will be required to seek re-election on an annual basis.

### 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 and Committee Chairmen and the Senior Independent Director receive an additional payment.

The fees paid to the Chairman and each Non-Executive Director are detailed on the following page.

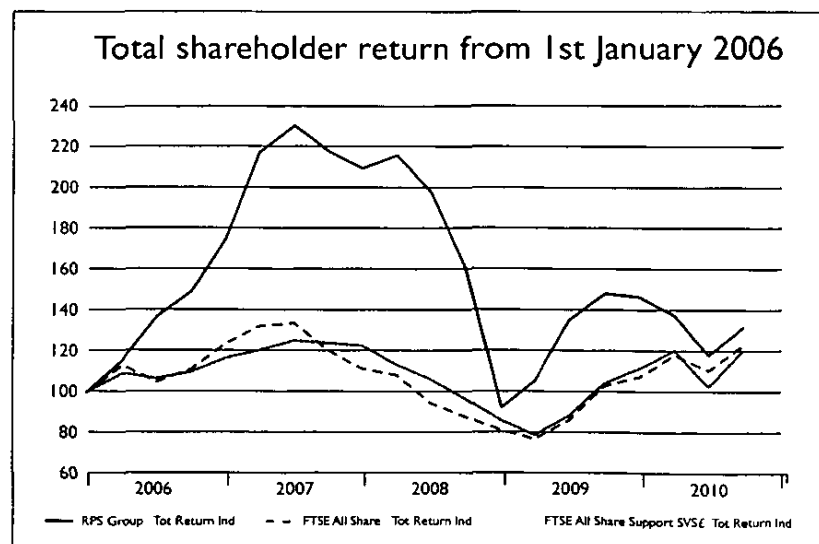
Details of the terms of appointment of the serving Non-Executive Directors are set out in the table below.

Name	Initial Contract date	Unexpired term of contract as at 31 Dec 2010 (months)	Annual Review
Brook Land	September 1997		
Roger Devlin	April 2002	4	
Karen McPherson	June 2005	5	
John Bennett	June 2006	17	
Louise Charlton	May 2008	5	
Robert Miller-Bakewell	May 2010	29	

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 AGM.

### Performance Graph

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



## Corporate Governance continued

	Basic salary £000s	Bonus £000s	Fees £000s	Benefits £000s	Emoluments excluding pensions		Pension (paid and provided)	
					2010 £000s	2009 £000s	2010 £000s	2009 £000s
<b>Executive</b>								
Alan Hearn	405	186	–	17	<b>608</b>	414	–	–
Gary Young	205	71	–	10	<b>286</b>	210	<b>31</b>	30
Peter Downen	234	–	–	10	<b>244</b>	238	<b>35</b>	34
Andrew Troup*	–	–	–	–	–	178	–	27
Phil Williams	287	99	–	11	<b>397</b>	293	<b>43</b>	42
<b>Non-Executive</b>								
Brook Land	–	–	95	–	<b>95</b>	95	–	–
Roger Devlin	–	–	35	–	<b>35</b>	35	–	–
Karen McPherson	–	–	40	–	<b>40</b>	40	–	–
John Bennett	–	–	35	–	<b>35</b>	35	–	–
Louise Charlton	–	–	30	–	<b>30</b>	30	–	–
Robert Miller Bakewell**	–	–	17	–	<b>17</b>	–	–	–
Total 2010	1 131	356	252	48	<b>1,787</b>	–	<b>109</b>	–
Total 2009	1 272	–	235	61	–	1 568	–	133

The total Directors' emoluments were £1 787 000 (2009: £1 568 000) excluding pension contributions. In addition Employers' National Insurance Contribution paid in respect of these emoluments were £196 000 (2009: £170 000).

\* Remuneration for Mr Troup in 2009 is that covered up to his resignation from the Board on 5 November 2009.

\*\*Robert Miller Bakewell joined the board on 4 May 2010.

### Directors' emoluments and compensation

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

#### Share awards

The tables on pages 63 and 64 set out details of the audited share options and LTIPs held by each Director during the year.

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

### Pensions

The Executive Directors of the Company earned pensions benefits in a company money purchase (defined contribution) scheme apart from Phil Williams whose pension benefits are in a Group Personal Pension plan (defined contribution) during the year.

An Ordinary Resolution to approve this report will be proposed at the Company's Annual General Meeting on 6 May 2011.

This report was approved by the Board on 2 March 2011.

Signed on behalf of the Board

**Karen McPherson**

Chairman of the Remuneration Committee 2 March 2011

## Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors, John Bennett, Roger Devlin and Robert Miller-Bakewell. It has written terms of reference set out as below. Although the Board considers that all current members of the Committee have experience which 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 Committee reviews the draft financial statements prior to submission to the Board and monitors and makes recommendations to the Board regarding the Group's accounting policies and considers significant matters relating to internal control procedures. During the year the Committee assisted the Board in conducting the review of internal controls described on page 49. The Audit Committee has considered the need for an internal audit function but considers that at present the financial controls operating throughout the Group and the reviews undertaken by the Group Finance function are adequate without a separate internal audit function.

The Audit Committee keeps the scope and cost effectiveness of the external audit under review. The independence and effectiveness of the external auditor is reviewed annually and audit partners are rotated every five years. The possibility of undertaking an audit tender process is considered on a regular basis. As part of its responsibility to ensure independence and objectivity the committee has adopted a policy to determine the circumstances in which Auditors may be permitted to undertake non-audit work for the Group. Under the terms of this policy the provision of certain services are prohibited and include those listed below.

- bookkeeping services
- preparation of financial statements
- design and implementation of financial systems

- valuation services
- investment advisory broker and dealing services
- general management services

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

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

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

The split between audit and non-audit fees for the year under review appears on page 80.

The Company has in place formal procedures which allow staff of the Company to, in confidence, raise concerns about possible improprieties in matters of financial reporting and other issues. These procedures are reviewed by the Audit Committee and are as follows:

- any employee wishing to raise a concern regarding internal controls, accounting or audit matters may do so with the Senior Non-Executive Director, Roger Devlin, or the Company Secretary, Nicholas Rowe,
- any concerns raised will be treated in confidence, and will be investigated and any action proposed reported to the Audit Committee, and
- the person raising the concern need not disclose their identity. If their identity is disclosed this will not be passed on by the person receiving the complaint without the individual's consent.

## Audit Committee - Terms of Reference

Committee composition, capabilities and meetings

The Committee shall comprise at least two Independent Non-Executive Directors (with a quorum of two), appointed by the Board, all of whom possess an adequate understanding of the financial management and reporting requirements of publicly quoted companies.

The Board will appoint a suitably qualified Director other than the Chairman to chair the Committee. The Company Secretary is secretary to the Committee.

The Committee shall meet at least twice per annum and may invite to attend the Chief Executive and the Finance Director, representatives of the external auditors and anyone else who may assist the Committee from time to time.

Relationship between the Committee and the Board

The RPS Group Plc Board

- reviews and agrees terms of reference put forward by the Audit Committee
- considers changes to the terms of reference when recommended by the Committee,
- receives prompt summary reports after each meeting of the Committee
- is advised of matters for its attention at other times as deemed necessary by the Committee
- will refer matters to the Committee for its attention as necessary,
- reviews annually the Committee's policies, practices and performance, and
- ensures that funds are available to the Committee for external advice when needed, which shall be obtained via an Executive Director.

#### Committee authority

The Committee shall have the authority to consider any matters relating to the financial affairs of the Group

The Committee shall have the authority to request relevant information from any employee and employees shall be expected to respond accordingly

The Committee may take external professional advice with respect to its responsibilities and duties

The Committee shall have no executive responsibilities with respect to implementation of its recommendations

#### Committee responsibilities and duties

##### *Financial matters*

The Committee shall review accounting policies and practices used by the Group as well as information to be published to the London Stock Exchange prior to its submission to the Board

The Committee shall ensure that the information presented by the Group supports a balanced, clear and understandable view of its financial position and prospects

##### *External audit*

The Committee shall make recommendations to the Board with respect to the appointment of external auditors and will take steps necessary to satisfy itself about the continuing independence of relevant firms.

The Committee shall review the level of external audit fees

The Committee shall review the scope of approach to and findings from external audit work.

The Committee shall discuss with the external auditors any proposed changes in accounting policies

The Committee Chairman will liaise directly with the external auditors in order to ensure a full understanding of any issues that arise from their work and will report to the Committee accordingly

#### Risk management

##### *Internal controls*

The Committee shall review the means by which sound systems of internal control are maintained across the Group and shall review reports on the effectiveness of those systems

##### *Internal audit*

The Committee shall review at least annually the internal audit function and will make appropriate recommendations to the Board

##### *Other risk management systems*

The Committee shall consider the adequacy of other systems which help to manage the Group's exposures to damage or loss

#### 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 Karen McPherson. The Company Secretary attends all meetings. Its responsibilities include reviewing the Board structure, size and composition, nominating candidates to the Board when vacancies arise and recommending Directors who are retiring to be put forward for re-election. The Committee believes that the Board as currently constituted provides an appropriate range and balance of skills and experience. The Executive Directors have many years experience with the Company and of their specific roles. The Non-Executive Directors, as their biographies indicate, have skills ranging across finance, law, investment analysis, human resources and corporate communication. The Committee, however, keeps Board succession planning and the need to retain Board balance under careful review. Succession plans deal specifically with each of the roles undertaken by the Executive Directors whilst taking into account the developing needs of the business. Account is also taken of the need to periodically refresh the Non-executive complement and ensure that they continue to provide the range and balance of skills

required. The Committee acknowledges that diversity, including gender, is an important consideration in addressing these issues and takes account of this in its planning. The pursuit of diversity does, however, create other issues. By way of example, two of the Non-Executive Directors, who provide valuable advice to the Board in other areas, do not feel qualified to sit on the Audit Committee.

When Directors are appointed to the Board, this is through a formal, rigorous and transparent process. Robert Miller-Bakewell was appointed as a Non-Executive Director on 4 May 2010. This followed a careful evaluation of the skills currently available at Board level and how these could best be enhanced and balanced. Previously, Mr Miller-Bakewell had worked as an investment analyst working within the Company's sector. After a number of detailed and rigorous interviews, the Committee concluded that his skills and experience offered a strong match with the Company's requirements. Mr Miller-Bakewell was only then appointed following a meeting with all other Directors and final consideration of the appointment by the Committee and the Board.

The Nomination Committee's written terms of reference are set out below.

#### Membership

The Committee shall be appointed by the Board and shall comprise a Chairman and at least two other members.

A majority of members of the Committee shall be Independent Non-Executive Directors.

The Board appoints the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

If a regular member is unable to act due to absence, illness or any other cause, the Chairman of the Committee may appoint another Director of the Company to serve as an alternate member having due regard to maintaining the required balance of Executive and Independent Non-Executive members.

Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence

#### Secretary

The Company Secretary acts as the Secretary of the Committee and attend all meetings

#### Quorum

The quorum necessary for the transaction of business is two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities powers and discretions vested in or exercisable by the Committee

#### Frequency of meetings

The Committee shall meet not less than once a year and at such other times as the Board or any member of the Committee requires

#### Notice of meetings

Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Chairman of the Committee

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee no fewer than five working days prior to the date of the meeting. As far as practical meetings shall be held immediately before or after meetings of the Main Board

#### Minutes of meetings

The Secretary shall minute the proceedings and resolutions of all Committee meetings including the names of those present and in attendance

Minutes of Committee meetings shall be circulated to all members of the Committee and to the Chairman of the Board and made available on request to other members of the Board

#### Annual General Meeting

The Chairman of the Committee shall

attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities

The terms and conditions of appointment of Non-Executive Directors should be made available for inspection by any person at the Company's registered office and at the AGM

#### Duties

The Committee shall

- regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary,
- prepare a description of the role and capabilities required for a particular appointment,
- be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise,
- satisfy itself with regard to succession planning, that the processes and plans are in place with regard to the Board and senior appointments,
- assess and articulate the time needed to fulfil the role of Chairman, Senior Independent Director and Non-Executive Director, and undertake an annual performance evaluation to ensure that all members of the Board have devoted sufficient time to their duties
- ensure on appointment that a candidate has sufficient time to undertake the role and review his commitments, and
- ensure that the Secretary on behalf of the Board has formally written to any appointees, detailing the role and time commitments and proposing an induction plan produced in conjunction with the Chairman

It shall also make recommendations to the Board

- with regard to the Chairman having assessed every three years whether the present incumbent shall continue in

post taking into account the needs of continuity versus freshness of approach,

- as regards the reappointment of any Non-Executive Director at the conclusion of his or her specified term of office especially when they have concluded their second term,
- for the continuation (or not) in service of any Director who has reached the age of 70
- concerning the re-election by shareholders of any Director under the 'retirement by rotation' provisions in the Company's articles of association
- concerning any matters relating to the continuation in office as a Director of any Director at any time and
- concerning the appointment of any Director to Executive or other office other than to the positions of Chairman and Chief Executive the recommendation for which would be considered at a meeting of
  - all the Non-Executive Directors regarding the position of Chief Executive
  - all the Directors regarding the position of Chairman and
- detailing items that should be published in the Company's Annual Report relating to the activities of the Committee

#### Authority

The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties

The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference

#### Takeover Directive

Disclosures required under the Takeover Directive are included on page 66 and form part of the Group's Corporate Governance report.

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# 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 2010

## Results and dividend

The Consolidated Income Statement is set out on page 68 and shows the profit for the year. The Directors recommend a final dividend of 2.52p (2009 2.19p) per share.

This together with the interim dividend of 2.31p (2009 2.01p) per share paid on 21 October 2010 gives a total dividend of 4.83p (2009 4.20p) per share for the year ended 31 December 2010.

## Principal activities and business review

Business review information can be found within the Business Review (pages 8 to 39) which reports on the Group's principal activities and performance during the past

year and prospects for the future. Financial key performance indicators can be found on page 8. The Board does not use non-financial key performance indicators to assess the Group as a whole but component parts of the Group do use non-financial key performance indicators from time to time. 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 page 31 in the Risk Management section of the Business Review.

## Corporate Governance

The Directors report on corporate governance can be found on pages 44-59 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 15 February 2011:

	No. of shares	Percentage
Aberforth Partners	19,458,621	8.95
Aegon Asset Management	10,055,074	4.63
Harding Loebner	9,740,444	4.48
Impax Asset Management	9,197,978	4.23
F & C Asset Management	8,356,852	3.85
Co-operative Asset Management	8,178,883	3.76
Legal & General Investment Management	8,149,160	3.75
William Blair & Company	7,449,204	3.43

**Directors**

The Directors of the Company during the year and their beneficial interests in the ordinary share capital of the Company were

	<b>No of shares at 31/12/10 and at 02/03/11</b>	No of shares at 31/12/09 and at 03/03/10
Brook Land	<b>30,000</b>	30,000
Roger Devlin	<b>30,000</b>	30,000
Karen McPherson	<b>3,000</b>	–
John Bennett	–	–
Louise Charlton	–	–
Robert Miller-Bakewell	<b>5,000</b>	–*
Alan Hearne	<b>12,030</b>	482,030
Peter Dowen	<b>275,910</b>	575,910
Phil Williams	<b>418,439</b>	382,987
Gary Young	<b>88,416</b>	59,409

63

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

	<b>No of shares at 31/12/10</b>	No of shares at 31/12/09
Alan Hearne	<b>6,643</b>	4,874
Phil Williams	<b>4,345</b>	2,720
Gary Young	<b>8,773</b>	7,736

\* As at appointment on 4 May 2010

The Directors interests under the Executive share option scheme are set out below

Director	1 Jan 2010 number	Exercised number	31 Dec 2010 number	Exercise price	Market value at date of exercise	Date from which exercisable	Expiry date
Alan Hearne	62,500	–	62,500	111 0p	–	20/3/2008	20/3/2015
	28 157	–	28,157	146 5p	–	12/8/2008	12/8/2015
Peter Dowen	32,500	–	32,500	111 0p	–	20/3/2008	20/3/2015
	15,051	–	15,051	146 5p	–	12/8/2008	12/8/2015
Gary Young	13,720	–	13,720	146 5p	–	12/8/2008	12/8/2015

## Report of the Directors continued

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

Director		1 Jan 2010 number	Value of grant at date of grant £000s	Granted number	Released	31 Dec 2010 number	Market Value of Shares at Grant	Market Value at date of release	Market Value of release £000s
Alan Hearne	2007	124,893	365	–	124,893	–	292.3p	178.1p	222
	2008*	127,419	395	–	–	127,419	310p	–	–
	2009**	275,261	395	–	–	275,261	143.5p	–	–
Peter Downen	2007	60,222	176	–	60,222	–	292.3p	178.1p	107
	2008*	44,129	137	–	–	44,129	310p	–	–
	2009**	95,331	137	–	–	95,331	143.5p	–	–
Phil Williams	2007	60,222	176	–	60,222	–	292.3p	178.1p	107
	2008*	61,935	192	–	–	61,935	310p	–	–
	2009**	156,098	224	–	–	156,098	143.5p	–	–
Gary Young	2007	49,272	144	–	49,272	–	292.3p	178.1p	88
	2008*	51,612	160	–	–	51,612	310p	–	–
	2009**	111,498	160	–	–	111,498	143.5p	–	–

The total value of LTIP awards released in 2010 was £524,000 (2009 £567,000). No grants were made in 2010.

\* These grants will not be released and will lapse in March 2011.

\*\* It is anticipated that these grants will not be released and will lapse in March 2012. In consequence it is anticipated that there will be no further releases under the plan.

The market price of the shares at 31 December 2010 was 230.4p and the range during the financial year was 169.8p to 230.4p

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 25 to 28

### Charitable and community donations

During the year the Group, including fund raising by staff, made charitable donations of £472,000 to non-political organisations

### 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 33 days' purchases outstanding in respect of payments to suppliers and sub-contractors (2009: 36 days). At the year end the Company had 18 days' purchases outstanding in respect of payments to suppliers and sub-contractors (2009: 16 days)

### Going concern

The financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future

### Directors' responsibilities statement

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

comply with the requirements of the Companies Act 2006

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

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

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

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

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

### Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions,

other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. A fair presentation also requires the Directors to

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

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

### Parent company financial statements

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

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

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

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

*Directors' responsibilities statement pursuant to DTR 4*

The Directors confirm that to the best of their knowledge

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

**Financial instruments**

Information about the Group's management of financial risk can be found in notes 27 to 30 of the consolidated financial statements

**Capital management**

The capital of the Group consists of debt, which includes the borrowings and facilities disclosed in note 14 to the consolidated financial statements, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 19 and 20. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns and pursue the strategy of the Group.

**Post balance sheet events**

On 18 February 2011 the Group announced the acquisition of Evans-Hamilton Inc. for a maximum consideration of US\$8.7m (£5.5m). On 2 March 2011 the Group announced the acquisition of Nautilus Limited and Nautilus World Limited for a maximum consideration of £18.6m.

**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 2010 the Company's issued share capital consisted of 217,187,913 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 which 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. 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. With effect from the 2011 Annual General Meeting all directors will be required to seek annual re-election.

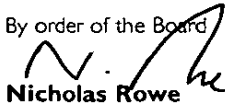
The Directors have power to manage the Company's business subject to the provision of the Company's Articles of Association, law and applicable regulations. The Directors have power to issue and buy back shares in the Company pursuant to the terms and limitations of resolutions passed by shareholders at each annual general meeting of the Company.

Directors' interests in the share capital of the Company are shown in the table on page 63. Substantial shareholder interests of which the Company is aware are shown on page 62.

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 that occurs because of a takeover bid.

**Annual General Meeting**

The Annual General Meeting will be held on 6 May 2011. 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 BDO LLP as the Company's Auditors.

By order of the Board  
  
**Nicholas Rowe**  
Secretary  
2 March 2011

# Report of the Independent Auditors

## To the members of RPS Group Plc

We have audited the financial statements of RPS Group Plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities 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 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 (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

## Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2010 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,
- 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 directors' remuneration report to be audited are not in agreement with the accounting records and returns or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 65 in relation to going concern,
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
- certain elements of the report to shareholders by the Board on directors' remuneration.



Matthew White (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
55 Baker Street  
London  
W1U 7EU  
United Kingdom

2 March 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## Consolidated Income Statement

	Notes	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
Revenue	2	461,830	443,909
Recharged expenses	2	(68,568)	(69,558)
Fee income	2	393,262	374,351
Operating profit	2 3	46,309	51,448
Finance costs	4	(4,025)	(3,113)
Finance income	4	185	268
Profit before tax and amortisation of acquired intangibles		47,993	52,472
Amortisation of acquired intangibles		(5,524)	(3,869)
Profit before tax		42,469	48,603
Tax expense	7	(10,733)	(14,997)
<b>Profit for the year attributable to equity holders of the parent</b>		<b>31,736</b>	<b>33,606</b>
Basic earnings per share (pence)	8	14.78	15.78
Diluted earnings per share (pence)	8	14.69	15.59
Adjusted basic earnings per share (pence)	8	15.79	17.08
Adjusted diluted earnings per share (pence)	8	15.69	16.87

## Consolidated Statement of Comprehensive Income

	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
Profit for the year	31,736	33,606
Other comprehensive income		
Exchange differences	6,978	(3,804)
Tax recognised directly in equity	85	188
<b>Total recognised comprehensive income for the year attributable to equity holders of the parent</b>	<b>38,799</b>	<b>29,990</b>

The notes on pages 72 to 106 form part of these financial statements

## Consolidated Balance Sheet

	Notes	As at 31 Dec 2010 £000s	As at 31 Dec 2009 £000s
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	314,621	293,943
Property, plant and equipment	10	28,107	28,226
Investments		447	204
		<b>343,175</b>	<b>322,373</b>
<b>Current assets</b>			
Trade and other receivables	12	158,766	139,247
Cash at bank		13,933	13,691
		<b>172,699</b>	<b>152,938</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	14	1,744	1,802
Deferred consideration	16	9,873	15,652
Trade and other payables	13	86,971	68,678
Corporation tax liabilities		2,618	6,135
Provisions	17	1,768	1,324
		<b>102,974</b>	<b>93,591</b>
<b>Net current assets</b>		<b>69,725</b>	<b>59,347</b>
<b>Non-current liabilities</b>			
Borrowings	14	43,726	44,652
Deferred consideration	16	8,661	9,289
Other creditors		1,052	1,301
Deferred tax liability	18	11,291	9,791
Provisions	17	3,177	3,219
		<b>67,907</b>	<b>68,252</b>
<b>Net assets</b>		<b>344,993</b>	<b>313,468</b>
<b>Equity</b>			
Share capital	19	6,516	6,457
Share premium		101,941	98,238
Other reserves	20	45,581	39,519
Retained earnings		190,955	169,254
<b>Total shareholders' equity</b>		<b>344,993</b>	<b>313,468</b>

These financial statements were approved and authorised for issue by the Board on 2 March 2011

The notes on pages 72 to 106 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

	Notes	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
<b>Cash generated from operations</b>	24	<b>57,874</b>	70,583
Interest paid		(4,507)	(3,839)
Interest received		185	268
Income taxes paid		(14,384)	(12,550)
<b>Net cash from operating activities</b>		<b>39,168</b>	54,462
<b>Cash flows from investing activities</b>			
Purchases of subsidiaries net of cash acquired		(4,418)	(20,616)
Deferred consideration		(13,626)	(15,075)
Purchase of property, plant and equipment		(6,856)	(4,061)
Sale of property plant and equipment		3,193	86
Dividends received		116	–
<b>Net cash used in investing activities</b>		<b>(21,591)</b>	(39,666)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		229	381
Repayments of bank borrowings		(5,022)	(9,023)
Payment of finance lease liabilities		(1,491)	(599)
Dividends paid	21	(9,710)	(8,410)
Payment of pre-acquisition dividend		(694)	(1,511)
<b>Net cash used in financing activities</b>		<b>(16,688)</b>	(19,162)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>889</b>	(4,366)
Cash and cash equivalents at beginning of year		13,691	16,707
Effect of exchange rate fluctuations		(647)	1,350
<b>Cash and cash equivalents at end of year</b>	24	<b>13,933</b>	13,691
Cash and cash equivalents comprise			
Cash at bank		13,933	13,691

The notes on pages 72 to 106 form part of these financial statements

## Consolidated Statement of Changes in Equity

	Share capital £000s	Share premium £000s	Retained earnings £000s	Other reserves £000s	Total equity £000s
As 1 January 2009	6,399	95,531	142,126	43,551	287,607
<b>Changes in equity during 2009</b>					
Total comprehensive income	–	–	33,794	(3,804)	29,990
Issue of new ordinary shares	58	2,707	(1,536)	(228)	1,001
Share based payment expense	–	–	3,280	–	3,280
Dividends paid	–	–	(8,410)	–	(8,410)
<b>At 31 December 2009</b>	<b>6,457</b>	<b>98,238</b>	<b>169,254</b>	<b>39,519</b>	<b>313,468</b>
<b>Changes in equity during 2010</b>					
Total comprehensive income	–	–	31,821	6,978	38,799
Issue of new ordinary shares	59	3,703	(2,036)	(916)	810
Share based payment expense	–	–	1,626	–	1,626
Dividends paid	–	–	(9,710)	–	(9,710)
<b>At 31 December 2010</b>	<b>6,516</b>	<b>101,941</b>	<b>190,955</b>	<b>45,581</b>	<b>344,993</b>

The notes on pages 72 to 106 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 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were authorised for issuance on 2 March 2011.

### (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.

The IASB has issued the following revised and updated standards that are applicable to the Group and that resulted in changes in presentation for this accounting period, IAS27 (revised) 'Consolidated and separate financial statements' and IFRS3 (revised) 'Business Combinations'.

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

Otherwise, these financial statements have been prepared using accounting policies set out in the Report and Accounts 2009.

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

### (b) Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Consolidated Balance Sheet, the acquiree's identifiable assets, liabilities and

contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

### (c) Foreign currency

#### i Foreign currency transactions

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

#### ii Financial statements of foreign operations

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

#### iii Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are recycled and taken to income upon disposal of the operation. The Company has elected, in accordance with IFRS 1, that in respect of all foreign operations, any differences that have arisen before 1 January 2004 have been set to zero.

#### iv Foreign currency forward contracts

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

Changes in fair value are recognised in income as they arise.

### (d) Property, plant and equipment

#### i Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (h)).

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation, an exemption allowed under IFRS 1.

#### 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.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

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.

Lease payments are accounted for as described in accounting policy note (o).

#### 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. Land is not

depreciated 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

### (e) Intangible assets

#### i Goodwill

All business combinations are accounted for by applying the purchase method Goodwill has been recognised in acquisitions of subsidiaries and the business, assets and liabilities of partnerships The Board has elected, in accordance with IFRS 1 that the date from which it applies IFRS 3 (2004) shall be 26 June 2002 In respect of business combinations that have occurred since that date, goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets acquired

The Group has applied IFRS 3 (R) for the first time for transactions occurring in this accounting period In respect of acquisitions prior to 26 June 2002, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP The classification and accounting treatment of business combinations that occurred prior to 26 June 2002 has not been restated in preparing the Group's opening IFRS balance sheet at 1 January 2004 in accordance with IFRS 1

Goodwill is stated at cost less any accumulated impairment losses Goodwill is allocated to cash-generating units and is tested annually for impairment (see accounting policy (h))

#### ii Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (h))

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/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

#### iii Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates All other expenditure is expensed 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

### (f) Trade and other receivables

Trade and other receivables are recognised at inception at fair value and then carried at their amortised 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

### (g) Cash and cash equivalents

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

### (h) Impairment of non financial assets

The carrying amounts of the Group's assets, other than deferred tax assets, are

reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists the asset's recoverable amount is estimated

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

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

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

Goodwill was tested for impairment at 31 December 2009 and 31 December 2010

#### i Calculation of recoverable amount

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

#### ii Reversals of impairment

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

### (i) 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

## 1. Significant accounting policies continued

### ii Share-based payment transactions

The Group operates a range of equity settled share option and conditional share award schemes for employees

The Company has applied IFRS 2 to all share options and conditional share awards which were granted to employees and had not vested as at 1 January 2005

The fair value of the employee services received in exchange for the grant of options or conditional share awards is recognised as an expense to the income statement. Fair value has been determined by using IFRS accepted valuation methodologies (see below). The amount expensed to the income statement over the vesting period is determined by reference to the fair value of the options and conditional share awards excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options and conditional share awards that are expected to vest. At each balance sheet date the Group revises its estimates of the number of options and conditional share awards that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity, over the remaining vesting period. No adjustment is made for failure to achieve market vesting conditions.

The fair value of options granted under the Executive Share Option Scheme ("ESOS") and Save As You Earn ("SAYE") scheme have been calculated using a binomial model taking into account the following inputs:

- the exercise price of the option,
- the life of the option,
- the market price on the date of grant of the option,
- the expected volatility of the share price,
- the dividends expected on the shares, and
- the risk free interest rate for the life of the option

The fair value of conditional share awards has been calculated using the market value

of the shares on the date of grant adjusted for any non-entitlement to dividends over the vesting period and market based performance conditions such as total shareholder return

### 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

### (j) 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.

### (k) Trade and other payables

Trade and other payables are recognised on inception at fair value and then carried at amortised cost.

### (l) Borrowings

Bank overdrafts and interest bearing loans are initially measured at fair value and then held at amortised cost. Obligations under finance leases are dealt with in accordance with accounting policy note (o).

### (m) Deferred consideration

Deferred consideration arises when settlement of all or any part of the cost of a business combination is deferred. For acquisitions completed under IFRS 3, it is stated at fair value at the date of acquisition, which is determined by discounting the amount due to present value at that date. Interest is imputed on the fair value of non interest bearing deferred consideration at the discount rate

and expensed within interest payable and similar charges. At each balance sheet date deferred consideration comprises the remaining deferred consideration valued at acquisition plus interest imputed on such amounts from acquisition to the balance sheet date.

Where deferred consideration is in the form of shares and the number of shares to be issued is fixed, the fair value is credited to equity under the heading "Shares to be issued".

For acquisitions completed under IFRS3 (R), the fair value of contingent consideration is calculated at each balance sheet date and any gains or losses are taken to the Consolidated Income Statement.

### (n) Revenue

Revenue from services rendered is recognised in income in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs. An expected loss on a contract is recognised immediately in the income statement.

Revenue includes expenses recharged to clients. Such expenses include mileage, accommodation, planning applications, counsels' fees and fees from sub-consultants charged on at low margin.

Revenue which has been recognised but not invoiced by the balance sheet date is included in trade and other receivables in accrued income. Amounts invoiced in advance are included in trade and other payables within deferred income.

### (o) 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

#### iii Interest payable and similar charges

Finance costs comprise interest payable on bank overdrafts and loans, interest imputed on deferred consideration (see accounting policy (m)) and interest on finance leases

#### iv Interest receivable

Finance income comprises interest receivable on funds invested

### (p) Income tax

Income tax on the income for the periods presented comprises current and deferred tax. Income tax is recognised in income except to the extent that it relates to items recognised directly 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.

### (q) 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 AGM.

### (r) 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, except that profits on the sale of ESOP shares are not credited to the share premium account.

### (s) Key accounting estimates and judgements

In the process of applying the Group's accounting policies described above, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements. Any other estimates or judgements are made as described in the accounting policies above.

#### i Intangible assets

As described in accounting policy (e) above, the Group recognises certain intangible assets on acquisition other than goodwill. Judgements are made in respect of useful lives and valuation methods affecting the carrying value and amortisation charges in respect of these assets.

#### ii Goodwill

As described in accounting policy (e) above, the Group undertakes annual

impairment reviews of goodwill. Judgements in respect of discount and growth rates are made in respect of these assets. These judgements are shown in note 9.

### iii Revenue recognition

The Group's revenue recognition policy is stated in accounting policy note (n). In some cases, judgement is required to determine the appropriate proportion of the services performed to date on the contract and the extent to which fees will be recoverable. Actual results could differ from these estimates.

Any subsequent changes are accounted for with an effect on income at the time such updated information becomes available.

### (t) Reorganisation costs

The Group has highlighted the cost of reorganisation in notes 2 and 3 to these accounts. This classification includes such items as redundancy costs, profit or loss on disposals of PPE, the costs of consolidation of office space, rebranding costs, acquisition and other costs arising as a consequence of reorganisation. They are included within the appropriate lines in the consolidated income statement.

### (u) Accounting standards issued but not adopted

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

- IAS 24 (Revised) 'Related Party Disclosures'
- Improvements to IFRSs (2010)
- Amendments to IFRS 7 (Disclosures - Transfers of Financial Assets)\*
- IFRS 9 Financial Instruments\*

\*Not yet endorsed by EU

## 2. Business and geographical segments

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

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

### Business segments

As announced on 3 February 2011 the Group merged its Planning and Development businesses in Britain, Ireland and Northern Ireland. The Group comprises the following business segments:

**Planning & Development** - consultancy services in UK and Ireland and Australia related to town and country planning, urban design, architecture, transport planning and highway design, environmental impact assessment and provision of water and waste utilities and energy infrastructure.

**Environmental Management** - consultancy services in the UK and the Netherlands related to environmental science, the management of water resources and health, safety and risk management other than to the oil and gas sector.

**Energy** - the provision of a wide range of consultancy services including those relating to health, safety and risk management, on an international basis to the upstream oil and gas and offshore renewable energy sectors.

### Segment results for the year ended 31st December 2010

	Fees £000s	Recharged expenses £000s	Intersegment revenue £000s	External revenue £000s
Planning and Development				
UK and Ireland	105,150	18,118	(1,985)	121,283
Australia	65,232	11,898	(951)	76,179
Intra P&D eliminations	(6)	–	6	–
Total Planning and Development	170,376	30,016	(2,930)	197,462
Energy	157,554	30,450	(160)	187,844
Environmental Management	68,521	8,807	(804)	76,524
Group eliminations	(3,189)	(705)	3,894	–
Total	393,262	68,568	–	461,830

	Underlying profit £000s	Reorganisation costs £000s	Amortisation of acquired intangibles £000s	Operating profit £000s
Planning and Development				
UK and Ireland	10,442	384	(837)	9,989
Australia	10,473	(1,064)	(2,240)	7,169
Total Planning and Development	20,915	(680)	(3,077)	17,158
Energy	27,616	(289)	(2,060)	25,267
Environmental Management	9,714	(298)	(387)	9,029
Total	58,245	(1,267)	(5,524)	51,454

## 2. Business and geographical segments continued

### Segment results for the year ended 31st December 2009

	Fees £000s	Recharged expenses £000s	Intersegment revenue £000s	External revenue £000s
Planning and Development				
UK and Ireland	127,728	26,813	(1,136)	153,405
Australia	33,235	8,648	(544)	41,339
Intra P&D eliminations	(21)	(3)	24	–
Total Planning and Development	160,942	35,458	(1,656)	194,744
Energy	149,057	24,616	(601)	173,072
Environmental Management	67,106	9,771	(784)	76,093
Group eliminations	(2,754)	(287)	3,041	–
Total	374,351	69,558	–	443,909

	Underlying profit £000s	Reorganisation costs £000s	Amortisation of acquired intangibles £000s	Segment result £000s
Planning and Development				
UK and Ireland	18,377	(2,755)	(887)	14,735
Australia	8,287	(21)	(855)	7,411
Total Planning and Development	26,664	(2,776)	(1,742)	22,146
Energy	27,979	(306)	(1,793)	25,880
Environmental Management	10,349	(371)	(334)	9,644
Total	64,992	(3,453)	(3,869)	57,670

	2010 £000s	2009 £000s
Group Reconciliation		
Revenue	461,830	443,909
Recharged expenses	(68,568)	(69,558)
Fees	393,262	374,351
Underlying profit	58,245	64,992
Reorganisation costs	(1,267)	(3,453)
Unallocated expenses	(5,145)	(6,222)
Operating profit before amortisation	51,833	55,317
Amortisation of acquired intangibles	(5,524)	(3,869)
Operating profit	46,309	51,448
Finance costs	(3,840)	(2,845)
Profit before tax	42,469	48,603

## Notes to the Consolidated Financial Statements continued

### 2. Business and geographical segments continued

	2010 £000s	Carrying amount of segment assets 2009 £000s	2010 £000s	Segment depreciation and amortisation 2009 £000s
Planning and Development				
UK and Ireland	<b>184,542</b>	195,016	<b>2,306</b>	2,932
Australia	<b>100,938</b>	76,432	<b>4,626</b>	1,837
Planning and Development total	<b>285,480</b>	271,448	<b>6,932</b>	4,769
Energy	<b>165,373</b>	138,310	<b>3,658</b>	3,295
Environmental Management	<b>61,245</b>	58,886	<b>2,027</b>	2,131
Unallocated	<b>3,776</b>	6,667	<b>463</b>	542
Group total	<b>515,874</b>	475,311	<b>13,080</b>	10,737

### Geographical analysis

	2010 £000s	Revenue 2009 (Restated) £000s	2010 £000s	Fees 2009 (Restated) £000s
UK	<b>210,444</b>	225,016	<b>180,224</b>	192,216
Ireland	<b>49,527</b>	67,030	<b>40,690</b>	51,620
Australia	<b>110,712</b>	70,590	<b>93,152</b>	60,340
USA	<b>35,019</b>	32,762	<b>32,349</b>	29,745
Netherlands	<b>25,867</b>	28,947	<b>22,918</b>	24,268
Canada	<b>26,718</b>	18,003	<b>20,422</b>	14,601
Other	<b>3,543</b>	1,561	<b>3,507</b>	1,561
Total	<b>461,830</b>	443,909	<b>393,262</b>	374,351

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

	2010 £000s	Carrying amount of segment assets 2009 (Restated) £000s
UK	<b>232,800</b>	233,586
Ireland	<b>74,989</b>	78,347
Australia	<b>133,472</b>	105,860
USA	<b>21,863</b>	21,444
Netherlands	<b>24,045</b>	25,970
Canada	<b>26,442</b>	9,501
Other	<b>2,263</b>	603
Total	<b>515,874</b>	475,311

The Group has changed how it monitors its Planning and Development business in the UK and Ireland which it now reports as one operating segment. Therefore the analyses in respect of 2009 have been revised to present Northern Ireland within the UK numbers.

**3. Operating profit - by nature of expense**

	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
Revenue	461,830	443,909
Recharged expenses	(68,568)	(69,558)
Fee income	393,262	374,351
Staff costs	(194,430)	(184,232)
Depreciation and amortisation	(13,080)	(10,737)
Other operating costs	(139,443)	(127,934)
Operating profit	46,309	51,448

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	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
The following items have been included in arriving at profit		
Depreciation of property, plant and equipment		
– owned assets	6,635	6,429
– under finance leases	921	439
Amortisation of acquired intangible assets	5,524	3,869
Loss on disposal of property, plant and equipment	17	122
Reorganisation costs		
– profit on disposal of property, plant and equipment	(1,546)	–
– other reorganisation costs	2,813	3,453
Other operating lease rentals payable		
– property	10,465	10,028
– equipment and motor vehicles	3,278	4,128
Operating sublease income receivable	(161)	(191)

**4. Net financing costs**

	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
<b>Finance costs</b>		
Interest on loans, overdraft and finance leases	(3,079)	(1,975)
Interest imputed on deferred consideration	(241)	(428)
Interest payable on deferred consideration	(705)	(710)
	(4,025)	(3,113)
<b>Finance income</b>		
Deposit interest receivable	185	268
Net financing costs	(3,840)	(2,845)

## Notes to the Consolidated Financial Statements continued

### 5. Employee benefit expense

	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
Staff costs (including Directors' emoluments) comprise		
Wages and salaries	168,478	157,648
Social security costs	15,343	15,906
Pension costs - defined contribution plans	8,983	7,398
Share based payment expense - equity settled	1,626	3,280
	<b>194,430</b>	<b>184,232</b>
Average number of employees (including Executive Directors) was		
Professional	3,551	3,411
Support	821	843
	<b>4,372</b>	<b>4,254</b>

The Group considers the Directors to be the key management personnel and details of directors' remuneration are included on pages 56 and 64

### 6. Auditors' remuneration

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

	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
<b>Principal auditors</b>		
Audit services		
Statutory audit of the Group's annual accounts	74	84
Statutory audit of the Group's subsidiaries	83	95
Other services	23	23
<b>Network firms of principal auditors</b>		
Audit services		
Statutory audit of the Group's subsidiaries	156	144
Corporate finance	35	-
<b>Other auditors</b>		
Audit services		
Statutory audit	64	51
Tax services	-	8
Other services	13	-
	<b>448</b>	<b>405</b>

## 7. Income taxes

Analysis of charge in the year

	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
Current tax		
UK corporation tax	5,706	8,377
Foreign tax	5,092	7,441
	<b>10,798</b>	15,818
Deferred tax credit	(65)	(821)
<b>Tax expense for the year</b>	<b>10,733</b>	14,997

Analysis of credit to equity

Current tax on share based payments	(23)	(40)
Deferred tax on share based payments	(62)	(148)
<b>Tax credit in equity for the year</b>	<b>(85)</b>	(188)

The charge for the year can be reconciled to the profit per the income statement as follows

	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
Profit before tax	42,469	48,603
Tax at the UK effective rate of 28% (2009 28%)	11,891	13,609
Expenses not deductible for tax purposes	259	439
Different tax rates applied in overseas jurisdictions	659	894
Effect of change in tax rates	(85)	—
Effect of change in Australian tax law	(1,754)	—
Prior year adjustments	(237)	55
<b>Total tax expense for the year</b>	<b>10,733</b>	14,997

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

## Notes to the Consolidated Financial Statements continued

### 8 Earnings per share

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

	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
Profit attributable to ordinary shareholders	31,736	33,606
	000s	000s
Weighted average number of ordinary shares for the purposes of basic earnings per share	214,737	212,943
Effect of shares to be issued as deferred consideration	–	286
Effect of employee share schemes	1,311	2,347
Weighted average number of ordinary shares for the purposes of diluted earnings per share	216,048	215,576
Basic earnings per share (pence)	14.78	15.78
Diluted earnings per share (pence)	14.69	15.59

The directors consider that earnings per share before amortisation and the one off effect of the change in Australian tax law (see note 7) provides a more meaningful measure of the Group's performance than statutory earnings per share. The calculations of adjusted basic and diluted earnings per share were based on the weighted average number of ordinary shares outstanding during the year as shown above, the profit attributable to ordinary shareholders before the amortisation of acquired intangible assets and the tax thereon and the one off change in Australian tax law as shown in the table below

	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
Profit attributable to ordinary shareholders	31,736	33,606
Amortisation of acquired intangibles	5,524	3,869
Tax on amortisation of acquired intangibles	(1,598)	(1,106)
Change in Australian tax law	(1,754)	–
Adjusted profit attributable to shareholders	33,908	36,369
Adjusted basic earnings per share (pence)	15.79	17.08
Adjusted diluted earnings per share (pence)	15.69	16.87

**9. Intangible assets**

	Intellectual property rights £000s	Customer relationships £000s	Order backlog £000s	Trade names £000s	Goodwill £000s	Total £000s
<b>Cost</b>						
At 1 January 2010	201	35,390	1,872	1,383	275,032	313,878
Additions	–	5,662	1,103	50	7,854	14,669
Reduction in deferred consideration	–	–	–	–	(1,366)	(1,366)
Adjustment to prior year estimates	–	–	–	–	1,887	1,887
Foreign exchange differences	–	3,352	119	114	7,995	11,580
<b>At 31 December 2010</b>	<b>201</b>	<b>44,404</b>	<b>3,094</b>	<b>1,547</b>	<b>291,402</b>	<b>340,648</b>
<b>Aggregate amortisation and impairment losses</b>						
At 1 January 2010	201	5,610	988	915	12,221	19,935
Amortisation	–	4,431	895	198	–	5,524
Foreign exchange differences	–	513	8	47	–	568
<b>At 31 December 2010</b>	<b>201</b>	<b>10,554</b>	<b>1,891</b>	<b>1,160</b>	<b>12,221</b>	<b>26,027</b>
<b>Net book value at 31 December 2010</b>	<b>–</b>	<b>33,850</b>	<b>1,203</b>	<b>387</b>	<b>279,181</b>	<b>314,621</b>

Intangible asset additions that are recorded in 2010 have been recognised at their provisional fair values (see Note 26)

**Adjustment to prior year estimates**

The deferred consideration and net assets of acquisition in 2009 were originally stated at provisional fair values. These fair values have now been finalised.

These adjustments have not been adjusted in the prior year balance sheet on grounds of immateriality in accordance with IAS 8.

	Intellectual property rights £000s	Customer relationships £000s	Order backlog £000s	Trade names £000s	Goodwill £000s	Total £000s
<b>Cost</b>						
At 1 January 2009	201	22,355	1,682	1,327	255,146	280,711
Additions	–	12,045	170	–	18,742	30,957
Reduction in deferred consideration	–	–	–	–	(32)	(32)
Adjustment to prior year estimates	–	–	–	–	269	269
Foreign exchange differences	–	990	20	56	907	1,973
<b>At 31 December 2009</b>	<b>201</b>	<b>35,390</b>	<b>1,872</b>	<b>1,383</b>	<b>275,032</b>	<b>313,878</b>
<b>Aggregate amortisation and impairment losses</b>						
At 1 January 2009	201	2,387	469	700	12,221	15,978
Amortisation	–	3,129	519	221	–	3,869
Foreign exchange differences	–	94	–	(6)	–	88
<b>At 31 December 2009</b>	<b>201</b>	<b>5,610</b>	<b>988</b>	<b>915</b>	<b>12,221</b>	<b>19,935</b>
<b>Net book value at 31 December 2009</b>	<b>–</b>	<b>29,780</b>	<b>884</b>	<b>468</b>	<b>262,811</b>	<b>293,943</b>
<b>Net book value at 31 December 2008</b>	<b>–</b>	<b>19,968</b>	<b>1,213</b>	<b>627</b>	<b>242,925</b>	<b>264,733</b>

## Notes to the Consolidated Financial Statements continued

### 9 Intangible assets continued

#### Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. The Group has re-presented the allocation to CGUs on the basis of this year's revised segmentation.

	31 Dec 2010 £000s	31 Dec 2009 £000s
Planning and Development		
GB	75,027	75,160
Northern Ireland and Republic of Ireland	47,291	48,420
UK and Ireland	122,318	123,580
Australia	40,895	30,236
Total Planning and Development	163,213	153,816
Energy	84,587	77,797
Environmental Management	31,381	31,198
	279,181	262,811

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 recoverable amounts of CGUs are determined from value in use calculations. The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the cash-generating units to which goodwill has been allocated.

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

#### Key assumptions

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

#### Discount rate applied

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

The discount rates applied to the CGUs were in the range 12.2% to 15.4%.

#### 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 two years, the expected recovery of the CGUs affected and the past experience of the Group as it emerged from previous recessions. They also reflect the expected benefits of the reorganisation of the UK and Ireland P&D business announced on 28th October 2010.

The five year EBIT growth rates applied to the CGUs were in the range 5% to 25% per annum after taking into account a range of probability weighted scenarios.

The long term growth rates applied to the perpetuity calculations were in the range 2.25% to 2.4% per annum reflecting the

average long term growth rates of the economies in which the CGUs are based.

#### Margins

The EBIT margins used to derive forecast cash flows are based on management's expectations of future market development and also margins achieved historically.

The margins applied to CGUs were in the range 5% to 25%.

#### Summary of results

During the year, all goodwill was tested for impairment with no impairment charge resulting (2009: £nil). The goodwill allocated to the Planning and Development UK and Ireland operating segment was tested at the operating segment level, the Great Britain level and whole of Ireland level. No impairment resulted from any of these tests.

The Directors consider a range of scenarios in order to assess how sensitive the value in use calculations are to the above variables.

If the Group's operating margins remain at current levels, it would not be required to recognise an impairment charge.

In the Directors' view, a 1% absolute movement in the value of the WACC is reasonably possible. If that movement occurred, the Group would not recognise any impairment in the carrying value of the goodwill in any CGU.

**10. Property, plant and equipment**

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

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

	Freehold land and buildings £000s	Alterations to leasehold premises £000s	Motor vehicles £000s	Fixtures fittings, IT and equipment £000s	Total £000s
<b>Cost or valuation</b>					
At 1 January 2009	12,142	1,636	1,407	47,208	62,393
Additions	–	275	163	3,511	3,949
Disposals	–	(160)	(272)	(4,775)	(5,207)
Additions through acquisition	–	1,339	1,315	3,886	6,540
Foreign exchange differences	(736)	208	180	38	(310)
<b>At 31 December 2009</b>	<b>11,406</b>	<b>3,298</b>	<b>2,793</b>	<b>49,868</b>	<b>67,365</b>
<b>Depreciation</b>					
At 1 January 2009	2,148	725	926	34,019	37,818
Charge for the year	226	313	330	5,999	6,868
Disposals	–	(161)	(198)	(4,608)	(4,967)
Foreign exchange differences	(94)	21	11	(518)	(580)
<b>At 31 December 2009</b>	<b>2,280</b>	<b>898</b>	<b>1,069</b>	<b>34,892</b>	<b>39,139</b>
<b>Net book value at 31 December 2008</b>	<b>9,994</b>	<b>911</b>	<b>481</b>	<b>13,189</b>	<b>24,575</b>
<b>Net book value at 31 December 2009</b>	<b>9,126</b>	<b>2,400</b>	<b>1,724</b>	<b>14,976</b>	<b>28,226</b>

At 31 December 2009 the Group had alterations to leasehold properties, motor vehicles and office equipment held under finance lease contracts with net book values of £1,313,000 £1,078,000 and £2,092,000 respectively

## Notes to the Consolidated Financial Statements continued

### 11 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 111

### 12. Trade and other receivables

	31 Dec 2010 £000s	31 Dec 2009 £000s
Trade receivables	113,525	98,138
Less provision for impairment of trade receivables	(6,580)	(5,281)
Trade receivables net	106,945	92,857
Accrued income	46,571	41,598
Less provision for impairment of accrued income	(5,996)	(4,005)
Accrued income net	40,575	37,593
Prepayments	6,963	5,364
Other receivables	4,283	3,433
	158,766	139,247

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 Group's trade and other receivables have been reviewed for signs of impairment. Certain trade receivables were found to be impaired and a provision of £6,580,000 (2009 £5,281,000) has been recorded. Certain accrued income balances have been found to be impaired and a provision of £5,996,000 (2009 £4,005,000) has been recorded against them.

The individually impaired balances mainly relate to items under discussion with customers.

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

Ageing	2010 £000s	2009 £000s
Not more than three months	12,559	11,131
More than three months	13,433	14,524
	25,992	25,655

**12. Trade and other receivables** continued

<b>Movements in impairment</b>	Trade receivables £000s	Accrued income £000s	Total £000s
As at 1 January 2010	5,281	4,005	9,286
Income statement charge	1,640	2,198	3,838
Receivables written off during the year as uncollectible	(773)	(1,598)	(2,371)
Additions through acquisitions	382	1,032	1,414
Foreign exchange	50	359	409
<b>As at 31 December 2010</b>	<b>6,580</b>	<b>5,996</b>	<b>12,576</b>
As at 1 January 2009	6,143	4,136	10,279
Income statement charge	11	873	884
Receivables written off during the year as uncollectible	(1,809)	(1,714)	(3,523)
Additions through acquisitions	1,066	848	1,914
Foreign exchange	(130)	(138)	(268)
<b>As at 31 December 2009</b>	<b>5,281</b>	<b>4,005</b>	<b>9,286</b>

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

	<b>31 Dec 2010 £000s</b>	31 Dec 2009 £000s
Sterling	<b>68,082</b>	54,913
Euro	<b>25,645</b>	37,904
US Dollar	<b>14,672</b>	13,285
Canadian Dollar	<b>13,009</b>	3,651
Australian Dollar	<b>35,691</b>	29,056
Other	<b>1,667</b>	438
	<b>158,766</b>	139,247

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

**13. Trade and other payables**

	<b>31 Dec 2010 £000s</b>	31 Dec 2009 £000s
Trade payables	<b>24,320</b>	16,822
Accruals	<b>30,224</b>	24,644
Creditors for taxation and social security	<b>12,788</b>	11,053
Deferred income	<b>14,590</b>	13,120
Other payables	<b>5,049</b>	3,039
	<b>86,971</b>	68,678

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

### 14 Borrowings

	31 Dec 2010 £000s	31 Dec 2009 £000s
Bank loans	41,816	41,949
Finance lease creditor	3,654	4,505
	<b>45,470</b>	<b>46,454</b>

	Bank loans 2010 £000s	Other loans 2010 £000s	Total 2010 £000s	Bank loans 2009 £000s	Other loans 2009 £000s	Total 2009 £000s
The borrowings are repayable as follows						
On demand or in not more than one year	322	1,422	1,744	419	1,383	1,802
In the second year	196	1,211	1,407	256	1,213	1,469
In the third to fifth years inclusive	41,298	1,021	42,319	41,274	1,909	43,183
	<b>41,816</b>	<b>3,654</b>	<b>45,470</b>	<b>41,949</b>	<b>4,505</b>	<b>46,454</b>
Less amount due for settlement within 12 months	(322)	(1,422)	(1,744)	(419)	(1,383)	(1,802)
Amount due for settlement after 12 months	<b>41,494</b>	<b>2,232</b>	<b>43,726</b>	<b>41,530</b>	<b>3,122</b>	<b>44,652</b>

The principal features of the Group's borrowings and bank facilities are as follows

- (i) An uncommitted £1,000,000 bank overdraft facility, repayable on demand
- (ii) 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 2013. Loans carry interest equal to LIBOR plus a margin determined by reference to the total bank borrowing of the Group. There were loans drawn totalling £41,064,000 at 31 December 2010 (2009 £40,931,000). 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 £752,000. The loans were taken out

between September 2004 and October 2009 by a company that was acquired by the Group in July 2009.

Repayments commenced in September 2004 and will continue until September 2014. The loans are guaranteed by interlocking guarantees between the acquired company's entities.

- (iii) Bonding facility of £13,000,000 with Lloyds TSB Bank Plc. Utilisation at the year end was £6,735,000 (2009 £7,165,000).

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 approximate fair value as the borrowings have been transacted in the two months prior to year end and the loan is revolving in nature.

#### Loan liquidity risk profile

	2010 £000s	2009 £000s
<1 year	1,144	1,737
1-2 years	990	1,737
>2 but <5 years	41,718	43,604
	<b>43,852</b>	<b>47,078</b>

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

## 15. Obligations under finance leases

Amounts payable under finance leases

	Minimum lease payments 2010 £000s	Less future interest charges 2010 £000s	Present value of minimum lease payments 2010 £000s	Minimum lease payments 2009 £000s	Less future interest charges 2009 £000s	Present value of minimum lease payments 2009 £000s
Within one year	1,684	(262)	1,422	1,717	(334)	1,383
In two to five years	2,471	(239)	2,232	3,550	(428)	3,122
	<b>4,155</b>	<b>(501)</b>	<b>3,654</b>	<b>5,267</b>	<b>(762)</b>	<b>4,505</b>

For the year ended 31 December 2010, the average effective borrowing rate was 8.9%. 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.

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## 16. Deferred consideration

The liability in respect of deferred consideration comprises shares and interest bearing and non-interest bearing cash obligations due to the vendors of acquired businesses.

	31 Dec 2010 £000s	31 Dec 2009 £000s
Cash due within one year		
Interest bearing	7,632	10,210
Non-interest bearing	2,241	4,822
Shares due within one year	-	620
	<b>9,873</b>	<b>15,652</b>
Cash due between one and two years		
Interest bearing	5,406	5,640
Non-interest bearing	2,124	-
	<b>7,530</b>	<b>5,640</b>
Cash due between two and five years		
Interest bearing	1,131	3,649
	<b>1,131</b>	<b>3,649</b>
Total deferred consideration payable	<b>18,534</b>	<b>24,941</b>
Less amount due for settlement within 12 months	<b>(9,873)</b>	<b>(15,652)</b>
Amount due for settlement after 12 months	<b>8,661</b>	<b>9,289</b>

Deferred consideration is recorded at present value calculated with reference to the LIBOR rates prevailing at the time of acquisition in respect of the currency in which the deferred consideration is denominated (varying between 1.0% and 5.8%). The movement in present value is taken through the profit and loss within finance costs.

## Notes to the Consolidated Financial Statements continued

### 17. Provisions

#### Property

The provision for property costs relates to operating lease rentals and related costs on vacated property and will be utilised within 15 years

#### Warranty

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

#### Dilapidations

This provision is in respect of reinstatement obligations related to leasehold properties and will be utilised within 15 years

	Property £000s	Warranty £000s	Dilapidations £000s	Total £000s
As at 1 January 2010	1,668	510	2,365	4,543
Additional provision in the year	21	250	156	427
Utilised in year	(937)	(124)	(540)	(1,601)
On acquisition of subsidiary	1,244	–	182	1,426
Exchange difference	67	(5)	88	150
At 31 December 2010	<b>2,063</b>	<b>631</b>	<b>2,251</b>	<b>4,945</b>
			<b>2010 £000s</b>	<b>2009 £000s</b>
Due as follows				
Within one year			<b>1,768</b>	1,324
After more than one year			<b>3,177</b>	3,219
			<b>4,945</b>	4,543

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

### 18 Deferred taxation

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

	<b>2010 £000s</b>	<b>2009 £000s</b>
At 1 January	<b>(9,791)</b>	(6,746)
Asset acquired on acquisition of subsidiary	<b>(1,747)</b>	(4,015)
Fair value adjustments to prior year acquisitions	<b>1,061</b>	–
Exchange differences	<b>(941)</b>	1
Charge to income for the year	<b>(20)</b>	821
Charge to equity for the year	<b>62</b>	148
Effect of change in tax rate	<b>85</b>	–
At 31 December	<b>(11,291)</b>	(9,791)

**18 Deferred taxation** continued**Deferred tax assets**

	Depreciation in excess of capital allowances £000s	Employment benefits £000s	Tax losses £000s	Provisions £000s	Share based payments £000s	Total £000s
At 1 January 2009	752	916	28	476	57	2 229
Reclassifications	–	–	–	(476)	–	(476)
Charge to income for the year	66	(208)	(228)	–	265	(105)
Charge to equity for the year	–	–	–	–	148	148
Asset acquired on acquisition of subsidiary	(6)	851	230	–	–	1 075
Exchange differences	18	63	(1)	–	–	80
At 1 January 2010	830	1 622	29	–	470	2,951
Charge to income for the year	(195)	262	–	–	(399)	(332)
Charge to equity for the year	–	–	–	–	(3)	(3)
Effect of change in tax rate	(40)	(9)	–	–	3	(46)
Asset acquired on acquisition of subsidiary	(2)	250	–	–	–	248
Exchange differences	(9)	283	2	–	–	276
At 31 December 2010	<b>584</b>	<b>2,408</b>	<b>31</b>	<b>–</b>	<b>71</b>	<b>3,094</b>

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**Deferred tax liabilities**

	Foreign exchange on investments £000s	Revaluation of properties £000s	Tax deductible goodwill £000s	Provisions £000s	Other £000s	Total £000s
At 1 January 2009	(1,627)	(361)	(6,774)	–	(213)	(8,975)
Reclassifications	–	–	(82)	476	82	476
Charge to income for the year	742	–	569	(288)	(97)	926
Asset acquired on acquisition of subsidiary	–	–	(4,070)	(1,020)	–	(5,090)
Exchange differences	–	29	25	(137)	4	(79)
At 1 January 2010	(885)	(332)	(10,332)	(969)	(224)	(12 742)
Reclassifications	–	–	–	(25)	25	–
Charge to income for the year	279	–	795	(651)	(111)	312
Charge to equity for the year	–	–	65	–	–	65
Effect of change in tax rate	22	–	140	(31)	–	131
Asset acquired on acquisition of subsidiary	–	–	(1,977)	(18)	–	(1,995)
Fair value adjustments to prior year acquisitions	–	–	–	1,061	–	1,061
Exchange differences	–	12	(746)	(456)	(27)	(1 217)
At 31 December 2010	<b>(584)</b>	<b>(320)</b>	<b>(12,055)</b>	<b>(1,089)</b>	<b>(337)</b>	<b>(14,385)</b>

## Notes to the Consolidated Financial Statements continued

### 19 Share capital

	Authorised 2010 Number	Authorised 2010 £000s	Authorised 2009 Number	Authorised 2009 £000s
Ordinary shares of 3p each	240,000,000	7,200	240,000,000	7,200

	Issued and fully paid 2010 Number	Issued and fully paid 2010 £000s	Issued and fully paid 2009 Number	Issued and fully paid 2009 £000s
Ordinary shares of 3p each				
At 1 January	215,247,277	6,457	213,286,497	6,399
Issued under share option schemes	185,303	6	313,713	9
Issued under save as you earn schemes	–	–	1,000	–
Issued under the Share Incentive Plan	745,667	22	457,668	14
Issued in respect of the Performance Share Plan	378,202	12	384,006	11
Issued in respect of the Long Term Incentive Plan	347,987	10	386,955	12
Issued in respect of deferred consideration related to acquisitions in prior years	314,155	9	417,438	12
At 31 December	217,218,591	6,516	215,247,277	6,457

	2010 Number	2009 Number
Ordinary shares held by the ESOP Trust	1,582,690	859,575
Ordinary shares held by the SIP Trust	3,085,882	2,905,608

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

The table below shows options outstanding at 31 December 2010

Period exercisable	Number	Exercise price (p)
2004 - 2011	37,750	136 - 154
2005 - 2012	82,206	125 - 149
2006 - 2013	168,812	111 - 171
2007 - 2014	47,409	149
2008 - 2015	250,100	111 - 147
2011 - 2018	315,000	295
2013 - 2020	295,000	195
	1,196,277	

Please see page 66 in the Report of the Directors for details of the Group's capital management procedures

**20. Other reserves**

	Merger reserve £000s	Employee trust £000s	Translation reserve £000s	Total other £000s
At 1 January 2009	20,079	(3,583)	27,055	43,551
<b>Changes in equity during 2009</b>				
Exchange differences	–	–	(3,804)	(3,804)
Issue of new shares	608	(836)	–	(228)
At 31 December 2009	20,687	(4,419)	23,251	39,519
<b>Changes in equity during 2010</b>				
Exchange differences	–	–	6,978	6,978
Issue of new shares	569	(1,485)	–	(916)
<b>At 31 December 2010</b>	<b>21,256</b>	<b>(5,904)</b>	<b>30,229</b>	<b>45,581</b>

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The following describes the nature and purpose of each reserve within equity

Reserve	Description and purpose
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/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

## Notes to the Consolidated Financial Statements continued

### 21. Dividends

	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
Amounts recognised as distributions to equity holders during the period		
Final dividend for the year ended 31 December 2009 of 2.19p (2008 1.91p) per share	<b>4,722</b>	4,093
Interim dividend for the year ended 31 December 2010 of 2.31p (2009 2.01p) per share	<b>4,988</b>	4,317
	<b>9,710</b>	8,410
Proposed final dividend for the year ended 31 December 2010 of 2.52p (2009 2.19p) per share	<b>5,461</b>	4,728

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

### 22. Operating lease arrangements

At 31 December 2010 the Group's total remaining commitments as lessee under non-cancellable operating leases for certain of its office properties and motor vehicles was as follows

#### Commitments

	Property 2010 £000s	Property 2009 £000s	Other 2010 £000s	Other 2009 £000s
Within one year	<b>10,731</b>	9,639	<b>2,857</b>	2,710
In two to five years	<b>25,467</b>	24,456	<b>3,720</b>	2,713
After five years	<b>15,675</b>	17,941	–	–
	<b>51,873</b>	52,036	<b>6,577</b>	5,423

#### Operating leases - lessor

Certain properties have been vacated prior to the end of the lease term. Where possible the Group always endeavours to sub-lease such vacant space on short term lets. The sub-lease rental income during the year ended 31 December 2010 was £161,000 (2009 £191,000).

The minimum rent receivable under non-cancellable operating leases is as follows

	2010 £000s	2009 £000s
Within one year	<b>164</b>	107
In two to five years	<b>340</b>	171
After five years	–	14
	<b>504</b>	292

### 23. Related party transactions

Related parties, following the definitions within IAS 24, are the subsidiary companies and members of the Board. Transactions between the Company and its subsidiaries have been eliminated on consolidation and

are not disclosed in this note. There were no transactions within the year in which the Directors had any interest. The Remuneration Report contains details of Board emoluments.

### 24. Notes to the Consolidated Cash Flow Statement

	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
Profit before tax	<b>42,469</b>	48,603
Adjustments for:		
Interest payable and similar charges	<b>4,025</b>	3,113
Interest receivable	<b>(185)</b>	(268)
Depreciation	<b>7,556</b>	6,868
Amortisation of acquired intangibles	<b>5,524</b>	3,869
Share based payment expense	<b>1,626</b>	3,280
(Profit)/loss on sale of property, plant and equipment	<b>(1,579)</b>	152
Share of profit of associates	<b>(335)</b>	(78)
(Increase)/decrease in trade and other receivables	<b>(7,981)</b>	31,223
Increase/(decrease) in trade and other payables	<b>6,754</b>	(26,179)
Cash generated from operations	<b>57,874</b>	70,583

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 2010.

	At 31 Dec 2009 £000s	Cash flow £000s	Foreign Exchange £000s	At 31 Dec 2010 £000s
Cash and cash equivalents	13,691	889	(647)	<b>13,933</b>
Bank loans	(41,949)	5,022	(4,889)	<b>(41,816)</b>
Finance lease creditor	(4,505)	1,491	(640)	<b>(3,654)</b>
	<b>(32,763)</b>	<b>7,402</b>	<b>(6,176)</b>	<b>(31,537)</b>

### 25. Major non-cash transactions

There were no major non-cash transactions during the year.

## Notes to the Consolidated Financial Statements continued

### 26. Acquisitions

The Group completed the following acquisitions during 2010 to strengthen and broaden the skill base of the Group

	Date of Acquisition	Place of incorporation	Percentage of entity acquired	Nature of business acquired
Health in Business Ltd	15/03/2010	UK	100%	Occupational health
Aquaterra Consulting Pty Ltd	27/05/2010	Australia	100%	Environmental consultancy
Boyd Exploration Consultants Ltd	26/08/2010	Canada	100%	Mining consultancy

These businesses have been integrated with other parts of the Group. The contributions to the revenue and operating profit to the Group's results for the period of those entities where it is practicable to separately identify their results is given below

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	Revenue £000s	Operating profit £000s
HIB	1,405	103
Aquaterra	7,801	583
Boyd	3,557	443

The Group has allocated the net assets of its acquisitions provisional fair values as it did not have complete information at the balance sheet date. Details of the carrying values of the acquired net assets and the provisional fair values assigned to them by the Group follows

	Order book £000s	Intangible assets Customer relationships £000s	Trade names £000s	Property, plant and equipment £000s	Cash £000s	Other assets £000s	Other liabilities £000s	Net assets acquired £000s
Provisional fair values								
HIB	–	520	50	12	60	342	(426)	558
Aquaterra	402	2,535	–	260	2,228	2,931	(4,422)	3,934
Boyd	701	2,607	–	150	2,568	3,704	(4,880)	4,850
	1,103	5,662	50	422	4,856	6,977	(9,728)	9,342

The Group proforma revenue and operating profit as required by IFRS 3 (R) assuming all acquisitions were completed on the first day of the year are calculated to be £471,447,000 and £46,513,000 respectively

## Receivables analysis

	Fair value of acquired receivables £000s	Gross contractual amounts receivable £000s	Estimated unrecoverable cash flows £000s
HIB	300	300	–
Aquaterra	2,357	2,357	–
Boyd	3,547	3,547	–
	<b>6,204</b>	<b>6,204</b>	<b>–</b>

The vendors of HIB, Aquaterra and Boyd have entered into indemnity and warranty arrangements with the Group. The total undiscounted cashflow that could be receivable by the Group is between £nil and £6,204,000. As the Group does not expect that these warranties will become receivable, it has not recognised an indemnification asset on acquisition.

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	Initial cash consideration £000s	Deferred cash consideration £000s	Total consideration £000s	Net assets acquired £000s	Goodwill acquired £000s	Tax deductible Goodwill £000s
HIB	720	217	937	558	379	–
Aquaterra	4,104	3,778	7,882	3,934	3,948	–
Boyd	4,450	3,927	8,377	4,850	3,527	–
	<b>9,274</b>	<b>7,922</b>	<b>17,196</b>	<b>9,342</b>	<b>7,854</b>	<b>–</b>

The Group incurred costs related to acquisitions totalling £324,000 which have been expensed through the consolidated income statement (2009: £nil).

Goodwill represents the value of the accumulated workforce associated with these acquisitions.

	Acquisitions made in 2010			Acquisitions made in 2009
	HIB £000s	Aquaterra £000s	Boyd £000s	Conics £000s
Goodwill at 1 January 2010	–	–	–	20,816
Additions through acquisition	379	3,948	3,527	–
Adjustment to prior year estimates	–	–	–	1,887
Reduction in deferred consideration	–	–	–	(1,166)
Foreign exchange	–	461	193	3,875
<b>Goodwill at 30 December 2010</b>	<b>379</b>	<b>4,409</b>	<b>3,720</b>	<b>25,412</b>

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

## Prior period acquisitions

In 2009 the Group acquired Conics Pty Ltd, a multi-disciplinary consultancy based on the East coast of Australia, primarily in Queensland. The provisional fair values of the net assets acquired with this business have now been finalised. The net effect has been to credit the net assets acquired by £1,887,000 related to the alignment of accounting policies, the write off of irrecoverable receivables and the associated tax effects.

## 27. Derivatives and other financial instruments

Set out below are the narrative disclosures relating to financial instruments

### Financial instruments

The Group's financial assets comprise cash and trade and other receivables which are categorised as "loans and other receivables" and held at amortised cost.

The Group's financial liabilities comprise bank loans and trade and other payables which are categorised as "Other financial liabilities" and held at amortised cost. The fair value of the loan is determined by discounting at the loan interest rate. The Group occasionally uses forward foreign currency contracts to manage transactional currency risks arising from the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Foreign currency risk and interest rate 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. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

### Foreign currency risk

The Group, which is based in the UK and reports in sterling, has investments in overseas operations in the Netherlands, Ireland, USA, Canada, Australia, Malaysia and Brazil 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 Sterling/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.

### Interest rate risk

The Group draws down short term loans, that may be renewed, against its revolving

credit facility principally in sterling at fixed rates of interest for the term of the loan. The Group's overdraft bears interest at floating rates. Surplus funds are placed on short-term deposit or held within accounts bearing interest related to bank base rate.

### 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. Please see note 14 for further detail of the Group's bank facilities.

### Credit risk

The Group is mainly exposed to credit risk from credit sales. 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.

### Fair values

The fair value of the financial assets and liabilities of the Group are considered to be materially equivalent to their book value.

## Classification of financial instruments

	2010 £000s	2009 £000s
Cash	13,933	13,691
Trade and other receivables	158,766	139,247
Loans and other receivables	172,699	152,938
Bank loans	41,816	41,949
Trade and other payables	86,971	68,678
Other financial liabilities	128,787	110,627

**28. Foreign currency risk**

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their

own functional currency. Foreign exchange differences arising on the translation of these assets and liabilities were taken to the

income statement of the Group companies during the year

**Net foreign currency monetary assets/(liabilities) at 31 December 2010**

	Sterling £000s	Euro £000s	US Dollar £000s	Norwegian Krone £000s	Australian Dollar £000s	Central African Francs £000s	Russian Roubles £000s	Canadian Dollars £000s	Other £000s	Total £000s
<b>Functional currency of</b>										
<b>Group operation</b>										
Sterling	–	(588)	111	343	203	147	327	278	453	1,274
Euro	(8)	–	(8)	–	–	–	–	–	–	(16)
Australian Dollar	(236)	7	(280)	–	–	–	–	(24)	12	(521)
Canadian Dollar	(71)	(10)	25	–	–	–	–	–	–	(56)
Malaysian Ringgit	(20)	–	(161)	–	(159)	–	–	–	–	(340)
Mongolian Tugrik	(3)	–	67	–	(77)	–	–	–	–	(13)
<b>At 31 December 2010</b>	<b>(338)</b>	<b>(591)</b>	<b>(246)</b>	<b>343</b>	<b>(33)</b>	<b>147</b>	<b>327</b>	<b>254</b>	<b>465</b>	<b>328</b>

**Net foreign currency monetary assets/(liabilities) at 31 December 2009**

	Sterling £000s	Euro £000s	US Dollar £000s	Norwegian Krone £000s	Australian Dollar £000s	Central African Francs £000s	Russian Roubles £000s	Canadian Dollars £000s	Other £000s	Total £000s
<b>Functional currency of</b>										
<b>Group operation</b>										
Sterling	–	12,370	1,018	177	1,104	99	80	(1,045)	(152)	13,651
Euro	90	–	(21)	–	–	–	–	–	–	69
Australian Dollar	(181)	–	790	–	–	–	–	(28)	39	620
Canadian Dollar	(252)	(5)	(89)	–	–	–	–	–	–	(346)
Malaysian Ringgit	–	–	(246)	–	(36)	–	–	–	–	(282)
<b>At 31 December 2009</b>	<b>(343)</b>	<b>12,365</b>	<b>1,452</b>	<b>177</b>	<b>1,068</b>	<b>99</b>	<b>80</b>	<b>(1,073)</b>	<b>(113)</b>	<b>13,712</b>

**Foreign currency sensitivity**

The Group considers the volatility of currency markets over the year to be representative of the foreign currency risk it is exposed to. The main exposures the Group had at year end were Euros and Norwegian Krone. Over the year these

currencies showed volatilities of up to 13% and 12% respectively. If Sterling strengthened against these currencies by 13% and 12% the impact would be to increase Group profit before tax by £1,000. If Sterling had weakened against these

currencies the impact would have been to reduce Group profit before tax by £1,000. These movements would have had no impact on Group equity and reserves.

## Notes to the Consolidated Financial Statements continued

### 29. Interest rate risk

#### Interest rate risk and profile of financial liabilities and assets

The interest rate risk profile of the Group's financial liabilities which at 31 December 2010 comprised deferred consideration finance lease obligations and bank loans were as follows

Currency	Floating rate financial liabilities		Fixed rate financial liabilities		2010 £000s	Total 2009 £000s
	2010 £000s	2009 £000s	2010 £000s	2009 £000s		
Sterling	–	–	17,219	7,509	17,219	7,509
Euro	–	–	249	1,567	249	1,567
Australian Dollar	7,560	–	12,129	52,951	19,689	52,951
Canadian Dollar	–	–	4,452	443	4,452	443
US Dollar	–	–	22,395	8,925	22,395	8,925
At 31 December	7,560	–	56,444	71,395	64,004	71,395

The maturity profile of financial liabilities is as follows

	Floating rate financial liabilities		Fixed rate financial liabilities		2010 £000s	Total 2009 £000s
	2010 £000s	2009 £000s	2010 £000s	2009 £000s		
Within one year	3,837	–	7,780	17,454	11,617	17,454
In one to two years	3,723	–	5,214	7,110	8,937	7,110
In two to five years	–	–	43,450	46,831	43,450	46,831
	7,560	–	56,444	71,395	64,004	71,395

#### Financial liabilities

Currency	Weighted average interest rate %	2010	Weighted average interest rate %	2009	Fixed rate financial liabilities	
					Weighted average period for which rate is fixed – months 2010	Weighted average period for which rate is fixed – months 2009
Sterling	2.0		4.9		1	7
Euro	3.6		4.1		11	7
Australian Dollar	6.4		5.4		17	9
Canadian Dollar	1.1		1.4		18	1
US Dollar	1.4		1.4		1	1
	3.1		4.8		6	7

Cash balances at year end		
Currency	<b>2010</b> <b>£000s</b>	2009 £000s
Sterling	<b>3,571</b>	(1,816)
Euro	<b>1,409</b>	8,207
US Dollar	<b>2,322</b>	2,980
Australian Dollar	<b>3,718</b>	2,396
Canadian Dollar	<b>1,672</b>	1,559
Other	<b>1,241</b>	365
At 31 December	<b>13,933</b>	13,691

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

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### Borrowing facilities

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

The undrawn borrowing facilities comprise revolving credit facilities that expire between two and five years where interest costs are fixed at the time drawings are made During 2010, the Group had an overdraft facility expiring within one year carrying floating rate interest

	<b>31 Dec</b> <b>2010</b> <b>£000s</b>	31 Dec 2009 £000s
Expiring in more than 2 years but not more than 5 years	<b>83,936</b>	76,904

### Interest rate sensitivity

The Group considers the volatility of interest rates over the year to be representative of the potential interest rate risk it is exposed to Over 2010 the weighted average interest rate the Group pays have reduced by 1.7% A 1.7% decrease in interest rates would increase Group profit before tax by £887,000 A further 1.7% increase in interest rates would decrease Group profit before tax by £887,000

## Notes to the Consolidated Financial Statements continued

### 30 Credit Risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

Class of financial asset	2010 £000s	2009 £000s
Cash and cash equivalents	13,933	13,691
Trade and other receivables	147,520	130,450
	<b>161,453</b>	<b>144,141</b>

The directors consider the above financial assets that are not impaired to be of good credit quality including those that are past due. See note 12 for further detail on receivables that are past due.

None of the group's assets are secured by collateral.

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 liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings and are supported by the government.

### 31. Share-based payments

In accordance with IFRS 2, the Group has recognised an expense to the income statement representing the fair value of outstanding equity settled share based payment awards to employees which have not vested as at 1 January 2010 for the period ended 31 December 2010.

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

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

The Group has not relied on the exemption afforded under IFRS 1 to

exclude instruments granted before 7 November 2002.

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

Since 2004 the Group has incentivised and motivated employees through the grant of conditional share awards under the Long Term Incentive Plan ('LTIP') 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 and PSP are subject to the satisfaction of corporate performance conditions and continuity of employment provisions. Share holder approval has lapsed for the LTIP and therefore no further grants will be made under this plan, the LTIP and former annual bonus plan have been replaced by the Bonus Plan (see page 51). The release of shares under the SIP are subject to continuity of employment provisions.

The following tables set out details of share schemes activity over the year from 1 January 2010.

## Share Options

Year of grant	Number outstanding 31 Dec 2009	New grants	Exercised	Lapsed	Grants replaced	Number outstanding 31 Dec 2010	Weighted average exercise price	Vesting conditions
2000	92,600	–	(42,800)	(49,800)	–	–	128p	3 or 5 years
2001	90,250	–	(33,500)	(6,500)	–	50,250	148p	3 or 5 years
2002	169,871	–	(27,214)	(14,792)	–	127,865	149p	3 or 5 years
2003	503,760	–	(81,789)	(15,559)	–	406,412	116p	3 or 5 years
2004	1,750	–	–	–	–	1,750	118p	3 years
2008	315,000	–	–	–	–	315,000	295p	3 years
2010	–	295,000	–	–	–	295,000	195p	3 years
	1,173,231	295,000	(185,303)	(86,651)	–	1,196,277		

Weighted average exercise price

173p      195p      129p      136p      187p

The weighted average share price at the date of exercise during the period was £2.16

Year of grant	Number outstanding 31 Dec 2008	New grants	Exercised	Lapsed	Grants replaced	Number outstanding 31 Dec 2009	Weighted average exercise price	Vesting conditions
1999	19,500	–	(18,000)	(1,500)	–	–	73p	3 or 5 years
2000	140,600	–	(49,000)	(500)	1,500	92,600	128p	3 or 5 years
2001	96,500	–	(8,000)	(1,000)	2,750	90,250	166p	3 or 5 years
2002	240,347	–	(62,976)	(8,000)	500	169,871	149p	3 or 5 years
2003	695,744	–	(175,737)	(16,947)	700	503,760	111p	3 or 5 years
2004	1,750	–	–	–	–	1,750	118p	3 years
2008	315,000	–	–	–	–	315,000	295p	3 years
	1,509,441	–	(313,713)	(27,947)	5,450	1,173,231		

Weighted average exercise price

162p      124p      122p      145p      173p

The weighted average share price at the date of exercise during the period was £1.99

## SAYE

Year of grant	Number outstanding 31 Dec 2009	Exercised	Lapsed	Number outstanding 31 Dec 2010	Exercise price	Vesting conditions
2003	–	–	–	–	–	3 or 5 years
	–	–	–	–	–	

Year of grant	Number outstanding 31 Dec 2008	Exercised	Lapsed	Number outstanding 31 Dec 2009	Exercise price	Vesting conditions
2003	42,508	(1,000)	(41,508)	–	147p	3 or 5 years
	42,508	(1,000)	(41,508)	–		

## Notes to the Consolidated Financial Statements continued

### 31. Share-based payments continued

#### LTIP

Year of grant	Number outstanding 31 Dec 2009	New grants	Releases	Forfeits	Number outstanding 31 Dec 2010	Vesting conditions
2007	347,987	–	(347,987)	–	–	3 years
2008	285,095	–	–	–	285,095	3 years
2009	638,188	–	–	–	638,188	3 years
	1,271,270	–	(347,987)	–	923,283	

Year of grant	Number outstanding 31 Dec 2008	New grants	Releases	Forfeits	Number outstanding 31 Dec 2009	Vesting conditions
2006	386,955	–	(386,955)	–	–	3 years
2007	347,987	–	–	–	347,987	3 years
2008	323,804	–	–	(38,709)	285,095	3 years
2009	–	721,812	–	(83,624)	638,188	3 years
	1,058,746	721,812	(386,955)	(122,333)	1,271,270	

Based on current performance it is not expected that the LTIP awards made in 2008 and 2009 will vest

#### PSP

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

Year of grant	Number outstanding 31 Dec 2008	New grants	Grants replaced	Releases	Lapses	Number outstanding 31 Dec 2009	Vesting conditions
2005	9,869	–	–	(9,869)	–	–	3 years
2006	339,111	–	–	(308,064)	(19,003)	12,044	3 years
2007	519,161	–	–	(65,098)	(23,872)	430,191	2 or 3 years
2008	108,387	–	–	(978)	(6,508)	100,901	1, 2 or 3 years
2009	–	1,520,898	–	(7,972)	(18,292)	1,494,634	3 years
	976,528	1,520,898	–	(391,981)	(67,675)	2,037,770	

**SIP**

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

Year of grant	Number outstanding 31 Dec 2008	New grants	Releases	Forfeits	Number outstanding 31 Dec 2009	Vesting conditions
2005	3,539	–	(100)	(3,439)	–	3 years
2006	301,828	–	(5,754)	(280,702)	15,372	3 years
2007	272,241	–	(9,306)	(29,075)	233,860	3 years
2008	643,794	–	(23,244)	(66,449)	554,101	3 years
2009	–	639,297	(12,525)	(26,944)	599,828	3 years
	1,221,402	639,297	(50,929)	(406,609)	1,403,161	

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**Share Options and SAYE Options**

The fair values of the above equity instruments have been determined using the following criteria

**Share Options**

Share price on grant	111 - 295.25p
Expected volatility	26.8% - 39.3%
Expected life	3 or 5 years
Expected dividend yield	1.45% - 2.01%
Risk-free interest rate	2.8% - 5.2%
Fair value at measurement date	33.01p - 94.22p
Weighted fair value	43.42p

The volatility has been based on the annualised average of the standard deviations of the daily historical continuously compounded returns of the Group's share price over the most appropriate period from the date of grant.

The risk-free rate of interest was assumed to be the yield to maturity on a UK Gilt strip with the term to maturity equal to the expected life of the option.

The expected dividend yield is an estimate of the dividend yield at the date of grant for the duration of the option's life.

**LTIP**

For LTIP awards with an earnings per share performance condition, the fair value has

been calculated as the market value of the shares on the date of grant adjusted to reflect the fact that a participant is not entitled to receive dividends over the three year performance period.

**LTIP awards**

Fair value at measurement date	133.63p - 301.25p
Weighted fair value	185.53p
Holding period	3 years
Expected dividend yield	0.95% - 2.38%

**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 the fact that a participant is not entitled to receive dividends over the performance period.

**PSP awards**

Fair value at measurement date	130.01p - 202.58p
Weighted fair value	165.36p
Holding period	3 years
Expected dividend yield	0.9% - 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. Participants are entitled to receive dividends over the three year holding period therefore no adjustment was made to the market value.

**SIP awards**

Fair value at measurement date	126.00p - 335.75p
Weighted fair value	193.31p
Holding period	3 years

During the year ended 31 December 2010 the Group recognised expense of £1,626,000 related to the fair value of the share based payment arrangements (year ended 31 December 2009 £3,280,000).

In determining the charge to the income statement the Group made the following assumptions with regard to annual lapse rates as at the date of grant:

Share scheme	Annual lapse rate
ESOS	0%
LTIP	0%
PSP	5%
SIP	10%

In addition, the Group estimated that all non-market based performance conditions would be satisfied in full.

### 32. Events after the balance sheet date

#### *Evans-Hamilton Incorporated*

The Group completed the acquisition of 100% of the issued share capital of Evans-Hamilton Incorporated, a US-based oceanographic consulting firm, on 18 February 2011 for a maximum cash consideration of US\$8.67 million (£5.5 million).

In the financial year ended 31 December 2010 Evans-Hamilton Inc had revenues of US\$7.5 million (£4.7 million) and profit before tax of US\$1.4 million (£0.9 million) after adjustment for non-recurring items. Net assets at 31 December 2010 were US\$0.6 million (£0.4 million) after adjusting for assets excluded from the transaction. On the same basis, gross assets at 31 December 2010 were US\$3.75 million (£2.4 million). Net debt at 31 December 2010 was US\$1.5 million (£1.0 million). Initial consideration of US\$4.67 million (£3.0 million) has been paid. Subject to certain operational conditions being met, two further sums of US\$2.0 million (£1.3 million) will be paid on the first and second anniversaries of the transaction.

#### *The Nautilus Group*

The Group completed the acquisition 100% of the issued share capital of Nautilus Ltd and Nautilus World Ltd (together "Nautilus"), a UK/US based business providing geosciences and petroleum engineering training to the oil and gas industry on 2 March 2011, for a maximum cash consideration of £18.6 million.

In the year ended 31 December 2010 Nautilus had revenues of £10.2 million and profit before tax of £3.1 million, after adjustment for non-recurring items. Net assets at 31 December 2010 were £1.2 million, after adjusting for assets excluded from the transaction. On the same basis, gross assets at 31 December 2010 were £6.8 million. The business has no significant debt.

Consideration paid at completion was £10.6 million. Subject to certain operational conditions being met, three further sums of £2.8 million, £2.7 million and £2.6 million will be paid on the first three anniversaries of the transaction.

Since these acquisitions were completed on 18 February 2011 and 2 March 2011, it is not practicable to provide the remaining information required by IFRS 3.

### 33. Contingent liabilities

As at 31 December 2010, the Group had contingent liabilities in respect of contractual performance guarantees and other matters entered into for or on behalf of certain Group undertakings. It is not expected that any material liability will arise in respect thereof, and the Directors estimate that the fair value of such guarantees is not material.

# Parent Company Balance Sheet

	Note	As at 31 Dec 2010 £000s	As at 31 Dec 2009 £000s
<b>Fixed assets</b>			
Intangible assets	3	778	844
Tangible assets	4	1,241	2,469
Investments	5	234,259	192,132
		<b>236,278</b>	<b>195,445</b>
<b>Current assets</b>			
Debtors	6	48,125	77,473
Cash at bank and in hand		273	3,115
		<b>48,398</b>	<b>80,588</b>
<b>Creditors</b> amounts falling due within one year	7	25,986	28,115
Provisions for liabilities	9	16	–
		<b>26,002</b>	<b>28,115</b>
<b>Net current assets</b>		<b>22,396</b>	<b>52,473</b>
<b>Total assets less current liabilities</b>		<b>258,674</b>	<b>247,918</b>
<b>Creditors</b> amounts falling due after more than one year	8	41,064	40,931
Provisions for liabilities	9	59	52
<b>Net assets</b>		<b>217,551</b>	<b>206,935</b>
<b>Capital and reserves</b>			
Called up share capital	11, 12	6,516	6,457
Share premium account	12	101,941	98,238
Profit and loss reserve	12	93,710	85,940
Other reserves	12	15,384	16,300
<b>Shareholders' funds</b>		<b>217,551</b>	<b>206,935</b>

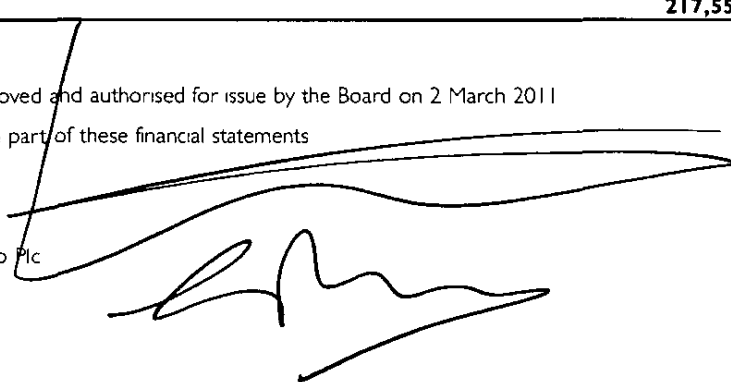
These financial statements were approved and authorised for issue by the Board on 2 March 2011

The notes on pages 108 to 114 form part of these financial statements

**Dr Alan Hearne, Director**

**Gary Young, Director**

On behalf of the Board of RPS Group Plc



# Notes to the Parent Company Financial Statements

## 1. Accounting policies

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

### Goodwill

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

### Valuation of investments

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

### Tangible fixed assets

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

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, excluding freehold land, over their expected useful lives. It is calculated at the following rates:

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 (see page 103). Where the Company will be issuing shares to satisfy share awards made by its subsidiaries, the Company records a capital contribution equal to the fair value of the share-based payment incurred by its subsidiaries, except to the extent that the subsidiaries reimburse the Company.

### 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 surtable 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's 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.

**Financial assets****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 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.

**Financial liabilities****Amounts held at amortised cost**

Trade creditors and other payables including bank loans 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 provided for the Parent Company as allowed by Section 408 of the Companies Act 2006

	Year ended 31 Dec 2010 £000s	Year ended 31 Dec 2009 £000s
Profit for the year attributable to the shareholders of the Parent Company, dealt with in the accounts of the Parent Company	<b>16,002</b>	70,527

The remuneration of the auditors for the statutory audit of the Company was £33,000 (2009 £37,000)

**3. Intangible Assets**

	Goodwill £000s
<b>Cost</b>	
At 1 January 2010 and at 31 December 2010	2,134
<b>Amortisation</b>	
At 1 January 2010	1,290
Charge for the year	66
At 31 December 2010	1,356
<b>Net book value at 31 December 2010</b>	<b>778</b>
Net book value at 31 December 2009	844

Notes to the Parent Company Financial Statements continued

4 Tangible Assets

	Freehold land and buildings £000s	Alterations to leasehold premises £000s	Fixtures, fittings IT and equipment £000s	Total £000s
<b>Cost or valuation</b>				
At 1 January 2010	2,044	162	3,726	5,932
Transfers	150	(150)	62	62
Additions	–	–	639	639
Disposals	(1,762)	–	–	(1,762)
<b>At 31 December 2010</b>	<b>432</b>	<b>12</b>	<b>4,427</b>	<b>4,871</b>
<b>Depreciation</b>				
At 1 January 2010	484	27	2,952	3,463
Transfers	18	(17)	59	60
Provided for the year	29	2	431	462
Disposals	(355)	–	–	(355)
<b>At 31 December 2010</b>	<b>176</b>	<b>12</b>	<b>3,442</b>	<b>3,630</b>
<b>Net book value at 31 December 2010</b>	<b>256</b>	<b>–</b>	<b>985</b>	<b>1,241</b>
Net book value at 31 December 2009	1,560	135	774	2,469

## 5. Investments

Shares are held directly by RPS Group Plc except where marked by an asterisk where they are held by a subsidiary undertaking

All trading subsidiaries provide environmental consultancy services

	2010 £000s	2009 £000s
<b>Subsidiary undertakings</b>		
<b>Cost</b>		
At 1 January	192,970	178,108
Additions	42,127	14,862
At 31 December	235,097	192,970
<b>Provisions</b>		
At 1 January 2010 and 31 December 2010	838	838
Net book value at 31 December	234,259	192,132

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

Additions in 2009 relate to restructuring of the USA companies and represent RPS Group Plc's cost of investment in the US Holding Company

### Subsidiary undertakings

The following were the principal operating subsidiaries during the year

	Country of registration and operation	Proportion of ordinary share capital held
The Environmental Consultancy Limited	England	100%
RPS Consultants (UK) Limited (formerly RPS Water Services Limited)	England	100%
RPS Energy Limited	England	100%
RPS Energy Consultants Limited	England	100%*
RPS Health in Business Limited	England	100%*
RPS Ireland Limited	Northern Ireland	100%*
RPS Groep BV	Netherlands	100%
RPS Advies BV	Netherlands	100%*
RPS Analyse BV	Netherlands	100%*
RPS BCC BV	Netherlands	100%*
RPS Kraan Consulting BV	Netherlands	100%*
RPS Kraan Detachering BV	Netherlands	100%*
RPS Group Limited	Ireland	100%*
RPS Engineering Services Limited	Ireland	100%*
RPS Planning & Environment Limited	Ireland	100%*
RPS Consulting Engineers Limited	Ireland	100%*
RPS Consultants Pty Limited	Australia	100%*
RPS Energy Pty Limited	Australia	100%*
RPS Environment Pty Limited	Australia	100%*
Harper Somers O'Sullivan Pty Limited	Australia	100%*
MetOcean Engineers Pty Limited	Australia	100%*
RPS Australia East Pty Ltd	Australia	100%*
Aquaterra Consulting Pty Limited	Australia	100%*
Cambrian Consultants (CC) America Inc	USA	100%*
RPS JD Consulting Inc	USA	100%*
RPS Energy Canada Limited	Canada	100%*
Geoprojects Canada Limited	Canada	100%*
Boyd Exploration Consultants Limited	Canada	100%*

## Notes to the Parent Company Financial Statements continued

### 6 Debtors

	31 Dec 2010 £000s	31 Dec 2009 £000s
Trade debtors	7	26
Amounts due from subsidiary undertakings	45,400	75,516
Other debtors	365	469
Corporation tax	1	161
Deferred tax	460	713
Prepayments and accrued income	1,892	588
	<b>48,125</b>	<b>77,473</b>

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All amounts fall due for payment within one year

### 7. Creditors: amounts falling due within one year

	31 Dec 2010 £000s	31 Dec 2009 £000s
Amounts due to subsidiary undertakings	23,094	25,744
Deferred consideration	–	488
Trade creditors	1,154	188
Other creditors	349	418
Accruals	1,389	1,277
	<b>25,986</b>	<b>28,115</b>

The liability in respect of deferred consideration is due to the vendors of acquired businesses

### 8. Creditors: amounts falling due after more than one year

	31 Dec 2010 £000s	31 Dec 2009 £000s
Bank loans	41,064	40,931
Due as follows		
After two years and within five years	41,064	40,931
	<b>41,064</b>	<b>40,931</b>

**9 Provision for liabilities**

		Dilapidations £000s
As at 1 January 2010		52
Additional provision in the year		23
<b>As at 31 December 2010</b>		<b>75</b>
	<b>2010 £000s</b>	<b>2009 £000s</b>
Due as follows		
Within one year	16	–
After more than one year	59	52
	<b>75</b>	<b>52</b>

The provision made in the year relates to leasehold property reinstatement obligations

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**10. Deferred taxation**

Movement on deferred taxation	<b>31 Dec 2010 £000s</b>	31 Dec 2009 £000s
Net asset at beginning of year	713	469
(Charge)/credit to income for the year	(253)	244
<b>Net asset at year end</b>	<b>460</b>	<b>713</b>

Deferred taxation balances comprise	<b>31 Dec 2010 £000s</b>	31 Dec 2009 £000s
Short term timing differences	222	496
Depreciation in excess of capital allowances	238	217
<b>Deferred tax asset</b>	<b>460</b>	<b>713</b>

**11. Share capital**

	Number	Authorised Value £000s	Allotted and fully paid Value £000s
Ordinary shares of 3p each			
At 1 January 2010	240,000,000	7,200	215,247,277
At 31 December 2010	240,000,000	7,200	217,218,591

Full details of the share capital of the Company are disclosed in Note 19 to the Consolidated Financial Statements

## 12. Reconciliation of movements in shareholders' funds

	Share capital £000s	Share premium £000s	Merger reserve £000s	Revaluation reserve £000s	Employee trust shares loss £000s	Profit and loss reserve £000s	Total £000s
At 1 January 2009	6,399	95,531	20,079	32	(3,583)	22,079	140,537
Issue of new shares	58	2,707	608	–	(836)	(1,536)	1,001
Share based payment expense	–	–	–	–	–	3,280	3,280
Retained profit for the year	–	–	–	–	–	70,527	70,527
Dividend paid	–	–	–	–	–	(8,410)	(8,410)
<b>At 31 December 2009</b>	<b>6,457</b>	<b>98,238</b>	<b>20,687</b>	<b>32</b>	<b>(4,419)</b>	<b>85,940</b>	<b>206,935</b>
Issue of new shares	59	3,703	569	–	(1,485)	(2,036)	810
Share based payment expense	–	–	–	–	–	1,626	1,626
Retained profit for the year	–	–	–	–	–	17,890	17,890
Dividend paid	–	–	–	–	–	(9,710)	(9,710)
<b>At 31 December 2010</b>	<b>6,516</b>	<b>101,941</b>	<b>21,256</b>	<b>32</b>	<b>(5,904)</b>	<b>93,710</b>	<b>217,551</b>

## 13. Dividends

Full details of dividends paid by the Company are disclosed in Note 21 of the Consolidated Financial Statements

## 14. Commitments under operating leases

At 31 December 2010 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	31 Dec 2010 £000s	31 Dec 2009 £000s	31 Dec 2010 £000s	31 Dec 2009 £000s
Operating leases which expire				
Within one year	90	240	16	83
In two to five years	308	514	62	51
After five years	–	14	–	–
	<b>398</b>	<b>768</b>	<b>78</b>	<b>134</b>

## 15. Directors' interests in transactions

Directors' emoluments were paid by RPS Group Plc and they are disclosed in the Remuneration Report. Apart from these, there were no transactions during the year in which the Directors had any interest.

## Five Year Summary

	2010 £000s	2009 £000s	2008 £000s	2007 £000s	2006 £000s
Revenue	<b>461,830</b>	443,909	470,465	362,674	296,843
Fee income	<b>393,262</b>	374,351	392,096	305,108	246,011
Profit from operations before tax and amortisation	<b>47,993</b>	52,472	57,512	45,010	34,719
Net bank debt	<b>(31,537)</b>	(32,763)	(28,555)	(32,630)	(30,129)
Net assets	<b>344,993</b>	313,468	287,607	227,534	186,934
Cash generated from operating activities	<b>57,874</b>	70,583	67,386	45,393	40,663
Average number of employees	<b>4,422</b>	4,254	4,438	4,093	3,438
Dividend per share	<b>4.83p</b>	4.20p	3.66p	3.18p	2.76p
Adjusted basic EPS	<b>15.79p</b>	17.08p	18.92p	15.17p	12.01p
Adjusted diluted EPS	<b>15.69p</b>	16.87p	18.66p	14.95p	11.74p

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

RPS

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