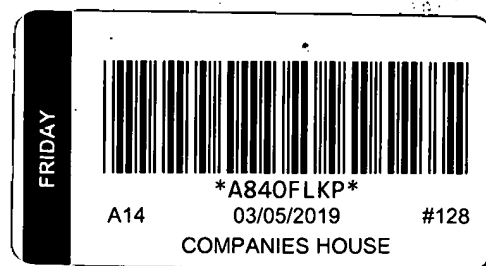


RPS GROUP PLC

2087786

REPORT AND ACCOUNTS

2018



OUR STORY

Founded in 1970, RPS is a leading global professional services firm of 5,600 people.

Operating in 125 countries, working across six continents we define, design and manage projects that create shared value to a complex, urbanising and resource-scarce world.

We work across six sectors: property, energy, transport, water, resources, defence and government.

Our services span twelve clusters: project and program management; design and development; water services; environment; advisory and management consulting; exploration and development; planning and approvals; health, safety and risk; oceans and coastal; laboratories; training and communication and creative services.

We stand out for our clients by using deep expertise to solve problems that matter. Delivering on our promise of making complex easy.

CONTENTS

| | |
|---|----|
| Performance highlights | 4 |
| Financial headlines | 5 |
| Strategic report | 7 |
| Chairman's statement | 8 |
| Chief Executive's statement | 10 |
| Our promise | 16 |
| Building deep expertise since 1970 | 17 |
| Our business model | 18 |
| Our digital transformation | 20 |
| Strong leadership and global reach | 22 |
| Financial review | 24 |
| Risk and risk management | 27 |
| People | 31 |
| A great place to do great work | 32 |
| Corporate social responsibility | 35 |
| People | 36 |
| Health and safety | 36 |
| Reportable accident rates | 36 |
| Business relationships | 37 |
| Environmental management and climate change | 37 |
| Greenhouse gas reporting | 38 |
| Responsible re-branding | 39 |
| Our partnership with Tree Aid | 40 |
| Report of the Directors | 43 |
| The Board | 44 |
| Corporate governance | 51 |
| Chairman's introduction | 52 |
| Annual report | 54 |
| Nomination committee report | 59 |
| Audit committee report | 61 |
| Remuneration committee report | 64 |
| Annual report on remuneration | 67 |
| Financial statements | 81 |

PERFORMANCE HIGHLIGHTS

STRENGTHENED LEADERSHIP

- Completed Board renewal
- Group Leadership Team (GLT) structure finalised
- Established Global Senior Leadership community

A GREAT PLACE TO DO GREAT WORK

- New appraisal and development framework for all staff
- Global incentive scheme for senior leaders
- First ever global employee survey

TELLING OUR STORY BETTER AND CONNECTING OUR BRAND



- Launched new visual identity, brand ethos and website
- Digital transformation underway
- Global technology roll-out

SEGMENT ACHIEVEMENTS

- ENERGY** Expanded our capabilities in renewables, in particular offshore wind
- CONSULTING UK AND IRELAND** Appointed to support Highways England's six-year program for work in the North of England
- SERVICES UK AND NETHERLANDS** Integrated drainage planning to reduce flooding for Anglian Water
- NORWAY** Assigned project management for Norway's largest water project, New Water Supply to Oslo
- NORTH AMERICA** Texas Engineering Excellence Gold medal award for Critical Infrastructure Repairs
- AUSTRALIA ASIA PACIFIC** Acquisition of Corview, a leading transport advisory consultancy

FINANCIAL HEADLINES

| | 2018 | 2017 | Variation % |
|---|--------------|-------|-------------|
| Revenue (£m) | 637.4 | 630.6 | 1 |
| Fee income ¹ (£m) | 574.2 | 562.3 | 2 |
| PBTA ¹ (£m) | 50.2 | 53.9 | (7) |
| Statutory profit/ (loss) before tax (£m) | 41.0 | (1.6) | >100 |
| Adjusted earnings per share (diluted) ¹ (p) (£m) | 16.34 | 17.01 | (4) |
| Total dividend per share (p) (£m) | 9.88 | 9.88 | — |

(1) Alternative Performance Measures are used consistently throughout the Report and Accounts. These include PBTA, fee income, items prefaced "adjusted" such as adjusted EPS, segment profit, underlying profit, underlying operating profit, amounts labelled "at constant currency", EBITDAS, conversion of profit into cash, net bank borrowings and leverage. For further details of their purpose, definition and reconciliation for the equivalent statutory measures see note 3 to the financial statements.

OUR PURPOSE

We create shared value by solving problems that matter to a complex, urbanising and resource-scarce world.

Our purpose reflects our commitment to creating shared value for our people, investors and clients. It reinforces our undertaking to challenge industry norms to solve the problems of a modern world.

6

CHALLENGING THE NORM

Specialist consultants deploy drones to deliver lightweight wireless sensors via biodegradable darts to gather vital survey data while ensuring human interference in delicate ecosystems is kept to a minimum.

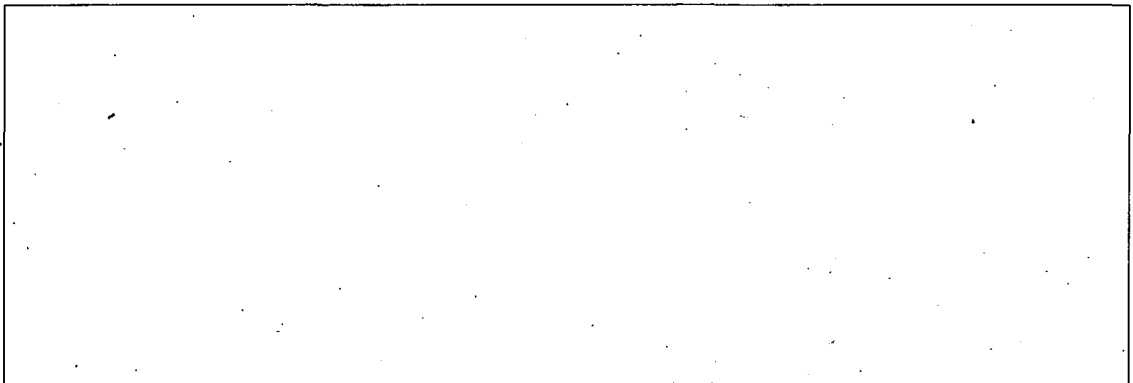


Image courtesy of Total

STRATEGIC REPORT

7

CHAIRMAN'S STATEMENT

"We are making significant progress transforming our business into a highly focused consulting and services organisation where we strive to make complex easy for our clients."

Ken Lever
Chairman

8

A year of change - investing to realise our potential

During the year our Chief Executive, John Douglas has led considerable change at RPS. We have greater clarity about our markets and our offerings, deeper understanding of how our clients and our people view us, re-defined how we are organised and how we present ourselves to our markets and clients and gained greater insight into our purpose and culture.

The Group Leadership Team is now complete and has the right people to provide the business, market and functional leadership: bringing together internal talent and external hires. This cohesion is being felt across the organisation as colleagues work more collectively and share good practice.

The investments we are making will drive sustainable growth in the value of our business into the future. Inevitably the cost of these investments had a short term impact on the Group's profit performance which we have seen in the 2018 results with some continuing effect into 2019.

Drivers of growth

In this Annual Report John Douglas explains how our industry has consolidated and sets out the competitive positioning of RPS. First and foremost, we are a people business and so our success is predicated on investing in our people and offering them development in their careers so that we can retain their skill, talent and knowledge within our organisation. Although RPS offers a diverse array of services, the markets we primarily address are those impacted by the demands of population growth such as energy, water, infrastructure, transport and the environment. All these markets should provide good long-term growth prospects for our business that is likely to be in excess of global GDP. We are also seeing the increasing impact of technology in our markets, in our clients' businesses and in our own business and we are responding appropriately.

Board support for the strategy

The Board has been closely involved with the Group Leadership Team to develop the strategy for the Group and what is required for implementation. The time is right to make the necessary investments. The market opportunity is clear, and our depth of expertise and digital capability gives us substantial potential

to grow. Our strong cash flows mean that we are well positioned for organic growth and growth by value accretive acquisitions.

People need to know who we are, what we do and where we do it. We have a good story to tell. We are committed to leveraging our global capabilities across multiple pockets of excellence to consistently deliver market-leading service. We are aware of the challenge of achieving year on year growth. Acquisitions in the past have disguised this challenge. Our investment in our identity, technology and people will position us to take advantage of the growing markets where we operate.

Returns to shareholders

Last year we stated our intention to retain the dividend at its current level for the foreseeable future so that future earnings growth will provide a more appropriate earnings dividend cover. For 2018 the final dividend is recommended to be 5.08 pence resulting in an unchanged dividend in line with the stated policy.

The Board is disappointed with the share price performance in 2018 and believe there is a disconnect between the share price and the intrinsic value. The price at the start of the year was 272 pence and it ended the year at 137 pence representing a decline of 50 per cent compared to decline in the All-Share Index of 13 per cent over that period. At the date of writing this, the share price had improved to 171 pence. The Board's focus is to drive growth in the long-term intrinsic equity value of the business. It is the view of the Board that over time the value benefit from the necessary overdue investments will be driven by the sustainable growth in the business which should ultimately be reflected in an improving share price, as the discount against the intrinsic value narrows.

Composition of the Board

We are delighted that during the year Michael McKelvy and Catherine Glickman joined the Board. Michael is the Chief Executive of Gilbane in the United States and has experience of our markets and our business. Catherine has a successful career as a human resources leader.

Robert Miller-Bakewell will have been on the Board for nine years at the forthcoming Annual General Meeting. Accordingly, Robert will step down from the Board and from his roles as Senior Independent Non-Executive Director and Chairman of the

Remuneration Committee. Catherine will succeed Robert as Chairman of the Remuneration Committee and Liz Peace who joined the Board in 2017 will become Senior Independent Non-Executive Director.

Our Company Secretary Nick Rowe retired at the end of December after ten years with the Group and has been replaced by David Gormley who has held a series of roles as Company Secretary of UK listed businesses.

The Board wishes to thank Robert and Nick for their dedicated service to the Group over the years.

Behaving responsibly

We work with our clients to help them deliver sustainable project outcomes that have minimal impact on the local environment. Responsibility is integral to our agreed purpose and behaviours. The Board is delighted to be continuing its commitment to Tree Aid.

Our people

In a year of repositioning and change I have been very impressed by the energy of our people and how positively they have responded.

I would like to thank all our employees and associates for pushing the boundaries of what is possible for clients, for engaging with the change process we have embarked on, for getting involved in the conversation on the direction in which we are taking the business and for delivering for our clients, every day.

We recognise the talents of individuals and look to create the most inclusive working environment that we can. We are proud of our gender ratios on the Board and on our Group Leadership Team. We are working hard to address gender balance in general across the organisation.

A renewed focus

As our new brand states, RPS is completely focused on making complex easy and delivering market leading results for our clients, our people and our shareholders. While the Board is very positive about the progress we are making, the progress must be reflected in our share price and much remains to be done to get to where we want to be. The Board is united in its support for the strategy and is completely focused on maintaining the pace of change and to benefit from the opportunities available.

CHIEF EXECUTIVE'S STATEMENT

A year of strong fundamentals, significant change, real opportunity and progress.

Investing to accelerate growth

As I reflect on my first full year as Chief Executive, 2018 has been a year of good progress for RPS.

Since 1970, RPS has grown into a global team of 5,600 creative professionals and service providers and has established itself as an industry leader, operating in 125 countries across six continents. We solve problems that matter to a complex, urbanising and resource scarce world. It's a heritage we are very proud of.

Trading conditions were good in 2018 with Energy and Norway, in particular, performing strongly. We are making targeted investment to make a good business better and have shown strong progress against our strategic objectives.

Staff turnover remains too high, but we are confident that actions underway will bring it closer to industry norms. Staff turnover and investment have dampened returns a little in this year. The business remains very profitable with good margins and strong cash flow. This strong cash flow allows us to reinvest in the business while still paying attractive dividends.

We expect our investment in people, brand and connectivity to show a very positive return. RPS is a good business that can get better. Ongoing urbanisation and resource scarcity will ensure ongoing demand for the services we provide.

Renewed focus

Over the last 12 months we have made a clear shift from thinking of ourselves as a conglomerate of small consulting and services businesses, to being a mid-sized global firm that uses its combined expertise to deliver professional services around the world. We are good at what we do and we want to be the best mid-sized company in our industry. We want

to capitalise on the opportunity our scale gives us. We are large enough to solve complex problems and small enough to be easy to work with. Good organic growth and margins do not lie solely in the domain of large companies.

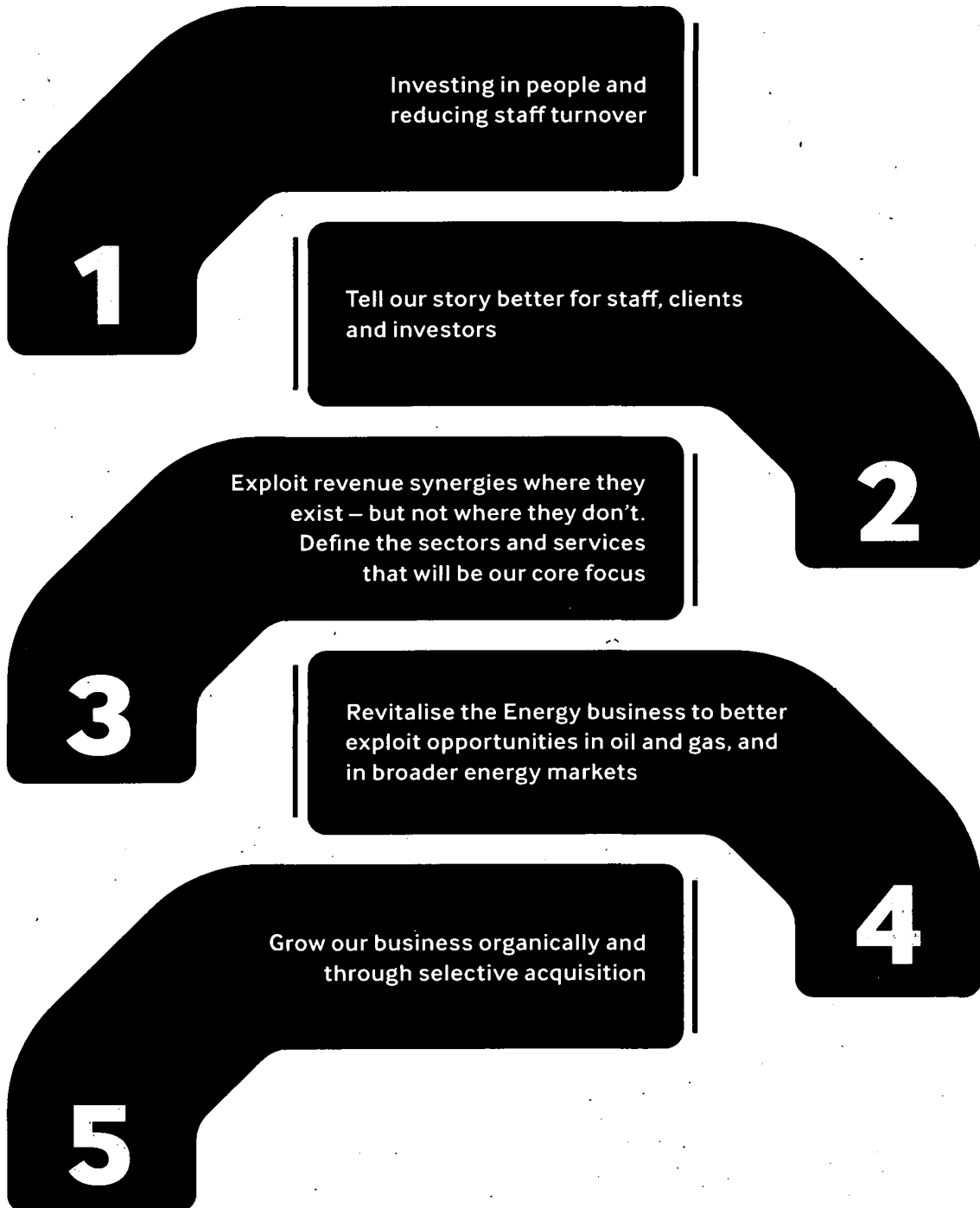
In 2018, RPS refined its business model and global structure. We restructured into six segments and identified six sectors and 12 service clusters to reflect the truly global nature of the business and to further enable our people to meet the requirements of our clients. This new way of describing our model allows us to showcase our deep expertise, innovation, technology and easily and intuitively connect clients to all of our highly specialised consultants, service providers and thought leaders. This re-organisation also gives greater transparency in our reporting, allowing people to see more clearly how different parts of the business are performing.

11

We are a business rooted in great fundamentals

- A good and improving safety record – but no complacency
- Profitable with healthy margins
- High levels of cash conversion and good cash flows
- A strong balance sheet and supportive lenders
- A diversified client-base
- Quality people

Five clear priorities



Strong fundamentals

On 21st February we announced a set of results that, overall, showed a business with a financial performance that was in-line with revised expectations. Our results showed steady revenue and fee growth, reduced debt, comfortable leverage levels, a strategic acquisition and strong dividend yield.

| | FY 2018 | FY 2017 | FY 2017 at constant currency |
|---|------------|------------|---------------------------------|
| Revenue (£m) | 637.4 | 630.6 | 619.9 |
| Fee income (£m) | 574.2 | 562.3 | 552.6 |
| PBTA (£m) | 50.2 | 53.9 | 52.8 |
| Adjusted diluted earnings per share (p) | 16.34 | 17.01 | 16.65 |
| Total dividend per share (p) | 9.88 | 9.88 | 9.88 |
| Statutory profit/ (loss) before tax (£m) | 41.0 | (1.6) | (2.4) |
| Statutory diluted earnings/(loss) per share (p) | 13.23p | (7.47)p | (7.66)p |

Trading performance and our markets

It's a mixed picture for our segments in 2018.

- Our reinvigorated Energy segment benefited from increased activity in oil and gas markets with Exploration and Development, Oceans and Coastal, and Advisory and Management posting good fee and profit growth.
- Consulting – UK & Ireland: Our Ireland and Northern Ireland businesses performed well where public infrastructure spending is strong. Although market conditions in the rest of the UK were generally strong we have been held back by staff recruitment and retention issues in London and, to a lesser extent, Birmingham. This is our most Brexit exposed segment. We have not seen any shortening of order books but there is increasing client concern.
- Services – UK & Netherlands: Our UK Water businesses delivered a strong performance with fees growing strongly. The business benefitted from poor weather in the first half of the year. Some of the growth was in profitable but lower margin contracts. Organic investment in other areas of the business suppressed overall performance but is expected to provide additional profits in 2019 and beyond.
- Norway traded well but felt the impact of further integration costs; particularly the cost of combining premises.
- In North America we did not capitalise on the buoyant market conditions. We suffered recruitment and retention issues resulting in modest profit levels compared to prior years.
- In AAP the project management business continues to benefit from an active defence sector and grew fees. Retention issues within our Advisory Services business saw a reduced profit margin. Investment in support functions in the region suppressed margins in the short term but will assist in improving retention in the longer term.

A year of notable progress and pragmatic investment

In the last 12 months we have made significant progress in respect of our five strategic priorities. There remains much to do, and we have the right strategy in place to deliver our growth ambitions. As we previously announced, more investment will be made in support of the strategy to drive longer term, sustainable growth for the future.

- **Reducing staff turnover and developing our staff** – The loss of key staff from recently acquired businesses affected business performance this year. Investing in our people is vital for the long-term health of the business and this has been a priority for the business globally. To lead this critical area of work we appointed a Group People Director, to deliver a global view of what an organisation like ours should be delivering for our people. For the first time in RPS' history, critical people related activities are being looked at from a global perspective. We worked at pace to deliver some significant milestones, including our first ever global employee survey, improved career development pathways, a universal performance review process, and a new bonus scheme for senior leaders that is heavily focused on profits, fee growth and cash collection.
- **Telling our story better – defining our brand** – Excellent progress was made with respect to our ambition to tell our story better. In January 2019 we unveiled a new global brand to best position the Group for future growth. Informed by an independent client perception audit and comprehensive engagement with employees, along with expert third-party research, the brand encapsulates the essence of RPS via three core concepts: our purpose (why we exist), our promise (what we do) and our behaviours (how we do it). We also updated our visual identity and have an excellent new website which reflects our global, unified business and effectively communicates RPS' unique value proposition of making complex easy.
- **Connectivity** – As well as refining our business model, we also finalised our Group Leadership Team structure this year. Key appointments, combining new and existing leaders, have created a team who provide deep expertise, a global perspective and strong functional support in a more collaborative and responsive organisational structure. Investment in the Group's IT systems was also required to underpin our strategic priorities. We appointed a new Chief Information Officer who will oversee this critical work. A major component of our investment will be in a global Enterprise Resource Planning ("ERP") system that will be developed by the end of 2019, with deployment completed in 2021.
- **Revitalising Energy** – Our Energy business is being successfully revitalised. The inclusion of all our directly exposed oil and gas businesses in Energy enables us to provide globally recognised consultancy and services to this important global market. This, together with the appointment of a new, experienced management team, has enabled the reinvigoration of our Energy business in markets that are showing greater levels of activity. While much of our activity is still focused on hydrocarbons, we are actively growing into renewables. Offshore wind is an opportunity that draws heavily on existing RPS services such as Ocean and Coastal, Environment and Planning and Approvals.
- **Organic growth and selective acquisition** – Our portfolio is diverse which provides resilience as well as some management challenges. We continue to evaluate the portfolio but have not identified material value creating divestment opportunities. Our strategy is to build greater density within our existing segments, sectors and services. We will focus on organic growth, supported by very selective acquisitions. The announcement on 4 February 2019 of the acquisition of Corview in Australia is an example of a pre-eminent consultancy joining with us to add expertise and talent to our existing strong capabilities in the region. We continue to seek acquisitions in all our existing geographies that are value creating, that add density to our existing offerings, and that fit with our culture and brand.

Our people have been integral to delivering this progress and I would like to thank them for their vision, hard work and dedication in 2018.

Group prospects

The future for RPS is about being at the forefront of changing market trends, identifying growth opportunities and delivering complex solutions in a way that is easy to understand and implement. Alongside investment in our brand, 2019 will see a continuation of the focus and investment in our people, technology and innovation to build on the deep expertise that our clients have recognised us for and give us a stronger competitive edge in all the markets that we operate in. RPS is pragmatic in its aspirations and we have the capability to utilise the means available to us to achieve our goals and further strengthen the business.

Trading conditions in most of our markets appear satisfactory and supportive of organic growth although necessary investment previously announced will temper performance this year before accelerating growth in future years. The risks associated with Brexit are contained mainly within the Consulting UK and Ireland business and we have seen little impact so far. Against this background, the Board's view of the 2019 outlook for the Group is unchanged and is in line with market expectations. The transition the Group is undertaking is providing a strong foundation to deliver long term shareholder value.

OUR PROMISE

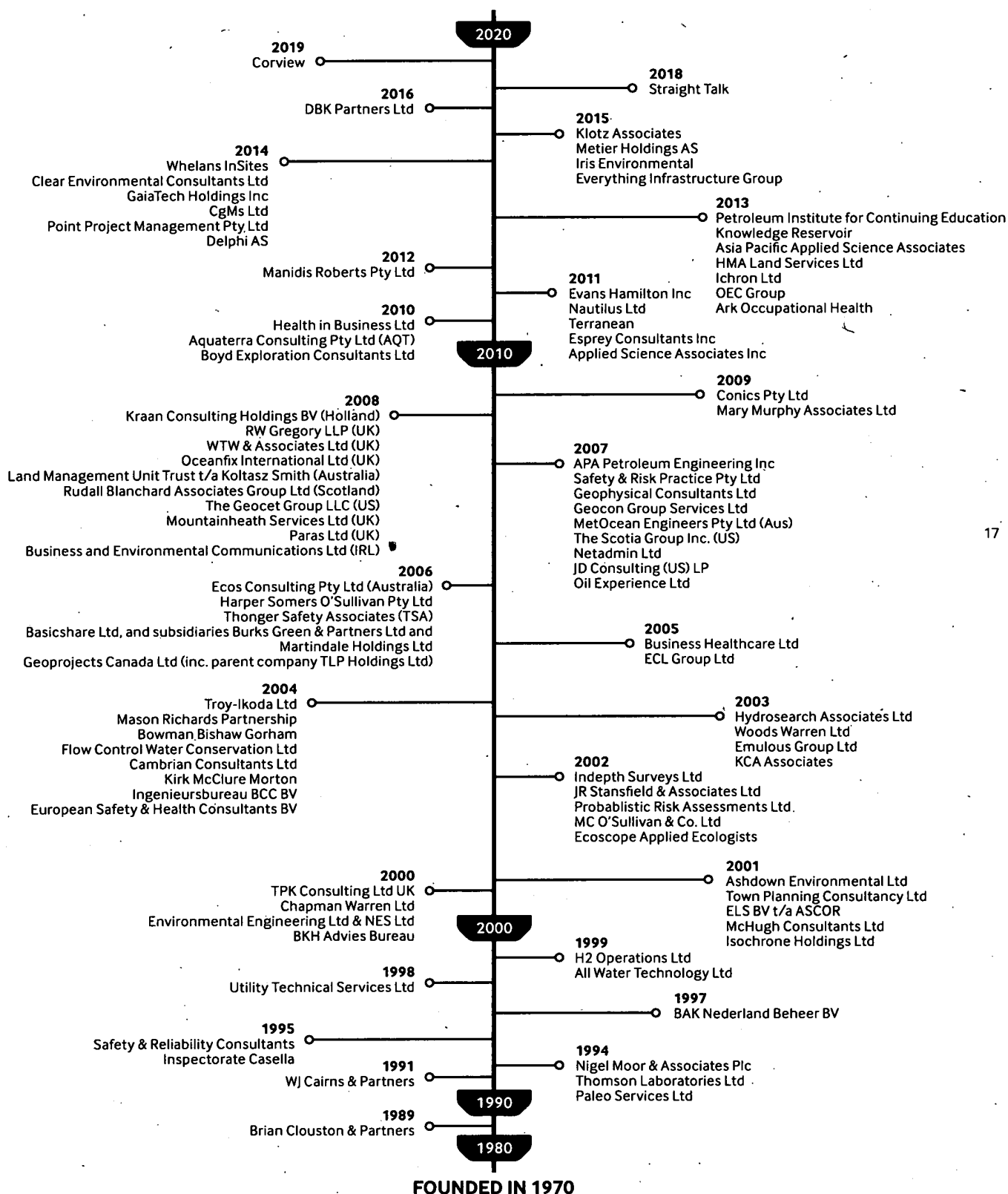
We have deep expertise in things that matter and we are easy to work with.

Our clients trust us and we are respected for our creative thinking.

Together we build strong relationships by repeatedly delivering on our promise.

Making complex easy

BUILDING DEEP EXPERTISE SINCE 1970



OUR BUSINESS MODEL

Delivering solutions to clients that position them to navigate a complex urbanising, resource-scarce world coupled with increasingly complex legislation and regulation.

The primary objective of the Group is to deliver value for shareholders by growing profit and generating cash. Our business has been purposefully created from a hybrid of sectors, services and geographies to deliver a responsive approach to our clients in the markets that we operate in. The key components of the business model through which we achieve this are described below. The strategy through which the Group will develop its business is described in the Chief Executive's statement.

What we do

RPS is a leading global firm providing professional services to clients across six sectors: property, energy, transport, water, resources, defence and government. We define, design and manage projects that create shared value to a complex, urbanising and resource-scarce world.

We are known and respected for our deep expertise across a wide range of services: project and program management; design and development; water services; environment; advisory and management consulting; exploration and development; planning and approvals; health, safety and risk; oceans and coastal; laboratories; training and communication and creative services.

An important part of our offering is our project management services which help clients successfully execute their projects in a wide range of sectors including infrastructure, buildings and construction, defence, oil and gas. We focus on providing cost effective and value-added solutions. We employ professionals across a wide range of technical disciplines which enables us to service a broad range of clients, small and large, private and public in many different sectors.

A significant proportion of our work is undertaken at a local level, although increasingly, the breadth of our international expertise is being brought to bear on specific projects to provide comprehensive solutions globally. The types of projects that the Group undertakes are fully described on our website at www.rpsgroup.com.

Drivers of our business

The demand for our services is underpinned by a need to deliver solutions to clients that position them to navigate the complexities they face, whether through the impact of population growth or an increasingly multifaceted legislative and regulatory landscape. These are long term drivers that contribute to:

- the continuing need for sustainable development of land and buildings;
- the expanding need to provide adequate infrastructure such as airports, power stations, public transport, water treatment plants and to deliver energy to market;
- the requirement to secure adequate supplies of energy and other natural resources; and
- the need to manage environmental and health and safety risks, including climate change.

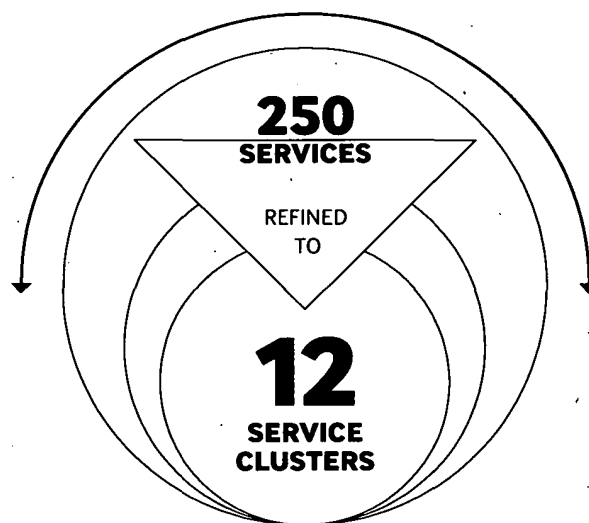
Professional staff

We create shared value, meaning that the work we do solves clients' problems and adds value to their activities as well as our own. We generate income by selling the specialist skills and output of our professional teams to clients to resolve their technical problems. The ability to deliver this breadth of specialist technical expertise and services is therefore dependent on the skills of the professionals we employ. The recruitment, retention and motivation of high calibre employees are therefore crucial elements of our business.

The Group's principal cost is the people it employs and the matching of this cost to the workload within its various business units is also a key component of operations. This is coupled with the careful management of projects to ensure that the Group's profitability is matched by strong cash flow.

Managing and leading to accelerate growth

The Group Board has overall responsibility for the stewardship of the Group. At the operational level, the Chief Executive has overall responsibility for the executive management of the Group and is supported by a settled Group Leadership Team which comprises the Chief Executive, Group Finance Director, six segment CEOs, Group People Director, Group Marketing Director and the more recently appointed Chief Information Officer and Group Strategy Director.



IN JULY 2018 THE BOARD MADE THE FOLLOWING CHANGES:

Creation of a global Energy business

As part of the Board's strategic priority to revitalise our Energy business, the Group's oil and gas businesses in Australia Asia Pacific (AAP), Norway, and North America have been brought together with the UK based Energy team to form a global team. A new team is in place to lead and manage the business, which now provides consulting and services to the oil and gas sector globally.

The Board has also changed the name of BNE – North America to 'North America'. The Group's ocean science business, based in the USA, that provides services to various sectors including oil and gas, has extensive collaboration with the Energy segment, but remains within the North America business.

Re-organisation of our businesses in Europe

RPS provides a range of consultancy and technical services in the UK, Ireland, Netherlands and Norway. To increase focus and manage the Group's businesses better the Board has

made the following organisational changes:

Our business in Norway that provides project and program management is managed by a dedicated team and now reports directly to the Group's CEO.

Our business in the UK, Ireland and Netherlands is now being managed as two separate businesses:

1. a design and development, planning and environment, and project management consulting business in UK and Ireland, named 'Consulting – UK and Ireland'; and
2. a water, laboratory, health, safety and risk services business in UK and Netherlands, named 'Services – UK and Netherlands'.

OUR DIGITAL TRANSFORMATION

We want to capitalise on current and potential strengths by combining data with digital technologies and our deep expertise to collect, collate, interpret and then disseminate this data to our clients in a way that is easy to understand.

Scaling our digital advantage to deliver unique experiences that our clients value has the potential to create multiples of value and to disrupt traditional consulting pricing models.

Our goal is to embed RPS' digital advantage into every part of our business towards delivering self-sustaining, profitable business transformation.

We have assembled a group of digital leaders and work is well underway towards:

- Using data and digital technologies in progressive ways to enhance client engagement and delivery
- Commercialising the untapped value in the data assets we hold to extend our domain expertise into new markets
- Harnessing technology that complements and augments the services we offer to build new lines of revenue.

Our goal is to create significant value for clients, our people and shareholders as we seek to build the density of our expertise across all markets, multiplied by the power of data and digital technologies.

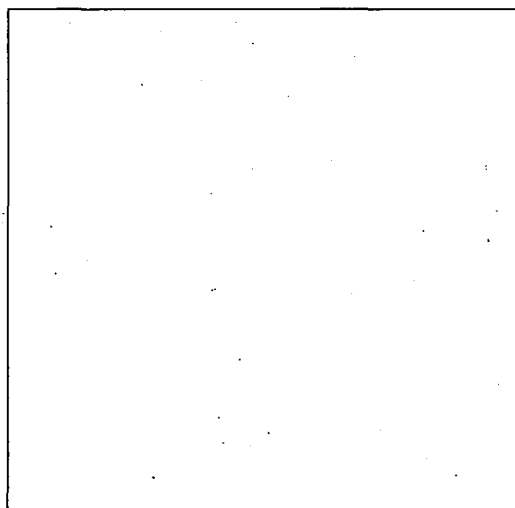
20

DIGITAL 3D MODELLING EXPERTISE

WHAT WE DO: We create shared understanding of complex scenarios in the real world with a digital 3D model in a virtual world.

MAKING COMPLEX EASY: Our 3D modelling services help clients and stakeholders collaborate to develop integrated solutions and communicate complex scenarios.

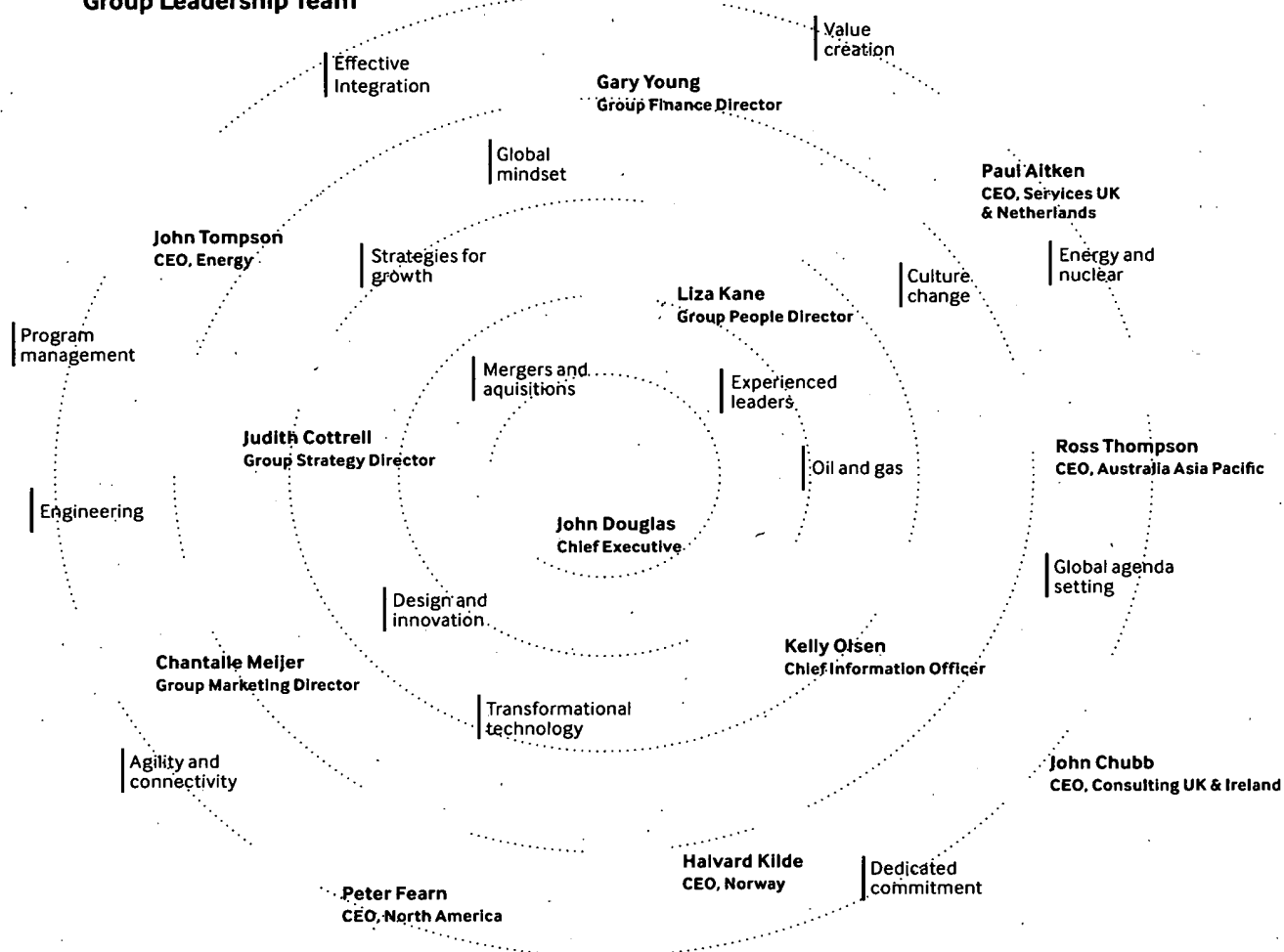
THE RESULT: We transform complex technical information into accurate, clear visual communications. Our expertise includes rendering, 3D modelling, editing, video capture by drones and technical software development to help our clients communicate with clarity, to build trust and deliver project outcomes with confidence.



Marketing Professional
Testing out VR capabilities at our service
and innovation leadership workshop

STRONG LEADERSHIP AND GLOBAL REACH

Group Leadership Team



SIX SECTORS

Property

Residential
Commercial and retail
Leisure and tourism
Industrial
Health and healthcare
Education

Resources

Mining
Waste

Defence and government services

Defence
Security and safety
Information and telecommunications

Energy

Oil and gas
Renewables
Nuclear facilities
Power and gas networks
Storage

Transport

Roads
Rail
Aviation
Ports

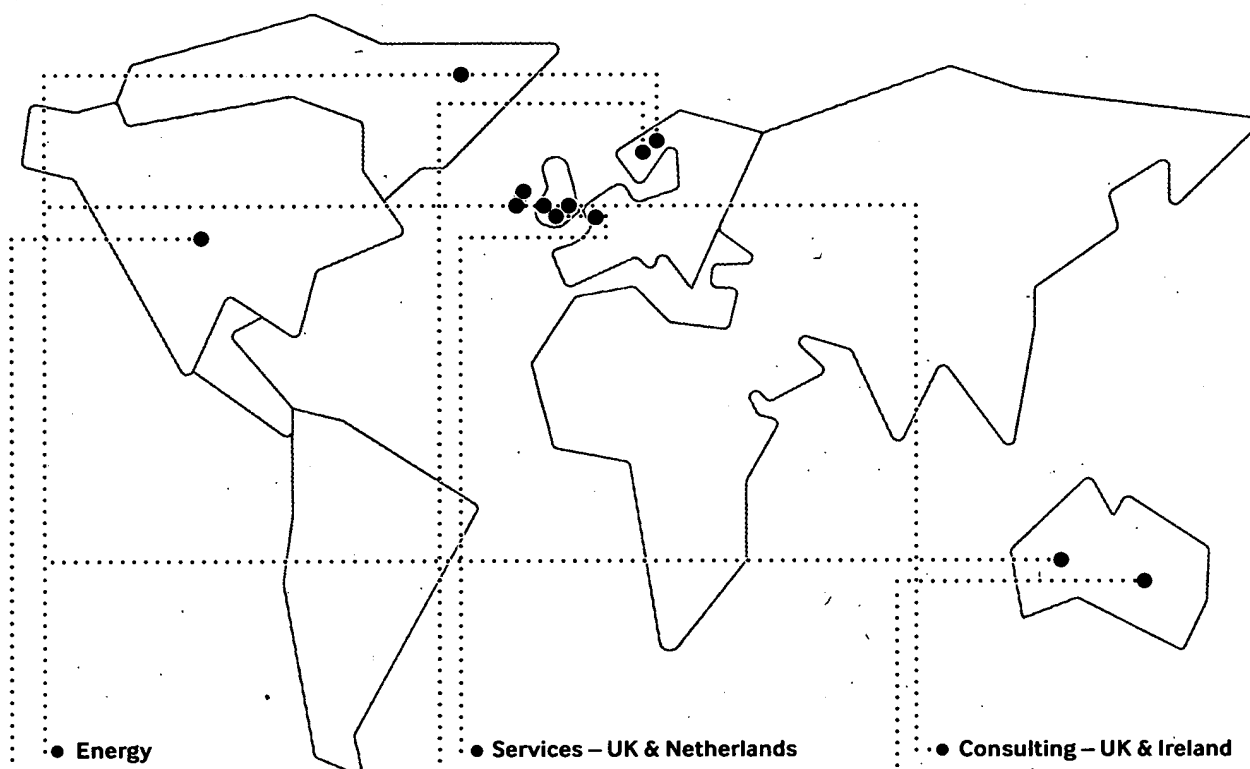
Water

Water management
Wastewater
Flooding and drainage
Groundwater

12 SERVICE CLUSTERS

Project and program management
Design and development
Water services
Environment
Advisory and management consulting
Training
Planning and approvals
Health, safety and risk
Oceans and coastal
Laboratories
Exploration and development
Communications and creative services

OUR REACH



• Energy

Sectors

Energy

Services

Exploration and development
Oceans and coastal
Advisory and management consulting
Training
Health, safety and risk
Environment
Laboratories

• Services – UK & Netherlands

Sectors

Water
Property
Transport
Energy
Defence and government services

Services

Water services
Design and development
Laboratories
Health, safety and risk
Advisory and management consulting

• Consulting – UK & Ireland

Sectors

Property
Transport
Energy
Water
Defence and government services
Resources

Services

Exploration and development
Oceans and coastal
Advisory and management consulting
Training
Health, safety and risk
Environment
Laboratories

23

• North America

Sectors

Property
Transport
Energy
Defence and government services
Water

Services

Environment
Design and development
Advisory and management consulting
Oceans and coastal

• Norway

Sectors

Defence and government services
Property
Energy

Services

Project and program management
Advisory and management consulting
Training

• Australia Asia Pacific

Sectors

Energy
Transport
Defence and government services
Property
Resources
Water

Services

Project and program management
Design and development
Advisory and management consulting
Environment
Communications and creative services
Planning and approvals
Water services

FINANCIAL REVIEW

Performance summary

Fee income for 2018 was £574.2m (2017: £562.3m, £552.6m at constant currency), an increase of 4% at constant currency. Our PBTA was £50.2m (2017: £53.9m, £52.8m at constant currency).

The Group's results for the year are summarised in the table below:

| | 2018 | 2017 | 2017 (constant currency) |
|--|---------|---------|-----------------------------|
| Key financial performance metrics | | | |
| Revenue | £637.4m | £630.6m | £619.9m |
| Fee income | £574.2m | £562.3m | £552.6m |
| Operating profit before A ¹ | £54.0m | £58.5m | £57.3m |
| Operating before A margin | 9.4% | 10.4% | 10.4% |
| PBTA | £50.2m | £53.9m | £52.8m |
| Adjusted diluted earnings per share | 16.34p | 17.01p | 16.65p |
| Amortisation and impairment of intangible assets and transaction related costs | £9.2m | £55.5m | £55.1m |
| Statutory reporting | | | |
| Operating profit | £44.9m | £2.9m | £2.1m |
| PBT | £41.0m | £(1.6)m | £(2.4m) |
| Statutory diluted earnings per share | 13.23p | (7.47)p | (7.66)p |

Note 1 'A' is Amortisation and impairment of acquired intangibles and transaction-related costs.

We believe that PBTA and operating profit before A are more representative measures of performance than statutory measures. By excluding amortisation and impairment of intangible assets and acquisition related costs ('A'), the Board has a clearer view on the performance of the Group and is better able to make operational decisions to support its strategy.

Segment underlying profit was £64.2m (2017 £68.2m) with growth in Energy and Norway, whilst Consulting UK & Ireland, North America and AAP suffered from the effects of retention and recruitment challenges. Organic initiatives, yet to produce significant returns, lessened the performance of Services UK & NL. Reorganisation costs were £1.8m compared to £1.2m in 2017, the increase mainly due to lease exit costs in Norway of £0.8m. Unallocated expenses were £8.4m, compared to £8.5m in the prior year. In 2018 we invested in Group HR, marketing and IT but incurred no significant costs associated with Board changes as we did in 2017 and bonuses were lower. Operating profit before A was £54.0m (2017: £58.5m, £57.3m at constant currency) at a margin on fees of 9.4% (2017: 10.4%).

Net finance costs

Net finance costs were £3.9m (2017: £4.5m) reflecting lower average total net borrowings, comprising net bank debt and deferred consideration, in 2018 than in 2017. The average total net borrowings in 2018 was £87.2m (2017: £98.4m).

Tax

The effective tax rate for the year on profit before tax, amortisation of acquired intangibles and transaction related costs is 26.8 % (2017 29.6%). The reduction is mainly due to a decrease in the US Federal tax rate from 35% to 21% effective from 1 January 2018 and a lower level of irrecoverable withholding tax in 2018.

The income tax expense for the year was £11.2m (2017: £15.1m) on a profit before tax of £41.0m (2017: £1.6m loss). The effective tax rate for the year on profit before tax was 27.4% (2017: 39.2% after adjustment for the impairment of goodwill which was not deductible for tax purposes). The 2017 tax rate was higher as it included the impact of the US Federal tax rate reduction on deferred tax assets relating to the amortisation of goodwill and intangibles.

EPS

Adjusted diluted EPS was 16.34p (2017: 17.01p, 16.65p at constant currency), a decrease of 1.9% over last year at constant currency. The percentage decrease is less than the reduction in PBTA mainly due to the lower effective tax rate on PBTA in the year. The board consider that adjusted EPS, which is statutory EPS excluding the amortisation and impairment of intangible assets and transaction related costs and the tax thereon provides a more useful indication of performance and trends over time. Statutory diluted EPS was 13.23p (2017: -7.47p).

Amortisation and impairment of intangible assets and transaction related costs

Amortisation and impairment of intangible assets and transaction related costs totalled £9.2m (2017: £55.5m). Included in this total is goodwill impairment of Enil (2017: £40.0m related to the impairment of our oil and gas exposed energy businesses), amortisation of acquired intangibles £9.1m (2017: £12.8m), and loss on disposal of business Enil (2017: £2.7m).

Foreign exchange

Approximately 67% of underlying operating profit was derived from operations other than in the UK, mainly in Australia, US, Norway, Netherlands, Ireland and Canada. The Group's consolidated results are therefore significantly exposed to the effect of exchange rates when translating the results of non-UK operations into sterling.

The profit in 2018 suffered from exchange movements on the conversion of overseas results. PBTA in 2018 would have been £1.3m higher than reported had 2017 exchange rates been repeated in 2018. The PBTA in 2017 would have been £1.2m lower than reported if 2018 exchange rates have prevailed in 2017. Statutory profit in 2017 would have been £0.4m lower than reported if 2018 exchange rates prevailed in 2017.

Borrowings and cash flow

Net bank borrowings at the year-end were lower at £73.9m (31 December 2017: £80.6m). Net cash from operating activities was £44.5m (2017: £43.7m). Our conversion of profit into operating cash was again good at 94% (2017: 91%) reflecting our strong focus on collections. Net cash used in investing activities was £13.4m (2017: £21.1m), the reduction due to lower expenditure on deferred consideration for acquisitions of £1.6m (2017: £12.9m) and higher net capital expenditure of £11.7m (2017: £8.4m). The amount paid in respect of dividends was £22.1m (2017: £22.0m).

Deferred consideration outstanding at the year-end was £0.3m (31 December 2017: £1.8m). Our leverage (being net bank debt plus deferred consideration expressed as a percentage of adjusted EBITDA) at the year end was 1.3x (31 December 2017: 1.3x).

Bank facilities

The Group's main bank facility is a committed multi-currency revolving credit facility totalling £150m which expires in July 2020. £32.8m was drawn at the year-end resulting in headroom of £117.2m. The margin payable on the drawn funds is variable and is set for the following six months dependent on the leverage of the Group at 31 December and 30 June. The loans drawn at the year-end have tenors of up to 1 month.

In 2014, the Group issued 7 year US private placement notes of \$34.1m and £30.0m that are repayable in September 2021. They are non-amortising and carry fixed interest of 3.84% pa and 3.98% pa respectively. These notes represent the Group's core debt.

Dividends

The total (paid and proposed) dividend for the year is 9.88p per ordinary share (2017 9.88p) and amounts to £22.1m. The proposed final dividend of 5.08p (2017: 5.08p) will be paid on 17 May 2019 to shareholders on the register of members at the close of business on 23 April 2019 subject to approval at the Annual General Meeting on 1 May 2019.

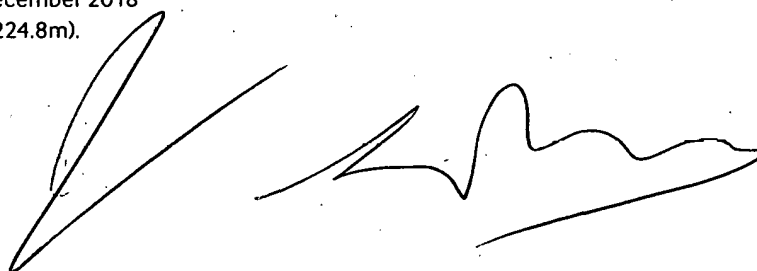
Capital structure

As at 31 December 2018 the Group had shareholders' funds of £377.6m (31 December 2017: £369.8m). The Company had shareholders' funds of £270.6m (2017: £283.6m) and £226.1m fully paid ordinary shares in issue at 31 December 2018 (31 December 2017: £224.8m).

Basis of preparation and new accounting standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and International Financial Reporting Standards Interpretations Committee (IFRS IFRIC) interpretations issued and effective at the time of preparing the financial statements. The Group's principal accounting policies are detailed in note 1 to the accounts on pages 92 and 93. The Group adopted IFRS 9 "Financial instruments" and IFRS 15 "Revenue" for the first time in 2018. The impact of the adoption of these new standards is disclosed in note 30 to the accounts on page 125.

The Group will apply IFRS 16 'Leases' from 1 January 2019 and has elected not to restate comparatives on initial adoption. An assessment has been undertaken of the impact of adopting IFRS 16 based on leases outstanding at 31 December 2018 and the Group estimates that lease right of use assets of £44m and lease liabilities of £48m will be recognised on transition. In addition, lease prepayments of £0.5m, lease accruals of £0.5m and onerous lease provisions of £2.1m will be derecognised on transition. We have confirmed with our lenders that bank covenant compliance will be calculated on the basis of IAS 17, that is pre the application of IFRS 16, until the renewal of our facilities.



RISK AND RISK MANAGEMENT

Risk management

The nature of the activities that the Group undertakes and its business model are described on pages 18 to 19. This gives rise to a range of risks consistent with a commercial organisation of this type, the principal risks of which are itemised and explained below. This explanation encompasses the nature of each risk, the steps taken to mitigate them and changes in the magnitude of such risks during the year.

The Group's formal system of Risk Management and Internal Control and its principal components are described on pages 57 to 58. Through the adoption of appropriate controls and related audit this seeks to mitigate financial and commercial risks which are inherent in the Group's operating processes. Given the nature of the Group's activities, however, the effective management of risk also requires collective responsibility and engagement across the business. The management of risk is not therefore separated from the business and is treated as an integral part of the Group's culture and the way it operates. Our operational teams accordingly consider the risks to which their component businesses are exposed, and their mitigation, on an ongoing basis and at regular meetings. A structured reporting framework is in place to support this activity. This analyses key risks to provide clear understanding and enable identification of mitigating actions.

Against the background of reporting from this level, the Group Leadership Team oversees the operational management of the key risks to which the Group as a whole is exposed. Reporting to the Group Board incorporates the principal risks to which the Group is exposed and the specific manifestation of those risks from time to time. In considering and challenging this information the Group Board undertakes robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity. This process is integral to consideration of the Group's Long Term Viability Statement.

Principal risks

The principal risks to which the Group is exposed, as well as the measures taken to achieve their mitigation and in each case any change that has happened in the year, are detailed in the table on the following pages.

Long term viability

In accordance with the requirements of the UK Governance Code the Board has assessed the long term viability of the Group. This was done over a three-year period to March 2022 taking account of the principal risks as well as the Group's current position, its strategy and the Board's risk appetite. A three year period was chosen as it covers the period supported by strategic review work undertaken, giving greater certainty over the forecasting assumptions used. The Board considered cash flow models over that period based upon a range of assumptions relating to trading performance, expenditure on acquisitions and other outflows including those associated with the principal risks the Group faces – this modelling included severe but reasonable scenarios (and reflected the potential impact of a no-deal exit from the EU). Based on this assessment the Directors have a reasonable expectation that the Group will continue in operation and be able to meet its liabilities as they fall due over the period to March 2022. In making this statement the Directors have also made the key assumption that the Group's revolving credit facility, that expires in July 2020, will be renewed in all plausible market conditions.

| RISK | Exposure | Mitigation | Change in the year |
|---|--|--|--|
| Economic Environment | Changes in the economic environment have historically proved to be the greatest risk to which the Group is exposed. The global financial crisis of 2008 and ensuing recession as well as the collapse of oil prices in 2015/16 both had substantive impact on parts of the Group. Adverse economic changes may cause clients to cancel, postpone or downsize projects as well as increasing risk associated with recovery of debts and work-in-progress. | Exposure to a wide range of markets and geographies serves to mitigate overall risk. As far as practicable, economic conditions affecting our markets are monitored in order that swift action can be taken. The contracted order book is monitored relative to the productive capacity of fee-earning staff and actions taken to match costs with anticipated workload. | Overall economic risks have increased during the year. In line with the stance adopted by the Trump administration in the US, the risks of a significant global trade war have increased. In addition the risk of a 'hard-Brexit' and ensuing economic disruption have increased significantly. |
| Recruitment and Retention of Staff | The Group's ability to manage and service its clients is dependent upon the skills of well-qualified and professional employees. A failure to recruit and retain employees of appropriate calibre will therefore affect our ability to meet client expectations and develop the business. Linked to this, a failure to adequately consider management succession may lead to discontinuity in operations. | The Group retains the key strategic priority of being recognised by its people as being a great place to do great work. This entails the development of an appropriate culture and related management systems. The ongoing work in this area is fully described on pages 32 to 34 the successful completion of which will serve to substantially mitigate overall risk in this area. | The impact of staff loss from acquired businesses was felt in Consulting UK & Ireland, North America and AAP. Our staff turnover rate remained high. The competition for talent in a number of the Group's markets has remained intense. Initiatives taken to mitigate risks in this area will therefore be of continuing importance. |
| Political Events | The changes and uncertainties arising from political events may have an impact upon the markets in which we operate and the plans of our clients. This may cause the cancellation, postponement or downsizing of projects. | The substantial majority of the Group's services are provided in relatively stable and predictable liberal democracies. In addition the factors serving to mitigate economic risks also operate in this area whereby the wide range of markets and geographies in which we operate serves to reduce the impact of political change in any particular region. As far as is practicable, risks in this area are monitored and plans adjusted accordingly. | Overall risk increased in the year. The political uncertainty relating to the terms of the UK's departure from the European Union has increased as has the related possibility of a UK General Election and potential change of government. Political risks in the Group's other principal jurisdictions have not changed substantially although as noted above the risks of a global trade war appear to be heightened. |
| Business Acquisitions | Well-planned business acquisitions continue to be an important element in support of our strategy. A failure to understand the market conditions affecting an acquired business, to identify acquired liabilities, or to retain and motivate key employees within acquired businesses can all result in a business failing to deliver anticipated profit and cash flow. | The Group's strategy will in general dictate that acquisitions are only made in market areas with which senior management are familiar. Detailed commercial, financial and legal due diligence is undertaken prior to completing any acquisition and clear corporate integration plans are agreed. | There was no change in overall risk in the year. The Group retains considerable acquisition experience and as activity in this area resumes, risks are unlikely to change materially. |
| Health and Safety | The Group has a legal and moral obligation to ensure the safety of its employees and others whom its activities may affect. A failure to discharge these obligations could expose individuals to risk of injury or other harm as well as leaving the Group liable to related damages, regulatory penalty and reputational harm. | Detailed health and safety policies and procedures are in place throughout the Group and focus on the differing and emerging risks within the Group's various businesses. A structured reporting process is in place to ensure that any incidents are identified and appropriate action taken to investigate and mitigate future risk. The Group's approach to health and safety is described more fully in the Corporate Social Responsibility report on page 36. | There was no overall change during the year. The scope of the Group's activities and the risks they present has not changed in any significant way. |

| RISK | Exposure | Mitigation | Change in the year |
|---|--|--|---|
| Regulatory and Compliance | The Group is subject to a range of legal, taxation and regulatory requirements at corporate level and within each of the jurisdictions within which it operates and does business. A failure to comply with these obligations could give rise to financial penalty, regulatory intervention and reputational damage. | Whilst the Group is subject to the corporate law and regulation affecting most groups of its size and complexity, the activities that the Group undertakes are, in general, not subject to industry specific regulation. Overseas projects that may carry elevated risk are scrutinised on a case by case basis. The Group has appropriate internal controls to support regulatory compliance and employs suitably qualified professionals to monitor and manage regulation within its various jurisdictions. | There was no overall change during the year. Whilst the detail of applicable law and regulation will continue to evolve there have been no changes anticipated within the Group's current jurisdictions which are likely to have any material effect upon overall risks in this area. Appropriate processes have been put in place to deal with the impact of GDPR. The range of jurisdictions in which project work is undertaken may change, although will remain subject to scrutiny as highlighted above. |
| Service Failures | A failure to deliver our services in accordance with contractual obligations may lead to compensatory claims against the Group and damage to reputation as well as possible loss of future work. | The Group operates quality control systems many of which are externally accredited and which are designed to mitigate the risk of failures. In addition the Group operates contract management systems to ensure that contractual risks are identified, risk assessed and as far as practicable mitigated. The Group maintains professional indemnity insurance throughout the large majority of its businesses at a level commensurate with risks. Subject to applicable policy limits and excesses this will indemnify the Group against claims in the large majority of situations. | There was no overall change in the year. The nature of the Group's activities and the environments in which they are conducted have not changed materially. |
| Financial Risks | An inability to secure adequate funding for the Group will limit the ability to invest in growth. In addition a failure to manage risks related to foreign exchange, interest rates, credit and liquidity could lead to a significant deterioration in the Group's financial position. | The Group has in place a multi-currency revolving credit facility of £150m provided by Lloyds and HSBC and which expires in 2020. The Group has also issued seven year US private placement notes of US\$34m and £30m repayable in 2021 under a facility provided by Prudential Management Inc. Funding and investment requirements are monitored by the Group Finance function which also oversees the management of financial risks on a prudent basis and as more fully described in note 28 to the financial statements on page 122. | There was no overall change in the year. The Group has an adequate committed facility until 2020 and will continue to manage financial risks on a prudent basis. The refinancing of this facility is a priority for 2019 although is not expected to present undue difficulty. |
| Information Technology and Security Risks | A prolonged lack of availability of critical IT systems could cause significant discontinuity in operations. A cyber-related attack on our systems could lead to infection by viruses, loss of personal data and sensitive data, theft or fraud. Either eventuality could lead to operational disruption, affecting our ability to deliver client services, leading to financial loss and reputational damage. | The Group continues to manage its IT systems on a centralised basis with annual planning which incorporates measures designed to maximise reliability and resilience as well as disaster planning. Systems are reviewed and upgraded on a rolling basis. The Group employs a Security Officer and policies, procedures and security measures are reviewed and enhanced on a regular basis. The roll-out of a number of additional measures has commenced during the year including user authentication and device encryption. | There was no overall change in the year. The ongoing program of systems development should serve to improve the resilience and reliability of systems. Notwithstanding additional measures highlighted above, the level of threat from cyber-attacks of an increasingly sophisticated nature is unlikely to diminish and must be accounted for with responsible forethought. |

PEOPLE

31

PEOPLE

A great place to do great work – one of our five strategic priorities

Creating the foundations for attracting and retaining the best people

Our people are undeniably our greatest asset and have always been the key to our success. We want our teams to experience an environment that engages and inspires them to be their best. We want RPS to be a company where everyone can use their skills and specialist knowledge to make complex easy and solve the problems facing our changing world.

RPS has identified the recruitment and retention of our people as a very high priority across the Group.

Without the right people in the right place doing the best job they can, we won't realise our full potential. In recognition of this strategic imperative we have established our first Global People Strategy. This can be summed up as making RPS a great place to do great work.

Creating a stimulating and engaging working environment

In 2018 we conducted our inaugural global staff survey because we wanted to hear our employees' views on working life at RPS and for them to identify the issues that need to be put at the heart of our strategy. Thanks to a fantastic response rate of 80% we have, for the first time, a detailed picture of what our people are thinking and feeling, and this feedback has underpinned our Global People Strategy. Our action plans have prioritised:

- The effectiveness of our senior leaders and how we act more successfully on our people's ideas and opinions
- Providing clarity on our strategy to build confidence in the direction we are taking
- Improving levels of understanding of how people are rewarded.

32

STRONGER TOGETHER

We recognise potential and work in partnership to make the most of opportunity

RPS established a new forum in Netherlands called Young RPS in 2018. Young RPS is for every employee under the age of 35. The group shares an online platform to keep in touch with each other, share information and arrange events where they discuss RPS' strategy and their own career development and journey at RPS.

Young RPS held its first meeting in October 2018 following the Senior Leadership Conference: sharing the highlights and priorities presented by John Douglas, Chief Executive. It also held a dedicated career development day in January 2019 to focus on employee career paths.



A newly defined set of organisational behaviours

Our newly created Behaviours, which sit alongside our new Purpose and Promise, form an integral part of how we want people to identify with RPS and will underpin our efforts in making RPS a great place to do great work.

Each element of our brand was created by our people, this is especially true of our behaviours. We know these reflect what our clients like about working with us. They also importantly reflect the best of what our people say we are like to work for.

Our Behaviours

In 2019 our behaviours will be integrated into our daily working life and form part of the fabric of key initiatives which are aimed at helping our people shine and build meaningful careers at RPS.

Diversity and inclusion

As a global firm operating in 125 countries, we're as diverse as the communities and clients we represent. RPS is grounded in the belief that people should be supported to find the right position and that all interactions are based on respect, compassion and fairness. It's a view that our people share: in our global staff survey completed in 2018, 82% agreed that RPS treats employees fairly regardless of their age, gender, race, sexual orientation, disability, religion or beliefs.

RPS has continued to make progress with the female to male ratios at its most senior levels. The Group has committed to a minimum target of 25% of its Board being female. In 2017, this target was met with 33% of the Board being female and in 2018 the percentage was maintained at 33%. The Group Leadership Team, made up of 12 members, was finalised in 2018 and 33% of this group is female.

Male to Female Ratios

33

Our behaviours framework will help guide us operating at our best day, every day.

Our aspiration is that our Behaviours will:

- Guide all employees on the environment we wish to create
- Support our diverse collective of people around the globe
- Guide our employees on the set standards of performance to drive their career
- Support our leaders in aligning what needs to be achieved and how we do it
- Drive a stronger culture of innovation
- Provide a strong link between what needs to be achieved and how we do it
- Act as a reminder to be more compelling in supporting the communities we impact

Rewarding performance

Starting with developing global reward principles to inform our decisions around reward, we are prioritising the review of our reward offering to our senior leaders. We want to ensure a pay for performance philosophy aligned to robust annual objectives that will provide focus on Absolute Delivery. We are presently reviewing the short-term and long-term incentive offering for leaders across the organisation in readiness for the full year 2019 performance period.

Investment in leadership

This year we have paid particular attention to our global leadership community. We established a global senior leadership group made up of 80 of our senior leaders around the world.

Our staff told us how important understanding the strategy, building confidence in leadership and leaders acting as role models is to them. To help our leaders support their teams in these aspects, we ran a three-day global Senior Leadership Conference for our senior leaders. This was the first time in RPS' history that a global team of this size had gathered to discuss as a community how we wanted to move the business forward. Attendees took part in a range of sessions from strategy updates to exploring, probing and contributing ideas as well as a targeted session investing in their own leadership development.

Our new organisation structure supports clients and growth

To support the restructure of our European businesses, this year we have expanded the breadth of expertise on the Group Leadership Team. We have also appointed functional leaders with global scope and we have also invested in strengthening operational teams around the world.

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

People

Recruitment, retention and motivation of employees is of vital importance for a professional services organisation and is identified as one of the Group's principal risks.

This is also reflected as one of the Group's strategic priorities to be rated by employees as a great place to do great work. Our Group People Director was appointed during the year and, working with the Group Leadership Team, has focused on strengthening our resources and improving human resource practices in pursuit of this priority. A full report in relation to this area, including policies in relation to diversity is presented on pages 32 to 34.

Health and safety

We have a moral and legal responsibility to safeguard our employees and others affected by our operations and services. Health and Safety is also recognised as one of the Group's principal risks. The Group sets an overall policy for the management of health and safety and the Group People Director retains general oversight in this area. The Chief Executive takes a direct interest in health and safety and discusses performance on a regular basis with business segments. He also reports to the Board on overall performance and any more serious incidents that arise. Operational responsibility, however, lies within the Group's operating businesses which are closest to and best positioned to manage their risks. The nature of these risks is dependent on the activities of particular businesses and health and safety systems vary accordingly to ensure that key areas are addressed. All, however, have in common clear policies and procedures and appropriate risk assessment techniques backed by training and clear communication.

Training is focused not only on specific hazards but also the wider obligations of management. These activities are overseen by appropriately qualified and experienced health and safety advisers and systems are subject to regular audit, both internally and by external agencies. Where accidents, near-misses or dangerous occurrences occur these are investigated in order that they are fully understood and appropriate action can be taken to minimise risk of occurrence.

Health and Safety performance is monitored at business and segment level. This incorporates analysis of incidents, dangerous occurrences and near-misses in order that appropriate remedial action can be taken where required. As noted above, the Group Board receives and reviews a regular report which incorporates these elements and any emerging issues. Any material issues or concerns identified at Group level are considered by the Chief Executive and the Group People Director.

OHSAS 18001 is an internationally recognised standard for health and safety management that is aligned with the ISO 9000 (Quality Management) and ISO 14001 (Environmental Management) standards. 69% (2017: 66%) of employees across the Group work in offices that now have third party accreditation to the OHSAS 18001 standard.

The reportable accident rate in the year was 0.8 accidents per 1,000 employees (2017: 2.1). Accidents that do occur most commonly relate to field staff and involve manual handling activities, slips and falls.

Reportable accident rates

| Group | 2018 | 2017 |
|---|------|------|
| Reportable injuries | 5 | 12 |
| Reportable injuries incident rate per 1,000 employees | 0.8 | 2.1 |

Business relationships

The Group looks to conduct business relationships in a transparent and fair manner and correspondingly expects its employees to behave in a fashion consistent with these values. The standards expected are specified in codes of conduct to which employees are required to adhere. Employees are required to be sympathetic to the cultures of and comply with the laws and regulations of the countries in which they operate, as well as giving due regard to the safety and wellbeing of all project personnel and relevant local communities. All RPS employees are expected to avoid any personal or professional interests that could conflict with their responsibilities to the Group and, should such a situation arise, are expected to report it promptly. The Group has a clearly stated and zero tolerance policy in relation to acts of bribery and corruption and supports the UN Global Compact and the UN Convention on Anti-Corruption. No incidents of bribery or corruption have been identified within the Group's operations.

The Group also supports the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. The Group understands its responsibility to respect the human rights of the communities and workforces with whom it interacts and employees are expected to conduct themselves in a commensurate manner. In particular RPS supports the objectives of the Modern Slavery Act and will not tolerate modern slavery or human trafficking within its own supply chain. During the year, the Group having conducted a further review of its supply chain published its second modern slavery statement. As far as is reasonably ascertainable none of the Group's activities have directly or indirectly given rise to the abuse of human rights.

Environmental management and climate change

As indicated above the Group's greatest contribution to the environment is through its own expertise and many of the projects with which it is involved. It advises international bodies, governments, local authorities and companies on the improvement of environmental performance. Projects include the development of strategies to reduce carbon emissions and the adaptation of buildings and infrastructure to anticipate climate change as well as the preparation of Environmental Impact Assessments across several sectors. Whilst given the nature of its activities the Group's direct impact on the environment is comparatively modest, policies and standards are in place which aim to minimise this impact wherever possible. These incorporate the following:

- Compliance with all relevant national and regional legislation as a minimum standard
- Compliance with relevant codes of practice and other requirements such as those specified by regulators and our clients
- Employment of practical energy efficiency and waste minimisation measures
- Policies in relation to the purchase and use of vehicles to minimise environmental impact
- Provision of an inter-office IT network together with communications and video
- Conferencing technology in order to reduce business travel (the foregoing is consistent with the Group's current publicly stated policy in this area).

To achieve these objectives, appropriate training is provided where required to enable activities to be conducted in an environmentally sensitive manner, and sufficient management resources are allocated to enable effective implementation of policies. A number of the Group's operating businesses have achieved ISO14001, the internationally recognised environmental management system standard. During 2018 many of our offices continued to recycle waste paper, spent toner and ink cartridges, obsolete computer hardware, printers and mobile phones.

RPS is a participating member of the Carbon Disclosure Project to which it provides data on an annual basis.

Greenhouse gas reporting

For the reporting year January 1 – December 31 2018 we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the 2018 UK Government's Conversion Factors for Company Reporting and the International Energy Agency CO2 Emissions from Fuel Combustion, OECD/IEA, Paris, 2018 for consumption in our international offices. Greenhouse gas emissions are reported using the following parameters to determine what is included within the reporting boundaries in terms of RPS energy consumption.

- Scope 1 – direct emissions includes any gas data and fuel use for company owned vehicles. Fugitive emissions from air conditioning are included where it is RPS' responsibility within the tenanted buildings
- Scope 2 – indirect energy emissions includes purchased electricity throughout the company operations.

Greenhouse gas emissions (tCO2e) are set out in the table below.

| | 2017 | 2018 |
|--------------------------------|--------|--------|
| Scope 1: Direct emissions | 9,435 | 10,466 |
| Scope 2: Indirect emissions | 3,655 | 3,539 |
| Total | 13,090 | 14,005 |

The increase in Scope 1 is largely attributable to increases in staff numbers and harsh winter temperatures. The decrease in Scope 2 emissions is largely attributable to some office rationalisation in parts of the business and decarbonisation of the grid.

The Group has set a target to reduce per capita office energy consumption by 2.5% on a five year rolling average basis. Using this approach the five year rolling average up to 2017 was 3.34 MWh per capita which decreased to 3.26 MWh per capita for the five year rolling average to 2018. This equates to a decrease of 2.39% which is just below our target.

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

RESPONSIBLE RE-BRANDING

A considered and responsible approach to our re-brand

Our commitment to sustainability and ethical good practice have formed the foundation of our re-branding process.

PERSONAL PROTECTIVE EQUIPMENT

Personal Protective Equipment (PPE) is critical to the safety and security of our people and we have a wide range of items that are worn day in day out by thousands of colleagues across the world. One of the biggest challenges of our responsible rebrand was how to minimise waste through out of date PPE. To do this we are working with a global network of recycling groups to dispose of 'old-brand' PPE in the best ways possible. This includes shredding hi-vis jackets to manufacture insulation for sustainable building components. In the US we are working with long standing partner Green Standards on a waste diversion programme that will benefit community groups. In the UK wool clothing is being re-woven into new clothing, other materials are being shredded for vehicle insulation and we will achieve zero landfill certification through this process.

DIGITAL BUSINESS CARDS

We have switched from paper business cards to digital cards. All 5,600 employees are now able to create their own digital business card. As well as making good business sense in reducing cost, we are also dramatically reducing our consumption of paper, saving half a million A4 sheets of paper in the process, making a meaningful reduction in our carbon footprint.

DUAL-WALL THERMAL WATER BOTTLES

To mark our brand launch with employees in a responsible way, we gifted dual-wall thermal water bottles. 5,600 more people across the world are now using long lasting water bottles, instead of adding to landfill. Our supplier is regulated by not-for-profit body Sedex, working to improve ethical and responsible business practices throughout the supply chain globally.

We create shared value by solving problems that matter to a complex, urbanising and resource-scarce world.

OUR PARTNERSHIP WITH TREE AID: CELEBRATING 12 YEARS

Since being founded in 1987, TREE AID has:

**HELPED LIFT OVER
1 MILLION
PEOPLE OUT
OF POVERTY**

**GROWN OVER
17 MILLION
TREES**

**IMPROVED ACCESS
RIGHTS TO
FOREST AND
TREE RESOURCES**

INFLUENCED NATIONAL AND INTERNATIONAL POLICY

OUR PAST

Long term and evolving relationship over the last 12 years.

For 5 years RPS as sole funder supported the specific Bongo River Trees project in Ghana, through a mix of funding and pro-bono specialist and practical services working directly with the charity and community volunteer groups.

**PROTECTED 35KM
OF RIVER BANK**

**PLANTED 92K TREES
AND 34K VETIVER
GRASS PLANTS**

**BUILT 4 WEIRS
AND 2 WELLS**

IMPROVED THE LIVES OF OVER 11K PROJECT PARTICIPANTS IN THE BONGO RIVER AREA

RPS IS CURRENTLY FUNDING THE MEKI PROJECT IN ETHIOPIA

- The Mekki river basin is a major source of water in the country and of vital importance to agriculture and horticulture in the Oromia region – it flows from the Gurage highlands in SNNPR, 100km to Lake Ziway.
- Along the Mekki River, the land is over-exploited as people try to survive, feeding a cycle of environmental degradation and poverty, with depleted topsoil silting up the lake and damaging it as a vital water source.

THE SOLUTION

**30-50 ENTERPRISE
GROUPS PRODUCING
TREE RELATED
PRODUCTS e.g. HONEY**

**300 HECTARES
OF ENCLOSED LAND
FOR PLANTING AND
PROTECTION**

**60 WOMEN'S GROUPS
MAKING FUEL EFFICIENT
STOVES REDUCING NEED
FOR FUEL WOOD**

THE IMPACT

**PROJECT HAS BEEN
RUNNING FOR JUST
OVER A YEAR**

**INCREASED
VEGETATION
COVER ACROSS
300 HECTARES**

**REDUCED
FUELWOOD USE**

INCREASED SUSTAINABLE INCOME

IMPROVED WATER SUPPLY

41

**A PROJECT LEADER FROM OUR AMSTERDAM OFFICE VISITED THE BONGO RIVER TREES PROJECT
IN GHANA**

REPORT OF THE DIRECTORS

43

THE BOARD

44

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 2018. Certain matters that would otherwise be disclosed in the Report of Directors are reported elsewhere in the Annual Report and Accounts. The Report of Directors should therefore be read in conjunction with the Strategic Report on pages 7 to 30, the Corporate Governance Report on pages 52 to 78 and other parts of the Report and Accounts as referred to below.

Directors

The Directors of the Company as at 31 December 2018 were those listed on pages 46 to 47. The changes to the Board that occurred in the year are as detailed on page 54. The Directors' interests in the share capital of the Company are as shown in the Annual Report on Remuneration on page 69.

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

Results and dividend

The Consolidated Income Statement is set out on page 90 and shows the profit for the year. The Directors recommend a final dividend of 5.08p (2017: 5.08p) per share which, subject to approval at the Annual General Meeting to be held on 1 May 2019, will be paid to shareholders on 17 May 2019. This together with the interim dividend of 4.80p (2017: 4.80p) per share paid on 12 October 2018 gives a total dividend of 9.88p (2017: 9.88p) per share for the year ended 31 December 2018.

Strategic report

The Group's Strategic Report can be found on pages 7 to 30. This report is required to contain a fair review of the Company's business and a description of the principal risks and uncertainties that it faces. The Strategic Report contains certain forward looking

statements with respect to the financial condition, results of operations and businesses of RPS as well as likely future developments. These statements involve risk and uncertainty as 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. Nothing in the Strategic Report should be construed as a profit forecast.

Financial key performance indicators can be found on page 5. The Directors review performance using these Alternative Performance Measures (APMs) as defined in Note 3 to the Consolidated Financial Statements. The APMs used exclude certain items that the Board believes distort the trading performance of the Group. These items are either acquisition and disposal related or non-cash items. The Board does not at present use non-financial key performance indicators to assess the Group as a whole, although parts of the Group do use such indicators from time to time.

Consistent with its size and complexity, the Group has a large number of contractual relationships with clients and suppliers. In the Directors' view, however, there is no single contract or client relationship, which is essential to the Group's business. The Group's subsidiary undertakings are listed in note 6 to the Parent Company Financial Statements. The Group develops and delivers innovative technical solutions to its clients, the costs of which are expensed to the Consolidated Income Statement.

The Group obtains enhanced tax relief for these costs in the United Kingdom and has adopted the RDEC (Research and Development Expenditure Credit) regime.

The Board: (left to right) Gary Young, Liz Peace, Michael McKelvy, Allison Bainbridge, John Douglas, Ken Lever, Catherine Glickman, David Gormley, and Robert Miller-Bakewell.

THE BOARD

Ken Lever **Non-Executive Chairman**

Ken Lever joined the Board in November 2016 as Group Chairman. Ken is a Chartered Accountant and his previous experience includes Finance Director of Alfred McAlpine Plc, Albright and Wilson Plc and Tomkins Plc. Prior to that he was a partner at Arthur Andersen. He was Chief Executive of XChanging Plc between 2010 and 2015 and currently holds non-executive positions at Biffa Plc, Blue Prism Group Plc, Gresham House Strategic Plc and Vertu Motors Plc. Ken is Chairman of the Nomination Committee.

John Douglas **Chief Executive**

John Douglas joined the Board on 1 June 2017 and assumed the role of Chief Executive with effect from 1 September 2017. John was previously Chief Executive of Coffey International Limited, a business listed on the Australian Stock Exchange which operated in markets similar to RPS. Prior to that he worked with Boral, an International Building Material Group, latterly as Divisional Managing Director. John had previously worked as a consultant with Boston Consulting Group as well as for a number of engineering companies. John is a civil engineer from Adelaide University and has a MBA from London Business School.

Gary Young **Finance Director**

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

Robert Miller-Bakewell **Senior Independent Non-Executive**

Robert is the Chairman of the Remuneration Committee as well as being the Senior Independent Director and a member of the Audit Committee; he was also Chairman of the Nomination Committee prior to November 2016. He is a director of private companies in Scotland, Chairman of the EH99 think tank, and Chairman of trustees of two private trusts. Formerly a Senior Director of Investment Research at Merrill Lynch and an investment analyst with NatWest Markets, providing analysis and advice to water, waste, transport and environmental infrastructure companies internationally.

Allison Bainbridge **Independent Non-Executive**

Allison was appointed to the Board on 1 June 2017 and is serving an initial three year term. She is the Group Finance Director of Vp Plc ("Vp"), a quoted specialist in the equipment rental business serving international markets including rail, water, construction, civil engineering, house building and oil and gas. Prior to that she was Finance Director at Yorkshire Water and Kelda Group, having initially trained and qualified as a Chartered Accountant with Price Waterhouse. Allison graduated in economics from Birmingham University and went on to take an MA in economics at Leeds University. Allison is Chairman of the Audit Committee and a member of the Nomination Committee.

Liz Peace
Independent Non-Executive

Liz Peace was appointed in July 2017 and is serving an initial three year term. She has extensive senior level experience spanning both public and private sectors. Between 2002 and 2014 she was Chief Executive of the British Property Federation having previously served for 12 years as Company Secretary and Director of Corporate Affairs for QinetiQ Plc. Prior to that Liz held various senior positions within the Ministry of Defence. She was awarded the CBE in 2008.

Michael McKelvy
Independent Non-Executive

Michael joined the Board on 1 May 2018. He is based in the USA and has extensive senior level experience of its construction, infrastructure and natural resource markets. In 2014 he became Chief Operating Officer of Gilbane a major family owned construction company, and was appointed as its Chief Executive Officer in 2016. Prior to that Michael spent twelve years with CH2M in a number of senior roles including President of firstly its Industrial division and then its Government, Environmental and Infrastructure Division. Michael is a qualified architect, having spent the earlier part of his career in this area, including a period of fifteen years with Lockwood Greene which was acquired by CH2M in 2003. Michael is a member of the Nomination and Remuneration Committees.

Catherine Glickman
Independent Non-Executive

Catherine was appointed to the Board on 2 August 2018 and has joined the Remuneration Committee. Catherine has extensive senior level executive experience in public companies, most recently as Group HR Director at the FTSE 250 animal genetics company, Genus Plc, where she led an agenda on talent and leadership development to support growth plans. Catherine retired from this position in 2017. Prior to her time at Genus, Catherine worked for over twenty years at Tesco Plc where she held various senior positions including latterly as Group HR Director. Catherine is currently a Non-Executive Director of Marston's Plc, Renishaw Plc and TheWorks.co.uk Plc where in each case she is Chair of the Remuneration Committee.

47

David Gormley
Company Secretary

David has over 20 years' senior experience as a company secretary, starting his career with Guinness Plc, before working in roles as company secretary continental Europe in Belgium for the Albert Fisher Group Plc, then group company secretary for Sky Plc. He has since worked with UK insurance firms Brit and Hiscox and infrastructure developer John Laing.

Corporate governance

The Directors' report on corporate governance can be found on pages 52 to 78 and incorporates other parts of the Report and Accounts as detailed therein.

Employees

The Group's policies in relation to employees are disclosed on pages 32 to 34.

Corporate responsibility

The Group's corporate responsibility statement is included on pages 36 to 41.

This includes the disclosures concerning greenhouse gas emissions that are required pursuant to part 7 of The Companies Act (Strategic Report and Directors' Report) Regulations 2013. The Group made no contribution to political organisations during the year.

Substantial shareholdings

The Company is aware of the following interests in excess of 3% of the ordinary share capital of the Company as at 8 February 2019.

| Shareholder | Total holding | % of ISC |
|-----------------------------------|---------------|----------|
| Aberforth Partners | 25,999,025 | 11.49 |
| UBS Asset Management | 15,498,101 | 6.85 |
| Artemis Investment Management | 12,630,362 | 5.58 |
| Montanaro Investment Managers | 8,392,574 | 3.71 |
| Unicorn Asset Management | 8,355,048 | 3.69 |
| NBIM | 8,285,142 | 3.66 |
| Dimensional Fund Advisors | 8,199,363 | 3.62 |
| BlackRock | 8,109,040 | 3.58 |
| BMO Global Asset Management (UK) | 7,655,213 | 3.38 |
| Columbia Threadneedle Investments | 7,536,877 | 3.33 |
| Majedie Asset Management | 7,286,198 | 3.22 |
| Chelverton Asset Management | 7,235,000 | 3.20 |

Going concern

The Group's business activities, a review of the 2018 results together with factors likely to affect its future development and prospects are set out on pages 11 to 15. Note 18 to the Consolidated Financial Statements sets out the borrowings of the Group and considers liquidity risk, whilst note 28 describes the Group's approach to capital management, and financial risk management in general.

The Group has a diverse range of businesses in a spread of geographies which serve to limit the overall impact of adverse conditions in any particular market. It continues to enjoy strong cash flow and operates well within the financial covenants applying to its main bank facility. The Group's bank facilities will not expire until July 2020 and, it is anticipated, will be renewed during 2019.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence at least twelve months from the date of approval of the financial statements. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Group's Long Term Viability Statement is shown on page 27.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Each of the persons who is a Director at the time of this report confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware and that he or she has taken all the steps that he or she ought to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of

the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland." Under company law the Directors must not approve the accounts unless they are satisfied that they 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.

Group Financial Statements

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

Parent Company Financial Statements

In preparing the parent company financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding

the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibilities pursuant to DTR4

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, 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;
- the strategic report 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, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Financial instruments

Details on the use of financial instruments and financial risk are included in note 28 to the Consolidated Financial Statements.

Post balance sheet events

On 1 February 2019 the Group acquired the business of Corview, an Australian based transport advisory consultancy for a maximum consideration of A\$32.0m (£17.8m), all payable in cash. At completion the vendors received A\$17.6m (£9.8m) with A\$4.8m (£2.7m) payable on each of the first, second and third anniversaries of completion. In the year to 30 June 2018, Corview had revenues of A\$17.1m (£9.5m) and adjusted profit after tax of A\$5.1m (£2.8m).

There were no other events arising after the balance sheet date requiring adjustments to the year end results or disclosure.

Takeover directive

The following additional information is provided for shareholders pursuant to the requirements of the Takeover Directive.

Share Capital

As at 31 December 2018 the Company's issued share capital consisted of 226,105,296 ordinary shares of 3p each. Substantial shareholder interests of which the Company is aware are shown above on page 48.

Shareholder Rights and Restrictions

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 in a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. Holders of ordinary shares may receive interim dividends approved by the Directors and dividends declared in general meetings. On liquidation and subject to a special resolution, the liquidator may divide among members in specie the whole or any part of the assets of the Company. There are no shares in issue that carry special rights with regard to control of the Company and 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

Directors are appointed by ordinary resolution at a general meeting of the shareholders. The Board can appoint a Director but any Director so appointed must be elected by an ordinary resolution at the next general meeting. Under the Articles of Association any Director who has held office for more than three years since their last appointment must offer themselves for re-election at the next annual general meeting. It is the Company's policy, however, that all Directors should stand for annual re-election. The Directors have power to manage the Company's business subject to the provision of the Company's Articles of Association, law and applicable regulations. The Directors have power to issue and buy back shares in the Company pursuant to the terms and limitations of resolutions passed by shareholders at each annual general meeting of the Company.

No such power was exercised during the year under review. Directors' interests in the share capital of the Company are shown in the table on page 69.

Change of Control

The Company's debt facilities include provisions that take effect on a change of control and which provide that the Company may be unable to draw down any further amounts and/or that such facilities may be cancelled, thus restricting the Company's ability to operate.

Listing rule 9.8.4c

Pursuant to listing rule 9.8.4C the Company is required to disclose that an arrangement is in place whereby the trustee of the Company's employee benefit trust has agreed to waive present and future dividend rights in respect of certain shares that it holds. There are no other matters requiring disclosure required pursuant to this listing rule.

Directors' indemnities

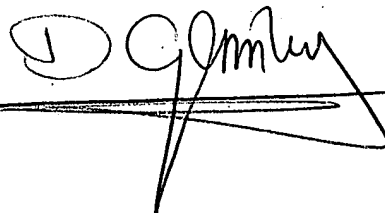
Directors and Officers of the Company benefit from directors' and officers' liability insurance cover in respect of legal actions brought against them. In addition Directors are indemnified under the Company's articles of association to the maximum extent permitted by law, such indemnities being qualifying third party indemnities.

Annual General Meeting

The Annual General Meeting will be held on 1 May 2019. The Notice of Annual General Meeting circulated with this Report and Accounts contains a full explanation of the business to be conducted at that meeting. This includes a resolution to re-appoint Deloitte LLP as the Company's Auditor.

By order of the Board

David Gormley
Company Secretary
21 February 2019



Registered Office:
20 Western Avenue
Milton Park
Abingdon
Oxfordshire OX14 4SH
Registered in England No. 02087786



CORPORATE GOVERNANCE

51

CORPORATE GOVERNANCE

Chairman's introduction

Governance and culture

The Group's strategic priorities and progress against them is set out on pages 11 to 15. Whilst achieving these objectives is key to the Group's future, the Board also believes that maintaining high standards of governance is an important ingredient to drive success. Whilst the formal rules that apply to RPS as a listed Group are important in maintaining standards in this area, good governance is also about culture, behaviours and how we do business. The Board is therefore committed to ensuring that the Group's values and standards are set at the top and embedded throughout the Group. The work to define Purpose, Promise and Behaviours is described elsewhere in the Annual Report and is an important component in this process. During the year the Group held its first Senior Leadership conference which brought together senior leaders from the Group's operations around the world. I attended the start of this event and I had a strong sense that a set of values to underpin good governance practice throughout our Group are emerging as a strong theme.

Framework and compliance

During the year under review the Group was subject to the UK Corporate Governance Code as published in April 2016 (the 'Code'). The Board considers that throughout the year to 31 December 2018 the Group was in compliance with all the provisions of the Code. The Code contains broad provisions together with more specific provisions which set out standards of good practice in relation to Board leadership and effectiveness, accountability and remuneration and relations with shareholders. The Annual Corporate Governance Report that follows together with the reports from each of our principal committee chairs explain how, in a practical sense, the provisions of the Code have been applied throughout this period.

The Board continues to operate within the framework of a Board Charter which clarifies the respective roles of the Chairman, Chief Executive, Finance Director, and Non-Executives as well as incorporating a schedule of matters reserved for Board approval and the terms of reference of the Board Committees.

The revised UK Corporate Governance Code which was published in July 2018 (the 'Revised Code') applies to the Group with effect from 1 January 2019. The Board has reviewed two papers relating to the Revised Code and has already been taken a number of steps to ensure compliance with it. In particular Catherine Glickman has been designated as the Non-Executive Director to oversee workforce engagement. The Company has established a work forum: 'Your Voice', which is representative of the whole workforce and Catherine will be invited to those meetings to hear and discuss issues raised by the workforce. The Board Charter has also been reviewed, amendments have been made to the terms of reference of the Nomination Committee, to reflect the wider responsibilities under the Revised Code and the Company has introduced a new policy around external appointments and overboarding, in line with the Revised Code, and also, that whilst being encouraged to take up Non-Executive appointments, the Executive Directors should only take up one appointment in a FTSE350 company.

The Board also reviewed the wider responsibilities around the Remuneration Committee. The Remuneration Committee has agreed to review these further during the year, when the Remuneration Policy will be renewed and will be further impacted by changes in the Revised Code. This is discussed more fully in the Remuneration Committee's Chairman's introduction on page 64 to 66. A full explanation of the steps taken in relation to the Revised Code and compliance with it will be included as part of next year's reporting.

Whilst in a people business, risk management and internal control needs to remain an integral part of our culture. The Group's formal systems of risk management and internal control continue to develop as outlined in the Annual Corporate Governance Report below.

Leadership and performance

The further changes that have occurred at Board level during the year are detailed in the Annual Report of the Nomination Committee. The Board, as now constituted, incorporates a strong and appropriate balance of skills, diversity and experience and will, I anticipate, following Robert Miller-Bakewell's forthcoming retirement, be stable in membership for the foreseeable future. The Board is, I believe, now well equipped to provide an appropriate balance of leadership and oversight as the Group pursues its strategic objectives and is working well with executive management to offer support and robust challenge as appropriate. The Board's agenda will continue to balance oversight and governance of the business with the ability to debate and examine forward looking strategy including changes to the business environment and the markets in which we operate. During the year the Board again undertook a two day review of strategy with the Group Leadership Team. The review of effectiveness, which I led towards the end of the year, and which was then considered by the Board, is described in the Annual Governance Report. Although a number of areas for improvement were identified no significant areas of concern arose and the exercise, I believe, confirmed my view that the Board is discharging the duties described above to good effect. Whilst we had previously contemplated undertaking an external review of performance we concluded that against the backdrop of further changes in Board membership such an exercise would be premature. We will give further consideration to undertaking an externally facilitated review during 2019.

Engagement

Notwithstanding the formal framework within which the Board operates, it is important that it remains connected with and understands the wider business. The Board receives regular presentations from business and functional areas within the Group and has commenced a programme of holding Board

meetings at operating business locations, a practice that it intends to develop further during 2019. The two day strategy review mentioned above was undertaken in conjunction with the Group Leadership Team and provided an excellent opportunity for the Board to gain greater insight into the challenges facing our business. Steps have also been taken to improve the Group's engagement with the investment community. The Group now has a Communications and Corporate Affairs Director whose brief includes a focus on this area. The Group has committed to ongoing quarterly reporting, taken steps to improve the quality and accessibility of information on its Investor Relations website and has sought to adopt a more pro-active approach to the investment community with greater access to executive management.

The year ahead

We will continue to focus on governance as an important element in the achievement of our strategic priorities and driving our business performance. Whilst the necessary steps will be taken to comply with revisions with the UK Governance Code we will continue to focus on our values and culture as key elements in driving good governance. Better engagement with our stakeholder groups, in particular our employees and shareholders, will also continue to be a priority.

Ken Lever
Chairman
21 February 2019

CORPORATE GOVERNANCE

Annual Report

Overview and compliance

The Chairman's statement which appears on page 8 incorporates comments relating to the governance of the Group and provides a backdrop to this detailed report. The Board continues to operate within the framework of a charter which incorporates the key aspects of the Group's governance arrangements. This includes the definition of roles, responsibilities and authorities as applicable to the Board, its Committees and individual Directors. The Board is pleased to report that throughout the year the Company complied with all provisions of the UK Corporate Governance Code 2016 (the 'Code') as applicable to a small market capitalisation company. As indicated in the Chairman's statement the Board has been considering the revised version of the UK Governance Code and has already made a number of changes as detailed. The Board Charter is also being updated to reflect the required changes. This report and the following report of the Committee Chairmen describe the structures, processes and events through which compliance was achieved in 2018.

Board structure

At the date of this report the Board comprised two Executive Directors, five Non-Executive Directors and the Chairman. During the year Michael McKelvy and Catherine Glickman both joined the Board on 1 June and 2 August respectively. Robert Miller-Bakewell will retire as a director at the forthcoming Annual General Meeting.

The Board Charter referred to above incorporates descriptions of the distinct roles of the Chairman and Chief Executive. The Chairman provides leadership to the Board of Directors, sets its agenda and is responsible for its overall effectiveness and performance. This includes ensuring that all Directors are in receipt of timely information in order to take a full and constructive part in Board discussions. The Chairman, with the involvement of the Executive Directors, also seeks to ensure effective

communication with shareholders and will meet with major shareholders as reasonably required. The Chief Executive is responsible for all executive management matters within the Group. This incorporates the development of Group strategy, budgets and business plans as well as providing effective executive leadership and developing a culture which strikes an appropriate balance between entrepreneurship and the management of risk.

The role of the Non-Executive Directors is to provide independent and considered advice to the Board in matters of strategy, risk and performance, whilst providing governance oversight through operation of the Board's Committees.

The Board is satisfied that all Non-Executives are independent and that there are no circumstances or relationships that may affect judgements. In particular none of the circumstances detailed in provision B.1.1 of the Code apply. Whilst Catherine Glickman was engaged in a consultancy capacity by the Group for a short period at the end of 2017 and start of 2018 to undertake some specific tasks, the Board was satisfied at the time of her appointment that this did not constitute a material business relationship that would affect her independence. As noted in the Report of the Nomination Committee a full external search process was undertaken in respect of this role at the end of which the Nomination Committee and the Board concluded that Catherine Glickman was the best qualified candidate for the role. The Chairman and the Non-Executive Directors are generally appointed for three-year terms, which may subsequently be extended. Any term beyond six years for a Non-Executive is rigorously reviewed, taking account of the requirement to refresh the Board.

The Senior Independent Director is available to shareholders who wish to raise concerns that cannot be resolved through the Chairman, Chief Executive or Finance Director. Robert Miller-Bakewell acted as the Senior Independent Director throughout the year. Following Robert Miller-Bakewell's retirement at the AGM, Liz Peace will be appointed to this role.

The Board is assisted by the Audit, Remuneration and Nomination Committees. Separate reports from each of these Committees can be found on pages 59 to 78. The Chair of each Committee provides regular updates at Board meetings.

Catherine Glickman and Michael McKelvy having been appointed during the year will all be subject to election at the forthcoming Annual General Meeting. All Directors are subject to annual re-election by shareholders.

Board responsibilities

The Board Charter incorporates a comprehensive schedule of matters that are reserved for its decision and which include the following:

- Determination of the Group's overall strategy
- The approval of annual budgets and business plans
- Financial reporting including annual and half year results and market updates
- The recommendation and approval of dividends and other capital distributions
- The approval of material corporate transactions including all acquisitions
- The approval of policies and systems for risk management and internal control
- The appointment of key advisers to the Group
- The approval of major items of capital expenditure
- Any substantive change in the nature of the Group's activities.

Matters falling outside of the Board's reserved list are delegated to the Group executive under the leadership of the Chief Executive. Responsibilities are, subject to clear written limits, delegated further to the Group's business segments and in turn within each segment. The Group Leadership Team, which meets regularly throughout the year, retains

operational oversight of the Group's activities. This team currently consists of the Chief Executive, the Group Finance Director, and the Group Marketing Director, the Group People Director, the Chief Information Officer, the Group Strategy Director and the Group's five principal business leaders.

Board meetings and operation

The Board has eight scheduled meetings during the year, but will meet on other occasions should circumstances require. The Board's agenda seeks to achieve a balance between review of performance, the development of strategy, the adoption of appropriate corporate policies, the management of risk and regulatory obligations. During the year the following items were considered at each meeting:

- Safety performance
- Financial and business performance
- Strategic priorities
- Emerging risks
- Material employment issues
- Significant litigation
- Investor and City relations.

The Board additionally considered the following at the appropriate point:

- The Group's annual budget and business plan
- Group results and the Annual Report and Accounts
- Significant market announcements
- Board performance
- Review of internal control and risk management
- Dividends and dividend Policy
- Reports from Board Committee Chairmen
- Other matters reserved for Board approval
- Presentations from certain segments of the business.

55

| | Full Board | Audit Committee | Remuneration Committee | Nomination Committee |
|-------------------------|------------|-----------------|------------------------|----------------------|
| Ken Lever | 8 | - | - | 3 |
| John Douglas | 8 | - | - | - |
| Gary Young | 8 | - | - | - |
| Robert Miller-Bakewell | 8 | 4 | 6 | 3 |
| Allison Bainbridge | 8 | 4 | - | 3 |
| Liz Peace | 8 | 4 | 6 | 3 |
| Michael McKelvy * | 6 | - | 4 | 1 |
| Catherine Glickman* | 2 | - | 1 | - |
| Number of meetings held | 8 | 4 | 6 | 3 |

*served for part year only

The Board also conducted a two day strategy workshop in conjunction with the Group Leadership Team following which the strategic priorities described on pages 11 to 15 were endorsed.

Detailed papers are made available in advance of meetings in support of relevant agenda items through a Board portal. The Company Secretary assists the Chairman in ensuring that Board procedures are followed and is available to assist directors generally as well as advising on matters of corporate governance.

Outside of Board meetings the Chairman has discussions with all Directors. The Chairman and Non-Executives meet without the Executive Directors on three occasions during the year and the Non-Executives met once during the year without the Chairman present.

Each Director is required, in accordance with the Companies Act 2006, to declare any interests that may give rise to a conflict of interest with the Company on appointment and subsequently as they may arise. Where such a conflict, or potential conflict, arises the Board is empowered under the Company's articles of association to consider and authorise such conflicts as appropriate and subject to such terms as they think fit. No such conflict arose during the year under review.

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

Board performance

The Board undertakes an annual appraisal of its performance. Given the substantive changes to Board membership that took place in 2017 and the further changes during 2018 it was again concluded that a highly structured evaluation process would be of limited value at this point. A process was, however, undertaken whereby the Chairman engaged with all of the Company's Directors across a range of topics to ascertain any areas of concern and suggestions. The results of this exercise were then reported to and discussed with the Board as a whole. The Board also reviewed the action points that had arisen

out of the 2017 review, to assess how they were performing, noting that most of the points had been addressed, were ongoing and others remained as work in progress. The Company uses Diligent for posting its Board and Committee papers on and the Board remains concerned that the board packs do not become excessively large and are delivered in a timely manner; this was also highlighted again this year. A number of priorities and notably the following were identified from this process:

- Consider having a Board update call between meetings with no papers, no minutes, no agenda – used by CEO/CFO to provide high level updates and keep the Board informed
- Set up visits for individual Non-Executives that meet their circumstances and then Non-Executives to provide feedback from their visits to the rest of the Non-Executives

The Board will keep progress in these areas under review. A more structured review, which may involve the use of an external facilitator, will be undertaken during 2019.

Training and induction

On appointment Directors receive 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. The foregoing applied to all Directors appointed during the year. Advice is available from the Company's solicitors, auditors and brokers if required. Updates are provided on key technical issues as required including those relating to corporate governance and corporate social responsibility. During the year the Chairman and Non-Executive Directors met with and received presentations from members of the Group Leadership Team and engaged with the Group's various businesses more generally.

The Non-Executive Directors have access to a training academy managed by Deloitte LLP.

Communication

The Company attaches great importance to communication with its shareholders and other stakeholders. In addition to regular corporate reporting, the Group website includes financial presentations, general information about the Group and the services it offers, as well as news stories regarding projects on which businesses are engaged.

In addition to presentations of financial results, the Executive Directors hold meetings with the Company's principal shareholders to discuss the Company's strategy and performance. The Chairman and Senior Independent Director also meet with major shareholders from time to time.

An investor relations update is provided at all regular Board meetings to ensure that the Board is kept aware of the views of larger shareholders and the investment community generally. As detailed in the foregoing Chairman's Introduction, various steps have been taken in the year to improve the quality of communication with shareholders and the investment community generally.

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

Risk management and internal controls Overview

The Board retains overall responsibility for setting the Group's risk appetite as well as risk management and internal control systems. In accordance with this obligation the Board, has throughout the year and up to the date of approval of the financial statements, had procedures in place as recommended in the guidance in the UK Corporate Governance Code and the supporting document issued by the Financial Reporting Council 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The principal risks to which the Group is exposed and the measures to mitigate such risks are described on pages 27 to 29.

The key procedures that the Directors have established to provide effective internal financial controls are as follows:

Financial reporting

The results for the Group are reported to and reviewed at each Board meeting. A detailed formal budgeting process for all Group businesses culminates in an annual Group budget which is approved by the Board.

Financial and accounting principles and internal financial controls assurance

The Group's accounting policies, principles and minimum standards required for effective financial control are communicated to all accounting teams. The Group Assurance Manager undertakes periodic detailed reviews at key centres within the Group to ensure that policies and procedures are being followed as well as to identify any control weaknesses or failings.

Capital investment

The Group has clearly defined guidelines for capital expenditure. These include detailed appraisal and review procedures as well as due diligence procedures in respect of potential business acquisitions.

Treasury

The Group operates a central treasury function that undertakes required borrowing and foreign exchange transactions as well as the daily monitoring of bank balances and cash receipts. Appropriate payment authorisation processes are in place in all parts of the Group. Trading in financial instruments is not permitted.

Base Controls

An internal controls self-assessment system that was launched in 2017 by the Group Assurance Manager is now operational throughout the Group. As part of this process the Finance Directors of the Group's operating units regularly assess the controls they operate against a standard set of base controls, with any shortcomings identified being mitigated or new controls put in place.

Delegated Authorities

A system of delegated authorities, whereby the incurring of expenditure and assumption of contractual commitments can only be approved by specified individuals and within pre-defined limits, is in place throughout the Group.

Review and reporting

Internal controls and in particular any failures are reported to and reviewed at Group and operating Board meetings in order that changes to systems can be implemented where required. The Audit Committee also maintains a brief to keep the overall systems of internal control under review. During the year a detailed review of the Group's system of internal control and risk management was undertaken and reviewed by the Board. The Board and the Audit Committee were satisfied that the systems in place are appropriate and effective.

Annual Review

During the year reviewed, a detailed report regarding the Group's systems of risk management and internal control was prepared. Having reviewed and discussed this report the Board was satisfied that these systems are effective.

The respective responsibilities of the Directors and the independent auditors in connection with the accounts are explained on pages 48 to 49 and 82 and the statement of the Directors in respect of going concern appears on page 48. The long term viability statement is set out on page 27.

Takeover directive

Disclosures required under the Takeover Directive are included on pages 50 and 51 and form part of the Group's Corporate Governance report.

NOMINATION COMMITTEE REPORT

I am pleased to report to shareholders in my capacity as Chairman of the Nomination Committee. The report outlines the key responsibilities of the Committee and activities during the year.

Membership and meetings

I and all of our Non-Executive Directors, Allison Bainbridge, Catherine Glickman, Michael McKelvy, Robert Miller-Bakewell and Liz Peace, are members of the Committee. Michael and Catherine both joined the Committee on their respective appointments to the Board as at 1 May and 2 August 2018. The Company Secretary acts as Secretary of the Committee whilst Executive Directors and external agents may be asked to attend as required. The Committee met on a total of three times during the year.

Responsibilities and activities

The Committee's key responsibilities include reviewing the Board structure, size and composition as well as evaluating the balance of skills, knowledge and experience which may be required in the future and making recommendations to the Board accordingly. It is also responsible for nominating candidates to the Board when vacancies arise, recommending Directors who are retiring from the Board to be put forward for re-election and where appropriate considering any issues relating to the continuation in office of any Director. The Committee also maintains an ongoing brief to consider succession planning at Board and Senior Executive level.

All of these activities were undertaken during the year, a number of which are described in more detail below. The Committee has written terms of reference which are available on the Company's website.

Board changes

2017 saw substantial change to the Board with a new Chief Executive appointed and two new Non-Executives joining. During 2018 the task of building a strong and diverse Board with an appropriate balance of skills and experience has continued with two additional Non-Executives joining. Michael McKelvy has extensive senior level experience of construction, infrastructure and natural resource markets. He is based in North America and accordingly has a deep understanding of markets in which the Group has a strategic priority and wishes to achieve substantial growth. Catherine Glickman has senior level public company experience in Human Resources and allied areas which will be of substantial value in support of the Group's strategic priority to be rated as a great place to do great work. She also has prior experience as Chair of a Remuneration Committee and will succeed Robert Miller-Bakewell in this role when Robert retires at the forthcoming Annual General Meeting.

In both the above cases detailed role specifications were prepared and a search process undertaken through Spencer Stuart, following which recommendations were made to and accepted by the Board.

59

Election and re-election of Directors

As in previous years and in accordance with the UK Governance Code all Directors will stand for election or re-election at the Annual General Meeting. The range of skills and experience offered by the current Board is mentioned above and set out in full on pages 46 to 47. The Committee and the Board consider the performance of each of the Directors standing for election or re-election to be fully satisfactory and that they have demonstrated ongoing commitment to their roles. The Board therefore strongly supports the election or re-election of all those directors standing and recommends that shareholders vote in favour of the relevant resolutions at the Annual General Meeting.

Succession planning

The Board and Group Leadership Team have been through a period of substantial change and with a significant number of new appointments having been made as a new team is built. Whilst the Committee has considered succession issues from time to time against the backdrop of what should now be a stable Board and Executive team it intends to further develop and formalise succession plans for key roles during 2019.

Diversity

The Committee is aware that the revised UK Corporate Governance Code, effective from 1 January 2019, places an increased emphasis on the role of the Nomination Committee in the areas of diversity and inclusion. In considering appointments to the Board the Committee evaluates the skills, experience and knowledge required for a particular role with due regard to the benefit of diversity. Whilst the Committee will look to recruit the best available candidate for any role, the Company has previously set and announced a target that a minimum of 25% of its Board should be female. Following Catherine Glickman's appointment to the Board 37.5% of the Board are female which will rise to 43% on Robert Miller- Bakewell's forthcoming retirement. As described in the People Report on page 32 and following appointments made during the year, the female membership of the Group Leadership Team has increased from 14% to 33%. Further information on gender balance is also given in the People Report. The Committee is pleased to report these trends and believes that the enhanced balance of skills that this has brought will be an important component in achieving the Group's strategic priorities. The Committee will give further consideration to policy on diversity and inclusion, in respect of which it will report further next year.

Ken Lever
Chairman of the
Nomination Committee
21 February 2019

AUDIT COMMITTEE REPORT

I am pleased to present our Audit Committee report for the year-ended 31 December 2018. The report below describes the Committee's ongoing responsibilities as well as the major activities undertaken in the year and its policies in a number of key areas.

Membership and meetings

During 2018 the membership of the Committee consisted of Liz Peace, Robert Miller-Bakewell and myself. Although the Board considers that all members of the Committee have experience that is relevant to the role, as the serving Finance Director of a fully listed public company, I am identified as the Committee member having most recent and relevant financial experience. The Company Secretary acts as secretary of the Committee.

The Committee holds three regular meetings during the year, one to consider audit planning and one to coincide with each of the publication of Group's annual and interim financial results. Other matters which fall within the Committee's terms of reference are included on the agendas of these meetings as required. The Group Chairman, Group Chief Executive and Group Finance Director all attend the Committee's meetings and members of the Group Finance team are asked to attend from time to time. The Deloitte audit partner and director also attend meetings, with whom the Committee also has a private session, at least once a year, without executive management present.

Responsibilities and activities

The Audit Committee provides an independent overview of the effectiveness of the financial reporting process and internal financial control systems. This incorporates the appointment of the external auditors including agreeing their terms of engagement at the start of each audit, the audit scope and the audit fee.

At the conclusion of the full-year audit and interim review the Committee receives a detailed report from the Auditors. The Committee reviews this report, as well as the integrity of the accounting statements. This includes ensuring that statutory and associated legal and regulatory requirements are met as well as considering significant reporting judgements and estimates, the adoption of appropriate accounting policies and practices and compliance with accounting standards. It also incorporates consideration of significant accounting issues as detailed below and advising the Board in relation to the fairness, balance and understandability of the annual report.

The Committee monitors the external auditor's effectiveness, independence and objectivity including the nature and appropriateness of any non-audit fees. Additionally the Committee assists the Board in monitoring and reviewing the Group's system of internal control and risk management as described in the Corporate Governance Report. As part of this it reviews the Group's whistle-blowing policy whereby employees may, on a confidential basis raise concerns with regard to improprieties relating to financial reporting, internal control or other matters.

All the activities detailed above were undertaken in the year: a number of which are described in more detail below. The Committee's detailed terms of reference can be found on the Company's website.

Significant accounting issues

In respect of the year under review and as part of its role in reviewing estimates and judgements made by management, the following significant issues were reviewed and in each case addressed as indicated.

Intangible assets

This classification of assets is by far the largest on the Group balance sheet and as such receives careful attention from the Board and Committee which need to be satisfied that its carrying value is appropriate. Goodwill impairment testing was undertaken at 31st October 2018 with a subsequent review for impairment triggers at the balance sheet date. The Board and Committee considered the appropriateness of the cash generating units for goodwill testing and the assumptions and estimates used in the modelling, including approved budgets for 2019. The conclusion was that no impairment was necessary across any of the Group's Cash Generating Units. Consideration was also given as to whether there were any indicators of impairment in respect of other intangible assets and whether a reasonably possible change in any one key assumption could give rise to an impairment. The Board and Committee agreed that no indicators of impairment exist and that a reasonably possible change to any one assumption would lead to an impairment.

Recoverability of trade receivables and accrued income

The risk that trade debtors may not be collected and accrued income may not be billable and therefore be overstated in the accounts is considered by the Board at its regular meetings as part of its review of business performance.

The Committee appreciates that there is estimation applied in the recognition of revenue. However, the number of projects undertaken at any time is large and there are relatively few that are individually material. The procedures in place for recognising revenue are well established and comprehensive financial review of monthly results provides a good level of assurance.

Fair balanced and understandable view

Having reviewed the Report and Accounts, the Committee concluded and advised the Board that in its view the Report and Accounts for 2018, taken as a whole, is fair, balanced and understandable. The Board then separately considered this matter and concurred with the Audit Committee's recommendation. In reaching this conclusion the Committee and the Board were satisfied that the Group's performance across its segments, as well as its business model, strategy and the key risks that it faces are clearly explained in the relevant sections of the Report and Accounts.

New accounting standards

2018 was the first year in which accounts have been produced in compliance with IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments". During the year the Committee received and reviewed papers explaining the steps taken to ensure compliance. In addition IFRS 16 "Leases" will be applicable from 1 January 2019. The Committee was also kept apprised of work being undertaken to achieve compliance and in accordance with the requirements of the standard an opening balance sheet adjustment is disclosed in note 2a on page 98.

Auditor independence

Deloitte LLP were appointed as Group Auditors in June 2012 following a tender process. As a matter of general policy, audit partners are rotated at least every five years and the Group's policy is that the Group audit appointment should be retendered at least every ten years. The current Group audit partner is Andrew Bond for whom 2018 has been his second completed audit. The Committee ensures that the Group Auditors remain independent of the Group and reviews this on an annual basis. In this regard Deloitte provide a written report to the Committee on how they comply with professional and regulatory requirements designed to ensure their independence.

In addition and as part of its responsibility to ensure audit independence and objectivity, the Committee has adopted a policy in relation to the use of the Auditors for the provision of Non-Audit Services. Under the terms of this policy the provision of certain services are prohibited and include those listed below:

- Bookkeeping services
- Valuation services
- Investment advisory, broker and dealing services
- General management services
- Preparation of financial statements
- Design and implementation of financial systems
- Taxation services.

Notwithstanding the general prohibition in respect of certain services, any other Non-Audit service to be provided by the Auditors requires the approval of the Group Finance Director who will in turn refer the matter to the Audit Committee should any potential for conflict exist. The split between audit and non-audit fees for 2018 appears in note 10 on page 106.

Re-appointment of auditors

As noted above the Audit Committee keeps the scope, cost and effectiveness of the external audit under review. The Committee reviews the effectiveness of the annual audit prior to making recommendations as to the annual re-appointment of Auditors. This assessment is based upon the Committee's interactions with the external Auditors and through feedback from finance teams across the Group. The Committee is satisfied that Deloitte continue to provide an effective service across the Group and accordingly recommended to the Board that a resolution to re-appoint Deloitte as Auditors be proposed at the Annual General Meeting.

Internal control and audit

The Committee also monitors the ongoing effectiveness of the Group's internal financial controls and risk management processes as described on page 27 as well as assisting the Board with its annual assessment of this area. Internal audit within the Group is undertaken by the Group Assurance Manager who has a dual reporting line to the Chairman of the Audit Committee and the Group Finance Director. The Group Assurance Manager undertakes a planned programme of reviews across the Group's operations that is approved in advance by the Audit Committee. Detailed reports are produced following each review and related follow-up actions identified. Summary reports are provided to the Audit Committee for consideration. As Chairman of the Committee on an annual basis I hold a meeting with the Group Assurance Manager.

Allison Bainbridge
Chair of the Audit Committee
 21 February 2019

REMUNERATION COMMITTEE REPORT

I am pleased to present the report of the Remuneration Committee for 2018 which consists of my Annual Statement which is set out immediately below and the Annual Report on Remuneration which follows on pages 67 to 78.

Membership and meetings

I have acted as Chairman of the Committee during the year and Liz Peace has also been a Committee member throughout that period. Michael McKelvy and Catherine Glickman both joined the Committee during the year on their appointments as Directors.

On my retirement as Director at the forthcoming Annual General Meeting, Catherine Glickman will become Chair of the Committee. Catherine has extensive senior level experience within the area of Human Resources and has been the Chair of another listed company Remuneration Committee for over a year.

The Committee held four meetings in the year timed to ensure the proper discharge of the activities described below. The Group Chairman attends the meetings of the Committee. The Group Chief Executive and Group People Director also both attend these meetings, although they will not be present when discussion relates to their own remuneration. The Company Secretary acts as Secretary to the Committee and representatives from the Committee's advisers, PwC, attend meetings as and when required.

Review of Advisors, Policy and New Corporate Governance Code

During the year the Committee resolved that a review of its advisor was appropriate. It has launched a process under which a number of members of the Remuneration Consultants Group have been invited to present their credentials for evaluation as part of a tender process. The Remuneration Committee noted that the Revised Code, places a wider remit on

Remuneration Committee and that the Remuneration Committee would need to decide how this impacts on its terms of reference and duties. Any changes the Remuneration Committee makes will also impact on its Remuneration Policy which enters into its final year and will need to be approved by shareholders in 2020. In light of this, the Remuneration Committee agreed that the review of the Revised Code and the Remuneration Policy, should all be included within the review of the Remuneration advisors, rather than make piecemeal changes now that we may subsequently want to change when the full review takes place with the new/existing advisor.

Responsibilities and activities

The Remuneration Committee is responsible for determining the overall policy for Executive remuneration which is then subject to Board and shareholder approval. Within the context of shareholder approved policy the Committee is then responsible for determining the specific remuneration packages for the Executive Directors. This incorporates review of salaries as well as determining opportunities under incentive plans and performance conditions relating to those plans. Activities also include the determination of terms for any Executive leaving or joining the Board.

The Committee now also has direct responsibility for the terms and conditions of those Senior Executives that sit immediately below Board level and who form the Group Leadership Team. During the year, for the first time, the Committee reviewed the terms and conditions of this Group including future incentives and approved any changes thereto.

The Committee is cognisant of the provisions of the revised UK Governance Code as they affect remuneration committees. A key provision relates to the review of wider workforce remuneration and the Committee's remit has been extended to cover this. The Committee already considers employment conditions in the Group when setting Executive Director remuneration, but as it now considers wider Group policies will seek to align Executive remuneration with these. The Committee has formally reviewed other provisions of the revised Code as they affect its activities which will be fully taken account of during 2019 and reported upon at the end of the year.

The Committee's detailed terms of reference can be found on the Company's website.

Framework

The Company's current remuneration policy was approved by shareholders in November 2016 and has operated during 2017 and 2018. A summary of the policy is included within the Annual Report on Remuneration and the full policy statement is available on the Company's website at www.rpsgroup.com. Through this policy the Committee aims to ensure that remuneration is fair and competitive, whilst operating to retain and motivate the Company's Executive Directors in pursuit of the Group's corporate objectives.

The Executive incentive plans in operation, as part of current policy, are the RPS Group Plc Short Term Annual Bonus Plan ('STABP') and the RPS Group Executive Long Term Incentive Plan ('ELTIP'). The latter operates over a three year period with the first awards made under this plan due to reach maturity in 2020. Details of the awards made in 2018 and which will be made to the Executive Directors in 2019 can be found in the Annual Report on Remuneration on page 67. The STABP is an annual bonus plan linked to performance in the relevant year. The operation of the STABP and the outcomes for 2018 are described below.

The current remuneration policy will reach the end of its three-year life at the end of 2019. During the year the Committee will, therefore, be undertaking a review of current policy with view to submitting a new policy to shareholders for approval and then to apply from 2020 onwards.

As outlined on pages 11 to 15 and following review, the Board has adopted a number of strategic priorities. The Committee believes that the current structure of remuneration policy remains appropriate in facilitating both annual delivery of performance and achievement of these priorities. In particular, it believes that reward linked to shorter term performance of which PBTA forms the largest part, combined with longer term incentive linked primarily to growth in EPS and Total Shareholder Return is an effective way of measuring success in delivery of strategic objectives. The Committee will, however, keep this position under review and, in particular, will consider this issue in context of the forthcoming policy review highlighted above.

Performance and outcomes for 2018

The bonus opportunities for 2018 under the STABP were set at 150% of basic salary for John Douglas, and 125% for Gary Young. The performance conditions for the year related to PBTA (70%), cash collection (20%) and personal objectives (10%).

The threshold and maximum targets in respect of PBTA were set at £54m and £60m respectively for 2018. Actual PBTA for 2018 was £50.2 m (2017: £53.9m), with the result that no bonus was earned in respect of this element. In respect of cash collection threshold and maximum were set at 80% and 100% respectively. Actual cash collection for 2018 was 94% (2017: 91%) with the result that partial bonus was also earned in respect of this element.

The personal objectives for the year are outlined on page 68 of the Annual Report on Remuneration. In the case of the Chief Executive these were linked to the progression of the Group's strategic priorities and in the case of the Group Finance Director to a number of operational priorities. The Committee concluded that, as detailed on page 68, the objectives in respect of the Chief Executive Officer had been met in full and 85% met in respect of the Financial Director.

The table which appears on page 67 of the Annual Report on Remuneration details the bonus earned in respect of each element by each Executive Director and the total bonus payable. The Committee was satisfied that the policy had operated as intended in 2018 and the only discretion exercised related to the achievement of personal objectives.

Under the normal terms of the STABP 50% of bonus earned is payable in cash and 50% deferred in shares over a three year period. Although both Executive Directors John Douglas and Gary Young have elected to take all of their bonus in the form of deferred shares.

Implementation of policy for 2019

The basic salaries of the Executive Directors have been reviewed by the Committee following which John Douglas' salary was increased by 2.7% to £508,400 and Gary Young's was increased by 2.7% to £325,000.

John Douglas and Gary Young will participate in the STABP in 2019 with maximum opportunities (again) at 150% and 125% of salary respectively. The balance of performance conditions will be unchanged with 70% attributable to PBTA, 20% to cash collection and 10% to personal objectives.

In respect of the ELTIP John Douglas will receive an award of shares equal to 150% of salary and Gary Young will receive an award equal in value to 125% of his salary. A two year post-vesting holding period will apply to these awards. Further details of the terms of participation in these plans for 2019 are shown in the Annual Report on Remuneration on pages 67 to 78.

Chief Executive Officer Relocation Allowance

When we recruited the CEO, John Douglas, the Remuneration Committee agreed to put in place a relocation allowance of approx. £117,000 p.a. for two years. This reflected the fact that John was based in Australia and the Company wished him to relocate to the UK to take up the CEO role. As stated in the Annual Report on Remuneration for 2017 the end of this two year period will be March 2019.

Due to a change in personal circumstances John's family can no longer relocate to the UK and therefore currently John is maintaining two dwellings. The Board feels that over the next two years with the launch and implementation of the new strategy that John must be based in the UK and be solely focused on its delivery. In order to ensure that John is committed to staying in the UK and not distracted from the implementation of the Company' strategy due to his personal circumstances; the Remuneration Committee following consultation with the Chairman of the Company has determined to provide John with an accommodation allowance for two years from March 2019. The value of this allowance will be approximately £76,000 p.a.

Robert Miller-Bakewell
Chairman of the
Remuneration Committee
21 February 2019

ANNUAL REPORT ON REMUNERATION

This report details how the Company's Remuneration Policy for Directors was implemented during the financial year ended 31 December 2018.

It has been prepared in accordance with the provisions of the Companies Act 2016 and the Large and Medium-sized Companies and Group's (Accounts and Reports) Regulations 2008 (as amended in 2013) (the 'Regulations'). An advisory resolution to approve this report and the Annual Statement will be put to shareholders at the forthcoming Annual General Meeting.

Director remuneration for the financial year ended 31 December 2018 (audited)

Executive Director's total single figure remuneration

The following table sets out the breakdown total of the remuneration received by each of the Executive Directors during the year under review, with the comparative figures for the prior financial year. Figures provided have been calculated in accordance with the Regulations.

| Executive Director £000s | Base Salary or Fees | | Benefits | | Bonus | | Long Term Incentives | | Pensions | | All Employee Share Plan | | Total | |
|-----------------------------|------------------------|------|----------|------|-------|------|-------------------------|------|----------|------|----------------------------|------|-------|------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Executive | | | | | | | | | | | | | | |
| John Douglas | 495 | 289 | 114 | 124 | 178 | 142 | — | — | 99 | 58 | 2 | 1 | 888 | 614 |
| Gary Young | 316 | 310 | 17 | 16 | 89 | 127 | — | — | 47 | 47 | 4 | 4 | 473 | 504 |

Notes:

- Benefits – the value for benefits for each Executive Director shown is comprised of a company car or company car allowance and private medical insurance.
- In the case of John Douglas the benefits also include the grossed-up value of relocation assistance provided which is equal to £101,000. The net of tax amounts reimbursed comprised UK property rental costs (£27,000), air fares for family visits (£16,000) and the costs of professional tax advice figure – £11,000. With the exception of assistance relating to taxation advice, all relocation assistance provided to John Douglas is time limited to 31 March 2019. The value of assistance to be provided in 2019 will therefore be substantially lower than the prior year.
- Pension – the Executive Directors are eligible to participate in defined contribution pension schemes, or receive a salary supplement or a combination of the two, the value of which has been shown in the single figure remuneration for each.

Short Term Annual Bonus Plan outcomes for the financial year ending 31 December 2018 (audited)

For 2018 John Douglas and Gary Young had a maximum annual bonus opportunity of 150% and 125% of basic salary, respectively. For both Executive Directors the 2018 annual bonus determination was based on performance against PBTA (70%), cash conversion (20%) and personal objectives (10%).

The table below provides information on the targets for each measure, actual performance and resulting bonus payment for each Executive Director.

| | | Performance required | | Actual Performance | John Douglas | Gary Young |
|----------------------|----------------|------------------------|------------------------|------------------------|--------------|------------|
| Measure | Weighting | Threshold (0% vesting) | Maximum (100% vesting) | Actual % of element | Value £000 | Value £000 |
| PBTA | 70% | 54m | £60 m | 50.2 | — — | — |
| Cash Conversion | 20% | 80% | 100% | 94% | 70 103,950 | 55,335 |
| Personal Performance | 10% See below. | | | | 74,250 | 33,596 |
| | | | | Bonus achieved in 2018 | 178,200 | 88,931 |

Performance against the personal objectives and the Committee's assessment of performance for each Executive Director is set out in the table below.

| Director | Personal objectives set at the start of the year | Assessment against the targets |
|--------------|---|--|
| John Douglas | To make tangible progress in achieving the Group's five strategic priorities. | Considerable progress has been made during the year with the launch of a new senior leadership team and the new brand providing the Group with a clear identity and appointing a new leader to revitalise the international oil and gas business. Although no acquisitions were made in North America, the Group did make two targeted acquisitions in Australia in line with its stated strategy. The Committee was satisfied that the overall objectives achieved 100% of target. |
| Gary Young | To (a) develop a Group ERP strategy and progress its implementation (b) accelerate monthly and annual financial reporting (c) develop a personal succession plan and (d) improve the Group budget review process. | The targets for the introduction of the ERP and the reduction in reporting days were fully met during the year. The targets for the personal succession plan and for improving the planning and budget process are well underway and made positive progress during the period. The Committee agreed that the personal objectives had been achieved at 85% of target. |

The Committee has reviewed the overall bonus outcomes against corporate performance and believes that the bonuses earned are commensurate with the shareholder experience in 2018. Under the normal terms of the STABP 50% of bonus earned is payable in cash and 50% deferred in shares over a three year period. The award of shares is not subject to performance conditions. Both John Douglas and Gary Young have elected to take all of their bonus in the form of deferred shares.

Executive Long Term Incentive Plan ('ELTIP') awards vesting in the financial year ending 31 December 2018

There were no ELTIP awards vesting in the Financial Year ending 31 December 2018.

ELTIP awards granted in the financial year ending 31 December 2018 (audited)

The table below sets out the details of the ELTIP awards granted on 9 March 2018 to John Douglas and Gary Young, where vesting will be determined according to the achievement of certain performance measures.

| Director | type of award | Basis of award | Face value of award at grant Date (£) | number of shares under option | Vesting date |
|--------------|------------------|----------------|---------------------------------------|-------------------------------|--------------|
| John Douglas | Nil Cost Options | 150% of salary | 742,500 | 296,017 | 08-Mar-21 |
| Gary Young | Nil Cost Options | 125% of salary | 395,250 | 157,576 | 08-Mar-21 |

Notes

The number of shares to constitute these awards was calculated by reference to the average of the Company's closing share price over the period 5 – 7 March 2018 being 250.83p.

The awards will vest subject to achievement of the following targets.

| Performance measure | Weighting | Measurement period | Performance target | Vesting level (% maximum) |
|---|-----------|--------------------------------|--------------------------|--|
| Total Shareholder Return relative to the FTSE All Share | 50% | Three years from date of grant | Upper Quartile | 100% |
| | | | Median to Upper Quartile | Pro rata on a straight-line basis between 20% and 100% |
| | | | Below Median | 0% |
| Average Annual Growth in Earnings Per Share (measured on a constant currency basis) | 25% | Three financial years | 12% p.a. | 100% |
| | | | Between 3% and 12% p.a. | Pro rata on a straight-line basis between 20% and 100% |
| | | | Below 3% p.a. | 0% |
| Cash conversion | 25% | Three financial years | 100% | 100% |
| | | | Between 80% and 100% | Pro rata on a straight-line basis between 20% and 100% |
| | | | 80% and below | 0% |

Share Incentive Plan ('SIP') awards granted in the financial year ending 31 December 2018 (audited)

The following table sets out the number and value of matching and dividend shares that were awarded to the Executive Directors under the all employee Share Incentive Plan during 2018.

| Executive Directors | Number of shares | Value of shares (£) |
|---------------------|------------------|---------------------|
| John Douglas | 1,003 | 1,599 |
| Gary Young | 1,971 | 4,334 |

Shares are valued by reference to their price as at date of award.

Payments to past Directors (audited)

No payments were made to past Directors during the year with those made to Alan Hearne in 2017 having been reported in last year's Remuneration Report.

Payments for loss of office (audited)

No payments for loss of office were made during the year.

Non-Executive Directors total single figure remuneration (audited)

The following table sets out the breakdown total of the remuneration received by each of the Non-Executive Directors during the year under review, with the comparative figures for the prior financial year. Figures provided have been calculated in accordance with the Regulations.

| Non-Executive Director £000s | | Fee |
|---------------------------------|------|------|
| Year | 2018 | 2017 |
| Ken Lever | 136 | 136 |
| Robert Miller-Bakewell | 64 | 64 |
| Allison Bainbridge | 55 | 32 |
| Liz Peace | 53 | 25 |
| Michael McKelvy ¹ | 33 | — |
| Catherine Glickman ¹ | 21 | — |

Notes:

1. Michael McKelvy was appointed to the Board on 1 May 2018. Catherine Glickman was appointed to the Board on 2 August 2018.

Statement of Directors' shareholding and share interests (audited)

Directors' share interests as at 31 December 2018 or at date of retirement from the Board are set out below.

| Director | number of beneficially owned shares | interests subject to performance conditions ¹ | interests subject to employment conditions ² | total interests |
|------------------------|-------------------------------------|--|---|-----------------|
| John Douglas | 208,823 | 566,341 | 58,305 | 833,469 |
| Gary Young | 173,592 | 310,841 | 61,168 | 545,601 |
| Ken Lever | 70,000 | — | — | 70,000 |
| Robert Miller-Bakewell | 10,000 | — | — | 10,000 |
| Allison Bainbridge | 18,400 | — | — | 18,400 |
| Liz Peace | — | — | — | — |
| Michael McKelvy | — | — | — | — |
| Catherine Glickman | — | — | — | — |

Notes:

1. Interests held under the Executive Long Term Incentive Plan.

2. Interests held under (i) The RPS Group Plc Short Term Annual Bonus plan (ii) The RPS Group Plc Bonus Plan and (iii) matching shares held for less than three years under the Share Incentive Plan.

Between 31 December 2018 and 20 February 2019 no changes in the share interests shown above occurred.

The Company's Remuneration provides that John Douglas and Gary Young are required to build and maintain shareholdings of 200% and 150% of basic salary respectively. As at 31 December 2018 John Douglas and Gary Young held beneficial shares in the Company equal in value to 56% and 73% of their respective salaries. Executive Directors are required to retain 50% of the post-tax number of shares vesting under the STABP and the ELTIP until this requirement is met and maintained.

Short Term Annual Bonus Plan

The interests of the Executive Directors under the STABP are set out below:

| | Number of awards at 1 January 2018 | Number of awards granted | Number of awards lapsed | Number of awards exercised | Number of awards as at 31 December 2018 | Market Price at date of grant | Market price at date of exercise | Date from which released |
|--------------|------------------------------------|--------------------------|-------------------------|----------------------------|---|-------------------------------|----------------------------------|--------------------------|
| John Douglas | - | 56,789 | - | - | 56,789 | 250.83p | - | 8/3/2021 |
| Gary Young | 25,610 | - | - | - | 25,610 | 252.83p | - | 9/3/2019 |
| | - | 25,403 | - | - | 25,403 | 250.83p | - | 8/3/2021 |

Executive Long Term Incentive Plan (ELTIP)

The Interests of the Executive Directors under the ELTIP are set out below:

| | Number of awards at 1 January 2018 | Number of awards granted | Number of awards lapsed | Number of awards exercised | Number of awards as at 31 December 2018 | Market Price at date of grant | Market price at date of exercise | Date from which released |
|--------------|------------------------------------|--------------------------|-------------------------|----------------------------|---|-------------------------------|----------------------------------|--------------------------|
| John Douglas | 270,324 | - | - | - | 270,324 | 274.67p | - | 8/6/2020 |
| | - | 296,017 | - | - | 269,017 | 250.83p | - | 8/3/2021 |
| Gary Young | 153,265 | - | - | - | 153,265 | 252.85p | - | 9/3/2020 |
| | - | 157,576 | - | - | 157,576 | 250.83p | - | 8/3/2021 |

Total Shareholder Return Performance

The graph below shows the value of £100 invested in RPS over the past ten years compared with the value of £100 invested in the FTSE All Share and FTSE All Share support services. The Company has selected the FTSE All Share and the FTSE All Share Support Services as the broad equity market indices against which to compare the Company's total shareholder return performance as the Company has been a constituent member of these indices throughout the nine year period.

RPS Group TSR performance against FTSE All Share Index and FTSE All Share Support Services Index

RPS Group FTSE AllShareFTSE AllShare Support Services (all rebased to RPS).

Chief Executive Officer and employee pay

Chief Executive Officer Remuneration

The table below shows the Group Chief Executive's total remuneration and percentage of opportunity achieved for variable remuneration elements.

| Element | 2009 | 2010 | 2011 | 2012 ¹ | 2013 | 2014 | 2015 | 2016 | 2017 ² | 2017 ² | 2018 |
|--|----------|----------|----------|-------------------|----------|----------|----------|----------|-------------------|-------------------|-----------|
| | A Hearne | A Hearne | A Hearne | A Hearne | A Hearne | A Hearne | A Hearne | A Hearne | A Hearne | J Douglas | J Douglas |
| Total Remuneration (single figure for the Year - £000s) | 636 | 608 | 793 | 1,650 | 883 | 922 | 748 | 981 | 627 | 351 | 888 |
| Annual Bonus (% of maximum opportunity) | zero | 46% | 54% | 77% | 47% | 32% | zero | 20% | 33% | 33% | 24% |
| Long-Term incentives (%age of Maximum number of shares capable of vesting) | 100% | zero | 13% | 100% | zero | zero | zero | zero | zero | zero | zero |

Notes

1. Single Figure for 2012 includes the payment of deferred balances under the previous bonus banking plan from 2010 and 2011.
2. These balances were earned during these years but subject to deferral until the end of 2012 and at risk of performance based forfeiture.
3. The remuneration shown for Alan Hearne for 2017 in respect of the period to 31 August at which time he retired from the Board.
4. The total remuneration shown for John Douglas in respect of 2017 is the period from 1 September 2017, when he was appointed as Group Chief Executive. The remuneration for John Douglas in 2017 includes a pro-ration of the annual bonus that was earned from 1 June 2017 being the date at which he joined the Board.

Percentage change in the Chief Executive Officer's remuneration

The following table shows the percentage change in the Chief Executive's salary, benefits and annual bonus between financial years compared to the percentage change for all employees.

| | Percentage change from 2017 Financial Year to 2018 Financial Year | |
|------------------|---|-----------|
| | CEO | Employees |
| Salary | 0% | 2.2 % |
| Taxable Benefits | -8% | 4.3 % |
| Annual Bonus | 25.4% | -15.7 % |

Relative importance of spend on pay

The chart below shows the total remuneration paid to or receivable by all employees of the Company and total distributions to shareholders by way of dividends for the current and previous financial years:

Profit before tax and amortisation is a key performance indicator for the Group and was the principal performance measure used under the Short Term Annual Bonus Plan.

Committee organisation

Role of the Remuneration Committee ("Committee")

The membership and responsibilities of the Remuneration Committee are described in the Annual Statement on page 64. Meetings held during 2018 are included in the table shown on page 55.

External advice

During 2018 the Committee received external advice in relation to executive remuneration from PwC. PwC are members of the Remuneration Consultants Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. PwC also undertook some tax advisory work for the Company during the year. The Committee reviewed the nature of the services provided and was satisfied that no conflict of interest exists or existed in the provision of these services and that the advice the Remuneration Committee received was objective and independent.

The total fees paid to PwC in the year for services to the Committee amounted to £33,500. This fee was comprised of an annual retainer to cover certain standard advice and payment for additional services in respect of which fees were agreed on a case by case basis. No contingent fee arrangements were operated.

Shareholder voting

The Remuneration Committee's Annual Report for 2017 was approved at the Company's 2018 Annual General Meeting. The voting for this resolution is shown below.

| Annual report | Number of Votes cast | % of Votes cast |
|---------------|----------------------|-----------------|
| Votes for | 173,014,539 | 93.25 |
| Votes against | 12,522,844 | 6.75 |
| Total | 185,537,383 | 100.00 |
| Withheld | 3,149,300 | — |

The Company's Remuneration Policy was approved at a General Meeting held on 30 November 2016. The voting in respect of this resolution was as shown below:

| Remuneration policy | Number of votes cast | % of votes cast |
|---------------------|----------------------|-----------------|
| Votes for | 159,064,587 | 90.55 |
| Votes against | 16,607,705 | 9.45 |
| Total | 175,672,292 | 100.00 |
| Withheld | 3,167,972 | — |

Implementation of the remuneration policy for the year ending 31 December 2018

The Company's remuneration policy was approved by shareholders at a General Meeting held on 30 November 2016 and applies for three years from 1 January 2017. The key components of this policy as they apply to the Executive Directors of the Company including planned implementation for 2019 are set out in the table below.

The full policy statement is available on the Company's website.

| Element, purpose and link to strategy | Operation and maximum opportunity | Performance measures and assessment | Implementation for 2019 |
|--|---|---|---|
| BASE SALARY | | | |
| To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group. | <p>An Executive Director's basic salary is considered by the Remuneration Committee on appointment and normally reviewed once a year, or when there is a significant change to role or responsibility.</p> <p>When making a determination as to the appropriate remuneration, the Remuneration Committee, where it is relevant, benchmarks the remuneration against the Company's comparator Group (organisations of comparable size and or sector to RPS in the FTSE All Share).</p> <p>The results of benchmarking will, however, only be one of a number of factors taken into account by the Remuneration Committee and which will include:</p> <ul style="list-style-type: none"> the individual performance and experience of the Executive Director; pay and conditions for employees across the Group; the general performance of the Group; and the economic environment. <p>The Remuneration Committee policy in relation to salary is:</p> <ul style="list-style-type: none"> around median salary on appointment depending on the experience and background of the new Executive Director; and <p>Annual percentage increases are generally consistent with the range awarded across the Group. Percentage increases in salary above this level may be made in certain circumstances, such as a change in responsibility or a significant increase in the scale of a role, or the Group's size and complexity.</p> <p>Individuals who are recruited or promoted to the Board may on occasion have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.</p> | A broad assessment of individual and business performance is used as part of the salary review. | With effect from 1 January 2019 John Douglas' salary will be £508,400 an increase of 2.7% and Gary Young's salary will also be increased by 2.7% to £325,000. |

| Element, purpose and link to strategy | Operation and maximum opportunity | Performance measures and assessment | Implementation for 2019 |
|---|---|-------------------------------------|---|
| BENEFITS | | | |
| To provide competitive benefits and to attract and retain high calibre employees. | <p>The Remuneration Committee's policy is to provide a market competitive benefits package.</p> <p>The Executive Directors may receive the following benefits:</p> <ul style="list-style-type: none"> · healthcare; · life assurance and dependents' pensions; · disability schemes; · company car or car allowance; and · other benefits as provided from time to time, such as relocation allowances on recruitment. <p>Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits.</p> | Not applicable. | Benefits for 2019 will be provided in accordance with the policy. In the period up to 31 March 2019 John Douglas will continue to receive benefits related to his relocation, including UK property rental costs, air fares for family visits and personal taxation advice. |
| PENSION | | | |
| To provide a competitive company contribution that enables effective retirement planning. | <p>The Executive Directors are eligible to participate in defined contribution pension schemes, or receive a salary supplement or a combination of the two.</p> <p>Other than basic salary, no element of the Directors' remuneration is pensionable. Salary supplements are not included in base salary to calculate other benefits and incentive opportunities.</p> <p>The maximum employer contribution either to a pension scheme and/or provided as a salary supplement is 25% of basic salary.</p> | Not applicable. | Pension benefits for 2019 will be provided in accordance with the policy. John Douglas will receive a contribution of 20% of base salary and Gary Young will receive a contribution of 15% of base salary. |

| Element, purpose and link to strategy | Operation and maximum opportunity | Performance measures and assessment | Implementation for 2019 |
|---|---|---|--|
| THE RPS GROUP PLC SHORT TERM ANNUAL BONUS PLAN (THE 'STABP') | | | |
| To incentivise achievement of annual objectives which support the Group's short-term performance goals. | <p>Maximum awards each year under the STABP are equal to 150% of salary.</p> <p>The performance period is one financial year with pay-out determined by the Remuneration Committee following the year end, based on achievement against a range of financial and non-financial targets.</p> | <p>Performance targets will be set by the Remuneration Committee annually based on a range of financial and non-financial measures.</p> <p>Financial targets govern the majority of bonus payments, although non-financial metrics may also be used. The Remuneration Committee will determine the weighting of the various measures and targets to ensure that they support the business strategy and objectives for the relevant year.</p> <p>Targets are typically structured on a challenging sliding scale, with zero pay-out accruing for achieving threshold performance through to full pay-out for maximum performance. The Remuneration Committee has the discretion to adjust targets or performance measures for any exceptional events that may occur during the year.</p> <p>The Remuneration Committee has the discretion to make downward or upward movements to the amount of bonus earned resulting from the application of the performance measures if it believes that the bonus outcomes are not a fair and accurate reflection of business performance.</p> | <p>The bonus opportunity in 2019 will be 150% of salary for John Douglas and 125% of salary for Gary Young.</p> <p>The bonus awards in 2019 will be subject to achievement of [three measures: PBTA (70% weighting), cash conversion (20% weighting) and personal objectives (10% weighting).]</p> <p>The Committee considers prospective disclosure of targets to be commercially sensitive but will disclose targets retrospectively following the financial year end.</p> <p>The bonus will be paid 50% in cash and 50% in shares deferred for a period of three years.</p> |

| Element, purpose and link to strategy | Operation and maximum opportunity | Performance measures and assessment | Implementation for 2019 |
|--|--|--|--|
| THE RPS GROUP PLC EXECUTIVE LONG TERM INCENTIVE PLAN (THE 'ELTIP') | | | |
| To incentivise Executives to achieve sustainable, strong, long term performance for the Company, to retain key individuals and to align their interests with shareholders. | <p>Under the ELTIP, the Remuneration Committee may award annual grants of performance share awards in the form of nil-cost options or conditional shares ('ELTIP awards').</p> <p>Maximum ELTIP awards each year are equal to 150% of base salary (200% of salary in exceptional circumstances). ELTIP awards will normally vest after a three year performance period subject to the achievement of the performance measures.</p> <p>The Remuneration Committee will retain the discretion to determine whether to attach a holding period to a particular award at the date of each grant.</p> | <p>Financial and non-financial measures may be applied to awards under the ELTIP.</p> <p>Targets are typically structured on a challenging sliding scale, with no more than 20% of the maximum award vesting for achieving the threshold performance level through to full vesting for maximum performance.</p> <p>The Remuneration Committee has the discretion to adjust targets or performance measures for any exceptional events that may occur during the vesting period.</p> <p>The Remuneration Committee has the discretion to make downward or upward movements in the vesting of the ELTIP resulting from the application of the performance measures if the Remuneration Committee believes that the outcomes are not a fair and accurate reflection of business performance.</p> <p>The Remuneration Committee will review the performance measures annually, in terms of the range of targets, the measures themselves and weightings applied to each element of the ELTIP. Any revisions to the measures and/or weightings in future years will only take place if it is necessary because of developments in the Group's strategy and, where these are material, following dialogue with the major shareholders.</p> | <p>The ELTIP awards granted in 2019 will be 150% of salary for John Douglas and 125% of salary for Gary Young.</p> <p>The 2019 ELTIP awards will vest subject to the achievement of three measures: EPS (25% weighting), TSR (50% weighting) and cash conversion (25% weighting).</p> <p>Performance targets are as shown in the separate table following.</p> <p>In setting the EPS target for the 2019 LTIP awards the Committee has sought to set the right balance between investing in the business, focusing on sustainable growth and maximising shareholder returns. The Committee has taken into account analyst estimates for the period 2019 – 2020 and our own expectations of the global market over the three year performance period. The Committee is of the view that an EPS range of 3 - 6% pa in the current environment strikes an appropriate balance between setting challenging targets and motivating senior management.</p> |

| Element, purpose and link to strategy | Operation and maximum opportunity | Performance measures and assessment | Implementation for 2019 |
|---|---|-------------------------------------|--|
| ALL-EMPLOYEE INCENTIVES | | | |
| To encourage all employees to become shareholders and thereby align their interests with those of shareholders. | Eligible employees may participate in the Share Incentive Plan or country equivalent. Executive Directors will be entitled to participate on the same terms. Maximum participation levels for all staff are set by reference to the plan rules and relevant legislation. | Not applicable. | Executive Directors will continue to be eligible to participate in the Share Incentive Plan. |
| Shareholding guidelines | | | |
| To ensure that Executive Directors' interests are aligned with those of shareholders over the longer term. | Executive Directors are required to build or maintain (as relevant) the following minimum shareholding in the Company: • 200% of base salary for the Chief Executive; and • 150% of base salary for other Executives. Shares included in this calculation are those held beneficially by the Executive Director and his or her spouse/life partner. The shareholding requirement is determined by the Remuneration Committee and may be up to 200% of salary. | Not applicable. | Shareholding guidelines will remain at 200% of salary for the Group Chief Executive and 150% of salary for other Executive Directors. Executive Directors will be required to retain 50% of the post tax number of shares vesting under the STABP and ELTIP until their requirement is met and maintained |

77

The following performance targets will apply to the LTIP awards to be made to Executive Directors in 2019.

| Performance measure | Weighting | Measurement period | Performance target | Vesting level (% maximum) |
|---|-----------|--------------------------------|--------------------------|--|
| Total Shareholder Return relative to the FTSE All Share | 50% | Three years from date of grant | Upper Quartile | 100% |
| | | | Median to Upper Quartile | Pro rata on a straight-line basis between 20% and 100% |
| | | | Below Median | 0% |
| Average Annual Growth in Earnings Per Share (measured on a constant currency basis) | 25% | Three financial years | 6% p.a. | 100% |
| | | | Between 3% and 6% p.a. | Pro rata on a straight-line basis between 20% and 100% |
| | | | Below 3% p.a. | 0% |
| Cash conversion | 25% | Three financial years | 100% | 100% |
| | | | Between 80% and 100% | Pro rata on a straight-line basis between 20% and 100% |
| | | | 80% and below | 0% |

Executive Director service contracts and Non-Executive letters of appointment

Executive Director service contracts

When setting notice periods, the Remuneration Committee has regard to market practice and best governance practice. The Company's general policy is to provide contracts to Executive Directors with no greater than 12 months' notice.

The table below summarises the service contracts for the current Executive Directors.

| Executive Director | Date of contract | Notice period |
|--------------------|------------------|---------------|
| John Douglas | June 2017 | 12 months |
| Gary Young | September 2000 | 12 months |

None of the Directors' contracts provide for extended notice periods or compensation in the event of a change of control.

Non-Executive Director letters of appointment

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment which provide for a review after an initial three year term. Each Non-Executive Director is subject to annual re-election at the Company's AGM. Details of the terms of appointment of the Non-Executive Directors are shown below:

| Non-Executive director | Date of appointment | Unexpired term as at 31 December 2018 |
|------------------------|---------------------|---------------------------------------|
| Ken Lever | November 2016 | 10 months |
| Robert Miller-Bakewell | May 2010 | 4 months |
| Allison Bainbridge | June 2017 | 17 months |
| Liz Peace | August 2017 | 19 months |
| Michael McKelvy | May 2018 | 28 months |
| Catherine Glickman | August 2018 | 31 months |

No compensation is payable in the event of early termination. All service contracts and letters of appointment are available for viewing at the Company's registered office.

Consideration of employee remuneration and shareholders

Consideration of shareholder views

The Remuneration Committee takes the views of the shareholders very seriously and these have been influential in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting on-going remuneration strategy and the Remuneration Committee commits to consulting with shareholders prior to any significant changes to the remuneration policy.

Employment conditions elsewhere in the Group

In setting the remuneration policy for Directors, the pay and conditions of other employees of RPS are taken into account, including any base salary increases awarded.

The Remuneration Committee has not expressly sought the views of employees and no remuneration comparison measurements were used when drawing up the Policy. Through the Board, however, the Remuneration Committee is updated as to employee views on remuneration generally.

Robert Miller-Bakewell
Chairman of the Remuneration Committee
 21 February 2019



FINANCIAL STATEMENTS

81

INDEPENDENT AUDITOR'S REPORT

to the members of RPS Group Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- the financial statements of RPS Group Plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes to the consolidated financial statements 1 to 31 and notes to the parent company financial statements 1 to 15.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

| | |
|-------------------------------------|---|
| Key audit matters | <p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> revenue recognition – accrued income cut off; and impairment of goodwill and long lived assets. <p>Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with .</p> |
| Materiality | The materiality that we used for the Group financial statements was £2.5m which was determined on the basis of 5% of profit before tax, amortisation and transaction related costs (PBTAC) as detailed in note 3. |
| Scoping | We focused our Group audit scope and work on the business units at 6 locations. Within the 6 locations, 20 business units were subject to a full audit scope, whilst the remaining 6 were subject to specified audit procedures. Our full scope audit testing and agreed upon procedures covered 97% of revenue, 94% of PBTAC, and 97% of net assets. |
| Significant changes in our approach | There have been no significant changes in our audit approach, with the exception of the removal of the recoverability of trade receivables and accrued income in the Energy segment as a key audit matter. |

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the Directors' statement in the Report of the Directors on page 48 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

83

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 28-29 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 27 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 27 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the prior year, we included the recoverability of trade receivables and accrued income in the Energy segment as a key audit matter. In the current year, this is not considered a key audit matter on the basis that we have not historically identified any material errors, combined with improved economic conditions particularly in the oil and gas sector.

REVENUE RECOGNITION - ACCRUED INCOME CUT-OFF

| | |
|------------------------------|---|
| Key audit matter description | <p>The Group is engaged in the provision of consultancy services through contractual arrangements with its customers. Revenue for the financial year 2018 is £637m (2017: £631m) with accrued income of £45m (2017: £39m).</p> <p>ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue transactions or assertions give rise to such risks.</p> <p>The specific key audit matter is around the recognition of accrued income on fixed fee contracts over £50,000 where the contracts remain open at year end. This risk excluded the Norwegian component where the total value of fixed fee contracts was immaterial. There is judgement required around the recognition of the revenue and its recoverability in estimating the stage of completion and the costs to complete fixed fee open contracts.</p> <p>The Group's revenue recognition policy is disclosed in note 1(c).</p> |
|------------------------------|---|

| | |
|--|--|
| How the scope of our audit responded to the key audit matter | <p>Our audit work assessed the adequacy of the design, implementation and tested the operating effectiveness of controls over the recognition of revenue (including those related to accrued income recognition specifically) for the most significant full scope components. Whilst relying on the operating effectiveness of the controls, we tested in detail a sample of accrued income and work-in-progress balances, focusing on fixed fee contracts over £50,000 by comparing them to the signed contract terms and where possible, agreeing inputs to the related time records, verifying customer acceptances, billing milestones/schedules and understanding and challenging the estimated costs to complete. In our assessment of the stage of completion, wherever possible we attended project status review meetings and observed the process in place as well as confirming status of projects. Finally, we recalculated the amount of revenue recognised against the percentage completion determined and confirmed that they agreed to the general ledger record. Based on our findings from this, we determined whether revenue recognition was appropriate.</p> |
|--|--|

| | |
|------------------|--|
| Key observations | <p>Based on our procedures, revenue recognised in respect of accrued income for fixed fee contracts open at year end is appropriate.</p> |
|------------------|--|

IMPAIRMENT OF GOODWILL AND LONG LIVED ASSETS

| | |
|------------------------------|--|
| Key audit matter description | <p>At 31 December 2018, the net book value of goodwill and long lived assets was £418m (2017: £424m). The associated disclosure is included in note 13, the Audit Committee Report on page 62 and the accounting policy is disclosed in note 1(e).</p> <p>Assessment of the carrying value of goodwill and long lived assets is a key audit matter due to the quantum of the balance recorded and the number of judgements involved in assessing impairment. The trading announcement issued by the Group on 25th October 2018 also highlighted underperformance of certain segments of the Group. Finally, in the prior year an impairment charge of £40m was recorded removing any headroom in the Energy cash generating unit (CGU). Given this background, the key audit matter is pinpointed to the key assumptions in the cash flow forecasts for the Energy, Australia Asia Pacific and North America CGUs.</p> <p>The Group's assessment of the carrying values of goodwill and long lived assets is based on assumptions of future cash flows, including assumptions on growth rates and the selection of appropriate discount rates.</p> |
|------------------------------|--|

In respect of the key audit matter, the CGUs' cashflows are predominantly derived from outside of the European Union.

How the scope of our audit responded to the key audit matter

Our audit work assessed the adequacy of the design and implementation of controls over management review of goodwill and long lived assets impairment.

Our work focused on challenging management's assumptions and the appropriateness of their judgements and forecasts used as part of their value in use calculations, specifically for Energy, Australia Asia Pacific and North America CGUs.

We considered management's forecasts in light of current trading conditions by comparing it against current and historical results with particular focus on Energy, Australia Asia Pacific and North America CGUs.

In performing our procedures, we challenged management's assessment of the impact of Brexit on future cashflows by performing sensitivity analysis on the potential impact.

We used our valuation specialists to calculate an acceptable range of discount rates and compared our range to that determined by management.

We examined the short term growth rates by using market data, relevant industry data and considering historical growth rates, in order to check for any contradictory evidence. We benchmarked the long-term growth rates against external peer Group published rates and market data. We also performed sensitivity analysis on the amount and timing of cash flows. We have considered the adequacy of the associated disclosures.

Key observations

Based on our procedures performed, we did not identify any impairment as at 31 December 2018.

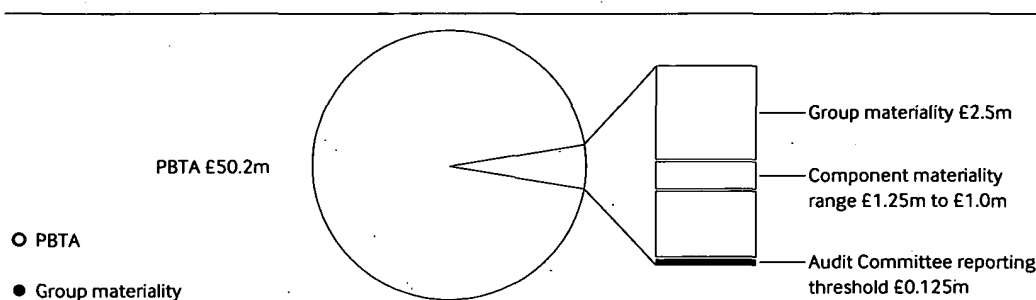
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

85

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | GROUP FINANCIAL STATEMENTS | PARENT COMPANY FINANCIAL STATEMENTS |
|-------------------------------------|---|--|
| Materiality | £2,500,000 (2017: £2,600,000) | £1,250,000 (2017: £1,300,000) |
| Basis for determining materiality | 5% of adjusted pre-tax profit, adjusted for amortisation and impairment of acquired intangible assets and transaction related costs (PBTA). This basis is consistent with the prior year. | Materiality determined at 3% of the parent company net assets. This was then capped at 50% of Group materiality. This materiality equates to 0.5% of net assets. |
| Rationale for the benchmark applied | We chose this measure as it is the Group's key profit performance indicator. It is also the primary measurement used by the users of the accounts and key stakeholders to measure the performance of the Group. The Group carries a material level of intangible assets, therefore on an annual basis, the results, including the impact of amortisation and acquisitions can be significantly distorted. | Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value. |



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £125,000 (2017: £130,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope and work on the business units at 6 locations – UK, Australia, USA, Norway, Netherlands and Ireland (2017: 6). These are the same locations as prior year. Within the 6 locations, 20 (2017: 24) business units were subject to a full audit scope, whilst the remaining 6 (2017: 7) were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These locations, incorporating those covered by specified audit procedures, account for 97% (2017: 91%) of the Group's net assets, 97% (2017: 96%) of the Group's revenue and 94% (2017: 90%) of the Group's profit before tax, amortisation and transaction-related costs. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at some locations with local statutory reporting requirements were executed at levels of materiality applicable to the individual entity which were lower than Group materiality and ranged from £1.0m to £1.25m (2017: £1.0m to £1.3m).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor and or a senior member of the Group audit team visits certain overseas components selected by the Senior Statutory Auditor based on his judgement. In the year we visited three (2017: three) overseas locations (Australia, US and Netherlands). Every year, regardless of whether we have visited or not, we include the component audit partner and other senior members of the component audit team in our team briefing, discuss their risk assessment and review documentation of the findings from their work.

The extent of our involvement which commenced from the planning of the Group audit included;

- setting the scope of the component auditor and assessment of the component auditor's independence;
- designing the audit procedures for all significant risks to be addressed by the component auditors and issuing Group audit instructions detailing the nature and form of the reporting required by the Group engagement team;
- visits to three overseas locations where the Group audit scope was focussed in addition to the work performed at the Group head office;
- providing direction on enquiries made by the component auditors and reviewing their reporting documents submitted to the Group audit team;
- a review of the component auditors files for the three visited components (Australia, US and Netherlands); and
- participating in the audit close meetings for each of the operating companies.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that

an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Enquiring of management, internal audit and the audit committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in revenue recognition - accrued income cut off.
- Obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

Audit response to risks identified

As a result of performing the above, we identified revenue recognition – accrued income cut-off as a key audit matter. The key audit matter section of our report explains the matter in more detail and also describes the specific procedures we performed in response to the key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- Enquiring of management, the audit committee and in-house and external legal counsel concerning actual and potential litigation and claims.
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax authorities where the case.
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Report of the Directors.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

OTHER MATTERS

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board on 27 June 2012 to audit the financial statements for the year ending 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ending 31 December 2012 to 31 December 2018.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Use of our report

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.


Andrew Bond FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, UK

21 February 2019

CONSOLIDATED INCOME STATEMENT

| £000s | Note | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|---|---------|---------------------------|---------------------------|
| Revenue | 4,5 | 637,383 | 630,636 |
| Recharged expenses | 4,5 | (63,226) | (68,316) |
| Fee income | 4,5 | 574,157 | 562,320 |
| Operating profit before amortisation and impairment of acquired intangibles and transaction related costs | 3,4,6,7 | 54,041 | 58,467 |
| Amortisation and impairment of acquired intangibles and transaction related costs | 3,6 | (9,181) | (55,541) |
| Operating profit | | 44,860 | 2,926 |
| Finance costs | 8 | (4,111) | (4,639) |
| Finance income | 8 | 232 | 113 |
| Profit before tax, amortisation and impairment of acquired intangibles and transaction related costs* | | 50,162 | 53,941 |
| Profit/(loss) before tax | | 40,981 | (1,600) |
| Tax expense | 11 | (11,240) | (15,072) |
| Profit/(loss) for the year attributable to equity holders of the parent | | 29,741 | (16,672) |
| Basic earnings/(loss) per share (pence) | 12 | 13.34 | (7.52) |
| Diluted earnings/(loss) per share (pence) | 12 | 13.23 | (7.47) |
| Adjusted basic earnings per share (pence) | 12 | 16.47 | 17.13 |
| Adjusted diluted earnings per share (pence) | 12 | 16.34 | 17.01 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| £000s | Note | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|--|------|---------------------------|---------------------------|
| Profit/(loss) for the year | | 29,741 | (16,672) |
| Actuarial gains and losses on remeasurement of defined benefit pension scheme | 27 | 677 | (66) |
| Tax on remeasurement of defined benefit provision liability | 11 | (149) | 15 |
| Exchange differences* | | (2,174) | (5,867) |
| Total recognised income/(loss) for the year attributable to equity holders of the parent | | 28,095 | (22,590) |

*may be reclassified subsequently to profit or loss in accordance with IFRS.

The notes on pages 94 to 127 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

| £000s | Note | As at 31 Dec 2018 | As at 31 Dec 2017 |
|-------------------------------|------|----------------------|----------------------|
| Assets | | | |
| Non-current assets: | | | |
| Intangible assets | 13 | 385,699 | 395,730 |
| Property, plant and equipment | 14 | 32,005 | 28,344 |
| Deferred tax asset | 21 | 3,795 | 3,312 |
| | | 421,499 | 427,386 |
| Current assets: | | | |
| Trade and other receivables | 16 | 166,418 | 169,755 |
| Cash at bank | | 17,986 | 15,588 |
| | | 184,404 | 185,343 |
| Liabilities | | | |
| Current liabilities: | | | |
| Borrowings | 18 | 2,581 | 212 |
| Deferred consideration | 19 | 53 | 1,608 |
| Trade and other payables | 17 | 117,914 | 123,406 |
| Corporation tax liabilities | | 3,648 | 3,415 |
| Provisions | 20 | 2,119 | 2,953 |
| | | 126,315 | 131,594 |
| Net current assets | | 58,089 | 53,749 |
| Non-current liabilities: | | | |
| Borrowings | 18 | 89,280 | 96,008 |
| Deferred consideration | 19 | 249 | 148 |
| Other payables | | 1,719 | 2,543 |
| Deferred tax liability | 21 | 6,405 | 8,340 |
| Provisions | 20 | 4,363 | 4,312 |
| | | 102,016 | 111,351 |
| Net assets | | 377,572 | 369,784 |
| Equity | | | |
| Share capital | 22 | 6,783 | 6,745 |
| Share premium | | 120,400 | 117,790 |
| Retained earnings | | 213,656 | 205,143 |
| Merger reserve | | 21,256 | 21,256 |
| Employee Trust | | (9,801) | (8,602) |
| Translation reserve | | 25,278 | 27,452 |
| Total shareholders' equity | | 377,572 | 369,784 |

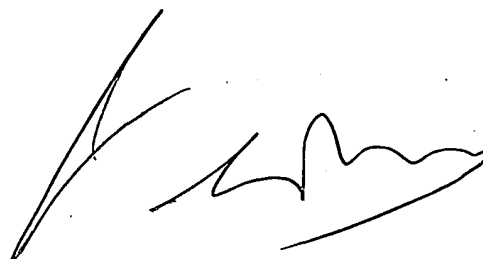
These financial statements were approved and authorised for issue by the Board on 21 February 2019.

The notes on pages 94 to 127 form part of these financial statements.

John Douglas, Director

Gary Young, Director

On behalf of the Board of RPS Group Plc (company number 2087786).



CONSOLIDATED CASH FLOW STATEMENT

| £000s | Note | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|--|------|---------------------------|---------------------------|
| Net cash from operating activities | 26 | 44,488 | 43,744 |
| Cash flows from investing activities: | | | |
| Purchases of subsidiaries net of cash acquired | | (165) | – |
| Deferred consideration | | (1,611) | (12,879) |
| Purchase of property, plant and equipment | | (11,872) | (8,651) |
| Proceeds from sale of business | | – | 234 |
| Proceeds from sale of property, plant and equipment | | 222 | 221 |
| Net cash used in investing activities | | (13,426) | (21,075) |
| Cash flows from financing activities: | | | |
| Costs of issue of share capital | | (9) | (8) |
| Proceeds from issue of share capital | | – | 382 |
| Repayment of bank borrowings | | (8,891) | (1,424) |
| Payment of finance lease liabilities | | – | (36) |
| Dividends paid | 23 | (22,115) | (22,007) |
| Net cash generated in financing activities | | (31,015) | (23,093) |
| Net increase/(decrease) in cash and cash equivalents | | 47 | (424) |
| Cash and cash equivalents at beginning of year | | 15,376 | 16,503 |
| Effect of exchange rate fluctuations | | (18) | (703) |
| Cash and cash equivalents at end of year | 26 | 15,405 | 15,376 |
| Cash and cash equivalents comprise: | | | |
| Cash at bank | | 17,986 | 15,588 |
| Bank overdraft | | (2,581) | (212) |
| Cash and cash equivalents at end of year | 26 | 15,405 | 15,376 |

The notes on pages 94 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| £000s | Share capital | Share premium | Retained earnings | Merger reserve | Employee trust | Translation reserve | Total equity |
|---|---------------|---------------|-------------------|----------------|----------------|---------------------|--------------|
| At 1 January 2017 | 6,703 | 114,353 | 249,353 | 21,256 | (13,677) | 33,319 | 411,307 |
| Loss for the year | – | – | (16,672) | – | – | – | (16,672) |
| Other comprehensive income | – | – | (51) | – | – | (5,867) | (5,918) |
| Total comprehensive income for the year | – | – | (16,723) | – | – | (5,867) | (22,590) |
| Issue of new ordinary shares | 42 | 3,437 | (1,352) | – | (1,753) | – | 374 |
| Share based payment expense | – | – | 2,700 | – | – | – | 2,700 |
| Transfer on release of shares | – | – | (6,828) | – | 6,828 | – | – |
| Dividends paid | – | – | (22,007) | – | – | – | (22,007) |
| At 31 December 2017 | 6,745 | 117,790 | 205,143 | 21,256 | (8,602) | 27,452 | 369,784 |
| | – | – | (521) | – | – | – | (521) |
| Profit for the year | – | – | 29,741 | – | – | – | 29,741 |
| Other comprehensive income | – | – | 528 | – | – | (2,174) | (1,646) |
| Total comprehensive income for the year | – | – | 30,269 | – | – | (2,174) | 28,095 |
| Issue of new ordinary shares | 38 | 2,610 | (799) | – | (1,858) | – | (9) |
| Share based payment expense | – | – | 2,338 | – | – | – | 2,338 |
| Transfer on release of shares | – | – | (659) | – | 659 | – | – |
| Dividends paid | – | – | (22,115) | – | – | – | (22,115) |
| At 31 December 2018 | 6,783 | 120,400 | 213,656 | 21,256 | (9,801) | 25,278 | 377,572 |

Details of dividends paid are provided in note 23.

The notes on pages 94 to 127 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

RPS Group Plc (the "Company") is a public company limited by shares domiciled in England under the Companies Act. The consolidated financial statements of the Company for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were authorised for issuance on 21 February 2019.

(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 financial statements have been prepared on the historical cost basis.

During the year, the Group has adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" for the first time. Their impact is disclosed in note 30 to the Financial Statements. Otherwise the Group has prepared these accounts on the same basis as the 2017 Report and Accounts.

The accounting policies set out below have been applied consistently to both years 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. When the Group makes acquisitions the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date in the Consolidated Balance Sheet. 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 financial statements from the date control ceases.

(c) Revenue

Consultancy

The Group delivers consultancy services to our clients on a time and materials or fixed fee basis. In both cases, revenue is recognised over the life of the project, as the services are performed by our staff. The Group delivers services that have no alternative use to us (advice to clients, which may take the form of reports, designs, etc.) as the services are specifically tailored to each client's projects and circumstances. The Group has a right to payment for work performed to date.

For time and materials projects, revenue is recognised in proportion to the number of hours worked and the out of pocket expenses incurred. For fixed fee projects, revenue is recognised with reference to the cost to complete the project.

Software

The Group sells licences and access to software and applications. The software may be customised by RPS for each client, and where we sell customised software we recognise revenue over the period of customisation. Access to applications is provided for a period and revenue is recognised evenly over that period.

Training

The Group provides classroom, field based and online training services to clients, either on a course by course basis or through a program specifying the numbers of training days available to the client. Revenue is recognised as the courses are delivered to the clients. In some cases, subscriptions give access to training programmes and in those circumstances, revenue is recognised when the subscription is sold.

Equipment

From time to time, the Group sells pieces of equipment to clients. In these cases, revenue is recognised when control of the asset passes to the customer and we have no remaining rights over the asset.

Laboratory testing

The Group provides Laboratory testing services and the revenue generated is recognised as samples are tested.

Agency agreements

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

Payment terms

For all revenue types, payment is typically due between 30 and 60 days after the invoice date, depending on the service, the client and the territory in which the Group is operating.

Fee income and recharged expenses

Revenue is classified into fee income and recharged expenses. 'Fee income' represents the Group's personnel, subcontractor and equipment time and expertise sold to clients. 'Recharged expenses' is the recharge of costs incidental to fulfilling the Group's contracts, for example mileage, flights, subsistence and accommodation, and subcontractor costs on which a negligible margin is earned by the Group.

Contract assets and liabilities

Contract assets are booked when the amount of revenue recognised on a contract exceeds the amount invoiced. Where the amount invoiced exceeds the amount of revenue recognised, the difference is booked in contract liabilities.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

(d) Deferred consideration

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

It is stated at the fair value. All deferred consideration has been treated as part of the cost of investment. At each balance sheet date, deferred consideration comprises the fair value of the remaining deferred consideration valued at acquisition.

(e) Intangible assets

i Goodwill

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

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

ii Other intangible assets

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

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

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

iii Amortisation

Amortisation is charged to profit or loss in proportion to the timing of the benefits derived from the related asset 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 | 5 to 10 years |
| Trade names | 1 to 5 years |
| Order backlog | 1 to 6 years |
| Software | 4 to 8 years |
| Intellectual property rights | 4 years |

(f) Impairment of non financial assets

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

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

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

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

i Calculation of recoverable amount

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

(g) Judgements made in applying accounting policies

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies that have had a significant effect on the amounts recognised in the financial statements.

(h) Sources of estimation uncertainty

In applying the Group's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. The only source of estimation uncertainty at the end of 2018, that has a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities during 2019, is the lack of clarity around the terms of the UK's exit from the EU. The uncertainty associated with Brexit may affect the cash flows generated by our Consulting UK & Ireland business. Although we consider it unlikely, if these cash flows are significantly different to those modelled in our goodwill impairment reviews, the carrying value of goodwill associated with that CGU Group may be affected.

2. OTHER ACCOUNTING POLICIES

(a) Foreign currency

i Foreign currency transactions

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

ii Financial statements of foreign operations

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

iii Net investment in foreign operations

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

iv Foreign currency forward contracts

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

(b) Property, plant and equipment

i Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1 (f) above).

ii Leased assets

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

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

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

iii Subsequent costs

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

iv Depreciation

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

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

(c) Trade and other receivables

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

Financial Assets

The Group's financial assets consist of trade receivables, contract assets and cash. These assets are measured at amortised cost as the Group's business model for managing these assets is to hold them until realisation of the asset as cash.

Impairment of Financial Assets

For trade receivables and contract assets, the Group applies the simplified impairment approach permitted by IFRS 9 which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics relating to the markets we operate in. The Group's history of such losses is not material, even during significant downturns, and consequently the risk associated with Brexit is deemed to be limited.

(d) Cash and cash equivalents

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

(e) Employee benefits

i Defined contribution plans

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

ii Defined benefit plans

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement gains and losses are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. These remeasurement gains and losses are not recycled to the income statement. Defined benefit costs are split into three categories:

- current service cost, past service cost and gains and losses on curtailments and settlements (recognised in administrative expenses)
- net interest expense or income (recognised in finance costs); and
- remeasurement (recognised in other comprehensive income)

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit in the Group's defined benefit scheme.

iii Share-based payments

The Group operates share based payment arrangements with employees.

The **Share Incentive Plan ("SIP")** is an all-employee share plan which operates in the UK, Ireland, Australia, Canada, Netherlands, Norway and USA. Employees purchase partnership shares on a monthly or annual basis using deductions from salary and the Group matches this by awarding matching shares. These matching shares are awarded at no cost to the employee and are released to the employee subject to continuity of employment provision after three years.

The Performance Share Plan ("PSP")

is a discretionary share incentive arrangement for RPS Group Plc's senior employees. The awards are granted over a fixed number of shares at no cost to the employees. At the end of the three year holding period the award will vest subject to continuity of employment conditions.

The Energy Share Option Plan

is a discretionary share incentive arrangement for RPS Group Plc's senior employees within the Energy segment. The awards are granted over a fixed number of shares. At the end of the three year holding period, the award will vest subject to continuity of employment conditions. The employee can exercise the option to purchase the shares on payment of the option price to the Company at any point between three and ten years following the grant of the option.

The Executive Long Term Incentive Plan ("ELTIP")

is a discretionary share incentive arrangement for RPS Group Plc's senior employees. The awards are granted over a fixed number of shares at no cost to the employees. At the end of the three year holding period the award will vest subject to the achievement of the performance measures outlined in the Remuneration Report. There is then a two year holding period for awards that have vested.

The Short Term Annual Bonus Plan ("STABP")

is an incentive scheme for RPS Group Plc's senior employees based on the achievement of a range of financial and non-financial targets over a one year period. 50% of the bonus award is paid in cash and 50% is deferred into shares which are subject to a three year holding period. There are no further performance conditions applicable to the deferred shares.

The fair value of equity settled awards for share based payments is determined at grant and expensed straight line over the period from grant to the date of earliest unconditional exercise.

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

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

iv Accrued holiday pay

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

(f) Provisions

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

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

(g) Trade and other payables

Trade and other payables are stated at cost. Trade payables due within one year are not discounted.

(h) Borrowings

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

2. OTHER ACCOUNTING POLICIES CONTINUED

(i) Reserves

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

Share premium

Premium on shares issued in excess of nominal value, other than on shares issued in respect of acquisitions when merger relief is taken.

Merger reserve

Premium on shares issued in respect of acquisitions when merger relief is taken.

Employee trust

Own shares held by the SIP and Employee Benefit trusts. When the shares are released to staff, the related entry to the Employee Trust reserve is reversed to Retained earnings.

Translation reserve

Cumulative gains and losses arising on retranslating the net assets of overseas operations into sterling.

Retained earnings

Cumulative net gains and losses recognised in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

(j) Expenses

i Operating lease payments

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

ii Finance lease payments

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

(k) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates and rules 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. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

(l) Dividends

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

(m) Share Scheme Trusts

The Company administers its share plans through two Trusts - the Employee Benefit Trust and the SIP Trust. The SIP Trust is used for the HMRC-approved Share Incentive Plan and the EBT as used for all other plans. As the Company is deemed to have control of its share trusts, they are treated as subsidiaries and consolidated for the purpose of the Group accounts. The Trusts' 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 Trusts' investments in the Company's shares are deducted from shareholders' funds in the Group balance sheet as if they were treasury shares.

(n) Accounting Standards Issued but not adopted

IFRS 16 "Leases".

The Group will apply IFRS 16 from 1 January 2019. The Group has elected not to restate comparatives on initial adoption. The Group has performed an assessment of the impact of adopting IFRS 16 based on leases outstanding at 31 December 2018. The Group estimates that lease right of use assets of £44m and lease liabilities of £48m will be recognised on transition. In addition, lease prepayments of £0.5m, lease accruals of £0.5m and onerous lease provisions of £2.1m will be derecognised.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in current or future reporting periods and on foreseeable future transactions.

3. ALTERNATIVE PERFORMANCE MEASURES

Throughout this document the Group presents various alternative performance measures. The measures presented are those adopted by the Chief Operating Decision Maker ("CODM", deemed to be the main Board) and analysts who follow us in assessing the performance of the business.

Group profit and earnings measures

PBTA

Profit before tax and amortisation and impairment of acquired intangibles and transaction related costs (PBTA) is used by the Board to monitor and measure the trading performance of the Group. It excludes certain items which the Board

believes distort the trading performance of the Group. These items are either acquisition and disposal related or they are non-cash items.

Delivering the Group's strategy includes investment in selected acquisitions that enhance the depth and breadth of services that the Group offers in the territories in which it operates. In addition, from time to time the Group chooses to exit a particular market or service offering because it is not offering the desired returns. By excluding acquisition and disposal related items from PBTA, the Board has a clearer view of the performance of the Group and is able to make better operational decisions to support its strategy.

Accordingly, transaction related costs including costs of acquisition and disposal, losses on the closure of businesses and amortisation and impairment of intangible assets are excluded from the Group's preferred performance measure, PBTA.

Items are treated consistently year on year, and these adjustments are also consistent with the way that performance is measured under the Group's incentive plans and its banking covenants.

Operating profit before amortisation and impairment of acquired intangible assets and transaction related costs is a derivative of PBTA. A reconciliation is shown below.

| £000s | 2018 | 2017 |
|---|--------|---------|
| Profit/(loss) before tax | 40,981 | (1,600) |
| Add: Amortisation and impairment of acquired intangibles and transaction related costs | 9,181 | 55,541 |
| PBTA | 50,162 | 53,941 |
| Add: Net finance costs | 3,879 | 4,526 |
| Operating profit before amortisation and impairment of acquired intangibles and transaction related costs | 54,041 | 58,467 |

Adjusted profit attributable to ordinary shareholders

It follows that the Group uses adjusted profit attributable to ordinary shareholders as the input to its adjusted EPS measures. Again, this profit measure excludes amortisation of acquired intangibles and transaction related costs, but is an after tax measure.

| £000s | 2018 | 2017 |
|--|---------|----------|
| Profit/(loss) attributable to ordinary shareholders | 29,741 | (16,672) |
| Add: Amortisation and impairment of acquired intangibles and transaction related costs | 9,181 | 55,541 |
| Deduct: Tax on amortisation and impairment of acquired intangibles and transaction related costs | (2,205) | (885) |
| Adjusted profit attributable to ordinary shareholders | 36,717 | 37,984 |

Constant currency

The Group generates revenues and profits in various territories and currencies because of its international footprint. Those results are translated on consolidation at the foreign exchange rates prevailing at the time. These exchange

rates vary from year to year, so the Group presents some of its results on a constant currency basis. This means that the prior year's results have been retranslated using current year exchange rates. This eliminates the effect of exchange from the

year on year comparison of results. The difference between the reported numbers and the constant currency numbers is the "constant currency effect".

| £000s | 2017 | Constant currency effect | 2017 at constant currency |
|-----------------|---------|--------------------------|---------------------------|
| Revenue | 630,636 | (10,697) | 619,939 |
| Fee income | 562,320 | (9,742) | 552,578 |
| PBTA | 53,941 | (1,176) | 52,765 |
| Loss before tax | (1,600) | (754) | (2,354) |

3. ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Segment profit and underlying profit

Segment profit is presented in our segmental disclosures. This excludes the effects of financing and amortisation which are metrics outside of the control of segment management. It also excludes unallocated expenses. Segment profit is then adjusted by excluding the costs of reorganisation to give underlying profit for the segment. This reflects the underlying trading of the business. A reconciliation between segment profit and operating profit is given in note 4.

Reorganisation costs

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

Unallocated expenses

Certain central costs are not allocated to the segments because they predominantly relate to the stewardship of the Group. They include the costs of the main board and the Group finance and marketing functions and related IT costs.

Revenue measures

The Group disaggregates revenue into Fee Income and Recharged Expenses. This provides insight into the performance of the business and our productive output. (See note 1(c).) This is reconciled on the face of the income statement. Fee income by segment is reconciled in note 4.

Cash flow measures

EBITDAS

EBITDAS is operating profit adjusted by adding back non-cash expenses, tax and financing costs. The adjustments include interest, tax, depreciation, amortisation and impairment and transaction related costs and share scheme costs. This generates a cash-based operating profit figure which is the input into the cash flow statement. A reconciliation between Operating Profit and EBITDAS is given in note 26.

Conversion of profit into cash

A key measure of the Group's cash generation is the conversion of profit into cash. This is the cash generated from operations divided by EBITDAS expressed as a percentage. This metric is used as a

measure against which the Group's long and short term performance incentive schemes are judged and reflects how much of the Group's profit has been collected as cash in the year.

Net bank borrowings

Net bank borrowings is the total of cash and cash equivalents, interest bearing bank loans and finance leases. This measure gives the external indebtedness of the Group, and is an input into the leverage calculations. This is reconciled in note 26.

Leverage

Leverage is the ratio of net bank borrowings plus deferred consideration to annualised EBITDAS and is one of the financial covenants included in our bank facilities.

Tax measures

We report one adjusted tax measure, which is the tax rate on PBTA ("adjusted effective tax rate"). This is the tax charge applicable to PBTA expressed as a percentage of PBTA and is set out in note 11.

100

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information is presented in the financial statements in respect of the Group's business segments, as reported to the CODM. 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.

The segment results for the year ended 31 December 2017 were restated following changes to the Group's management structure and organisation, as announced on 2 July 2018.

The business segments of the Group are as follows:

- Energy
- Consulting - UK and Ireland
- Services - UK and Netherlands
- Norway
- North America
- AAP

Segment results for the period ended 31 December 2018:

| £000s | Fee income | Expenses | Intersegment revenue | External revenue |
|-------------------------------|------------|----------|----------------------|------------------|
| Energy | 101,067 | 12,800 | (802) | 113,065 |
| Consulting - UK and Ireland | 122,089 | 30,679 | (1,371) | 151,397 |
| Services - UK and Netherlands | 110,567 | 11,414 | (1,178) | 120,803 |
| Norway | 69,012 | 965 | (171) | 69,806 |
| North America | 58,671 | 1,149 | (524) | 59,296 |
| AAP | 116,830 | 6,714 | (528) | 123,016 |
| Group eliminations | (4,079) | (495) | 4,574 | — |
| Total | 574,157 | 63,226 | — | 637,383 |

| £000s | Underlying profit | Reorganisation costs | Segment profit |
|-------------------------------|-------------------|----------------------|----------------|
| Energy | 9,579 | (676) | 8,903 |
| Consulting - UK and Ireland | 15,501 | (84) | 15,417 |
| Services - UK and Netherlands | 13,581 | (69) | 13,512 |
| Norway | 6,978 | (786) | 6,192 |
| North America | 5,245 | (125) | 5,120 |
| AAP | 13,328 | (62) | 13,266 |
| Total | 64,212 | (1,802) | 62,410 |

Segment results for the period ended 31 December 2017 (restated):

| £000s | Fee income | Expenses | Intersegment revenue | External revenue |
|-------------------------------|------------|----------|----------------------|------------------|
| Energy | 93,005 | 13,024 | (675) | 105,354 |
| Consulting - UK and Ireland | 120,767 | 25,339 | (1,388) | 144,718 |
| Services - UK and Netherlands | 95,699 | 16,497 | (708) | 111,488 |
| Norway | 67,986 | 1,192 | (212) | 68,966 |
| North America | 68,274 | 1,918 | (217) | 69,975 |
| AAP | 119,674 | 10,939 | (478) | 130,135 |
| Group eliminations | (3,085) | (593) | 3,678 | — |
| Total | 562,320 | 68,316 | — | 630,636 |

| £000s | Underlying profit | Reorganisation costs | Segment profit |
|-------------------------------|-------------------|----------------------|----------------|
| Energy | 8,511 | (544) | 7,967 |
| Consulting - UK and Ireland | 16,615 | — | 16,615 |
| Services - UK and Netherlands | 13,955 | — | 13,955 |
| Norway | 6,378 | — | 6,378 |
| North America | 7,507 | (206) | 7,301 |
| AAP | 15,257 | (461) | 14,796 |
| Total | 68,223 | (1,211) | 67,012 |

4. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

Group reconciliation

| £000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|---|---------------------------|---------------------------|
| Revenue | 637,383 | 630,636 |
| Recharged expenses | (63,226) | (68,316) |
| Fee income | 574,157 | 562,320 |
| Underlying profit | 64,212 | 68,223 |
| Reorganisation costs | (1,802) | (1,211) |
| Segment profit | 62,410 | 67,012 |
| Unallocated expenses | (8,369) | (8,545) |
| Operating profit before amortisation and impairment of acquired intangibles and transaction related costs | 54,041 | 58,467 |
| Amortisation and impairment of acquired intangibles and transaction related costs | (9,181) | (55,541) |
| Operating profit | 44,860 | 2,926 |
| Net finance costs | (3,879) | (4,526) |
| Profit/(loss) before tax | 40,981 | (1,600) |

| £000s | Carrying amount of segment assets | | Segment depreciation and amortisation | |
|-------------------------------|--------------------------------------|---------------------------------------|--|---------------------------------------|
| | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 restated | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 restated |
| Energy | 76,297 | 74,637 | 1,933 | 42,454 |
| Consulting - UK and Ireland | 169,879 | 169,307 | 1,989 | 2,680 |
| Services - UK and Netherlands | 104,950 | 103,848 | 3,489 | 3,364 |
| Norway | 56,670 | 57,372 | 2,262 | 2,756 |
| North America | 66,656 | 66,194 | 2,246 | 3,397 |
| AAP | 118,608 | 128,923 | 5,143 | 6,172 |
| Unallocated | 12,843 | 12,448 | 338 | 422 |
| Group total | 605,903 | 612,729 | 17,400 | 61,245 |

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

| £000s | Revenue | | Fee income | |
|-------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
| UK | 242,707 | 232,490 | 205,212 | 193,183 |
| Australia | 138,742 | 144,694 | 128,993 | 132,200 |
| USA | 94,119 | 98,957 | 89,776 | 93,901 |
| Norway | 73,747 | 73,217 | 72,524 | 71,804 |
| Netherlands | 38,998 | 36,180 | 33,504 | 30,148 |
| Ireland | 33,158 | 28,805 | 29,811 | 26,641 |
| Canada | 11,817 | 12,461 | 10,421 | 10,624 |
| Other | 4,095 | 3,832 | 3,916 | 3,819 |
| Total | 637,383 | 630,636 | 574,157 | 562,320 |

| £000s | Carrying amount of non-current assets | |
|-------------|--|----------------------|
| | As at 31 Dec 2018 | As at 31 Dec 2017 |
| UK | 163,591 | 162,597 |
| Australia | 96,436 | 102,999 |
| USA | 49,458 | 50,910 |
| Ireland | 42,166 | 41,782 |
| Norway | 38,454 | 40,530 |
| Canada | 12,679 | 9,885 |
| Netherlands | 18,710 | 18,678 |
| Other | 5 | 5 |
| Total | 421,499 | 427,386 |

103

5. REVENUE

Disaggregation of revenue

The Group segmental information disclosed in note 4 best depicts how the nature, timing, amount and uncertainty associated with our revenues and cash flows are affected by economic factors. Segments are structured along geographical and market lines, and risks are broadly consistent within the segments as a result.

Unsatisfied performance obligations

The transaction price allocated to partially satisfied or unsatisfied performance obligations at 31 December 2018 is set out below. These obligations equate to the contracted work which the Group has on hand at the year end.

| £000s | As at 31 Dec 2018 |
|-------------------------------------|----------------------|
| To be recognised in 2019 | 218,227 |
| To be recognised in 2020 | 19,233 |
| To be recognised in 2021 and beyond | 6,489 |
| | 243,949 |

These obligations will be recognised as revenue over time.

6. AMORTISATION AND IMPAIRMENT OF ACQUIRED INTANGIBLES AND TRANSACTION RELATED COSTS

| €000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|--------------------------------------|---------------------------|---------------------------|
| Amortisation of acquired intangibles | 9,144 | 12,804 |
| Impairment of goodwill (Note 13) | – | 40,024 |
| Loss on sale of business | – | 2,695 |
| Transaction costs | 37 | 18 |
| | 9,181 | 55,541 |

Loss on sale of business

On 29 December 2017, the Group disposed of the trade and certain assets of its pipeline approval business in Canada. The sale proceeds were C\$395,000 (£233,000). The loss on disposal includes a lease which became onerous since we could no longer make economic use of part of the building in which the business was based.

Impairment of goodwill

In 2017 the Group recognised an impairment charge of £40,024,000 against the goodwill allocated to its Energy businesses in Europe and North America. No impairment charges were recognised against goodwill in 2018.

7. OPERATING PROFIT - BY NATURE OF EXPENSE

| €000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|--|---------------------------|---------------------------|
| Revenue | 637,383 | 630,636 |
| Staff costs (see note 9) | (311,691) | (307,488) |
| Subconsultant costs | (148,351) | (137,849) |
| Other employment related costs | (26,688) | (23,626) |
| Depreciation of owned assets | (8,256) | (8,409) |
| Depreciation of assets held under finance leases | – | (8) |
| Loss on disposal of property, plant and equipment | (37) | (86) |
| Loss on sale of business | – | (2,695) |
| Operating lease rentals payable - property | (13,453) | (12,840) |
| Operating lease rentals payable - equipment and motor vehicles | (4,986) | (5,402) |
| Travel costs | (16,576) | (13,980) |
| Office costs | (21,608) | (19,850) |
| Amortisation of acquired intangibles | (9,144) | (12,804) |
| Impairment of acquired intangibles | – | (40,024) |
| Bad debt provision | – | (28) |
| Other transaction related costs | (37) | (18) |
| Other costs | (31,696) | (42,603) |
| Operating profit | 44,860 | 2,926 |

8. NET FINANCING COSTS

| £000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|---|---------------------------|---------------------------|
| Finance costs: | | |
| Interest and charges on loans, overdraft and finance leases | (3,734) | (3,952) |
| Amortisation of prepaid financing costs | (364) | (383) |
| Interest payable on deferred consideration | (13) | (304) |
| | (4,111) | (4,639) |
| Finance income: | | |
| Deposit interest receivable | 232 | 113 |
| Net financing costs | (3,879) | (4,526) |

9. EMPLOYEE BENEFIT EXPENSE

| £000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|---|---------------------------|---------------------------|
| Wages and salaries | 268,749 | 265,643 |
| Social security costs | 26,912 | 25,858 |
| Pension costs - defined contribution plans | 13,443 | 13,044 |
| Pension costs - defined benefit plans | 249 | 243 |
| Share based payment expense - equity settled | 2,338 | 2,700 |
| | 311,691 | 307,488 |
| Average number of employees (including Executive Directors) was: | | |
| Fee earning staff | 4,639 | 4,477 |
| Support staff | 917 | 863 |
| | 5,556 | 5,340 |

The Group considers the Directors to be the key management personnel and details of Directors' remuneration are included in the Remuneration Committee Report from page 64. The share based payment charge in respect of key management personnel was £396,000 (2017: £552,000). Social security costs in respect of these personnel were £260,000 (2017: £334,000).

10. AUDITORS' REMUNERATION

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

| £000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|--|---------------------------|---------------------------|
| Statutory audit of the Company's annual accounts | 50 | 50 |
| Statutory audit of the Group's subsidiaries | 569 | 562 |
| Total audit fees | 619 | 612 |
| Interim review | 27 | 27 |
| Other services | – | 2 |
| Total audit related assurance services | 646 | 641 |
| Tax compliance services | – | 4 |
| Other services | 12 | 11 |
| Total fees | 658 | 656 |

Expenses for 2017 were £15,000. In finalising the 2017 audit, additional fees of £50,000 were billed which are not included in the 2017 numbers above.

11. INCOME TAXES

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

| £000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|---|---------------------------|---------------------------|
| Current tax: | | |
| UK corporation tax | 3,065 | 3,750 |
| Overseas tax | 9,509 | 9,603 |
| Adjustments in respect of prior years | 887 | 1,422 |
| | 13,461 | 14,775 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (1,729) | (722) |
| Effect of change in tax rate | 28 | 2,278 |
| Adjustments in respect of prior years | (520) | (1,259) |
| | (2,221) | 297 |
| Total tax charge for the year | 11,240 | 15,072 |

In addition to the amount charged to the income statement, the following items related to tax have been recognised:

| | | |
|--|-----|------|
| Deferred tax charge/(credit) in other comprehensive income | 149 | (15) |
|--|-----|------|

The effective tax rate for the year on profit before tax was 27.4% (2017: 39.2% as adjusted for the impairment of goodwill which was not deductible for tax purposes). The effective tax rate for the year on PBT was 26.8% (2017: 29.6%) as shown in the table below:

| £000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|--|---------------------------|---------------------------|
| Total tax expense in income statement | 11,240 | 15,072 |
| Add back: | | |
| Tax on amortisation and impairment of acquired intangibles and transaction related costs | 2,205 | 885 |
| Adjusted tax charge on the profit/(loss) for the year | 13,445 | 15,957 |
| Profit before tax, amortisation and impairment of acquired intangibles and transaction related costs | 50,162 | 53,941 |
| Adjusted effective tax rate | 26.8% | 29.6% |
| Tax rate impact of amortisation and impairment of acquired intangibles and transaction related costs | 0.6% | (971.6%) |
| Statutory effective tax rate | 27.4% | (942.0%) |

The Group operates in and is subject to income tax in many jurisdictions. The weighted average tax rate is derived by weighting the rates in those jurisdictions by the profits before tax earned there. It is sensitive to the statutory tax rates that apply in each jurisdiction and the geographic mix of profits. The statutory tax rates in our main jurisdictions were UK 19.0% (2017: 19.25%) and Australia 30% (2017: 30%). The tax rate in the US reduced to 22.5% in 2018 (2017: 38.0%) due to the reduction in the US Federal tax rate effective from 1 January 2018.

The weighted average tax rate reduced to 23.1% in 2018 (2017: 26.1% as adjusted for the impairment of goodwill which was not deductible for tax purposes) due to the reduction in the Federal tax rate effective from 1 January 2018.

The actual tax charge differs from the weighted average charge for the reasons set out in the following reconciliation:

| £000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|---|---------------------------|---------------------------|
| Profit/(loss) before tax | 40,981 | (1,600) |
| Add back: impairment of goodwill | — | 40,024 |
| Profit before tax and impairment of goodwill | 40,981 | 38,424 |
| Tax at the weighted average rate of 23.1% (2017: 26.1%) | 9,452 | 10,031 |
| Effect of: | | |
| Irrecoverable withholding tax suffered | 1,018 | 1,619 |
| Impact of intercompany financing | (56) | (581) |
| Effect of change in tax rates | 39 | 2,424 |
| US repatriation tax | — | 209 |
| Canadian losses not recognised | 49 | 795 |
| Adjustments in respect of prior years | 368 | 163 |
| Other differences | 370 | 412 |
| Total tax expense for the year | 11,240 | 15,072 |

11. INCOME TAXES CONTINUED

The Group operates, mainly through our oil and gas exposed businesses, in jurisdictions that impose withholding taxes on revenue earned in those jurisdictions. This tax may be offset against domestic corporation tax either in the current year or in the future within certain time limits. To the extent that full recovery is not achieved in the current year or is not considered possible in future years the withholding tax is charged to the income statement. The impact of irrecoverable withholding tax suffered reduced in 2018 as less work was undertaken in these jurisdictions.

The impact of intercompany financing relates to the funding of US operations from the UK. The impact reduced in 2018 due to the reduction in the US Federal tax rate from 35% to 21% that applied from 1 January 2018.

Effect of change in tax rates - from 1 January 2018 the Norwegian tax rate reduced from 23% to 22%. This resulted in an income statement charge arising principally from the reduction in the balance sheet carrying value of deferred tax assets relating to the amortisation of intangible assets. A higher charge arose in 2017 due to the US Federal tax rate reducing from 35% to 21% and the Norwegian tax rate from 24% to 23%.

US repatriation tax - this applied in 2017 on undistributed profits of US subsidiaries which became taxable at rates between 8.0% and 15.5% following US tax reform. The charge was not recurring.

Canadian losses not recognised - no benefit was recognised for losses arising where it was uncertain they would be utilised. The impact was higher at

December 2017 due to the the losses arising on the disposal of the Linear Infrastructure business.

Adjustments in respect of prior years arise when amounts of tax due calculated when tax returns are submitted differ from those estimated at the year end. The 2018 charge relates mainly to issues arising in the US.

Other differences include expenses not deductible for tax purposes such as entertaining, share scheme charges, depreciation of property, plant and equipment which do not qualify for capital allowances and transaction related costs. They also include items that are deductible for tax purposes, such as goodwill and other asset amortisation, but are not included in the income statement.

12. EARNINGS PER SHARE

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

| £000s/000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|---|---------------------------|---------------------------|
| Profit/(loss) attributable to equity holders of the parent | 29,741 | (16,672) |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 222,946 | 221,804 |
| Effect of employee share schemes | 1,793 | 1,479 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 224,739 | 223,283 |
| Basic earnings/(loss) per share (pence) | 13.34 | (7.52) |
| Diluted earnings/(loss) per share (pence) | 13.23 | (7.47) |

The Directors consider that earnings per share before amortisation and impairment of acquired intangible and transaction related costs provides a more consistent measure of the Group's performance than statutory earnings per share. The calculations of adjusted earnings per share were based on the number of shares as above and are shown in the table below:

| £000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|--|---------------------------|---------------------------|
| Profit/(loss) attributable to equity holders of the parent | 29,741 | (16,672) |
| Amortisation and impairment of acquired intangibles and transaction related costs (note 6) | 9,181 | 55,541 |
| Tax on amortisation and impairment of acquired intangibles and transaction related costs (note 11) | (2,205) | (885) |
| Adjusted profit attributable to equity holders of the parent | 36,717 | 37,984 |
| Adjusted basic earnings per share (pence) | 16.47 | 17.13 |
| Adjusted diluted earnings per share (pence) | 16.34 | 17.01 |

13. INTANGIBLE ASSETS

| £000s | Intellectual property rights | Customer relationships | Order backlog | Trade names | Non compete agreements | Software | Goodwill | Total |
|----------------------|------------------------------------|---------------------------|------------------|----------------|------------------------------|----------|----------|---------|
| Cost: | | | | | | | | |
| At 1st January 2018 | 3,563 | 132,916 | 20,478 | 9,566 | 603 | 3,224 | 419,041 | 589,391 |
| Additions | – | – | – | – | – | – | 319 | 319 |
| Disposals | – | (2,130) | (1,274) | (271) | – | – | – | (3,675) |
| Exchange differences | 180 | 820 | 56 | 60 | 21 | 75 | (853) | 359 |
| At 31 December 2018 | 3,743 | 131,606 | 19,260 | 9,355 | 624 | 3,299 | 418,507 | 586,394 |

Aggregate amortisation and impairment losses:

| | | | | | | | | |
|--|-------|---------|---------|-------|-----|-------|---------|---------|
| | 3,563 | 105,071 | 20,133 | 9,420 | 603 | 2,626 | 52,245 | 193,661 |
| | – | 8,527 | 222 | 50 | – | 345 | – | 9,144 |
| | – | (2,130) | (1,274) | (271) | – | – | – | (3,675) |
| | 180 | 760 | 68 | 60 | 21 | 65 | 411 | 1,565 |
| | 3,743 | 112,228 | 19,149 | 9,259 | 624 | 3,036 | 52,656 | 200,695 |
| | – | 19,378 | 111 | 96 | – | 263 | 365,851 | 385,699 |

| £000s | Intellectual property rights | Customer relationships | Order backlog | Trade names | Non compete agreements | Software | Goodwill | Total |
|----------------------|------------------------------------|---------------------------|------------------|----------------|------------------------------|----------|----------|----------|
| Cost: | | | | | | | | |
| At 1st January 2017 | 3,859 | 137,653 | 21,187 | 9,889 | 634 | 3,418 | 424,837 | 601,477 |
| Disposals | – | – | – | – | – | – | (234) | (234) |
| Exchange differences | (296) | (4,737) | (709) | (323) | (31) | (194) | (5,562) | (11,852) |
| At 31 December 2017 | 3,563 | 132,916 | 20,478 | 9,566 | 603 | 3,224 | 419,041 | 589,391 |

Aggregate amortisation and impairment losses:

| | | | | | | | | |
|------------------------------------|-------|---------|--------|-------|------|-------|---------|---------|
| At 1st January 2017 | 3,859 | 97,256 | 20,131 | 9,630 | 634 | 2,238 | 12,221 | 145,969 |
| Amortisation | – | 11,442 | 713 | 113 | – | 536 | – | 12,804 |
| Impairment | – | – | – | – | – | – | 40,024 | 40,024 |
| Exchange differences | (296) | (3,627) | (711) | (323) | (31) | (148) | – | (5,136) |
| At 31 December 2017 | 3,563 | 105,071 | 20,133 | 9,420 | 603 | 2,626 | 52,245 | 193,661 |
| Net book value at 31 December 2017 | – | 27,845 | 345 | 146 | – | 598 | 366,796 | 395,730 |

Customer relationships relate to assets acquired in business combinations since 2008 and have remaining useful lives of 1-3 years.

Goodwill

No negative goodwill was recognised in 2018 or 2017. Goodwill acquired in a business combination is allocated at acquisition to the Groups of cash generating units (CGUs) that are expected to benefit from that business combination and as a consequence of the change in segmentation of the Group (see note 4) the allocation to CGUs has been updated since 2017. The carrying amount of goodwill has been allocated as follows:

13. INTANGIBLE ASSETS CONTINUED

| €000s | As at 31 Dec 2018 | As at 31 Dec 2017 as restated |
|-----------------------------|----------------------|-------------------------------------|
| Consulting (UK and Ireland) | 114,021 | 113,666 |
| Services (UK) | 50,095 | 50,095 |
| Services (Netherlands) | 10,106 | 10,046 |
| Norway | 32,897 | 32,787 |
| North America | 42,142 | 39,675 |
| AAP | 81,229 | 84,632 |
| Energy | 35,361 | 35,895 |
| | 365,851 | 366,796 |

The Group tests annually for impairment at 31 October and then considers whether there are any impairment triggers at the balance sheet date. The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the CGU Groups 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.

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 pre-tax discount rate on its weighted average cost of capital (WACC). The inputs to this calculation are a combination of market, industry and company specific data.

Growth rates

The growth rates applied reflect management's judgement regarding

the potential future performance of the business. The medium term comprises the years 2020 to 2023. The average real growth rate used during this period is 3% relative to budgeted performance, although particular years may be higher or lower than this rate reflecting market conditions.

The long term growth rate applied to the perpetuity calculations was between -2.0% and 2.5% per annum (2017: -5.0% and 2.5%) reflecting the average long term EBIT growth rates of the economies in which the CGUs are based and our assessment of the longer term prospects of these businesses. In 2017, probability weighted long term growth rates were used in assessing the value of impairment to book against goodwill allocated to Energy CGU Group, but in 2018, as there is significant headroom, this was not required.

The assumptions used for the Groups of CGUs are as follows:

| | Pre tax discount rate | | Medium term growth rate | | Long term growth rate | |
|-----------------------------|-----------------------|-------|-------------------------|------|-----------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Consulting (UK and Ireland) | 11.6% | — | 3.0% | — | 2.1% - 2.5% | - |
| Services (UK) | 12.2% | — | 3.0% | — | 2.1% | - |
| Services (NL) | 13.9% | 11.5% | 3.0% | 3.0% | 2.0% | 2.0% |
| Norway | 12.1% | 10.8% | 3.0% | 3.0% | 2.3% | 2.3% |
| North America | 12.3% | 10.9% | 3.0% | 3.0% | 2.3% | 2.3% |
| AAP | 14.2% | 12.8% | 3.0% | 3.0% | 2.5% | 2.5% |
| Energy | 15.4% | — | 3.0% | — | (2.0%) | - |
| Europe (UK and Ireland) | - | 10.8% | — | 3.0% | — | 2.1% |
| Energy EAME | - | 16.1% | — | — | — | 0% - (5.0%) |
| Energy NA | - | 12.9% | — | — | — | 0% - (5.0%) |

Summary of results

During the year, all goodwill was tested for impairment and no impairment charge was identified.

For part of 2017, our Energy business was split into North America and European elements and those were managed separately. Consequently, goodwill was tested for two Energy CGUs in 2017.

At the end of 2017 the businesses were recombined into a global Energy business and that has been managed in that way for the whole of 2018. Goodwill has been monitored at an Energy level throughout 2018. Consequently goodwill has been tested on a global Energy basis for 2018.

Sensitivity of results to changes in estimates

The Group's CGUs all have significant headroom. The Group does not consider the change in any one key estimate that would result in a material adjustment to the carrying amounts of assets and liabilities in 2018 to be reasonably possible.

14. PROPERTY, PLANT AND EQUIPMENT

| £000s | Freehold land and buildings | Alterations to leasehold premises | Motor vehicles | Fixtures, fittings, IT and equipment | Total |
|------------------------------------|-----------------------------------|---|-------------------|---|---------|
| Cost: | | | | | |
| At 1 January 2018 | 10,628 | 6,656 | 3,284 | 72,660 | 93,228 |
| Additions | 16 | 426 | 622 | 11,123 | 12,187 |
| Disposals | – | (774) | (289) | (4,570) | (5,633) |
| Transfers | – | 142 | – | (142) | – |
| Foreign exchange differences | 111 | (78) | (100) | (523) | (590) |
| At 31 December 2018 | 10,755 | 6,372 | 3,517 | 78,548 | 99,192 |
| Depreciation: | | | | | |
| At 1 January 2018 | 3,371 | 4,163 | 2,207 | 55,143 | 64,884 |
| Charge for the year | 234 | 829 | 450 | 6,743 | 8,256 |
| Disposals | – | (771) | (289) | (4,312) | (5,372) |
| Transfers | – | 102 | – | (102) | – |
| Foreign exchange differences | 33 | (50) | (63) | (501) | (581) |
| At 31 December 2018 | 3,638 | 4,273 | 2,305 | 56,971 | 67,187 |
| Net book value at 31 December 2018 | 7,117 | 2,099 | 1,212 | 21,577 | 32,005 |

| £000s | Freehold land and buildings | Alterations to leasehold premises | Motor vehicles | Fixtures, fittings, IT and equipment | Total |
|------------------------------------|-----------------------------------|---|-------------------|---|---------|
| Cost: | | | | | |
| At 1 January 2017 | 10,229 | 6,360 | 3,144 | 69,464 | 89,197 |
| Additions | 20 | 427 | 519 | 7,675 | 8,641 |
| Disposals | – | (118) | (350) | (4,206) | (4,674) |
| Foreign exchange differences | 379 | (13) | (29) | (273) | 64 |
| At 31 December 2017 | 10,628 | 6,656 | 3,284 | 72,660 | 93,228 |
| Depreciation: | | | | | |
| At 1 January 2017 | 3,040 | 3,282 | 2,034 | 52,393 | 60,749 |
| Charge for the year | 232 | 1,015 | 498 | 6,672 | 8,417 |
| Disposals | – | (118) | (301) | (3,928) | (4,347) |
| Foreign exchange differences | 99 | (16) | (24) | 6 | 65 |
| At 31 December 2017 | 3,371 | 4,163 | 2,207 | 55,143 | 64,884 |
| Net book value at 31 December 2017 | 7,257 | 2,493 | 1,077 | 17,517 | 28,344 |

15. SUBSIDIARIES

The Group consists of RPS Group Plc (the parent company incorporated in the UK) and a number of subsidiaries. A list of the Group's subsidiaries, including the name, country of incorporation and proportion of ownership interests is given in Note 6 to the Parent Company's financial statements on page 133.

16. TRADE AND OTHER RECEIVABLES

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|-------------------|----------------------|----------------------|
| Trade receivables | 106,509 | 114,653 |
| Contract assets | 44,907 | 39,001 |
| Prepayments | 10,406 | 10,568 |
| Other receivables | 4,596 | 5,533 |
| | 166,418 | 169,755 |

The Group measures the loss allowance for trade receivables as an amount equal to the lifetime expected credit loss (ECL). This loss is estimated using the Group's history of loss for similar assets, adjusted for the markets and territories that the trade receivable is exposed to. This takes into account current and forecast conditions. The Group has considered the potential impact of Brexit on the ECL and has deemed this to be immaterial given the Group's history of trade receivable recoveries after historical downturns.

Trade receivables and contract assets net of provision for impairment are shown below.

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|--------------------------|----------------------|----------------------|
| Trade receivables | 111,735 | 119,500 |
| Provision for impairment | (5,226) | (4,847) |
| Trade receivables net | 106,509 | 114,653 |

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|--------------------------|----------------------|----------------------|
| Contract assets | 51,531 | 44,757 |
| Provision for impairment | (6,624) | (5,756) |
| Contract assets net | 44,907 | 39,001 |

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

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

Certain trade receivables are past due but have not been impaired. These relate to customers where we have no concerns over the recovery of the amount due. The age of financial assets past due but not impaired is as follows:

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|-------------------------------------|----------------------|----------------------|
| Not more than three months past due | 10,462 | 10,740 |
| More than three months past due | 9,582 | 10,558 |
| | 20,044 | 21,298 |

No interest is charged on overdue receivables. At the year end the Group's debtor days were 50.

Movements in impairment

| £000s | Trade receivables | Contract assets | Total |
|--|-------------------|-----------------|---------|
| As at 1 January 2018 | 4,847 | 5,756 | 10,603 |
| Increase in provision on adoption of IFRS 9 | 353 | 296 | 649 |
| Impairment charge | 2,285 | 3,646 | 5,931 |
| Reversal of provisions | (1,634) | (980) | (2,614) |
| Receivables written off during the year as uncollectible | (621) | (2,082) | (2,703) |
| Exchange differences | (4) | (12) | (16) |
| As at 31 December 2018 | 5,226 | 6,624 | 11,850 |
| As at 1 January 2017 | 6,038 | 4,416 | 10,454 |
| Impairment charge | 2,445 | 5,153 | 7,598 |
| Reversal of provisions | (2,417) | (1,426) | (3,843) |
| Receivables written off during the year as uncollectible | (1,161) | (2,354) | (3,515) |
| Exchange differences | (58) | (33) | (91) |
| As at 31 December 2017 | 4,847 | 5,756 | 10,603 |

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

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|-------------------|----------------------|----------------------|
| UK Pound Sterling | 64,043 | 62,475 |
| US Dollar | 32,161 | 33,594 |
| Euro | 24,677 | 23,766 |
| Australian Dollar | 27,071 | 30,499 |
| Canadian Dollar | 4,296 | 2,824 |
| Norwegian Krone | 11,977 | 13,740 |
| Malaysian Ringitt | 1,544 | 2,064 |
| Other | 649 | 793 |
| | 166,418 | 169,755 |

The maximum exposure to credit risk at the reporting date is £161,822,000 (2017: £164,222,000).

The concentration of credit risk is limited as the customer base is large and unrelated.

The impact on revenue of projects where work was undertaken in 2017 but related revenue recognised in 2018 was immaterial.

17. TRADE AND OTHER PAYABLES

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|--|----------------------|----------------------|
| Trade payables | 33,210 | 34,838 |
| Accruals | 38,015 | 41,026 |
| Contract liabilities | 22,931 | 22,199 |
| Creditors for taxation and social security | 18,385 | 18,909 |
| Other payables | 5,373 | 6,434 |
| | 117,914 | 123,406 |

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.

18. BORROWINGS

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|---------------------------------------|----------------------|----------------------|
| Bank loans | 32,800 | 41,457 |
| US loan notes | 56,751 | 55,185 |
| Bank overdraft | 2,581 | 212 |
| Total bank loan, notes and overdrafts | 92,132 | 96,854 |
| Arrangement fees | (271) | (634) |
| | 91,861 | 96,220 |

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|---|----------------------|----------------------|
| The bank loan, notes and overdrafts are repayable as follows: | | |
| Amounts due for settlement within 12 months | 2,581 | 212 |
| Amount due between one and two years | 32,800 | – |
| In the third to fifth years inclusive | 56,751 | 96,642 |
| | 92,132 | 96,854 |

The principal features of the Group's borrowings are as follows:

- (i) An uncommitted £3,000,000 bank overdraft facility, repayable on demand.
- (ii) An uncommitted Australian Dollar denominated overdraft facility of AUD 1,500,000 repayable on demand.
- (iii) The Group has one principal bank facility: a multicurrency revolving credit facility of £150,000,000 with Lloyds Bank plc and HSBC Bank plc, expiring in 2020. Term loans drawn under this facility carry interest fixed for the term of the loan equal to LIBOR (or the currency equivalent) plus a margin determined by reference to the leverage of the Group.

There were loans drawn totalling £32,800,000 at 31 December 2018 (2017: £41,457,000).

The facility is guaranteed by the Company and certain subsidiaries but no security over the Group's assets exists.

- (iv) In September 2014 the Group issued seven year non amortising US private placement notes of \$34,070,000 and £30,000,000 with fixed interest chargeable at 3.84% and 3.98% respectively, that are repayable in September 2021.

The notes are guaranteed by the Company and certain subsidiaries but no security over the Group's assets exists.

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.

Liquidity risk

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

Loan liquidity risk profile

| £000s | 2018 | 2017 |
|-----------------|--------|---------|
| <1 year | 5,486 | 3,093 |
| 1-2 years | 35,364 | 2,881 |
| >2 but <5 years | 58,151 | 100,539 |
| | 99,001 | 106,513 |

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

19. DEFERRED CONSIDERATION

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|---------------------------------------|----------------------|----------------------|
| Amount due within one year | 53 | 1,608 |
| Amount due between one and two years | 77 | – |
| Amount due between two and five years | 49 | 26 |
| Amount due after five years | 123 | 122 |
| | 302 | 1,756 |

Deferred consideration relates to payments due to vendors of acquired companies which are due to be made on future anniversaries of the acquisitions.

20. PROVISIONS

Onerous contracts

The provision for property costs relates to onerous operating lease rentals and related costs on vacated property along with loss making contracts and will be utilised within five years.

Warranty

This provision is in respect of contractual obligations and is expected to be utilised within one to two years.

Dilapidations

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

| £000s | Onerous Contracts | Warranty | Dilapidations | Total |
|----------------------------------|----------------------|--------------|---------------|--------------|
| As at 1 January 2018 | 3,328 | 1,497 | 2,440 | 7,265 |
| Additional provision in the year | 14 | 528 | 521 | 1,063 |
| Utilised in year | (551) | – | (393) | (944) |
| Released | (462) | (250) | (102) | (814) |
| Exchange difference | (66) | 7 | (29) | (88) |
| As at 31 December 2018 | 2,263 | 1,782 | 2,437 | 6,482 |

115

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|--------------------------|----------------------|----------------------|
| Due as follows: | | |
| Within one year | 2,119 | 2,953 |
| After more than one year | 4,363 | 4,312 |
| | 6,482 | 7,265 |

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

21. DEFERRED TAXATION

| £000s | Property, plant and equipment timing differences | Goodwill and intangible assets | Employment benefits | Share based payments | Provisions and other timing differences | Total |
|--|--|---|------------------------|----------------------------|--|------------|
| At 1 January 2017 | 769 | (6,507) | 2,748 | (160) | (942) | (4,092) |
| (Charge)/credit to income relating to current year | 48 | 2,720 | 118 | 44 | (949) | 1,981 |
| (Charge)/credit to income due to change in tax rates | (29) | (2,310) | (16) | — | 77 | (2,278) |
| Credit to equity for the year | — | — | 15 | — | — | 15 |
| Exchange differences | (26) | (590) | (44) | (16) | 22 | (654) |
| At 31 December 2017 | 762 | (6,687) | 2,821 | (132) | (1,792) | (5,028) |
| Disclosed within liabilities | 840 | (10,102) | 751 | (82) | 253 | (8,340) |
| Disclosed within assets | (78) | 3,415 | 2,070 | (50) | (2,045) | 3,312 |
| Effect of changes in accounting standards | | | | | 116 | 116 |
| (Charge)/credit to income relating to current year | (32) | 327 | 338 | (133) | 1,749 | 2,249 |
| (Charge)/credit to income due to change in tax rates | 2 | (20) | (15) | — | 5 | (28) |
| Charge to equity for the year | — | — | (149) | — | — | (149) |
| Exchange differences | (15) | 261 | (108) | — | 92 | 230 |
| At 31 December 2018 | 717 | (6,119) | 2,887 | (265) | 170 | (2,610) |
| Disclosed within liabilities | 285 | (8,351) | 419 | (290) | 1,532 | (6,405) |
| Disclosed within assets | 432 | 2,232 | 2,468 | 25 | (1,362) | 3,795 |

From 1 January 2018 the Norwegian tax rate reduced from 24% to 23%. Accordingly deferred tax assets and liabilities in Norway have been calculated at the reduced rates of corporation tax which materially reflect the rates for the period in which the deferred tax assets and liabilities are expected to reverse. In 2017 the US Federal corporation tax reduced from 35% to 21% and the Norwegian tax rate from 24% to 23%.

No deferred tax liability is recognised on temporary differences of £3,776,000 (2017: £3,773,000) related to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The amount of tax that would be payable on the unremitted earnings is £406,000 (2017: £402,000).

Deferred corporation tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

22. SHARE CAPITAL

| | as at 31 December 2018 | | as at 31 December 2017 | |
|----------------------------|------------------------|---------------------|------------------------|---------------------|
| | Authorised Number | Authorised £000s | Authorised Number | Authorised £000s |
| Ordinary shares of 3p each | 240,000,000 | 7,200 | 240,000,000 | 7,200 |

| | 2018 | | | 2017 | | |
|---|-------------|---------------------------|---------------------------|-------------|---------------------------|---------------------------|
| Issued and fully paid | Number | £000s Share Capital | £000s Share Premium | Number | £000s Share Capital | £000s Share Premium |
| Ordinary shares of 3p each | | | | | | |
| At 1 January | 224,817,001 | 6,745 | 117,790 | 223,435,014 | 6,703 | 114,353 |
| Issued under the Share Incentive Plan | 877,492 | 26 | 1,833 | 654,970 | 20 | 1,733 |
| Issued in respect of the Performance Share Plan | 410,803 | 12 | 786 | 450,058 | 13 | 1,123 |
| Issued in respect of the Energy Option Plan | – | – | – | 185,000 | 6 | 376 |
| Issued in respect of the Bonus Plan | – | – | – | 91,959 | 3 | 213 |
| Admission fees | – | – | (9) | – | – | (8) |
| At 31 December | 226,105,296 | 6,783 | 120,400 | 224,817,001 | 6,745 | 117,790 |

| Number | As at 31 Dec 2018 | As at 31 Dec 2017 |
|--|----------------------|----------------------|
| Ordinary shares held by the ESOP Trust | 3,237,181 | 2,726,038 |
| Ordinary shares held by the SIP Trust | 4,619,977 | 4,314,641 |

The total number of issued and fully paid shares is inclusive of the shares held in the ESOP and SIP Trusts. These shares are deducted from equity through the EBT reserve. The ESOP Trust has elected to waive any dividend on the unallocated ordinary shares held.

The table below shows options outstanding under the Energy Share Option Scheme at 31 December 2018:

| Period exercisable | Number | Exercise price (p) |
|--------------------|--------|-----------------------|
| 2018 - 2021 | 50,000 | 212.01 |

23. DIVIDENDS

| £000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|--|---------------------------|---------------------------|
| Amounts recognised as distributions to equity holders during the year: | | |
| Final dividend for the year ended 31 December 2017 of 5.08p (2016: 5.08p) per share | 11,358 | 11,308 |
| Interim dividend for the year ended 31 December 2018 of 4.80p (2017: 4.80p) per share | 10,757 | 10,699 |
| | 22,115 | 22,007 |
| Proposed final dividend for the year ended 31 December 2018 of 5.08p (2017: 5.08p) per share | 11,415 | 11,361 |

The proposed final dividend for the year ended 31 December 2018 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

24. OPERATING LEASE ARRANGEMENTS

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

| £000s | As at 31 December 2018 | | As at 31 December 2017 | |
|----------------------|------------------------|-------|------------------------|-------|
| | Property | Other | Property | Other |
| Within one year | 11,799 | 3,519 | 11,703 | 3,345 |
| In two to five years | 28,871 | 4,567 | 22,852 | 4,233 |
| After five years | 8,318 | 1 | 2,186 | 55 |
| | 48,988 | 8,087 | 36,741 | 7,633 |

25. RELATED PARTY TRANSACTIONS

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

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

| £000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|--|---------------------------|---------------------------|
| Operating profit | 44,860 | 2,926 |
| Adjustments for: | | |
| Depreciation | 8,256 | 8,417 |
| Amortisation of acquired intangible assets | 9,144 | 12,804 |
| Impairment of goodwill | – | 40,024 |
| Non-cash movement on provisions | (461) | – |
| Share based payment expense | 2,338 | 2,700 |
| Loss on sale of business assets | – | 2,617 |
| Loss on sale of property, plant and equipment | 37 | 86 |
| EBITDAS | 64,174 | 69,574 |
| Decrease/(increase) in trade and other receivables | 1,964 | (7,584) |
| (Decrease)/increase in trade and other payables | (5,779) | 1,521 |
| Cash generated from operations | 60,359 | 63,511 |
| Interest paid | (3,773) | (4,960) |
| Interest received | 232 | 113 |
| Income taxes paid | (12,330) | (14,920) |
| Net cash from operating activities | 44,488 | 43,744 |

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 2018.

| £000s | At 31 Dec 2017 | Cash flow | Prepaid arrangement fees | Foreign exchange | At 31 Dec 2018 |
|---------------------------|-------------------|-----------|--------------------------------|---------------------|-------------------|
| Cash at bank | 15,588 | 2,416 | – | (18) | 17,986 |
| Overdrafts | (212) | (2,369) | – | – | (2,581) |
| Cash and cash equivalents | 15,376 | 47 | – | (18) | 15,405 |
| Bank loans and notes | (96,008) | 8,891 | (363) | (1,800) | (89,280) |
| | (80,632) | 8,938 | (363) | (1,818) | (73,875) |

| £000s | At 31 Dec 2016 | Cash flow | Prepaid arrangement fees | Foreign exchange | At 31 Dec 2017 |
|---------------------------|-------------------|-----------|--------------------------------|---------------------|-------------------|
| Cash at bank | 16,503 | (212) | – | (703) | 15,588 |
| Overdrafts | – | (212) | – | – | (212) |
| Cash and cash equivalents | 16,503 | (424) | – | (703) | 15,376 |
| Bank loans and notes | (99,886) | 1,424 | (364) | 2,818 | (96,008) |
| Finance lease creditors | (36) | 36 | – | – | – |
| | (83,419) | 1,036 | (364) | 2,115 | (80,632) |

The cash balance at 31 December 2018 includes £2,164,000 (2017: £2,917,000) that is restricted in its use either as security or client deposits.

27. DEFINED BENEFIT PENSION SCHEME

The Group has two defined benefit pension schemes, arising from the acquisition in 2013 of the OEC Group. These schemes are closed to new entrants.

The schemes are administered by a fund that is legally separated from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees are responsible for the investment policy with regard to the assets of the fund.

Under the plans, the employees are entitled to post-retirement yearly instalments amounting to 66% of pensionable salary on

attainment of a retirement age of 67. The pensionable salary is the difference between the current salary of the employee and the state retirement benefit.

The schemes expose the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

The most recent full actuarial valuations of the plans' assets and present value of the defined benefit liabilities were carried out in November 2018 for the two schemes by a qualified actuary.

The principal assumptions used for the purposes of actuarial valuation were as follows:

| | 2018 | 2017 |
|----------------------------------|-------|-------|
| Discount rate | 2.60% | 2.30% |
| Expected rate of salary increase | 2.75% | 2.50% |
| Inflation | 2.50% | 2.25% |

With the exception of the rates of pension increase all principal assumptions are the same for both schemes. The assumed rates of pension increase were 2.5% and 0% (2017: 2.25% and 0.4%).

The assumed life expectations on retirement at age 65 are:

| Years | 2018 | 2017 |
|-----------------|------|------|
| Retiring today: | | |
| Males | 21.8 | 21.8 |
| Females | 25.0 | 25.0 |

This is based on Norway's standard mortality table with modifications to reflect expected changes in mortality.

Amounts recognised in income in respect of these defined benefit schemes are as follows:

| €000s | 2018 | 2017 |
|--|------|------|
| Current service cost | 249 | 243 |
| Net interest expense | 14 | 49 |
| Components of defined benefit costs recognised in profit or loss | 263 | 292 |

The service charge for the year has been included in the income statement in administrative expenses. The net interest expense has been included within finance costs.

Amounts recognised in the statement of comprehensive income are as follows:

| €000s | 2018 | 2017 |
|--|------|------|
| Actuarial gains/(losses) arising from: | | |
| Changes in financial assumptions | 606 | (58) |
| Movements in payroll tax | 71 | (8) |
| Remeasurement of the net defined benefit liability | 677 | (66) |

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

| €000s | 2018 | 2017 |
|--|---------|---------|
| Present value of defined benefit obligations | (4,042) | (4,389) |
| Fair value of plan assets | 4,022 | 3,630 |
| Net liability arising from the defined benefit obligations | (20) | (759) |

The net liability is reported within the consolidated balance sheet within "other payables". Movements in the present value of defined benefit obligations in the year were as follows:

| £000s | 2018 | 2017 |
|--|-------|-------|
| Defined benefit obligation at 1 January | 4,389 | 4,253 |
| Current service cost | 249 | 243 |
| Interest cost | 113 | 86 |
| Remeasurement (gains)/losses: | | |
| Actuarial (gains) and losses arising from changes in financial assumptions | (514) | 93 |
| Reduction in employer's national insurance liability | (81) | — |
| Exchange differences | (39) | (195) |
| Benefits paid | (75) | (91) |
| Defined benefit obligation at 31 December | 4,042 | 4,389 |

Movements in the fair value of plan assets in the year were as follows:

| £000s | 2018 | 2017 |
|--|-------|-------|
| Plan assets at 1 January | 3,630 | 3,475 |
| Remeasurement (gains)/losses: | | |
| The return on plan assets (excluding amounts included in net interest expense) | 99 | 37 |
| Actuarial gains arising from changes in financial assumptions | 92 | 35 |
| Exchange differences | (5) | (127) |
| Contributions from the employer | 288 | 306 |
| Benefits paid | (75) | (91) |
| Administration costs | (7) | (5) |
| Plan assets at 31 December | 4,022 | 3,630 |

The major categories and fair values of scheme assets at the end of the reporting period were:

| | 2018 | 2017 |
|-------------------|--------|--------|
| Shares | 11.7% | 9.7% |
| Other investments | 0.9% | 0.6% |
| Short term bonds | 23.5% | 22.5% |
| Term bonds | 54.1% | 56.7% |
| Property | 9.8% | 10.5% |
| Total | 100.0% | 100.0% |

28. FINANCIAL RISK MANAGEMENT

(a) Capital management

The capital of the Group consists of debt, which includes the borrowings and facilities disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated balance sheet and note 22. The Group manages its capital to support its strategy, and there were no changes in approach to capital management during the year.

The borrowings are managed centrally and funds are onward lent to operating subsidiaries as required. The Group has a committed £150 million multi currency revolving credit facility that provides a high

degree of flexibility. There are two financial covenants related to this facility; interest cover must be no less than 400% and the leverage ratio of Group net borrowings (including deferred consideration) to EBITDAS adjusted to include the annualised contribution of acquisitions in the year should be no greater than 300%. These covenants are tested regularly and were not breached during the year and have not been since the year end.

Seven year non amortising notes with principal of £30.0 million and \$34.1 million were issued in September 2014 bearing fixed interest at 3.98% and 3.84% per annum, respectively. There are two financial covenants associated with these notes that are the same as for the revolving credit facility above.

These loan notes represent the Group's core debt.

The Group's businesses provide a good level of cash generation which helps fund future growth. The Group seeks to minimise borrowings by utilising cash generated by operations that is surplus to the immediate operating needs of the business and an objective is to maintain a minimum level of cash at bank.

(b) Financial instruments

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

Fair values

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

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|-----------------------------|----------------------|----------------------|
| Cash | 17,986 | 15,588 |
| Trade and other receivables | 156,012 | 159,187 |
| Financial assets | 173,998 | 174,775 |
| Borrowings | 91,861 | 96,220 |
| Deferred consideration | 302 | 1,756 |
| Trade and other payables | 84,799 | 92,106 |
| Financial liabilities | 176,962 | 190,082 |

Interest rate and currency risk are the most significant aspects for the Group in the area of financial instruments. It is exposed to a lesser extent to liquidity risk that is reviewed in note 18. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(c) Interest rate risk

The Group draws down term loans, typically between one and three months, against its revolving credit facility at fixed rates of interest for the term of the loan. The Group has not entered any contracts to fix interest rates beyond the period of the

term loans but will consider doing so if borrowings become significantly larger and longer term. The Group's overdraft bears interest at floating rates. Surplus funds are placed on short-term deposit or held within instant access deposit accounts earning floating rate interest.

Interest rate risk and profile of financial liabilities

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

| £000s | Floating rate | | Fixed rate | | Non interest bearing | | Total | |
|-------------------|---------------|--------|------------|--------|----------------------|--------|---------|---------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Sterling | 31,842 | 32,375 | 29,868 | 30,981 | 33,513 | 33,459 | 95,223 | 96,815 |
| Euro | – | – | – | – | 6,588 | 7,147 | 6,588 | 7,147 |
| Australian Dollar | – | – | 213 | 63 | 15,615 | 19,296 | 15,828 | 19,359 |
| Canadian Dollar | – | – | – | – | 4,343 | 4,122 | 4,343 | 4,122 |
| US Dollar | – | – | 26,814 | 25,244 | 9,978 | 14,052 | 36,792 | 39,296 |
| Norwegian Krone | 3,400 | 8,857 | 26 | 456 | 14,438 | 13,175 | 17,864 | 22,488 |
| Other | – | – | – | – | 324 | 855 | 324 | 855 |
| At 31 December | 35,242 | 41,232 | 56,921 | 56,744 | 84,799 | 92,106 | 176,962 | 190,082 |

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

| £000s | Floating rate | | Fixed rate | | Non interest bearing | | Total | |
|----------------------|---------------|--------|------------|--------|----------------------|--------|---------|---------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Within one year | 2,581 | 212 | 53 | 1,608 | 78,717 | 85,250 | 81,351 | 87,070 |
| In one to two years | 32,661 | – | 77 | – | 3,345 | 2,774 | 36,083 | 2,774 |
| In two to five years | – | 41,020 | 56,668 | 55,014 | 2,129 | 2,902 | 58,797 | 98,936 |
| Over five years | – | – | 123 | 122 | 608 | 1,180 | 731 | 1,302 |
| | 35,242 | 41,232 | 56,921 | 56,744 | 84,799 | 92,106 | 176,962 | 190,082 |

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

| | Fixed and floating rate financial liabilities | | Fixed rate financial liabilities | |
|-------------------|--|------|---|------|
| | Weighted average interest rate % | | Weighted average period for which rate is fixed – months | |
| | 2018 | 2017 | 2018 | 2017 |
| Sterling | 3.0 | 2.8 | 33 | 43 |
| Australian Dollar | 3.5 | 2.3 | 34 | 104 |
| US Dollar | 3.8 | 3.8 | 33 | 45 |
| Norwegian Krone | 2.3 | 1.9 | 16 | 5 |
| | 3.2 | 3.0 | 21 | 44 |

Cash balances at year end:

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|-------------------|----------------------|----------------------|
| Sterling | 261 | 1,925 |
| Euro | 2,103 | 1,468 |
| US Dollar | 2,302 | 2,306 |
| Australian Dollar | 3,837 | 2,396 |
| Canadian Dollar | 955 | 1,411 |
| Norwegian Krone | 7,044 | 3,731 |
| Malaysian Ringgit | 1,069 | 1,073 |
| Singapore Dollar | 122 | 344 |
| Other | 293 | 934 |
| | 17,986 | 15,588 |

28. FINANCIAL RISK MANAGEMENT CONTINUED

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

Foreign currency sensitivity

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

(e) Credit risk

It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. The Group does not enter into complex derivatives to manage credit risk. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. The Directors consider the Group's financial assets that are not impaired to be of good credit quality including those that are past due. It is Group policy, implemented locally, that receivables are only written off when there is no reasonable expectation of recovery. This may occur if there is objective evidence of a client's financial difficulty, or if enforcement activity has been unsuccessful. See note 16 for further detail on receivables that are past due. The Group's financial assets are not secured by collateral advanced by counterparties. In respect of trade and other receivables, the Group has a broad range of clients, the largest being government agencies and departments, national water companies, multi-national oil companies or substantial utility companies. Infrequently (and generally for administrative reasons) there may be a build up of unpaid invoices. The Group does not have significant credit risk exposure to any single counterparty or Group of counterparties having similar characteristics.

The credit risk in cash and derivatives is limited because the counterparties are banks with high credit ratings assigned by international credit ratings.

29. SHARE-BASED PAYMENTS

Share scheme costs

| £000s | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|--|---------------------------|---------------------------|
| Share Incentive Plan ("SIP") | 1,304 | 1,367 |
| Performance Share Plan ("PSP") | 640 | 785 |
| Executive Long Term Incentive Plan ("ELTIP") | 277 | 295 |
| Short Term Annual Bonus Plan ("STABP") | 117 | 253 |
| Total share scheme costs | 2,338 | 2,700 |

A description of each plan is given in accounting policy note 2(e)iii.

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

SIP

| Year of grant | Number outstanding 31 Dec 2017 | New grants | Releases | Forfeits | Number outstanding 31 Dec 2018 | Vesting conditions |
|---------------|--------------------------------------|------------|-----------|-----------|--------------------------------------|-----------------------|
| 2015 | 463,068 | — | (435,899) | (27,169) | — | 3 years |
| 2016 | 702,879 | — | (26,398) | (63,873) | 612,608 | 3 years |
| 2017 | 578,835 | — | (19,352) | (52,987) | 506,496 | 3 years |
| 2018 | — | 833,623 | (6,555) | (25,732) | 801,336 | 3 years |
| | 1,744,782 | 833,623 | (488,204) | (169,761) | 1,920,440 | |

| Year of grant | Number outstanding 31 Dec 2016 | New grants | Releases | Forfeits | Number outstanding 31 Dec 2017 | Vesting conditions |
|---------------|--------------------------------------|------------|-----------|-----------|--------------------------------------|-----------------------|
| 2014 | 358,406 | — | (340,636) | (17,770) | — | 3 years |
| 2015 | 528,637 | — | (23,785) | (41,784) | 463,068 | 3 years |
| 2016 | 800,932 | — | (35,535) | (62,518) | 702,879 | 3 years |
| 2017 | — | 613,984 | (9,584) | (25,565) | 578,835 | 3 years |
| | 1,687,975 | 613,984 | (409,540) | (147,637) | 1,744,782 | |

PSP

| Year of grant | Number outstanding 31 Dec 2017 | New grants | Releases | Lapses | Number outstanding 31 Dec 2018 | Vesting conditions |
|---------------|-----------------------------------|------------|-----------|----------|-----------------------------------|--------------------|
| 2009 | 52,543 | – | (34,251) | – | 18,292 | 3 years |
| 2011 | 41,618 | – | (20,959) | – | 20,659 | 3 years |
| 2012 | 45,315 | – | (15,147) | (2,551) | 27,617 | 3 years |
| 2013 | 51,139 | – | (15,641) | (801) | 34,697 | 3 years |
| 2014 | 66,554 | – | (24,894) | (3,013) | 38,647 | 3 years |
| 2015 | 383,118 | – | (278,726) | (28,066) | 76,326 | 1, 2 or 3 years |
| 2016 | 470,080 | – | (13,364) | (35,414) | 421,302 | 3 years |
| 2017 | 337,729 | – | (7,821) | (24,413) | 305,495 | 3 years |
| 2018 | – | 431,122 | – | (1,729) | 429,393 | 3 years |
| | 1,448,096 | 431,122 | (410,803) | (95,987) | 1,372,428 | |

| Year of grant | Number outstanding 31 Dec 2016 | New grants | Releases | Lapses | Number outstanding 31 Dec 2017 | Vesting conditions |
|---------------|-----------------------------------|------------|-----------|----------|-----------------------------------|--------------------|
| 2009 | 83,366 | – | (25,010) | (5,813) | 52,543 | 3 years |
| 2011 | 60,539 | – | (16,446) | (2,475) | 41,618 | 3 years |
| 2012 | 68,642 | – | (23,740) | 413 | 45,315 | 3 years |
| 2013 | 82,170 | – | (28,393) | (2,638) | 51,139 | 3 years |
| 2014 | 350,755 | – | (273,872) | (10,329) | 66,554 | 3 years |
| 2015 | 441,900 | – | (41,473) | (17,309) | 383,118 | 1, 2 or 3 years |
| 2016 | 526,876 | – | (35,410) | (21,386) | 470,080 | 3 years |
| 2017 | – | 352,307 | (5,714) | (8,864) | 337,729 | |
| | 1,614,248 | 352,307 | (450,058) | (68,401) | 1,448,096 | |

125

SIP

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

| SIP awards | |
|--------------------------------|-------------------|
| Fair value at measurement date | 145.30p - 292.25p |
| Weighted fair value | 216.92p |
| Holding period | 3 years |

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

PSP

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

| PSP awards | |
|---------------------------------|-------------------|
| Fair value at measurement date | 148.81p - 318.65p |
| Weighted fair value | 206.54p |
| Weighted average exercise price | 255.97p |
| Holding period | 3 years |
| Expected dividend yield | 1.83% - 5.52% |

30. NEW ACCOUNTING STANDARDS

This note explains the impact of the adoption of IFRS 9 'Financial Instruments' and 'IFRS 15 Revenue from Contracts with Customers' on the Group's financial statements. New accounting policies have been applied from 1 January 2018 and these are disclosed in note 1 to the accounts.

IFRS 9 'Financial Instruments'

Impact of adoption

IFRS 9 was adopted without restating comparative information, in accordance with the provisions of the standard. The Group does not account using hedge accounting mechanisms, either under IAS 39 or under IFRS 9.

The only financial assets that the Group holds are trade receivables, contract assets, other receivables at amortised cost and cash, and the only financial liabilities that are held are borrowings, trade and other payables and deferred consideration. There is no change to the classification of these assets and liabilities because of the adoption of IFRS 9; they continue to be recorded at amortised cost. These assets and liabilities are held to realise cash flows at maturity. In addition, the Group holds some forward foreign exchange contracts. These are recorded at fair value through profit or loss - there is no reclassification for these contracts either. The business holds these to manage foreign exchange exposures; it is Group policy not to trade in those derivatives.

The only adjustments that have arisen on transition to IFRS 9 relate to the recognition of additional provisions against trade receivables and contract assets which represent the lifetime expected credit losses on those assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics, relating to the markets that we operate in. The Group's history of such losses has been low and we do not currently consider the potential impact of Brexit on the recovery of contract assets and trade receivables to be material. The change in valuation of those assets has been recorded as an adjustment through opening reserves.

The loss allowances for trade receivables and contract assets as at 31 December 2017 reconcile to the opening loss allowances as at 1 January 2018 as follows:

| £000's | Contract assets | Trade receivables |
|--|--------------------|----------------------|
| At 31 December 2017, calculated under IAS 39 | 5,756 | 4,847 |
| Amounts restated through opening retained earnings | 296 | 353 |
| Opening loss allowance as at 1 January 2018, calculated under IFRS 9 | 6,052 | 5,200 |

The loss allowances increased by £598,000 to £11,850,000 at 31 December 2018. The reduction would have been £27,000 higher under IAS 39.

Impact of IFRS 9 on retained earnings

| €000's | 2018 |
|--|---------|
| At 31 December 2017 closing retained earnings, calculated under IAS 39 | 205,143 |
| Increase in provision for trade receivables | (353) |
| Increase in provision for contract assets | (296) |
| Increase in deferred tax assets related to impairment provisions | 128 |
| Opening retained earnings 1 January 2018, calculated under IFRS 9 | 204,622 |

IFRS 15 'Revenue from Contracts with Customers'**Impact of adoption**

After a detailed review of contracts across the Group's service lines and sectors, no IFRS 15 adjustment was identified. However, the Group has amended its revenue accounting policies to reflect the requirements of the new standard – see note 1 to the accounts.

31. EVENTS AFTER THE BALANCE SHEET DATE

On 1 February 2019 the Group acquired the business of Corview, an Australian based transport advisory consultancy for a maximum consideration of A\$32.0m (£17.8m), all payable in cash. At completion the vendors received \$17.6m (£9.8m) with A\$4.8m (£2.7m) payable on each of the first, second and third anniversaries of completion. In the year to 30 June 2018, Corview had revenues of A\$17.1m (£9.5m) and adjusted profit of A\$5.1m (£2.8m).

Due to the proximity of the acquisition to the date of signing the accounts, it is not possible to give further information.

PARENT COMPANY BALANCE SHEET

| £000s | Notes | As at 31 Dec 2018 | As at 31 Dec 2017 |
|--|-------|----------------------|----------------------|
| Fixed assets: | | | |
| Intangible assets | 4 | 251 | 317 |
| Tangible assets | 5 | 1,541 | 815 |
| Investments | 6 | 353,356 | 361,000 |
| | | 355,148 | 362,132 |
| Current assets: | | | |
| Debtors: | | | |
| - due within one year | 7 | 50,525 | 54,388 |
| Cash at bank and in hand | | 139 | 124 |
| | | 50,664 | 54,512 |
| Creditors: amounts falling due within one year: | 8 | 45,733 | 36,913 |
| Net current assets | | 4,931 | 17,599 |
| Total assets less current liabilities | | 360,079 | 379,731 |
| Creditors: Amounts falling due after more than one year | | | |
| | 9 | 89,280 | 96,008 |
| Provision for liabilities | 10 | 152 | 172 |
| Net assets | | 270,647 | 283,551 |
| Capital and reserves | | | |
| Called up share capital | 12 | 6,783 | 6,745 |
| Share premium account | 12 | 120,400 | 117,790 |
| Profit and loss reserve | 12 | 76,664 | 83,373 |
| Merger reserve | 12 | 21,256 | 21,256 |
| Employee trust shares | 12 | (9,801) | (8,602) |
| Other reserve | 12 | 55,345 | 62,989 |
| Total shareholders' equity | | 270,647 | 283,551 |

The profit for the year attributable to the shareholders of the Parent Company and recorded through the accounts of the Parent Company was £6,882,000 (2017 restated: loss of £29,217,000).

These financial statements were approved and authorised for issue by the Board on 21 February 2019.

The notes on pages 130 to 138 form part of these financial statements.

John Douglas, Director

Gary Young, Director

On behalf of the Board of RPS Group Plc (company number: 2087786).



PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

| £000s (restated) | Share capital | Share premium | Merger reserve | Employee trust shares | Profit and loss reserve | Other reserve | Total |
|---|---------------|---------------|----------------|-----------------------|-------------------------|---------------|----------|
| At 1 January 2017 | 6,703 | 114,353 | 21,256 | (13,677) | 103,642 | 99,424 | 331,701 |
| Changes in equity during 2017: | | | | | | | |
| Issue of new shares | 42 | 3,437 | — | (1,753) | (1,352) | — | 374 |
| Share-based payment expense | — | — | — | — | 2,700 | — | 2,700 |
| Transfer on release of shares | — | — | — | 6,828 | (6,828) | — | — |
| Total comprehensive loss | — | — | — | — | (29,217) | — | (29,217) |
| Reserves transfer on impairment loss (note 3,6) | — | — | — | — | 36,435 | (36,435) | — |
| Dividend paid (note 13) | — | — | — | — | (22,007) | — | (22,007) |
| At 31 December 2017 | 6,745 | 117,790 | 21,256 | (8,602) | 83,373 | 62,989 | 283,551 |
| Changes in equity during 2018: | | | | | | | |
| Issue of new shares | 38 | 2,610 | — | (1,858) | (799) | — | (9) |
| Share-based payment expense | — | — | — | — | 2,338 | — | 2,338 |
| Transfer on release of shares | — | — | — | 659 | (659) | — | — |
| Profit and total comprehensive income | — | — | — | — | 6,882 | — | 6,882 |
| Reserves transfer on impairment loss (note 3,6) | — | — | — | — | 7,644 | (7,644) | — |
| Dividend paid (note 13) | — | — | — | — | (22,115) | — | (22,115) |
| At 31 December 2018 | 6,783 | 120,400 | 21,256 | (9,801) | 76,664 | 55,345 | 270,647 |

129

The notes on pages 130 to 138 form part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

RPS Group Plc (the "Company") is a company domiciled in England under the Companies Act. The address of the registered office is given on page 50. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 7 to 30.

The individual Company financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional and presentational currency of RPS Group Plc is considered to be pounds sterling.

RPS Group Plc meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement, intra-Group transactions and remuneration of key management personnel.

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 and is written off on a straight line basis over its useful economic life of up to 20 years. Provision is made for any impairment.

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, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write

off the cost, less estimated residual value of each asset on a straight line basis over their expected useful lives as follows:

Alterations to leasehold premises:

Life of lease

Fixtures, fittings, IT and equipment:

3 to 8 years

All tangible fixed assets are expected to have nil residual value.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread 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's employees may benefit from a Group operated share based payment arrangement. The fair value of equity settled awards for share based payments is determined at grant and expensed straight line over the period from grant to the date of earliest unconditional exercise.

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

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

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 all 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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Employee Share Trusts

The assets, income and expenditure of the SIP and Employee Benefit Trust are incorporated into the Company's financial statements.

The Trusts are used to issue shares under the Group's share schemes, as described on page 98. Cash is loaned to the Trust and then used to subscribe for shares in the Company.

Financial instruments

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

i Financial assets

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

ii Financial liabilities

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised in the financial statements.

Sources of estimation uncertainty

In applying the Company's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. The only source of estimation uncertainty at the end of 2018, that has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities during 2019, relates to the testing for impairment of the Company's investments.

A further impairment of the carrying value of RPS Group Plc's investment in its US sub-Group is reasonably possible in 2019.

The valuation of the investment is most sensitive to the achievement of the 2019 budget. The budget comprises forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board. Whilst we are able to manage staff costs, direct costs and overheads, revenue projections are inherently uncertain due to the short term nature of our order book and oil and gas market conditions.

The US business underperformed against budget in 2018 and whilst not probable, it is possible that further underperformance may occur in 2019 if expenditure by our clients reduces. Our US business may exceed budget if market conditions allow. An underperformance against budget may lead to an impairment of this asset.

The investment value associated with the US business at 31 December was £100,472,000.

3. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The 2017 profit has been restated as a result of a change in the treatment of the impairment loss that the company recognised on its investment in its US subgroup. Previously this loss was recognised directly in reserves. It has now been shown as a charge to profit and loss with a corresponding transfer from the other reserve to offset the effect on the profit and loss reserve. There is no impact on 2018 opening reserves. The profit attributable to shareholders for 2017 as previously stated was £7,218,000. The restated loss for 2017 is £29,217,000.

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

The remuneration of the auditors for the statutory audit of the Company was £50,000 (2017: £50,000).

4. INTANGIBLE ASSETS

| £000s | Goodwill |
|---|----------|
| Cost | |
| At 1 January 2018 and at 31 December 2018 | 2,134 |
| Amortisation | |
| At 1 January 2018 | 1,817 |
| Charge for the year | 66 |
| At 31 December 2018 | 1,883 |
| Net book value at 31 December 2018 | 251 |
| Net book value at 31 December 2017 | 317 |

5. TANGIBLE ASSETS

| £000s | Alterations to leasehold premises | Fixtures, fittings, IT and equipment | Total |
|------------------------------------|---|---|-------|
| Cost or valuation | | | |
| At 1 January 2018 | 545 | 7,299 | 7,844 |
| Additions | 54 | 1,123 | 1,177 |
| Disposals | — | (112) | (112) |
| At 31 December 2018 | 599 | 8,310 | 8,909 |
| Depreciation | | | |
| At 1 January 2018 | 487 | 6,542 | 7,029 |
| Charge for the year | 18 | 321 | 339 |
| At 31 December 2018 | 505 | 6,863 | 7,368 |
| Net book value at 31 December 2018 | 94 | 1,447 | 1,541 |
| Net book value at 31 December 2017 | 58 | 757 | 815 |

6. INVESTMENTS

| £000s | 2018 | 2017 |
|------------------------------------|---------|---------|
| Subsidiary undertakings | | |
| Cost | | |
| At 1 January and 31 December 2018 | 455,670 | 455,670 |
| Provisions | | |
| At 1 January | 94,670 | 58,235 |
| Impairment | 7,644 | 36,435 |
| At 31 December 2018 | 102,314 | 94,670 |
| Net book value at 31 December 2018 | 353,356 | 361,000 |

The Group's investment in its US business was impaired by £7,644,000 (2017: £36,435,000). This has been recorded through the profit and loss account. The impact on the profit and loss reserve is offset by a transfer of the same amount from the other reserve. The other reserve represents profits previously recognised in a group reorganisation involving the US business.

Subsidiary undertakings

The principal activity of the majority of our trading subsidiaries is the provision of consulting services.

The following were the subsidiaries during the year. All subsidiaries are held 100% by RPS Group Plc with the exception of Delphi Group Asia PTE Limited where 85% of the ordinary share capital is held.

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

| Registered Office | Country of registration and operation | Registered Office | Country of registration and operation |
|-------------------|---|-------------------|--|
| Australia | | 1 | RPS Advisory Services Pty Ltd * |
| 1 | C & B Plant Pty Ltd * | 1 | RPS Aquaterra Pty Ltd * |
| 1 | Conics (Brisbane) Pty Ltd * | 1 | RPS Australia East Pty Ltd * |
| 1 | Conics (Brisbane) Unit Trust Ltd * | 1 | RPS Australia West Pty Ltd * |
| 1 | Conics (Cairns) Pty Limited * | 1 | RPS Consultants Pty Ltd * |
| 1 | Conics (Gold Coast) Pty Ltd * | 1 | RPS ECOS Pty Ltd * |
| 1 | Conics (Mackay) Pty Ltd * | 1 | RPS Energy Pty Ltd * |
| 1 | Conics (Mining & Infrastructure) Pty Ltd * | 1 | RPS Energy Services Pty Ltd * |
| 1 | Conics (Sunshine Coast) Pty Ltd * | 1 | RPS Environment and Planning Pty Ltd * |
| 1 | Conics (Sunshine Coast) Unit Trust * | 1 | RPS Harper Somers O'Sullivan Pty Ltd * |
| 1 | Conics (Sydney) Pty Ltd * | 1 | RPS HSO Subco Pty Ltd * |
| 1 | Conics (Townsville) Pty Ltd * | 1 | RPS Manidis Roberts Pty Ltd * |
| 1 | Conics Positioning Pty Ltd * | 1 | RPS AAP Consulting Pty Ltd * |
| 1 | Conics Pty Ltd * | 1 | Rudall Blanchard Associates Pty Limited * |
| 1 | ECL DM Pty Ltd * | 1 | Terranean Mapping Technologies Pty Ltd * |
| 1 | ECL Drilling Management Pty Limited * | 1 | Troy Ikoda Australasia Pty Ltd * |
| 1 | ECL Pty Ltd * | 1 | Urban Blueprint Pty Ltd * |
| 1 | EHA Pty Ltd * | 1 | Vivo Design Pty Ltd * |
| 1 | Everything Infrastructure Consulting Pty Ltd * | 1 | Whelans Corporation Pty Limited * |
| 1 | Everything Infrastructure Group Pty Ltd * | 1 | Whelans Insites Pty Limited * |
| 1 | Everything Infrastructure Services Pty Ltd * | | |
| 1 | Geo Mapping Technologies Pty Ltd * | Brazil | |
| 1 | Intelligent Infrastructure Pty Ltd * | 2 | RPS Consultores do Brasil Ltda * |
| 1 | Manidis Roberts Employee Benefits Pty Ltd * | | |
| 1 | Massie Cosgrove Pty Ltd * | Canada | |
| 1 | Natural Solutions Environmental Consultants Pty Ltd * | 3 | Petroleum Institute for Continuing Education Ltd * |
| 1 | Newco (Brisbane) Pty Ltd * | 3 | Boyd Exploration Consultants Ltd * |
| 1 | Newco (Sunshine Coast) Pty Ltd * | 3 | HMA Land Services Ltd * |
| 1 | Pioneer Surveys Pty Ltd * | 3 | Maverick Land Consultants 2012 Ltd * |
| 1 | PMM Global Surveys Pty Ltd * | 3 | Roland Resources 2012 Inc * |
| 1 | PMM Holdings Pty Ltd * | 3 | RPS Canada Ltd * |
| 1 | PMM Sydney Pty Ltd * | 3 | RPS Energy Canada Ltd * |
| 1 | RPS APASA Pty Ltd * | 4 | Canadian GaiaTech, B.C. ULC * |

6. INVESTMENTS CONTINUED

| Registered Office | Country of registration and operation | |
|-------------------------|--|---|
| England | | |
| 5 | Aquaterra International Ltd | * |
| 5 | Aquaterra UK Limited | * |
| 5 | Basicshare Limited | |
| 5 | Burks Green & Partners Limited | * |
| 5 | Cambrian Consultants America Limited | * |
| 5 | Cambrian Consultants Limited | * |
| 5 | CgMs Holdings Limited | * |
| 5 | CgMs Limited | * |
| 5 | Clear Environmental Consultants Limited | * |
| 5 | DBK Partners Limited | * |
| 5 | ECL Group Limited | |
| 5 | ECL Resources Management Limited | * |
| 5 | ECL Technology Limited | * |
| 5 | Emulous Group Limited | |
| 5 | Emulous Ltd | |
| 5 | Energy Innovations Limited | * |
| 5 | Exploration Consultants Limited | * |
| 5 | Flow Control (Water Conservation) Limited | |
| 5 | Geocon Group Services Limited | |
| 5 | Geophysical Consultants Limited | * |
| 5 | Geophysical Safety Resources Limited | * |
| 5 | Hydrosearch Associates Limited | |
| 5 | Ichron Limited | * |
| 5 | Isochrone Holdings Limited | |
| 5 | Knowledge Reservoir (UK) Ltd | * |
| 5 | Martindale Holdings Limited | * |
| 5 | Nautilus (SEAA) Limited | * |
| 5 | Nautilus Limited | * |
| 5 | Net Admin Limited | * |
| 5 | Nigel Moor Associates plc | * |
| 5 | Oil Experience Limited | * |
| 5 | Paras Consulting Limited | * |
| 5 | Paras Limited | * |
| 5 | Probabilistic Risk Assessments Limited | |
| 5 | Quad Engineering Limited | * |
| 5 | R W Gregory Limited | |
| 5 | RPS Business Healthcare Limited | |
| 5 | RPS Chapman Warren Limited | * |
| 5 | RPS Consultants Ltd | * |
| 5 | RPS Consulting Services Limited | |
| 5 | RPS Design Ltd | |
| 5 | RPS Ecoscope Limited | |
| 5 | RPS Energy Consultants Limited | |
| 5 | RPS Energy Limited | |
| 5 | RPS Energy Services Limited | |
| 5 | RPS Environmental Management Limited | |
| 5 | RPS Group US Holdings Limited | |
| 5 | RPS Occupational Health Limited | * |
| 5 | RPS Laboratories Limited | |
| 5 | RPS Mountainheath Limited | * |
| 5 | RPS Planning & Development Limited | |
| 5 | RPS Timetrax Limited | * |
| 5 | RPS Trustees Limited | |
| 5 | RPS US Holdings Limited | * |
| 5 | Rudall Blanchard Associates Group Limited | * |
| 5 | Rudall Blanchard Associates Limited | * |
| 5 | Safety and Reliability Consultants Limited | |
| 5 | Scott Pickford Limited | * |
| Germany | | |
| 5 | Sherwood House Properties Limited | * |
| 5 | SRC (Consultants) Limited | * |
| 5 | Town Planning Consultancy Limited | |
| 5 | TPK Consulting Limited | |
| 5 | Troy Ikoda Limited | * |
| 5 | Troy-Ikoda Management Limited | * |
| 5 | Utility Technical Services Limited | |
| 5 | WTW & Associates Limited | |
| 5 | X-IPEC Limited | * |
| Gibraltar | | |
| 6 | Metier Academy GmbH | * |
| Ireland | | |
| 8 | RPS Consulting Engineers Limited | * |
| 8 | RPS Engineering Services Limited | * |
| 8 | RPS Environmental Consultancy Limited | |
| 8 | RPS Group Limited | * |
| 8 | RPS MMA Limited | * |
| 8 | RPS Planning & Environment Limited | * |
| 8 | RPS Properties Limited | * |
| Malaysia | | |
| 9 | Cambrian Consultants Asia Sdn. Bhd | * |
| 10 | Knowledge Reservoir Geoscience & Engineering Sdn. Bhd | * |
| 11 | RPS Consultants Sdn Bhd | * |
| Mexico | | |
| 12 | Cambrian Consultants CC America, Inc S.de R.L. de C.V. | * |
| Mongolia | | |
| 13 | Aquaterra East Asia LLC | * |
| Netherlands | | |
| 14 | RPS advies-en ingenieursbureau BV | * |
| 15 | RPS Analyse BV | * |
| 14 | RPS BV | |
| 14 | RPS Detachering BV | * |
| New Zealand | | |
| 16 | RPS Consultants NZ Limited | * |
| Northern Ireland | | |
| 17 | RPS Ireland Limited | * |
| Norway | | |
| 18 | Delphi AS | * |
| 9 | Knowledge Reservoir AS | * |
| 9 | Knowledge Reservoir Holding AS | * |
| 19 | Metier AS | * |
| 19 | Metier Holding AS | * |
| 20 | Metier Trondheim AS | * |
| 21 | Metier Vest AS | * |
| 22 | OEC Gruppen AS | * |
| 23 | RPS Norway AS | * |
| 23 | RPS Group AS | |

| Registered Office | Country of registration and operation |
|---------------------------------------|---------------------------------------|
| Oman | |
| 24 K.R. LLC (Oman) | * |
| Papua New Guinea | |
| 25 Point Project Management (PNG) Ltd | * |
| Scotland | |
| 26 OceanFix International Limited | * |
| 27 RPS Health in Business Limited | * |
| Singapore | |
| 28 Delphi Group Asia PTE Limited | * |
| Sweden | |
| 29 Metier AB | * |
| 29 Metier Academy AB | * |
| USA | |
| 30 APA USA, Inc | * |
| 31 Applied Science Associates Inc. | * |
| 30 Cambrian Consultants America Inc. | * |

| Registered Office | Country of registration and operation |
|---|---------------------------------------|
| 30 Espey Consultants, Inc. | * |
| 30 Evans Hamilton, Inc. | * |
| 30 GaiaTech Canada, LLC | * |
| 32 GaiaTech Holdings, Inc | * |
| 30 GaiaTech, Inc | * |
| 30 Houston Geoscan Inc | * |
| 30 Hydrosearch USA Inc | * |
| 33 Iris Environmental | * |
| 34 RPS Infrastructure Inc | * |
| 30 Knowledge Reservoir Group Inc | * |
| 35 Knowledge Reservoir, LLC | * |
| 30 Nautilus Holdings LLC | * |
| 30 Nautilus World LP | * |
| 30 Petroleum Institute for Continuing Education USA Inc | * |
| 30 RPS America Group Inc | * |
| 30 RPS Americas Inc | * |
| 30 RPS Group, Inc. | * |
| 30 RPS JDC Inc. | * |
| 30 The Geocet Group LLC | * |
| 30 The Scotia Group Inc | * |

Registered Offices

| | |
|----|---|
| 1 | 512 Wickham Street, Fortitude Valley, Queensland 4006, Australia |
| 2 | Av. Almirante Barroso 91, Rio de Janeiro, Rio De Janeiro 20031--005, Brazil |
| 3 | 1200, 700 - 2nd Street SW, Calgary, Alberta, TP2 4V5, Canada |
| 4 | 1300-777 ST Dunsmuir Vancouver, British Columbia V7Y1K2 Canada |
| 5 | 20 Western Avenue, Milton Park, Abingdon, Oxfordshire OX14 4SH |
| 6 | Frankfurt am Main, Gashafanschrift, Marktstrasse 4460388 Frankfurt am Main, Germany |
| 7 | Line Group Limited, 57/63 Line Wall Road, Gibraltar |
| 8 | West Pier Business Campus, Old Dunleary Road, Dunlaoghaire, Co Dublin, Republic of Ireland |
| 9 | Level 11-2 Faber Imperial Court, Jalan Sultan Ismail 50250, Kuala Lumpur, Malaysia |
| 10 | Welhavens Road 5, 4319 Sandnes, Sandnes, Norway |
| 11 | Suite 11-13A, Level 11, Wisma UOA II, Jalan Pinang, 50450 Kuala Lumpur, Malaysia |
| 12 | Avenida Paseo de la Reforma No. 404, Piso 6 - Despacho 602, Col Juarez, Mexico City, Mexico, FED DISTR. 06600 |
| 13 | 701 San Business Centre, 8th Khoroo, Sukhbaatar, Ulaanbaatar, Mongolia |
| 14 | Elektronicaweg 2, 2628 XG Delft, The Netherlands |
| 15 | Minervum 7002, 4817, ZL Breda, The Netherlands |
| 16 | 50 Customhouse Quay, Wellington Central, Wellington, 6011, New Zealand |

| | |
|----|--|
| 17 | Elmwood House, 74 Boucher Road, Belfast, BT12 6RZ |
| 18 | Engelsminnegata, 24, 4008 Stavanger, Norway |
| 19 | Hoffsveien 70C, 0377 Oslo, Norway |
| 20 | Professor Brochs, Gate 2, 7030 Trondheim, Norway |
| 21 | Hinna Park, Bygg D 2.etasje, Jattavagveien 7, 4020 Stavanger, Norway |
| 22 | Lysaker Torg 25, 1366 Lysaker, 0219 BAERUM, Norway |
| 23 | Olav Vs Gate 4, 0356 Oslo, Norway |
| 24 | Al-Kulleah Street, Al-Khuwair 17/2, Building No.741, Way No. 4508 Muscat, Oman |
| 25 | 2nd Floor, Brian Bell Plaza, Turumu Street, Boroko, NCD, Papua New Guinea |
| 26 | 9 Queens Road, Aberdeen, AB15 4YL |
| 27 | Unit 1, Ratho Park, Station Road, Edinburgh, EH28 8QQ |
| 28 | Paya Lebar Road 60, 40 Singapore - Hougang, Singapore - Singapore |
| 29 | Drottninggatan 71, C, 111 36, Stockholm, Sweden |
| 30 | 20405 Tomball Parkway, Suite 200, Houston, Texas 77070, USA |
| 31 | 55 Village Square Drive, South Kingstown, Rhode Island, 02879, USA |
| 32 | 135 S. La Salle Street, Suite 3500, Chicago, Illinois 60603, USA |
| 33 | 1432 Webster Street, Suite 302, Oakland, California, 94612, USA |
| 34 | 1160 Dairy Ashford, Suite 500, Houston, Texas, 77079, USA |
| 35 | 1209 Orange Street, Wilmington, Delaware, 19801, USA |

7. DEBTORS

| €000s | 31 Dec 2018 | 31 Dec 2017 |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Amounts due from subsidiary undertakings | 42,665 | 47,828 |
| Tax receivable | 2,032 | 1,523 |
| Other debtors | 2,729 | 2,557 |
| Prepayments and accrued income | 3,099 | 2,480 |
| | 50,525 | 54,388 |

8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

| €000s | 31 Dec 2018 | 31 Dec 2017 |
|--|---------------|---------------|
| Borrowings | 2,581 | 212 |
| Trade creditors | 3,270 | 4,191 |
| Amounts due to subsidiary undertakings | 36,646 | 29,773 |
| Other creditors | 501 | 516 |
| Accruals and deferred income | 2,735 | 2,221 |
| | 45,733 | 36,913 |

9. CREDITORS – AMOUNTS DUE AFTER MORE THAN ONE YEAR

| €000s | 31 Dec 2018 | 31 Dec 2017 |
|---------------------------------------|---------------|---------------|
| Borrowings: | | |
| Bank loans | 32,800 | 41,457 |
| US loan notes | 56,751 | 55,185 |
| Arrangement fees | (271) | (634) |
| | 89,280 | 96,008 |
| Due as follows: | | |
| Amount due between one and two years | 32,800 | 96,642 |
| In the third to fifth years inclusive | 56,751 | — |
| Arrangement fee previously settled | (271) | (634) |
| | 89,280 | 96,008 |

Details of borrowings are disclosed in note 18 to the consolidated accounts.

10. PROVISION FOR LIABILITIES

| £000s | Total |
|----------------------------------|-------|
| As at 1 January 2018 | 172 |
| Additional provision in the year | 42 |
| Utilised in the year | (62) |
| As at 31 December 2018 | 152 |

The provisions relate to property and dilapidations provisions.

The total provision is expected to be utilised as follows:

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|--------------------------|----------------------|----------------------|
| Within one year | 4 | 46 |
| After more than one year | 148 | 126 |
| | 152 | 172 |

11. DEFERRED TAXATION

The movement on deferred taxation in the year was as follows:

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|--|----------------------|----------------------|
| Net asset at beginning of year | 257 | 149 |
| (Charge)/credit to income for the year | (59) | 108 |
| Net asset at year end | 198 | 257 |

137

The deferred taxation balances comprise:

| £000s | As at 31 Dec 2018 | As at 31 Dec 2017 |
|--|----------------------|----------------------|
| Short term timing differences | 27 | 62 |
| Depreciation in excess of capital allowances | 171 | 195 |
| Deferred tax asset | 198 | 257 |

Deferred tax is included within other debtors in the balance sheet.

12. SHARE CAPITAL AND RESERVES

| | Number | Authorised Value £000s | Number | Allotted and fully paid Value £000s |
|----------------------------|-------------|------------------------------|-------------|---|
| Ordinary shares of 3p each | | | | |
| At 1 January 2018 | 240,000,000 | 7,200 | 224,817,001 | 6,745 |
| At 31 December 2018 | 240,000,000 | 7,200 | 226,105,286 | 6,783 |

Full details of the share capital of the Company are disclosed in Note 22 to the Consolidated Financial Statements.

The Company's reserves are as follows:

| | |
|-------------------------|--|
| Share premium | Premium on shares issued in excess of nominal value, other than on shares issued in respect of acquisitions when merger relief is taken. |
| Profit and loss reserve | Cumulative net gains and losses recognised in the profit and loss account and statement of changes in equity. |
| Merger reserve | Premium on shares issued in respect of acquisitions when merger relief is taken. |
| Employee trust shares | Own shares held by the SIP and Employee Benefit trusts. |
| Other reserves | Non-distributable profit generated on Group reconstruction. |

13. DIVIDENDS

Details of dividends paid by the Company are disclosed in Note 23 of the Consolidated Financial Statements.

138

14. COMMITMENTS UNDER OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases are as follows:

| | Land and buildings | | Other | |
|----------------------------|--------------------|----------------|----------------|----------------|
| £000s | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2018 | 31 Dec 2017 |
| Within one year | 20 | 20 | 834 | 1,212 |
| Between one and five years | 20 | 20 | 874 | 1,307 |
| | 40 | 40 | 1,708 | 2,519 |

15. DIRECTORS' INTERESTS IN TRANSACTIONS

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

FIVE YEAR SUMMARY

| £000s | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-----------------|----------|----------|----------|----------|
| Revenue | 637,383 | 630,636 | 594,471 | 566,972 | 572,126 |
| Fee income | 574,157 | 562,320 | 534,296 | 506,110 | 504,959 |
| PBTA | 50,162 | 53,941 | 50,704 | 51,795 | 66,114 |
| Net bank debt | (73,875) | (80,632) | (83,419) | (78,779) | (73,180) |
| Net assets | 377,572 | 369,784 | 411,307 | 364,490 | 384,677 |
| Cash generated from operating activities | 60,359 | 63,511 | 78,253 | 92,628 | 70,772 |
| Average number of employees | 5,556 | 5,340 | 5,099 | 5,054 | 4,530 |
| Dividend per share | 9.88p | 9.88p | 9.74p | 9.74p | 8.47p |
| Adjusted basic EPS | 16.47p | 17.13p | 16.60p | 16.57p | 22.04p |
| Adjusted diluted EPS | 16.34p | 17.01p | 16.51p | 16.47p | 21.92p |

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

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Contact:

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

Registered in England No. 2087786

rpsgroup.com