RPS

Annual Report & Accounts **2006**

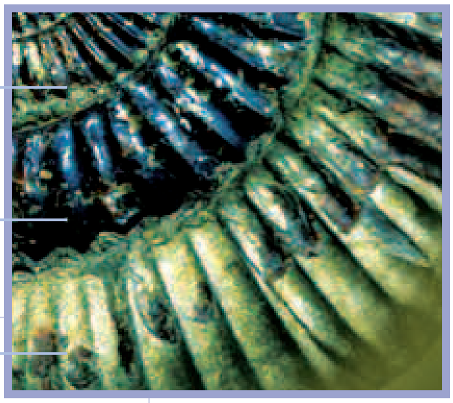
RPS

RPS is an international consultancy providing advice upon the development of natural resources, land and property, the management of the environment and the health and safety of people.

creative people **professional** leadership **quality** results **consistent** innovation **diverse** experience

effective expertise **successful** partner **local** international **trusted** reputation

Highlights



- strong performance from Energy
- continued development of Planning & Development in UK and internationally
- further growth from Environmental Management
- improved operating margins
- excellent conversion of profit to cash
- balance sheet remains strong
- the energy and the environment debate provides significant opportunities for future growth
- acquisition of quality businesses continues

	2005	2006	% increase
Revenue (£m)	217.8	296.8	+36%
Fee Income (£m)	183.5	246.0	+34%
Profit before taxation (£m)	24.3	34.6	+43%
Earnings per share (basic) (pence)	9.01	11.94	+33%

Brook Land, Chairman, commenting on the results, said:

"RPS has had a very successful year. An outstanding performance from the Energy division and good results in our other two businesses have resulted in the Group delivering further strong growth.

Our staff have shown the highest levels of commitment and performance in markets that remain buoyant. The acquisitions made in recent months will support our continued growth. Further acquisitions are likely. The Board anticipates that the momentum we currently have will enable RPS to deliver another good result in 2007. Trading in the early weeks of the year supports this view."


Creative **People**
Trusted **Reputation**
Diverse **Experience**

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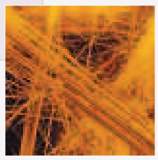

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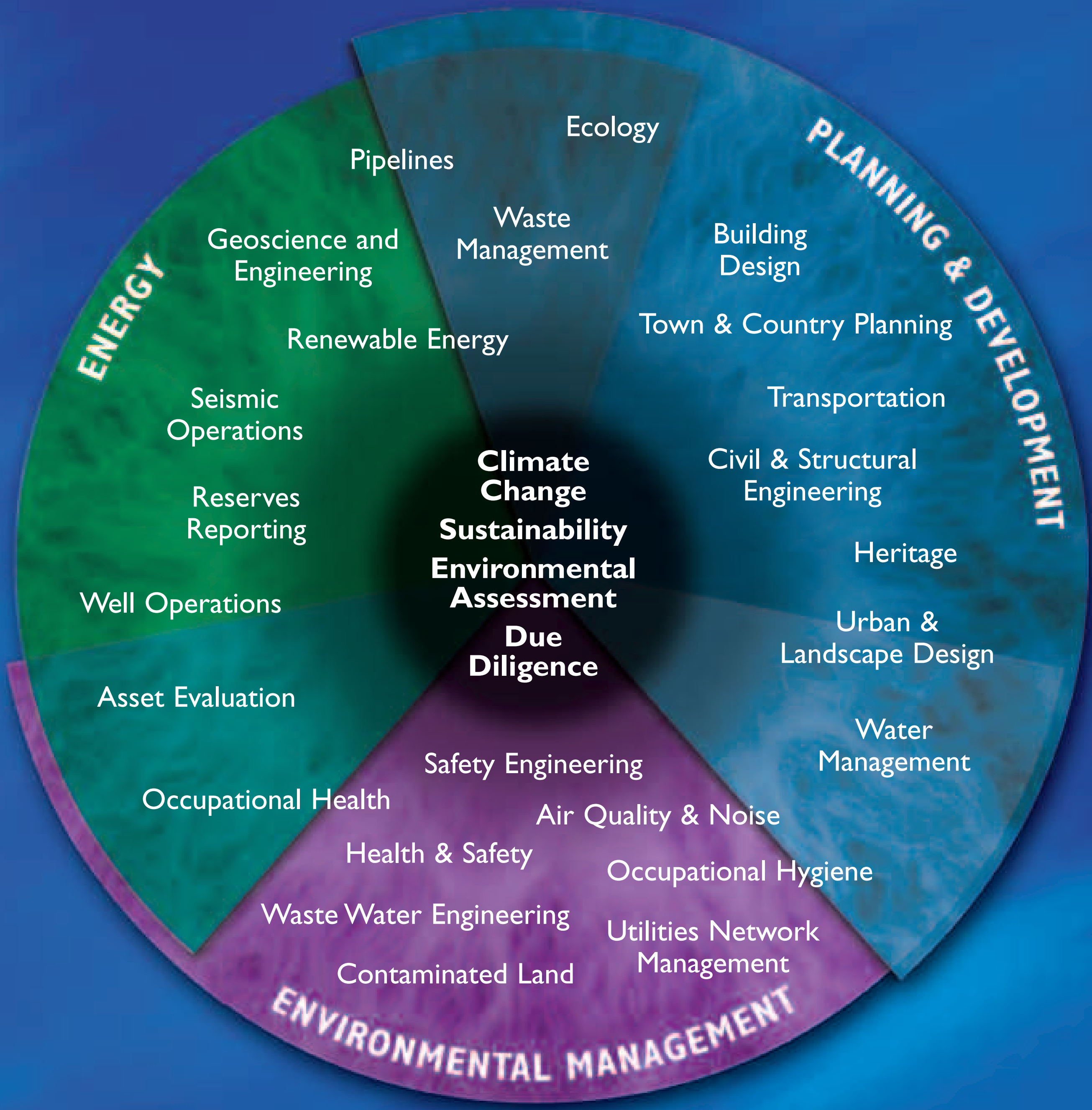
Integrated Services



2006 Review

Introduction

RPS is an international consultancy providing advice upon the development of natural resources, land and property, the management of the environment and the health and safety of people. The Group was added to the FTSE 250 on 28 July 2006, a reflection of our continuing development.

The good growth we have achieved in recent years has been recognised by the recent KPMG survey of fast growing European companies.[1] Our growth in 2006 reflects both the continuing successful implementation of our strategy as well as the increasing importance of the issues with which we deal on behalf of our clients. We have maintained momentum in our trading whilst enhancing our reputation as a top quality employer.[2]

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

- operating in markets where we can add value to our clients' activities;
- endeavouring to achieve leadership in those markets; and
- making acquisitions of quality businesses in order to extend our expertise and geographical presence.

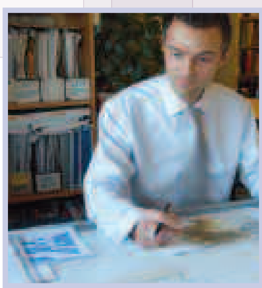
The Board remains confident that this strategy will continue to offer our staff challenging and rewarding careers, whilst delivering growth and good returns for our shareholders.

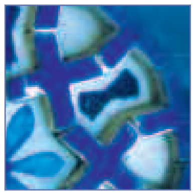
2006 Results

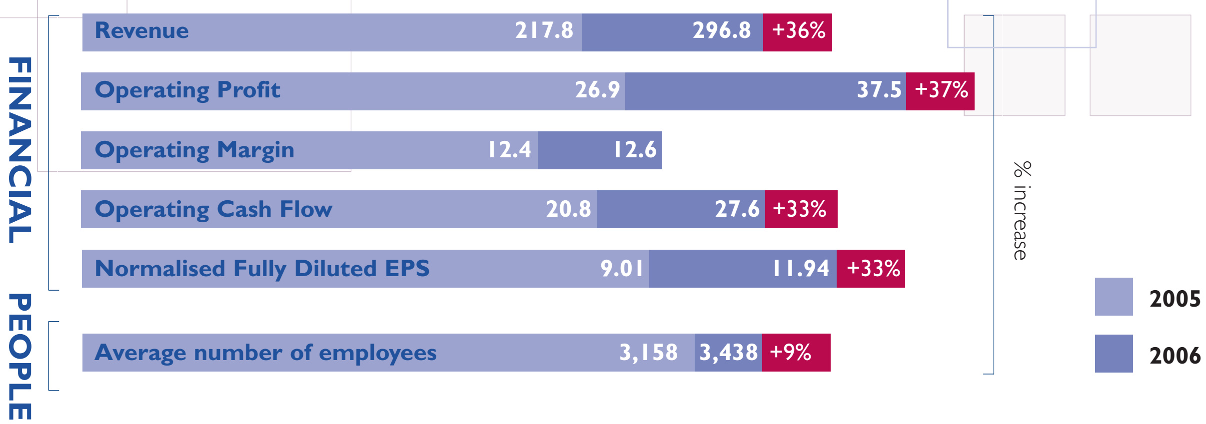
Profit before tax was £34.6 million (2005: £24.3 million). Basic earnings per share were 11.94 pence (2005: 9.01 pence). Operating cash flow was £40.7 million (2005: £28.1 million). The Group had net borrowings of £30.1 million at 31 December (2005: £25.9 million).

Dividend

The Board is recommending a final dividend of 1.44 pence per share payable on 31 May 2007 to shareholders on the register on 10 April 2007. The total dividend for the full year will be 2.76 pence, an increase of 15% (2005: 2.40 pence). Our dividend has risen at this rate for a number of years, providing shareholders with a significant increase in real income.







(1) "Europe's Top 500 Job Creating companies "(October 2006); RPS placed 36th.
(2) "Britain's Top Employers 2007", Corporate Research Foundation.

2006 Review continued

Operations and Markets

Planning & Development

Within this business we provide consultancy services in respect of town and country planning, building, landscape and urban design, transport planning and highway design and environmental assessment. We remain leaders in this market in the UK, Ireland and Western Australia, operating for blue chip clients in both the public and private sectors.

	2005	2006	
Fee income (£ms)	100.9	121.5	+20%
Segment results (£ms)	18.9	22.8	+21%
Margin %	18.7	18.8	

In the UK our ability to advise upon the full range of issues relevant to the development of sustainable communities and secure planning permission for large complex schemes remains attractive to clients. In consequence, we continue to work on some of the UK's largest regeneration and infrastructure projects. Our strong urban design skills help us to secure this work. We are also involved in both the waste and minerals sectors, in which securing planning permission has become more complex. Our relationships with the UK's largest housebuilders remain good. Whilst we have continued to focus successfully on achieving organic growth, the acquisition of Burks Green (July 2006), which provides architectural and engineering advice to the property development sector, strengthens this business significantly. Its small but growing operation in Poland provides us with an opportunity in this expanding market.

The Irish Government continues to invest in ambitious plans for the infrastructure development made necessary by the economic growth already experienced and that anticipated. The recently published *National Development Plan 2007-2013* targets "Economic Infrastructure" as its main priority, with €54.6bn identified for expenditure on roads, public transport and energy infrastructure. We benefit significantly from this investment. Our work in the commercial sector in Ireland also remains buoyant, as private investment follows this public expenditure.

Our activities in the planning and development market in Australia continue to flourish. The long term potential of this market has encouraged us to develop a plan to expand these activities substantially. The acquisitions of Ecos (March 2006) and HSO (October 2006) are part of that plan.

As climate change, energy efficiency and other environmental issues continue to grow in importance, our competitive advantage in these markets should continue to increase. Our planning business is also able to assist clients in other parts of the Group, for example, in respect of the need to secure planning permissions for capital projects in the energy and water sectors.

Energy

We provide consultancy services on an international basis to the oil and gas industries from bases in the UK, USA, Canada, Australia and Malaysia. In the UK we also provide advice to the renewables and nuclear sectors. The business had an outstanding year; fee income, profit and margin all grew substantially.

	2005	2006	
Fee income (£ms)	43.8	79.0	+80%
Segment results (£ms)	5.7	13.0	+128%
Margin %	13.1	16.5	

Demand for our services from oil and gas exploration and production companies grew significantly during the year. This reflects both buoyant market conditions and our position as a world leader in this market. Pressure on the developed world to identify and secure long term supplies of energy, coupled with the increasing energy needs of developing nations, suggest that activity in this market will remain at a high level for the foreseeable future. The acquisition of Ecos also added to our ability to provide environmental support to our oil and gas clients in Australia and Asia, whilst the acquisition of TSA in the UK (October 2006) strengthened our health and safety expertise. The acquisition of APA (January 2007) increases the range of our services in North America. We see increasing interest from clients in the combination of the energy, environmental and safety expertise that we provide and our strategy accommodates this trend.

We have a significant and growing reputation within the financial community in respect of determination of oil and gas reserves for reporting purposes and in support of corporate activity. The oil and gas companies and their advisors value the breadth and depth of our expertise, including our environmental experience.

Skilled staff have been and will remain in short supply, but our position in this market has enabled us to operate successful recruitment and retention strategies, whilst also improving our margins to a higher and, we believe, a generally sustainable level.

The growing controversy in respect of a number of UK windfarm schemes illustrates the complexity involved in securing approval for energy supply schemes. We are well positioned to assist our clients achieve the necessary permissions, licences and consents for all such facilities, including new power stations.

Environmental Management

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

	2005	2006	
Fee income (£ms)	40.7	48.0	+18%
Segment results (£ms)	4.3	5.3	+23%
Margin %	10.7	11.1	

Our business servicing the UK water industry has progressed well. We are working on significant network management commissions for the majority of the water companies. RPS' specific strengths in the water industry coupled with our environmental credentials position us well to help with problems created by water shortages and legislation seeking to improve water quality.

The UK market in health & safety consultancy has generally remained strong, driven by increasing statutory obligations as awareness of the importance of managing these matters more carefully has heightened. The asbestos market has, as predicted, slowed, but we anticipate that new fire safety regulations will provide attractive opportunities. In 2005 we extended our range of services with the acquisition of Business Healthcare Ltd, which provides occupational health services. As anticipated this is proving to be a growth market.

The economy in the Netherlands continues to improve. The steps we took to reduce our exposure to the more vulnerable parts of the economy and invest in stable markets have continued to produce benefit.

2006 Review continued

Funding

The conversion of profit into cash during this year continued at a high level and our balance sheet remains strong. Following the acquisitions made in 2006 and the early part of 2007, we have maximum cash commitments in respect of deferred consideration and outstanding loan notes related to acquisitions of £11.8 million in 2007, £4.2 million in 2008 and £4.2 million in 2009. The Group's operating cash flow normally funds its working capital requirements. Our cash generation, in conjunction with bank facilities of £72 million and an ability to use equity in transactions, means that we are well positioned to continue our acquisition strategy, in respect of which we have a number of good prospects.

Review of Business Prospects

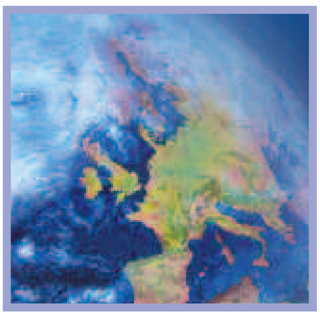
2006 was an exceptionally good year for RPS. Our staff numbers grew and, as ever, those staff produced valuable advice for and support to our clients. This in turn enabled us to deliver an excellent financial performance. Our investment in developing a substantial Energy business has proved to be well-timed and effectively managed. We believe this and our other two businesses will continue to grow. In addition, the way they can operate in combination provides opportunities to secure further strategic growth.

The last year has seen a dramatic increase in the profile given to the potentially severe effect of climate change and what actions are necessary to contain and eventually reverse the global warming process.

Balancing the way energy is secured from various sources, managing its use to limit further environmental damage and planning further economic growth and urban development has become a fundamental challenge of this century. It is one which RPS is extremely well positioned to advise upon and will enable us to build further momentum.

Our investment in the energy sector has enabled RPS to internationalise its activities in a measured way. Consequently, we now have strong businesses in the USA, Canada and Australia as well as substantial contracts in many parts of the developing world, including India and China. We have successfully begun the process of expanding our activities in Australia into planning and development and environmental management. This process is, however, in the early stages and can be extended substantially. Australia is also a good base from which to extend our activities in Asia. In a similar fashion, there are large scale opportunities to build all of our activities in both the US and Canada. As in Europe and Australia, the planning and development and environmental management sectors in North America are highly fragmented. RPS has developed good skills in bringing together teams of high quality professionals from a range of disciplines and helping them work together. In the coming years we are likely to deploy these skills on an increasingly international basis.

The opportunities available to us are substantial. In consequence we have considerable confidence about continuing the growth record of our business in 2007 and beyond.



Operations

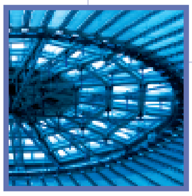
Key Business Drivers

As a business to business support service company we assist our clients in responding to the opportunities and problems which they face. These arise from:

- the commercial advantage to be gained by developing or redeveloping land, other natural resources such as energy reserves, or buildings; this requires proper planning, design and evaluation of the potential effects of the proposed development;
- the necessity for public agencies, privatised utilities, regulated businesses and their agents to provide adequate infrastructure; again such provision requires proper planning, design, evaluation of environmental effects and risk management;
- the necessity to comply with legislation which relate to planning, environmental and health & safety matters; this regulation and legislation derives from the activities of both the European Union and the national Governments and continues to expand at a rapid pace; and
- the need to manage and, where possible, eliminate risk which may arise from environmental or health & safety issues; potential risks arise when, for example, assets are being purchased and/or developed or from the existence of substances which, if not properly disposed of or managed, could damage the natural environment or human health.

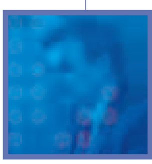
All these drivers are set within the context that the Governments in all the countries in which we operate are intent upon improving the environment and creating sustainable societies. This is a general trend of fundamental importance to our business and one which will develop further, providing long-term opportunities for us. During 2006 the issue of sustainability linked to climate change, energy security and globalisation continued to rise further up the political agenda focussing attention on energy supplies and the nature of urban development thereby creating a range of new opportunities for our businesses.

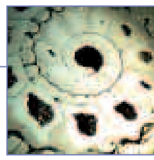
Employees



The Group remains committed to creating an employment environment which will attract, retain and motivate employees of high calibre. Throughout the Group emphasis is placed upon personal development to meet both today's needs and those of the future. Employee communication and consultation is encouraged at all levels of the business. The criteria for selection and promotion are the individual's suitability for the position offered based on their qualifications, experience, skills and abilities. Divisions manage the remuneration of staff within the guidelines of the approved annual budgets. We have all the traditional personnel management structures within our business carrying out all the necessary administrative functions. There are able personnel management groups dealing with staffing issues in each country within which we operate.

The employees of the Group are able to participate in the success of the Company through the Company's Share Incentive Plan (SIP) and Share Purchase Plan (SPP) and Performance Share Plan (PSP). The SIP and SPP are open to the majority of Group employees and offers them the opportunity of purchasing shares with the Company providing one matching share for every employee purchased share. The PSP is available to senior members of staff and enables them to build significant equity participation over a period of years.

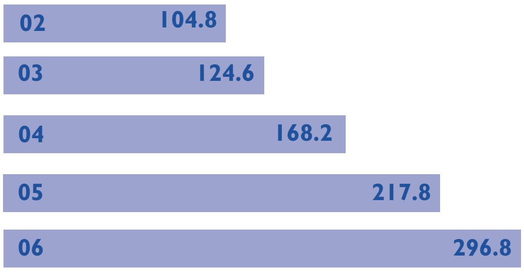




Operations continued

Operating Structure

A significant part of the Group's success derives from the clarity and accountability of its management structure. The core of this structure is the individual business unit which normally comprises a separate office or activity, each of which is treated separately for the purposes of budgeting and accounting. From time to time business units are grouped into either functional or geographical divisions areas. This organisation is capable of delivering and managing significantly more organic and acquired growth.



Revenue £m

The Group provides support to the marketing functions of these businesses through its business information unit which is also responsible for the Group web site and intranet. We continued to make significant investments in the intranet and website during 2006 as they are the main mechanism we use to develop internal and external communications in the Group. In order to do this we also continued to upgrade our IT networks. The businesses in England, Wales and Scotland are supported by centrally run accountancy and personnel functions, with these services being provided locally in Ireland and the Netherlands. The offices in Perth, Australia, Houston, USA, Calgary, Canada and Kuala Lumpur, Malaysia are managed as part of the Energy division, but have local accounting and support staff.

Equal Opportunities in Employment

RPS provides equal opportunities for all its employees and potential employees regardless of their sex, sexual orientation, age, race, religion, ethnic origin, disability, marital status, colour, and nationality. The policy applies to the advertisement of jobs, recruitment and appointment, training, conditions of work, pay and to every aspect of employment.

We recognise our obligations to ensure that people with disabilities are afforded equal opportunities to employment and progress within the Group.

We deplore all forms of sexual and racial harassment and seek to ensure that our working environment is sympathetic to all employees.

Advice is available to all employees involved in employment decisions, particularly in respect of promotion, transfer, training and discipline, as well as all stages of recruitment and selection.

RPS' policy on equal opportunities covers all areas of discrimination. We seek to comply with the Sex Discrimination Act, the Race Relations Act, the Disability Discrimination Act, Equal Pay Acts and the Protection from Harassment Act in the UK and similar legislation in other countries in which we operate.

Training and Continuous Professional Development

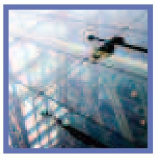
RPS is committed to the training, education and development of its employees to increase effectiveness, develop potential and ensure adequate succession planning. RPS was named as one of 'Britain's Top Employers 2007' by the Corporate Research Foundation. The CRF report, published In September 2006 by Guardian Books, singled out the Company's commitment to training and innovation as important factors in its success.

Divisional Directors and their appointed project managers and full-time professional trainers are responsible for the management of training and for the verification of technical competence for project personnel, in accordance with our quality management system.

RPS is a recognised commercial training provider in a number of specific technical fields and is certified by such external bodies as CCNSG (ECITB) on site safety courses. RPS operates a CIWEM approved structured training scheme for its chartered water and environmental engineers and MICE and MIEI approved CPD schemes for civil engineers in the UK and Ireland. Our aim is to help the development of individuals throughout their employment with the Company, by underpinning the strengthening skills and professional ethics, whilst broadening their business knowledge. One of the key objectives of the scheme is the long-term commitment to Continuous Professional Development (CPD) of all existing staff within the organisation. Thereby individuals are always able to demonstrate technical experience in specific sectors, such as the water industry, or in relevant aspects of environmental consultancy.

RPS' industrial architecture and civil engineering practice at Newark has obtained an "Investors in People" accreditation recognising its commitment to staff training, internal communications and client feedback dissemination and response. The scheme not only focuses on the in-house training provision for school leavers and graduate level CAD technicians, but also on promoting best practice at every level of the business.

	Energy 2006	Planning & Development 2006	Environmental Management 2006	Central Services 2006	Group 2006
Average number of employees					
Average number of employees	285	1,927	1,145	81	3,438
Days absent (%)	0.5	1.2	2.1	1.6	1.4
Average length of service (years)	6.2	4.6	4.8	4.6	5.0
Working part time (%)	13.0	20.7	7.7	13.5	15.4
Women					
All employees (%)	27.9	37.2	16.8	59.0	29.8
Ethnic minorities					
All employees (%)	6.1	7.1	3.3	7.4	5.8
Age profile					
Employees aged under 25 (%)	6.6	15.4	14.9	11.5	13.9
Employees aged 25-29 (%)	11.9	23.5	14.5	13.8	19.0
Employees aged 30-49 (%)	54.5	48.0	53.1	55.5	50.2
Employee aged 50+ (%)	27.0	13.1	17.5	19.2	16.9
Health and Safety					
Minor accidents and near misses	5	26	37	2	70
Reported accidents	2	5	7	1	15
Pensions					
Active members	201	938	512	38	1,689



Operations continued

For the fourth consecutive year RPS in the UK continued its practice of awarding academic bursaries at eight UK universities which this year are:

- University of Cambridge, Christ Church College
  MEng in Civil Engineering & MEng in Structural Engineering
- University of Oxford, Edward Grey Institute of Field Ornithology
  PhD in Waterfowl in the S.W. London Water Bodies Special Protection Area
- Oxford Brookes University
  MSc in Spacial Planning
- University College Cardiff
  MSc in Regional Town Planning
- University of East Anglia
  BSc in Environmental Science
- Brunel University, School of Engineering & Design
  EngD in Infrared and Thermal Imaging of Nocturnal Bird Movements
- Queens University, Belfast
  MEng in Civil Engineering
- University of Wales, Newport (Allt-yr-yn Campus)
  HND in Business Administration and Accounting

Australia has awarded academic bursaries for the following courses:

- University of Western Australia
  Masters Degree in Petroleum Engineering
- Curtin University
  Bachelor of Commerce
- Perth Technical College
  Certificate and Diploma in Accounting
- University of New South Wales
  Petroleum Economics

RPS has participated in a number of graduate training schemes. These include the Leonardo da Vinci II Scheme (LDVII), a European Commission supported initiative aimed at providing work placements for qualified graduates from designated development regions of the European Community seeking work experience within leading companies in more developed European countries.

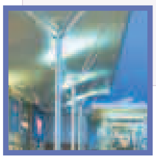
RPS was the main sponsor of the University of Wales 'Students Skills Competition' at Aberystwyth, a long-running student and employer twinning event which is unique in British higher education. RPS' long-standing support and involvement in the event has attracted an annual crop of outstanding graduates and postgraduates from various academic disciplines into jobs within the Group.

RPS' scholarship programme in Ireland involves a partnership with four leading universities and three institutes of technology. The four universities were:

- University College Cork
- University College Dublin
- Trinity College Dublin
- University College Galway

RPS provided funding to Masters level students to pursue studies in engineering related disciplines. RPS sponsors the Gold Medal for the top Civil Engineering student at University College Dublin and the Centre for Talented Youth programme.

RPS sponsored bursaries with the Planning College at Dublin Institute of Technology. RPS offers prizes to Students in the disciplines of Manufacturing, Biomedical and Facilities Engineering with Cork Institute of Technology and through the ISA (Instrument Society of America – Irish Branch) jointly through the Cork Institute of Technology, the Dublin Institute of Technology and the Carlow Institute of Technology.



We aim to identify and provide training, education and development for employees, in order that they can develop and apply this knowledge to greater and more demanding roles in the future. Wherever possible we try to identify successors to key posts within the organisation as part of our ongoing succession management policy. Central to identifying our training and educational needs is staff appraisal. This activity is concerned with developing staff by identifying and meeting performance and training needs as well as developing individual potential.

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

Property

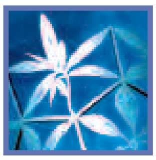
The Group occupies 91 commercial office premises. In respect of 12 of these we owned the freehold. These had an aggregate net book value of £9.6 million at December 2006. Negotiations are under way which, if completed, would result in the disposal of one or more of these at a value in excess of book value. The remaining properties are occupied under a range of lease agreements. The total rent roll for 2006 was £4.8 million.

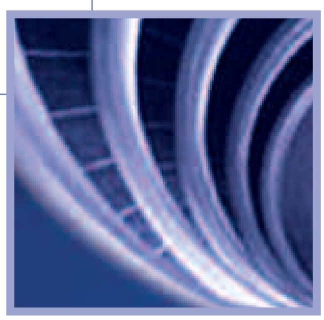
Growth and Funding

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

Our financial growth objectives focus on profit rather than revenue. Whilst it is tempting to remain in products and markets where margins are falling in order to maintain revenue, we do not adopt this approach. Instead we endeavour to find ways of delivering service in more attractive ways to clients or if this is not possible scale back or end our involvement in unattractive markets and develop and invest in new, more attractive, areas.

The Board is committed to achieving year on year profit and earnings growth for the Group, but does not set specific targets for this. We are endeavouring to deliver long-term shareholder value and have, therefore, to balance annual earnings growth with investment in both our existing clients, staff and products and the development of our product offering and capability.





Operations continued

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

At the year end the Group had net borrowings of £30.1 million (Note 25). RPS normally generates sufficient free cash to fund its working capital and capital expenditure requirements. Additional cash resources are, therefore, only needed in order to pursue the Group's acquisition strategy. From time to time, therefore the Board secures funds by means of arranging debt finance or equity placings.

We currently have bank facilities of £72 million. The Board believes this will enable the Group to maintain its strategy throughout 2007, although it is possible that a larger acquisition could necessitate additional debt or equity finance.

Dividend Policy

For a number of years our dividend has grown at an average annual compound rate of about 15%. Our ability to maintain this level of growth will depend upon both the scale of earnings growth as well as the nature and scale of future acquisitions and how that investment is funded. The final dividend will normally be greater than the interim payment. (Dividends paid and proposed are detailed on page 58).

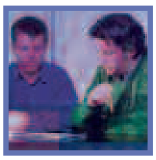
Shareholder Value

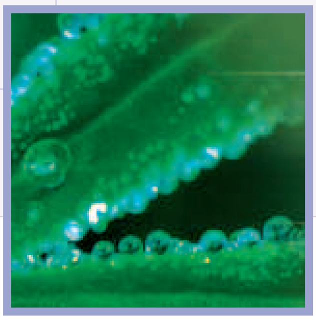
The Board manages the Group in order to achieve good levels of growth in shareholder value on a consistent long-term basis. The Board, however, recognises that this can only be achieved by providing a competitive service which adds value to our clients' organisations and offering an attractive working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

That the Group has continued to grow over such a long period confirms we are operating in an attractive sector and implementing a good strategy successfully.

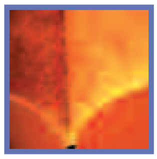
Corporate Governance

RPS has had a strong system of governance in place throughout its corporate life. In recent years we have formalised this in response to the various codes and guidelines that have emerged. The various policies relevant to this are set out fully on pages 40 to 55. The Board believes that its long-term shareholders understand that RPS operates the highest governance standards.





Risk Management



RPS Group Risk Analysis

RPS supplies a wide range of services to many sectors of the economy in a significant number of countries. This gives rise to a range of potential risks that need to be individually recognised, assessed and effectively managed. Due to the robust structure of the business the management of these risks is not an additional function to the business, but is treated as an integral part of the way we operate. Executive Directors review the risks the Group may be exposed to and report to the Board the individual risks identified.

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

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

- Business Strategy - the risk of not delivering the Group's long-term strategy. Principal risks of the Group include loss of competitive position and strategic risks in relation to specific activities.
- Business Continuity - the risk that in the event of an adverse occurrence the business operations will not be able to operate. Main areas of risk here are failure of IT systems and the recruitment and retention of key staff.
- Financial/Commercial - the risk of performance falling short of expectations. This includes reputational risk linked to quality of work and liability risk not covered by professional indemnity insurance.
- Compliance - the risk of failing to comply with all relevant legislation and regulations. Main areas of risk to the Group include legal action from compliance failures.
- Health, Safety and Environment - the risk related to the safety of staff, clients, sub-contractors, members of the public and the environment.

Business Strategy

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

- operating in markets where we can add value to our clients' activities;
- endeavouring to achieve leadership in those markets; and
- making acquisitions of quality businesses in order to extend our expertise and geographical presence.

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

The Executive Committee reviews and has to approve all acquisitions before any binding commitment is made. For acquisitions with an enterprise value in excess of £20 million the full Group Board approval is required prior to any binding commitment being made.

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

Business Continuity

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

Each of the Group's business has as a management priority the successful implementation of recruitment and retention strategy and they do this in manners appropriate to the markets they operate in. At Group level advice is provided to the businesses about recruitment techniques, remuneration strategies and people management. In addition share schemes are put in place to assist staff motivation and retention.

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

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

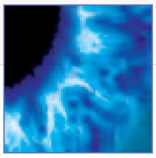
Risk Management continued

Financial and Commercial Management

RPS endeavours to conduct business in an open and fair manner. A significant part of RPS' success derives from the clarity and accountability of its management structure. The day-to-day business of the Group is carried out in business units which from time to time are grouped in either geographical or functional segments or divisions. Each business unit is treated as both a separate business for the purposes of budgeting and accounting and as part of the Group-wide network for marketing and business intelligence purposes. Each unit is managed by directors who are responsible for the development of their office and accountable for its performance to their Divisional Board.

Each segment or division prepares a Business Plan which defines the activities and scope of business to be conducted by the office. The budgets quantify the expectations for the Group and comprise a key element of the Business Plans. The Plans (including budgets) are agreed with the Group Board. The businesses in the UK are supported by centrally run accountancy and personnel functions. The Dutch, Irish, North American and Australian businesses have their own accounting and personnel functions. RPS has a detailed financial reporting management system, which includes checks and reviews, financial modelling, accountability and transparency at every level.

Operational staff have no access to the underlying processing of transactions. Invoices from suppliers are approved by the Operational Directors and are sent to the finance function for processing and payment. Remittances from clients are received by the finance function. This segregation of duties within the finance team itself and between the offices and the accounting function ensures accountability and sound financial practice at every level.



Divisional Finance Directors review the Divisional and office results with the Divisional board's and the Operational Directors on a monthly basis.

This detailed review, together with the checking and reconciliation work done by the accounting team, ensures the high degree of scrutiny required to minimise the possibility of mistakes, irregularity or fraud remaining undetected.

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

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

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

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

Where operations have part of their trade in currencies other than their functional currency they endeavour where possible to match the currency of revenues and cost of sales. The Group occasionally uses foreign exchange contracts and loans to manage transactional risks.

It has been and remains the Group's policy that no trading in financial instruments shall be conducted.

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

The internal audit function is undertaken by the Group financial accounting team as part of its other functions. Given the current structure of the Group the Board and the Audit Committee consider that a separate internal audit function is not required presently. The Board recognises that control risks increase during the integration of newly acquired businesses and during this period monitors closely the status of the systems and commercial integration.

Compliance, Litigation and Insurance

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

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

- documenting of procedures to control the quality of services;
- maintaining records to control and show compliance with quality and client requirements;
- recording the implementation of corrective measures necessary to ensure the quality of service provided;
- taking appropriate preventative measures to improve quality and minimise the possibility of unsatisfactory service; and
- monitoring of the quality management system in operation at each office at regular intervals in order to ensure its continuing and improving effectiveness.

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

Our business depends largely on our ability to attract and retain talented employees. The market for highly skilled individuals in our business sector is extremely competitive.

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

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

However, even when these systems work well issues can arise which may give rise to litigation in which RPS needs to participate. There are procedures in place for managing such litigation. The Group also has extensive cover in place to ensure against losses and potential loss. The main policies are Professional Indemnity and Employers and Public Liability, although a range of others are also in place.

Health and Safety

RPS is committed to achieving and maintaining high standards of health and safety within the organisation. Detailed operations are managed at Divisional and office level.

We endeavour to comply with all health and safety legislation, regulations, codes of practice, best guidance and work methods available, in accordance with the Health and Safety legislation in the countries we operate.

It is RPS Group policy to provide and maintain safe working conditions, equipment, resources and systems of work for all employees. RPS recognises its duty of care to provide a safe working environment, systems and procedures in relation to contractors, visitors and other people affected by the Group operations. Divisional and local policies and objectives are developed to satisfy specific activities, which are approved by the Group Board.

Directors and managers are responsible to the Group Board for ensuring that the policy and objectives are met. Information, instruction, training and supervision are provided as required to achieve those objectives.

RPS offers a range of commercial health and safety consultancy services, covering building health and safety, fire safety, asbestos management, occupational health and safety, occupational hygiene, safety auditing, safety engineering consultancy and emergency planning.

RPS' health and safety professionals hold a variety of academic and professional qualifications and include recognised specialists in safety critical systems in the defence, nuclear, offshore, petrochemical, transport, construction and engineering industries.

The Group Board requires that the managers of all businesses ensure that all employees are suitably trained in aspects of health and safety relevant to their needs.

Offices are provided with systems to manage health and safety at office and site level.

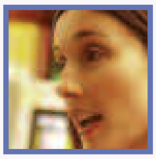
Corporate Social Responsibility and Sustainability

The Board arranges the affairs of the Group to ensure RPS operates in a social and responsible manner and implements policies and procedures accordingly. The responsibility for ensuring compliance with these policies and procedures is delegated to the Board's Executive Directors and in turn to the Divisional Boards and Divisional Directors. The responsibility for complying with Group policies is devolved down to all employees.

The Board keeps the management of the Group under continuous review and is able to amend management policies or operations at any time.

Individual parts of the Group are permitted, in certain circumstances, to develop more detailed policies suited to their own specific activities. The Group Board requires to be informed of such policies.

Our core business is consultancy, technical support services and technology assessment and development. Through these routes we assist clients to develop environmentally, ecologically and socially sustainable policies, management strategies, and systems for sustainable development. We recognise that, while our consultancy work has positive outcomes, its conduct consumes resources which have some adverse, if limited, impacts on the environment.



Social Policy

The RPS Board is committed to ensuring the Group undertakes its business in a responsible way. Taking care of our clients, suppliers, employees, the wider community and environment, the health and safety of our employees and conducting operations with a high standard of business integrity are in our opinion essential to the success of our business.

The Group has specific policies on the following:

Standard of Conduct

RPS expects all its staff to conduct business to the highest standards. It is essential that the reputation of the Group is upheld at all times with regulatory bodies, governments, customers, suppliers and all other parties with whom the Group has dealings. All employees, agents and other persons acting on its behalf represent the Group during their normal day-to-day activities and are, therefore, expected to conduct their duties at all times in a professional manner, maintaining rigorous standards of integrity, honesty and conduct, together with adherence to all applicable laws, rules made by any official or regulatory body and Group policies. The Group respects the rights and interests of all its employees. The Group requires its entire staff to adopt high standards of behaviour when travelling on business whether within their country of operation or elsewhere. The Group Companies and employees are required to be sympathetic to the cultures of and to comply with the laws and regulations of the countries in which they operate.

Clients

The Group aims to understand its clients' objectives in order to be as effective as possible in helping them achieve those objectives. The Group aims to develop and maintain strong and lasting relationships with its clients. Quality reports and services are delivered on time which meet our clients' requirements and the Group works with the client to anticipate and meet their future needs.

Conflicts of Interest

All RPS employees are required to avoid personal activities and financial interests, which could conflict with their responsibilities to the Company. Where conflicts of interest arise, they should be openly acknowledged and reported. RPS employees must not seek personal gain from third parties nor should they abuse their power within the Company for personal gain.

Community Involvement

RPS has supported community and charitable fund raising with gifts in kind and financial contributions throughout the year, mostly at local office level. The Company and staff raised £210,420 in charitable contributions during 2006. Taking into account the £105,095 spent on academic bursaries and educational initiatives not connected to staff training, the Group's total contribution to the communities in which it operates was £315,515 (0.011% of total revenue).

In the UK, the largest single beneficiary was TreeAid which received £3,625 raised through 15p donations on sales of the Company Christmas card (printed cards 17,795 & e-cards 6,568). £3,500 was raised by staff in our Newark office who took part in the London to Paris Bike Ride to raise money for the Action Medical Research Saving Tiny Lives Campaign. Donations totalling £3,000 each were made to WaterAid and to Breast Cancer Awareness.

In Ireland the Company's contributions to the wider community were widely spread. These included Cancer Care Ireland, The Samaritans, Habitats for Humanity, the National Council for the Blind, Concern, Barnardos, the Royal Society for the Protection of Birds, the RNLI and the Temple Street Children's Hospital. RPS also donated its services and provided funding for non-profit making bodies such as Engineers Ireland and the BITCI schools partnership.

In Australia, RPS donated A$34,000 (the same amount as in 2005) towards the Gondwana Link project, which seeks to protect, restore and sustain the natural heritage in the Great Southern Region of Western Australia.

Environmental Management

Our expertise includes the full range of environmental consultancy disciplines, covering areas such as risk management, health and safety, town and country planning, urban and landscape design, architecture, transport planning, environmental impact assessment, environmental monitoring and management, civil and structural engineering and utilities asset management. We advise international bodies, governments, local authorities and private companies on improving their environmental performance. As a result of these activities RPS believes it has a positive impact on the environment. The Group has no manufacturing base and therefore produces no major polluting emissions that affect the environment. One of the Group's larger shareholders, after reviewing the Group, confirmed that they *"fully recognised that RPS does not have a substantial direct environmental impact"*.

RPS concentrates on implementing practical measures to improve its environmental performance. Those activities that are managed at Group level, such as our fleet car leasing, office leasing and IT and stationery purchasing are driven through our procurement strategy. During the latter part of 2006 RPS moved the majority of its UK electricity supply to a 'green' supplier.

Using these management techniques, RPS endeavours to ensure that it:

- complies with all relevant EC, national and regional legislation as a minimum standard;
- complies with codes of practice and other requirements such as those specified by regulators and our clients;
- utilises suppliers that offer products which are sustainable, recyclable or environmentally sensitive wherever practicable and economic;
- promotes practical energy efficiency and waste minimisation measures; and
- provides a shared inter-office IT networks and communications technology which reduces the need for business travel.

In order to achieve this RPS will:

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

Transport and Vehicle Management

RPS uses environmental criteria when selecting and managing its car fleet. RPS Water, which leases approximately 422 vans, operates a fleet policy on using vans on 1.3L and 1.7L low CO_2 emitting diesel engines.

Several offices have employed in-house resources to conduct travel surveys, which promote alternative, more sustainable, means of getting to work, whilst some of our Irish offices have carried out transport surveys and use tax incentives for staff who use public transport.

All leased vehicles across the Group are regularly serviced and in general have mileage levels under 80,000 miles to ensure greater fuel efficiency and cleaner emissions.

A Health & Safety objective is to minimise the number of vehicle related accidents; this is achieved through a system of road accident analysis, information, procedures and an assessment of training where necessary.

The Group Board has responsibility for the implementation of all policies.

Corporate Social Responsibility and Sustainability continued

	2006				2005†			
Year	Diesel	Petrol	LPG	Total	Diesel	Petrol	LPG	Total
Average Fleet size	719	57	16	792	636	70	3	709
Average CO_2 emissions (g/km)	150	177	148	158	149	176	169	152
Average engine size (litres)	1.7	1.8	1.9	1.8	1.7	1.7	1.8	1.7

†CO_2 data is not available for 422 vans (2005: 430 vans).

Shareholders

The Group conducts its operations in accordance with what it believes are principles of good corporate governance. Its aim is to provide shareholders with a return on investment that rewards their financial commitment. The Board understands the importance of strong cash flows and earnings and develops its business in such a way as to grow these in a sustainable way as far as possible. The Board endeavours to maintain involvement of shareholders by keeping them informed on major actions or decisions affecting their investment, through a year-round Investor Relations programme. RPS employees in possession of information which, if disclosed, could affect the market price of its shares are prohibited from trading in securities until after public disclosure of such information.

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

They both attend the Annual General Meeting. There is a standing board agenda item on investor relations and the views of shareholders in so far as they are known are disclosed to the Board as a whole. This gives the Board an opportunity to develop an understanding of the views of major shareholders of the Group.

Staff Professional Memberships

Corporate Memberships

ACE	Association of Consulting Engineers (UK)
ACLCA (WA)	Australian Contaminated Lands Consultants Association
ACT	The Association for Commuter Transport
AGS	Association of Geotechnical and Geoenvironmental Specialists
AMSA	Australian Marine Sciences Association
ANC	Association of Noise Consultants (UK)
BGI	BGI (Bedrijvenplatform Geo-informatie) (BCC) "Business platform Geo information"
BVCA	British Venture Capital Association professional adviser
BW	British Water
BWEA	British Wind Energy Association
CAGC	Canadian Association of Geophysical Contractors
CAODC	Canadian Association of Oil Well Drilling Contractors-Company associate membership
CIRIA	Construction Industry Research and Information Association
CIWEM	Chartered Institute of Water and Environmental Management (UK)
DMA	Defence Manufacturers Association (UK)
ECA(WA)	Environmental Consultants Association (WA) Inc
FENELAB	The Netherlands Federation of Laboratories
HIA	Housing Industry Association (Australia)
IEEM	Institute for Ecology and Environmental Management
IEMA	Assessor Member of Institute of Environmental Management and Assessment (UK)
IFAP	Industrial Foundation for Accident Prevention
KC	Chartered Institute of Waste Management & Institute of Environmental Management & Assessment
KKZH	Quality Circle South Netherlands Betonvereniging (BCC) "Concrete association"
KNMI	Royal Dutch Institute of Meteorology
LI	Registered Practice Landscape Institute (UK)
NCA	National Society for Clean Air
NELA	National Environmental Law Association (Australia)
NGB	Netwerk Groene Bureaus "Web Green Offices"
NHBC	Profession Register of the National House Builders Council (UK)
NIA Hygiene	The Netherlands Institute of
NVA	Dutch Association for water management (Nederlandse Vereniging voor Water beheer)
NVP	The Netherlands Society of Venture Capital
ONRI	Dutch Society of Engineers
PIG	Pipelines Industry Guild
STA	Source Testing Association
TPS	Transport Planning Society
TWT	Corporate member of the local Wildlife Trust
UDIA(WA)	Urban Development Institute of Australia (WA) Inc
UKELA	UK Environmental Law Association
VKB	Association of Quality Assurance in Soil Research
VNBG	Association of Dutch companies in the geodesy and geo information (Vereniging van Nederlandse Bedrijven in de Geodesie en Geo-informatie)
VOAM	Association for Research on Asbestos and Environmentally Hazardous Substances (The Netherlands)
VOC	The Netherlands Association of Certification Bodies
VVM	Society of Environmental Scientists (The Netherlands)
VVTB	Association for the removal of Toxic Construction Material

Company Subscriptions with Certification Bodies and Quality Accreditation Schemes:

ADIPS	Amusement Park Inspection Procedures Scheme
APEGGA	Association of Professional Engineers, Geologists and Geophysicists of Alberta-company "permit to practice" and staff membership
APEGS	Association of Professional Engineers & Geoscientist of Saskatchewan-company "permit to practice" and staff memberships Alberta Human Resources & Employment Certificate of Recognition in Health & Safety

Staff Professional Memberships continued

BSI	British Standards Institute
KIWA	Quality circle Legionella-analysis and swimming pool water analysis
RVA/ STERIN	The Dutch Council for Accreditation
SCCM	Certification Committee for Environmental Management Systems (The Netherlands)
UKAS	United Kingdom Accreditation Services

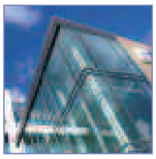
Professional Memberships in the UK

AA	Arboricultural Association
AMIMechE	Institute of Mechanical Engineers
ARB	Architects Registration Board - staff memberships
BGA	Member of the British Geotechnical Association
BOHS	British Occupational Hygiene Society
BSIF	British Safety Industry Federation
CChem	Chartered Chemist –chartered qualification
CEng	Chartered Engineer
CEnv	Chartered Environmentalist - Institute of Environmental Sciences
CGeol	Chartered Geologist - The Geological Society
CILT (UK)	The Chartered Institute of Logistics and Transport (UK)
CIM	Chartered Institute of Marketing
CMath	Chartered Mathematician Institute of Mathematics and its Applications
CPhys	Chartered Physicists
CSci	Chartered Scientist with the Science Council
FArborA/ MArborA	Fellows and Professional Members of the Arboricultural Association
FCIS	Fellows of the Institute of Chartered Secretaries and Administrators
FconsE	Federation of Consulting Engineers
FFB	Fellows of the Faculty of Building
FGS	Fellows of the Geological Society - staff memberships
FICPD	Fellows of the Institute of Continuing Professional Development
FIEMA/ MIEMA	Fellows and Members of the Institute of Environmental Management and Assessment and may include registered Principal EIA practitioners
FIHIE	Fellows of the Institute of Highway Incorporated Engineers
FIM	Fellows of the Institute of Management
FIMA	Fellow of the Institute of Mathematics and its Applications
FinstLM	Fellows of the Institute of Leadership and Management
FIPSoil Sc & MISoil Sc	Fellows and Chartered Members of the Institute of Professional Soil Scientists
FLI/MLI	Fellows and Members of the Landscape Institute
FRGS	Fellows of the Royal Geographic Society
FRICS/ MRICS	Fellows and Members of the Royal Institution of Chartered Surveyors
FRSA	Fellows of the Royal Society of the Academy of Arts, Manufacturers and Commerce
FRTPI/ MRTPI	Fellows and Members of the Royal Town Planning Institute
FSA	Fellows of the Society of Antiquaries
FSRP	Fellows of the Society for Radiological Protection
GeolSoc	Geological Society of London
IChemE	Institute of Chemical Engineers
IED	Institution of Engineering Designers
IEMA EIA	IEMA EIA Practitioner Register
IEnvSc	Institute of Environmental Sciences - staff memberships
IIRSM	International Institute of Risk and Safety Management – staff memberships
IOP	Institute of Physics
IQA	Institute of Quality Assurance - staff memberships
IRTE	Institute of Road Transport Engineers - staff memberships
ISA	International Society of Arboriculture
LPS	London Petrophysical Society
MInst CES	Members Institution of Civil Engineering Surveyors
Mabor A	Members of the Arboricultural Association
MAE	Members Academy of Experts
MAPM	Members Association for Project Management
MAPS	Members Association for Project Safety
MCIA	Members Chartered Institute of Arbitrators
MCIAT	Members Chartered Institute of Architectural Technologists
MCIOB	Members Chartered Institute of Building
MCIWEM	Members of the Chartered Institute of Water and Environmental Management
MCIWM	Members of the Chartered Institute of Waste Management

MCMI	Members of the Chartered Management Institute
MEI	Members of the Energy Institute
MFOH	Member of Faculty of Occupational Hygiene
MHS	Members of the Hydrographic Society
MIBiol	Members of the Institute of Biology
MICE	Members of the Institute of Civil Engineers
MICFor	Professional Member of the Institute of Foresters
MICSor	Chartered Membership of the Institute of Foresters
MIEE	Members of the Institute of Electrical Engineers
MIEEM/ AIEEM/ FIEEM	Members, Associates and Fellows of the Institute of Ecology and Environmental Management
MIEnv Sc	Member of the Institute of Environmental Science
MIET	Members of the Institute of Engineering and Technology
MIExpE	Members of the Institute of Explosives Engineers
MIFA/ AIFA/ PIFA	Members, Associates and Practitioners of the Institute of Field Archaeologists
MIGEM	Members of the Institution of Gas Engineers and Managers
MIHort	Members of the Institute of Horticulture
MIHT	Members of the Institution of Highways and Transportation
MLI	Member of the Landscape Institute
MILT	Members of the Institute of Logistics and Transport
MIME	Members of the Institute of Marine Engineers
MIMMM	Members of the Institute of Materials, Minerals and Mining
MinstMC	Members of the Institute of Measurement and Control
MinstNDT	Members of the Institute of Non-Destructive Testing
MINucE	Members of the Institute of Nuclear Engineering
MIOA	Members of the Institute of Acoustics
MIOSH & Health	Member of Institute of Occupational Safety
MIQ	Members of the Institute of Quarrying
MRAeS	Member of the Royal Aeronautical Society
MIStruct.E	Members of the Institute of Structural Engineers
MIWEM	Members of the Institute of Waste and Environmental Management
MPA	Members of the Palaeontological Association
MRSC	Members of the Royal Society of Chemistry
MTS	Marine Technology Society - staff memberships
PESGB	Petroleum Exploration Society of Great Britain - staff memberships
RIAS	Royal Incorporation of Architects in Scotland
RIBA	Royal Institute of Architects
RIN	Royal Institute of Navigation - staff memberships
SaRS	Safety and Reliability Society - staff memberships
SOE	Society of Operations Engineers - staff memberships
SPE	Society of Petroleum Engineers
SPWLA	Society of Petrophysicists & Well Log Analysts
SUT	Society of Underwater Technology - staff memberships
TCA	The Composting Association
TMS	The Micropalaeontological Society - staff memberships
UDAL	Urban Design Alliance - staff memberships
UDG	Urban Design Group - staff memberships – Not a professional institute

Professional Memberships held in Ireland

MIPI	Member of the Irish Planning Institute
MIEI	Member of the Institution of Engineers of Ireland
MCEI	Member of the Association of Consulting Engineers
RconsEI	Registered Consulting Engineers of Ireland
Pgeo	Professional Members of the Institute of Geologists of Ireland
PMI	Project Management Institute - staff memberships
Iwea	Irish Wind Energy Association - staff memberships
IBEA	Irish Bio-Energy Association - staff memberships
ICHPA	Irish Combined Heat and Power Association - staff memberships
CRE	Composting Association of Ireland - staff memberships



Staff Professional Memberships continued

Professional Memberships held in the Netherlands

KIVI	Royal Dutch Institute of Engineers - staff memberships
KNCV	Royal Dutch Society of Chemists
LEAF	Lettinga Associates Foundation for sustainable development (Int. IvdP)
NAP-DACE	Dutch Association of Cost Engineers - staff memberships
NILI	The Netherlands Institute of Agricultural Engineers - staff memberships
NIVRE	The Netherlands Register of Loss Adjustment Experts - staff memberships
NvA	Raad voor Accredicatie - Council for Accreditation
NVT	The Netherlands Toxicology Society - staff memberships
NVVA	Dutch Association of Industrial Hygienists - staff memberships
NVVK	Dutch Society of Safety Professionals - staff memberships
ONRI	Dutch Society of Engineers - staff memberships

Professional Memberships of Other European Institutes

EAEG	the European Association of Geoscientists and Engineers - staff memberships
EFCA	European Federation of Engineering Consultancy Associations
EFG	the European Federation of Geologists - staff memberships
EPSG	the European Petroleum Survey Group - staff memberships
EUROTOX	the European Institute for Eco-Toxicology - staff memberships
FIDIC	the International Federation of Consulting Engineers - staff memberships
IAH	International Association of Hydrogeologists - staff memberships
IAS	the International Association of Sedimentologists - staff memberships
ISSMGE	the International Society for Soil Mechanics and Geotechnical Engineering - staff memberships

Professional Memberships held in Australia

ACEPA	Advisory Council to the Environmental Protection Authority - staff memberships
ACLCA	Australian Contaminated Land Consultants Association (WA) Inc
AICD	Australian Institute of Company Directors - staff memberships
AIG	Australian Institute of Geoscientists
AMSA	Australian Marine Sciences Association - staff memberships
APPEA	the Australian Petroleum Production and Exploration Association - staff and company memberships
ASEG	the Australian Society of Exploration Geophysicists - staff memberships
ASFB	Australian Society for Fish Biology - staff memberships
CUDAS	Conservation, Urban Drainage and Sustainability Taskforce (WA) - staff memberships
ECAWA	the Environmental Consultants Association of Western Australia - staff memberships
EIANZ	Environment Institute of Australia and New Zealand - staff memberships
GSM	Geological Society of Malaysia - company and staff memberships
HIA	Housing Industry Association (Australia) - staff memberships
IAH Australia	International Association of Hydrogeologists Australian National Chapter - staff memberships
IPA	Indonesian Petroleum Association - staff memberships
MNZPI	Members of the New Zealand Planning Institute
MUSES	Murdoch University School of Environmental Sciences - staff memberships
NELA	National Environmental Law Association (Australia)
PESA	the Petroleum Exploration Society of Australia - staff and company memberships
PESGB	Petroleum Exploration Society of Great Britain - staff memberships
SEAPEX	S E Asia Petroleum Exploration Society - staff memberships
SLDBIP Group	Sustainable Land Development and Building Industry Partnership Group (Australia)

SPE	Society of Professional Engineers - staff memberships
SUT	Society of Underwater Technology - staff memberships
THS	The Hydrographic Society - company membership
UDIA	Urban Development Institute of Australia (WA) - staff memberships

Professional Memberships held in the USA and Canada

AAPG	American Association of Petroleum Geologists - staff memberships
AASP	the American Association of Stratigraphic Palynologists - staff memberships
APEGGA	Association of Professional Engineers, Geologists and Geophysicists of Alberta - staff memberships
APEGS	Association of Professional Engineers & Geoscientist of Saskatchewan - staff memberships
CSEG	Canadian Society of Exploration Geophysicists - staff memberships
CSPG	Canadian Society of Petroleum Geologists - staff memberships
CWLS	Canadian Well Logging Society - staff memberships
EAGE	European Association of Geoscienists & Engineers - staff memberships
GSH	the Geophysical Society of Houston - staff memberships
HGS	the Houston Geological Society - staff memberships
INA	the International Nannofossil Association - staff memberships
LGS	the Lafayette Geological Society - staff memberships
PESGB	Petroleum Exploration Society of Great Britain- staff memberships
SEG	Society of Exploration Geophysicists - staff memberships
SEPM	Society of Economic Palaeontologists and Mineralogists - staff memberships
SIAM	Society for Industrial and Applied Mathematics - staff membership
SPE	Society of Petroleum Engineers - staff memberships
SPWLA	Society of Petrophysicists and Well Log Analysts - staff memberships
	The Petroleum Society of the Canadian Institute of Mining, Metallurgy & Petroleum - staff memberships
	Desk & Derrick Club - staff memberships

Professional Memberships held in Other Countries

MHKIE	Members of the Hong Kong Institution of Engineers

Subscriptions to Industry Vendor Databases

Constructionline	for suppliers to Public Sector Authorities and Agencies in the UK (Reg. 8788)
FPAL	First Point Assessment Ltd for suppliers to the oil and gas industry (Reg. 16132 for the UK)
FPAL	First Point Assessment Ltd for suppliers to the oil and gas industry (Reg. 28745 for the Netherlands)
Link-Up	for suppliers to the Rail Industry in the UK (Reg. 21367)
UVDB	Utilities Vendor Database for suppliers to the utilities industries in the UK (Reg. 83299)
Achilles	Achilles Vendor Database for suppliers to the oil and gas industry in Norway (Reg. 12837)
NAFLIC	National Association For Leisure Industry Certification


Successful **Partner**
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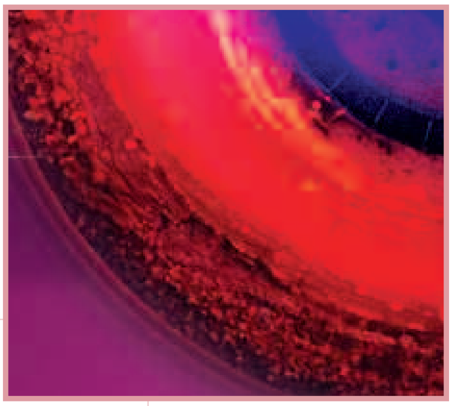
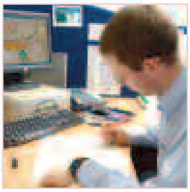
Local **International**

Management & Governance





The Board

The Board has the responsibility to:

1. Ensure that the Group has in place at all times a strategy that is capable of delivering realistic returns to shareholders.
2. Continue to organise and monitor the performance of Group's operations through the Divisional structure.
3. Keep that structure under review and be prepared to change the number and nature of the Divisions in order both to take account of market opportunities and also to deal with management issues.
4. Clarify any ambiguities in the authority, responsibilities and obligations of the various parts of the Divisions both in terms of managing their businesses and reporting upon those businesses.
5. Keep under review the composition of the Divisional Management teams and monitor their performance, being prepared to make changes in order to maintain or improve performance in terms of both delivery to clients and financial results.
6. Ensure the Group and Divisional Boards have policies in place to attract and retain high quality staff.
7. Manage and promote the RPS brand vigorously and vigilantly, by ensuring it has an adequate profile amongst the client base, is respected and strengthened.
8. Keep under review opportunities to extend the range of products RPS offers and the sectors in which it operates.
9. Keep under review opportunities to extend the geographic areas in which RPS operates.
10. Ensure that the Board has available an appropriate and effective advisory team including brokers, financial advisers, auditors, lawyers and financial public relations.
11. Together with our brokers, maintain an active Investor Relations programme designed to ensure full exposure of the RPS investment case to appropriate fund managers in the UK, Europe and USA.
12. Maintain contact with a wide range of analysts and brokers to ensure current independent research is available to the market.
13. Maintain systems of corporate governance compliant with the Combined Code and appropriate for a company of RPS' type and size. Discuss these matters with major shareholders on a regular basis.
14. Ensure that the Group operates appropriate risk management systems in respect of all aspects of its business.
15. Ensure that the Group has in place IT systems appropriate for the proper operation of the business and its likely expansion.
16. Ensure that the Group has in place both a web-site and an intranet that provides an effective communication medium for staff, clients and others with an interest in RPS.
17. Ensure that the Group has sufficient and adequate funding in place to maintain its strategy.

Composition and Operations

The Board currently comprises five Executive and three Non-Executive Directors excluding the Chairman. The Executive Directors are responsible for the management of all the Group's business activities. The Non-Executive Directors are all independent of management and contribute independent judgement and extensive knowledge and experience to the proceedings of the Board. The Chairman on appointment was independent.

The Board generally meets on a monthly basis (other than during holiday periods) and more frequently when business needs require. The Board has a schedule of matters referred to it for decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the Group. Its principal tasks are to formulate strategy and to monitor and control operating and financial performance in pursuit of the Group's strategic objectives.

The Executive Directors meet on a weekly basis. The Executive Committee is responsible for all operational matters within the Group except in respect of any decision, or group of decisions, which could not be executed within the limit of funds available to the Group or which are likely to have a material effect upon the trading prospects of the Group. The minutes of the meeting are circulated to the Non-Executive Directors for review.

Operational matters do not include the setting of the Group Strategy or budgets for the Group as a whole or raising of equity or debt finance; these remain matters for full Board decision along with anything which requires shareholder consultation or approval, such as results announcements, the Annual Report or Class 1 Circulars.

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

It is the responsibility of the Company Secretary to ensure appropriate insurance cover is maintained in respect of legal actions against Directors. The level of cover is currently £10 million.

The Board is also responsible for the financing of the Group, material capital commitments, commencing or settling major litigation, corporate acquisitions and disposals and appointments to subsidiary company boards and anything else which may materially affect the Group's performance. Comprehensive papers which deal with all material issues are circulated in advance of each meeting.

The Board undertakes an annual performance review. This review looks at all key aspects of the Board's responsibilities and identifies areas for improvement.

There is an agreed procedure for Non-Executive Directors, as well as Executive Directors, to take independent professional advice and training at the Company's expense. This is in addition to the access which every Director has to the Company Secretary.

The Secretary is charged by the Board with ensuring that Board procedures are followed.

When new members are appointed to the Board access is available to appropriate external training courses and to advice from the Company's solicitors in respect of their role and duties as a public company Director if required.

The differing roles of Chairman and Chief Executive are acknowledged and are separate. The key functions of the Chairman are to conduct Board meetings and meetings of shareholders and to ensure that all Directors are properly briefed in order to take a full and constructive part in Board discussions. The Chief Executive is required to develop and lead business strategies and processes to enable the Group's business to meet the requirements of its clients and needs of its staff and shareholders. The Non-Executive Directors hold meetings with the Chairman without the Executives present at least twice a year. The Non-Executives met during the year, led by the Senior Non-Executive Director, to appraise the Chairman's performance. The Executive Directors have their performance individually reviewed by the Chief Executive against annually set objectives. The Chief Executive has his performance reviewed by the Chairman and Senior Independent Non-Executive Director.

Concerns relating to the executive management of the Company or the performance of the other Non-Executive Directors may be raised with the Senior Independent Non-Executive Director.

The Board is assisted by five committees - Audit, Remuneration, Nomination, Corporate Governance, and Executive. The Board regularly considers its own performance and the matters reserved to it. It also monitors its performance against Group strategy and external parameters.

The Board agenda gives greater focus to business performance and strategy.

Full details of Directors' remuneration and a statement of the Company's remuneration policy are set out on pages 43 to 51. The members of the Remuneration Committee in 2006 are identified on page 39. Each Executive Director abstains from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on his own remuneration package.

The Board continued

Brook Land

Independent Non-Executive Chairman

Aged 58. Brook Land was formerly a partner of and is now a consultant to Nabarro. He is Senior Non-Executive Director of Signet Group plc, Non-Executive Chairman of Medal Entertainment & Media plc and a director of a number of private companies. He was appointed to the Board in 1997 and is serving a fourth term which expires at the AGM in 2010. He will be put forward for re-election on an annual basis.

Contract

Date of contract	Unexpired term at 31 December 2006	Notice period
September 1997	Until AGM 2007	N/A

Emoluments and compensation

				Emoluments excluding pensions			Pension (paid and provided)	
Basic salary £000s	Bonus £000s	Fees £000s	Benefits £000s	2006 £000s	2005 £000s	2004 £000s	2006 £000s	2005 £000s
–	–	72.5	–	72.5	65	65	–	–

Beneficial interests

Number of shares at 31 December 2006 and at 21 February 2007	Number of shares at 31 December 2005 and at 21 February 2006
30,000	30,000

Committee membership – Board and Committee

	Full Board*	Audit Committee	Remuneration Committee	Nomination Committee*	Corporate Governance Committee
Number of Board and Committee meetings attended	9	1	4	1	1

* Chairman

Dr Alan Hearne
Chief Executive

Aged 54. Alan Hearne holds a degree in economics and a doctorate in environmental planning. Following a period of academic research into environmental planning he joined RPS in 1978, became a Director in 1979 and Chief Executive in 1981. Alan Hearne was the plc Entrepreneur of the Year in 2001, was made a Companion of the Institute of Management in 2002 and fellow of Aston Business School in 2006.

Service Contract

Date of contract	Unexpired term at 31 December 2006	Notice period
February 1997	12 months	12 months

Emoluments and compensation

				Emoluments excluding pensions			Pension (paid and provided)	
Basic salary £000s	Bonus £000s	Fees £000s	Benefits £000s	2006 £000s	2005 £000s	2004 £000s	2006 £000s	2005 £000s
335	235	–	17	587	509	391	308**	49

Share options

1 Jan 2006 Number	31 Dec 2006 Number	Exercise price	Date from which exercisable	Expiry date
57,024	57,024	72.7p	22/2/2004	22/2/2009
33,780	33,780	125.0p	8/2/2003	8/2/2010
33,780	33,780	125.0p	8/2/2005	8/2/2012
42,982	42,982	171.0p	6/3/2004	6/3/2011
42,982	42,982	171.0p	6/3/2006	6/3/2013
62,500	62,500	149.0p	14/3/2005	14/3/2012
62,500	62,500	149.0p	14/3/2007	14/3/2014
62,500	62,500	111.0p	20/3/2006	20/3/2013
62,500	62,500	111.0p	20/3/2008	20/3/2015
28,157	28,157	146.5p	12/8/2006	12/8/2013
28,157	28,157	146.5p	12/8/2008	12/8/2015

LTIP award

	1 Jan 2006 number	Granted number	31 Dec 2006	Market value of shares at grant
2004	251,012	–	251,012	123.5p
2005	178,417	–	178,417	139p
2006	–	145,652	145,652	184p
Total	**429,429**	**145,652**	**575,081**	

Beneficial interests

Number of shares at 31 December 2006 and at 21 February 2007	Number of shares at 31 December 2005
1,037,350	1,736,866

Pensions

The Executive Directors of the Company earned pensions benefits in a company money purchase (defined contribution) scheme during the year.

Committee membership – Board and Committee

	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Executive Committee
Number of Board and Committee meetings attended	9	-	-	1	1	*

* meets weekly

** The Remuneration Committee agreed to make a one-off payment of £300,000 to the pension plan of the CEO prior to 6 April 2006 representing six years of future annual contributions. No further pension contributions will be made during this period (page 48).

The Board continued

Gary Young

Finance Director

Aged 47. Gary Young graduated from Southampton University in 1982 and qualified as a Chartered Accountant in 1986 with Price Waterhouse. Before joining RPS he held a number of financial director roles including positions within Rutland Trust plc and AT&T Capital. He joined RPS in September 2000 and was appointed to the Board in November 2000.

Service Contract

Date of contract	Unexpired term at 31 December 2006	Notice period
September 2000	12 months	12 months

Emoluments and compensation

				Emoluments excluding pensions			Pension (paid and provided)	
Basic salary £000s	Bonus £000s	Fees £000s	Benefits £000s	2006 £000s	2005 £000s	2004 £000s	2006 £000s	2005 £000s
170	85	–	10	265	214	184	26	23

Share options

1 Jan 2006 Number	31 Dec 2006 Number	Exercise price	Date from which exercisable	Expiry date
20,285	20,285	171.0p	6/3/2004	6/3/2011
20,285	20,285	171.0p	6/3/2006	6/3/2013
27,500	27,500	149.0p	14/3/2005	14/3/2012
27,500	27,500	149.0p	14/3/2007	14/3/2014
27,500	27,500	111.0p	20/3/2006	20/3/2013
27,500	27,500	111.0p	20/3/2008	20/3/2015
13,720	13,720	146.5p	12/8/2006	12/8/2013
13,720	13,720	146.5p	12/8/2008	12/8/2015

LTIP award

	1 Jan 2006 number	Granted number	31 Dec 2006	Market value of shares at grant
2004	91,093	–	91,093	123.5p
2005	66,906	–	66,906	139p
2006	–	55,434	55,434	184p
Total	**157,999**	**55,434**	**213,433**	

Share Incentive Plan

	Beneficial Interest at 31 December 2006	Beneficial Interest at 31 December 2005
Partnership Shares	1,965	1,240
Matching Shares	1,965	1,240
Total	3,930	2,480

The beneficial ownership of the Matching Shares will pass to the Directors in three years time, subject to continued employment and the retention of the underlying Partnership Shares.

Beneficial interests

Number of shares at 31 December 2006 and at 21 February 2007	Number of shares at 31 December 2005 and at 21 February 2006
–	–

Pensions

The Executive Directors of the Company earned pensions benefits in a company money purchase (defined contribution) scheme during the year.

Committee membership – Board and Committee

	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Executive Committee
Number of Board and Committee meetings attended	9	-	-	-	-	*

* meets weekly

Andrew Troup

Executive Director

Aged 48. Andrew Troup graduated from Reading University in 1979 and qualified as a Chartered Surveyor in 1986. He joined RPS in the same year and became a member of the Board in November 1991.

Service Contract

Date of contract	Unexpired term at 31 December 2006	Notice period
February 1997	12 months	12 months

Emoluments and compensation

				Emoluments excluding pensions			Pension (paid and provided)	
Basic salary £000s	Bonus £000s	Fees £000s	Benefits £000s	2006 £000s	2005 £000s	2004 £000s	2006 £000s	2005 £000s
185	92	–	10	287	234	194	28	26

Share options

1 Jan 2006 Number	31 Dec 2006 Number	Exercise price	Date from which exercisable	Expiry date
40,284	40,284	72.7p	22/2/2004	22/2/2011
23,862	23,862	125.0p	8/2/2003	8/2/2010
23,862	23,862	125.0p	8/2/2005	8/2/2012
24,123	24,123	171.0p	6/3/2004	6/3/2011
24,123	24,123	171.0p	6/3/2006	6/3/2013
35,000	35,000	149.0p	14/3/2005	14/3/2012
35,000	35,000	149.0p	14/3/2007	14/3/2014
35,000	35,000	111.0p	20/3/2006	20/3/2013
35,000	35,000	111.0p	20/3/2008	20/3/2015
14,437	14,437	146.5p	12/8/2006	12/8/2013
14,437	14,437	146.5p	12/8/2008	12/8/2015

LTIP award

	1 Jan 2006 number	Granted number	31 Dec 2006	Market value of shares
2004	106,275	–	106,275	123.5p
2005	75,540	–	75,540	139p
2006	–	60,326	60,326	184p
Total	**181,815**	**60,326**	**242,141**	

Share Incentive Plan

	Beneficial Interest at 31 December 2006	Beneficial Interest at 31 December 2005
Partnership Shares	786	495
Matching Shares	786	495
Total	1,572	990

The beneficial ownership of the Matching Shares will pass to the Directors in three years time, subject to continued employment and the retention of the underlying Partnership Shares.

Beneficial interests

Number of shares at 31 December 2006 and at 21 February 2007	Number of shares at 31 December 2005
269,266	369,266

Pensions

The Executive Directors of the Company earned pensions benefits in a company money purchase (defined contribution) scheme during the year.

Committee membership – Board and Committee

	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Executive Committee
Number of Board and Committee meetings attended	9	-	-	-	-	*

* meets weekly

The Board continued

Peter Dowen

Executive Director

Aged 58. Peter Dowen graduated from Leeds School of Architecture in 1972 and qualified as a Chartered Architect in 1973. After a period in private practice he became a director of Brian Clouston and Partners in 1980 before joining RPS in 1989 when he was appointed to the Board.

Service Contract

Date of contract	Unexpired term at 31 December 2006	Notice period
February 1997	12 months	12 months

Emoluments and compensation

				Emoluments excluding pensions			Pension (paid and provided)	
Basic salary £000s	Bonus £000s	Fees £000s	Benefits £000s	2006 £000s	2005 £000s	2004 £000s	2006 £000s	2005 £000s
210	105	–	10	325	259	207	32	28

Share options

1 Jan 2006 Number	31 Dec 2006 Number	Exercise price	Date from which exercisable	Expiry date
40,284	40,284	72.7p	22/2/2004	22/2/2011
23,862	23,862	125.0p	8/2/2003	8/2/2010
23,862	23,862	125.0p	8/2/2005	8/2/2012
20,285	20,285	171.0p	6/3/2004	6/3/2011
20,285	20,285	171.0p	6/3/2006	6/3/2013
32,500	32,500	149.0p	14/3/2005	14/3/2012
32,500	32,500	149.0p	14/3/2007	14/3/2014
32,500	32,500	111.0p	20/3/2006	20/3/2013
32,500	32,500	111.0p	20/3/2008	20/3/2015
15,051	15,051	146.5p	12/8/2006	12/8/2013
15,051	15,051	146.5p	12/8/2008	12/8/2015

LTIP award

	1 Jan 2006 number	Granted number	31 Dec 2006	Market value of shares
2004	103,239	–	103,239	123.5p
2005	86,331	–	86,331	139p
2006	–	68,478	68,478	184p
Total	**189,570**	**68,478**	**258,048**	

Beneficial interests

Number of shares at 31 December 2006 and at 21 February 2007	Number of shares at 31 December 2005
750,910	1,000,910

Pensions

The Executive Directors of the Company earned pensions benefits in a company money purchase (defined contribution) scheme during the year.

Committee membership – Board and Committee

	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Executive Committee
Number of Board and Committee meetings attended	8	-	-	-	-	*

* meets weekly

Dr Phil Williams

Executive Director

Aged 53. Phil Williams joined the Group in September 2003 through the acquisition of Hydrosearch Associates Limited where he held the position of Managing Director. Phil joined Hydrosearch in 1981 and was appointed Managing Director in 1983. Over the next 20 years he led Hydrosearch as the company developed into one of the world's largest energy sector consulting groups. Phil was appointed to the Board in December 2005.

Service Contract

Date of contract	Unexpired term at 31 December 2006	Notice period
November	12 months	12 months

Emoluments and compensation

				Emoluments excluding pensions			Pension (paid and provided)	
Basic salary £000s	Bonus £000s	Fees £000s	Benefits £000s	2006 £000s	2005 £000s	2004 £000s	2006 £000s	2005 £000s
185	92	–	8	285	66	–	29	1

LTIP award

	1 Jan 2006 number	Granted number	31 Dec 2006	Market value of shares at grant
2006	–	57,065	57,065	184p
Total	**–**	**57,065**	**57,065**	

Beneficial interests

Number of shares at 31 December 2006 and at 21 February 2007	Number of shares at 31 December 2005
400,000	470,964

Pensions

The Executive Directors of the Company earned pensions benefits in a company money purchase (defined contribution) scheme during the year.

Committee membership – Board and Committee

	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Executive Committee
Number of Board and Committee meetings attended	8	–	–	–	–	*

* meets weekly

The Board continued

Roger Devlin

Senior Independent Non-Executive Director

Aged 49. Roger Devlin is Chairman of Principal Hotels a Permira investment. He is also Chairman of Gamesys, a market leading UK soft gaming company. He was Corporate Development Director of Hilton Group, 1996-2006. He read law at Oxford and then joined Hill Samuel where he became Head of Mergers and Acquisitions. He joined the Board on 29 April 2002 and is serving a second three-year term.

Contract

Date of contract	Unexpired term at 31 December 2006	Notice period
April 2002	Until April 2008	N/A

Emoluments and compensation

				Emoluments excluding pensions			Pension (paid and provided)	
Basic salary £000s	Bonus £000s	Fees £000s	Benefits £000s	2006 £000s	2005 £000s	2004 £000s	2006 £000s	2005 £000s
–	–	27	–	27	27	27	–	–

Beneficial interests

Number of shares at 31 December 2006 and at 21 February 2007	Number of shares at 31 December 2005
–	–

Pensions

The Executive Directors of the Company earned pensions benefits in a company money purchase (defined contribution) scheme during the year.

Committee membership – Board and Committee

	Full Board	Audit Committee*	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Executive Committee
Number of Board and Committee meetings attended	7	3	–	1	–	–

* Chairman (resigned May)

Karen McPherson

Independent Non-Executive Director

Aged 54. Karen was a Non-Executive Director of F&C Asset Management Plc from 1985 to October 2006. Karen has extensive Human Resources experience and currently runs her own independent HR consultancy business, Potential Unlimited, which she founded in 2000. Prior to this Karen worked for F&C Management Plc from 1996 to 1998 as Director and Head of Human Resources. She previously worked for JP Morgan and Chemical Bank. Karen was appointed to the Board in June 2005 and is serving an initial three-year term.

Contract

Date of contract	Unexpired term at 31 December 2006	Notice period
June 2005	Until June 2008	N/A

Emoluments and compensation

				Emoluments excluding pensions			Pension (paid and provided)	
Basic salary £000s	Bonus £000s	Fees £000s	Benefits £000s	2006 £000s	2005 £000s	2004 £000s	2006 £000s	2005 £000s
–	–	27	–	27	13	–	–	–

Beneficial interests

Number of shares at 31 December 2006 and at 21 February 2007	Number of shares at 31 December 2005
–	–

Committee membership – Board and Committee

	Full Board	Audit Committee	Remuneration Committee*	Nomination Committee	Corporate Governance Committee
Number of Board and Committee meetings attended	9	–	4	0	–

* Chairman

The Board continued

John Bennett

Independent Non-Executive Director

Aged 59. John was appointed to the Board on 1 June 2006. He is a Chartered Accountant with 30 years' experience in the house building industry. For the past 13 years he was Finance Director of Westbury plc, until it was acquired early in 2006. He has wide experience of financial management, capital and debt raising, acquisitions and investor relations and he played a leading role in the strategic development of Westbury into a top ten volume house builder in the UK.

Contract

Date of contract	Unexpired term at 31 December 2006	Notice period
June 2006	Until June 2009	N/A

Emoluments and compensation

				Emoluments excluding pensions			Pension (paid and provided)	
Basic salary £000s	Bonus £000s	Fees £000s	Benefits £000s	2006 £000s	2005 £000s	2004 £000s	2006 £000s	2005 £000s
–	–	16	–	16	–	–	–	–

Beneficial interests

Number of shares at 31 December 2006 and at 21 February 2007	Number of shares at 31 December 2005
–	–

Committee membership – Board and Committee

	Full Board	Audit Committee*	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Number of Board and Committee meetings attended	4	2	0	–	–

* Chairman (appointed June)

April Rigby

Company Secretary

Aged 45. April Rigby graduated from Leeds University in 1982 and qualified as a Chartered Accountant in 1986 with Arthur Andersen & Co. She joined RPS Group in 1989 and was Finance Director from 1993 to October 2000. She has been Company Secretary since 1993.

Committees

Committee membership

Audit Committee
John Bennett (Chairman: appointed June)
Roger Devlin (Chairman: resigned May)

Remuneration Committee
Karen McPherson (Chairman)
John Bennett

Nomination Committee
Brook Land (Chairman)
Roger Devlin
Karen McPherson

Corporate Governance Committee
Brook Land (Chairman)
Alan Hearne
April Rigby

Executive Committee*
Alan Hearne (Chairman)
Peter Dowen
Andrew Troup
Phil Williams
Gary Young
April Rigby

* meets weekly

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

	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Brook Land	9	1	4	1	1
Alan Hearne	9	–	–	1	1
Gary Young	9	–	–	–	–
Andrew Troup	9	–	–	–	–
Peter Dowen	8	–	–	–	–
Phil Williams	8	–	–	–	–
Roger Devlin	7	3	–	1	–
John Bennett	4	2	–	–	–
Karen McPherson	9	–	4	–	–
Total number of meetings	**9**	**3**	**4**	**1**	**1**

Corporate Governance

Committee

In order to manage effectively the Group's structure and organisation during a time when expectations about the nature and standards of Corporate Governance have been changing significantly and rapidly, RPS has established a Corporate Governance Committee. This comprises the Chairman, Chief Executive and Company Secretary; other Directors are consulted as necessary. The Committee reviews issues as they arise and is also responsible for keeping the Board appraised about the implications in respect of changes to the Combined Code. The work of the Corporate Governance Committee is, therefore, reflected into the Audit, Nomination and Remuneration Committees as well as the structure, composition and operation of the Group Board, including the production of the policies described in the Corporate Social Responsibility Report (pages 18 to 20).

Combined Code

In the opinion of the Board the Chairman and all the other Non-Executive Directors are independent from the Group. The Board is accountable to the Company's shareholders for good governance and the statement set out below describes how the principles identified in the Combined Code already referred to above are applied by the Company. The Corporate Governance Committee has reviewed RPS' performance against the recommendations in the Code. In summary the position is as follows:

	Combined Code paragraph	Comment	Page
The Board should meet regularly to discharge its duties. The annual report should include a statement of how the Board operates.	A.1.1	Compliant	28/29
The Annual Report should identify the Chairman, Chief Executive, Senior Independent Non-Executive Director and Chairman and members of Nomination, Audit and Remuneration Committees. It should also set out the number of meetings held and individual attendance.	A.1.2	Compliant	30-39
The Chairman should hold meetings with Non-Executive Directors without the Executives present. Led by the Senior Independent Non-Executive Director, the Non-Executive Directors should meet without the Chairman present at least annually to appraise the Chairman's performance.	A.1.3	Compliant	29
Where Directors have concerns which cannot be resolved about the running of the Company or a proposed action these concerns should be recorded in the Board minutes. On resignation these concerns should be provided in a written statement to the Chairman for circulation to the Board.	A.1.4	Compliant	29
The Company should arrange appropriate insurance cover in respect of legal action against Directors.	A.1.5	Compliant	29
The roles of the Chairman and Chief Executive should be split, and the individual roles clearly set out in writing.	A.2.1	Compliant	29
The Chairman on appointment should be independent.	A.2.2	Compliant	28
The Board should identify in the annual report each Non-Executive Director it considers to be independent.	A.3.1	Compliant	30-39
At least half the board, excluding the Chairman, should comprise Non-Executive Directors determined by the board to be independent.	A.3.2	Non-Compliant	*
The Board should appoint one of the Independent Non-Executive Directors to be the Senior Independent Non-Executive Director. The Senior Independent Director should be available to shareholders.	A.3.3	Compliant	20/36

* Until RPS joined the FTSE250 on 28 July 2006 it was required to have only 2 Non-Executive Directors. Upon joining the FTSE250 the requirement went up to 5 Non-Executives as there are 5 Executives on the Board. Currently RPS has 3 Non-Executives. It is intended, therefore, to recruit 1 new Non-Executive during 2007 and then review the position again.

	Combined Code paragraph	Comment	Page
There should be a Nomination Committee. The Nomination Committee should make available its terms of reference.	A.4.1	Compliant	53-55
The Nomination Committee should evaluate the balance of skills, knowledge and experience on the Board and evaluate the role and capabilities required for a particular appointment.	A.4.2	Compliant	54-55
On appointment of a Chairman, the Nomination Committee should prepare a job specification.	A.4.3	Compliant	54
The terms and conditions of appointment of Non-Executive Directors should be made available for inspection by any person at the Company's registered office and at the AGM.	A.4.4	Compliant	54
The annual report should describe the work of the Nomination Committee, including processes it has used in relation to Board appointments.	A.4.6	Compliant	53-55
New Directors should receive a full, formal and tailored induction on joining the Board. Shareholders should be offered the opportunity to meet the new Non-Executive.	A.5.1	Compliant	29
All Directors should have access to independent professional advice. Committees should be provided with sufficient resources to undertake their duties.	A.5.2	Compliant	29
All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.	A.5.3	Compliant	29
The Board should state in the annual report how it evaluates performance of the Board, its committees and its individual Directors has been conducted.	A.6.1	Compliant	29
All Directors should be subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election thereafter at intervals of no more than three years.	A.7.1	Compliant	Notice of Meeting
The Non-Executive Directors should be appointed for specified terms subject to re-election. Any term beyond six years for a Non-Executive should be subject to particularly rigorous review.	A.7.2	Compliant	49
Performance-related elements of remuneration should form a significant proportion of the total remuneration package of the Executive Directors.	B.1.1	Compliant	44
Share options should not be offered at a discount.	B.1.2	Compliant	47
Remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of the role.	B.1.3	Compliant	49
The Remuneration Committee should consider what compensation commitments the Directors' terms of appointment would entail in the event of early termination.	B.1.5	Compliant	49
Notice or contract periods of Executive Directors should be one year or less.	B.1.6	Compliant	49
A Remuneration Committee should be established with at least three Independent Non-Executives. The Remuneration Committee should have published terms of reference.	B.2.1	Non Compliant	** 43-44
The Remuneration Committee should set remuneration for all executives and the Chairman. The Remuneration Committee should recommend and monitor the level and structure of remuneration for senior management.	B.2.2	Compliant	43
The Board should determine the remuneration of the Non-Executive Directors.	B.2.3	Compliant	49
Shareholders should be invited specifically to approve all new long-term incentive schemes and significant changes to existing schemes.	B.2.4	Compliant	46

** The Group currently has 3 Non-Executive Directors apart from the Chairman. No Executive Director sits on any of the 3 major committees (audit, remuneration and nomination). In addition the Chairman does not sit on either the audit or remuneration committees. As a result of this it is only practical for 2 Non-Executive Directors to sit on these committees. This is likely change when a new Non-Executive Director is appointed.

Corporate Governance continued

	Combined Code paragraph	Comment	Page
The Directors should explain in the annual report their responsibility for preparing accounts and a statement, by the auditor about their reporting responsibilities.	C.1.1	Compliant	60-61 & 63
The Directors should report that the business is a going concern.	C.1.2	Compliant	60
The Board should conduct at least annually, a review of the effectiveness of the Group's system of internal controls and should report to shareholders that they have done so.	C.2.1	Compliant	43
The Board should establish an Audit Committee with at least three members who should all be Independent Non-Executive Directors.	C.3.1	Non-Compliant	See footnote on page 41
The role and responsibility of the Audit Committee should be set out in written terms of reference. This should be disclosed in the annual report.	C.3.2/3.3	Compliant	52-53
The Audit Committee should review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.	C.3.4	Compliant	52
The Audit Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board.	C.3.5	Compliant	53
The Audit Committee should have primary responsibility for making a recommendation on the appointment, reappointment or removal of the external auditors.	C.3.6	Compliant	53
If the Board does not accept the Audit Committee's recommendation it should include in its annual report a statement explaining why the Board take a different position.	C3.6	Compliant	n/a
The annual report should explain to shareholders how independence is safeguarded if the auditor provides non audit services.	C.3.7	Compliant	52
The Chairman should ensure that the views of the shareholders are disclosed to the Board as a whole. The Chairman is available to discuss governance and strategy with the shareholders. The Senior Independent Director should attend sufficient meetings with a range of major shareholders in order to develop a balanced understanding of the issues and concerns of the shareholders.	D.1.1	Compliant	20
The Board should state in their annual report the steps they have taken to ensure Board members develop an understanding of the views of major shareholders about their Company.	D.1.2	Compliant	20
The Company should count all proxy votes and indicate the level of proxies lodged on each resolution, and the balance for and against the resolution and the number of abstentions. The Company should ensure that votes cast are properly received and recorded.	D.2.1	Compliant	Notice of Meeting
The Company should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the report and accounts.	D.2.2	Compliant	
Chairmen of the Audit, Remuneration and Nomination Committees should attend the AGM in order to be available to answer questions.	D.2.3	Compliant	20
The Company should arrange for the Notice of AGM and related papers to be sent to shareholders at least 20 working days before the meeting.	D.2.4	Compliant	

Communication

The Company places a great deal of importance on communication with its shareholders. The full report and accounts are made available to all shareholders and to other parties who have an interest in the Group's performance. The Company responds to numerous letters from shareholders and customers on a wide range of issues. The Company's web site provides up-to-date information about its organisation, the services it offers and newsworthy subjects.

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

Audit and internal controls

The respective responsibilities of the Directors and the independent auditors in connection with the accounts are explained on pages 60-61 and 63 and the statement of the Directors in respect of going concern appears on page 60.

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

The risk management policies are described on pages 15-17.

The Directors are responsible for the Group's system of internal control which is designed to provide reasonable but not absolute assurance against material misstatement or loss. The Board reviews from time to time the effectiveness of the system of internal control from information provided by management (page 16) and the Group's external auditors. The key procedures that the Directors have established to provide effective internal financial controls are as follows:

Financial reporting: A detailed formal budgeting process for all Group businesses culminates in an annual Group budget which is approved by the Board. The results for the Group are reported monthly against this budget to the Board.

Financial and accounting principles and internal financial controls assurance: Compliance with these is reviewed as requested. A detailed financial and accounting controls manual sets out the principles of and minimum standards required by the Board for effective financial control.

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

Remuneration Report

The Directors who were members of the Remuneration Committee at the end of the year were: Karen McPherson and John Bennett.

The Chairman and Chief Executive have assisted the Remuneration Committee in their deliberations on other Directors' remuneration. The Company Secretary is in attendance at the meeting to provide the committee with any additional advice that is required.

None of the Executive Directors have any external appointments.

Remuneration Committee - Terms of Reference

- the Committee has been delegated responsibility by the Board to determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors and Senior Employees of the Company; the remuneration of Non-Executive Directors is a matter for the executive members of the Board who take advice from the independent consultants. No Director or manager is involved in any decisions as to their own remuneration;
- within the terms of the agreed policy, determine the total individual remuneration package of each Executive Director including, where appropriate, bonuses, benefits, long-term incentive allocations and share options;
- the quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee;
- determine the policy for and scope of pension arrangements for each Executive Director;
- determine targets for any performance-related pay and share schemes operated by the Company;

Corporate Governance continued

Remuneration Report continued

- in determining such packages and arrangements, give due regard to the comments and recommendations of the Combined Code as well as the Listing Rules of the Financial Services Authority and associated guidance;
- ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised, in line with the statement of best practice in the ABI Guidelines;
- ensure that provisions regarding disclosure of remuneration, including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Code, are fulfilled;
- be aware of and advise on any major changes in employee benefit structures throughout the Company or Group;
- be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- meet as required during the year; and
- report the frequency of, and attendance by members at, Remuneration Committee meetings in the annual report (see page 39).

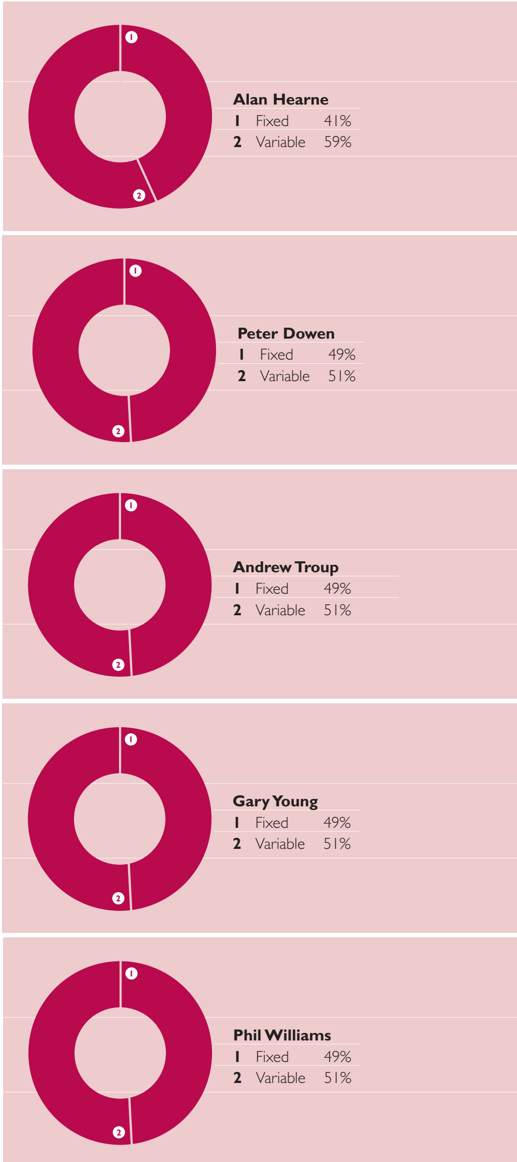
Remuneration policy

The Remuneration Committee's policy is to set the main elements of the remuneration package in order to reflect:

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

The Committee recognises that the main competitors of the Group and, therefore, comparators for remuneration are found outside the group of companies that are listed. In consequence, the Committee needs to reflect that in its deliberations including RPS' market leading position in a number of those markets.

The Committee is, in addition, mindful of trends and best practice amongst listed companies of a similar size in the Support Services sector.



Analysis of fixed versus performance related pay for Executive Directors 2006

Notes:

Fixed compensation comprises:

- Basic salary
- Benefits

Variable compensation comprises:

- Maximum Bonus Potential
- Face Value of LTIP Awards

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

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

The charts on page 44 demonstrate the proportion of the maximum potential compensation which is performance related for each Executive Director.

The Remuneration Committee appointed and received wholly independent advice on executive compensation and associated share administration from Halliwell Consulting.

Base salary

When determining the salary of the Executive Directors the Remuneration Committee has taken into consideration:

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

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

The companies comprising the comparator group are as follows:

Alfred McAlpine	John Menzies
Ashstead Group	Johnson Service Group
Babcock International Group	Mitie Group
BPP Holdings	Mouchel Parkman
Communisis	PayPoint
Diploma	Premier Farnell
DX Services	RPC Group
Enterprise	Shanks Group
Erinaceous Group	Speedy Hire
Interserve	WSP Group

This group was identified independently by Halliwell Consulting.

The basis of selection of the group was:

- companies within the same sector as the Company; and
- companies with a range of market capitalisations such that the Company sits within the middle of the comparator group.

Performance bonus

The following table shows in detail the potential level of bonus earned for a given level of earnings per share performance under the 2006 bonus plan:

The maximum bonus payable to the CEO is 70% of salary and to the other Executives 50%. The bonuses payable for 2006 were calculated on the basis of earnings per share growth based upon the Company's adjusted figures under IFRS. The EPS growth shown in the audited accounts was 32.5%. This gives rise to the Executives being eligible for the maximum bonus payable.

Earnings per Share Growth Inclusive of RPI	% of Bonus Payable
5%	20%
6%	33%
7%	41%
8%	49%
9%	57%
10%	65%
11%	68.50%
12%	72%
13%	75.50%
14%	79%
15%	82.50%
16%	86%
17%	89.50%
18%	93%
19%	96.50%
20%	100%

The Remuneration Committee has determined after reviewing the operation of the executive annual bonus plan to make the following changes to its operation for 2007:

- the maximum bonus potential for the CEO has been increased to 100% of salary and for the other Executives to 80%. These changes bring the maximum bonus potentials into line with the median level in the market and support the

Corporate Governance continued

Remuneration Report continued

Remuneration Committee's objective of having a substantial part of the executive compensation package performance based;

- a change in the types of bonus targets used for the 2007 plan:

Executive	% of Bonus subject to EPS Target	% of Bonus subject to Divisional & Individual Targets
Chief Executive	100%	–
Finance Director	75%	25%
Executive Directors	75%	25%

- an increase in the range of EPS growth in the bonus schedule from 5% to 20% to 5% to 32%. It should be noted that the CEO cannot earn more under the 2007 Plan in respect of EPS growth of 20% than he would have earned under the 2006 Plan i.e. the maximum bonus payable in both years for EPS growth of 20% is 70% of the CEO's salary. It is only for performance above EPS growth of 20% that the additional bonus potential in 2007 will start to be earned.

The following table sets out the EPS schedule for the 2007 Plan:

Earnings per Share Growth Inclusive of RPI	% Bonus Payable for EPS Element
5%	14.00%
6%	23.10%
7%	28.70%
8%	34.30%
9%	39.90%
10%	45.50%
11%	47.95%
12%	50.40%
13%	52.85%
14%	55.30%
15%	57.75%
16%	60.20%
17%	62.65%
18%	65.10%
19%	67.55%
20%	70.00%
21%	72.45%
22%	74.90%
23%	77.35%
24%	79.80%
25%	82.25%
26%	84.70%
27%	87.15%
28%	89.60%
29%	92.05%
30%	94.50%
31%	96.95%
32%	99.40%
32.2%	100.00%

Long-term incentives

The maximum annual grant under the LTIP is 100% of salary for the Executive Directors. The first grant of awards for the financial year 2004 were for the Chief Executive 100% of salary and for the other Executive Directors 75% of salary, based on the performance of the Group's total shareholder return (TSR) compared over a three year period from date of grant against the comparator group detailed on page 42 of the 2004 Annual Report. The Remuneration Committee reviews on an annual basis the current share incentives in respect of:

- their operation;
- the grant levels; and
- the performance criteria

in order to ensure that what has been approved by shareholders remain appropriate to the Company's current circumstances and prospects. As a result of the review the Committee determined for the second grant of awards on 16 May 2005 that the Chief Executive was allocated 80% of salary and the other Executive Directors, 60% of salary as an LTIP award. Shareholders were consulted and approved this measure in early 2005.

The Committee agreed to leave these allocations unchanged for the third grant on 30 March 2006. The second and third grant of awards have been using EPS growth as a performance condition.

This grant of awards for 2006 is set out in the following table:

Name	Shares Granted	Market value of shares
Alan Hearne	145,652	£1.84
Gary Young	55,434	£1.84
Andrew Troup	60,326	£1.84
Peter Dowen	68,478	£1.84
Phil Williams	57,065	£1.84

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

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

* There will be straight line release between these points.

The Remuneration Committee will determine the satisfaction of the performance conditions. The EPS figure used by the Company will be the audited basic EPS figure disclosed in the Company's Financial Statements.

The Remuneration Committee, on conducting the annual review of the operation of the LTIP for 2007, determined to make the following changes to the proposed 2007 grant of awards:

- an increase in the award made to the CEO from 80% of salary to 100%; and
- an increase in the award made to the other Executives from 60% of salary to 80%.

The primary reason for the Remuneration Committee's decision to increase the level of award was to bring the Company into line with its policy of providing median comparative levels of award under its share incentives. The Remuneration Committee strongly believes that increasing the balance of the compensation package provided to the Executives in favour of the performance elements is in the interests of both the Company and shareholders. In the case of both the increase in annual bonus potential and the increase in award level under the LTIP, Executives will only receive the full benefit if they generate consistently high levels of EPS growth over both the short and medium term.

For 2003 and earlier years long-term incentives comprised of annual grants of options. The Remuneration Committee set out the level of the option grant to the Executive Directors of the Company at the median level.

The maximum annual grant under the Executive Share Option Scheme was 75% of salary. Options were not issued at a discount. The Performance Conditions attached to the Share Options granted to the Directors under the Executive Share Option Schemes are that:

- Ordinary Options may only be exercised if, over any three year measurement period of the Company, beginning no earlier than the financial year during which the option is granted, the percentage growth in earnings per share exceeds the growth in the Retail Prices Index over the same period by at least 3% per annum, being 9% for the three year period; and
- Super Options may only be exercised if, over any five year measurement period of the Company, beginning no earlier than the financial year during which the option is granted, the percentage growth in earnings per share exceeds the growth in the Retail Price Index over the same period by at least 6% per annum, being 30% for the five year period. It is also necessary for the share price to rise over both the three and five year periods to make the exercise worthwhile.

The options granted to Executive Directors during 2003 were Ordinary and Super Options.

Options are not able to be exercised if performance is below target, and there is no reward for below target performance. The performance conditions are measured at the end of the three year holding periods applying to the relevant grants of Options. There is no re-testing of the performance conditions. The Directors are required to refund to the Company all National Insurance contributions payable at exercise. This makes the effective tax rate for Executives 47%. The Directors' individual share options are detailed in the Directors' report on page 59.

The Remuneration Committee determines whether the performance condition has been met using the earnings per share information contained in the Company's annual report and accounts, and may take advice from the independent advisors as to whether any adjustments are required to ensure consistency in accordance with the terms of the performance condition. This procedure is followed in order to ensure that no Director is in a position to rule on whether the performance conditions applying to his own incentives have been satisfied.

Corporate Governance continued

Remuneration Report continued

The performance condition comparing increases in earnings per share against inflation was chosen in order to ensure that options would only become exercisable against a background of a sustained real increase in the financial performance of the Company.

No further options will be granted to the Executive Directors following the adoption of the LTIP.

The Company's rolling dilution for the purposes of the ABI guidelines is less than 1% pa for all share plans and less than 0.5% pa for discretionary plans.

Benefits

The Executive Directors participate in a Company money purchase (defined contribution scheme) for which the Employer Contribution is 15%.

The Remuneration Committee agreed to make a one-off payment of £300,000 to the pension plan of the CEO prior to 6 April 2006 representing 6 years of future annual contributions (i.e. £50,000 p.a.). No further pension contributions will be made during this period. The Remuneration Committee agreed this payment for the following reasons:

- the overall cost to the Company was less than paying a future net of tax salary supplement due to employers' national insurance savings;
- there has been no compensation for the loss of tax relief on future pension contributions; and
- the CEO entered an agreement which ensures that the Company can recover any part of the one-off payment not "accrued" if he ceases employment with the Company within the six year period. The Remuneration Committee believes that the Company is adequately protected on the CEO's cessation of employment as the maximum exposure would be less than the CEO's contractual entitlements on cessation.

Executive Directors can also participate in the all-employee Sharesave Plan. Under the rules of this Plan, all employees can contribute up to £250 per month with the option to buy shares at the end of the savings contract at the price at the start of the contract. Currently the Company does not provide a discount to the price at which shares can be acquired. No new contracts have been offered under the plan since 2003.

Executive Directors can also participate in the all-employee Inland Revenue Share Incentive Plan (SIP). The SIP gives employees the opportunity to purchase up to £1,500 of shares a year with the Company providing additional one matching share for every employee purchased share. The total participation in the SIP scheme is 33% of eligible employees.

The Executive Directors also receive the following additional benefits:

- healthcare;
- life assurance and dependants' pensions;
- disability schemes; and
- company car or car allowance.

Shareholding guideline

Shareholdings across the Executive Directors and Senior Executives are not uniform. The Remuneration Committee has, therefore, introduced shareholding guidelines to encourage long-term share ownership by the Executives. The guidelines encourage Executive Directors to build up and retain a holding of shares. The Remuneration Committee believes this forms a stable incentive pay platform on which to build a responsible relationship between shareholders, the Executives and the Company.

It is intended that the Executives will be able to build up the necessary shareholding by their participation in the LTIP. If the shareholding requirement is not proportionately satisfied the Remuneration Committee may take this into account when determining the levels of future awards under the LTIP.

The table below summarises the policy:

Position	Recommended Shareholding Requirement As Percentage of Salary (Built Up Over Five Years)
Chief Executive	150%
Other Executive Directors	100%

Service contracts

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

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

The policy on termination payments is that the Company does not make payments beyond its contractual obligations, including any payment in respect of notice to which a Director is entitled after mitigation is considered. None of the Directors' contracts provide for automatic payments in excess of one year. None of the Directors' contracts provide for liquidated damages. In the year ended 31 December 2006 no compensation was paid to any Director resigning from the Board.

Details of the Directors' service contracts are included in the table below.

The table below shows that the only event on the occurrence of which the Company is liable to make a payment to Executive Directors is on cessation of employment.

Name	Potential termination payment	Potential payment in event Company takeover or liquidation
Alan Hearne	12 months' notice	Nil
Peter Dowen	12 months' notice	Nil
Andrew Troup	12 months' notice	Nil
Gary Young	12 months' notice	Nil
Phil Williams	12 months' notice	Nil

The Company's articles state that a Director shall retire at the first Annual General Meeting after the date of his seventieth birthday, and then must face annual election thereafter. All Directors face election at least every three years.

Non-Executive Directors

The fees paid to the Non-Executive Directors are determined by the Board and aim to be competitive with other fully listed companies of equivalent size and complexity. The Chairman of the Company receives a higher fee than the other Non-Executive Directors and Committee Chairmen receive an additional payment. The basic fee for the Non-Executive Directors for 2006 was £25,000 with a Committee Chairman fee of £2,000 and a Senior Non-Executive fee of £2,500. The Chairman received £72,500.

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

Name	Initial Contract date	Unexpired term of contract as at 31 December 2006 (months)
Brook Land	September 1997	4
Roger Devlin	April 2002	16
Karen McPherson	June 2005	18
John Bennett	June 2006	30

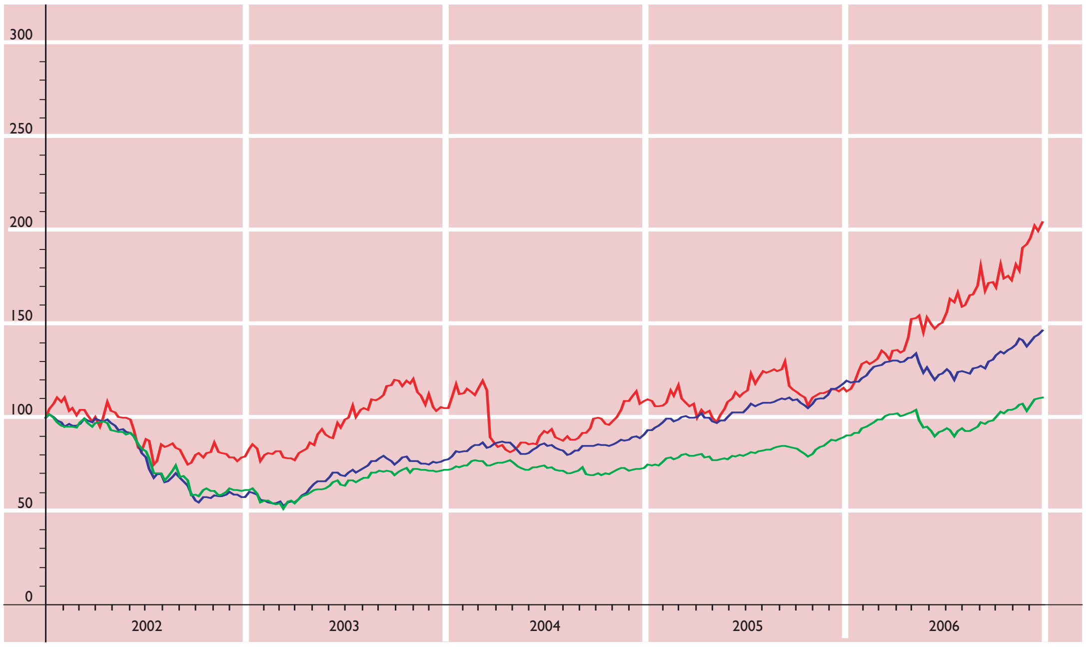
Non-Executive Directors are not entitled to participate in the pension plan or the performance based pay schemes including annual bonus and share schemes. Terms and conditions of appointment of Non-Executive Directors are available for inspection by any person at the Company's registered office and at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

Corporate Governance continued

Remuneration Report continued

Performance Graph

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



Source: Thomson Datastream

RPS Group RPS Comparables FTSE All Share

Directors' emoluments and compensation

The following disclosures on Directors' remuneration and share incentives have been audited as required by part 3 of Schedule 7A of the Companies Act 1985. The following table sets out details of the emoluments and compensation received during the year by each Director.

	Basic salary £000s	Bonus £000s	Fees £000s	Benefits £000s	Emoluments excluding pensions 2006 £000s	Emoluments excluding pensions 2005 £000s	Pension (paid and provided) 2006 £000s	Pension (paid and provided) 2005 £000s
Executive:								
Peter Dowen	210	105	–	10	325	259	32	28
Alan Hearne	335	235	–	17	587	509	308	49
Andrew Troup	185	92	–	10	287	234	28	26
Gary Young	170	85	–	10	265	214	26	23
Phil Williams	185	92	–	8	285	66	29	1
Non-Executive:								
Brook Land	–	–	72.5	–	72.5	65	–	–
Roger Devlin	–	–	27	–	27	27	–	–
Rob Thielen (retired 31/12/05)	–	–	–	–	–	24	–	–
Paul Martin (retired 26/05/05)	–	–	–	–	–	11	–	–
Karen McPherson	–	–	27	–	27	13	–	–
John Bennett (appointed 01/06/06)	–	–	16	–	16	–	–	–
Total 2006	1,085	609	139	55	1,888	–	423	–
Total 2005	855	390	140	37	–	1,422	–	127

The total Directors' emoluments were £1,888,000 (2005: £1,422,000) excluding pension contributions.

Share options

The tables on pages 59 and 60 set out details of the audited share options and LTIPs held by each Director during the year. A description of the terms and conditions of the scheme are held on pages 46-48.

All share options comply with ABI headroom guidelines.

Pensions

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

At the Annual General Meeting of the Company to be held on 24 May 2007, a resolution approving this report is to be proposed as an advisory Ordinary Resolution.

This report was approved by the Board on 6 March 2007.

Signed on behalf of the Board
Karen McPherson
Chairman of the Remuneration Committee
6 March 2007

Corporate Governance continued

Audit Committee - Terms of Reference

The Audit Committee has written terms of reference set out below. These are also available on the Group website. It reviews the draft financial statements prior to submission to the Board and monitors and makes recommendations to the Board regarding the Group's accounting policies and considers significant matters relating to internal control procedures.

The Audit Committee keeps the scope and cost effectiveness of the external audit under review. In order to ensure the independence of its auditors is not prejudiced in any way, the Board decided on 22 February 2002 that in future the auditors, BDO Stoy Hayward LLP, will not, other than in exceptional circumstances, be used to undertake any assignment for the Group or any part of the Group not related to the audit, tax issues and the review of Interim Results. If the Executives believe exceptional circumstances do exist, the appointment of the auditors for some other assignment needs to be specifically approved in advance by the Audit Committee. The Audit Committee keeps non-audit services under review. This policy applies to all the territories in which the Group operates. The split between audit and non-audit fees for the year under review appears on page 76.

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

- any employee wishing to raise a concern regarding internal controls, accounting or audit matters may do so with the Senior Non-Executive Director, Roger Devlin, or the Company Secretary, April Rigby;
- any concerns raised will be treated in confidence, and will be investigated and any action proposed reported to the Audit Committee; and
- the person raising the concern need not disclose their identity. However, it would be of greater benefit in investigating the situation if the person raising the concern identifies himself or herself. If their identity is disclosed their identity will not be passed on by the person receiving the complaint without the individual's consent.

The Audit Committee's terms of reference are:

Committee composition, capabilities and meetings

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

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

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

Current membership: John Bennett (Chairman) and Roger Devlin. The Company Secretary attends all meetings.

Relationship between the Committee and the Board

The RPS Group Plc Board:

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

Committee authority

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

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

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

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

Committee responsibilities and duties

Financial matters

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

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

External audit

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

The Committee shall review the level of external audit fees.

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

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

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

Risk management

Internal controls

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

Internal audit

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

Other risk management systems

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

Nomination Committee - Terms of Reference

The Committee meets as required, but not less than once a year, and comprises three Independent Non-Executive Directors. The Company Secretary attends all meetings. Its responsibilities include reviewing the Board structure, size and composition, nominating candidates to the Board when vacancies arise and recommending Directors who are retiring by rotation to be put forward for re-election. The Committee is currently recruiting an additional Independent Non-Executive Director; an external search consultancy is being used in respect of this appointment.

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

Membership

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

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

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

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

Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. Current membership: Brook Land (Chairman), Roger Devlin and Karen McPherson.

Secretary

The Company Secretary shall act as the Secretary of the Committee and attend all meetings.

Corporate Governance continued

Quorum

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

Frequency of meetings

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

Notice of meetings

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

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

Minutes of meetings

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

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

Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

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

Duties

The Committee shall:

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

It shall also make recommendations to the Board:

- with regard to the Chairman having assessed every three years whether the present incumbent shall continue in post, taking into account the needs of continuity versus freshness of approach;
- as regards the reappointment of any Non-Executive Director at the conclusion of his or her specified term of office; especially when they have concluded their second term;
- for the continuation (or not) in service of any Director who has reached the age of 70;

- concerning the re-election by shareholders of any Director under the "retirement by rotation" provisions in the Company's articles of association;
- concerning any matters relating to the continuation in office as a Director of any Director at any time;
- concerning the appointment of any Director to Executive or other office other than to the positions of Chairman and Chief Executive, the recommendation for which would be considered at a meeting of:
  - all the Non-Executive Directors regarding the position of Chief Executive;
  - all the Directors regarding the position of Chairman.
  - detailing items that should be published in the Company's Annual Report relating to the activities of the Committee.

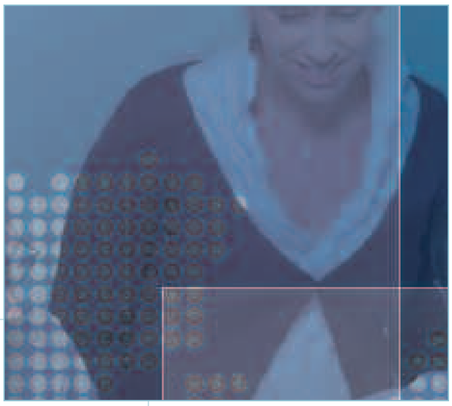
Authority

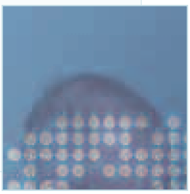
The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.

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


Trusted **Reputation**
Consistent **Innovation**
Quality **Results**

Accounts





Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 December 2006.

Results and dividend

The income statement is set out on page 65 and shows the profit for the year. The Directors recommend a final dividend of 1.44p (2005: 1.25p) per share.

This together with the interim dividend of 1.32p (2005: 1.15p) per share paid on 25 October 2006 gives a total dividend of 2.76p (2005: 2.40p) per share for the year ended 31 December 2006.

Principal activities and business review

Business review information and key performance indicators can be found within the 2006 Review (pages 5 to 25) which reports on RPS Group's principal activities and performance during the past year and prospects for the future. The principal operating subsidiary undertakings are listed in Note 6 to the Parent Company Financial Statements.

Principal risks and uncertainties

The principal risks and uncertainties are reported on page15 in the Risk Management section of the Operating and Financial Review.

Substantial shareholdings

The following held in excess of 3% of the ordinary share capital of the Company as at 16 February 2007:

	No. of shares	Percentage
Aegon Asset Management	16,480,045	8.02
Threadneedle Investments	10,689,322	5.20
M & G Investment Management	9,056,490	4.41
Legal & General Investment Management	8,240,435	4.01
Columbia Wanger Asset Management	8,042,000	3.91
William Blair & Company	7,863,947	3.83
Old Mutual Asset Managers	7,103,840	3.46
Neuberger & Berman	7,017,429	3.41
F&C Asset Management	6,394,848	3.11

Directors

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

	No. of shares at 31/12/06 and at 06/03/07	No. of shares at 31/12/05 and at 14/03/06
Brook Land	30,000	30,000
Roger Devlin	–	–
Karen McPherson	–	n/a
John Bennett	–	n/a
Alan Hearne	1,037,350	1,736,866
Peter Dowen	750,910	1,000,910
Andrew Troup	269,266	369,266
Phil Williams	400,000	470,964
Gary Young	–	–

The Company has in place shareholders' authority to purchase 10,083,000 of its own shares of which during the year the Company allocated 428,654 of its own shares (nominal value 3p) (2005: allocated 342,282) in relation to the Share Incentive Plan.

The share options of the Directors under the Executive share option scheme are set out below:

Director	1 Jan 2006 number	31 Dec 2006 number	Exercise price	Date from which exercisable	Expiry date
Alan Hearne	57,024	57,024	72.7p	22/2/2004	22/2/2009
	33,780	33,780	125.0p	8/2/2003	8/2/2010
	33,780	33,780	125.0p	8/2/2005	8/2/2010
	42,982	42,982	171.0p	6/3/2004	6/3/2011
	42,982	42,982	171.0p	6/3/2006	6/3/2011
	62,500	62,500	149.0p	14/3/2005	14/3/2012
	62,500	62,500	149.0p	14/3/2007	14/3/2014
	62,500	62,500	111.0p	20/3/2006	20/3/2013
	62,500	62,500	111.0p	20/3/2008	20/3/2015
	28,157	28,157	146.5p	12/8/2006	12/8/2013
	28,157	28,157	146.5p	12/8/2008	12/8/2015
Peter Dowen	40,284	40,284	72.7p	22/2/2004	22/2/2009
	23,862	23,862	125.0p	8/2/2003	8/2/2010
	23,862	23,862	125.0p	8/2/2005	8/2/2010
	20,285	20,285	171.0p	6/3/2004	6/3/2011
	20,285	20,285	171.0p	6/3/2006	6/3/2011
	32,500	32,500	149.0p	14/3/2005	14/3/2012
	32,500	32,500	149.0p	14/3/2007	14/3/2014
	32,500	32,500	111.0p	20/3/2006	20/3/2013
	32,500	32,500	111.0p	20/3/2008	20/3/2015
	15,051	15,051	146.5p	12/8/2006	12/8/2013
	15,051	15,051	146.5p	12/8/2008	12/8/2015
Andrew Troup	40,284	40,284	72.7p	22/2/2004	22/2/2009
	23,862	23,862	125.0p	8/2/2003	8/2/2010
	23,862	23,862	125.0p	8/2/2005	8/2/2010
	24,123	24,123	171.0p	6/3/2004	6/3/2011
	24,123	24,123	171.0p	6/3/2006	6/3/2011
	35,000	35,000	149.0p	14/3/2005	14/3/2012
	35,000	35,000	149.0p	14/3/2007	14/3/2014
	35,000	35,000	111.0p	20/3/2006	20/3/2013
	35,000	35,000	111.0p	20/3/2008	20/3/2015
	14,437	14,437	146.5p	12/8/2006	12/8/2013
	14,437	14,437	146.5p	12/8/2008	12/8/2015
Gary Young	20,285	20,285	171.0p	6/3/2004	6/3/2011
	20,285	20,285	171.0p	6/3/2006	6/3/2011
	27,500	27,500	149.0p	14/3/2005	14/3/2012
	27,500	27,500	149.0p	14/3/2007	14/3/2014
	27,500	27,500	111.0p	20/3/2006	20/3/2013
	27,500	27,500	111.0p	20/3/2008	20/3/2015
	13,720	13,720	146.5p	12/8/2006	12/8/2013
	13,720	13,720	146.5p	12/8/2008	12/8/2015

Report of the Directors continued

The LTIP awards of the Directors are set out below:

Director		1 Jan 2006 number	Granted number	31 Dec 2006 number	Market Value of Shares at Grant
Alan Hearne	2004	251,012	–	251,012	123.5p
	2005	178,417	–	178,417	139.0p
	2006	–	145,652	145,652	184.0p
Peter Dowen	2004	103,239	–	103,239	123.5p
	2005	86,331	–	86,331	139.0p
	2006	–	68,478	68,478	184.0p
Andrew Troup	2004	106,275	–	106,275	123.5p
	2005	75,540	–	75,540	139.0p
	2006	–	60,326	60,326	184.0p
Phil Williams	2006	–	57,065	57,065	184.0p
Gary Young	2004	91,093	–	91,093	123.5p
	2005	66,906	–	66,906	139.0p
	2006	–	55,434	55,434	184.0p

The market price of the shares at 31 December 2006 was 270.0p and the range during the financial year was 153.75p to 275.0p.

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

Employees

The Group's policies in relation to employees are disclosed on pages 9 to 13.

Charitable and community donations

During the year the Group made charitable donations of £147,483 to non-political organisations. Total contributions including contributions in kind amounted to £315,515.

Supplier payment policy

The Group has due regard to the payment terms of suppliers and settles all undisputed accounts in accordance with payment terms agreed with the supplier. At the year end the Group had 34 days' purchases outstanding in respect of payments to suppliers and sub-contractors (2005: 35 days). At the year end the Company had 32 days' purchases outstanding in respect of payments to suppliers and sub-contractors (2005: 21 days).

Going concern

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

Directors' responsibility statement

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Remuneration Report which comply with the requirements of the Companies Act 1985.

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

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

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

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 1985.

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation. The Directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

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

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

Parent company financial statements

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

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

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

Audit information

The Directors confirm that they have taken all necessary steps to make themselves aware of all information needed by the Group's auditors for the purposes of their audit and that all such information has been brought to the attention of the auditors. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Financial instruments

Information about the Group's management of financial risk can be found in Notes 28, 29 and 30 of the consolidated financial statements.

Post balance sheet events

On 31 January 2007, RPS Energy Canada Ltd completed the acquisition of APA Petroleum Engineering Inc for a maximum consideration of Can $6.0 million (£2.59 million). Further details are given in Note 33. There have been no other material post balance sheet events.

Annual General Meeting

The Annual General Meeting will be held on 24 May 2007. Resolutions 1 to 12 comprise the Ordinary Business of the AGM and each will be proposed as an Ordinary Resolution. Resolution 1 is to receive and adopt the audited financial statements of the Company for the period ended 31 December 2006 and the reports of the Directors and auditors thereon, and the auditable part of the Remuneration Report. Resolutions 2 to 4 are to re-elect Brook Land, Andrew Troup and Peter Dowen as Directors as they are required by the Company to retire by rotation and they offer themselves for re-election at the AGM. Resolution 5 is to elect John Bennett as a Director as appointed since the last AGM. Biographical details of Directors can be found on pages 30-38. Resolution 6 is to approve the report on remuneration of the Directors. Resolution 7 is to declare a final dividend for the financial year ended 31 December 2006 of 1.44p payable on 31 May 2007 to shareholders on the register at 10 April 2007. Resolution 8 concerns the re-appointment and remuneration of the Company's auditors (BDO Stoy Hayward LLP).

Report of the Directors continued

Resolution 9 is an Ordinary Resolution to renew the Directors' authority to allot relevant securities until the earlier of the conclusion of the next Annual General Meeting or 15 months from the date of the passing of this Resolution.

The authority sought will be in respect of securities having an aggregate nominal value of £1,034,047 representing approximately 17% of the issued share capital as at 27 February 2007. The Directors have no current intention of exercising this authority other than to allot shares to satisfy outstanding commitments to issue shares as consideration under previous acquisition agreements and under the Company's share schemes.

Resolution 10 is an Ordinary Resolution to approve the production of a sub-plan for the RPS Group Plc US Share Purchase Plan (a s423 all employee stock purchase plan) to run in conjunction within the parameters of the RPS Group Plc Share Incentive Plan approved by shareholders on 20 May 2004.

The Companies Act 2006 and the Disclosure and Transparency Rules of the Financial Services Authority contain provisions which enable companies to communicate with their shareholders using electronic means provided that an appropriate resolution of shareholders has been passed. The Company would like to be able to take advantage of this ability to use its website or email to communicate with shareholders. The new provisions will provide for a wide range of documents, including the Report and Accounts, Notices of Meetings and Proxy forms to be provided through its website or electronically. The Company is, however, required to write to shareholders individually seeking their consent or deemed consent to such a method of communication before doing so.

Resolution 11 is an Ordinary Resolution to authorise the Company to send or supply any documents or information to members by making them available on the Company's website.

Resolution 12 is an Ordinary Resolution to permit electronic communications to convey information to shareholders.

In addition to the ordinary business there are three items of special business.

Resolution 13 is a Special Resolution to renew the authority of the Directors to allot equity securities for cash as if Section 89(1) of the Companies Act 1985 did not apply to such allotment (i) in connection with a rights issue, open offer or any other pre-emptive offer and (ii) up to an aggregate nominal amount of £308,298 being approximately 5% of the issued share capital as at 27 February 2007. The Directors have no current intention of exercising this authority other than in respect of the allotment of shares to satisfy outstanding commitments to issue shares as consideration under previous acquisition agreements. The authority will expire 15 months from the date of passing of this Resolution or, if earlier, at the conclusion of the next Annual General Meeting.

Resolution 14 is a Special Resolution to authorise the Company to make market purchases of up to 10,276,588 of its own shares representing 5% of its issued share capital of the Company as at 27 February 2007. The minimum price which may be paid for such shares is £0.03 per share. The maximum price which may be paid for any ordinary share shall be no more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would be in the best interests of the shareholders generally.

The total number of outstanding options to subscribe for equity shares as at the date of this report was 2,799,716. These rights represent 1.4% of the issued share capital as at such date and would represent 1.2% of the issued share capital of the Company, if the full authority to purchase its own shares in accordance with the resolution were to be exercised by the Company.

Resolution 15 is a Special Resolution to amend our Articles of Association, which will update the Articles to incorporate the new arrangements. Shareholders will be able to request paper copies of documents if they so choose.

By order of the Board

April Rigby

Secretary

6 March 2007

Report of the Independent Auditors

To the shareholders of RPS Group Plc

We have audited the Group and Parent Company financial statements (the "financial statements") of RPS Group Plc for the year ended 31 December 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the Parent Company financial statements and the Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. Additionally, we report to you whether the information given in the Directors' Report is consistent with these Financial Statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Five Year Summary, the Highlights, the Operating and Financial Review and the Management and Governance section, excluding that part of the Remuneration Report to be audited. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

Report of the Independent Auditors continued

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2006;
- the Parent Company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
8 Baker Street
London
W1U 3LL
6 March 2007

Consolidated Income Statement

	Note	year ended 31 December 2006 £000s	year ended 31 December 2005 £000s
Revenue	2	296,843	217,830
Recharged expenses	2	(50,832)	(34,310)
Fee income	2	246,011	183,520
Operating profit	2	37,482	26,900
Interest payable and similar charges	4	(3,052)	(2,757)
Interest receivable	4	160	110
Profit before tax		34,590	24,253
Tax expense	7	(10,508)	(6,436)
Profit for the year attributable to equity holders of the parent		24,082	17,817
Basic earnings per share (pence)	8	11.94	9.01
Diluted earnings per share (pence)	8	11.68	8.82

Consolidated Statement of Recognised Income and Expense

	Note	year ended 31 December 2006 £000s	year ended 31 December 2005 £000s
Exchange differences on translation of foreign operations recognised in translation reserve		(1,939)	(1,042)
Actuarial loss on defined benefit pension scheme	31	(88)	(197)
Tax recognised directly in equity		1,690	1
Income and expense recognised directly in equity		(337)	(1,238)
Profit for the year		24,082	17,817
Total recognised income and expense for the year attributable to equity holders of the parent		23,745	16,579

Consolidated Balance Sheet

	Note	as at 31 December 2006 £000s	as at 31 December 2005 £000s
Assets			
Non-current assets			
Intangible assets	9	176,929	155,471
Property, plant and equipment	10	18,344	17,947
Deferred tax assets	18	2,465	1,565
		197,738	174,983
Current assets			
Trade and other receivables	12	93,296	79,961
Cash at bank		9,964	10,370
		103,260	90,331
Total assets		300,998	265,314
Equity and liabilities			
Shareholders' equity			
Share capital	19	6,163	6,048
Share premium	20	89,836	88,043
Merger reserve	21	10,642	5,738
Employee trust shares	21	(3,042)	(2,400)
Share schemes reserve	21	4,053	2,394
Shares to be issued	21	1,997	3,307
Translation reserve	21	(2,543)	(604)
Retained earnings	20	79,828	59,345
Total equity attributable to equity holders of the parent		186,934	161,871
Liabilities			
Non-current liabilities			
Borrowings	14	39,683	35,472
Deferred consideration	16	6,895	7,988
Other creditors		330	2,050
Provisions	17	1,633	1,951
		48,541	47,461
Current liabilities			
Borrowings	14	410	838
Deferred consideration	16	11,559	10,082
Trade and other payables	13	48,863	39,991
Corporation tax liabilities		4,330	4,632
Provisions	17	361	439
		65,523	55,982
Total liabilities		114,064	103,443
Total equity and liabilities		300,998	265,314

These financial statements were approved and authorised for issue by the Board on 6 March 2007.

The notes on pages 68 to 107 form part of these statements.

Dr Alan Hearne, Director

Gary Young, Director

On behalf of the Board of RPS Group Plc.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2006 £000s	Year ended 31 December 2005 £000s
Cash generated from operations	25	40,663	28,149
Interest paid		(2,930)	(1,872)
Interest received		160	110
Income taxes paid		(10,291)	(5,612)
Net cash generated from operating activities		27,602	20,775
Net cash used in investing activities			
Purchases of subsidiary undertakings and businesses in the current period	27	(13,695)	(15,740)
Net cash acquired with subsidiary undertakings	27	1,511	1,734
Proceeds from sale of fixed assets		712	198
Deferred consideration		(10,220)	(8,756)
Purchase of property, plant and equipment	10	(4,481)	(3,906)
Net cash used in investing activities		(26,173)	(26,470)
Cash flows from financing activities			
Proceeds from issue of share capital		1,030	217
Proceeds from bank borrowings		4,504	14,670
Payment of finance lease liabilities		(109)	(45)
Dividends paid	22	(5,201)	(4,404)
Payment of pre-acquisition dividend		(500)	–
Net cash from financing activities		(276)	10,438
Net increase in cash and cash equivalents		1,153	4,743
Cash and cash equivalents at beginning of period		9,593	4,701
Effect of exchange rate fluctuations		(941)	149
Cash and cash equivalents at end of period		9,805	9,593
Cash and cash equivalents comprise:			
Cash at bank		9,964	10,370
Bank overdraft		(159)	(777)
Cash and cash equivalents at end of period		9,805	9,593

The notes on pages 68 to 107 form part of these accounts.

Notes to the Consolidated Financial Statements

1. Significant accounting policies

RPS Group Plc (the "Company") is a company domiciled in England. The consolidated financial statements of the Company for the year ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were authorised for issuance on 6 March 2007.

(a) Basis of preparation

The Group has prepared its annual financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(b) Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group's consolidated financial statements incorporate the financial statements of the Company together with those of subsidiaries from the date control commences to the date that control ceases.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the financial statements.

(c) Foreign currency

i Foreign currency transactions

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

ii Financial statements of foreign operations

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

iii Net investment in foreign operations

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

iv Foreign currency forward contracts

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

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

(d) Property, plant and equipment

i Owned assets

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

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

ii Leased assets

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

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

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

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

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

iii Subsequent costs

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

iv Depreciation

Depreciation is charged to income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

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

(e) Intangible assets

i Goodwill

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

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy (h)).

ii Other intangible assets

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

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

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

iii Subsequent expenditure

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

iv Amortisation

Amortisation is charged to profit or loss on a straight-line basis from the date that the intangible assets are available for use over their estimated useful lives unless such lives are indefinite. The estimated useful lives of the Group's intangible assets range between 4 and 7 years.

(f) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy (h)). 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.

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

(g) Cash and cash equivalents

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

(h) Impairment

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

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

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

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

Goodwill was tested for impairment at 31 December 2005 and 31 December 2006.

i Calculation of recoverable amount

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

ii Reversals of impairment

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

(i) Employee benefits

i Defined contribution plans

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

ii Defined benefit plans

The Group's net obligation in respect of its defined benefit retirement benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on Euro denominated AA rated corporate bonds on the iBoxx index that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in income.

All actuarial gains and losses at 1 January 2004, the date of transition to IFRS, were recognised. The Group recognises actuarial gains and losses that arise subsequent to 1 January 2004 immediately in equity.

iii Share-based payment transactions

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

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

The fair value of the employee services received in exchange for the grant of options or conditional share awards is recognised as an expense to the income statement. Fair value has been determined by using IFRS accepted valuation methodologies (see below).

The amount expensed to the income statement over the vesting period is determined by reference to the fair value of the options and conditional share awards, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options and conditional share awards that are expected to vest. At each balance sheet date the Group revises its estimates of the number of options and conditional share awards that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity, over the remaining vesting period. No adjustment is made for failure to achieve market vesting conditions.

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

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

The fair value of conditional share awards have been calculated using the market value of the shares on the date of grant adjusted for any non-entitlement to dividends over the vesting period and market based performance conditions such as total shareholder return.

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.

(j) Provisions

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

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

(k) Trade and other payables

Trade and other payables are stated at cost.

(l) Borrowings

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

(m) Deferred consideration

Deferred consideration arises when settlement of all or any part of the cost of a business combination is deferred. It is stated at fair value at the date of acquisition, which is determined by discounting the amount due to present value at that date. Interest is imputed on the fair value of deferred consideration at the discount rate and expensed within interest payable and similar charges. At each balance sheet date deferred consideration comprises the remaining deferred consideration valued at acquisition plus interest imputed on such amounts from acquisition to the balance sheet date.

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

(n) Revenue

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

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

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

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

(o) Expenses

i Operating lease payments

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

ii Finance lease payments

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

iii Interest payable and similar charges

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

iv Interest receivable

Finance income comprises interest receivable on funds invested.

(p) Income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and the differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. In accordance with IAS12, deferred tax is taken directly to equity to the extent that the intrinsic value of the outstanding share awards (based on the closing share price) is greater than the share based payment expense already charged to the income statement. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(q) Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

(r) Employee Share Ownership Plan (ESOP)

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

(s) Key accounting estimates and judgements

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

i Intangible assets

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

ii Goodwill
As described in accounting policy (e) above, the Group undertakes annual impairment reviews of goodwill. Judgements in respect of discount and growth rates are made in respect of these assets. These judgements are shown in note 9.

iii Revenue recognition
The Group's revenue recognition policy is stated in accounting policy note (n). In some cases, judgement is required to determine the appropriate proportion of the services performed to date on the contract and the extent to which fees will be recoverable. Actual results could differ from these estimates. Any subsequent changes are accounted for with an effect on income at the time such updated information becomes available.

(t) Accounting standards issued but not adopted
During the year, the IASB and the IFRIC issued additional standards and interpretations which are effective for periods starting after the date of these financial statements. The following standards and interpretations have yet to be adopted by the Group:

- IFRS 7 Financial instruments: disclosures
- IFRS 8 Operating Segments
- IFRIC 7 Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Re-assessment of embedded derivatives
- IFRIC 10 Interim Financial Reporting and Impairment
- IFRIC 12 Service Concession Arrangements.

The Directors anticipate that the adoption of these standards and interpretations will have no material impact upon the results or net assets of the Group other than disclosure.

2. Business and geographical segments
Segment information is presented in the financial statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

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

Business segments
The Group comprises the following business segments:

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

Environmental Management - consultancy services in the UK, Ireland and the Netherlands related to health, safety and risk management; and the management of water services.

Energy - the provision of consultancy services, on an international basis, to the oil and gas, renewable energy and nuclear sectors.

Notes to the Consolidated Financial Statements continued

Business segment results for the year ended 31 December 2006

	Planning & Development		Environmental Management		Energy		Eliminations		Consolidated	
	31 Dec 2006 £000s	31 Dec 2005 £000s	31 Dec 2006 £000s	31 Dec 2005 £000s	31 Dec 2006 £000s	31 Dec 2005 £000s	31 Dec 2006 £000s	31 Dec 2005 £000s	31 Dec 2006 £000s	31 Dec 2005 £000s
Segment revenue	145,832	122,133	56,134	46,276	97,392	51,354	(2,515)	(1,933)	296,843	217,830
Recharged expenses	(24,372)	(21,196)	(8,103)	(5,557)	(18,357)	(7,557)	-	-	(50,832)	(34,310)
Segment fee income	121,460	100,937	48,031	40,719	79,035	43,797	(2,515)	(1,933)	246,011	183,520
Segment result	22,805	18,885	5,332	4,349	13,039	5,723	-	-	41,176	28,957
Unallocated expenses									(3,694)	(2,057)
Operating profit									37,482	26,900
Net financing costs									(2,892)	(2,647)
Profit before tax									34,590	24,253
Income tax expense									(10,508)	(6,436)
Profit for the year									24,082	17,817

	Planning & Development		Environmental Management		Energy		Unallocated Corporate		Consolidated	
	31 Dec 2006 £000's	31 Dec 2005 £000s	31 Dec 2006 £000s	31 Dec 2005 £000s	31 Dec 2006 £000s	31 Dec 2005 £000s	31 Dec 2006 £000s	31 Dec 2005 £000s	31 Dec 2006 £000s	31 Dec 2005 £000s
Balance sheet										
Assets										
Segment assets	179,467	150,011	46,391	43,952	57,165	54,399	17,975	16,952	300,998	265,314
Liabilities										
Segment liabilities	42,245	34,093	9,829	8,290	16,219	18,343	45,771	42,717	114,064	103,443
Other information										
Capital additions	1,516	2,282	1,971	1,047	602	311	392	266	4,481	3,906
Depreciation & amortisation	2,084	1,830	1,265	1,359	459	287	362	372	4,170	3,848

Geographical Segments

	Revenue by geographical market	
	year ended 31 December 2006 £000s	year ended 31 December 2005 £000s
UK	141,566	120,259
Eurozone	77,020	61,459
Rest of world	78,257	36,112
	296,843	217,830

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are allocated:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	31 Dec 2006 £000s	31 Dec 2005 £000s	Year ended 31 Dec 2006 £000s	Year ended 31 Dec 2005 £000s
UK	192,585	173,357	22,995	25,943
Eurozone	92,024	80,162	954	1,151
Rest of world	16,389	11,795	2,858	127
	300,998	265,314	26,807	27,221

3. Operating profit - by nature of expense

	2006 £000s	2005 £000s
Revenue	296,843	217,830
Recharged expenses	(50,832)	(34,310)
Fee income	246,011	183,520
Staff costs	(120,244)	(97,967)
Depreciation and amortisation	(4,170)	(3,848)
Other operating costs	(84,115)	(54,805)
Operating profit	37,482	26,900

	2006 £000s	2005 £000s
The following items have been included in arriving at operating profit:		
Depreciation of property, plant and equipment:		
– owned assets	3,972	3,829
– under finance leases	69	19
Amortisation of intangible assets	129	–
Profit on disposal of fixed assets	40	24
Other operating lease rentals payable:		
– property	4,848	4,495
– equipment and motor vehicles	2,774	3,344
Operating sublease income receivable	287	223

4. Net financing costs

	2006 £000s	2005 £000s
Interest payable and similar charges		
Interest on loans and overdraft	(2,234)	(1,849)
Interest imputed on deferred consideration	(629)	(885)
Interest payable on deferred consideration	(165)	–
Interest on finance leases	(24)	(23)
	(3,052)	(2,757)
Interest receivable		
Deposit interest receivable	160	110
Net financing costs	(2,892)	(2,647)

5. Employee benefit expense

	2006 £000s	2005 £000s
Staff costs (including Directors' emoluments) consist of:		
Wages and salaries	104,683	84,358
Social security costs	10,418	8,797
Pension costs – defined benefit plan	(96)	498
Pension costs – defined contribution plans	3,580	2,779
Share-based payment expense - equity settled	1,659	1,535
	120,244	97,967

	2006 No	2005 No
Average monthly number of employees (including Executive Directors) was:		
Professional	2,831	2,647
Support	607	511
	3,438	3,158

Details of directors' remuneration are included on page 51.

Notes to the Consolidated Financial Statements continued

6. Auditors' remuneration

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

	2006 £000s	2005 £000s
Principal auditors		
Audit services		
Statutory audit	165	150
Audit - regulatory reporting	22	42
Other services	3	5
Network firms of principal auditors		
Audit services		
Statutory audit	86	79
Audit - regulatory reporting	7	8
Corporate finance	21	15
Tax services		
Compliance services	24	21
Other services	5	3
Other auditors		
Audit services		
Statutory audit	22	23
Tax services	19	13
	374	359

7. Income taxes

	Year ended 31 Dec 2006 £000s	Year ended 31 Dec 2005 £000s
Current tax		
UK corporation tax	6,716	5,274
Foreign tax	2,500	1,034
	9,216	6,308
Deferred tax expense	1,292	128
Tax expense for the year	10,508	6,436

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

	2006 £000s	2005 £000s
Profit before tax	34,590	24,253
Tax at UK effective rate of 30% (2005: 30%)	10,377	7,276
Expenses not deductible for tax purposes	378	399
Different tax rates applied in overseas jurisdictions	(21)	(296)
Utilisation of previously unrecognised tax losses	(50)	(57)
Prior year adjustment	(176)	(886)
Total tax expense for year	10,508	6,436

8. Earnings per share

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

	year ended 31 December 2006 £000s	year ended 31 December 2005 £000s
Profit attributable to ordinary shareholders	24,082	17,817

	year ended 31 December 2006 000's	year ended 31 December 2005 000's
Weighted average number of ordinary shares for the purposes of basic earnings per share	201,635	197,677
Effect of shares to be issued as deferred consideration	1,059	1,862
Effect of employee shares schemes	3,518	2,472
Weighted average number of ordinary shares for the purposes of diluted earnings per share	206,212	202,011
Basic earnings per share (pence)	11.94	9.01
Diluted earnings per share (pence)	11.68	8.82

9. Intangible Assets

	Intellectual Property Rights £000s	Customer Relationships £000s	Goodwill £000s	Total £000s
Cost				
At 1 January 2006	201		167,692	167,893
Additions		2,104	20,222	22,326
Reduction in deferred consideration			(82)	(82)
Adjustment to prior year estimates			25	25
Foreign exchange differences			(682)	(682)
At 31 December 2006	201	2,104	187,175	189,480
Aggregate amortisation and impairment losses				
At 1 January 2006	201		12,221	12,422
Amortisation		129		129
At 31 December 2006	201	129	12,221	12,551
Net book value at 31 December 2006	–	1,975	174,954	176,929

	Intellectual Property Rights £000s	Goodwill £000s	Total £000s
Cost			
At 1 January 2005	201	145,454	145,655
Additions		23,315	23,315
Reduction in deferred consideration		(300)	(300)
Adjustment to prior year estimates		(137)	(137)
Foreign exchange differences		(640)	(640)
At 31 December 2005	201	167,692	167,893
Aggregate amortisation and impairment losses			
At 1 January and 31 December 2005	201	12,221	12,422
Net book value at 31 December 2005	–	155,471	155,471

Adjustment to prior year estimates

The adjustment to 2006 prior year estimates of £25,000 related to the revision of a corporation tax liability.

Of the adjustment to 2005 prior year estimates £55,000 related to the recognition of a deferred tax asset and £82,000 being an increase in the fair value of investments.

Notes to the Consolidated Financial Statements continued

9. Intangible Assets continued

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

	31 Dec 2006 £000s	31 Dec 2005 £000s
Planning & Development		
Great Britain	69,614	53,329
Ireland (Southern)	31,835	32,290
Ireland (Northern)	7,856	7,856
Other	4,975	2,847
	114,280	96,322
Environmental Management		
Great Britain	20,026	19,366
Netherlands	6,651	6,692
	26,677	26,058
Energy	33,997	33,091
	174,954	155,471

The Group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash generating units have been determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to charge out rates during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The discount rates used range from 4% to 6% per annum. Growth rates are based on management's expectations of future business volumes and range from 2% to 10% per annum. Changes in charge out rates are based on past practices and expectations of future changes in the respective markets.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows for the following nine years, which is the minimum period the Directors believe that economic benefits will be derived from the goodwill.

10. Property, plant and equipment

	Freehold land and buildings £000s	Alterations to leasehold premises £000s	Motor vehicles £000s	Fixtures, fittings IT and equipment £000s	Total £000s
Cost or valuation					
At 1 January 2006	12,008	740	709	30,197	43,654
Additions through acquisition		29	659	1,587	2,275
Additions	3	195	68	4,215	4,481
Disposals	(656)	(37)	(178)	(815)	(1,686)
Foreign exchange differences	(137)	(9)	(8)	(394)	(548)
At 31 December 2006	11,218	918	1,250	34,790	48,176
Depreciation					
At 1 January 2006	1,439	356	564	23,348	25,707
Additions through acquisition		1	205	1,240	1,446
Provided for the year	270	71	115	3,585	4,041
Disposals	(48)	(10)	(173)	(775)	(1,006)
Foreign exchange differences	(10)	(6)	(5)	(335)	(356)
At 31 December 2006	1,651	412	706	27,063	29,832
Net book value at 31 December 2006	9,567	506	544	7,727	18,344

At 31 December 2006 the Group had motor vehicles and office equipment held under finance lease contracts with net book values of £352,000 and £30,000 respectively.

10. Property, plant and equipment continued

	Freehold land and buildings £000s	Alterations to leasehold premises £000s	Motor vehicles £000s	Fixtures, fittings IT and equipment £000s	Total £000s
Cost or valuation					
At 1 January 2005	11,863	771	691	24,497	37,822
Transfers	171	(180)	–	9	–
Additions through acquisition	180	35	99	3,246	3,560
Additions	11	129	90	3,676	3,906
Disposals	–	(13)	(165)	(1,067)	(1,245)
Foreign exchange differences	(217)	(2)	(6)	(164)	(389)
At 31 December 2005	12,008	740	709	30,197	43,654
Depreciation					
At 1 January 2005	950	553	492	18,108	20,103
Transfers	217	(245)	4	24	–
Additions through acquisition	24	25	85	2,842	2,976
Provided for the year	259	38	135	3,416	3,848
Disposals	–	(13)	(148)	(910)	(1,071)
Foreign exchange differences	(11)	(2)	(4)	(132)	(149)
At 31 December 2005	1,439	356	564	23,348	25,707
Net book value at 31 December 2005	10,569	384	145	6,849	17,947

At 31 December 2005 the Group had office equipment held under finance lease contracts with a net book value of £2,000.

11. Subsidiaries

A list of the significant subsidiaries, including the name, country of incorporation, proportion of ownership interests is given in Note 6 to the Parent Company's financial statements on page 104.

12. Trade and other receivables

	2006 £000s	2005 £000s
Trade debtors	61,409	56,690
Other debtors	2,515	1,154
Accrued income	24,009	18,903
Prepayments	5,363	3,214
	93,296	79,961

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

13. Trade and other payables

	2006 £000s	2005 £000s
Trade creditors	13,118	11,257
Creditors for taxation and social security	9,569	7,782
Other creditors	1,710	1,452
Deferred income	4,112	3,003
Accruals	20,354	16,497
	48,863	39,991

All amounts shown under trade and other payables fall due for payment within one year.

Notes to the Consolidated Financial Statements continued

14. Borrowings

	2006 £000s	2005 £000s
Bank loans	39,624	35,527
Bank overdraft	159	777
Finance lease creditor	310	6
	40,093	36,310

	Bank loans 2006 £000s	Other loans 2006 £000s	Total 2006 £000s	Bank loans 2005 £000s	Other loans 2005 £000s	Total 2005 £000s
The borrowings are repayable as follows:						
On demand or in not more than one year	56	354	410	55	783	838
In the second year	56	93	149	56	–	56
In the third to fifth years inclusive	39,512	22	39,534	35,398	–	35,398
After five years	–	–	–	18	–	18
	39,624	469	40,093	35,527	783	36,310
Less amount due for settlement within 12 months	56	354	410	55	783	838
Amount due for settlement after 12 months	39,568	115	39,683	35,472	0	35,472

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

(i) An uncommitted £2,000,000 bank overdraft facility, repayable on demand.

(ii) The Group has four principal bank loans:

a) A revolving credit facility of £50,000,000, incorporating a bonding facility, with Lloyds TSB Bank plc, the Group's principal bank, expiring in 2011. Loans carry interest determined by reference to the total bank borrowing of the Group.

There were loans outstanding of £39,433,000 and £9,619,000 of the bonding facility outstanding at 31 December 2006.

b) A revolving credit facility of £20,000,000 with Lloyds TSB Bank plc expiring in 2007, with a term out option to 2011. Loans under this facility carry interest determined by reference to the total bank borrowing of the Group.

This facility was unused at 31 December 2006.

c) A euro denominated loan of £62,000 (2005: £83,000). The loan was taken out in September 2001. Repayments commenced in October 2001 and will continue until October 2009. The loan is secured by a charge over a property in Hoogeveen, The Netherlands. The loan carries interest at 6.2%.

d) A euro denominated loan of £130,000 (2005: £194,000). The loan was taken out in July 1998, by a company which was acquired by the Group in October 2004. Repayments commenced on July 2003 and will continue until July 2011. The loan is secured by a charge over a property in Leerdam, The Netherlands. The loan carries interest at 6.1%.

15. Obligations under finance leases

Amounts payable under finance leases:

	Minimum lease payments 2006 £'000	Less future interest charges 2006 £'000	Present value of minimum lease payments 2006 £'000
Within one year	218	(22)	196
In two to five years	129	(15)	114
	347	(37)	310

During the year the Group was assigned a number of motor vehicles under finance lease agreements as part of its acquired businesses. The average lease term is three years.

For the year ended 31 December 2006, the average effective borrowing rate was 11%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

16. Deferred consideration

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

	2006 £000s	2005 £000s
Due within one year:		
Interest bearing	2,969	–
Non-interest bearing	8,590	10,082
	11,559	10,082
Between one and two years:		
Interest bearing	2,366	–
Non-interest bearing	1,083	7,361
	3,449	7,361
Between two and five years:		
Interest bearing	2,666	–
Non-interest bearing	780	627
	3,446	627
Total deferred consideration payable	18,454	18,070
Less amount due for settlement within 12 months	11,559	10,082
Amount due for settlement after 12 months	6,895	7,988

Notes to the Consolidated Financial Statements continued

17. Provisions

Property

The provision for property costs relates to operating lease rentals and related costs on vacated property and will be utilised within 8 years.

Warranty

This provision is in respect of the pre-acquisition contractual obligations of acquired entities and will be utilised within 10 years.

	Property £000s	Warranty £000s	Total £000s
As at 1 January 2006	1,374	1,016	2,390
Utilised in year	(191)	(205)	(396)
At 31 December 2006	1,183	811	1,994

	2006 £000s	2005 £000s
Due as follows:		
Within one year	361	439
After more than one year	1,633	1,951
	1,994	2,390

18. Deferred taxation

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

	2006 £000s	2005 £000s
At 1 January	1,565	1,027
Charge to income for the year	(1,292)	(128)
Charge to equity for the year	1,690	1
Asset acquired on acquisition of subsidiary	524	659
Exchange differences	(22)	6
At 31 December	2,465	1,565

Deferred tax assets

	Depreciation in excess of capital allowances £000s	Employment benefits £000s	Tax losses £000s	Provisions £000s	Share based payment £000s	Total £000s
At 1 January 2005	579	216		676		1,471
Charge to income for the year	85		(47)	(108)		(70)
Charge to equity for the year		25		(24)		1
Asset acquired on acquisition of subsidiary	208		147	304		659
Exchange differences		(6)		3		(3)
At 31 December 2005	872	235	100	851		2,058
Reclassifications		757		(545)	539	751
Charge to income for the year	(60)	(552)	(93)	(293)	339	(659)
Charge to equity for the year		11			1,679	1,690
Asset acquired on acquisition of subsidiary	21	453	46	4		524
Exchange differences	(20)	(9)	(2)			(31)
At 31 December 2006	813	895	51	17	2,557	4,333

Deferred tax liabilities

	Revaluation of properties £000s	Tax deductible goodwill £000s	Other £000s	Total £000s
At 1 January 2005	(264)		(180)	(444)
Charge to income for the year			(58)	(58)
Exchange differences	8		1	9
At 31 December 2005	(256)		(237)	(493)
Reclassifications		(856)	105	(751)
Charge to income for the year		(536)	(97)	(633)
Exchange differences	5		4	9
At 31 December 2006	(251)	(1,392)	(225)	(1,868)

Notes to the Consolidated Financial Statements continued

19. Share capital

	Authorised 2006 Number	Authorised 2006 £000s	Authorised 2005 Number	Authorised 2005 £000s
Ordinary shares of 3p each	240,000,000	7,200	240,000,000	7,200

	Issued and fully paid 2006 Number	Issued and fully paid 2006 £000s	Issued and fully paid 2005 Number	Issued and fully paid 2005 £000s
Ordinary shares of 3p each				
At 1 January	201,609,728	6,048	197,732,462	5,933
Issued under share option schemes	788,211	24	196,659	6
Issued under save as you earn schemes	51,284	1		
Issued under the Share Incentive Plan	428,654	13	342,282	10
Issued in respect of the Performance Share Plan	109,883	3	9,046	
Issued in consideration for acquisitions during the year	1,471,259	44	2,966,994	89
Issued in respect of deferred consideration related to acquisitions in prior years	986,938	30	362,285	10
At 31 December	205,445,957	6,163	201,609,728	6,048

	2006 Number	2005 Number
Ordinary shares held by the ESOP Trust	1,082,102	1,083,000
Ordinary shares held by the SIP Trust	712,002	385,951

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

The table below shows options outstanding at 31 December 2006.

There are options over 135,176 of the shares held in the ESOP Trust outstanding that are included in the table below. These are exercisable between 2005 and 2011 at an exercisable price range of 153p to 171p.

Period exercisable	Number	Exercise price (p)
2001 – 2008	21,000	52 – 53
2002 – 2009	45,000	72 – 83
2003 – 2010	318,570	52 – 143
2004 – 2011	303,832	72 – 171
2005 – 2012	571,638	115 – 149
2006 – 2013	774,906	111 – 171
2007 – 2014	347,208	118 – 149
2008 – 2015	525,379	111 – 147
	2,907,533	52 – 171

20. Statement of changes in equity

	Share capital £000s	Share premium £000s	Retained earnings £000s	Other reserves £000s	Total equity £000s
At 1 January 2005	5,933	87,308	46,128	(570)	138,799
Changes in equity during 2005					
Actuarial loss			(197)		(197)
Tax recognised directly in equity			1		1
Exchange differences				(1,042)	(1,042)
Net income recognised directly in equity			(196)	(1,042)	(1,238)
Profit for the year			17,817		17,817
Total recognised income and expense for the year			17,621	(1,042)	16,579
Issue of new ordinary shares	115	735		5,738	6,588
Own shares				(533)	(533)
Share based payment expense				1,535	1,535
Shares to be issued				3,307	3,307
Dividends			(4,404)		(4,404)
At 31 December 2005	6,048	88,043	59,345	8,435	161,871
Changes in equity during 2006					
Actuarial loss			(88)		(88)
Tax recognised directly in equity			1,690		1,690
Exchange differences				(1,939)	(1,939)
Net income recognised directly in equity			1,602	(1,939)	(337)
Profit for the year			24,082		24,082
Total recognised income and expense for the year			25,684	(1,939)	23,745
Issue of new ordinary shares	115	1,793		3,151	5,059
Own shares				(642)	(642)
Share based payment expense				1,659	1,659
Shares to be issued				443	443
Dividends			(5,201)		(5,201)
At 31 December 2006	6,163	89,836	79,828	11,107	186,934

Notes to the Consolidated Financial Statements continued

21. Other reserves

	Merger reserve £000s	Employee trust £000s	Share scheme £000s	Shares be issued £000s	Translation reserve £000s	Total other £000s
At 1 January 2005		(1,867)	859		438	(570)
Changes in equity during 2005						
Exchange differences					(1,042)	(1,042)
Issue of new shares	5,738					5,738
Own shares		(533)				(533)
Share based payment expense			1,535			1,535
Shares to be issued				3,307		3,307
At 31 December 2005	5,738	(2,400)	2,394	3,307	(604)	8,435
Changes in equity during 2006						
Exchange differences					(1,939)	(1,939)
Issue of new shares	4,904			(1,753)		3,151
Own shares		(642)				(642)
Share based payment expense			1,659			1,659
Shares to be issued				443		443
At 31 December 2006	10,642	(3,042)	4,053	1,997	(2,543)	11,107

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

Reserve	**Description and purpose**
Share premium	Premium on shares issued in excess of nominal value, other than on shares issued in respect of acquisitions when merger relief is taken.
Merger reserve	Premium on shares issued in respect of acquisitions, when merger relief is taken.
Employee trust	Own shares held by the SIP and ESOP trusts.
Shares to be issued	Shares to be issued in respect of deferred consideration, where the number of shares to be issued is fixed.
Share scheme	Cumulative expense of equity settled share based payments recognised in the consolidated income statement.
Translation reserve	Cumulative gains/losses arising on retranslating the net assets of overseas operations into sterling.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement and statement of recognised income and expense.

22. Dividends

	2006 £000s	2005 £000s
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2005 of 1.25p (2004 : 1.08p) per share	2,510	2,134
Interim dividend for the year ended 31 December 2006 of 1.32p (2005 : 1.15p) per share	2,691	2,270
	5,201	4,404
Proposed final dividend for the year ended 31 December 2006 of 1.44p (2005 : 1.25p) per share	2,962	2,500

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

23. Operating lease arrangements

Operating leases - lessee

At 31 December 2006, the Group's total remaining commitments as lessee under non-cancellable operating leases for certain of its office properties and motor vehicles was as follows:

	Property 2006 £000s	Property 2005 £000s	Other 2006 £000s	Other 2005 £000s
Within one year	4,530	4,324	2,275	1,995
In two to five years	11,989	12,883	2,923	2,422
After five years	12,356	15,901	3	–
	28,875	33,108	5,201	4,417

Operating leases - lessor

Certain properties may have been vacated prior to the end of the lease term. Where possible the Group always endeavours to sub-lease such vacant space on short-term lets. The sublease rental income during the year ended 31 December 2006 was £287,000 (2005: £223,000).

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

	2006 £000s	2005 £000s
Within one year	217	231
In two to five years	398	473
After five years	115	110
	730	814

24. Related party transactions

Related parties as defined by IAS 24, are the subsidiary companies and members of the Executive Board. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. There were no transactions within the year in which the Directors had any interest.

25. Notes to the Consolidated Cash Flow Statement

	Note	Year ended 31 December 2006 £000s	Year ended 31 December 2005 £000s
Profit before tax		34,590	24,253
Adjustments for:			
Interest payable and similar charges	4	3,052	2,757
Interest receivable	4	(160)	(110)
Depreciation and amortisation		4,130	3,848
Share based payment expense		1,659	1,535
		43,271	32,283
Increase in trade and other receivables		(7,422)	(4,247)
Increase in trade and other payables		4,814	113
Cash generated from operations		40,663	28,149

The table below provides an analysis of net borrowings, comprising cash and cash equivalents, interest bearing bank loans and finance leases, during the year ended 31 December 2006:

	At 31 Dec 2005 £000s	Cash flow £000s	New advances net of capital repaid £000s	Foreign Exchange £000s	At 31 Dec 2006 £000s
Cash and cash equivalents	9,593	1,153		(941)	9,805
Bank loans	(35,527)		(4,504)	407	(39,624)
Finance lease creditor	(6)		(305)	1	(310)
Net borrowings	(25,940)	1,153	(4,809)	(533)	(30,129)

Notes to the Consolidated Financial Statements continued

26. Major non-cash transactions

Part of the consideration for the purchase of the subsidiary undertakings that occurred during the year comprised the issue of shares.

Further details of the acquisitions are set out in Note 27.

27. Acquisitions during the period

The Group completed the acquisitions during 2006 of a number of entities, each accounted for as an acquisition during the year as detailed below.

(a) Basicshare Ltd

On 18 July 2006 the Group acquired 100% of the issued share capital of Basicshare Ltd and its subsidiary companies Martindale Holdings Ltd and Burks Green and Partners Limited. Burks Green and Partners Limited provides architectural and engineering advice to the property and infrastructure development sectors in the UK and Ireland.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £000s	Fair Value £000s
Intangible assets	–	1,895
Property, plant & equipment	583	583
Deferred tax asset	487	487
Trade and other receivables	4,028	4,028
Cash and cash equivalents	1,327	1,327
Trade and other payables	(1,642)	(1,642)
Finance lease creditor	(338)	(338)
Current tax liabilities	(692)	(692)
Non current liabilities	(330)	(330)
Net assets	3,423	5,318
Consideration		
Initial consideration - shares allotted		3,225
Initial consideration - cash		9,948
Deferred consideration - loan notes		8,001
Expenses of acquisition		429
Total cost of acquisition		21,603
Goodwill arising		16,285

As part of the initial consideration, 1,471,259 ordinary shares of RPS Group Plc were allotted to the vendors of Basicshare Ltd. The share price was determined from the average of the mid-market prices for the shares in the 10 days prior to completion of the acquisition.

It is impracticable to determine the IFRS carrying amounts of assets and liabilities prior to the acquisition of Basicshare Ltd and its subsidiaries as the company did not prepare its accounts in accordance with IFRS.

It is not possible to determine the contribution of Basicshare Ltd to Group profit since acquisition as the business has been integrated into the Group's existing business.

27. Acquisitions during the period continued

(b) Other acquisitions

During the year the Group also acquired a number of smaller entities, each accounted for as acquisitions.

In March, RPS Consultants (Pty) Ltd acquired the entire issued share capital of Ecos Consulting (Aust) Pty Ltd, a leading provider of environmental consultancy services to the energy and minerals industries in Australia.

In March, RPS Energy Canada Ltd acquired 100% of TLP Holdings Ltd and its subsidiary, Geoprojects Canada Ltd, a provider of health and safety services in the geophysics and energy sectors in Canada.

In November, RPS Consultants (Pty) Ltd acquired the entire share capital of Harper Somers O'Sullivan Pty Ltd, a planning, surveying and environmental consultancy in New South Wales, Australia.

In November, an operating subsidiary registered in England and Wales, RPS Energy Ltd, acquired the business and certain assets and liabilities of a partnership, Thonger Safety Associates, which is based in the UK and provides health, safety and environmental services to the oil and gas industry on an international basis.

The aggregate fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £000s	Fair Value £000s
Intangible assets	–	209
Property, plant & equipment	243	243
Deferred tax asset	37	37
Trade and other receivables	2,323	2,323
Cash and cash equivalents	184	184
Trade and other payables	(875)	(875)
Finance lease creditor	(75)	(75)
Current tax liabilities	(105)	(105)
Net assets	1,732	1,941
Consideration		
Initial consideration - cash		3,004
Deferred consideration - shares		444
Deferred consideration - cash		2,341
Present value adjustment to deferred consideration		(221)
Expenses of acquisition		310
Total cost of acquisition		5,878
Goodwill arising		3,937

As part of the deferred consideration, 183,824 ordinary shares of RPS Group Plc will be allotted to the vendors of Thonger Safety Associates. The share price was determined from the average of the mid-market prices for the shares in the 10 days prior to completion of the acquisition.

It is impracticable to determine the IFRS carrying amounts of assets and liabilities prior to the acquisition of the above entities as the companies did not prepare their accounts in accordance with IFRS.

In aggregate these entities contributed £3,511,000 revenue and £287,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisitions during 2006 had been completed on the first day of the financial year, Group revenues for the period would have been £310,457,000 and Group operating profit would have been £40,044,000.

Notes to the Consolidated Financial Statements continued

(c) Prior period acquisitions

Details of the fair value of identifiable assets and liabilities, purchase consideration and goodwill are as follows:

	£000s
Property, plant & equipment	579
Deferred tax asset	585
Trade and other receivables	11,278
Cash and cash equivalents	1,701
Trade and other payables	(6,074)
Current tax liabilities/asset	(388)
Net assets	7,681
Consideration	
Initial consideration - shares allotted	5,240
Initial consideration - cash	14,954
Deferred consideration - shares	3,307
Deferred consideration - cash	7,206
Present value adjustment to deferred consideration	(497)
Expenses of acquisition	786
Total cost of acquisition	30,996
Goodwill arising	23,315

28. Derivatives and other financial instruments

Set out below are the narrative disclosures relating to financial instruments. The numerical disclosures are set out in Notes 29 and 30.

Financial instruments

The Group's financial instruments comprise cash, bank loans and overdrafts and various items such as trade receivables and trade payables that arise directly from its operations. The Group occasionally uses forward foreign currency and currency swap contracts to manage transactional currency risks arising from the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. Foreign currency risk and interest rate risk are the most significant aspects for the Group in the area of financial instruments. It is exposed to a lesser extent to liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

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

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

Interest rate risk

The Group draws down short term loans, that may be renewed, against its revolving credit facility principally in sterling at fixed rates of interest. The Group's overdraft bears interest at floating rates. Surplus funds are placed on short-term deposit or held within accounts bearing interest related to bank base rate.

Liquidity risk

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

Credit risk

The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. The Group does not enter into complex derivatives to manage credit risk.

Fair values

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

29. Foreign currency risk

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their own functional currency. Foreign exchange differences arising on the translation of these assets and liabilities were taken to the income statement of the Group companies and the Group during the year.

Net foreign currency monetary assets/(liabilities) at 31 December 2006

	Sterling £000s	Euro £000s	US Dollar £000s	Norwegian Krone £000s	Malaysian Ringgit £000s	Saudi Riyals £000s	Other £000s	Total £000s
Functional currency of Group operation								
Sterling		(1,138)	1,112	162		127	(1)	262
Euro	(61)		(55)					(116)
Australian Dollar	78		86		119			283
Canadian Dollar			63					63
At 31 December 2006	17	(1,138)	1,206	162	119	127	(1)	492

Net foreign currency monetary assets/(liabilities) at 31 December 2005

	Sterling £000s	Euro £000s	US Dollar £000s	Australian Dollar £000s	Norwegian Krone £000s	Central African Francs £000s	Other £000s	Total £000s
Functional currency of Group operation								
Sterling		2,087	3,048	104	291	108	125	5,763
Euro	11		(17)					(6)
Australian Dollar	20		2,385					2,405
Canadian Dollar			688					688
At 31 December 2005	31	2,087	6,104	104	291	108	125	8,850

Notes to the Consolidated Financial Statements continued

30. Interest rate risk

Interest rate risk and profile of financial liabilities and assets

The interest rate risk profile of the Group's financial liabilities which at 31 December 2006 comprises deferred consideration, finance lease obligations and bank loans, were as follows:

	Floating rate financial liabilities		Fixed rate financial liabilities		Total	
Currency	2006 £000s	2005 £000s	2006 £000s	2005 £000s	2006 £000s	2005 £000s
Sterling		775	53,764	52,004	53,764	52,779
Euro	77		1,842	786	1,919	786
Australian Dollar			2,018	813	2,018	813
Canadian Dollar	82	2	85		167	2
US Dollar			679		679	
At 31 December	159	777	58,388	53,603	58,547	54,380

The maturity profile of financial liabilities is as follows:

	Floating rate financial liabilities		Fixed rate financial liabilities		Total	
	2006 £000s	2005 £000s	2006 £000s	2005 £000s	2006 £000s	2005 £000s
Within one year	159	777	11,810	10,143	11,969	10,920
In one to two years			3,598	7,417	3,598	7,417
In two to five years			42,980	36,025	42,980	36,025
After five years				18		18
	159	777	58,388	53,603	58,547	54,380

Financial liabilities

			Fixed rate financial liabilities	
Currency	Weighted average interest rate % 2006	Weighted average interest rate % 2005	Weighted average period for which rate is fixed – months 2006	Weighted average period for which rate is fixed – months 2005
Sterling	5.5	5.2	5	4
Euro	3.9	2.2	6	27
Australian Dollar	6.3	5.9	14	9
Canadian Dollar	4.4		8	
US Dollar	5.8		1	
	5.1	5.2	5	5

Cash balances at year end

Currency	2006 £000s	2005 £000s
Sterling	1,827	1,790
Euro	3,725	5,098
US Dollar	2,456	1,857
Australian Dollar	1,083	1,200
Canadian Dollar	484	37
Norwegian Krone	114	142
Polish Zloty	99	15
Central African Francs	151	201
Other	25	30
At 31 December	9,964	10,370

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

Borrowing facilities

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

The undrawn borrowing facilities comprise revolving credit facilities that expire between two and five years where interest costs are fixed at the time drawings are made. During 2006, the Group had an overdraft facility expiring within one year, carrying floating rate interest.

	2006 £000s	2005 £000s
Expiring within one year	–	–
Expiring in more than two years but not more than five years	20,948	13,287

31. Retirement benefit obligations

The Group operates a number of pension schemes of the defined contribution type in the UK and overseas under which contributions are paid by Group undertakings and employees. The pension cost charge of these schemes amounted to £3,580,000 for the year ended 31 December 2006 (2005: £2,779,000).

The defined benefit scheme in operation within RPS Consulting Engineers Ltd (formerly RPS MCOS Ltd) was curtailed with effect from 13 November 2006.

The M C O'Sullivan & Co Pension and Life Assurance Plan was a defined benefit funded scheme. It was valued by an independent qualified actuary every three years. The most recent valuation of the scheme was at 1 April 2006 using the age attained method.

The major assumptions used by the actuary were as follows:

	13 Nov 2006 %	31 Dec 2005 %
Discount rate	4.50	4.25
Long term rate of return on assets	–	6.00
Rate of increase in pensionable salaries	4.00	4.00
Rate of increase in pensions	2.50	2.50
Rate of price inflation	2.50	2.50

Amounts recognised in respect of the defined benefit scheme are as follows:

	Year ended 31 Dec 2006 £000s	Year ended 31 Dec 2005 £000s
Current service cost	467	476
Interest cost	201	186
Expected return on plan assets	(214)	(164)
Settlement and curtailment gain	(2,276)	–
Settlement and curtailment cost	1,726	–
	(96)	498

The credit for the year of £96,000 (2005: charge £498,000) has been included in staff costs.

Actuarial gains and losses have been reported in the statement of recognised income and expense.

The actual return on plan assets was £268,000 (2005: £470,000).

The amount in the balance sheet, included within other creditors, arising from the Group's obligation in respect of its defined benefit retirement benefit scheme is as follows:

Notes to the Consolidated Financial Statements continued

31. Retirement benefit obligations continued

	At 31 Dec 2006 £000s	At 31 Dec 2005 £000s
Present value of obligations	–	5,416
Fair value of plan assets	–	3,366
	–	2,050

Movements in the present value of defined benefit obligations were as follows:

	2006 £000s	2005 £000s
At 1 January	5,416	4,295
Exchange differences	(83)	(113)
Current service cost	467	476
Interest cost	201	186
Plan participants contributions	88	96
Actuarial losses	142	503
Benefits paid from plan/company	–	–
Premiums paid	(10)	(27)
Settlement and curtailment	(6,221)	–
At 31 December	–	5,416

Movements in the fair value of scheme assets were as follows:

	2006 £000s	2005 £000s
At 1 January	3,366	2,564
Exchange differences	(55)	(65)
Expected return on plan assets	214	164
Actuarial gains/(losses)	54	306
Employer contributions	288	328
Member contributions	88	96
Benefits paid from plan/company	–	–
Premiums paid	(10)	(27)
Settlement and curtailment	(3,945)	–
	–	3,366

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Expected return		Proportion of fair value of assets	
	2006 %	2005 %	2006 %	2005 %
Equity instruments	–	6.60%	–	77.70%
Debt instruments	–	3.30%	–	14.20%
Property	–	5.60%	–	5.90%
Other assets	–	2.40%	–	2.20%
	–	6.00%	–	100.00%

To develop the expected long term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long term rate of return on assets assumption for the portfolio.
This resulted in the selection of the 6.00% assumption at 31 December 2005.

31. Retirement benefit obligations continued

The four year history of experience adjustments is as follows (the defined benefit scheme was taken on with the acquisition of MC O'Sullivan in 2002):

	2005 £000s	2004 £000s	2003 £000s	2002 £000s
Present value of defined benefit obligations	5,416	4,295	4,022	2,962
Fair value of scheme assets	3,366	2,564	3,313	2,630
Deficit in the scheme	2,050	1,731	709	332
Experience adjustments on scheme liabilities				
Amount (£000's)	(112)	(109)	(42)	204
Percentage of scheme obligations	-2.1%	-2.5%	-1.0%	7.0%
Experience adjustments on scheme assets				
Amount (£000's)	308	60	75	(500)
Percentage of scheme assets	9.2%	2.4%	2.0%	-19.0%

32. Share-based payments

In accordance with IFRS 2, the Group has recognised an expense to the income statement representing the fair value of outstanding equity settled share based payment awards to employees which have not vested as at 1 January 2006 for the period ended 31 December 2006.

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.

It should be noted that the Group has not relied on the exemption afforded under IFRS 1 to exclude instruments granted before 7 November 2002.

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

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

The following tables set out details of share schemes activity over the year from 1 January 2006:

Notes to the Consolidated Financial Statements continued

Share Options

Year of grant	Number outstanding 31 Dec 2005	Exercised	Lapsed	Number outstanding 31 Dec 2006	Weighted average exercise price	Vesting conditions
1998	73,500	(52,500)	(4,500)	16,500	53p	3 or 5 years
1999	320,832	(81,000)	(7,500)	232,332	73p	3 or 5 years
2000	698,340	(241,200)	(3,150)	453,990	127p	3 or 5 years
2001	354,229	(110,554)	–	243,675	152p	3 or 5 years
2002	984,433	(147,672)	(57,835)	778,926	149p	3 or 5 years
2003	1,431,947	(155,285)	(99,052)	1,177,610	111p	3 or 5 years
2004	4,500	–	–	4,500	–	3 years
	3,867,781	(788,211)	(172,037)	2,907,533		
Weighted average exercise price	125p	121p	121p	126p	121p	

The weighted average share price at the date of exercise during the period was £2.11.

Year of grant	Number outstanding 31 Dec 2004	Exercised	Lapsed	Number outstanding 31 Dec 2005	Weighted average exercise price	Vesting conditions
1998	81,000	(6,000)	(1,500)	73,500	53p	3 or 5 years
1999	448,662	(54,150)	(73,680)	320,832	73p	3 or 5 years
2000	914,340	(76,500)	(139,500)	698,340	127p	3 or 5 years
2001	665,509	(25,196)	(286,084)	354,229	152p	3 or 5 years
2002	1,234,646	(9,313)	(240,900)	984,433	149p	3 or 5 years
2003	1,671,769	(25,500)	(214,322)	1,431,947	111p	3 or 5 years
2004	5,250	–	(750)	4,500		3 years
	5,021,176	(196,659)	(956,736)	3,867,781		
Weighted average exercise price	125p	110p	128p	125p		

The weighted average share price at the date of exercise during the period was £1.58.

SAYE

Year of grant	Number outstanding 31 Dec 2005	Exercised	Lapsed	Number outstanding 31 Dec 2006	Exercise price	Vesting conditions
2003	209,896	(58,819)	(11,373)	139,704	147p	3 or 5 years
	209,896	(58,819)	(11,373)	139,704		

Year of grant	Number outstanding 31 Dec 2004	Exercised	Lapsed	Number outstanding 31 Dec 2005	Exercise price	Vesting conditions
2003	338,563	–	(128,667)	209,896	147p	3 or 5 years
	338,563	–	(128,667)	209,896		

LTIP

Year of grant	Number outstanding 31 Dec 2005	New grants	Releases	Forfeits	Number outstanding 31 Dec 2006	Vesting conditions
2004	551,619				551,619	3 years
2005	407,194				407,194	3 years
2006	–	386,596			386,596	3 years
	958,813	386,596	–	–	1,345,409	

Year of grant	Number outstanding 31 Dec 2004	New grants	Releases	Forfeits	Number outstanding 31 Dec 2005	Vesting conditions
2004	551,619				551,619	3 years
2005		407,194			407,194	3 years
	551,619	407,194	–	–	958,813	

PSP

Year of grant	Number outstanding 31 Dec 2005	New grants	Early releases	Grants replaced	Lapsed	Number outstanding 31 Dec 2006	Vesting conditions
2004	914,362		(101,585)	101,585	(88,823)	825,539	3 years
2005	365,856		(8,298)	8,298	(24,113)	341,743	3 years
2006	–	513,578			(25,602)	487,976	3 years
	1,280,218	513,578	(109,883)	109,883	(138,538)	1,655,258	

Year of grant	Number outstanding 31 Dec 2004	New grants	Early releases	Grants replaced	Lapsed	Number outstanding 31 Dec 2005	Vesting conditions
2004	1,023,888		(239,863)	235,232	(104,895)	914,362	3 years
2005		377,679			(11,823)	365,856	3 years
	1,023,888	377,679	(239,863)	235,232	(116,718)	1,280,218	

SIP

Year of grant	Number outstanding 31 Dec 2005	New grants	Releases	Forfeits	Number outstanding 31 Dec 2006	Vesting conditions
2004	72,254	–	(371)	(4,893)	66,990	3 years
2005	430,344	38	(3,769)	(24,728)	401,885	3 years
2006	–	403,272	(635)	(8,069)	394,568	3 years
	502,598	403,310	(4,775)	(37,690)	863,443	

Year of grant	Number outstanding 31 Dec 2004	New grants	Releases	Forfeits	Number outstanding 31 Dec 2005	Vesting conditions
2004	83,409		(3,955)	(7,200)	72,254	3 years
2005		450,216	(6,786)	(13,086)	430,344	3 years
	83,409	450,216	(10,741)	(20,286)	502,598	

Notes to the Consolidated Financial Statements continued

32. Share-based payments continued

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

Share Options and SAYE Options

	Share Options	SAYE
Share price on grant	111 – 171p	147p
Expected volatility	26.8% - 27.5%	26.3% - 28.5%
Expected life	5 years	3 or 5 years
Expected dividend yield	1.45%	1.45%
Risk-free interest rate	4.1% - 4.5%	4.1% - 4.5%
Fair value at measurement date	33.01p – 46.26p	43.51p - 54.83p
Weighted fair value	39.18p	50.13p

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

The risk-free rate of interest was assumed to be the yield to maturity on a UK Gilt strip with the term to maturity equal to the expected life of the option. The expected dividend yield is an estimate of the dividend yield at the date of grant for the duration of the option's life.

LTIP

For LTIP awards with a total shareholder return ("TSR") performance condition, the fair value has been calculated as the market value of the shares on the date of grant adjusted to reflect some of the terms and conditions upon which the shares were awarded. The Group took into account the market based TSR condition and the fact that a participant is not entitled to receive dividends over the three year performance period.

For LTIP awards with an earnings per share performance condition, the fair value has been calculated as the market value of the shares on the date of grant adjusted to reflect the fact that a participant is not entitled to receive dividends over the three year performance period.

	LTIP awards
Fair value at measurement date	52.22p – 176.54p
Weighted fair value	112.44p
Holding period	3 years
Expected dividend yield	1.38% – 1.45%

PSP

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

	PSP awards
Fair value at measurement date	131.65p – 246.58p
Weighted fair value	155.19p
Holding period	3 years
Expected dividend yield	1.38% – 1.45%

SIP

For the purposes of calculating the fair value of conditional shares awarded under the SIP the fair value was calculated as the market value of the shares at the date of grant. Participants are entitled to receive dividends over the three year holding period so no adjustment was made to the market value.

	SIP awards
Fair value at measurement date	135.5p – 266.75p
Weighted fair value	181.40p
Holding period	3 years

During the year ended 31 December 2006, the Group recognised expense of £1,659,000 related to the fair value of the share based payment arrangements (year ended 31 December 2005: £1,535,000).

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

Share scheme	Annual lapse rate
ESOS	13%
SAYE	5%
LTIP	0%
PSP	5%
SIP	5%

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

33. Events after the balance sheet date

On 31 January 2007, RPS Energy Canada Limited completed the acquisition of 100% of the share capital of APA Petroleum Engineering Inc for a maximum consideration of Can $6.0 million (£2.59 million), all cash, of which Can $3.0 million (£1.29 million) was paid at completion. In the year ended 31 July 2006, APA had revenues of Can $9.61 million (£4.15 million) and pre-tax profit adjusted for non-recurring items, of Can $1.23 million (£0.53 million). Net assets at 31 July 2006 were Can $2.16 million (£0.93 million).

34. Contingent liabilities

As at 31 December 2006 the Group had contingent liabilities in respect of contractual performance guarantees and other matters arising in the ordinary course of business entered into for or on behalf of certain Group undertakings. It is not expected that any material liability will arise in respect thereof, and the Directors estimate that the fair value of such guarantees is not material.

Parent Company Balance Sheet

	Note	As at 31 December 2006 £000s	As at 31 December 2005 £000s
Fixed assets			
Intangible assets	4	1,042	1,108
Tangible assets	5	3,331	3,965
Investments	6	170,987	149,397
		175,360	154,470
Current assets			
Debtors	7	14,052	10,776
Cash at bank and in hand		15	19
		14,067	10,795
Creditors: amounts falling due within one year	8	18,814	14,325
Net current liabilities		(4,747)	(3,530)
Total assets less current liabilities		170,613	150,940
Creditors: amounts falling due after more than one year	9	44,687	38,681
Net assets		125,926	112,259
Capital and reserves			
Called up share capital	11	6,163	6,048
Share premium account	12	89,836	88,043
Merger reserve	12	10,642	5,738
Shares to be issued	12	1,997	3,307
Revaluation reserve	12	32	32
Employee trust shares	12	(3,042)	(2,400)
Share scheme reserve	12	4,053	2,394
Profit and loss reserve	12	16,245	9,097
Shareholders' funds		125,926	112,259

These financial statements were approved and authorised for issue by the Board on 6 March 2007.

The notes on pages 101 to 107 form part of these statements.

Dr Alan Hearne, Director

Gary Young, Director

On behalf of the Board of RPS Group Plc.

Notes to the Parent Company Financial Statements

1. Accounting policies

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

Goodwill

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

Valuation of investments

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

Tangible fixed assets

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

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

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

Revaluation of properties

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

Leased assets and assets held under hire purchase contracts

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

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

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

Foreign currency translation

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

Pension costs

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

Share based employee remuneration

The Company has applied FRS 20 "Share-based payment" to all share options and conditional share awards which were granted to employees and had not vested at 1 January 2005. A charge is recognised on the same basis as that recognised for the Group under IFRS 2 (see page 70). Where the Company will be issuing shares to satisfy share awards made by its subsidiaries, the Company records a capital contribution equal to the fair value of the share-based payment incurred by its subsidiaries except to the extent that the subsidiaries reimburse the Company.

Taxation

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

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

Notes to the Parent Company Financial Statements continued

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

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

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

Employee Share Ownership Plan (ESOP)
In accordance with UITF 32, the assets, income and expenditure of the ESOP Trust are incorporated into the Company Financial Statements.

Dividends
In accordance with FRS 21 'Events after the Balance Sheet Date', dividends proposed after the balance sheet date are not recognised in the profit and loss account or within liabilities.

2. Employees

The average monthly number of employees during the year was 76 (2005: 71). Details of Directors' remuneration are shown on page 51.

	2006 £000s	2005 £000s
Staff costs (including Directors' emoluments) consist of:		
Wages and salaries	3,970	3,172
Social security costs	429	333
Pension costs	256	238
Share-based payment	526	303
	5,181	4,046

Details of share-based payments are included in Note 32 to the Consolidated Financial Statements.

3. Profit attributable to shareholders

No profit and loss account is provided for the Parent Company as allowed by Section 230 of the Companies Act 1985.

	2006 £000s	2005 £000s
Profit for the year attributable to the shareholders of the Parent Company, dealt with in the accounts of the Parent Company	12,349	2,848

The remuneration of the auditors for the statutory audit of the Company was £40,000 (2005: £40,000).

4. Intangible Assets

	Goodwill £000s
Cost	
At 1 January 2006 and at 31 December 2006	2,134
Amortisation	
At 1 January 2006	1,026
Charge for the year	66
At 31 December 2006	1,092
Net book value at 31 December 2006	1,042
Net book value at 31 December 2005	1,108

5. Tangible Assets

	Freehold land and buildings £000s	Alterations to leasehold premises £000s	Fixtures, fittings IT and equipment £000s	Total £000s
Cost or valuation				
At 1 January 2006	3,776	357	1,551	5,684
Transfers			3	3
Additions			392	392
Disposals	(656)	(27)	(96)	(779)
At 31 December 2006	3,120	330	1,850	5,300
Depreciation				
At 1 January 2006	509	137	1,073	1,719
Transfers			2	2
Provided for the year	79		305	384
Disposals	(48)	(1)	(87)	(136)
At 31 December 2006	540	136	1,293	1,969
Net book value at 31 December 2006	2,580	194	557	3,331
Net book value at 31 December 2005	3,267	220	478	3,965

Notes to the Parent Company Financial Statements continued

6. Investments

Shares are held directly by RPS Group Plc except where marked by an asterisk where they are held by a subsidiary undertaking. All trading subsidiaries provide environmental consultancy services.

	£000s
Subsidiary undertakings	
Cost	
At 1 January 2006	150,235
Additions	21,603
Adjustments to prior year estimates	(5)
Foreign exchange differences	(8)
At 31 December 2006	171,825
Provisions	
At 1 January 2006 and at 31 December 2006	838
Net book value at 31 December 2006	170,987
Net book value at 31 December 2005	149,397

Subsidiary undertakings
The following were the principal operating subsidiaries during the year:

	Country of registration and operation	Proportion of ordinary share capital held
The Environmental Consultancy Limited	England	100%
RPS Water Services Limited	England	100%
RPS Ireland Limited	Northern Ireland	100%
RPS Energy Limited	England	100%
Cambrian Consultants Limited	England	100%*
Basicshare Limited	England	100%
RPS Groep BV	Netherlands	100%
RPS Advies BV	Netherlands	100%*
RPS Analyse BV	Netherlands	100%*
Ingenieursbureau BCC BV	Netherlands	100%*
RPS Group Limited	Ireland	100%
RPS Engineering Services Limited	Ireland	100%*
RPS Planning & Environment Limited	Ireland	100%*
RPS Consulting Engineers Limited	Ireland	100%*
RPS Consultants Pty Limited	Australia	100%*
EDR Hydrosearch Limited	Australia	100%*
RPS Bowman Bishaw Gorham Pty Limited	Australia	100%*
Exploration Consultants Australia Pty Limited	Australia	100%*
Ecos Consulting (Aust) Pty Limited	Australia	100%*
Harper Somers O'Sullivan Pty Limited	Australia	100%*
Hydrosearch USA Inc	USA	100%*
Cambrian Consultants (CC) America Inc	USA	100%*
Exploration Consultants Limited Inc	USA	100%*
RPS Energy Canada Limited	Canada	100%*
Geoprojects Canada Limited	Canada	100%*

7. Debtors

	Note	2006 £000s	2005 £000s
Trade debtors		12	22
Amounts due from subsidiary undertakings		11,579	9,575
Other debtors		214	127
Deferred tax	10	267	14
Prepayments and accrued income		1,980	1,038
		14,052	10,776

All amounts shown under debtors fall due for payment within one year.

8. Creditors: amounts falling due within one year

	2006 £000s	2005 £000s
Amounts due to subsidiary undertakings	10,798	6,982
Deferred consideration	6,137	5,309
Trade creditors	192	568
Corporation tax	93	92
Other creditors	127	36
Hire purchase creditor	–	4
Accruals	1,467	1,334
	18,814	14,325

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

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

	2006 £000s	2005 £000s
Bank loans	39,433	35,250
Deferred consideration	5,254	3,431
	44,687	38,681
Due as follows		
After one year within two years	2,588	3,209
After two years within five years	42,099	35,472
	44,687	38,681

Notes to the Parent Company Financial Statements continued

10. Deferred taxation

	2006 £000s	2005 £000s
Movement on deferred taxation:		
Net asset at beginning of year	14	78
Transferred to profit and loss account (with respect to current year)	253	(64)
Net asset at year end	267	14

Deferred taxation balances comprise:

	2006 £000s	2005 £000s
Short-term timing differences	223	–
Depreciation in excess of capital allowances	44	14
Deferred tax asset	267	14

11. Share capital

	Authorised		Allotted and fully paid	
	Number	Value £000s	Number	Value £000s
Ordinary shares of 3p each				
At 1 January 2006	240,000,000	7,200	201,629,728	6,048
At 31 December 2006	240,000,000	7,200	205,445,957	6,163

Full details of the share capital of the Company are detailed in Note 19 of the Consolidated Financial Statements.

12. Reconciliation of movements in shareholders' funds

	Share capital £000s	Share premium £000s	Merger reserve £000s	Shares to be issued £000s	Revaluation reserve £000s	Employee trust shares £000s	Share scheme reserve £000s	Profit and loss reserve £000s	Total £000s
At 1 January 2005	5,933	87,308	-	598	32	(1,867)	859	10,653	103,516
Reclassification as liability under FRS 25				(598)					(598)
Issue of new shares	115	735	5,738						6,588
Allocation of own shares						(533)			(533)
Shares to be issued				3,307					3,307
Share-based payment expense							1,535		1,535
Retained profit for the year								2,848	2,848
Dividend paid								(4,404)	(4,404)
At 31 December 2005	6,048	88,043	5,738	3,307	32	(2,400)	2,394	9,097	112,259
Issue of new shares	115	1,793	4,904	(1,753)					5,059
Allocation of own shares						(642)			(642)
Shares to be issued				443					443
Share-based payment expense							1,659		1,659
Retained profit for the year								12,349	12,349
Dividend paid								(5,201)	(5,201)
At 31 December 2006	6,163	89,836	10,642	1,997	32	(3,042)	4,053	16,245	125,926

13. Dividends

For details of dividends see Note 22, page 86 of the Consolidated Financial Statements.

14. Commitments under operating leases

At 31 December 2006 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2006 £000s	Land and buildings 2005 £000s	Other 2006 £000s	Other 2005 £000s
Operating leases which expire:				
Within one year	38	–	4	15
In two to five years	56	286	51	28
After five years	81	54	–	–
	175	340	55	43

15. Directors' interests in transactions

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

16. Purchase of undertakings

The Company acquired Basicshare Limited, and its subsidiary Burks Green & Partners Limited. Full details of this acquisition is contained in Note 27 of the Consolidated Financial Statements.

Five Year Summary

	2006 IFRS £000s	2005 IFRS £000s	2004 IFRS £000s	2004 UK GAAP £000s	2003 UK GAAP £000s	2002 UK GAAP £000s
Revenue	296,843	217,830	168,189	169,924	124,549	104,822
Profit from operations before tax	34,590	24,253	18,425	23,013	21,052	17,822
Net bank (debt)/cash	(30,129)	(25,940)	(16,219)	(16,219)	21,461	23,046
Net assets	186,934	161,871	138,799	134,572	122,329	108,876
Cash generated from operating activities	40,663	28,149	15,863	15,863	20,630	15,174
Average number of employees	3,438	3,158	2,525	2,525	2,083	1,832
Dividends per share	2.76p	2.40p	2.09p	2.09p	1.82p	1.58p
Basic EPS	11.94p	9.01p	7.12p	9.41p	8.62p	7.15p
Diluted EPS	11.68p	8.82p	7.05p	9.31p	8.54p	7.06p

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

The amounts disclosed for 2003 and earlier periods are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRSs.

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