RPS

Report & Accounts
2016

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Chairman's Statement

Introduction

I was appointed as Chairman of the Board of RPS Group plc on 1 November 2016, a role which I was delighted to accept. My predecessor Brook Land stepped down from the Board having served 20 years as the Chairman. Over the period of his chairmanship Brook provided tireless and continuing support to Alan Hearne, the Chief Executive, and to the executive management. He gave great direction and leadership to the Board and during his tenure RPS flourished into the strong business it is today. The Board is grateful for the long service he provided to RPS and wishes him well in his future endeavours.

Trading and strategy

Given the recent commencement of my tenure it is inevitable that I have a lot to learn about our business. In that regard I have already started visiting the business locations to gain a greater understanding. From what I have seen we have a sound and broadly based multi-disciplinary consultancy and services group which has been assembled over several years by a series of strategic acquisitions. Except for the energy related businesses, which were inevitably impacted during the year by an oil price which in January 2016 was at its lowest level for 12 years, the businesses in the Group have largely fared well with a number showing organic revenue and profit growth in growing markets. The macro drivers of the Group's markets such as the population growth, climate change, infrastructure development, the growing need for energy and water and the importance of maintaining and protecting the environment are all favourable and should provide opportunities for growth going forward. The Group has a high-quality client list and there is potential to derive revenue synergies from cross selling of services. There is also scope to achieve further synergies from the integration of businesses and sharing of good practice.

Although the Group has been highly cash generative over the years the reduction in cash flow from the energy business coupled with investment in acquisitions and a steadily growing dividend had increased the level of net debt as reported at the half-year. Cash generation in the second half of the year, which has been good due to improved cash from trading and a pause in acquisition activity, has resulted in a stronger year-end balance sheet position. Further progress is anticipated in 2017.

Given that acquisitions over the years have been people businesses, it is inevitable that much of the acquisition consideration is attributed to goodwill and intangible assets. The key to supporting the continuing carrying value of intangible assets is the cash generation from the businesses acquired. The review of goodwill and intangible assets at the year-end has confirmed continuing strong cash flows and that no impairment of goodwill and intangible assets is required at this time.

The Group has had an excellent record of continued dividend growth over the years. At the half-year results announcement, the combination of the challenged trading performance of the energy business and the higher level of net debt suggested that a pause to this growth might be appropriate. Whist the cash performance in the second half has been strong, the recommendation of the Board to hold the dividend at the same level as last year is prudent with the expectation that dividend growth will be resumed in the future provided that debt levels, liquidity and trading circumstance allow.

Inevitably the challenges of 2016 have placed significant pressures on our executive management. In the circumstances, they have coped extremely well in taking the necessary cost management action and strategic decisions to protect the profitability of the Group. This has been achieved whilst retaining a strong platform for a resumption of growth which the Board anticipates should occur in 2017. To achieve this growth, we will continue to evaluate the attractiveness of the markets in which we are present and our competitive position within those markets so that Group strategy focuses resources into those areas where we can achieve good long term return on investment.

Governance

Major demands have been placed on the Non-Executive members of the Board in 2016. As Chairman of the Nomination and Remuneration Committees, Robert Miller-Bakewell, our Senior Independent Director, led the process to secure the appointment of a new Chairman and the development of the new remuneration policy recently approved by Shareholders. This has inevitably demanded heavy involvement from the Nomination and Remuneration Committees. Whilst it made sense for Robert to Chair the Nomination and Remuneration Committees during the Chairman succession process, I have now taken on the role as Chairman of the Nomination Committee. Robert will continue as Chairman of the Remuneration Committee.

The Nomination Committee continues to progress the succession planning initiative which encompasses the Board Executive and Non-Executive Directors and the next tier of executive management.

Phil Williams who previously headed up our energy business retired on 30 September 2016. Phil led the growth and development of our energy business following the acquisition of Hydrosearch in 2003. Although Phil left the Board before I joined RPS, I know that he contributed enormously to our business over the 13 years he was with the Group. Following Phil's retirement Alan Hearne took over Phil's Board responsibilities in conjunction with an enlarged Executive Committee which now includes the leaders of the regional businesses.

John Bennett returned to Chair the Audit Committee following the decision by Andrew Page to not seek re-election to the Board at the last Annual General Meeting. John had previously chaired the Audit Committee prior to stepping down from the Board in 2014. His reappointment for a temporary period was expedient and pragmatic in the circumstances and the Board is grateful that John stepped in at short notice. John will step down as a Non-Executive Director and Chairman of the Audit Committee as soon as an appropriate successor is identified.

It is approaching nine years since Louise Charlton joined the Board as a Non-Executive Director. Louise has made an excellent contribution particularly in helping to shape internal and external Group communications. Louise will also step down from the Board as soon as an appropriate successor is identified.

All of our Directors will therefore be offering themselves for election or re-election at the forthcoming Annual General Meeting.

As a part of my appointment process I performed an initial assessment of the effectiveness of the Board and its committees through discussions with the Executive and Non-Executive Directors on the Board. There were no material matters of immediate concern. With the changing composition of the Board it is my intention to undertake an external review towards the end of 2017 once the replacement Non-Executive Directors referred to above have had the opportunity to settle into their new roles. Each of the Board committees has operated independently throughout the period.

As reported last year the process of reviewing and reporting risks and internal control systems has been formalised. Towards the end of the year our activities in this area were further strengthened by the appointment of a Group Assurance Manager. Health and safety performance continues to be regularly reported to the Board.

We are, of course, a people business and so much of the value of our business is in our people. Despite the difficult market circumstances of our oil and gas related businesses the Group has remained focussed on the importance of recruiting, retaining, developing and rewarding our key talent. The Board expresses its thanks for the commitment and dedication shown by all our employees.

2016 has without doubt had its challenges and the Group has responded well. The creation of our three regional businesses enables us to look confidently to the future.

Ken Lever

Chairman

2 March 2017

Strategy

RPS is an international consultancy focused on providing its clients high quality and added value advice. Our businesses are based primarily in Europe, North America and Australia, although we undertake projects in many other parts of the world. We have developed a range of skills and services which enable us to provide independent advice upon:

- the development and management of the built and natural environment;
- the planning and development of strategic infrastructure; and
- the evaluation and development of energy, water and other resources.

Our experience of trading for over 40 years had enabled us to develop a clear understanding of how to manage technical consultancy businesses successfully. Our key objectives are to:

- build on our existing reputation of being recognised as a market leader in a wide range of markets;
- focus on delivering value added services which generate good fee levels and margins;
- grow our existing businesses organically as and when markets allow;
- attract and retain staff capable of attracting projects from our clients and managing them successfully;
- extend our range of services and geographical cover by bringing high quality specialist companies into the Group and then support them to achieve further growth; and
- manage our cash and balance sheet prudently, whilst continuing to provide an attractive dividend to shareholders.

The Group's businesses continually focus on understanding how their markets are developing and shifting their activities and marketing accordingly. However, the Board believes there are long term fundamentals underpinning our business. These are:

- long term demand for improvement to and extension of the urban fabric of towns and cities;
- long term demand for urban, inter urban, transport, water energy/power and communications infrastructure;
- long term demand for oil and gas and other sources of energy/power;
- the increasing importance of environmental and climate change issues.

Our significant market profile and presence in the markets related to these opportunities enables us to benefit from them. During the first half of the year the continuing downturn in the oil and gas sector and related industries caused a significant reduction in our profitability and this, coupled with investment in a new acquisition, DBK, meant that our leverage for bank purpose at the end of June had increased to 2.2 times. As a result we paused our investment in new acquisitions and held our dividend at the 2015 level. During the second half of the year our profitability and cash flow improved considerably and the leverage at the year-end had reduced to 1.6 times, the same as at the end of 2015. RPS remains highly cash generative and the Board expect the Group leverage to reduce significantly during 2017, providing more flexibility in respect of investment in acquisitions and dividends.

In recent years our acquisitions in both Norway and Australia have been directed towards project management, particularly in respect of large scale infrastructure projects. We see this as an important new activity for the Group; it reduces our dependency on the resources sectors and provides a more flexible business model than some of our technical businesses in other sectors. This strategy can be developed further in all the territories in which we operate.

Business Model

The Group operates in a wide range of markets and offers a broad range of services. However, the approach to metrics which enable our businesses to be managed effectively apply across the Group as a whole. As a result we operate and measure our businesses with a common set of systems focused around annual targets developed from an understanding of market conditions (top down), together with the return expected from the staff complement and overhead structure we employ (bottom up). Most individual offices are separate profit centres with their own targets; larger offices may contain more than one profit centre. Offices are grouped functionally or geographically for management and marketing purposes. Those groupings then form part of the reported Group segments.

Due to the decline in the Group's Energy business, the Board has, as explained under Group Activities below, decided that, with effect from 1 January 2017, the Group will operate and report in three regional segments with Energy related activities included within each. A separate announcement will be made providing a restatement of the 2016 Results and Interim Results in the new regional segments. The 2017 Results and Interim Results will be published including a comparison with the restated 2016 Results and Interim Results.

Marketing and business development are devolved to these segment Boards although the Board maintains a Group website and Business Information Unit. IT is managed centrally, with support from local staff around the Group as necessary.

As a result of developing the Group over four decades we now have important strong core competences throughout the business:

- managing complex, intellectual consultancy businesses;
- identifying high value, premium margin markets;
- developing and operating businesses internationally;
- recruiting and retaining high quality staff;
- maintaining good client relationships:
- maintaining strong cash flow; and
- identifying, delivering and successfully integrating "bolt on" acquisitions.

Achieving organic growth is a key requirement of each business. The deliverability of this, however, is influenced significantly by economic and market conditions.

Acquisitions broaden and deepen the services that we offer our clients. They have played an important part in our growth and will continue to be an important element of our strategy, once our leverage has been reduced. We endeavour to acquire businesses that are well managed, deliver sound results and enjoy good reputations in their markets. They may be in sectors where we are already operating or offer services that are closely related to our own. We view non-dilutive, acquisitive growth, funded by cash, as being an important element of our business model.

Our acquisition model is structured to operate on a low risk basis. This is achieved through an incremental approach focusing on small to medium sized enterprises which are adjacent and complementary to our existing areas of operation. The emphasis placed upon retention of Directors and employees as well as the extent of due diligence undertaken and a clear single brand integration process are also important in keeping risks to a minimum.

Increasing Group scale and diversity by means of acquisitions leads to resilience in the Group's performance, as demonstrated when the Global Financial Crisis began in 2007 and, in 2015 and 2016 , through the major downturn in the mining and oil and gas industries.

Shareholder Value

The Group's intense focus on converting profit into cash has enabled us to provide our shareholders with significant returns for almost 30 years.

Since the Group's IPO in July 1987 we have raised only £60 million from our shareholders and distributed £165 million in dividends including the recommended 2016 final dividend. Our last fund raising, of £40 million, was in 2001; since then we have paid £160 million in dividends. We have not significantly diluted the equity base of the business by using shares to make acquisitions.

Group Activities and Management

The reduction in expenditure by our clients in the oil and gas sector and related industries has been dramatic and has had a fundamental impact on the nature and mix of our activities. Our 2011 Report and Accounts was published in the aftermath of the global financial crisis and subsequent recessions. The impact of these events on our built and natural environment business was severe. Our Energy business fared much better as oil and gas companies maintained a high level of investment in exploration and production as well as the infrastructure necessary to get their product to market. The balance of our business activities shifted significantly and we disclosed that: "70% of our underlying profit is now earned in the global Energy and associated markets". As the world's economies recovered our non Energy business grew again. However, the oil and gas downturn of 2015/2016 has, like the global financial crisis, shifted the balance of our activities dramatically again. In 2016 only 18% of the Group's underlying profit was generated by the wider oil and gas sector.

Although the Board expects a modest recovery in Energy profit in 2017 we anticipate that the overall balance of the business will not change materially. We have, therefore, decided to change the management structure of the business. In 2013 in AAP we merged the BNE and Energy components of the AAP business to create one regional multi-disciplinary segment. This was successful and we have now done the same in Europe and North America and as noted above, have since 1 January 2017 been trading through three multi-disciplinary regional segments. Each of these segments is managed by a separate Board with clear devolved responsibilities. The leaders of each of these Boards are now part of an enlarged Executive Committee.

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

2016 Results

Summary of results

The Group's results for the year to 31 December 2016 are summarised in the table below:

	2016	2015	2015 (constant currency)[3]
Business performance			
Revenue (£m)	594.5	567.0	611.1
Fee income (£m)	534.3	506.1	545.6
PBTA[1] (£m)	50.7	51.8	57.2
Adjusted earnings per share[2] (basic) (p)	16.60	16.57	18.31
Total dividend per share (p)	9.74	9.74	9.74
Statutory reporting			
Profit before tax (£m)	32.8	9.9	10.4
Earnings per share (basic) (p)	11.35	3.11	3.32

Notes

1) PBTA is profit before tax, amortisation and impairment of acquired intangibles and transaction related costs.

(2) Adjusted earnings per share is before amortisation and impairment of acquired intangibles and transaction related costs and the related tax.

(3) 2015 results restated at 2016 currency rates.

PBTA for the full year was £50.7 million (2015: £51.8 million; £57.2 million on a constant currency basis). Energy and other businesses exposed to the oil and gas sector suffered a significant downturn, resulting from a further substantial contraction in expenditure by our clients, responding to the collapse in the oil price early in the year. However, our businesses not involved in that sector generally performed well and enabled the Group as a whole to produce a result well above expectations. The Group tax rate on PBTA was 27.7% (2015: 29.6%). Adjusted basic earnings per share were 16.60 pence (2015: 16.57 pence; 18.31 pence on a constant currency basis).

Sterling weakened during the year, particularly following the UK referendum in June 2016. This provided a significant benefit when our overseas earnings were consolidated into the Group results. PBTA in 2016 would have been £3.7m lower had 2015 exchange rates been repeated.

Segment Contribution

The acquisitions made in recent years have contributed materially to a shift of emphasis in the Group's performance away from the Energy sector. The scale of the downturn in this sector is unprecedented and the impact on our Energy business and, consequently, the Group has been dramatic. Energy contributed £35 million segment profit in 2014, £11 million in 2015, and only £5.4 million in 2016.

We committed c.£126 million to acquisitions in 2014-2016, none with direct exposure to oil and gas markets. This brought new activities and geographies into the Group with an aggregate run rate profit at time of completion of each transaction of £22 million. Whilst it is difficult to establish precisely their contribution, because these businesses have been integrated with appropriate parts of the Group, they have continued to grow, contributing an estimated £29 million of segment profit in the year. This move away from oil and gas sector activities materially assisted the Group maintain its profit and demonstrates clearly the value of this part of our strategy.

The contribution of the Group's four segments in 2016 was:

Segment Profit* (£m)	2016	2015	2015 (constant currency)
Built and Natural Environment: Europe	35.1	30.3	31.7
: North America	7.9	10.6	12.0
Energy	5.4	10.9	11.9
Australia Asia Pacific ("AAP")	14.2	12.1	13.9
Total	62.6	63.9	69.5

*after reorganisation costs.

Both our BNE businesses were exposed to oil and gas client projects. The oil and gas component in Europe was small contributing about 2% of fees and segment profit in the year and primarily focussed in Norway. In North America the contribution was greater, about 30% of fees and 17% profit; we have in place a strategy to diversify this business further, as has been achieved in AAP. Our resources businesses in AAP contributed about 20% of total AAP fees in the year and 5% segment profit. The contribution from these markets to total Group segment results in 2016 was about 23% in respect of fees and 12% in respect of segment profit. In 2014 the equivalent proportions were 54% and 62%. Despite this reduction we retain effective capability in the oil and gas and resources sectors and should benefit from any sustained recovery in these markets.

The Group's key performance indicators are shown below:

	2016	2015	2015 (constant currency)
Fee income (£m)	534.3	506.1	545.6
PBTA (£m)	50.7	51.8	57.2
Conversion of profit to cash (%)(1)	117.0	141.0	141.0
Net debt (£m)	83.4	78.8	78.8

Notes

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

Cash Flow, Funding and Dividend

Our conversion of profit into cash was again strong at 117%. We funded acquisition investment of £35.1 million in the period, including £23.7 million deferred consideration from acquisitions made in prior years. Net bank borrowings at 31 December 2016 were £83.4 million (31 December 2015: £78.8 million). Deferred consideration of up to £13.4 million is payable in 2017, leaving only £1.6 million remaining to be paid, in 2018.

Since July 2015 we have had in place a five year £150 million revolving credit facility with Lloyds Bank plc and HSBC Bank plc. In addition, over 4 years remain on the £30.0 million and $34.1 million fixed term, fixed rate notes issued through Pricoa in 2014. Our interest cover at 31 December was 11.8 times, well above the bank covenant of 4.0 times. The Board indicated in the 2016 Interim Results announcement that it had decided to take a more cautious approach to investment in acquisitions because leverage, (being the ratio of net bank debt plus deferred consideration to annualised EBITDAS), had reached 2.2, even though it was well below the bank covenant of 3.0. Our leverage at 31 December had reduced to 1.6 (December 2015: 1.6). Assuming this position can be maintained or further reduced, as seems likely, during 2017, the Board would be comfortable about making further investments in suitable businesses.

The Board remains confident about the Group's financial strength and is recommending a final dividend of 5.08 pence (2015: 5.08 pence), payable on 19 May 2017 to shareholders on the register on 21 April 2017. If approved by shareholders this would result in a full year dividend of 9.74 pence, unchanged from 2015.

Markets and Trading

Built and Natural Environment (BNE)

BNE: Europe

Within this business we provide a wide range of consultancy services to many aspects of the property and infrastructure development and management sectors and also have a modest exposure to the oil and gas sector in Norway. It delivered a very good result in the period, with an improved performance in the second half.

	2016	2015	2015 (constant currency)
Fee income (£m)	269.0	222.4	234.6
Segment profit* (£m)	35.1	30.3	31.7
Margin %	13.1	13.6	13.5

*after reorganisation costs: 2016 £0.5m; 2015 £0.5m.

Those activities which assist clients develop new capital projects, particularly our planning and development business in the UK and Ireland, continued to benefit both from good market conditions and client confidence. Our clients' investment activity did not appear to change materially in the second half as a result of the UK EU referendum. The integration of DBK, project management consultants, (acquired in April 2016) into this part of the business has been successful.

Those activities exposed to operational environments continued to need to offer an efficient, cost effective service to assist clients in managing tight budgets. This was particularly the case in the Netherlands, where our businesses experienced significant pricing pressure. Our water business in the UK, however, benefited from its strong market presence and once again performed well.

This segment includes the Group's Norwegian business: the process of integrating OEC (acquired November 2013) and Metier (acquired April 2015) to form that country's leading project management consultancy has moved forward significantly. This helped the business manage the adverse impact from the downturn in the oil and gas sector in that country.

The UK decision to leave the EU could cause disruption to Group activities if our clients decide to change their investment plans. It currently appears, however, that there will be no significant short term effect. The Board believes this segment is capable of delivering further growth in 2017.

BNE: North America

This business was formed in 2013 from parts of our North American Energy business providing advice in respect of infrastructure required by Energy clients. As a result, it still has a significant exposure to the oil and gas sector. This exposure held back progress as clients reduced and delayed expenditure. This impacted both fee income and margin.

	2016	2015	2015 (constant currency)
Fee income (£m)	65.4	58.7	66.4
Segment profit* (£m)	7.9	10.6	12.0
Margin %	12.0	18.0	18.1

** after reorganisation costs: 2016 £0.3m; 2015 £0.2m.

The acquisition of Iris, based in San Francisco, in October 2015 continued the process of diversifying into more traditional environmental consultancy activities. Following integration, it is now working successfully with GaiaTech (acquired May 2014), which operates from Chicago in a similar market. Klotz (acquired February 2015) performed well in the infrastructure market in Texas. This shows the strength and value of our diversification strategy and the speed at which it can reposition our activities.

A low level of activity and continuing uncertainty in our energy focussed businesses is likely to hold back the performance in 2017, particularly in Canada where the market is particularly sluggish. However, our non-oil and gas activities now form the majority of our business, giving us a platform from which to achieve growth. This may over time be supported by the additional infrastructure investment being proposed by the new administration. Developing our business in the environmental, infrastructure and project management markets remains a Group priority and is likely to be a focus of attention when we resume acquisition activity.

Energy

We continue to provide internationally recognised consultancy services to the oil and gas industry from bases in the UK, USA and Canada. The activity levels in this market declined at an unexpected pace in the first few months of 2016 and remained uncertain during much of the rest of the year. Some stability seemed to emerge towards the end of the period. The 2015 result included a £7.0 million provision for doubtful debts. Towards the end of 2016 a significant proportion of the debt provided was recovered, resulting in the reversal of provisions totalling approximately £4.2 million.

	2016	2015	2015 (constant currency)
Fee income (£m)	71.5	123.0	129.3
Segment profit* (£m)	5.4	10.9	11.9
Margin %	7.5	8.9	9.2

*after reorganisation costs: 2016 £3.6m; 2015 £0.9m.

Responding to the reduction in the volume of work available we reduced permanent headcount a further 33%, on top of the 19% reduction in 2015. At the same time staff were grouped into a smaller number of core offices. Reorganisation costs of £3.6 million were incurred in the year, mainly in the first half (£2.6 million). We also significantly reduced our use of external sub-consultants. This enabled the business to perform far better in the second half producing a profit of £7.8 million, after a recovery of £4.2 million of debts previously provided for. Excluding both bad debt recovery and reorganisation costs, in the second half, the business produced a trading margin of 10.7%.

On 1 January 2017 the EAME component of Energy was merged with BNE: Europe and the North American component merged with BNE: North America. Although the oil and gas markets remain uncertain the second half performance suggests the regional Energy businesses will contribute positively to both these new segments.

Australia Asia Pacific ("AAP")

This business is a combination of the former BNE: AAP and the AAP component of Energy. They were brought together in 2013 to help counter the impact of the slowdown in the resources sector by focusing more upon the buoyant infrastructure sector. This strategy is working well. We also continue to benefit from the development of our project management capability, supported by the acquisition of Point in 2014 and EIG in 2015, both of which performed well in 2016.

	2016	2015	2015 (constant currency)
Fee income (£m)	130.1	104.2	117.5
Segment profit* (£m)	14.2	12.1	13.9
Margin %	10.9	11.6	11.8

*after reorganisation costs: 2016 £1.2m; 2015 £0.4m.

Our resources businesses in Western Australia were faced with a shrinking market that deteriorated further in the second half. As a result, it produced a significantly reduced contribution compared with 2015. We further reduced our cost base and were able to relocate from our main office in Perth to smaller premises. This involved a significant, but non recurring, reorganisation cost. Our businesses on the east coast, particularly those involved in the management of major infrastructure projects and private sector development continued to operate successfully. Our work for a growing number of Federal Government agencies also continued to expand.

Our activities on the east coast give us confidence that the business as a whole has a good platform to achieve further growth.

Strategy and Group Prospects

As a result of the further significant change in the relative scale and contribution of the Group's businesses, and the changing nature of the global energy market, the Board has, as outlined under Group Activities and Management above, decided that from 1 January 2017 the Group would operate and report three multi-disciplinary regional segments.

In recent years our acquisitions in both Norway and Australia have been directed towards project management consultancy, particularly in respect of large scale infrastructure projects. We see this as an important new activity for the Group; it reduces our dependency on the resources sectors and provides a more flexible business model than some of our technical businesses in other sectors. This strategy can be developed further in all the territories in which we operate. DBK, acquired in April 2016 in the UK, is an illustration of this. Further expansion in this market internationally is an attractive opportunity.

The Board believes the Group's new regional structure provides the platform to enable RPS to return to growth in 2017. Assuming such growth and leverage remaining at the current level or reducing further, as seems likely, there would be flexibility to consider resuming progressive dividends and investments in "bolt on" acquisitions to provide additional growth in 2018.

Risk Management

The Group supplies a wide range of consultancy services in many markets and countries, which gives rise to a range of risks that need to be identified, assessed and managed.

The management of risk is not separated from the business and is treated as an integral part of our culture and the way we operate. Our operating Boards consider the risks to which they are exposed and their mitigation on a continuous basis at each of their regular meetings and for which purpose a structured reporting framework is in place. Against the background of reporting from this level, the Group Executive Committee oversees the operational management of the principal risks to which the Group as a whole is exposed. In turn the Group Board receives regular reporting from the Executive Committee in relation to principal risks and their mitigation. The Group's systems of planning, budgeting, performance review and internal control assist with this process. In considering and challenging this information the Group Board has undertaken a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity.

Economic Environment

The history of the Group demonstrates that by far the greatest negative impact on performance results from external events which are normally related to significant economic changes. This was clearly demonstrated following the global financial crisis in 2008 and the international recessions which followed it and the 2015/16 oil price collapse and the reduced volume of work available to our Energy and oil and gas exposed businesses. Adverse economic changes may cause clients to cancel, postpone or reduce projects as well as increasing risks associated with the recovery of debt and work-in-progress.

Although these macro-economic changes are beyond our control our exposure to a wide range of markets and geographies serves to mitigate overall risk. Economic conditions in our various markets are closely reviewed in order that pre-emptive action can, as far as possible, be taken as circumstances change. Our contracted order book is monitored regularly in comparison to the productive capacity of our fee earning staff and necessary actions are taken to reduce or increase costs as and when required.

Retention of Key Personnel

Internally, experience shows that the biggest risk we face is from losing the personnel who are responsible for managing both client relationships and teams of staff. The Group's services are performed by well-qualified and professional employees with expertise across a wide range of areas. A failure to recruit and retain employees of appropriate calibre will, accordingly, affect our ability to meet our clients' expectations and correspondingly to maintain and develop our business. In addition a failure to anticipate management succession issues adequately may lead to discontinuity in the Group's operations and a corresponding diminution in performance.

As described on pages 15 and 16 the Group maintains competitive remuneration and incentive structures which are reviewed and adjusted on a regular basis. It also maintains an environment that is supportive of professional development through training and career opportunity. Board level succession planning remains under review by the Nomination Committee.

Business Acquisitions

The development of the Group's business continues to be supported by acquisitions. The main risk is the failure of the acquired business to deliver the profit and cash flow anticipated. This could occur if we fail to understand market conditions and potential changes in the sector, or to identify liabilities. There is also a risk that we fail in motivating or retaining staff, especially key staff and that integration takes longer or is more expensive than anticipated.

Detailed due diligence is performed on all potential acquisitions drawing upon both internal and external resources and designed to prevent the above. This will include an assessment of the ability to integrate the acquired business within the Group and its control environment; it cannot, however, identify macro events which occur some years later. The integration of the acquisitions made in 2015 has been successful and work in relation to that made in 2016 is proceeding well.

Political Events

The change and uncertainty arising from political events may have an impact upon the markets in which we operate and our ability to deliver our services to clients. The most significant political risk we have faced for many years arises from the popular vote to leave the European Union. During 2016 we benefited from the weakness in sterling that the leave vote caused, although the impacts we might experience in 2017 and 2018 seem more likely to be negative if inflation or uncertainty take hold. It is not, however, possible to provide any meaningful assessment of the likely impact on Group profits and cash flow.

The US presidential election in 2016 also appeared to produce a significant change of direction. How this will impact the markets in which we operate in the US or internationally is also unclear; again this could produce both positive and negative impacts.

The significant majority of the Group's services are provided in relatively stable and predictable liberal democracies. This coupled with the range of markets and geographies that we serve operates to limit the impact of adverse political developments in particular countries. In so far as changes can be foreseen, measures can be taken to match costs to anticipated workload. The other principal risks faced by the Group, as listed below, are usually of significantly less importance in terms of the scale of impact they might have on profit.

Environmental and Health Risks

Adverse occurrences of this type may affect our ability to deliver our services and our clients' demand for them. Our operations have previously been affected by environmental events such as Macondo oil spill in the Gulf of Mexico. No events of this type have materially affected us in 2016.

Whilst it is impossible to predict events of this type, the wide range of geographies and markets that we serve should limit the impact of adverse occurrences in any specific country or region.

Information Systems

A lengthy failure or discontinuity in our IT systems could have a significant impact upon our operations.

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

A successful cyber-attack upon our system could result in loss of data, disruption to operations or direct financial loss. The Group regularly experiences attempts of this nature but has never suffered any significant loss due to the effective operation of systems and controls in place. We continue to invest in better IT systems, adjust our processes in response to perceived threats and have recruited a Security Officer. The vigilance of our finance staff is important and we regularly communicate with them about our experience of attack and the importance of undertaking basic checks such as identity verification and checking to hard copy data.

Health and Safety

The Group's activities require the monitoring and management of the health and safety of its employees as well as sub-contractors, client personnel and the general public. A failure to manage this risk correctly could expose our employees and these other groups to dangers as well as exposing the Group to potential liabilities and reputational damage.

Detailed health and safety policies and procedures are in place throughout the Group which are designed to identify and mitigate risk. These are subject to regular review to ensure that any emerging risks are identified and managed. Policies and procedures incorporate a structured reporting process which aims to ensure that when incidents do occur they are properly investigated and appropriate corrective action taken. The Group's approach to the management of health and safety is described in more detail on page 16.

Market Position and Reputation

The Group's reputation for project delivery relies upon its public portrayal and the perception of existing and prospective clients. A major failure of project management or delivery could, accordingly, impact our ability to win future work.

The Group operates quality control systems, many of which are externally accredited and are designed to enable our employees to provide a consistently high standard of work.

Claims and Litigation

A failure to deliver our services in accordance with our contractual obligations may lead to a risk of the Group becoming involved in litigation. In addition, as the contracting environment has evolved, clients in some of our businesses have sought to transfer certain risks to the consultants it engages.

The internal review processes operated by the Group seeks to ensure that contractual risks are properly scrutinised and mitigated as far as possible, whilst the management and quality control systems highlighted above minimise the risk of shortfalls in performance that may give rise to claims against the Group. Notwithstanding this, from time to time the Group receives claims from clients against which appropriate professional indemnity insurance is maintained..

Compliance

The Group is subject to a range of taxation and legal requirements across the various jurisdictions in which it operates. A failure to comply with these obligations could give rise to regulatory intervention, financial penalty and reputational damage.

The Group has in place appropriate internal controls to deal with such matters and employs appropriately qualified employees through whom it monitors and responds to the regulatory requirements of the countries in which it operates.

Funding

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

The Group's principal bank facility is a committed multi-currency revolving credit facility of £150m expiring in 2020 as provided by Lloyds and HSBC. In 2014 the Group issued seven year US private placement notes of US$34m and £30m repayable in 2021 under a facility provided by Prudential Investment Management Inc.

Financial Risk Management

In addition to ensuring the availability of sufficient funding the Group faces a number of other financial risks which are fully described in note 29 to the Group Financial Accounts on page 72.

Long Term Viability Statement

In accordance with the requirements of the UK Governance Code the Board has assessed the long term viability of the Group. This was done over a three year period taking account of the risks above as well as the Group's current position, its strategy and the Board's risk appetite. A three year period was chosen as a realistic term over which to assess viability. The Board considered profit and cash flow models based upon a range of assumptions relating to trading performance and other outflows including those associated with the principal risks the Group faces occurring individually and in combination; this included severe but plausible scenarios. Based on this assessment the Directors have a reasonable expectation that the Group will continue in operation and be able to meet its liabilities as they fall due over the period to 31 December 2019.

Corporate Responsibility

Commitment

The Group's corporate governance policies are described in detail elsewhere in this document and provide a framework within which it seeks to achieve attractive levels of return for its shareholders whilst balancing this objective with a recognition of its obligations to its employees, clients and society in general. The Board takes account of any significant environmental, social and governance ('ESG') matters in assessing the risks that the Group faces. The Executive Committee supports the Board in exercising general oversight in relation to ESG matters including the assessment of the opportunities to which such issues give rise. Within this framework the Group has adopted a general approach and specific policies in relation to its employees and their health and safety, the standards through which it conducts business, the environment and the wider community. These are outlined below as well as elsewhere within this report and are detailed more fully on the Company's website. In the Board's view it has adequate information to enable the proper assessment of these issues and where required training in such matters will be provided to Directors. It also the Board's view that the challenges, risks and opportunities created by ESG issues as outlined herein are unlikely to change significantly in the foreseeable future.

The Group remains a constituent member of the FTSE4Good Index, which consists of those companies that satisfy a set of globally recognised standards in the area of corporate responsibility. It is also a participating member of the Carbon Disclosure Project to which it provides data on an annual basis.

Standards of Business

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

RPS supports the Universal Declaration of Human Rights as well as the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. The Group understands its responsibility to respect the human rights of the communities and workforces with whom we interact and our employees are expected to conduct themselves in a manner that is respectful of such rights. The Group supports the objectives of the Modern Slavery Act and will not tolerate modern slavery or human trafficking within its own supply chain. In that regard, it has been reviewing its UK supply chain and conducting an appropriate due diligence exercise. The Group will shortly publish its first modern slavery statement in respect of the year to 31 December 2016.

Community Involvement

RPS has supported a wide range of community and charitable initiatives with gifts in kind and financial contributions throughout the year, mostly at office level. In 2016 the Group and its staff gave or raised £944,000 in charitable contributions (2015: £873,000). Taking into account the £368,000 (2015: £221,000) spent on academic bursaries and educational initiatives, the total contribution of the Group and its employees to the communities in which it operates was £1,312,000 (2015: £1,094,000).

At Group level the work of Tree Aid has continued to be the main area of focus. This is in support of Tree Aid's programme of education, tree planting and woodland conservation programmes to assist some of the poorest communities in sub-Saharan Africa. The Group continues to be this charity's largest corporate sponsor, having made a direct contribution of £72,000 towards projects in Ghana in 2016. In addition the company's employees have through their own fund-raising and volunteering contributed a value of approximately £18,000 to Tree Aid. This has continued to include a number of our specialists providing technical support across a number of disciplines on a 'pro bono' basis. During the year RPS and Tree Aid received a joint business charity award from Third Sector Magazine for their collaboration on the Bongo River Trees restoration project. The Group continues to be proud of its association with Tree Aid and the valuable contribution made by its employees.

Employment

The current profile of the Group's employees presented in accordance with the Group's segmentation during the year and the changes over that period are as detailed below.

Group	2016	2015
Average number of employees		
Built and Natural Environment – Europe	3,220	3,045
Built and Natural Environment – North America	425	445
Energy	364	521
Australia Asia Pacific	970	926
Central	120	117
Group total	5,099	5,054
Employment statistics		
Days absent (%)	2	3
Average length of service (years)	7	7
Working part time (%)	11	11
Retention rate (%)*	82	83
Female	1,530	1,516
Male	3,569	3,538
Female (%)	30	30
Male (%)	70	70
Age profile		%
Employees aged under 25	8	8
Employees aged 25-29	15	14
Employees aged 30-49	53	54
Employees aged 50+	24	24

* Excluding redundancies.

The recruitment, retention and motivation of high calibre employees is of strategic importance for the Group and as highlighted in the Risk Management section above represents an area of principal risk. Each of the Group's businesses therefore maintains appropriate and flexible remuneration structures as well as an environment in which employees are able to develop their skills in a way that can be applied to clients' projects. These arrangements may differ according to jurisdiction and the nature of the specific business but work within a framework that is set by each of the Segmental Boards and overseen at Group level. The Chief Executive has overall responsibility for the development of human resource practice at Group Board level. Human resource professionals are employed throughout the Group to support the objectives of each business and ensure that best practice is followed wherever possible.

The gender profile of the Group's employees is shown in the table above. Of the senior management group that is comprised of Directors of the companies that are included in the Group consolidation, 34 are male and 2 are female. As the Group largely operates in sectors which are male dominated, its ability to recruit female fee earning staff is significantly limited by the employment applications it receives. This is not expected to change in the short or medium term and the Group intends to maintain a policy of employing the best available staff irrespective of gender.

Building an environment in which employees feel engaged with their business and the Group as a whole is of great importance and in particular to ensure the successful integration of newly acquired businesses. The Group intranet is used as a means to communicate developments and achievements from within the Group as well as policies and procedures. Corporate newsletters also facilitate this flow of information. New employees receive an induction and staff appraisals facilitate open communication between employer and employee as well as identifying developmental needs.

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

The Group is committed to the training and development of its employees to enable them to realise their potential and effectiveness. Divisional Directors and project managers are responsible for the management of training and verification of technical competence for project personnel in accordance with our quality management systems. Continuing professional development is of particular importance for professional employees who are required to demonstrate technical competence within their specific sectors. Given the breadth of professional and technical areas in which the Group is engaged this involves supporting training schemes and continuing professional development across a range of disciplines both 'in-house' and through professional bodies. During 2016 RPS continued its long-term practice of supporting staff in pursuing relevant higher education courses. This involved sponsoring courses at universities and colleges across the United Kingdom, Ireland, The Netherlands, USA and Australia. Vacant positions within the Group are, wherever possible, filled from within.

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

Health and Safety

The health and safety of employees and others it may affect is of paramount importance to the Group and it remains committed to good practice that as a minimum complies with the requirements of law. The Group sets the overall framework and standards for the management of health and safety. Within this context each of the Group's businesses is responsible for the development of appropriate safe working conditions and systems to protect employees, contractors, visitors and others who may be affected by the Group's activities. These will differ within various parts of the Group depending on the nature of the activities being undertaken. Where appropriate, work activities are assessed for health and safety risks and appropriate mitigation measures and controls put in place. Employees are trained to ensure that they have the appropriate skills to carry out their job safely and senior management are trained to ensure that obligations to employees for whom they are responsible are properly discharged. The Group's businesses have appropriately qualified health and safety advisors to develop and implement these systems. Health and safety systems are also subject to regular review and audit.

Health and safety issues and performance are reported to and reviewed by all operating Boards at each meeting. This incorporates a system for reporting all near misses, accidents, dangerous occurrences and work-related diseases. All such incidents are investigated to determine the root cause and wherever possible action is taken to mitigate the risk of recurrence. The Group Board receives and reviews a report at every meeting which summarises health and safety performance across the Group as well as detailing any significant incidents and emerging issues.

OHSAS 18001 is an internationally recognised standard for health and safety management that is aligned with the ISO 9000 (Quality Management) and ISO 14000 (Environmental Management) standards. 61% (2015: 40%) of employees across the Group work in offices that now have third party accreditation to the OHSAS 18001 standard.

The reportable accident rate in the year was 1.8 accidents per 1,000 employees (2015: 2.2). Accidents that do occur most commonly relate to field staff and involve manual handling activities, slips and falls.

Reportable Accident Rates

Group	2016	2015
Reportable injuries	10	12
Reportable injuries incident rate per 1,000 employees	1.8	2.2

Environmental Management and Climate Change

As noted in the Risk Management section of this report, environmental issues are most likely to affect the Group through the impact material adverse events may have on its trading. Whilst given the nature of its activities the Group's own impact on the environment is comparatively modest, policies and standards are in place, which aim to minimise this impact wherever possible. The Group can, however, make a greater contribution to the environment through its own expertise and many of the projects with which it is involved. It advises international bodies, governments, local authorities and companies on the improvement of environmental performance. Projects include the development of strategies to reduce carbon emissions and the adaptation of buildings and infrastructure to anticipate climate change as well as the preparation of Environmental Impact Assessments across several sectors.

The Group endeavours to:

- comply with all relevant national and regional legislation as a minimum standard;
- comply with relevant codes of practice and other requirements such as those specified by regulators and our clients;
- employ practical energy efficiency and waste minimisation measures; and
- provide an inter-office IT network together with communications and video conferencing technology that reduces business travel.

To achieve these objectives appropriate training is provided where required to enable activities to be conducted in an environmentally sensitive manner and sufficient management resources are allocated to enable effective implementation of policies. A number of the Group's operating businesses have achieved ISO14001, the internationally recognised environmental management system standard. During 2015 many of our offices continued to recycle waste paper, spent toner and ink cartridges, obsolete computer hardware, printers and mobile phones.

Greenhouse Gas Reporting

For the reporting year to 31 December 2016 the Group has used the 2016 UK Government Conversion Factors for Company Reporting and for international offices the International Energy Agency CO_2 Emissions from Fuel Combustion, OECD/IEA, Paris, 2016 guidance. Greenhouse gas emissions are reported using the following parameters to determine what is included within the reporting boundaries in terms of RPS energy consumption.

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

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

	2016	2015
Scope 1: Direct emissions	9,399	8,122
Scope 2: Indirect emissions	4,106	4,516
Total	13,505	12,638

The increase in Scope 1 emissions is largely attributable to the year on year growth in the UK based RPS Water business and a corresponding growth in the size of its vehicle fleet.

The Group has set a target to reduce per capita office energy consumption by 2.5% per annum on a five year rolling average basis. Using this approach the five year rolling average up to 2015 was 3.45 MWh per capita which decreased to 3.12 MWh per capita for the five year rolling average to 2016, equating to a decrease of 2.1% per annum.

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

The Strategic Report was approved by
the Board and signed on its behalf by

Alan Hearne

Chief Executive

2 March 2017

The Board

Ken Lever

Non-Executive Chairman

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

Dr Alan Hearne

Chief Executive

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

Gary Young

Finance Director

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

Robert Miller-Bakewell

Independent Non-Executive Director

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

Louise Charlton

Independent Non-Executive Director

Louise was appointed to the Board in 2008 and is serving a third three-year term. She is Vice-Chairman of Brunswick Group LLP, the international corporate communications group of which she was a co-founder. Louise also serves on the Board of Brunswick Arts, an international strategic communications consultancy specialising in the cultural sector and Merchant Cantos, a leading creative communications agency. She has also served as a Director and Trustee of the Natural History Museum. Louise is a member of the Remuneration and Nomination Committees.

John Bennett

Independent Non-Executive Director

John served as a Non-Executive Director between 2006 and 2015 and was re-appointed in that role in April 2016. He is a Chartered Accountant with 30 years' experience in the house building industry. He was Finance Director of Westbury plc, until it was acquired in early 2006. He has wide experience of financial management, capital and debt raising, acquisitions and investor relations, having played a leading role in the strategic development of Westbury into a top ten volume house builder in the UK. John was re-appointed to the Board for a maximum period of two years. He is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees.

Report of the Directors

The Directors present their report together with the audited financial statements of RPS Group Plc and its subsidiary undertakings (the 'Group') for the year ended 31 December 2016.

Directors

The Directors of the Company as at 31 December 2016 were those listed on page 18. Andrew Page, Phil Williams and Brook Land retired as Directors on 26 April 2016, 30 September 2016 and 31 October 2016 respectively. John Bennett was appointed as a Director on 27 April 2016 and Ken Lever was appointed on 1 November 2016. There were no other changes to the Board during the year. The Directors' interests in the share capital of the Company are as shown in the Annual Report on Remuneration on page 92.

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

Results and dividend

The Consolidated Income Statement is set out on page 37 and shows the profit for the year. The Directors recommend a final dividend of 5.08p (2015: 5.08p) per share. This together with the interim dividend of 4.66p (2015: 4.66p) per share paid on 14 October 2016 gives a total dividend of 9.74p (2015: 9.74p) per share for the year ended 31 December 2016.

Strategic Report

The Group's Strategic Report can be found on pages 3 to 17 and includes information as to the likely future development of the Group. Financial key performance indicators can be found on page 8. The Directors review performance using these non-statutory measures as well as segmental and underlying profit, as they consider the former to be more reflective of the way the business is managed and viewed by the investment community. These performance measures are defined in note 1(g) of the Consolidated Financial Statements. Note 3 includes a 'Group Reconciliation' of the adjusted measures to the statutory results. The Board does not use non-financial key performance indicators to assess the Group as a whole, although parts of the Group do use such indicators from time to time.

The Strategic Report contains certain forward looking statements with respect to the financial condition, results of operations and businesses of RPS. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. The Strategic Report includes information as to likely future developments in the business of the Group. Nothing in the Strategic Report should be construed as a profit forecast.

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

Corporate Governance

The Directors' report on corporate governance can be found on pages 23 to 28 and incorporates other parts of the Report and Accounts as detailed therein.

Employees

The Group's policies in relation to employees are disclosed on page 15.

Corporate Responsibility

The Group's corporate responsibility statement is included on pages 14 to 17. This includes the disclosures concerning greenhouse gas emissions that are required pursuant to part 7 of The Companies Act (Strategic Report and Directors' Report) Regulations 2013. The Group made no contribution to political organisations during the year.

Substantial shareholdings

The Company is aware of the following interests in excess of 3% of the ordinary share capital of the Company as at 28 February 2017.

	No. of shares	Percentage
Aberforth Partners	22,521,818	10.08
Schroder Investment Management	12,429,589	5.56
UBS Asset Management	12,386,481	5.54
Neptune Investment Management	11,338,430	5.07
Majedie Investment Management	8,561,725	3.83
BlackRock	6,892,301	3.08

Going concern

The Group's business activities, a review of the 2016 results together with factors likely to affect its future development and prospects are set out on pages 7 to 10. Note 16 to the Consolidated Financial Statements sets out the borrowings of the Group and considers liquidity risk, whilst note 29 describes the Group's approach to capital management, and financial risk management in general.

The Group has a diverse range of businesses in a spread of geographies which serve to limit the overall impact of adverse conditions in any particular market. In this regard and notwithstanding the scale of the downturn in the Group's Energy business, the Group continues to enjoy strong cash flow and operates well within the financial covenants applying to its main bank facility. The Group's bank facilities were renewed during 2015 and will not expire until July 2020.

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Group's Long Term Viability Statement is shown on page 13.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Each of the persons who is a Director at the time of this report confirms that so far as he or she is aware there is no relevant audit information of which the Company's auditor is unaware and that he or she has taken all the steps that he or she ought to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland." Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

Group Financial Statements

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

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

Parent Company Financial Statements

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

- select suitable accounting policies and then apply them consistently;

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibilities pursuant to DTR4

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Financial instruments

Details on the use of financial instruments and financial risk are included in note 16 and note 29 to the Consolidated Financial Statements.

Post balance sheet events

There are no significant post balance sheet events to report.

Takeover Directive

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

As at 31 December 2016 the Company's issued share capital consisted of 223,435,014 ordinary shares of 3p each. At a general meeting of the Company every holder of ordinary shares present in person is entitled to vote on a show of hands and on a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. There are no shares in issue that carry special rights with regard to control of the Company. There are no restrictions on the transfer of ordinary shares in the Company other than those that may be imposed by law or regulation from time to time. The Company's Articles of Association may be amended by special resolution at a general meeting of the shareholders. Directors are appointed by ordinary resolution at a general meeting of the shareholders. The Board can appoint a Director but anyone so appointed must be elected by an ordinary resolution at the next general meeting. Under the Articles of Association any Director who has held office for more than three years since their last appointment must offer themselves for re-election at the next annual general meeting. It is the Company's policy, however, that all Directors should stand for annual re-election.

The Directors have power to manage the Company's business subject to the provision of the Company's Articles of Association, law and applicable regulations. The Directors have power to issue and buy back shares in the Company pursuant to the terms and limitations of resolutions passed by shareholders at each annual general meeting of the Company. No such power was exercised during the year under review. Directors' interests in the share capital of the Company are shown in the table on page 92. Substantial shareholder interests of which the Company is aware are shown on page 20.

Listing Rule 9.8.4C

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

Annual General Meeting

The Annual General Meeting will be held on 2 May 2017. The Notice of Annual General Meeting circulated with this Report and Accounts contains a full explanation of the business to be conducted at that meeting. This includes a resolution to re-appoint Deloitte LLP as the Company's Auditor.

By order of the Board

Nicholas Rowe
Secretary

2 March 2017

Registered Office:
20 Western Avenue
Milton Park
Abingdon
Oxfordshire OX14 4SH

Registered in England No. 02087786

Corporate Governance

UK Corporate Governance Code

The Board is pleased to report that throughout the year the Company complied with all provisions of the UK Corporate Governance Code (the 'Code') as applicable to a small market capitalisation company. The Chairman's Statement which appears on pages 3 and 4 includes a section relating to Corporate Governance and provides context to this detailed report.

Board Responsibilities

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

- determination of the Group's overall strategy
- the approval of annual targets and financial reporting including annual and half year results and interim management statements
- the recommendation and approval of dividends and other capital distributions
- the approval of significant acquisitions and disposals
- the approval of policies and systems for risk management and assurance
- the appointment of key advisers to the Group
- the approval of major items of capital expenditure
- the settlement of major litigation.

Board Structure

At the date of this report the Board comprised two Executive Directors, three Non-Executive Directors and the Chairman. Andrew Page retired as a Non-Executive Director on 26 April 2016 and Phil Williams retired as an Executive Director on 30 September 2016. John Bennett was appointed as Non-Executive Director on 27 April 2016. Ken Lever was appointed as Group Chairman on 1 November at which time Brook Land stood down from the Board. The Executive Directors are responsible for the day-to-day management of all the Group's business activities.

The Non-Executive Directors are, in the opinion of the Board, all independent of management and contribute independent judgement as well as bringing extensive knowledge and experience to the proceedings of the Board. In particular the Board is of the view that John Bennett, who having previously served for nine years and was reappointed as a Non-Executive Director during the year, satisfies this test of independence. The Chairman and the Non-Executive Directors are generally appointed for three-year terms, which may subsequently be extended. John Bennett was re-appointed to the Board on the basis that he would serve for a maximum term of two years. Any term beyond six years for a Non-Executive is rigorously reviewed, taking account of the requirement to refresh the Board. Ken Lever and John Bennett having both been appointed during the year will be subject to election at the forthcoming Annual General Meeting. All Directors are subject to annual re-election by shareholders.

The Chairman and Chief Executive have clear and distinct roles. The Chairman provides leadership to the Board of Directors and is responsible for its overall effectiveness. This will include ensuring that all Directors are properly briefed in order to take a full and constructive part in Board discussions. The Chairman will meet regularly with major shareholders in order to understand their views and seek their input on specific matters. The Chief Executive is responsible for all executive management matters within the Group. This incorporates the development of Group Strategy, financial targets and business plans having regard to the interests of the Group's shareholders, clients and employees.

The Senior Independent Director is available to shareholders who wish to raise concerns that cannot be resolved through the Chairman, Chief Executive or Finance Director. Robert Miller-Bakewell acted as the Senior Independent Director throughout the year.

The Board is assisted by the Audit, Remuneration and Nomination Committees. The Chairman of each Committee provides updates as to its activities at Board meetings.

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

	Full Board	Audit Committee	Remuneration Committee	Nomination Committee
Ken Lever*	1	–	–	1
Brook Land*	7	–	–	2
Alan Hearne	8	–	–	–
Gary Young	8	–	–	–
Phil Williams*	6	–	–	–
John Bennett*	5	2	4	3
Louise Charlton	8	–	7	5
Robert Miller-Bakewell	8	3	7	5
Andrew Page*	2	1	2	–
Number of meetings held	8	3	7	5

* served for part year only

Board Operations

The Board generally meets eight times annually, although additional meetings may be held should circumstances require. The Board agenda gives significant focus to business performance and strategy balanced by consideration of emerging risks and the control environment. Comprehensive papers are circulated well in advance of Board meetings which include general updates and briefings on significant issues from the Chief Executive, the Finance Director and the Company Secretary. These regular reports and other matters of immediate importance are discussed at each meeting. The Company Secretary assists the Chairman in ensuring that Board procedures are followed and advises on matters of Corporate Governance. The services of the Company Secretary are available to Directors generally. Outside of Board meetings the Chairman has regular individual discussions with all Directors.

The Non-Executive Directors hold meetings with the Chairman without the Executives present at least twice a year.

The Executive Committee, which has historically consisted of the Executive Directors supported by the Company Secretary, meets regularly throughout the year and has overall responsibility for all operational matters within the Group, subject to those matters that remain reserved for the Board. With effect from 1 January 2017 the Executive Committee has been enlarged to include the Group's three Regional Business Leaders. The minutes of all Executive Committee meetings are circulated to the Non-Executive Directors.

Where Directors have concerns that cannot be resolved regarding the management of the Company or a proposed action, these concerns are recorded in the Board minutes. In accordance with Company policy any concerns expressed by a Director on resignation are provided, in a written statement, to the Chairman for circulation to the Board. No matters of this nature have arisen during the year.

The Company's Articles of Association contain provisions that allow Directors to authorise conflicts in accordance with the Companies Act 2006. These provisions enable the Directors to authorise a conflict, subject to such terms as they may think fit, which may include exclusion from voting in respect of the relevant issue and exclusion from information and discussion relating to the matter. The procedure approved by the Board for authorising conflicts reminds Directors of the need to consider their duties as Directors and not to grant an authorisation unless they believe, in good faith, that this would be likely to promote the success of the Company. A potentially conflicted Director cannot vote on such an authorising resolution or be counted in a quorum for that purpose. Any authority granted may be terminated at any time and the Director is informed of his obligation to inform the Company without delay should there be any change in the nature of the conflict previously authorised. In addition, the Board requires the Nomination Committee to check that any individual it nominates for appointment to the Board is free of any potential conflict of interest.

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

The Group's strategy and its business model are described on pages 5 and 6.

Board Performance

The Board undertakes an annual appraisal of its performance. Following his appointment as Group Chairman, Ken Lever undertook an initial review of the operation and effectiveness of the Board. For this purpose Mr. Lever engaged with all of the Company's Directors across a range of topics to ascertain their opinions. No material matters of immediate concern arose. Non-Executives, led by the Senior Independent Director, meet on an annual basis to appraise the Chairman's performance.

On appointment Directors receive information on the Company as well as the Board and its procedures. They also meet other members of the Board to be briefed on strategy, financial matters and other key issues. Advice is available from the Company's solicitors, auditors and brokers if required. During the year updates are provided on key technical issues as required including those relating to corporate governance and corporate social responsibility. Non-Executive Directors periodically undertake visits to operating companies and attend their Board meetings in order to improve their understanding of the issues facing the Group's businesses.

Communication

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

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

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

Audit and internal controls

The respective responsibilities of the Directors and the independent auditors in connection with the accounts are explained on pages 20 to 21 and 36 and the statement of the Directors in respect of going concern appears on page 20. The long term viability statement is set out on page 13.

The Board has throughout the year and up to the date of approval of the financial statements had procedures in place as recommended in the guidance in the UK Corporate Governance Code and the supporting document issued by the Financial Reporting Council 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'. The principal risks to which the Group is exposed and the measures to mitigate such risks are described on pages 11 to 13.

The Board is responsible for the Group's systems of risk management and internal control, which are designed to provide reasonable but not absolute assurance against material misstatement or loss. This subject is kept under ongoing review and the Board receives and considers regular reports relating to the Group's system of risk management and internal control. In addition a detailed review of the Group's system of internal control and risk management was undertaken by the Audit Committee during the year, the outcome of which was reported to and discussed with the Board. The Audit Committee and the Board were satisfied that the systems in place are appropriate and effective.

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

Financial reporting

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

Financial and accounting principles and internal financial controls assurance

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

Capital investment

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

Treasury

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

Delegated Authorities

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

Review and reporting

Internal controls and in particular any failures are reported to and reviewed at Group and operating Board meetings in order that changes to systems can be implemented where required. In addition the Audit Committee maintains a brief to keep the overall systems of internal control under review. Although the Group does not at present operate a distinct internal audit department, it does, through a Group Assurance Manager, undertake a structured programme of control reviews at its various operating companies.

Audit Committee

The Audit Committee currently comprises two Independent Non-Executive Directors, John Bennett and Robert Miller-Bakewell. Andrew Page served as a member of the Committee and as its Chairman until his retirement from the Board. John Bennett assumed the role as Chairman on his appointment to the Committee in April 2016. The Committee has written terms of reference which are available on the Company's website and on request from the Company Secretary. Although the Board considers that both members of the Committee have experience that is relevant to the role, John Bennett is the member of the Committee identified as having recent and relevant financial experience.

The Committee holds three regular meetings during the year, one to consider audit planning and one to coincide with each of the publication of Group's annual and interim financial results. Other matters which fall within the Committee's terms of reference are included on the agendas of these meetings as required.

At its annual planning meeting in September the Committee reviews and approves plans with the Auditors including the locations to be audited as well as the scope and key areas of audit focus. At the conclusion of the audit the Committee reviews the integrity of the Group's financial statements and the report and accounts as a whole prior to their submission to the Board. This review includes ensuring that statutory and associated legal and regulatory requirements are met as well as considering significant reporting judgements, the adoption of appropriate accounting policies and practices and compliance with accounting standards. In respect of the year under review the Committee considered the following significant issues in relation to the financial statements and in each case addressed these as indicated.

Intangible assets

This classification of assets is by far the largest on the Group balance sheet and as such receives careful attention from the Board and Committee which need to be satisfied that its carrying value is appropriate. Goodwill impairment testing was undertaken on the November balance sheet. The Board and Committee considered the appropriateness of the cash generating units for goodwill testing and the assumptions and estimates used in the modelling, including approved budgets for 2017. The conclusion was that no impairment was necessary. Consideration was also given as to whether there were any indicators of impairment in respect of other intangible assets. The Board and Committee agreed that no indicators of impairment exist.

Acquisition accounting

One acquisition was completed in the year and estimates are made with respect to the fair value of the net assets acquired and the consideration transferred. The valuation work undertaken uses a spreadsheet model constructed with the help of valuation experts and the inputs to the model are derived from data provided by the entity acquired and from recognised sources or using prior experience. The Group Finance Director presented a paper to the Audit Committee on this subject in respect of the acquisition and the Committee agreed with and approved the valuations made.

Recoverability of trade debtors and accrued Income

The risk that trade debtors and accrued income may not be collected and therefore may be overstated in the accounts is considered by the Board at its regular meeting when it reviews business performance. The reports prepared for those meetings contain age profile information by segment and consider specific issues in more detail as necessary. The Board reviewed a detailed paper presented by the Group Finance Director on debtors and accrued income as at the end of September and concluded that trade receivables were then appropriately stated. The Board received an update paper in respect of trade receivables within the Energy segment as at the year end and concluded that they were appropriately stated at that point.

The Committee appreciates that there is estimation applied in the recognition of revenue but does not consider this to be a key area of risk. The number of projects undertaken at any time is large and there are relatively few that are individually material. The procedures in place for recognising revenue are well established and comprehensive financial review of monthly results provides a good level of assurance.

Following the review conducted by the Audit Committee and its own consideration, the Board was able to conclude that the Report and Accounts for 2016, taken as a whole, is fair, balanced and understandable as well as providing the information necessary for shareholders to assess the Group's performance, business model and strategy. In reaching this conclusion the Board was satisfied that the Group's performance across its segments, as well as its business model, strategy and the key risks that it faces are clearly explained in the relevant sections of the Report and Accounts.

The Audit Committee keeps the scope, cost and effectiveness of the external audit under review. The Committee reviews the effectiveness of the annual audit prior to making recommendations as to the annual re-appointment of Auditors. To facilitate this process the Group Finance Director canvasses the views of the Group's operating companies on the conduct of the audit. He then reports this feedback to the Committee as well as the performance of the Auditors at Group level. Deloitte LLP was appointed as Group Auditors in June 2012 following a tender process. The independence of the external auditor is also reviewed each year and audit partners are rotated at least every five years. The Company's policy is that Group audit appointment should be retendered at least every ten years.

As part of its responsibility to ensure independence and objectivity the Committee has adopted a policy to determine the circumstances in which Auditors may be permitted to undertake tax compliance work for the Group. Under the terms of this policy the provision of certain services are prohibited and include those listed below:

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

The split between audit and non-audit fees for the year under review appears in note 8 on page 52. Certain limited scope compliance work undertaken by Deloitte LLP during the year was handled by teams that were separate and independent from the external audit team and were led by different senior partners. The Committee was satisfied that appropriate safeguards were in place and that the provision of these additional services by Deloitte LLP did not affect their independence as external auditor. Advisory work is undertaken by other firms.

The Committee also monitors the effectiveness of the Group's internal financial controls and risk management processes; this included assisting the Board in conducting the review of internal controls described on page 25. In conjunction with this exercise the Committee also reviewed the possible need to establish an internal audit function. In considering this point the Committee was cognisant of the detailed review work undertaken by members of the Group Finance Department whilst visiting various parts of the Group's operations and that the volume of such work increased during the year. Taking account of this and its general level of confidence in the Group's systems of internal control it concluded that the establishment of a distinct internal audit department was not appropriate at that time but that this will be kept under regular review. Notwithstanding this the Group has continued to develop and extend a system whereby members of the Group finance function undertake control reviews at operating companies. This work has now been given greater focus and further enhanced through the appointment of a Group Assurance Manager.

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

Nomination Committee

The Committee meets as required and currently comprises the Group Chairman who also chairs the Committee and the Company's three Non-Executive Directors. Robert Miller Bakewell acted as Chairman of the Committee until Ken Lever assumed that role on his appointment to the Board in November 2016. Brook Land was a member of the Committee until his retirement from the Board.

The Committee's key responsibilities include reviewing the Board structure, size and composition as well as evaluating the balance of skills, knowledge and experience which may be required in the future and making recommendations to the Board accordingly. It is also responsible for nominating candidates to the Board when vacancies arise, recommending Directors who are retiring to be put forward for re-election and where appropriate considering any issues relating to the continuation in office of any Director. It has written terms of reference which are available on the Company's website and on request from the Company Secretary.

During the year the Nomination Committee led a process to identify and recruit a new Group Chairman. For this purpose Spencer Stuart was used as an external search consultancy; Spencer Stuart has no other connection with the Company. A detailed specification for the role was prepared and the time commitment to undertake the role considered. A structured search, referencing and interview process was then undertaken. This culminated with the Committee recommending the appointment of Kenneth Lever as a new Group Chairman. The Board then considered this recommendation and concluded that Mr. Lever should be appointed. The retiring Chairman did not participate in the Committee's processes or deliberations relating to its recommendation to the Board.

The range of skills and experience offered by the current Directors is highlighted on page 18 and the Committee was satisfied with the balance and membership of the Board throughout the year under review. The Committee does, however, remain mindful of the need to ensure its periodic refreshment and to review the position as Non-Executive Directors terms of office expire. The Committee also maintains an ongoing brief to consider succession planning at Board and Senior Executive level.

Although the Group's previously announced target that a minimum of 25% of its Board membership should be female is not currently being met, the Committee and the Board remain mindful of the importance of diversity and will continue to consider this in their deliberations.

Louise Charlton's third three year term as a Non-Executive Director will expire in April 2017 and as noted in the Chairman's Statement she will remain in office until such time as a replacement is identified.

Remuneration Committee

The membership and activities of the Remuneration Committee are described in the Remuneration Committee Report on pages 29 and 30 together with the accompanying notes on pages 87 to 95.

Takeover Directive

Disclosures required under the Takeover Directive are included on page 21 and form part of the Group's Corporate Governance report.

Remuneration Committee Report

Annual Statement

I am pleased to present the Remuneration Committee Report for 2016, which consists of two parts. In my Annual Statement I outline the links between remuneration and the Company's strategy as well as summarising the main decisions made by the Committee during the year. The Annual Report on Remuneration which consists of the information on page 30 and notes 1 to 12 on pages 87 to 95 incorporates the remuneration disclosures required in respect of the year.

Remuneration Policy

During the year the Remuneration Committee undertook a review a review of the current policy and concluded the following.

- RPS needed a competitive, simple and performance driven Policy aligned to execution of the long-term business strategy.
- In the absence of a stand-alone long-term incentive arrangement the Remuneration Committee did not have all the tools required to incentivise long-term sustainable performance. In addition, the introduction of a more standard long-term incentive plan would be in line with shareholders' desire to see an increased proportion of the remuneration package 'at risk' for long-term performance outcomes.
- The new policy should appropriately reflect evolving corporate governance requirements and best practice.

The Remuneration Committee then consulted with its principal shareholders in connection with the development of a new remuneration policy and two new incentive plans to form part of that policy. The Committee is grateful to shareholders for the feedback received and which was taken into account in finalising the new policy.

The new policy was approved at a general meeting of the Company held on 30 November and took effect from 1 January 2017. This was set out in full in the circular sent to shareholders, a copy of which is available on the Company's website. A summary of the main elements of the new policy as applicable to the Executive Directors is shown in the notes to the Remuneration Report on pages 87 to 90. During the consultation exercise the Committee undertook to include the performance conditions that would apply for 2017 in respect of the RPS Group Plc Executive Long Term Incentive Plan and these are shown in the notes to the Remuneration Report on page 90.

Performance and Remuneration outcomes for 2016

During 2016 the RPS Group Plc Bonus Plan (the 'Plan') was the sole incentive arrangement in place for the Executive Directors of the Company. The principal financial performance condition for the Plan is PBTA, with conversion of profit to cash and personal objectives as secondary conditions. The Company's key performance indicators which are a measure of success in delivering the Company's strategy include PBTA and conversion of profit to cash.

In accordance with the above bonus opportunity for 2016 was assessed against PBTA (70%), cash collection (20%) and personal objectives (10%). As the PBTA performance for the year did not meet the minimum performance level, no bonus contribution was earned in respect of this element. The Minimum Profit Threshold of £50m set by the Committee before bonus contributions in respect of cash collection and personal objectives could be earned was, however, exceeded. Cash collection for the year was very strong at 117% and was above the upper end performance target of 110% set for this element by the Committee, with the result that the maximum bonus contributions was earned by each Executive Director for this element. In respect of personal objectives the Committee concluded that although those for Alan Hearne and Phil Williams had not been satisfied those for Gary Young had been met. Gary Young therefore earned the maximum available contribution in respect of this element. The bonus contribution in respect of Phil Williams was pro-rated to his service as a Director up to 30 September 2016. Further details in relation to the Plan are set out in note 2 to the Annual Report on pages 90 and 91.

In accordance with the new remuneration policy 2016 was the final year in which the Plan was operated.

Other Remuneration Decisions

The Executive Directors' salaries were reviewed as at 1 January 2016 and no adjustments were made. A further review was undertaken as at 1 January 2017 and whilst the salary of Alan Hearne was unchanged the Committee determined to increase the basic salary of Gary Young from £288, 600 to £310,000. This was to reflect the greater level of responsibility which it has been necessary for Mr. Young to assume on reduction of the number of Executive Directors on the Board from three to two. In making this change the Committee also considered relevant benchmarking data and was satisfied that Mr. Young's basic salary and level of overall remuneration were no greater than the median of the Company's comparator groups.

Phil Williams, retired as a Director on 30 September 2016. He is being paid normal contractual benefits until 20 March 2017 and is being treated as a good leaver for the purpose of the RPS Group Plc Bonus Plan.

Robert Miller-Bakewell

Chairman of the Remuneration Committee
2 March 2017

Annual Report

Audited Information

The following table sets out the total of the remuneration received by each of the Directors during the year under review.

Director £000s	Base Salary or Fees		Benefits		Bonus		Long Term Incentives		Pensions		All Employee Share Plan		Total	
Year	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Executive														
Alan Hearne	**581**	581	**19**	19	**233**	–	**–**	–	**145**	145	**3**	3	**981**	748
Phil Williams †	**314**	428	**12**	16	**113**	–	**–**	–	**55**	75	**2**	3	**496**	522
Gary Young	**289**	289	**16**	16	**130**	–	**–**	–	**43**	43	**3**	3	**481**	351
Non–Executive														
Ken Lever †	**23**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**23**	–
Brook Land †	**114**	136	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**114**	136
John Bennett †	**36**	18	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**36**	18
Louise Charlton	**43**	43	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**43**	43
Robert Miller–Bakewell	**64**	64	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**64**	64
Andrew Page †	**17**	50	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17**	50
Tracey Graham †	**–**	36	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	36
Total	**1,481**	1,645	**47**	51	**476**	–	**–**	–	**243**	263	**8**	9	**2,255**	1,968

† The remuneration payable to Phil Williams and the fees payable to Ken Lever, Brook Land, John Bennett and Andrew Page in 2016 were for part of the year only. Their respective appointment and leaving dates are shown in the Corporate Governance Statement on page 23. Tracey Graham only served as Director during part of 2015.

The following table shows the relationship between total remuneration received by the Directors and reported Group profits.

£000s	Total Remuneration	PBTA	Remuneration received as % of PBTA
2015	1,968	51,800	3.8
2016	2,255	50,700	4.4

The additional information that is required under the Regulations which form part of the annual report for the year ended 31 December 2016 has been included in notes 1 to 12 on pages 87 to 95. This additional information is unaudited with the exception of notes 2 to 6.

The Annual Remuneration Report was approved by the Board and signed on its behalf by

Robert Miller-Bakewell

Chairman of the Remuneration Committee

2 March 2017

Independent auditor's report to the members of RPS Group Plc

Opinion on financial statements of RPS Group Plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements that we have audited comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated Cash Flow Statement;
- the Consolidated and Parent Company Statements of Changes in Equity; and
- the related notes 1 to 31 and Parent Company notes 1 to 15.

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

Summary of our audit approach

Key risks	The key risks that we identified in the current year and had the greatest effect on our audit strategy were: ▪ revenue recognition; ▪ assessment of the carrying value of goodwill and intangible assets; and ▪ recoverability of trade receivables and accrued income. Within this report, any new risks are identified with and any risks which are the same as the prior year identified with .
Materiality	The materiality that we used in the current year was £2,500,000 which was determined on the basis of 5% of profit before tax, amortisation and transaction related costs (PBTA) as detailed in note 1(g). This equates to 7.8% of PBT.
Scoping	We focused our Group audit scope and work on the business units at 6 locations. Within the 6 locations, 23 business units were subject to a full audit scope, whilst the remaining 10 were subject to specified audit procedures.
Significant changes in our approach	The Canadian business has not been included in the current year scope due to its reduced significance in the context of the Group audit. Given that there have been no significant acquisitions in the second half of the year and only one small acquisition (DBK) in the first half of the year, we did not consider acquisition accounting to be a significant audit risk in the current year.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within the Director's report on page 20 and the Directors' statement on the longer-term viability of the Group contained within the strategic report on page 13. We are required to state whether we have anything material to add or draw attention to in relation to: ▪ the Directors' confirmation on page 11 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; ▪ the disclosures on pages 11-13 that describe those risks and explain how they are being managed or mitigated; ▪ the Directors' statement in the Directors report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and ▪ the Directors' explanation on page 20 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We confirm that we have nothing material to add or draw attention to in respect of these matters. We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.	We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Revenue recognition	
Risk description	The Group is engaged in the provision of consultancy services through contractual arrangements with its customers. The revenue balance was material at £594m (2015: £567m). The risk in revenue recognition focusses on the judgement involved in determining the extent of revenue to be recognised on contracts open at year end. There is significant management judgement in determining the revenue to be recognised and in particular in estimating the stage of completion of, and the costs to complete, open contracts at the balance sheet date. We have therefore specified this risk as relating to the cut-off (recording) of revenue. The Group's revenue recognition policy is disclosed in note 1(c).

How the scope of our audit responded to the risk	Our audit work assessed the adequacy of the design and implementation of controls over the recognition of revenue for all full scope components. We tested in detail a sample of contracts, by comparing them to the signed contract terms, agreeing inputs to the related time records, and understanding and challenging the estimated costs to complete. Based on our findings from this, we determined whether revenue recognition was appropriate based on management's assessment of the stage of completion.
Key observations	Based on our procedures, no issues were identified with the cut off (recording) of revenue.
Assessment of the carrying value of goodwill and intangible assets	
Risk description	At 31 December 2016, the net book value of goodwill and intangible assets was £456m (2015: £417m) after impairments. The associated disclosure is included in note 11 and the accounting policy is disclosed in note 1(e). The Audit Committee has included their assessment of this risk on page 26 and it is also included in the key accounting estimates in note 1 (i). Assessment of the carrying value of goodwill and intangible assets is a significant risk due to the quantum of the balance, the number of judgements involved in assessing impairment, and the continuing challenging economic conditions particularly in those businesses with significant exposure to the oil and gas market. The Group's assessment of the carrying values of goodwill and intangible assets is based on assumptions of future segmental cash flows, including assumptions on short and long-term revenue and profit growth rates and the selection of appropriate discount rates.
How the scope of our audit responded to the risk	Our audit work assessed the adequacy of the design and implementation of controls over management review of goodwill and intangible asset impairment. Our work focused on challenging management's assumptions and the appropriateness of their judgements and forecasts used as part of their value in use calculations, specifically the Energy sector, given the continued uncertainty in the oil and gas market. We considered management's revenue forecasts in the light of current trading conditions. We compared management's forecasts against current and historical results with particular focus on the oil and gas sector. We used our valuation specialists to calculate an acceptable range of discount rates and compared our range to that determined by management. We examined the short term growth rates by using market data and considering historical growth rates. We benchmarked the long-term growth rates against external peer group published rates and market data. We also performed sensitivity analysis on the amount and timing of cash flows. We have considered the adequacy of the associated disclosures.
Key observations	Based on our testing, we deemed the methodology applied by management to be appropriate. We consider that the forecasts and growth rates applied by management in assessing the carrying value of goodwill and intangible assets were reasonable. We deemed the discount rates used to be within an acceptable range. Our sensitivity analysis did not indicate probable impairment factors.
Recoverability of trade receivables and accrued income	
Risk description	At 31 December 2016 trade receivables were £119m (2015:£113m) net of the provision for impairment and accrued income was £33m (2015: £29m) net of the provision for impairment. The trade receivables provision for impairment was £6.0m (2015:£10.9m) and the accrued income provision for impairment was £4.4m (2015:£3.6m) these are disclosed in note 14. Recoverability of trade receivables and accrued income is a significant risk due to the material nature of these balances and the uncertain economic environment in certain geographic locations were the Group operates. The Audit Committee has included their assessment of this risk on page 26.

How the scope of our audit responded to the risk	Our audit work assessed the adequacy of the design and implementation of controls of aged trade receivables and accrued income. We assessed the assumptions used in management's calculations and the appropriateness of judgements on the completeness of the provisions against trade receivables and accrued income by: ▪ understanding the latest facts and circumstances, examining any relevant correspondence and challenging any conclusion by management regarding provisions for aged receivables; ▪ reviewing cash received post year end on a sample of customer debts; ▪ reviewing the overall ageing analysis for trade receivables and accrued income by entity and customer; and ▪ challenging specific balances which were significantly past-due but not impaired and reviewed for cash received post year end.
Key observations	Based on our procedures, no material issues were identified which raised concerns over the recoverability of trade receivables and accrued income beyond those provided by management and we concur that the levels of provisions are appropriate.

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

Our application of materiality

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

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

Group materiality	£2,500,000 (2015: £2,500,000)
Basis for determining materiality	5% (2015: 5%) of adjusted pre-tax profit, adjusted for amortisation and impairment of acquired intangible assets and transaction related costs (PBTA). This basis is consistent with the prior year. This equates to 7.8% of PBT.
Rationale for the benchmark applied	We chose this measure as it is the Group's key profit performance indicator.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £100,000 (2015: £125,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The change in the reporting threshold has been made following our reassessment of what matters require communicating.

We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope and work on the business units at 6 locations – UK, Australia, USA, Norway, Netherlands and Ireland (2015: 7). The Canadian business has not been included in the current year scope, due to its reduced significance in the context of the Group audit. Within the 6 locations, 23 (2015:24) business units were subject to a full audit scope, whilst the remaining 10 (2015: 12) were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These locations, incorporating those covered by specified audit procedures, account for 87% (2015: 92%) of the Group's net assets, 90% (2015: 93%) of the Group's revenue and 87% (2015: 93%) of the Group's profit before tax, amortisation and transaction-related costs. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £0.05m to £1.0m (2015: £0.1m to £1.25m).

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

The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor and or a senior member of the Group audit team visits in-scope overseas components on a rotational basis. Every year, regardless of whether we have visited or not, we include the component audit partner and other senior members of the component audit team in our team briefing, discuss their risk assessment and review documentation of the findings from their work.

Opinion on other matters prescribed by the Companies Act 2006

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

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: ▪ we have not received all the information and explanations we require for our audit; or ▪ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or ▪ the parent company financial statements are not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.	We have nothing to report arising from these matters.
Corporate Governance Statement Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.	We have nothing to report arising from our review.

Our duty to read other information in the Annual Report	
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: ▪ materially inconsistent with the information in the audited financial statements; or ▪ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or ▪ otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.	We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

John Clennett FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
Reading, UK

2 March 2017

Consolidated Income Statement

£000s	Note	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Revenue	3	594,471	566,972
Recharged expenses	3	(60,175)	(60,862)
Fee income	3	534,296	506,110
Operating profit before amortisation and impairment of acquired intangibles and transaction related costs	1(g),3,4,5	55,877	56,845
Amortisation and impairment of acquired intangibles and transaction related costs	1(g),4	(17,890)	(41,940)
Operating profit		37,987	14,905
Finance costs	6	(5,331)	(5,232)
Finance income	6	158	182
Profit before tax, amortisation and impairment of acquired intangibles and transaction related costs		50,704	51,795
Profit before tax		32,814	9,855
Tax expense	9	(7,733)	(3,013)
Profit for the year attributable to equity holders of the parent		25,081	6,842
Basic earnings per share (pence)	10	11.35	3.11
Diluted earnings per share (pence)	10	11.29	3.09
Adjusted basic earnings per share (pence)	10	16.60	16.57
Adjusted diluted earnings per share (pence)	10	16.51	16.47

Consolidated Statement of Comprehensive Income

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Profit for the year	25,081	6,842
Actuarial gains and losses on remeasurement of defined benefit pension scheme	(261)	234
Tax on remeasurement of defined benefit provision liability	65	(63)
Exchange differences*	41,429	(9,181)
Total recognised comprehensive income/(loss) for the year attributable to equity holders of the parent	66,314	(2,168)

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

The notes on pages 41 to 76 form part of these financial statements.

Consolidated Balance Sheet

£000s	Note	As at 31 Dec 2016	As at 31 Dec 2015
Assets			
Non-current assets:			
Intangible assets	11	455,508	416,658
Property, plant and equipment	12	28,448	26,504
Deferred tax asset	19	5,953	4,281
		489,909	447,443
Current assets:			
Trade and other receivables	14	165,604	157,430
Cash at bank		16,503	17,801
		182,107	175,231
Liabilities			
Current liabilities:			
Borrowings	16	36	525
Deferred consideration	17	13,376	20,383
Trade and other payables	15	125,165	112,309
Corporation tax liabilities		4,472	4,014
Provisions	18	1,809	1,161
		144,858	138,392
Net current assets		37,249	36,839
Non-current liabilities:			
Borrowings	16	99,886	96,055
Deferred consideration	17	1,634	9,890
Other payables		2,496	2,162
Deferred tax liability	19	10,045	10,043
Provisions	18	1,790	1,642
		115,851	119,792
Net assets		411,307	364,490
Equity			
Share capital	20	6,703	6,667
Share premium		114,353	112,026
Other reserves	21	40,898	1,149
Retained earnings		249,353	244,648
Total shareholders' equity		411,307	364,490

These financial statements were approved and authorised for issue by the Board on 2 March 2017.

The notes on pages 41 to 76 form part of these financial statements.

Dr Alan Hearne, Director

Gary Young, Director

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

Consolidated Cash Flow Statement

£000s	Note	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Cash generated from operations	25	78,253	92,628
Interest paid		(5,077)	(6,021)
Interest received		158	182
Income taxes paid		(11,057)	(11,737)
Net cash from operating activities		62,277	75,052
Cash flows from investing activities:			
Purchases of subsidiaries net of cash acquired	27	(6,557)	(35,354)
Deferred consideration		(23,672)	(16,568)
Purchase of property, plant and equipment		(8,130)	(7,963)
Sale of property, plant and equipment		225	465
Net cash used in investing activities		(38,134)	(59,420)
Cash flows from financing activities:			
Costs of issue of share capital		(5)	–
(Repayment of)/proceeds from bank borrowings		(6,921)	4,831
Payment of finance lease liabilities		(47)	(66)
Dividends paid	22	(21,613)	(19,973)
Payment of pre-acquisition dividend		(850)	(169)
Net cash generated in financing activities		(29,436)	(15,377)
Net (decrease)/increase in cash and cash equivalents		(5,293)	255
Cash and cash equivalents at beginning of year		17,322	17,046
Effect of exchange rate fluctuations		4,474	21
Cash and cash equivalents at end of year	25	16,503	17,322
Cash and cash equivalents comprise:			
Cash at bank		16,503	17,801
Bank overdraft		–	(479)
Cash and cash equivalents at end of year	25	16,503	17,322

The notes on pages 41 to 76 form part of these financial statements.

Consolidated Statement of Changes in Equity

£000s	Share capital	Share premium	Retained earnings	Other reserves	Total equity
At 1 January 2015	6,640	110,100	256,386	11,551	384,677
Changes in equity during 2015:					
Total comprehensive loss	–	–	7,013	(9,181)	(2,168)
Issue of new ordinary shares	27	1,926	(730)	(1,221)	2
Share based payment expense	–	–	1,889	–	1,889
Tax recognised directly in equity	–	–	63	–	63
Dividends paid	–	–	(19,973)	–	(19,973)
At 31 December 2015	6,667	112,026	244,648	1,149	364,490
Changes in equity during 2016:					
Total comprehensive income	–	–	24,885	41,429	66,314
Issue of new ordinary shares	36	2,327	(688)	(1,680)	(5)
Share based payment expense	–	–	2,184	–	2,184
Tax recognised directly in equity	–	–	(63)	–	(63)
Dividends paid	–	–	(21,613)	–	(21,613)
At 31 December 2016	6,703	114,353	249,353	40,898	411,307

An analysis of other reserves is provided in note 21 and details of dividends paid are provided in note 22.

The notes on pages 41 to 76 form part of these financial statements.

Notes to the Consolidated Financial Statements

1. Significant accounting policies

RPS Group Plc (the "Company") is a company domiciled in the UK under the Companies Act. The consolidated financial statements of the Company for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were authorised for issuance on 2 March 2017.

(a) Basis of preparation

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

During the year, the Group has applied IFRS 10 (amended), IFRS 12 (amended) and IAS 28 "Investment Entities: Applying the Consolidation Exception", IFRS 11 (amended) "Accounting for Acquisitions of Interests in Joint Operations", IAS 1 (amended) "Disclosure Initiatives" and IAS 16 (amended) and IAS 38 (amended) "Depreciation and Amortisation". Their adoption has not had a material impact on the disclosures or amounts reported in these accounts. Otherwise the accounting policies set out below have been applied consistently to both years presented in these consolidated financial statements.

(b) Basis of consolidation

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

(c) Revenue

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

i Fees / expenses

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

ii Time and materials

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

iii Fixed price

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

iv Tuition

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

v Agency agreements

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

1. Significant accounting policies continued

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

(d) Deferred consideration

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

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

(e) Intangible assets

i Goodwill

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

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

ii Other intangible assets

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

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

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

iii Amortisation

Amortisation is charged to profit or loss in proportion to the timing of the benefits derived from the related asset from the date that the intangible assets are available for use over their estimated useful lives unless such lives are indefinite. The estimated useful lives of the Group's intangible assets are as follows:

Customer relationships	5 to 10 years
Trade names	1 to 5 years
Order backlog	1 to 6 years
Software	4 to 10 years
Intellectual property rights	10 years

(f) Impairment of non financial assets

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

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

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

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

i Calculation of recoverable amount

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

ii Reversals of impairment

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

(g) Non statutory performance measures

The Group defines and presents various non-GAAP performance measures. The measures presented are those adopted by management and analysts who follow us in assessing the performance of the business. Our principal non-GAAP measure is profit before tax, amortisation and impairment of acquired intangibles and transaction related costs (PBTA). We adjust for amortisation and impairment of acquired intangible assets as they are non-cash items and their measurement is based on estimates of asset lives and fair values at acquisition where underlying assumptions are subjective in nature. We adjust for acquisition related costs as they not dependent on the underlying performance of the business and only incurred when acquisitions arise.

The non statutory measures are defined below:

Operating profit before amortisation and impairment of acquired intangibles and transaction related costs (OPBA)	Statutory operating profit before amortisation and impairment of acquired intangibles and transaction related costs
Profit before tax, amortisation and impairment of acquired intangibles and transaction related costs (PBTA)	Statutory profit before tax before amortisation and impairment of acquired intangibles and transaction related costs
Adjusted basic earnings per share	Statutory basic earnings per share before amortisation and impairment of acquired intangibles, transaction related costs and tax on amortisation and impairment of acquired intangibles and transaction related costs (see note 10)
Adjusted diluted earnings per share	Statutory diluted earnings per share before amortisation and impairment of acquired intangibles, transaction related costs and tax on amortisation and impairment of acquired intangibles and transaction related costs (see note 10)
Segment profit	Statutory profit before tax before interest, amortisation of acquired intangibles, transaction related costs and unallocated expenses
Underlying profit	Segment profit before reorganisation costs
Amortisation and impairment of acquired intangibles and transaction related costs	Amortisation of acquired intangibles (see note 1 (e) iii), plus impairment of acquired intangibles plus third party transaction related costs (see note 4)
Reorganisation costs	Costs and income arising as a consequence of reorganisation including redundancy costs, profit or loss on disposal of plant, property and equipment, the costs of consolidating office space and rebranding costs
EBITDAS	Earnings before interest, tax, depreciation, amortisation and impairment of intangibles and share scheme costs

(h) Judgements made in applying accounting policies

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies , other than those involving estimations (see 1 (i) below), that have had a significant effect on the amounts recognised in the financial statements.

(i) Sources of estimation uncertainty

In applying the Group's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. The only source of estimation uncertainty at the end of 2016, that has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities during 2017, relates to the assessment of the carrying value of goodwill within the Energy cash generating unit. A discussion of this estimation uncertainty can be found in note 11.

2. Other accounting policies

(a) Foreign currency

i Foreign currency transactions

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

ii Financial statements of foreign operations

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

iii Net investment in foreign operations

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

iv Foreign currency forward contracts

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

(b) Property, plant and equipment

i Owned assets

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

ii Leased assets

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

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

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

iii Subsequent costs

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

iv Depreciation

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

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

(c) Trade and other receivables

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

(d) Cash and cash equivalents

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

(e) Employee benefits

i Defined contribution plans

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

ii Defined benefit plans

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

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

The retirement benefit obligation recognised in the Consolidated Balance Sheet represents the deficit in the Group's defined benefit scheme.

iii Share-based payments

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

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

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

iv Accrued holiday pay

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

(f) Provisions

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

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

(g) Trade and other payables

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

2. Other accounting policies continued

(h) Borrowings

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

(i) Reserves

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

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

(j) Expenses

i Operating lease payments

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

ii Finance lease payments

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

(k) Income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and the differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

(l) Dividends

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

(m) Employee Share Ownership Plan (ESOP)

As the Company is deemed to have control of its ESOP trust, it is treated as a subsidiary and consolidated for the purpose of the Group accounts. The ESOP's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the Group financial statements. The ESOP's investment in the Company's shares is deducted from shareholders' funds in the Group balance sheet as if they were treasury shares.

(n) Accounting standards issued but not adopted

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

- IAS 12 (amended) "Recognition of Deferred Tax Asset for Unrealised Losses""
- IFRS 16 "Leases"
- IAS 7 Disclosure Initiative
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Annual improvements to IFRSs: 2014-2016 Cycle
- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts"
- IFRS 2 (amended) Classification and Measurement of Share-based Payment Transactions
- IFRS 15 Clarification to IFRS 15 Revenue from Contracts with Customers

The Group is undertaking a detailed review of the potential impact of IFRS 15. We do not believe this standard will significantly affect the Group's revenue recognition as our accounting practices are generally in accordance with IFR 15. IFRS 15 will be first applied to the Group's financial statements for the year end 31 December 2018.

A full assessment of the impact of the other standards has not been undertaken yet. It is not practical to provide a reasonable estimate of their impact until a detailed review has been completed.

3. Business and geographical segments

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

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

Business segments

The business segments of the Group are as follows:

Built and Natural Environment ("BNE") - consultancy services to many aspects of the property and infrastructure development and management sectors. These include: environmental assessment, project management, the management of water resources, oceanography, health and safety, risk management, town and country planning, building, landscape and urban design, surveying and transport planning. Consulting services are provided on a regional basis in Europe and North America.

Energy - the provision of integrated technical, commercial and project management support and training in the fields of geoscience, engineering and health, safety and environment on a global basis mainly to the oil and gas sector.

Australia Asia Pacific ("AAP") - In the AAP region there is a single Board that manages the BNE and Energy services we provide in that region. Accordingly the results of this business are reported as a separate segment.

Certain central costs are not allocated to the segments because they predominantly relate to the stewardship of the Group. They include the costs of the main Board, and the Group finance and marketing functions and related IT costs. These costs are included in the category "unallocated expenses".

"Segment profit", "Underlying profit" and "Reorganisation costs" are defined in note 1(g)

3. Business and geographical segments continued

Segment results for the year ended 31 December 2016

£000s	Fees	Expenses	Intersegment revenue	External revenue
BNE - Europe	269,029	36,166	(714)	304,481
BNE - North America	65,382	6,398	(160)	71,620
Energy	71,490	9,327	(485)	80,332
AAP	130,140	8,439	(541)	138,038
Group eliminations	(1,745)	(155)	1,900	–
Total	534,296	60,175	–	594,471

£000s	Underlying profit	Reorganisation costs	Segment profit
BNE - Europe	35,598	(460)	35,138
BNE - North America	8,156	(305)	7,851
Energy	8,989	(3,603)	5,386
AAP	15,481	(1,246)	14,235
	68,224	(5,614)	62,610

Segment results for the year ended 31 December 2015

£000s	Fees	Expenses	Intersegment revenue	External revenue
BNE - Europe	222,437	30,503	(808)	252,132
BNE - North America	58,672	7,713	(343)	66,042
Energy	122,971	13,931	(938)	135,964
AAP	104,153	9,045	(364)	112,834
Group eliminations	(2,123)	(330)	2,453	–
Total	506,110	60,862	–	566,972

£000s	Underlying profit	Reorganisation costs	Segment profit
BNE - Europe	30,871	(549)	30,322
BNE - North America	10,741	(166)	10,575
Energy	11,810	(904)	10,906
AAP	12,539	(409)	12,130
Total	65,961	(2,028)	63,933

Group reconciliation

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Revenue	594,471	566,972
Recharged expenses	(60,175)	(60,862)
Fee income	534,296	506,110
Underlying profit	68,224	65,961
Reorganisation costs	(5,614)	(2,028)
Segment profit	62,610	63,933
Unallocated expenses	(6,733)	(7,088)
Operating profit before amortisation and impairment of acquired intangibles and transaction related costs	55,877	56,845
Amortisation and impairment of acquired intangibles and transaction related costs	(17,890)	(41,940)
Operating profit	37,987	14,905
Net finance costs	(5,173)	(5,050)
Profit before tax	32,814	9,855

£000s	Carrying amount of segment assets		Segment depreciation and amortisation	
	Year ended 31 Dec 2016	Year ended 31 Dec 2015	Year ended 31 Dec 2016	Year ended 31 Dec 2015
BNE - Europe	342,993	298,159	9,423	8,848
BNE - North America	80,441	74,821	5,303	6,355
Energy	101,459	114,440	2,468	5,219
AAP	147,164	131,009	8,043	7,354
Unallocated	373	4,245	623	816
Group total	672,430	622,674	25,860	28,592

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

£000s	Revenue		Fees	
	Year ended 31 Dec 2016	Year ended 31 Dec 2015	Year ended 31 Dec 2016	Year ended 31 Dec 2015
UK	220,053	231,094	186,939	198,876
Australia	134,935	106,167	126,366	97,317
USA	91,705	102,290	83,486	93,180
Norway	69,528	48,587	68,129	47,255
Netherlands	31,759	28,955	26,803	24,231
Ireland	27,190	23,766	24,585	20,186
Canada	15,172	18,516	13,927	17,637
Other	4,129	7,597	4,061	7,428
Total	594,471	566,972	534,296	506,110

£000s	Carrying amount of non current assets	
	As at 31 Dec 2016	As at 31 Dec 2015
UK	202,352	190,772
Australia	108,309	96,477
USA	62,144	56,684
Ireland	40,537	36,169
Norway	44,672	38,741
Canada	13,857	11,628
Netherlands	18,463	16,960
Other	8	12
Total	490,342	447,443

4. Amortisation and impairment of acquired intangibles and transaction related costs

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Amortisation of acquired intangibles	17,470	20,491
Impairment of acquired intangibles	–	20,040
Adjustments to consideration payable	187	249
Transaction costs	233	1,160
	17,890	41,940

The impairment of acquired intangibles in 2015 arose in the following segments as a result of reduced prospects of businesses with exposure to the oil and gas sector:

£000s	Year ended 31 Dec 2015
Energy	16,612
BNE - North America	2,927
AAP	501
Total	20,040

The 2015 charge was in respect of customer relations, intellectual property, software and brand. We used the higher of the value in use or fair value less costs to sell to estimate the recoverable amounts of the assets.

5. Operating profit - by nature of expense

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Revenue	594,471	566,972
Staff costs (see note 7)	(290,024)	(248,296)
Subconsultant costs	(129,395)	(127,660)
Other employment related costs	(20,702)	(18,621)
Depreciation of owned assets	(8,371)	(8,086)
Depreciation of assets held under finance leases	(19)	(15)
Loss on disposal of fixed assets	(540)	(151)
Operating lease rentals payable - property	(14,119)	(12,339)
Operating lease rentals payable - equipment and motor vehicles	(4,967)	(4,636)
Travel costs	(13,434)	(12,411)
Office costs	(19,550)	(18,101)
Amortisation of acquired intangibles	(17,470)	(20,491)
Impairment of acquired intangibles	–	(20,040)
Adjustments to consideration payable	(187)	(249)
Bad debt provision	4,294	(8,329)
Other transaction related costs	(233)	(1,160)
Other costs	(41,767)	(51,482)
Operating profit	37,987	14,905

6. Net financing costs

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Finance costs:		
Interest and charges on loans, overdraft and finance leases	(3,982)	(3,847)
Amortisation of prepaid financing costs	(359)	(299)
Interest payable on deferred consideration	(990)	(1,086)
	(5,331)	(5,232)
Finance income:		
Deposit interest receivable	158	182
Net financing costs	(5,173)	(5,050)

7. Employee benefit expense

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Wages and salaries	251,777	214,977
Social security costs	23,714	20,847
Pension costs - defined contribution plans	12,248	10,303
Pension costs - defined benefits plans	101	280
Share based payment expense - equity settled	2,184	1,889
	290,024	248,296
Average number of employees (including Executive Directors) was:		
Fee earning staff	4,235	4,094
Support staff	864	960
	5,099	5,054

The Group considers the Directors to be the key management personnel and details of Directors' remuneration are included in the Remuneration Committee Report from page 28. The share based payment charge in respect of key management personnel was £4,000 (2015: credit of £245,000).

8. Auditors' remuneration

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

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Statutory audit of the Company's annual accounts	50	50
Statutory audit of the Group's subsidiaries	524	461
Total audit fees	574	511
Interim review	27	27
Other services	–	27
Total assurance services	601	565
Tax compliance services	63	61
Tax advisory services	–	–
Services in relation to taxation	63	61
Other services	51	4
Total fees	715	630

9. Income taxes

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

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Current tax:		
UK Corporation tax	3,115	1,656
Overseas tax	7,297	11,300
Adjustments in respect of prior years	(49)	(364)
	10,363	12,592
Deferred tax:		
Origination and reversal of timing differences	(2,589)	(9,332)
Effect of change in tax rate	(223)	(826)
Adjustments in respect of prior years	182	579
	(2,630)	(9,579)
Total tax charge to income for the year	7,733	3,013

Analysis of tax (credit)/expense not included in income for the year:

Deferred tax (credit)/charge in other comprehensive income	(65)	63
Deferred tax charge/(credit) in equity for the year	63	(63)

The effective tax rate for the year on profit before tax is 23.6% (2015: 30.6%). The effective tax rate for the year on profit before tax, amortisation and impairment of acquired intangibles and transaction related costs is 27.7% (2015: 29.6%) as shown in the table below:

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Total tax expense in Income Statement	7,733	3,013
Add back:		
Tax on amortisation and impairment of acquired intangibles and transaction related costs	6,292	12,304
Adjusted tax charge on the profit for the year	14,025	15,317
Profit before tax, amortisation and impairment of acquired intangibles and transaction related costs	50,704	51,795
Adjusted effective tax rate	27.7%	29.6%

The Group operates in and is subject to income tax in many jurisdictions. The weighted average tax rate is derived by weighting the rates in those jurisdictions by the profits before tax earnt there. It is sensitive to the statutory tax rates that apply in each jurisdiction and the geographic mix of profits. The statutory tax rates in our main jurisdictions were UK 20% (2015: 20.25%), Australia 30% (2015: 30%), US 39% (2015: 37%). The 2015 geographic mix of profits was impacted by the impairment of certain intangible assets which was not repeated in 2016. The impact of the change in the tax rates and mix of profits was that the weighted average tax rate increased to 25.1% in 2016 from 24.5% in 2015.

The actual tax charge differs from the amount derived by applying the weighted average rate to the profit before tax for the reasons set out in the following reconciliation:

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Profit before tax	32,814	9,855
Tax at the weighted average rate of 25.1% (2015: 24.5%)	8,240	2,417
Effect of:		
Irrecoverable witholding tax suffered	1,190	934
Impact of intercompany financing	(1,664)	(1,403)
Effect of change in tax rates	(223)	(826)
Other differences	57	1,675
Adjustments in respect of prior years	133	216
Total tax expense for the year	7,733	3,013

The Group operates, mainly through our Energy businesses, in jurisdictions that impose withholding taxes on revenue earned in those jurisdictions. This tax may be off-set against domestic corporation tax either in the current year or in the future within certain time limits. To the extent that full recovery is not achieved in the current year or is not considered possible in future years the withholding tax is charged to the income statement.

The impact of intercompany financing relates to the funding of US operations. New legislation introduced in the UK in response to the OECD's Base Erosion and Profit Shifting project (BEPS) will apply from 1 January 2017 which will reduce the impact in future periods.

During the year new legislation in the UK reduced the corporation tax rate by 1% to 17% from April 2020. In Norway the rate reduced by 1% to 24% from 1 January 2017. These changes have resulted in an income statement credit arising from the reduction in the balance sheet carrying value of net deferred tax liabilities to reflect the anticipated rate of tax at which those liabilities are expected to reverse.

Other differences include expenses not deductible for tax purposes such as entertaining, share scheme charges, depreciation of fixed assets which do not qualify for capital allowances and transaction related costs. They also include items that are deductible for tax purposes, such as goodwill and other asset amortisation, but are not included in the income statement. The 2015 other differences were higher than in 2016 as they included the impact of higher transaction related costs and the impairments of intangible assets.

10. Earnings per share

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

£000s/000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Profit attributable to ordinary shareholders	25,081	6,842
Weighted average number of ordinary shares for the purposes of basic earnings per share	220,977	220,166
Effect of employee share schemes	1,237	1,269
Weighted average number of ordinary shares for the purposes of diluted earnings per share	222,214	221,435
Basic earnings per share (pence)	11.35	3.11
Diluted earnings per share (pence)	11.29	3.09

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

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Profit attributable to ordinary shareholders	25,081	6,842
Amortisation and impairment of acquired intangibles and transaction related costs (note 4)	17,890	41,940
Tax on amortisation and impairment of acquired intangibles and transaction related costs (note 9)	(6,292)	(12,304)
Adjusted profit attributable to ordinary shareholders	36,679	36,478
Adjusted basic earnings per share (pence)	16.60	16.57
Adjusted diluted earnings per share (pence)	16.51	16.47

11. Intangible assets

£000s	Intellectual property rights	Customer relationships	Order backlog	Trade names	Non compete agreements	Software	Goodwill	Total
Cost:								
At 1 January 2016	3,269	117,508	17,881	8,401	576	2,818	379,724	530,177
Additions	–	3,160	620	190	–	–	9,279	13,249
Adjustments to prior year estimates	–	–	–	–	–	–	534	534
Exchange differences	590	16,985	2,686	1,298	58	600	35,300	57,517
At 31 December 2016	3,859	137,653	21,187	9,889	634	3,418	424,837	601,477
Aggregate amortisation and impairment losses:								
At 1 January 2016	3,257	73,749	15,469	7,096	576	1,151	12,221	113,519
Amortisation	12	13,073	2,275	1,329	–	781	–	17,470
Exchange differences	590	10,434	2,387	1,205	58	306	–	14,980
At 31 December 2016	3,859	97,256	20,131	9,630	634	2,238	12,221	145,969
Net book value at 31 December 2016	–	40,397	1,056	259	–	1,180	412,616	455,508

Intangible asset additions in 2016 have been recognised at their provisional fair values (see note 27).

Acquisitions in 2015 were originally stated at provisional values. These fair values have now been finalised. The £534,000 adjustment relates to adjustments to the valuation of consideration in Metier and property, plant and equipment in EIG.

£000s	Intellectual property rights	Customer relationships	Order backlog	Trade names	Non compete agreements	Software	Goodwill	Total
Cost:								
At 1 January 2015	3,128	105,660	14,661	6,328	560	1,592	346,896	478,825
Additions	–	13,990	3,689	2,347	–	1,362	40,580	61,968
Adjustments to prior year estimates	–	–	–	–	–	–	92	92
Exchange differences	141	(2,142)	(469)	(274)	16	(136)	(7,844)	(10,708)
At 31 December 2015	3,269	117,508	17,881	8,401	576	2,818	379,724	530,177
Aggregate amortisation and impairment losses:								
At 1 January 2015	1,172	43,239	11,308	4,749	560	580	12,221	73,829
Amortisation	333	12,999	4,371	2,316	–	472	–	20,491
Impairment	1,672	18,077	–	181	–	110	–	20,040
Exchange differences	80	(566)	(210)	(150)	16	(11)	–	(841)
At 31 December 2015	3,257	73,749	15,469	7,096	576	1,151	12,221	113,519
Net book value at 31 December 2015	12	43,759	2,412	1,305	–	1,667	367,503	416,658

Goodwill

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

11. Intangible assets continued

£000s	As at 31 Dec 2016	As at 31 Dec 2015
BNE: Europe (UK and Ireland)	162,549	149,116
BNE: Europe (Netherlands)	9,836	9,118
BNE: Europe (Norway)	34,108	27,361
BNE: North America	47,789	40,064
AAP	90,875	76,523
Energy	67,459	65,321
	412,616	367,503

The Group tests annually for impairment at year end. The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the CGU groups to which goodwill has been allocated.

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

Key assumptions

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

Discount rate applied

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

The discount rates applied to the CGUs are in the range 10.1% to 11.6% (2015: 10.4% to 13.6%).

Growth rates

The growth rates applied reflect management's judgement regarding the potential future performance of the business. These incorporate the expected recovery of CGUs affected by the 2015-16 reduction in oil price and the past experience of the Group as it emerged from previous recessions. We expect the Group's Energy businesses to recover in response to the stabilisation of the oil price and any subsequent expansion of E&P investment.

The medium term comprises the years 2018 to 2021. The average real growth rate used during this period is between 2.5% and 7.5%, although particular years may be higher or lower than this rate reflecting market conditions.

The long term growth rate applied to the perpetuity calculations was between 2.0% and 2.5% per annum (2015: 2.0% and 2.5%) reflecting the average long term EBIT growth rates of the economies in which the CGUs are based.

The assumptions used for the most significant groups of CGUs by amount of goodwill are as follows:

	Post tax discount rate	Medium term real growth rate excluding inflation	Long term growth rate
BNE: E (UK and Ireland)	10.2%	3.0%	2.1%
AAP	11.2%	2.5%	2.5%
Energy (global)	11.3%	7.5%	2.2%

Summary of results

During the year, all goodwill was tested for impairment with no impairment charge resulting (2015: £nil).

Sensitivity of results to changes in estimates

The Group's CGUs all have significant headroom with the exception of Energy. Aside from Energy, the Group does not consider the changes in estimates that would result in a material adjustment to the carrying amounts of assets and liabilities in 2017 to be reasonably possible.

The valuation of goodwill allocated to the Energy CGU group is most sensitive to the achievement of the 2017 budget. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board. Whilst we are able to manage staff costs, direct costs and overheads, the revenue projections are inherently uncertain due to the short term nature of our order book and the oil and gas market conditions which remains unpredictable.

The Energy market has undergone a significant downturn over the past 2 years and has only recently showed signs of stabilisation. Energy underperformed substantially against its budget in 2016 and whilst not probable, it is possible that further underperformance may occur in 2017 if the oil price drops back to the lows experienced in 2016 or expenditure by our clients reduces. It is also reasonably possible that Energy exceeds its budget if market conditions allow.

A 60% underperformance against budget would generate an impairment charge of £28 million. For 2017, we consider it reasonably possible that Energy goodwill may suffer an impairment charge of up to £28 million if market conditions worsen significantly. A 34% underperformance against budget would reduce headroom for the Energy CGU group to nil but would not result in an impairment charge.

12. Property, plant and equipment

£000s	Freehold land and buildings	Alterations to leasehold premises	Motor vehicles	Fixtures, fittings, IT and equipment	Total
Cost:					
At 1st January 2016	8,917	7,583	2,824	61,281	80,605
Additions	19	1,103	371	6,185	7,678
Disposals	–	(3,255)	(415)	(3,093)	(6,763)
Additions through acquisition	–	36	–	95	131
Foreign exchange differences	1,293	893	364	4,996	7,546
At 31 December 2016	10,229	6,360	3,144	69,464	89,197
Depreciation:					
At 1st January 2015	2,514	4,501	1,607	45,479	54,101
Charge for the year	217	1,017	597	6,559	8,390
Disposals	–	(2,754)	(396)	(2,851)	(6,001)
Foreign exchange differences	309	518	226	3,206	4,259
At 31 December 2016	3,040	3,282	2,034	52,393	60,749
Net book value at 31 December 2016	7,189	3,078	1,110	17,071	28,448

£000s	Freehold land and buildings	Alterations to leasehold premises	Motor vehicles	Fixtures, fittings, IT and equipment	Total
Cost:					
At 1 January 2015	9,576	7,114	2,906	61,401	80,997
Additions	14	621	630	6,844	8,109
Disposals	(220)	(285)	(593)	(5,685)	(6,783)
Transfers	–	375	–	(375)	–
Additions through acquisition	–	64	17	632	713
Foreign exchange differences	(453)	(306)	(136)	(1,536)	(2,431)
At 31 December 2015	8,917	7,583	2,824	61,281	80,605
Depreciation:					
At 1 January 2015	2,600	3,735	1,661	45,630	53,626
Charge for the year	194	1,078	546	6,283	8,101
Disposals	(175)	(282)	(530)	(5,181)	(6,168)
Transfers	–	150	–	(150)	–
Foreign exchange differences	(105)	(180)	(70)	(1,103)	(1,458)
At 31 December 2015	2,514	4,501	1,607	45,479	54,101
Net book value at 31 December 2015	6,403	3,082	1,217	15,802	26,504

13. Subsidiaries

A list of the Group's subsidiaries, including the name, country of incorporation and proportion of ownership interests is given in Note 6 to the Parent Company's financial statements on page 82.

14. Trade and other receivables

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Trade receivables	118,664	112,718
Accrued income	33,294	28,533
Prepayments	9,536	10,716
Other receivables	4,110	5,463
	165,604	157,430

Trade receivables and accrued income net of provision for impairmant are shown below.

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Trade receivables	124,702	123,593
Provision for impairment	(6,038)	(10,875)
Trade receivables net	118,664	112,718

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Accrued income	37,710	32,105
Provision for impairment	(4,416)	(3,572)
Accrued income net	33,294	28,533

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

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

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

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Not more than three months	10,201	11,407
More than three months	11,735	9,009
	21,936	20,416

14. Trade and other receivables continued

Movements in impairment

£000s	Trade receivables	Accrued income	Total
As at 1 January 2016	10,875	3,572	14,447
Impairment charge	2,155	3,443	5,598
Recoveries	(6,449)	(1,360)	(7,809)
Receivables written off during the year as uncollectible	(1,076)	(1,550)	(2,626)
Additions through acquisitions	255	–	255
Exchange differences	278	311	589
As at 31 December 2016	6,038	4,416	10,454

As at 1 January 2015	4,464	4,062	8,526
Impairment charge	8,838	2,878	11,716
Recoveries	(509)	(1,711)	(2,220)
Receivables written off during the year as uncollectible	(2,081)	(1,681)	(3,762)
Additions through acquisitions	146	175	321
Exchange differences	17	(151)	(134)
As at 31 December 2015	10,875	3,572	14,447

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

£000s	31 Dec 2016	31 Dec 2015
UK Pound Sterling	58,946	50,107
US Dollar	29,112	40,455
Euro	22,754	23,538
Australian Dollar	31,989	24,578
Canadian Dollar	8,563	5,376
Norwegian Krone	13,380	11,598
Other	860	1,778
	165,604	157,430

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

15. Trade and other payables

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Trade payables	33,825	30,375
Accruals	42,039	36,781
Deferred income	24,389	20,597
Creditors for taxation and social security	17,850	15,695
Other payables	7,062	8,861
	125,165	112,309

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

16. Borrowings

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Bank loans	43,312	42,902
US loan notes	57,571	53,116
Bank overdraft	–	479
Finance lease creditor	36	83
	100,919	96,580
Arrangement fees	(997)	–
	99,922	96,580

	as at 31 December 2016				as at 31 December 2015		
£000s	Bank loans, notes and overdraft	Finance lease creditor	Arrangement fee	Total	Bank loans and overdraft	Finance lease creditor	Total
The borrowings are repayable as follows:							
Amounts due for settlement within 12 months	–	36	–	36	479	46	525
In the second year	–	–	–	–	–	37	37
In the third to fifth years inclusive	100,883	–	–	100,883	42,902	–	42,902
Over five years	–	–	–	–	53,116	–	53,116
Amount due for settlement after 12 months	100,883	–		100,883	96,018	37	96,055
Arrangement fee previously settled	–	–	(997)	(997)	–	–	–
Total	100,883	36	(997)	99,922	96,497	83	96,580

The arrangement fees were incurred in 2014 and 2015 and included in prepayments at 31 December 2015.

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

(i) An uncommitted £3,000,000 bank overdraft facility, repayable on demand.

(ii) An uncommitted Australian Dollar denominated overdraft facility of AUD 1,500,000 repayable on demand.

(iii) The Group has one principal bank facility: a multicurrency revolving credit facility of £150,000,000 with Lloyds Bank plc and HSBC Bank plc, expiring in 2020. Term loans drawn down under this facility carry interest fixed for the term of the loan equal to LIBOR plus a margin determined by reference to the total bank borrowing of the Group.

There were loans drawn totalling £43,312,000 (2015: £42,902,000) at 31 December 2016.

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

(iv) In addition, the Group has issued seven year US private placement notes of $34,070,000 and £30,000,000 with fixed interest chargeable at 3.84% and 3.98% respectively. These notes were drawn on 30 September 2014 and are repayable on 30 September 2021. The notes are guaranteed by the Company and certain subsidiaries but no security over the Group's assets exists.

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

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

16. Borrowings continued

Liquidity risk

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

Loan liquidity risk profile

£000s	2016	2015
<1 year	3,201	2,849
1-2 years	3,201	2,849
>2 but <5 years	108,265	51,083
>5 years	–	54,667
	114,667	111,448

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

17. Deferred consideration

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Amount due within one year	13,376	20,383
Amount due between one and two years	1,625	9,708
Amount due between two and five years	9	182
Total deferred consideration payable	15,010	30,273

18. Provisions

Property

The provision for property costs relates to onerous operating lease rentals and related costs on vacated property and will be utilised within one year.

Warranty

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

Dilapidations

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

£000s	Property	Warranty	Dilapidations	Total
As at 1 January 2016	49	486	2,268	2,803
Additional provision in the year	586	552	706	1,844
Utilised in year	(157)	(228)	(680)	(1,065)
Released	(78)	–	(162)	(240)
Arising on acquisition of subsidiary	–	–	78	78
Exchange difference	–	41	138	179
As at 31 December 2016	400	851	2,348	3,599

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Due as follows:		
Within one year	1,809	1,161
After more than one year	1,790	1,642
	3,599	2,803

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

19. Deferred taxation

£000s	Fixed asset timing differences	Goodwill and intangible assets	Employment benefits	Share based payments	Provisions and other timing differences	Total
At 1 January 2015	(273)	(11,871)	2,399	118	796	(8,831)
Credit/(charge) to income for the year	201	9,676	(166)	(230)	(728)	8,753
(Charge)/credit to income due to change in tax rate	(77)	990	(21)	16	(82)	826
Credit/(charge) to equity for the year	–	–	–	63	(63)	–
Additions through acquisitions	12	(6,993)	216	–	(620)	(7,385)
Exchange differences	(31)	1,003	(164)	–	67	875
At 31 December 2015	(168)	(7,195)	2,264	(33)	(630)	(5,762)
Disclosed within liabilities	678	(13,314)	2,235	(33)	391	(10,043)
Disclosed within assets	(846)	6,119	29	–	(1,021)	4,281
Credit/(charge) to income for the year	968	1,691	(21)	(74)	(157)	2,407
(Charge)/credit to income due to change in tax rate	(37)	300	(9)	8	(39)	223
Credit/(charge) to equity for the year	–	–	65	(63)	–	2
Additions through acquisitions	–	(675)	–	–	–	(675)
Exchange differences	6	(628)	449	2	(116)	(287)
At 31 December 2016	769	(6,507)	2,748	(160)	(942)	(4,092)
Disclosed within liabilities	622	(12,314)	2,735	(185)	(903)	(10,045)
Disclosed within assets	147	5,807	13	25	(39)	5,953

Legislation has been enacted to reduce the rate of corporation tax in the UK to 17% from 1 April 2020 and Norway to 24% from January 2017. Accordingly deferred tax assets and liabilities in both countries have been calculated at the reduced rates of corporation tax which materially reflects the rate for the period in which the deferred tax assets and liabilities are expected to reverse.

No deferred tax liability is recognised on temporary differences of £33,130,000 (2015: £36,964,000) related to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The amount of tax that would be payable on the unremitted earnings is £1,876,000 (2015: £7,370,000).

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

20. Share capital

	as at 31 December 2016		as at 31 December 2015	
	Authorised Number	Authorised £000s	Authorised Number	Authorised £000s
Ordinary shares of 3p each	240,000,000	7,200	240,000,000	7,200

		2016		2015
Issued and fully paid	Number	£000s	Number	£000s
Ordinary shares of 3p each				
At 1 January	222,234,251	6,667	221,347,707	6,640
Issued under the Share Incentive Plan	905,362	27	552,368	17
Issued in respect of the Performance Share Plan	295,401	9	334,176	10
At 31 December	223,435,014	6,703	222,234,251	6,667

Number	As at 31 Dec 2016	As at 31 Dec 2015
Ordinary shares held by the ESOP Trust	2,497,500	2,211,269
Ordinary shares held by the SIP Trust	4,428,223	4,103,643

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

The table below shows options outstanding at 31 December 2016:

Period exercisable	Number	Exercise price (p)
2017 - 2018	165,000	295.25
2017 - 2020	60,000	194.60
2017 - 2021	175,000	212.01
	400,000	

21. Other reserves

£000s	Merger reserve	Employee trust	Translation reserve	Total
At 1 January 2015	21,256	(10,776)	1,071	11,551
Exchange differences	–	–	(9,181)	(9,181)
Issue of new shares	–	(1,221)	–	(1,221)
At 31 December 2015	21,256	(11,997)	(8,110)	1,149
Exchange differences	–	–	41,429	41,429
Issue of new shares	–	(1,680)	–	(1,680)
At 31 December 2016	21,256	(13,677)	33,319	40,898

22. Dividends

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 31 December 2015 of 5.08p (2014: 4.42p) per share	11,267	9,668
Interim dividend for the year ended 31 December 2016 of 4.66p (2015: 4.66p) per share	10,346	10,305
	21,613	19,973
Proposed final dividend for the year ended 31 December 2016 of 5.08p (2015: 5.08p) per share	11,315	11,260

The proposed final dividend for the year ended 31 December 2016 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

At 31 December 2016 the Group's total remaining commitments as lessee under non-cancellable operating leases were as follows:

	as at 31 December 2016		as at 31 December 2015	
£000s	Property	Other	Property	Other
Within one year	13,911	1,623	10,500	2,102
In two to five years	24,625	2,450	19,148	3,189
After five years	3,328	–	4,268	6
	41,864	4,073	33,916	5,297

24. Related party transactions

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

25. Notes to the Consolidated Cash Flow Statement

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Operating profit	37,987	14,905
Adjustments for:		
Depreciation	8,390	8,101
Amortisation of acquired intangible assets	17,470	20,491
Impairment of acquired intangibles	–	20,040
Consideration fair value adjustments	187	249
Share based payment expense	2,184	1,889
Loss on sale of property, plant and equipment	537	151
EBITDAS	66,755	65,826
Decrease in trade and other receivables	9,522	29,320
Increase/(decrease) in trade and other payables	1,976	(2,518)
Cash generated from operations	78,253	92,628

The table below provides an analysis of net bank borrowings, comprising cash and cash equivalents, interest bearing loans and finance leases, during the year ended 31 December 2016.

£000s	At 31 Dec 2015	Cash flow	Acquisition	Prepaid arrangement fees	Foreign exchange	At 31 Dec 2016
Cash at bank	17,801	(5,821)	49	–	4,474	16,503
Overdrafts	(479)	479	–	–	–	–
Cash and cash equivalents	17,322	(5,342)	49	–	4,474	16,503
Bank loans and notes	(96,018)	6,921	(4,900)	997	(6,886)	(99,886)
Finance lease creditor	(83)	47	–	–	–	(36)
	(78,779)	1,626	(4,851)	997	(2,412)	(83,419)

The cash balance at 31 December 2016 includes £3,036,000 (2015: £3,640,000) that is restricted in its use either as security or client deposits.

26. Major non-cash transactions

Major non cash transactions during the year are as follows:

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Depreciation	8,390	8,101
Amortisation of acquired intangibles	17,470	20,491
Impairment of acquired intangibles	–	20,040
Share based payment expense	2,184	1,889
	28,044	50,521

27. Acquisitions

On 25 April 2016 the Group completed the acquisition of 100% of the issued share capital of DBK Partners Ltd, a UK based property project management consultancy that is included in the BNE: Europe segment. This acquisition broadens and strengthens the services the Group offers.

The Group has allocated provisional fair values to the net assets of DBK as it did not have complete information at the balance sheet date. The provisional amounts recognised in respect of the identifiable assets acquired and liabilities assumed, the fair value of consideration and the resulting goodwill are as follows:

£000s	DBK
Intangible assets:	
Order book	620
Customer relations	3,160
Trade names	190
Property, plant and equipment	131
Cash	49
Other assets	3,975
Other liabilities	(8,360)
Net assets acquired	(235)
Satisfied by:	
Initial cash consideration	6,606
Fair value of deferred consideration	2,438
Total consideration	9,044
Goodwill	9,279

Goodwill arising represents the value of the workforce acquired, potential synergies, future contracts and access to new markets. There is no tax deductible goodwill.

The total fair value of receivables acquired was £1,663,000. The breakdown between gross receivables and amounts estimated irrecoverable was as follows:

£000s	
Gross recievables	1,918
Estimated irrecoverable	(255)
Fair value of assets acquired	1,663

The vendors of DBK have entered into warranty agreements with the Group. The total undiscounted cash flow that could be receivable by the Group is between £nil and £1,663,000. The Group does not expect that these warranties will become receivable and therefore has not recognised an indemnification asset on acquisition.

The Group incurred acquisition related costs of £420,000 which have been expensed through the income statement and are included within amortisation of acquired intangibles and transaction related expenses.

The contribution of DBK to the Group's results for the year is given below.

£000s	
Revenue	9,501
Fees	9,108
Operating profit before amortisation	1,491
Operating profit	649

The proforma Group revenue and operating profit assuming that the acquisition had been completed on the first day of the year would have been £598,703,000 and £38,288,000 respectively.

A reconciliation of the goodwill movement in 2016 in respect of acquisitions made in 2015 and 2016 is given in the table below.

£000s	Goodwill at 1 January 2016	Additions through acquisition	Adjustments to prior year estimates	Foreign exchange movement	Goodwill at 31 December 2016
Klotz	9,372	–	–	1,805	11,177
Metier	13,662	–	503	3,141	17,306
Iris	5,446	–	–	1,050	6,496
EIG	11,431	–	31	2,138	13,600
DBK	–	9,279	–	–	9,279

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

No negative goodwill was recognised in 2015 or 2016.

28. Defined benefit pension scheme

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

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

Under the plans, the employees are entitled to post-retirement yearly instalments amounting to 66% of pensionable salary on attainment of a retirement age of 67. The pensionable salary is the difference between the current salary of the employee and the state retirement benefit.

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

28. Defined benefit pension scheme continued

The most recent full actuarial valuations of the plans' assets and present value of the defined benefit liabilities were carried out in November 2016 for the two schemes by a qualified actuary.

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

	2016	2015
Discount rate	2.10%	2.50%
Expected rate of salary increase	2.25%	2.50%
Inflation	2.00%	2.50%

There are two defined benefit schemes in Norway; with the exception of the rates of pension increase in 2014 all principal assumptions are the same for both schemes. One scheme has assumptions of 2.0% and the other used nil % (2015: both used 3.0%).

The assumed life expectations on retirement at age 65 are:

Years	2016	2015
Retiring today:		
Males	21.8	21.8
Females	25.0	25.0

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

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

£000s	2016	2015
Current service cost	101	280
Net interest expense	50	25
Components of defined benefit costs recognised in profit or loss	151	305

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

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

£000s	2016	2015
Actuarial losses/(gains) arising from:		
Changes in financial assumptions	248	(205)
Movements in payroll tax	13	(29)
Remeasurement of the net defined benefit liability	261	(234)

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

£000s	2016	2015
Present value of defined benefit obligations	(4,253)	(3,553)
Fair value of plan assets	3,475	2,888
Net liability arising from the defined benefit obligations	(778)	(665)

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

£000s	2016	2015
Defined benefit obligation at 1 January	3,553	4,158
Current service cost	101	280
Interest cost	91	112
Remeasurement (gains)/losses:		
Actuarial (gains) arising from changes in demographic assumptions	(293)	(9)
Actuarial (gains) and losses arising from changes in financial assumptions	163	(405)
Liabilities extinguished on settlements	(168)	–
Exchange differences	858	(522)
Benefits paid	(52)	(61)
Defined benefit obligation at 31 December	4,253	3,553

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

	2016	2015
Plan assets at 1 January	2,888	2,930
Remeasurement gain/(losses):		
The return on plan assets (excluding amounts included in net interest expense)	41	87
Actuarial (losses) arising from changes in financial assumptions	17	(181)
Exchange differences	268	(323)
Contributions from the employer	423	442
Assets distributed on settlement	(106)	–
Benefits paid	(52)	(61)
Administration costs	(4)	(6)
Plan assets at 31 December	3,475	2,888

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

	2016	2015
Shares	8.4%	9.8%
Other investments	3.2%	2.0%
Short term bonds	28.8%	35.4%
Term bonds	47.5%	38.0%
Property	12.1%	14.8%
Total	100.0%	100.0%

29. Financial Risk Management

(a) Capital management

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

The borrowings are managed centrally and funds are onward lent to operating subsidiaries as required. The Group has a committed £150 million multi currency revolving credit facility that provides a high degree of flexibility. There are two financial covenants related to this facility; interest cover must be no less than 400% and the ratio of Group net borrowings (including deferred consideration) to EBITDAS adjusted to include the anualised contribution of acquisitions in the year should be no greater than 300%. These covenants are tested regularly and were not breached during the year and have not been since the year end.

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

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

(b) Financial instruments

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

Fair values

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

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Cash	16,503	17,801
Trade and other receivables	156,068	146,714
Financial assets	172,571	164,515
Borrowings	99,922	96,580
Deferred consideration	15,010	30,273
Trade and other payables	89,021	80,982
Financial liabilities	203,953	207,835

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

(c) Interest rate risk

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

Interest rate risk and profile of financial liabilities

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

£000s	Floating rate 2016	Floating rate 2015 (restated)	Fixed rate 2016	Fixed rate 2015 (restated)	Non interest bearing 2016	Non interest bearing 2015	Total 2016	Total 2015
Sterling	33,964	37,479	32,213	32,927	29,506	31,006	95,683	101,412
Euro	–	–	–	–	9,905	6,093	9,905	6,093
Australian Dollar	–	–	3,696	9,084	18,130	14,403	21,826	23,487
Canadian Dollar	–	–	–	868	6,553	4,849	6,553	5,717
US Dollar	–	–	31,423	31,261	11,578	13,761	43,001	45,022
Norwegian Krone	8,612	5,902	5,024	9,332	13,052	10,445	26,688	25,679
Other	–	–	–	–	297	425	297	425
At 31 December	42,576	43,381	72,356	83,472	89,021	80,982	203,953	207,835

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

£000s	Floating rate 2016	Floating rate 2015 (restated)	Fixed rate 2016	Fixed rate 2015 (restated)	Non interest bearing 2016	Non interest bearing 2015	Total 2016	Total 2015
Within one year	–	479	13,412	20,429	84,735	77,178	98,147	98,086
In one to two years	–	–	1,625	9,745	1,611	1,191	3,236	10,936
In two to five years	42,576	42,902	57,319	182	1,628	1,472	101,523	44,556
Over five years	–	–	–	53,116	1,047	1,141	1,047	54,257
	42,576	43,381	72,356	83,472	89,021	80,982	203,953	207,835

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

	Fixed and floating rate financial liabilities		Fixed rate financial liabilities	
	Weighted average interest rate %		Weighted average period for which rate is fixed – months	
	2016	2015	2016	2015 (restated)
Sterling	3.0	2.7	53	75
Australian Dollar	3.6	3.9	10	14
Canadian Dollar	–	4.0	–	8
US Dollar	3.9	3.9	51	53
Norwegian Krone	3.3	3.1	5	9
	3.3	3.2	47	52

Cash balances at year end:

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Sterling	1,462	161
Euro	1,341	1,189
US Dollar	2,817	5,391
Australian Dollar	1,877	2,968
Canadian Dollar	2,761	3,285
Norwegian Krone	4,607	3,273
Malaysian Ringgit	924	906
Other	714	628
	16,503	17,801

29. Financial Risk Management continued

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

There are no interest bearing trade and other receivables.

Borrowing facilities

The Group has a committed revolving credit facility that expires in 2020. The amount undrawn under this facility at 31 December 2016 was £106,688,000 (2015: £107,098,000).

The Group also has an uncommitted £3,000,000 overdraft facility carrying floating rate interest.

Interest rate sensitivity

The Group is mainly exposed to interest rate sensitivity in respect of its revolving credit facility. A 1.0% decrease in interest rates would increase Group profit before tax by £728,000. A 1.0% increase in interest rates would decrease Group profit before tax by £728,000.

(d) Foreign currency risk

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

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

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

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

Foreign currency sensitivity

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

(e) Credit risk

It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. The Group does not enter into complex derivatives to manage credit risk. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. The Directors consider the Group's financial assets that are not impaired to be of good credit quality including those that are past due. See note 14 for further detail on receivables that are past due. The Group's financial assets are not secured by collateral advanced by counterparties. In respect of trade and other receivables, the Group has a broad range of clients, the largest being multi-national oil companies, national oil companies or substantial utility companies. Infrequently (and generally for administrative reasons) there may be a build up of unpaid invoices. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

30. Share-based payments

Share scheme costs

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Share Incentive Plan ("SIP")	1,356	1,220
Performance Share Plan ("PSP")	828	918
Bonus Plan	–	(249)
Total share scheme costs	2,184	1,889

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

SIP

Year of grant	Number outstanding 31 Dec 2015	New grants	Releases	Forfeits	Number outstanding 31 Dec 2016	Vesting conditions
2013	364,360	–	(349,577)	(14,783)	–	3 years
2014	434,392	–	(45,828)	(30,158)	358,406	3 years
2015	637,399	–	(59,677)	(49,085)	528,637	3 years
2016	–	851,448	(25,495)	(25,021)	800,932	3 years
	1,436,151	851,448	(480,577)	(119,047)	1,687,975	

Year of grant	Number outstanding 31 Dec 2014	New grants	Releases	Forfeits	Number outstanding 31 Dec 2015	Vesting conditions
2012	400,986	–	(385,033)	(15,953)	–	3 years
2013	419,442	–	(24,285)	(30,797)	364,360	3 years
2014	494,934	–	(24,633)	(35,909)	434,392	3 years
2015	–	674,260	(12,618)	(24,243)	637,399	3 years
	1,315,362	674,260	(446,569)	(106,902)	1,436,151	

PSP

Year of grant	Number outstanding 31 Dec 2015	New grants	Releases	Lapses	Number outstanding 31 Dec 2016	Vesting conditions
2009	85,027	–	(1,634)	(27)	83,366	3 years
2011	70,638	–	(9,109)	(990)	60,539	3 years
2012	86,132	–	(13,491)	(3,999)	68,642	3 years
2013	309,482	–	(224,385)	(2,927)	82,170	3 years
2014	406,481	–	(19,830)	(35,896)	350,755	3 years
2015	510,983	–	(26,952)	(42,131)	441,900	1, 2 or 3 years
2016	–	526,876	–	–	526,876	3 years
	1,468,743	526,876	(295,401)	(85,970)	1,614,248	

30. Share-based payments continued

Year of grant	Number outstanding 31 Dec 2014	New grants	Releases	Lapses	Number outstanding 31 Dec 2015	Vesting conditions
2006	2,148	–	(2,148)	–	–	2 or 3 years
2007	1,828	–	(1,828)	–	–	1, 2 or 3 years
2009	105,248	–	(10,777)	(9,444)	85,027	3 years
2011	88,112	–	(14,009)	(3,465)	70,638	3 years
2012	375,219	–	(287,811)	(1,276)	86,132	3 years
2013	325,706	–	(10,362)	(5,862)	309,482	3 years
2014	414,778	–	(6,187)	(2,110)	406,481	3 years
2015	–	523,380	(1,054)	(11,343)	510,983	1, 2 or 3 years
	1,313,039	523,380	(334,176)	(33,500)	1,468,743	

SIP

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

	SIP awards
Fair value at measurement date	169.50p - 342.69p
Weighted fair value	215.50p
Holding period	3 years

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

PSP

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

	PSP awards
Fair value at measurement date	130.01p - 318.65p
Weighted fair value	201.67p
Holding period	1, 2 or 3 years
Expected dividend yield	1.83% - 5.52%

31. Events after the balance sheet date

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

Parent Company Balance Sheet

£000s	Notes	As at 31 Dec 2016	As at 31 Dec 2015
Fixed assets:			
Intangible assets	4	382	448
Tangible assets	5	748	1,121
Investments	6	397,435	397,435
		398,565	399,004
Current assets:			
Debtors:			
- due within one year	7	77,578	64,196
Cash at bank and in hand		327	–
		77,905	64,196
Creditors: amounts falling due within one year:	8	44,735	24,090
Net current assets		33,170	40,106
Total assets less current liabilities		431,735	439,110
Creditors: Amounts falling due after more than one year	9	99,886	96,018
Provision for liabilities	10	148	257
Net assets		331,701	342,835
Capital and reserves			
Called up share capital	12	6,703	6,667
Share premium account	12	114,353	112,026
Profit and loss reserve	12	103,642	115,459
Merger reserve	12	21,256	21,256
Employee trust shares	12	(13,677)	(11,997)
Other reserve	12	99,424	99,424
Total shareholders' equity		331,701	342,835

These financial statements were approved and authorised for issue by the Board on 2 March 2017.

The notes on pages 79 to 86 form part of these financial statements.

Dr Alan Hearne, Director

Gary Young, Director

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

Parent Company Statement of Changes in Equity

£000s	Share capital	Share premium	Merger reserve	Employee trust shares	Profit and loss reserve	Other reserve	Total
At 1 January 2015	6,640	110,100	21,256	(10,776)	109,530	142,721	379,471
Changes in equity during 2015:							
Issue of new shares	27	1,926	–	(1,221)	(730)	–	2
Share-based payment expense	–	–	–	–	1,889	–	1,889
Retained profit for the year	–	–	–	–	24,743	–	24,743
Non-distributable loss	–	–	–	–	–	(43,297)	(43,297)
Dividend paid (note 13)	–	–	–	–	(19,973)	–	(19,973)
At 31 December 2015	6,667	112,026	21,256	(11,997)	115,459	99,424	342,835
Changes in equity during 2016:							
Issue of new shares	36	2,327	–	(1,680)	(688)	–	(5)
Share-based payment expense	–	–	–	–	2,184	–	2,184
Retained profit for the year	–	–	–	–	8,300	–	8,300
Dividend paid (note 13)	–	–	–	–	(21,613)	–	(21,613)
At 31 December 2016	6,703	114,353	21,256	(13,677)	103,642	99,424	331,701

The notes on pages 79 to 86 form part of these financial statements.

Notes to the Parent Company Financial Statements

1. Accounting policies

RPS Group Plc (the "Company") is a company domiciled in the UK under the Companies Act. The address of the registered office is given on page 22. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 3 to 17.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional and presentational currency of RPS Group Plc is considered to be pounds sterling.

RPS Group Plc meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

Goodwill

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

Valuation of investments

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

Tangible fixed assets

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

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset on a straight line basis over their expected useful lives as follows:

Alterations to leasehold premises	Life of lease
Fixtures, fittings, IT and equipment	3 to 8 years

All tangible fixed assets are expected to have nil residual value.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Foreign currency translation

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

Pension costs

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

Share based employee remuneration

The Company's employees may benefit from a Group operated share based payment arrangement. The fair value of equity settled awards for share based payments is determined at grant and expensed straight line over the period from grant to the date of earliest unconditional exercise.

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

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

1. Accounting policies continued

Taxation

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

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Employee Share Ownership Plan (ESOP)

The assets, income and expenditure of the ESOP Trust are incorporated into the Company's financial statements.

Financial instruments

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

i Financial assets

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

ii Financial liabilities

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

2. Critical accounting judgements and key sources of estimation uncertainty

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

Sources of estimation uncertainty

In applying the Company's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. The only source of estimation uncertainty at the end of 2016, that has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities during 2017, relates to the testing for impairment of the Company's investments.

An impairment of the carrying value of RPS Group Plc's investment in its US subgroup is reasonably possible in 2017 because some of our businesses there are exposed to the oil and gas market. The valuation of the investment is most sensitive to the achievement of the 2017 budget. The budget comprises forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board. Whilst we are able to manage staff costs, direct costs and overheads, revenue projections are inherently uncertain due to the short term nature of our order book and oil and gas market conditions.

The US business underperformed against budget in 2016 and whilst not probable, it is possible that further underperformance may occur in 2017 if the oil price drops back to the lows experienced in 2016 or expenditure by our clients reduces. Our US business may exceed budget if market conditions allow. An underperformance against target may lead to an impairment of this asset.

The investment value associated with the US business at 31 December was £144,552,000.

3. Profit attributable to shareholders

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

£000s	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Profit for the year attributable to the shareholders of the Parent Company, dealt with in the accounts of the Parent Company	8,300	24,743

The remuneration of the auditors for the statutory audit of the Company was £50,000 (2015: £50,000).

4. Intangible Assets

£000s	Goodwill
Cost	
At 1 January 2016 and at 31 December 2016	2,134
Amortisation	
At 1 January 2016	1,686
Charge for the year	66
At 31 December 2016	1,752
Net book value at 31 December 2016	382
Net book value at 31 December 2015	448

5. Tangible Assets

£000s	Alterations to leasehold premises	Fixtures, fittings, IT and equipment	Total
Cost or valuation			
At 1 January 2016	1,068	6,851	7,919
Additions	–	254	254
Disposals	(559)	(249)	(808)
At 31 December 2016	509	6,856	7,365
Depreciation			
At 1 January 2016	860	5,938	6,798
Provided for the year	126	498	624
Disposals	(559)	(246)	(805)
At 31 December 2016	427	6,190	6,617
Net book value at 31 December 2016	82	666	748
Net book value at 31 December 2015	208	913	1,121

6. Investments

£000s	2016	2015
Subsidiary undertakings		
Cost		
At 1 January	455,670	430,147
Additions	–	25,523
At 31 December 2016	455,670	455,670
Provisions		
At 1 January	58,235	838
Impairment	–	57,397
At 31 December 2016	58,235	58,235
Net book value at 31 December 2016	397,435	397,435

During 2015 £25,523,000 was invested in the USA subgroup to fund the acquisition of Klotz Associates Inc. and Iris Environmental.

In 2015 the Group's investment in its US business was impaired by £57,397,000.

Subsidiary undertakings

The principal activity of the majority of our trading subsidiaries is the provision of consulting services.

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

	Country of registration and operation	Proportion of ordinary share capital held
C & B Plant Pty Ltd	Australia	100%*
Conics (Brisbane) Pty Ltd	Australia	100%*
Conics (Brisbane) Unit Trust Ltd	Australia	100%*
Conics (Cairns) Pty Limited	Australia	100%*
Conics (Gold Coast) Pty Ltd	Australia	100%*
Conics (Mackay) Pty Ltd	Australia	100%*
Conics (Mining & Infrastructure) Pty Ltd	Australia	100%*
Conics (Sunshine Coast) Pty Ltd	Australia	100%*
Conics (Sunshine Coast) Unit Trust	Australia	100%*
Conics (Sydney) Pty Ltd	Australia	100%*
Conics (Townsville) Pty Ltd	Australia	100%*
Conics Positioning Pty Ltd	Australia	100%*
Conics Pty Ltd	Australia	100%*
ECL DM Pty Ltd	Australia	100%*
ECL Drilling Management Pty Limited	Australia	100%*
ECL Pty Ltd	Australia	100%*
EHA Pty Ltd	Australia	100%*
Everything Infrastructure Consulting Pty Ltd	Australia	100%*
Everything Infrastructure Group Pty Ltd	Australia	100%*
Everything Infrastructure Services Pty Ltd	Australia	100%*
Geo Mapping Technologies Pty Ltd	Australia	100%*
Intelligent Infrastructure Pty Ltd	Australia	100%*
Manidis Roberts Employee Benefits Pty Ltd	Australia	100%*
Massie Cosgrove Pty Ltd	Australia	100%*
Natural Solutions Environmental Consultants Pty Ltd	Australia	100%*
Newco (Brisbane) Pty Ltd	Australia	100%*
Newco (Sunshine Coast) Pty Ltd	Australia	100%*
Pioneer Surveys Pty Ltd	Australia	100%*
PMM Global Surveys Pty Ltd	Australia	100%*
PMM Holdings Pty Ltd	Australia	100%*
PMM Sydney Pty Ltd	Australia	100%*
Point Project Management Pty Ltd	Australia	100%*
RPS APASA Pty Ltd	Australia	100%*
RPS Aquaterra Pty Ltd	Australia	100%*
RPS Australia East Pty Ltd	Australia	100%*
RPS Australia West Pty Ltd	Australia	100%*
RPS Consultants Pty Ltd	Australia	100%
RPS ECOS Pty Ltd	Australia	100%*
RPS Energy Pty Ltd	Australia	100%*
RPS Energy Services Pty Ltd	Australia	100%*
RPS Environment and Planning Pty Ltd	Australia	100%*
RPS Harper Somers O'Sullivan Pty Ltd	Australia	100%*
RPS HSO Subco Pty Ltd	Australia	100%*
RPS Manidis Roberts Pty Ltd	Australia	100%*
Rudall Blanchard Associates Pty Limited	Australia	100%*
Terranean Mapping Technologies Pty Ltd	Australia	100%*
Troy Ikoda Australasia Pty Ltd	Australia	100%*
Urban Blueprint Pty Ltd	Australia	100%*
Vivo Design Pty Ltd	Australia	100%*
Whelans Corporation Pty Limited	Australia	100%*
Whelans Insites Pty Limited	Australia	100%*
RPS Consultores do Brasil Ltda	Brazil	100%*
Petroleum Institute for Continuing Education Ltd	Canada	100%*
Boyd Exploration Consultants Ltd	Canada	100%*
HMA Land Services Ltd	Canada	100%*
Maverick Land Consultants 2012 Ltd	Canada	100%*
Roland Resources 2012 Inc	Canada	100%*
RPS Canada Ltd	Canada	100%*
RPS Energy Canada Ltd	Canada	100%*
Aquaterra International Ltd	England	100%*
Aquaterra UK Limited	England	100%*
Basicshare Limited	England	100%
Burks Green & Partners Limited	England	100%*
Cambrian Consultants America Limited	England	100%*
Cambrian Consultants Limited	England	100%*
Canadian GaiaTech, B.C. ULC	England	100%*

	Country of registration and operation	Proportion of ordinary share capital held
CgMs Holdings Limited	England	100%*
CgMs Limited	England	100%*
Clear Environmental Consultants Limited	England	100%*
DBK Partners Limited	England	100%*
ECL Group Limited	England	100%
ECL Resources Management Limited	England	100%*
ECL Technology Limited	England	100%*
Emulous Group Limited	England	100%
Emulous Ltd	England	100%
Energy Innovations Limited	England	100%*
Exploration Consultants Limited	England	100%*
Flow Control (Water Conservation) Limited	England	100%
Geocon Group Services Limited	England	100%
Geophysical Consultants Limited	England	100%*
Geophysical Safety Resources Limited	England	100%*
Hydrosearch Associates Limited	England	100%
Ichron Limited	England	100%*
Isochrone Holdings Limited	England	100%
Knowledge Reservoir (UK) Ltd	England	100%*
Martindale Holdings Limited	England	100%*
Nautilus (SEAA) Limited	England	100%*
Nautilus Limited	England	100%*
Net Admin Limited	England	100%*
Nigel Moor Associates plc	England	100%*
Oil Experience Limited	England	100%*
Paras Consulting Limited	England	100%*
Paras Limited	England	100%*
Probablistic Risk Assessments Limited	England	100%
Quad Engineering Limited	England	100%*
R W Gregory Limited	England	100%
RPS Business Healthcare Limited	England	100%
RPS Chapman Warren Limited	England	100%*
RPS Consultants Ltd	England	100%*
RPS Consulting Services Limited	England	100%
RPS Design Ltd	England	100%
RPS Ecoscope Limited	England	100%
RPS Energy Consultants Limited	England	100%
RPS Energy Limited	England	100%
RPS Energy Services Limited	England	100%
RPS Environmental Management Limited	England	100%
RPS Group US Holdings Limited	England	100%
RPS Health in Business Limited	England	100%*
RPS Laboratories Limited	England	100%
RPS Mountainheath Limited	England	100%*
RPS Planning & Development Limited	England	100%
RPS Timetrax Limited	England	100%*
RPS Trustees Limited	England	100%
RPS US Holdings Limited	England	100%*
RPS Utilities Limited	England	100%*
RPS Water Services Limited	England	100%
Rudall Blanchard Associates Group Limited	England	100%*
Rudall Blanchard Associates Limited	England	100%*
Safety and Reliability Consultants Limited	England	100%
Scott Pickford Limited	England	100%*
Sherwood House Properties Limited	England	100%*
SRC (Consultants) Limited	England	100%*
Town Planning Consultancy Limited	England	100%
TPK Consulting Limited	England	100%
Troy Ikoda Limited	England	100%*
Troy-Ikoda Management Limited	England	100%*

	Country of registration and operation	Proportion of ordinary share capital held
Utility Technical Services Limited	England	100%
WTW & Associates Limited	England	100%
X-IPEC Limited	England	100%*
Metier Academy GmbH	Germany	100%*
Geocon Asia Limited	Gibraltar	100%*
RPS Consulting Engineers Limited	Ireland	100%*
RPS Engineering Services Limited	Ireland	100%*
RPS Environmental Consultancy Limited	Ireland	100%
RPS Group Limited	Ireland	100%*
RPS MMA Limited	Ireland	100%*
RPS Planning & Environment Limited	Ireland	100%*
RPS Properties Limited	Ireland	100%*
Cambrian Consultants Asia Sdn. Bhd	Malaysia	100%*
Knowledge Reservoir Geoscience & Engineering Sdn. Bhd	Malaysia	100%*
RPS Consultants Sdn Bhd	Malaysia	100%*
Cambrian Consultants CC America, Inc S.de R.L. de C.V.	Mexico	100%*
Aquaterra East Asia LLC	Mongolia	100%*
RPS advies-en ingenieursbureau bv	Netherlands	100%*
RPS Analyse BV	Netherlands	100%*
RPS BV	Netherlands	100%
RPS Detachering BV	Netherlands	100%*
RPS Consultants NZ Limited	New Zealand	100%*
RPS Ireland Limited	Northern Ireland	100%*
Delphi AS	Norway	100%*
Knowledge Reservoir Holding AS	Norway	100%*
Metier AS	Norway	100%*
Metier Holding AS	Norway	100%*
Metier Trondheim AS	Norway	100%*
Metier Vest AS	Norway	100%*
OEC Gruppen AS	Norway	100%*
RPS Norway AS	Norway	100%*
K.R. LLC (Oman)	Oman	100%*
Point Project Management (PNG) Ltd	Papua New Guinea	100%*
OceanFix International Limited	Scotland	100%*
RPS Occupational Health Limited	Scotland	100%*
Delphi Group Asia PTE Limited	Singapore	85%*
Metier AB	Sweden	100%*
Metier Academy AB	Sweden	100%*
APA USA, Inc	USA	100%*
Applied Science Associates Inc.	USA	100%*
Cambrian Consultants America Inc.	USA	100%*
Espey Consultants, Inc.	USA	100%*
Evans Hamilton, Inc.	USA	100%*
GaiaTech Canada, LLC	USA	100%*
GaiaTech Holdings, Inc	USA	100%*
GaiaTech, Inc	USA	100%*
Houston Geoscan Inc	USA	100%*
Hydrosearch USA Inc	USA	100%*
Iris Environmental	USA	100%*
Klotz Associates Inc.	USA	100%*
Knowledge Reservoir Group Inc	USA	100%
Knowledge Reservoir, LLC	USA	100%*
Nautilus Holdings LLC	USA	100%*
Nautilus World LP	USA	100%*
Petroleum Institute for Continuing Education USA Inc	USA	100%*
RPS America Group Inc	USA	100%*
RPS Group, Inc.	USA	100%*
RPS JDC Inc.	USA	100%*
The Geocet Group LLC	USA	100%*
The Scotia Group Inc	USA	100%*

7. Debtors

£000s	31 Dec 2016	31 Dec 2015
Amounts falling due within one year:		
Amounts due from subsidiary undertakings	73,395	59,077
Other debtors	2,135	1,916
Prepayments and accrued income	2,048	3,203
	77,578	64,196

8. Creditors – amounts falling due within one year

£000s	31 Dec 2016	31 Dec 2015
Borrowings	–	179
Trade creditors	1,834	572
Amounts due to from subsidiary undertakings	40,081	20,694
Other creditors	552	549
Accruals and deferred income	2,268	2,096
	44,735	24,090

9. Borrowings

£000s	31 Dec 2016	31 Dec 2015
Bank loans	43,312	42,902
US loan notes	57,571	53,116
Arrangement fees	(997)	–
	99,886	96,018
Due as follows:		
After two years and within five years	100,883	42,902
Over five years	–	53,116
Arrangement fee previously settled	(997)	–
	99,886	96,018

Details of the borrowings are disclosed in note 16 to the consolidated accounts.

10. Provision for liabilities

£000s	Total
As at 1 January 2016	257
Additional provision in the year	28
Utilised in the year	(137)
As at 31 December 2016	148

The provisions relate to property and dilapidations provisions.

The total provision is expected to be utilised as follows:

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Within one year	140	172
After more than one year	8	85
	148	257

11. Deferred taxation

The movement on deferred taxation in the year was as follows:

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Net asset at beginning of year	122	228
Credit /(charge) to income for the year	27	(106)
Net asset at year end	149	122

The deferred taxation balances comprise:

£000s	As at 31 Dec 2016	As at 31 Dec 2015
Short term timing differences	(58)	(46)
Depreciation in excess of capital allowances	207	168
Deferred tax asset	149	122

Deferred tax is included within other debtors in the balance sheet.

12. Share capital and reserves

	Authorised		Allotted and fully paid	
	Number	Value £000s	Number	Value £000s
Ordinary shares of 3p each				
At 1 January 2016	240,000,000	7,200	222,234,251	6,667
At 31 December 2016	240,000,000	7,200	223,435,014	6,703

Full details of the share capital of the Company are disclosed in Note 20 to the Consolidated Financial Statements.

The Company's other reserves are as follows:

Share premium	Premium on shares issued in excess of nominal value, other than on shares issued in respect of acquisitions when merger relief is taken.
Merger reserve	Premium on shares issued in respect of acquisitions when merger relief is taken.
Employee trust shares	Own shares held by the SIP and ESOP trusts.
Profit on loss reserve	Cumulative net gains and losses recognised in the profit and loss account and statement of changes in equity.
Other reserves	Non-distributable profit generated on Group reconstruction.

13. Dividends

Details of dividends paid by the Company are disclosed in Note 22 of the Consolidated Financial Statements.

14. Commitments under operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
£000s	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Within one year	272	535	96	79
Between one and five years	152	302	140	112
	424	837	236	191

15. Directors' interests in transactions

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

Notes to Remuneration Committee Annual Report

1. Remuneration Policy and Implementation in 2017

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

Element, purpose and link to strategy	Operation and maximum opportunity	Performance measures and assessment	Changes from the previous policy and implementation for 2017
Base salary			
To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group.	An Executive Director's basic salary is considered by the Remuneration Committee on appointment and normally reviewed once a year, or when there is a significant change to role or responsibility. When making a determination as to the appropriate remuneration, the Remuneration Committee, where it is relevant, benchmarks the remuneration against the Company's comparator group (organisations of comparable size and or sector to RPS in the FTSE All Share). The results of benchmarking will, however, only be one of a number of factors taken into account by the Remuneration Committee and which will include: • the individual performance and experience of the Executive Director; • pay and conditions for employees across the Group; • the general performance of the Group; and • the economic environment. The Remuneration Committee policy in relation to salary is: • around median salary on appointment depending on the experience and background of the new Executive Director; and • on promotion, up to the median salary for the new role. Annual percentage increases are generally consistent with the range awarded across the Group. Percentage increases in salary above this level may be made in certain circumstances, such as a change in responsibility or a significant increase in the scale of a role or the Group's size and complexity. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.	A broad assessment of individual and business performance is used as part of the salary review.	No change to the current policy other than to the comparator group which is now organisations of comparable size and/or sector to RPS in the FTSE All Share. With effect from 1 January 2017 Alan Hearne's salary will be unchanged at £581,400 and Gary Young's has been increased to £310,000.

<table>
<tr><th>Element, purpose and link to strategy</th><th>Operation and maximum opportunity</th><th>Performance measures and assessment</th><th>Changes from the previous policy and implementation for 2017</th></tr>
<tr><td colspan="4">Benefits</td></tr>
<tr><td>To provide competitive benefits and to attract and retain high calibre employees.</td><td>The Remuneration Committee's policy is to provide a market competitive benefits package.
The Executive Directors may receive the following benefits:
• healthcare;
• life assurance and dependants' pensions;
• disability schemes;
• company car or car allowance; and
• other benefits as provided from time to time, such as relocation allowances on recruitment.
Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits.</td><td>Not applicable.</td><td>No change to previous benefits policy.
Benefits for 2017 will be provided in accordance with the policy.</td></tr>
<tr><td colspan="4">Pension</td></tr>
<tr><td>To provide a competitive company contribution that enables effective retirement planning.</td><td>The Executive Directors are eligible to participate in defined contribution pension schemes, or receive a salary supplement or a combination of the two.
Other than basic salary, no element of the Directors' remuneration is pensionable. Salary supplements are not included in base salary to calculate other benefits and incentive opportunities.
The maximum employer contribution either to a pension scheme and/or provided as a salary supplement is 25% of basic salary.</td><td>Not applicable.</td><td>No change to previous pension policy.
Pension benefits for 2017 will be provided in accordance with the policy.</td></tr>
<tr><td colspan="4">The RPS Group Plc Short Term Annual Bonus Plan (the 'STABP')</td></tr>
<tr><td>To incentivise achievement of annual objectives which support the Group's short-term performance goals.</td><td>Maximum awards each year under the STABP are equal to 150% of salary.
The performance period is one financial year with pay-out determined by the Remuneration Committee following the year end, based on achievement against a range of financial and non-financial targets.
50% of the bonus award will be paid out in cash with the remaining 50% deferred into shares subject to a further three year vesting period. There are no further performance targets applicable to the deferred amount.
Malus and clawback provisions may apply at the discretion of the Remuneration Committee where it considers such action is reasonable and appropriate.
The malus period would be up to the date of the bonus determination and three years after in respect of deferred shares under the STABP. The clawback period will be three years from the date of the bonus determination for any cash payments under the STABP.
Participants may be entitled to dividend equivalents representing the dividends paid during the deferral period of the shares.</td><td>Performance targets will be set by the Remuneration Committee annually based on a range of financial and non-financial measures.
Financial targets govern the majority of bonus payments, although non-financial metrics may also be used. The Remuneration Committee will determine the weighting of the various measures and targets to ensure that they support the business strategy and objectives for the relevant year.
Targets are typically structured on a challenging sliding scale, with zero pay-out accruing for achieving threshold performance through to full pay-out for maximum performance.
The Remuneration Committee has the discretion to adjust targets or performance measures for any exceptional events that may occur during the year.
The Remuneration Committee has the discretion to make downward or upward movements to the amount of bonus earned resulting from the application of the performance measures if it believes that the bonus outcomes are not a fair and accurate reflection of business performance.</td><td>The previous Bonus Plan has been replaced by the STABP.
Under the STABP the maximum award level is 150% which is a reduction from the 200% maximum under the Bonus Plan.
The deferral period under the STABP has increased from two to three years.
There are no other changes to the annual incentive.
The bonus opportunity in 2017 will be 100% of salary for the Group Chief Executive and 125% of salary for the Group Finance Director.
The bonus awards in 2017 will be subject to the achievement of three measures: PBTA (70% weighting), cash conversion (20% weighting) and personal objectives (10% weighting).
The Committee considers prospective disclosure of targets to be commercially sensitive, however will disclose targets retrospectively following the financial year end.</td></tr>
</table>

Element, purpose and link to strategy	Operation and maximum opportunity	Performance measures and assessment	Changes from the previous policy and implementation for 2017
The RPS Group Plc Executive Long Term Incentive Plan (the 'ELTIP')			
To incentivise Executives to achieve sustainable, strong, long term performance for the Company, to retain key individuals and to align their interests with shareholders.	Under the ELTIP, the Remuneration Committee may award annual grants of performance share awards in the form of nil-cost options or conditional shares ('ELTIP awards'). Maximum ELTIP awards each year are equal to 150% of base salary (200% of salary in exceptional circumstances). ELTIP awards will normally vest after a three year performance period subject to the achievement of the performance measures. The Remuneration Committee will retain the discretion to determine whether to attach a holding period to a particular award at the date of each grant. Malus and clawback provisions may apply at the discretion of the Remuneration Committee where it considers such action is reasonable and appropriate. The malus period would be up to the date of vesting (i.e. three years from the grant date). The clawback period will be two years from the date of vesting. Participants may be entitled to dividend equivalents representing the dividends paid during the deferral period of the shares.	Financial and non-financial measures may be applied to awards under the ELTIP. Targets are typically structured on a challenging sliding scale, with no more than 20% of the maximum award vesting for achieving the threshold performance level through to full vesting for maximum performance. The Remuneration Committee has the discretion to adjust targets or performance measures for any exceptional events that may occur during the vesting period. The Remuneration Committee has the discretion to make downward or upward movements in the vesting of the ELTIP resulting from the application of the performance measures if the Remuneration Committee believes that the outcomes are not a fair and accurate reflection of business performance. The Remuneration Committee will review the performance measures annually, in terms of the range of targets, the measures themselves and weightings applied to each element of the ELTIP. Any revisions to the measures and/or weightings in future years will only take place if it is necessary because of developments in the Group's strategy and, where these are material, following dialogue with the major shareholders.	The ELTIP has been introduced in 2017 in order to provide an increased focus on long-term performance. Under the previous policy the only variable remuneration provided was the Bonus Plan. The ELTIP awards granted in 2017 will be 100% of salary for the Group Chief Executive and 125% of salary for the Group Finance Director. 2017 ELTIP awards will vest subject to the achievement of three measures: EPS (25% weighting), relative TSR (50% weighting) and cash conversion (25% weighting). Performance targets will be as shown in the separate table below.
All-Employee Incentives			
To encourage all employees to become shareholders and thereby align their interests with those of shareholders.	Eligible employees may participate in the Share Incentive Plan or country equivalent. Executive Directors will be entitled to participate on the same terms. Maximum participation levels for all staff are set by reference to the plan rules and relevant legislation.	Not applicable.	No change to previous policy.
Shareholding Guidelines			
To ensure that Executive Directors' interests are aligned with those of shareholders over the longer term.	Executive Directors are required to build or maintain (as relevant) the following minimum shareholding in the Company: • 200% of base salary for the Chief Executive; and • 150% of base salary for other Executives. Shares included in this calculation are those held beneficially by the Executive Director and his or her spouse/life partner. The shareholding requirement is determined by the Remuneration Committee and may be up to 200% of salary. Executive Directors will be required to retain 50% of the post-tax number of shares vesting under the STABP and ELTIP until their requirement is met and then maintained.	Not applicable.	Shareholding guidelines have increased from 150% of salary to 200% of salary for the Chief Executive and from 100% of salary to 150% of salary for other Executives.

The following performance targets will apply to the LTIP awards to be made to Executive Directors in 2017.

Performance measure	Measurement period	Performance target	Vesting level (% maximum)
Total Shareholder Return relative to the FTSE All Share	Three financial years	Upper Quantile	100%
		Median to Upper Quartile	Pro rata on a straight line basis between 20% and 100%
		Below Median	0%
Average Annual Growth in Earnings per share (measured on a constant currency basis)	Three financial years	12% p.a.	100%
		Between 4% and 12% p.a.	Pro rata on a straight line basis between 20% and 100%
		Below 4% p.a.	0%
Cash collection	Three financial years	105%	100%
		Between 85% and 105% p.a.	Pro rata on a straight line basis between 20% and 100%
		85%	0%

2. Single figure remuneration table – Notes for financial year ended 31 December 2016

The single figure table is set out on page 30 of this report.

Benefits and pension

The value for benefits for each Executive Director shown in the Single Figure Remuneration is comprised of a company car or company car allowance and private medical insurance.

The Executive Directors are eligible to participate in defined contribution pension schemes, or receive a salary supplement or a combination of the two, the value of which has been shown in the Single Figure Remuneration for each.

Bonus Plan assessment for 2016

For 2016 the Maximum Annual Contributions under the RPS Group Plc Bonus Plan for Alan Hearne, Phil Williams and Gary Young were 200%, 175% and 150% of salary respectively. The maximum total contribution that can be earned by all participants under the Bonus Plan is limited to 3% of the Group's PBTA.

For each Executive Director, performance was assessed against three measures: PBTA (70%), cash collection (20%) and personal objectives (10%). In addition, for 2016 the Remuneration Committee set a minimum PBTA level of £50m which had to be reached before any bonus contribution in respect of the cash collection and personal objectives elements could be earned.

The bonus value included within the Single Figure Remuneration for 2016 has been calculated as set out below. This shows the performance targets for 2016, their level of satisfaction and the corresponding level of bonus earned by each of the Executive Directors.

PBTA

No bonus contribution was earned in respect of the element relating to PBTA as the threshold level of performance was not achieved. However, as the PBTA for 2016 was £ 50.7m which is above the underpin set of £50m, the Executive Directors were eligible to earn bonus contributions in respect of the other elements.

Cash Collection

In respect of cash collection, bonus contribution could be earned at an entry point of 85% with a straight line basis applying up to 110%, at which point the maximum contribution for this element could be earned. Cash collection for the year was at 117% with the result that the maximum contribution was earned by each Executive Director for this element.

Personal Objectives

In respect of personal objectives the Remuneration Committee determined that no bonus contribution would be paid to either Alan Hearne or Phil Williams, but that the maximum contribution would be payable to Gary Young. The personal objectives for Gary Young related to the development of the Group Finance function.

Based on the performance described above the bonus contributions for each of the Executive Directors for 2016 were as follows.

Executive Director	Bonus attributable to PBTA (70%)	Bonus attributable to Cash collection (20%)	Bonus attributable to Personal Objectives (10%)	Total Bonus contribution	Amount of Bonus contribution paid in cash	Amount of Bonus contribution deferred shares (see below)
Alan Hearne	£0	£232,500	£0	£232,500	£0	£232,500
Phil Williams	£0	£112,500	£0	£112,500	£112,500	£0
Gary Young	£0	£86,500	£43,000	£129,500	£64,750	£64,750

In respect of Gary Young and in accordance with the normal terms of the Plan one half of the bonus contribution will be paid in cash and the balance deferred in shares for a period of two years. In respect of Alan Hearne the Committee determined the entire bonus contribution should be deferred in shares for a period of two years. The number of deferred shares in respect of the bonus will be disclosed in next year's Report following their grant in March 2017.

Phil Williams' employment with the Company will end on 20 March 2017 and as a good leaver under the rules of the Plan any shares deferred under the Plan would be released at that time. The Remuneration Committee accordingly determined that his bonus contribution in respect of 2016 would be paid wholly in cash. In line with the Company's Remuneration Policy the amount of bonus earned has been pro-rated to the period of the financial year which he worked as an Executive Director.

3. Incentive grants to Executive Directors made during the financial year ending 31 December 2016

There were no incentive grants made to Executive Directors under the RPS Group Plc Bonus Plan during the year to 31 December 2016. The only share awards made to Executive Directors during the year were in respect of the Company's all employee Share Incentive Plan.

The following table sets out the number and value of matching and dividend shares that were awarded to the Executive Directors under the all employee Share Incentive Plan during 2016.

Executive Director	Number of shares	Value of shares £
Alan Hearne	1,657	3,018
Phil Williams	929	1,755
Gary Young	1,858	2,668

Shares are valued by reference to their price as at date of award. The shares shown as awarded to Phil Williams are in respect of the period up to his retirement as a Director.

As noted above an award of deferred shares in respect of bonus earned under the RPS Group Plc Bonus Plan for 2016 will be made to Alan Hearne and Gary Young in March 2017.

4. Payments to past Directors

Following his retirement from the Board Phil Williams is being paid his normal contractual entitlements being salary, pension and benefits for the balance of his notice period up to 20 March 2017 and is being treated as a good leaver for the purpose of the RPS Group Plc Bonus Plan.

5. Payment for loss of office

There were no payments for loss of office made to Directors of the Company in respect of the year under review.

6. Total shareholding of Directors

The table below shows the total shareholding for each Director.

	Unconditional shares		Conditional Matching shares under the SIP		Total	
	Shares held at 31/12/16	Shares held at 24/02/17	Shares held at 31/12/16	Shares held at 24/02/17	Shares held at 31/12/16	Shares held at 24/02/17
Executive Director						
Alan Hearne	122,019	122,204	2,015	2,050	124,034	124,254
Gary Young	107,289	107,474	2,016	2,051	109,305	109,525
Phil Williams*	290,076	n/a	1,804	n/a	291,880	n/a
Non-Executive Director						
Ken Lever	–	–	–	–	–	–
John Bennett	–	–	–	–	–	–
Louise Charlton	–	–	–	–	–	–
Robert Miller–Bakewell	10,000	10,000	–	–	10,000	10,000

*Interests for Phil Williams are shown as at 30 September 2016 being his date of retirement from the Board.

Unconditional shares include shares held directly or indirectly by connected persons. They also include shares acquired under the Share Incentive Plan being partnership and dividend shares held as well as matching shares that have been held for longer than three years and are therefore no longer conditional.

The table below shows the shareholding guideline for each Executive Director (as applicable from 1 January 2017) and the extent to which that guideline was met at 31 December 2016.

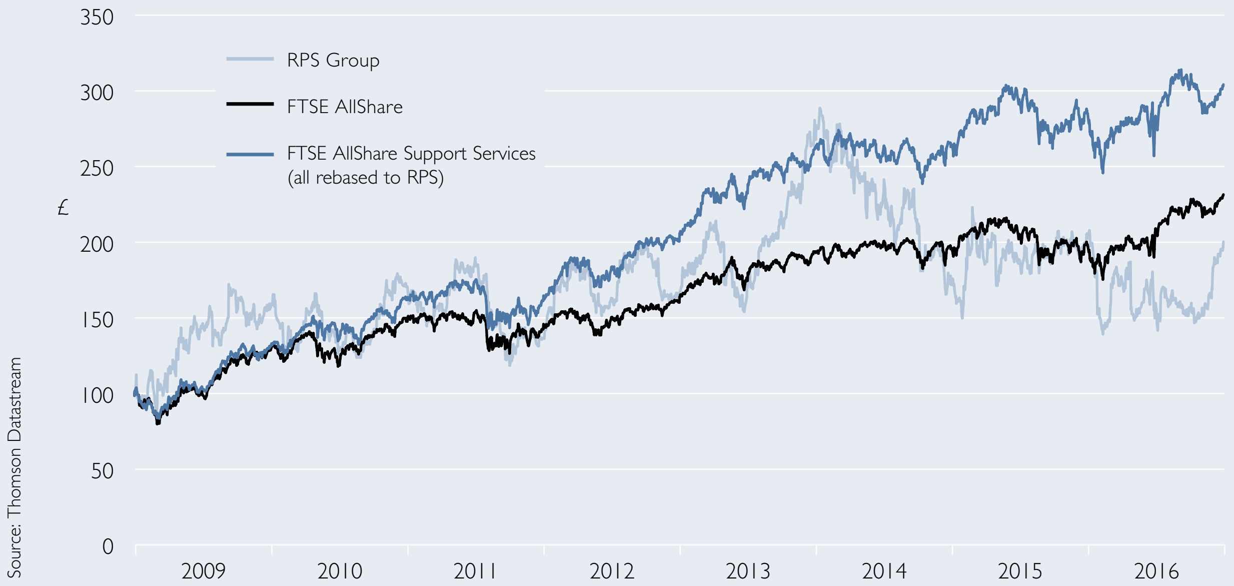
	Guideline % salary	Value of shareholding required £	Value of unconditional shares £
Alan Hearne	200	1,162,800	271,492
Gary Young	150	432,900	238,718

The value shown for unconditional shares is based upon the Company's share price as at 31 December 2016.

7. Total Shareholder Return Performance

The Company has selected the FTSE All Share and the FTSE All Share Support Services as the broad equity market indices against which to compare the Company's total shareholder return performance as the Company has been a constituent member of these indices throughout the eight year period.

Total shareholder return from 1 January 2009



8. CEO Remuneration

Element	2009	2010	2011	2012	2013	2014	2015	2016
Total Remuneration (single figure for the Year - £000s)	636	608	793	1,650	883	922	748	981
Annual Bonus (%age of Maximum Opportunity)	zero	46%	54%	77%	47%	32%	zero	20%
Long–Term Incentives (%age of Maximum Number of Shares capable of vesting)	100%	zero	13%	100%	zero	zero	zero	zero

It should be noted that the Single Figure for 2012 includes the payment of deferred balances under the previous bonus banking plan from 2010 and 2011. These balances were earned during these years but subject to deferral until the end of 2012 and at risk of performance based forfeiture.

9. Percentage Change in Remuneration of Chief Executive

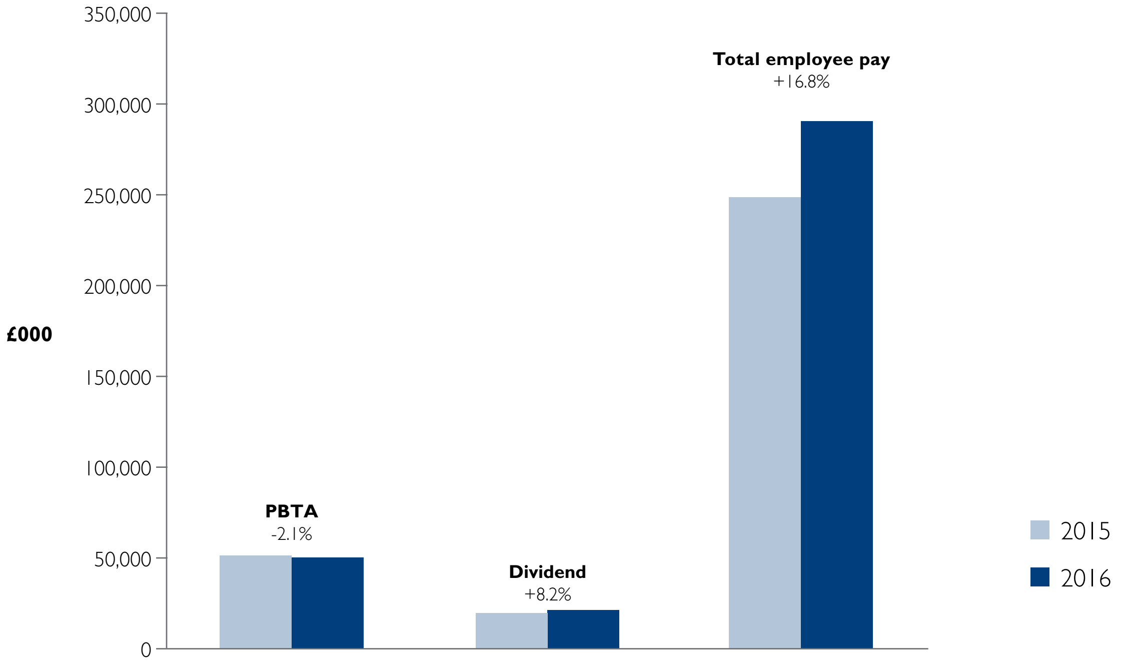
The following table shows the percentage change in the Chief Executive's salary, benefits and annual bonus between financial years compared to the percentage change for all employees.

Element	Percentage Change from 2015 Financial Year to 2016 Financial Year	
	CEO	Employees
Salary	0%	2.9%
Taxable Benefits	0%	2.5%
Annual Bonus	n/a*	13.2%

* As the Chief Executive received a bonus for 2016 but no bonus in 2015, it is not possible to express this change in percentage terms.

10. Relative Importance of Spend on Pay

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



Profit before tax and amortisation is a key performance indicator for the Group and was the principal performance measure used under the RPS Plc Bonus Plan. The significant increase in employee pay resulted in part from the impact of currency fluctuations. Measured on a constant currency basis this increase would have been 8.5%, although of this increase the substantial majority reflected the impact of acquisitions made in 2015 being included for the whole year.

11. The Committee and its Advisors

Role of the Remuneration Committee ("Committee")

The Committee is responsible for setting policies relating to remuneration for the Executive Directors as well as determining their specific remuneration packages. It also monitors the level and structure of remuneration for the Group's senior management as well as overseeing the operation of the Group's share plans. The Committee's agreed terms of reference are available on the Company's website and on request from the Company Secretary.

The Board determines the remuneration of the Non–Executive Directors. No Director plays a part in any decision about their own remuneration.

Committee members

The current members of the Committee are Robert Miller-Bakewell (Chairman), Louise Charlton and John Bennett all of whom are independent Non–Executive Directors. Andrew Page served as a member of the Committee until his retirement as a Director in April 2016. John Bennett joined the Committee on his appointment as a Director in April 2016. The Chief Executive of the Company attends meetings by invitation and where this is pertinent to the matters under discussion, but is never present when his own remuneration is under discussion. Representatives of PricewaterhouseCoopers LLP ('PwC') also attend some meetings of the Committee. The Company Secretary acts as secretary to the Committee.

None of the members of the Committee has any personal financial interest (other than as shareholders), or conflicts of interests arising from other directorships or day–to–day involvement in running the business of the Company.

Further information on meetings and attendance by the Committee members is disclosed in the Corporate Governance report on page 24.

External advice

During 2016 the Committee received external advice in relation to executive remuneration from PwC. PwC have acted as advisors to the Committee for several years, having previously been appointed by the Committee following a review process. PwC are members of the Remuneration Consultants Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. PwC also undertook some limited tax advisory work for the Company during the year. The Committee reviewed the nature of the services provided and was satisfied that no conflict of interest exists or existed in the provision of these services and that the advice the Remuneration Committee received was objective and independent. PwC has no other connections with the Company.

The total fees paid to PwC in the year for services to the Committee amounted to £110,000. This fee was comprised of an annual retainer to cover certain standard advice and payment for additional services in respect of which fees were agreed on a case by case basis. The significant majority of this has related to development of the new remuneration policy which was approved by shareholders during the year. No contingent fee arrangements were operated.

12. Statement of Shareholder voting

The Remuneration Committee's Annual Report for 2015 was approved at the Company's 2016 Annual General Meeting. The voting for this resolution is shown below.

Annual Report	Number of Votes Cast	% of Votes Cast
Votes for	158,006,453	96.4
Votes against	5,900,724	3.6
Total	163,907,177	100
Witheld	2,308,635	–

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

Policy statement	Number of Votes Cast	% of Votes Cast
Votes for	159,064,587	90.55
Votes against	16,607,705	9.45
Total	175,672,292	100
Witheld	3,167,972	–

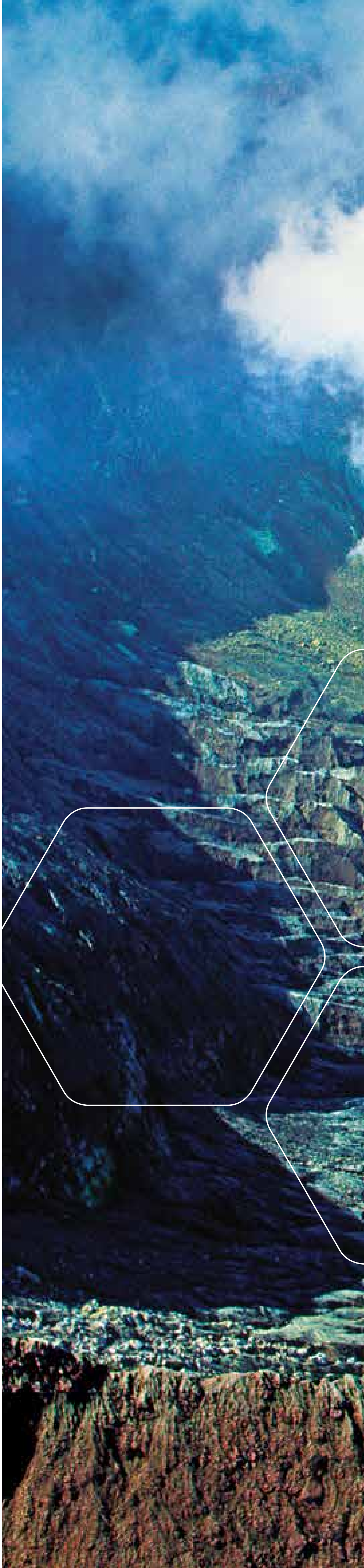
Five Year Summary

£000s	2016	2015	2014	2013	2012
Revenue	594,471	566,972	572,126	567,614	555,863
Fee income	534,296	506,110	504,959	492,121	478,835
PBTA	50,704	51,795	66,114	63,032	60,099
Net bank debt	(83,419)	(78,779)	(73,180)	(32,368)	(13,501)
Net assets	411,307	364,490	384,677	372,038	373,814
Adjusted cash generated from operating activities	78,253	92,628	70,772	72,030	76,045
Average number of employees	5,099	5,054	4,530	4,306	4,507
Dividend per share	9.74p	9.74p	8.47p	7.36p	6.40p
Adjusted basic EPS	16.60p	16.57p	22.04p	20.22p	19.48p
Adjusted diluted EPS	16.51p	16.47p	21.92p	20.14p	19.36p

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

Cover image: Acid crater lake on White Island, New Zealand.

RPS' expertise in community creation has been called on to assist urban growth in the Bay of Plenty.



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