RPS GROUP PLC
(“RPS” or “the Group”)

Results for the Year Ended 31 December 2017

Improved trading performance. Strong cash conversion. Further reduction in leverage.

	2017	2016	2016 at constant currency [1]
Revenue (£m)	**630.6**	594.5	614.8
Fee income [1] (£m)	**562.3**	534.3	552.5
PBTA[1] (£m)	**53.9**	50.7	52.4
Adjusted earnings per share [1] (basic) (p)	**17.13**	16.60	16.58
Total dividend per share (p)	**9.88**	9.74	9.74
Statutory (loss)/profit before tax (£m)	**(1.6)**	32.8	33.7
Statutory (loss)/earnings per share (basic) (p)	**(7.52)**	11.35	11.29

Financial key points

- Fee income £562.3m (2016 £534.3m); 5% growth; 2% growth at constant currency
- PBTA £53.9m (2016 £50.7m); 6% growth; 3% growth at constant currency
- EPS (adjusted, basic) 17.13p (2016 16.60p); 3% growth; 3% growth at constant currency
- Goodwill impairment of £40.0m (2016 £nil) in Energy
- Statutory loss before tax £1.6m (2016 profit £32.8m)
- Strong cash conversion 91% (2017 117%)
- Year-end net bank borrowings £80.6m (2016 £83.4m); leverage [1] 1.3x (2016 1.6x)
- Final dividend proposed 5.08p (2016 5.08p) making full year dividend 9.88p, up 1.4% (2016 9.74p). There is no intention to reduce future full year dividends, but no increase until pay-out is in line with previous norm of 40% of adjusted basic EPS rather than 58% currently

Business highlights

- Conditions in markets, other than Energy, generally positive
- Energy trading improved in second half but was less good than expected despite the increased oil price
- Profit growth achieved in all four business segments
- Appointment of new Chief Executive. Initial review of Group strategy concluded
- Renewed emphasis to be placed on organic growth supported by targeted acquisitions
- Five strategic priorities established to support future growth

John Douglas, CEO, commented:

“2017 has been a year of steady progress for the group in overall trading performance and good progress in establishing strategic priorities following management change in September. We intend to enhance the strong existing foundations to further improve our proposition and business, our offerings to clients and deliver long-term value to our shareholders. The Board anticipates further growth in 2018. I would like to thank all our people for the hard work and dedication that has gone into delivering these results.”

1 March 2018

(1) Alternative Performance Measures are used consistently throughout this announcement: these include PBTA, fee income, items prefaced “adjusted” such as adjusted EPS, segment profit, underlying profit, underlying operating profit, amounts labelled “at constant currency”, EBITDAS, conversion of profit into cash, net bank borrowings, leverage. For further details of their purpose, definition and reconciliation to the equivalent statutory measures see note 2.

ENQUIRIES

RPS Group plc **Today: 020 7457 2020**
John Douglas, *Chief Executive* **Thereafter: 01235 863206**
Gary Young, *Finance Director*

Instinctif Partners
Justine Warren **Tel: 020 7457 2020**
Matthew Smallwood

RPS is an international consultancy providing 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. We have offices in the UK, Ireland, the Netherlands, Norway, the United States, Canada, Australia, Malaysia, New Zealand and undertake projects in many other parts of the world. The Group has been a constituent of the FTSE4Good index since its inception in 2001.

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of RPS Group plc. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

Results

PBTA was £53.9m, an increase of 6% over last year (2016: £50.7m, £52.4m at constant currency) and in line with market expectations, on fee income that increased by 5% to £562.3m (2016: £534.3m, £552.5m at constant currency). After taking into account a goodwill impairment charge of £40.0m (2016 £nil) in respect of our energy business, amortisation of acquired intangibles and a loss on disposal, loss before tax was £1.6m (2016: profit £32.8m, £33.7m at constant currency). The effective tax rate for the year on PBTA is 29.6% (2016: 27.7%). Adjusted basic EPS was 17.13p, an increase of 3% over last year (2016 16.60p. 16.58p at constant currency). Statutory basic (loss)/earnings per share was (7.52)p (2016 11.35p, 11.29p at constant currency).

2017 profits benefited from favourable currency movements on the conversion of overseas results. PBTA in 2017 would have been £2.2m lower had 2016 exchange rates been repeated in 2017. The PBTA in 2016 would have been £1.7m higher than reported if 2017 exchange rates had prevailed in 2016. Statutory profit in 2016 would have been £0.9m higher than reported if 2017 exchange rates prevailed in 2016.

Trading performance

£m	2017	2016	2016 at constant currency
BNE Europe	37.0	35.1	35.7
BNE NA	8.3	7.9	8.3
Energy	6.4	5.4	5.4
AAP	15.3	14.2	15.1
Total segment profit	67.0	62.6	64.4
Unallocated costs	(8.5)	(6.7)	(6.7)
Underlying operating profit	58.5	55.9	57.7

Each segment grew or maintained profit at constant currency, whilst central unallocated costs increased, mainly due to board changes during the year.

Borrowings and cash flow

Net bank borrowings at the year-end were lower at £80.6m (31 Dec 2016 £83.4m). Net cash from operating activities remained strong at £43.7m (2016 £62.3m), albeit down on the previous year. This reduction was largely the result of a working capital increase in the year of £6.1m compared to a decrease of £11.5m in 2016. The Group continues to focus on its management of working capital, and our conversion of profit into operating cash was good at 91% (2016: 117%). Net cash used in investing activities was £21.1m (2016 £38.1m), mainly comprising expenditure on deferred consideration for acquisitions of £12.9m (2016 £23.7m), net capital expenditure of £8.4m (2016 £7.9m) and new acquisitions in the year £nil (2016 £6.6m). The amount paid in respect of dividends was £22.0m (2016 £22.5m).

Deferred consideration outstanding at the year-end was £1.8m (31 December 2016 £15.0m), the lowest for many years. Our leverage (being net bank debt plus deferred consideration expressed as a ratio of adjusted EBITDA) calculated in accordance with our bank's financial covenants was 1.3x at the year end, down from 1.6x at the end of 2016.

Net finance costs were £4.5m (2016 £5.2m). The year on year decrease was primarily the result of less interest on deferred consideration that reduced significantly during the year.

Amortisation and impairment of intangible assets and transaction related costs

Amortisation and impairment of intangible assets and transaction related costs totalled £55.5m (2016 £17.9m). Included in this total is goodwill impairment of £40.0m (2016 £nil) in respect of our Energy businesses in EAME and North America, amortisation of acquired intangibles £12.8m (2016 £17.5m), loss on disposal of business £2.7m (2016 £nil) and other items £nil (2016 £0.4m). The loss on disposal relates to the sale just before the year end of our pipeline approval business in Canada. Proceeds were £0.2m, the largest component of the loss being a provision for onerous property lease of £2.4m.

The goodwill impairment charge of £40.0m relates to the impairment of our oil and gas exposed energy businesses in Europe and North America. They performed close to budget during the first half of 2017 and whilst trading improved in the second half it was less good than expected despite the increased oil price. The Board has reviewed the prospects for the oil industry and the potential demand for our services and considers them to be lower than at the last review. Accordingly, our impairment review at the year-end incorporated a lower forecast for cash generation than at the last review which has resulted in the goodwill impairment.

Dividends

The total (paid and proposed) dividend for the year is 9.88p per ordinary share (2016 9.74p) and amounts to £22.1m. The proposed final dividend of 5.08p (2016 5.08p) will be paid on 18 May 2018 to shareholders on the register of members at the close of business on 20 April 2018 subject to approval at the Annual General Meeting on 1 May 2018.

Capital allocation policy

We intend to create long term shareholder value by growing organically and through prudent, selective acquisition in due course. To support organic growth we plan to re-invest capital in our business. We are currently modernising and improving our HR and marketing functions as described further in the strategy section below.

We intend to operate with a leverage up to 2.0x, unless immediately following an acquisition, which provides substantial headroom compared to our current facilities limit of 3.0x. The full year dividend represents 58% (2016: 59%) of adjusted basic earnings per share. Prior to 2015 the dividend pay-out ratio was less than 40%. The Board's view is that the current ratio is too high and future pay-out should be more in line with this previous norm. Considering the above, whilst the Board has no current intention of reducing the future full year dividend, increases are only likely when earnings grow and the pay-out ratio is at or around this level.

Markets and trading

Built and Natural Environment-Europe

	2017	2016	2016 at constant currency
Fee income (£m)	287.6	269.0	275.0
Segment profit * (£m)	37.0	35.1	35.7
Margin (%)	12.9	13.1	13.0

* after reorganisation costs: 2017 £nil, 2016 £0.5m

Market conditions were generally good for all our businesses. Our planning and development businesses in UK and Ireland benefited both from good market conditions and client confidence in respect of both private sector development as well as public infrastructure projects. However, this business suffered from a troubled engineering design project. The project incurred a loss of £2.1m in the year. Our water business, which has a strong market presence, traded particularly well in what is the historically strong mid period of the current Asset Management Plan regulatory cycle. Our other operationally focussed businesses, in the Netherlands and our environmental and risk management businesses in the UK also traded well. In Norway we have two leading project management businesses. In total they grew year-on-year and progressed their integration that impacted results in the second half of the year.

The UK decision to leave the EU could cause disruption to activities if clients decide to change their investment plans. We are seeing little sign of this yet. Subject to market conditions remaining supportive this business is capable of further growth in 2018.

Built and Natural Environment-NA

	2017	2016	2016 at constant currency
Fee income (£m)	76.2	65.4	67.9
Segment profit * (£m)	8.3	7.9	8.3
Margin (%)	10.9	12.0	12.2

* after reorganisation costs: 2017 £0.2m, 2016 £0.3m

The strong economic fundamentals of the US market supported fee growth in our infrastructure and our environmental risk business. Our ocean science business, which is oil and gas exposed, benefited from an increase in activity in the second half. However, margins remain under duress from increased cost pressure and were adversely impacted by Hurricane Harvey that led to some lost productivity in our businesses in Texas. Generally good market conditions will be supportive in 2018 although the cost of investment in people will temper growth.

Energy

	2017	2016	2016 at constant currency
Fee income (£m)	65.4	71.5	72.7
Segment profit * (£m)	6.4	5.4	5.4
Margin (%)	9.7	7.5	7.4

* after reorganisation costs: 2017 £0.4m, 2016 £3.6m

We provide internationally recognised consultancy services to the oil and gas industry from bases in the UK, US and Canada. We continued to match our costs to our workload whilst retaining multi-disciplinary capability. In 2017 we reversed £1.8m of debtor provisions (2016 £4.2m).

Although fees declined in 2017 our profits appear to have stabilised. Nevertheless, our Energy business performed less well than we expected at the start of the year and as previously mentioned the Board concluded that an impairment of its goodwill was appropriate. Energy has been a significant contributor to Group performance since we entered this market in 2003. We remain committed to the oil and gas market and have a strategic aim of revitalising our Energy business in oil and gas and in the broader energy market.

Markets remained difficult throughout the year although the rise in oil price in the second half of the year suggests that activity levels in our key upstream sectors may not decline any further and some fee growth is possible. A similar level of provision reversals is unlikely therefore profit growth is uncertain.

Australia Asia Pacific

	2017	2016	2016 at constant currency
Fee income (£m)	135.0	130.1	138.7
Segment profit * (£m)	15.3	14.2	15.1
Margin (%)	11.3	10.9	10.9

* after reorganisation costs: 2017 £0.6m, 2016 £1.2m

The reduction in fees on a constant currency basis was due mainly to a reduced level of activity at our oil and gas related businesses in Western Australia. Government infrastructure and land development markets were buoyant and provided good workload for most of our East coast businesses. Our project management business performed well benefiting from an active Australian defence sector. In the second half we provided £0.6m in respect of a loss making “gain share/pain share” project. The energy and resources sectors, mainly serviced by our west coast businesses, continued to struggle.

Market conditions in non-resource markets are generally good in our east coast businesses. However, our smaller west coast businesses face weak resource markets. Overall, this business is capable of further growth in 2018.

Strategy

Significant work has been undertaken in developing Group strategy. Our growth will be driven by an increased focus on organic performance coupled with targeted and complimentary acquisitions. We intend to deliver long term shareholder value and have an ambition to return to the FTSE 250. We have set ourselves five strategic priorities in pursuit of this ambition.

A key priority is to be rated by our people as a great place to do great work. Our staff turnover has been historically higher than we would like. We are therefore investing in our HR function, including the creation of a new role as Group People Director and will roll out best practices throughout the Group.

RPS offers a tremendous range of services and benefits would be derived from presenting the Group to our markets and internally in a more coherent, interconnected and consistent manner. We need to convey a clear sense of our identity and our behaviours. We have recently appointed a Group Marketing Director, a new role for the Group.

Better connectivity between our business drives revenue. A priority is to improve that connectivity across sectors where we have deep expertise and capability.

The USA is our largest single market for the services we offer. We have had a strong North American business for some years but recognise that it can be better and stronger still. It is the intention to further increase our presence in North America by making carefully targeted acquisitions in sectors in which we have strength and have familiarity.

Our final priority is to revitalise our international oil and gas business in which RPS has a very strong reputation as an independent professional advisor and service provider. The collapse in the oil price has challenged our business in recent years but we intend to reinvigorate it and develop a leading, global and innovative energy business in oil and gas and in the broader energy market.

Group prospects

The Board anticipates further growth in 2018. Trading conditions in our markets other than Energy are generally good. Our investment in strategic priorities will drive performance in 2019 and beyond. Our strong cash flow and reduced leverage will enable us to make carefully targeted acquisitions to deepen the services we offer clients. The new strategic priorities provide a foundation to build on its strong existing platform and deliver long term shareholder value.

Board of Directors
RPS Group plc
1 March 2018

Consolidated income statement

£000's	*Notes*	year ended 31 December 2017	year ended 31 December 2016
Revenue	*3*	630,636	594,471
Recharged expenses	*2, 3*	(68,316)	(60,175)
Fee income	*2, 3*	562,320	534,296
Operating profit before amortisation and impairment of acquired intangibles and transaction related costs	*2, 3*	58,467	55,877
Amortisation and impairment of acquired intangibles and transaction related costs	*4*	(55,541)	(17,890)
Operating profit		2,926	37,987
Finance costs	*5*	(4,639)	(5,331)
Finance income	*5*	113	158
Profit before tax, amortisation and impairment of acquired intangibles and transaction related costs	*2*	53,941	50,704
(Loss)/profit before tax		(1,600)	32,814
Tax expense	*6*	(15,072)	(7,733)
(Loss)/profit for the year attributable to equity holders of the parent		(16,672)	25,081
Basic (loss)/earnings per share (pence)	*7*	(7.52)	11.35
Diluted (loss)/earnings per share (pence)	*7*	(7.47)	11.29
Adjusted basic earnings per share (pence)	*2, 7*	17.13	16.60
Adjusted diluted earnings per share (pence)	*2, 7*	17.01	16.51

Consolidated statement of comprehensive income

£000's	year ended 31 December 2017	year ended 31 December 2016
(Loss)/profit for the year	(16,672)	25,081
Exchange differences*	(5,867)	41,429
Actuarial gains and losses on re-measurement of defined benefit pension liability	(66)	(261)
Tax on re-measurement of defined benefit pension liability	15	65

Total recognised comprehensive (loss)/income for the year attributable to equity holders of the parent	(22,590)	66,314

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

Consolidated balance sheet

£000's	*Notes*	as at 31 December 2017	as at 31 December 2016
Assets			
Non-current assets:			
Intangible assets		395,730	455,508
Property, plant and equipment		28,344	28,448
Deferred tax asset		3,312	5,953
		427,386	489,909
Current assets:			
Trade and other receivables	*8*	169,755	165,604
Cash at bank		15,588	16,503
		185,343	182,107
Liabilities			
Current liabilities:			
Borrowings	*10*	212	36
Deferred consideration	*12*	1,608	13,376
Trade and other payables	*9*	123,406	125,165
Corporation tax liabilities		3,415	4,472
Provisions		2,953	1,809
		131,594	144,858
Net current assets		53,749	37,249
Non-current liabilities:			
Borrowings		96,008	99,886
Deferred consideration	*12*	148	1,634
Other payables		2,543	2,496
Deferred tax liability		8,340	10,045
Provisions		4,312	1,790
		111,351	115,851
Net assets		369,784	411,307
Equity			
Share capital		6,745	6,703
Share premium		117,790	114,353
Retained earnings		205,143	249,353
Merger reserve		21,256	21,256
Employee Trust		(8,602)	(13,677)
Translation reserve		27,452	33,319
Total shareholders' equity		369,784	411,307

Consolidated cash flow statement

£000's	*Notes*	year ended 31 December 2017	year ended 31 December 2016
Net cash from operating activities	*11*	43,744	62,277
Cash flows from investing activities:			
Purchases of subsidiaries net of cash acquired		-	(6,557)
Deferred consideration		(12,879)	(23,672)
Purchase of property, plant and equipment		(8,651)	(8,130)
Proceeds from sale of business		234	-
Proceeds from sale of property, plant and equipment		221	225
Net cash used in investing activities		(21,075)	(38,134)
Cash flows from financing activities:			
Costs of issue of share capital		(8)	(5)
Proceeds from issue of share capital		382	-
Repayment of bank borrowings		(1,424)	(6,921)
Payment of finance lease liabilities		(36)	(47)
Dividends paid		(22,007)	(21,613)
Payment of pre-acquisition dividend		-	(850)
Net cash used in financing activities		(23,093)	(29,436)
Net decrease in cash and cash equivalents		(424)	(5,293)
Cash and cash equivalents at beginning of year		16,503	17,322
Effect of exchange rate fluctuations		(703)	4,474
Cash and cash equivalents at end of year		15,376	16,503
Cash and cash equivalents comprise:			
Cash at bank	*11*	15,588	16,503
Bank overdraft	*11*	(212)	-
Cash and cash equivalents at end of year		15,376	16,503

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Merger reserve	Employee trust	Translation reserve	Total equity
At 1 January 2016	6,667	112,026	244,648	21,256	(11,997)	(8,110)	364,490
Profit for the year	-	-	25,081	-	-	-	25,081
Other comprehensive income	-	-	(196)	-	-	41,429	41,233
Total comprehensive income for the year	-	-	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	21,256	(13,677)	33,319	411,307
Loss for the year	-	-	(16,672)	-	-	-	(16,672)
Other comprehensive income	-	-	(51)	-	-	(5,867)	(5,918)
Total comprehensive income for the year	-	-	(16,723)	-	-	(5,867)	(22,590)
Issue of new ordinary shares	42	3,437	(1,352)	-	(1,753)	-	374
Share based payment expense	-	-	2,700	-	-	-	2,700
Transfer on release of shares	-	-	(6,828)	-	6,828	-	-
Dividends paid	-	-	(22,007)	-	-	-	(22,007)
At 31 December 2017	6,745	117,790	205,143	21,256	(8,602)	27,452	369,784

Notes to the results

1. Basis of preparation

The financial information attached has been extracted from the audited financial statements for the year ended 31 December 2017 which have been prepared under International Financial Reporting Standards (IFRS) adopted by the EU and IFRIC interpretations issued and effective at the time of preparing those financial statements.

During the year, the Group has applied IAS 7 (amended), IAS 12 (amended) and the amendments to IFRS 12 included in the Annual Improvements to IFRS 2012 – 2014 cycle. Their adoption has not had a material impact on the disclosures or amounts reported in these accounts. Otherwise the Group has prepared these accounts on the same basis as the 2016 Report and Accounts.

2. Alternative performance measures

Throughout this document the Group presents various non-GAAP performance measures (‘alternative performance measures’). The measures presented are those adopted by the Chief Operating Decision Maker and analysts who follow us in assessing the performance of the business.

Group Profit and earnings measures

PBTA

Profit before tax and amortisation and impairment of acquired intangibles and transaction related costs (PBTA) is used by the Board to monitor and measure the trading performance of the Group. It excludes certain items which the Board believes distort the trading performance of the Group. These items are either acquisition and disposal related or they are non-cash items.

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

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

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

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

	£000s	2017	2016
	(Loss) / profit before tax	(1,600)	32,814
Add:	Amortisation and impairment of acquired intangibles and transaction related costs	55,541	17,890
	PBTA	53,941	50,704
Add:	Net finance costs	4,526	5,173
	Operating profit before amortisation and impairment of acquired intangibles and transaction related costs	58,467	55,877

Adjusted profit attributable to ordinary shareholders

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

	£000s	2017	2016
	(Loss) / profit attributable to equity holders of the parent	(16,672)	25,081
Add:	Amortisation and impairment of acquired intangibles and transaction related costs	55,541	17,890
Deduct:	Tax on amortisation and impairment of acquired intangibles and transaction related costs	(885)	(6,292)
	Adjusted profit attributable to equity holders of the parent	37,984	36,679

Constant currency

The Group generates revenues and profits in various territories and currencies because of its international footprint. Those results are translated on consolidation at the foreign exchange rates prevailing at the time. These exchange rates vary from year to year, so the Group presents some of its results on a constant currency basis. This means that the prior year's results have been retranslated using current year exchange rates. This eliminates the effect of exchange from the year on year comparison of results. The difference between the reported numbers and the constant currency numbers is the constant currency effect.

£000s	2016	Constant currency effect	2016 at constant currency
Revenue	594,471	20,358	614,829
Fee income	534,296	18,248	552,544
PBTA	50,704	1,713	52,417
Profit before tax	32,814	854	33,668

Segment profit and underlying profit

Segment profit is presented in our segmental disclosures. This excludes the effects of financing and amortisation which are metrics outside of the control of segment management. It also excludes unallocated costs. Segment profit is then adjusted by excluding the costs of reorganisation to give underlying profit for the segment. This reflects the underlying trading of the business. A reconciliation between segment profit and operating profit is given in note 3.

Reorganisation costs

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

Unallocated expenses

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

Revenue measures

The Group disaggregates revenue into Fee Income and Recharged Expenses. This provides insight into the performance of the business and our productive output. This is reconciled on the face of the income statement. Fee income by segment is reconciled in note 3.

<u>Cash flow measures</u>

<u>EBITDAS</u>
EBITDAS is operating profit adjusted by adding back non-cash expenses, tax and financing costs. The adjustments include interest, tax, depreciation, amortisation and impairment and transaction related costs and share scheme costs. This generates a cash-based operating profit figure which is the input into the cash flow statement. A reconciliation between Operating Profit and EBITDAS is given in note 11.

<u>Conversion of profit into cash</u>
A key measure of the Group's cash generation is the conversion of profit into cash. This is the cash generated from operations divided by EBITDAS expressed as a percentage. This metric is used as a measure against which the Group's long and short term performance incentive schemes are judged and reflects how much of the Group's profit has been collected as cash in the year.

<u>Net bank borrowings</u>
Net bank borrowings is the total of cash and cash equivalents, interest bearing bank loans and finance leases. This measure gives the external indebtedness of the Group, and is an input into the leverage calculations. This is reconciled in note 11.

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

<u>Tax measures</u>

We report one adjusted tax measure, which is the tax rate on PBTA ("adjusted effective tax rate"). This is the tax charge applicable to PBTA as a percentage of PBTA and is set out in note 6.

3. **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 which represent separate segments.

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 team that manages the BNE and Energy services that we provide in that region. The results of this region are maintained separately for performance and allocation of resources purposes. Accordingly, the results of this business are reported as a separate segment.

Segment results for the year ended 31 December 2017

£000's	Fee income	Recharged expenses	Intersegment revenue	External revenue
BNE - Europe	287,574	43,190	(1,246)	329,518
BNE - North America	76,160	1,989	(265)	77,884
Energy	65,407	11,100	(470)	76,037
AAP	135,025	12,556	(384)	147,197
Group eliminations	(1,846)	(519)	2,365	-
Total	562,320	68,316	-	630,636

£000's	Underlying Profit	Reorganisation Costs	Segment Profit
BNE - Europe	37,048	-	37,048
BNE - North America	8,542	(208)	8,334
Energy	6,801	(441)	6,360
AAP	15,832	(562)	15,270
Total	68,223	(1,211)	67,012

Segment results for the year ended 31 December 2016

£000's	Fee income	Recharged 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

£000's	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
Total	68,224	(5,614)	62,610

Group reconciliation

£000's	2017	2016
Revenue	630,636	594,471
Recharged expenses	(68,316)	(60,175)
Fee income	562,320	534,296
Underlying profit	68,223	68,224
Reorganisation costs	(1,211)	(5,614)
Segment profit	67,012	62,610
Unallocated expenses	(8,545)	(6,733)
Operating profit before amortisation and impairment of acquired intangibles and transaction related costs	58,467	55,877
Amortisation and impairment of acquired intangibles and transaction related costs	(55,541)	(17,890)
Operating profit	2,926	37,987
Finance costs	(4,526)	(5,173)
(Loss)/profit before tax	(1,600)	32,814

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

	Revenue		Fee income	
£000's	2017	2016	2017	2016
UK	232,490	220,053	193,183	186,939
Australia	144,694	134,935	132,200	126,366
USA	98,957	91,705	93,901	83,486
Norway	73,217	69,528	71,804	68,129
Netherlands	36,180	31,759	30,148	26,803
Ireland	28,805	27,190	26,641	24,585
Canada	12,461	15,172	10,624	13,927
Other	3,832	4,129	3,819	4,061
Total	630,636	594,471	562,320	534,296

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

£000's	year ended 31 Dec 2017	year ended 31 Dec 2016
Amortisation of acquired intangibles	12,804	17,470
Impairment of goodwill	40,024	-
Loss on sale of business	2,695	-
Adjustments to consideration payable	-	187
Transaction costs	18	233
Total	55,541	17,890

Impairment of acquired intangibles

The Group has recognised impairment charges of £33,420,000 in respect of goodwill allocated to its Energy EAME cash generating unit ("CGU") group and £6,604,000 in respect of goodwill allocated to its Energy NA CGU group. Energy EAME and NA performed close to budget during the first half of 2017 and whilst trading improved in the second half it was lower than expected despite the increased oil price. The Board has considered the prospects for the oil industry and the potential demand for our services and consider them to be lower in the longer term than at the last review. Accordingly, our impairment review at the year-end incorporated a lower forecast for cash generation than previously, which has resulted in the goodwill impairment.

We remain committed to the oil and gas sector and have a strategic objective to develop a leading, global and innovative energy business in oil and gas and the broader energy market.

When goodwill was assessed for impairment at the end of 2016 our Energy business was treated as a single CGU group. For part of 2017, the Energy businesses in Europe and North America were managed separately (reporting as part of those respective regional segments). Consequently, the goodwill allocated to the Energy CGU group was split into amounts allocated to Energy North America and Energy EAME. No impairment would have arisen at the end of 2016 had this split already occurred when the 2016 impairment testing was undertaken.

The recoverable amounts of the Energy EAME and Energy North America CGU groups were calculated using value in use. Those recoverable amounts are: £11,327,000 for Energy EAME and £15,556,000 for Energy North America. The pre-tax discount rates used to value the two CGU groups were 16.1% for Energy EAME and 12.9% for Energy North America.

Loss on sale of business

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

5. Net financing costs

£000's	year ended 31 Dec 2017	year ended 31 Dec 2016
Finance costs:		
Interest on loans, overdraft and finance leases	(3,952)	(3,982)
Amortisation of prepaid financing costs	(383)	(359)
Interest on deferred consideration	(304)	(990)
	(4,639)	(5,331)
Finance income:		
Deposit interest receivable	113	158
Net financing costs	(4,526)	(5,173)

6. Income taxes

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

£000's	year ended 31 Dec 2017	year ended 31 Dec 2016
Current tax:		
UK corporation tax	3,750	3,115
Overseas tax	9,603	7,297
Adjustments in respect of prior years	1,422	(49)
	14,775	10,363
Deferred tax:		
Origination and reversal of temporary differences	(722)	(2,589)
Effect of change in tax rate	2,278	(223)
Adjustments in respect of prior years	(1,259)	182
	297	(2,630)
Tax expense for the year	15,072	7,733

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

Deferred tax credit in other comprehensive income	(15)	(65)
Deferred tax expense in equity for the year	-	63

The effective tax rate for the year on profit before tax was significantly distorted by the impairment of goodwill which was not deductible for tax purposes. When the impact of this is excluded the tax rate was 39.2%. The effective tax rate for the year on PBTA is 29.6% (2016: 27.7%) as shown in the table below:

£000's	2017	2016
Total tax expense in Income Statement	15,072	7,733
Add back:		
Tax on amortisation and impairment of acquired intangibles and transaction related costs	885	6,292
Adjusted tax charge on the (loss)/profit for the year	15,957	14,025
PBTA	53,941	50,704
Adjusted effective tax rate	29.6%	27.7%
Tax rate impact of amortisation and impairment of acquired intangibles and transaction related costs	(971.6)%	(4.1%)
Statutory effective tax rate	(942.0)%	23.6%

The Group operates in and is subject to tax in many jurisdictions. The weighted average tax rate is derived by weighting the rates in those jurisdictions by the profit before tax earned there. It is sensitive to the statutory tax rates that apply in each jurisdiction and the geographic mix of profits. The statutory tax rates in our main jurisdictions were UK 19.25% (2016: 20.0%), Australia 30% (2016: 30%), US 38% (2016: 39%).

The weighted average tax rate excluding the impact of goodwill which was not deductible for tax purposes increased to 26.1% in 2017 (2016: 25.1%). This increase was due to greater proportions of tax arising in Australia and the US, which are taxed at high rates, and a lower proportion in the UK which is taxed at lower rates.

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

£000's	2017	2016
(Loss)/profit before tax	(1,600)	32,814
Add back: impairment of goodwill	40,024	-
Profit before tax and impairment of goodwill	38,424	32,814
Tax at the weighted average rate of 26.1% (2016: 25.1%)	10,031	8,240
Effect of:		
Irrecoverable withholding tax suffered	1,619	1,190
Impact of intercompany financing	(581)	(1,664)
Effect of change in tax rates	2,424	(223)
US repatriation tax	209	-
Canada losses not recognised	795	-
Adjustments in respect of prior years	163	133
Other differences	412	57
Total tax expense for the year	15,072	7,733

The Group operates, mainly through our oil and gas exposed businesses, in jurisdictions that impose withholding taxes on revenue earned in those jurisdictions. This tax may be 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 irrecoverable withholding tax suffered increased in 2017 as more work was undertaken in these jurisdictions.

The impact of intercompany financing relates to the funding of US operations from the UK. In response to the OECD's Base Erosion and Profit Shifting project (BEPS) the UK introduced new legislation which reduced the impact in 2017. The reduction in the US Federal tax rate from 35% to 21% that applies from 1 January 2018 will further reduce the impact in future periods.

From 1 January 2018 the US Federal tax rate reduced from 35% to 21% and the Norwegian tax rate reduced from 24% to 23%. These changes have resulted in an income statement charge arising principally from the reduction in the balance sheet carrying value of deferred tax assets relating to the amortisation of intangible assets.

Following US tax reform that was enacted in December 2017, undistributed profits of US subsidiaries become taxable at rates between 8.0% and 15.5%. The charge is not recurring and future US subsidiary profits will not be taxable.

In Canada, no benefit has been recognised for the losses arising on the disposal of the pipeline approval business as it is uncertain that they will be utilised.

Adjustments in respect of prior years arise when amounts of tax due calculated when tax returns are submitted differ from those estimated at the year end.

Other differences include expenses not deductible for tax purposes such as entertaining, share scheme charges, depreciation of property, plant and equipment which do not qualify for capital allowances and transaction related costs. They also include items that are deductible for tax purposes, such as goodwill and other asset amortisation, but are not included in the income statement. The other differences increased in 2017 as it included the impact of higher non-deductible transaction costs and 2016 was reduced by foreign exchange movement.

7. 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:

£000's / 000's	year ended 31 Dec 2017	year ended 31 Dec 2016
(Loss)/profit attributable to equity holders of the parent	(16,672)	25,081
Weighted average number of ordinary shares for the purposes of basic earnings per share	221,804	220,977
Effect of employee share schemes	1,479	1,237
Diluted weighted average number of ordinary shares	223,283	222,214
Basic (loss)/earnings per share (pence)	(7.52)	11.35
Diluted (loss)/earnings per share (pence)	(7.47)	11.29

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

£000's	year ended 31 Dec 2017	year ended 31 Dec 2016
(Loss)/profit attributable to equity holders of the parent	(16,672)	25,081
Amortisation and impairment of acquired intangibles and transaction related costs (note 4)	55,541	17,890
Tax on amortisation and impairment of acquired intangibles and transaction related costs	(885)	(6,292)
Adjusted profit attributable to equity holders of the parent	37,984	36,679
Adjusted basic earnings per share (pence)	17.13	16.60
Adjusted diluted earnings per share (pence)	17.01	16.51

8. **Trade and other receivables**

Trade and other receivables comprise the following balances:

£000's	31 Dec 2017	31 Dec 2016
Trade receivables	114,653	118,664
Accrued income	39,001	33,294
Prepayments	10,568	9,536
Other receivables	5,533	4,110
Total trade and other receivables	169,755	165,604

Trade receivables and accrued income net of provision for impairment are shown below:

£000's	31 Dec 2017	31 Dec 2016
Trade receivables	119,500	124,702
Provision for impairment	(4,847)	(6,038)
Trade receivables net	114,653	118,664

£000's	31 Dec 2017	31 Dec 2016
Accrued income	44,757	37,710
Provision for impairment	(5,756)	(4,416)
Accrued income net	39,001	33,294

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

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

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

£000's	31 Dec 2017	31 Dec 2016
Not more than three months	10,740	10,201
More than three months	10,558	11,735
Total overdue	21,298	21,936

Movements in impairment:

£000's	Trade receivables	Accrued income	Total
As at 1 January 2017	6,038	4,416	10,454
Impairment charge	2,445	5,153	7,598
Reversal of provisions	(2,417)	(1,426)	(3,843)
Receivables written off during the year as uncollectible	(1,161)	(2,354)	(3,515)
Exchange differences	(58)	(33)	(91)
As at 31 December 2017	4,847	(5,756)	10,603

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

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

9. **Trade and other payables**

£000's	31 Dec 2017	31 Dec 2016
Trade payables	34,838	33,825
Accruals	41,026	42,039
Deferred income	22,199	24,389
Creditors for taxation and social security	18,909	17,850
Other payables	6,434	7,062
Total trade and other payables	123,406	125,165

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.

10. **Borrowings**

£000's	31 Dec 2017	31 Dec 2016
Bank loans	41,457	43,312
US loan notes	55,185	57,571
Bank overdraft	212	-
Total bank loans, notes and overdrafts	96,854	100,883
Finance lease creditor	-	36
Arrangement fees	(634)	(997)
Total borrowings	96,220	99,922

The bank loans, notes and overdrafts are repayable as follows:

£000's	31 Dec 2017	31 Dec 2016
Amounts due for settlement within 12 months	212	-
In the third to fifth years inclusive	96,642	100,883
Total	96,854	100,883

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 (or the currency equivalent) plus a margin determined by reference to the leverage of the Group.

There were loans drawn totalling £41,457,000 at 31 December 2017 (2016: £43,312,000).

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

iv) In addition, in September 2014 the Group has issued seven-year non-amortising US private placement notes of $34,070,000 and £30,000,000 with fixed interest chargeable at 3.84% and 3.98% respectively that are repayable on 30 September 2021. They 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 value of our long-term borrowings approximate fair value.

11. **Notes to the consolidated cash flow statement**

£000’s	year ended 31 Dec 2017	year ended 31 Dec 2016
Operating profit	2,926	37,987
Adjustments for:		
Depreciation	8,417	8,390
Impairment of goodwill	40,024	-
Amortisation of acquired intangibles	12,804	17,470
Consideration fair value adjustments	-	187
Share based payment expense	2,700	2,184
Loss on sale of business	2,617	-
Loss on sale of property, plant and equipment	86	537
EBITDAS	69,574	66,755
(Increase)/decrease in trade and other receivables	(7,584)	9,522
Increase in trade and other payables	1,521	1,976
Cash generated from operations	63,511	78,253
Interest paid	(4,960)	(5,077)
Interest received	113	158
Income taxes paid	(14,920)	(11,057)
Net cash from operating activities	43,744	62,277

The table below provides an analysis of net bank borrowings, comprising cash and cash equivalents, interest bearing bank loans and finance leases, during the year ended 31 December 2017:

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

The cash balance at 31 December 2017 includes £2,917,000 (2016: £3,036,000) that is restricted in its use, either as security or client deposits.

12. Deferred consideration

£000s	As at 31 Dec 2017	As at 31 Dec 2016
Amount due within one year	1,608	13,376
Amount due between one and two years	-	1,625
Amount due between two and five years	26	9
Amount due after five years	122	-
Total deferred consideration	1,756	15,010

13. Dividends

Amounts recognised as distributions during the year:

£000s	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Final dividend for the year ended 31 Dec 2016 of 5.08p (2015: 5.08p) per share	11,308	11,267
Interim dividend for the year ended 31 Dec 2017 of 4.80p (2016: 4.66p) per share	10,699	10,346
	22,007	21,613
Proposed final dividend for the year ended 31 Dec 2017 of 5.08p (2016:5.08p) per share	11,361	11,315

The proposed final dividend for the year ended 31 December 2017 is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

14. 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.

15. Auditor's report on Report and Accounts 2017

The financial information set out above does not constitute the Company's full statutory accounts for the year ended 31 December 2017 for the purposes of section 435 of the Companies Act 2006, but it is derived from those accounts. The auditors have reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006. Statutory accounts for 2016 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified and did not include an emphasis of matter statement. The auditor's report did not contain statements under the Companies Act 2006, s498 (2) or (3).

16. Publication of Report and Accounts 2017

This announcement and a copy of the annual report and accounts for 2017 have been posted on the Company's website at www.rpsgroup.com. It is expected that the annual report and accounts together with notice of the Company's Annual General Meeting will be posted to shareholders on or before 16 March 2018. Further copies may be obtained after that date from the Company Secretary, RPS Group plc, 20 Western Avenue, Milton Park, Abingdon, Oxfordshire OX14 4SH. Copies of these documents, together with the form proxy for use at the Company's Annual General Meeting, have or will be submitted to the Financial Conduct Authority via the National Storage Mechanism.

17. Risk management

The Group has a well-established and embedded system of internal control and risk management that is designed to safeguard shareholders' investment as well as the Group's personnel, assets and reputation. The principal risks and uncertainties for the Group are described in the Group's Report and Accounts. These risks include macro-economic events occurring beyond our control, such as the effects of the referendum decision for the UK to leave the EU; a material adverse occurrence preventing the business from operating, the failure to recruit and retain employees of appropriate calibre, reputational risk if our project delivery performance falls short of expectations, failure to comply with legislation or regulation, failure to integrate acquisitions and risks related to health, safety and the environment.

Responsibility statement of the Directors in respect of the Report and Accounts 2017

The Directors confirm that to the best of their 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.