19 February 2020

RPS GROUP PLC
('RPS' or the 'Group')

Final Results

'FY 2019 in line with expectations, continued strategic progress'

RPS, a leading multi-sector global professional services firm, today announces its Final Results for the year ended 31 December 2019 ('FY 2019').

	FY 2019	FY 2018	FY 2018 at constant currency [1]
Revenue (£m)	**612.6**	637.4	634.3
Fee income [1] (£m)	**556.5**	574.2	571.4
PBTA[1] (£m)	**37.3**	50.2	49.9
Adjusted diluted earnings per share [1] (p)	**12.31**	16.34	16.24
Total dividend per share (p)	**4.42**	9.88	9.88
Statutory profit before tax (£m)	**4.8**	41.0	40.8
Statutory diluted (loss) / earnings per share (p)	**(0.54)**	13.23	13.16

Financial headlines

- Fee income £556.5m (FY 2018: £574.2m)
- PBTA £37.3m (FY 2018: £50.2m)
- EPS (adjusted, diluted) 12.31p (FY 2018: 16.34p)
- Exceptional items totalling £23.4m (FY 2018: £nil) including goodwill impairment in AAP of £19.8m (FY 2018: £nil)
- Statutory profit before tax £4.8m (FY 2018: £41.0m)
- Strong cash conversion 90% (FY 2018: 94%)
- Net bank borrowing £94.1m (FY 2018: £73.9m; H1 2019: £101.3m); leverage 2.0x (FY 2018: 1.3x)
- Successfully refinanced the RCF with a committed £100m facility and uncommitted £60m accordion facility
- Proposed final dividend of 2.00p (FY 2018: 5.08p) providing full year dividend of 4.42p (FY 2018: 9.88p). This follows the rebasing of the dividend announced at H1 2019 and reflects the stated new, sustainable dividend policy of paying out 40% of adjusted earnings

Operational highlights

- Energy growth strong, reflecting continuing recovery in oil and gas markets
- Republic of Ireland and Northern Ireland performed well in Consulting
- As expected, Services impacted ahead of new water regulatory cycle in England and Wales
- North America impacted by retention and recruitment issues
- Market conditions in Australia improved in the second half of the year after a difficult first half
- Designed and built global ERP, implemented in Netherlands and part of Australia

Commenting on the Final Results, John Douglas, Chief Executive, said:

"In FY2019 we had to contend with several headwinds which significantly impacted on the results. We responded to difficult trading conditions, particularly in our Australia Asia Pacific segment. Pleasingly, we saw some stabilisation of market conditions in the UK and elsewhere towards the end of the year.

Despite these headwinds, we made considerable progress in respect of our strategic priorities. We have revitalised our energy business, launched a bold, client-driven brand delivered effectively with measurable impact, are making RPS a great place to do great work and are increasing the connectivity of our businesses. I would like to thank all our people who have worked tirelessly to deliver this progress.

As we enter 2020, trading conditions in our markets are generally satisfactory and we anticipate more stable results from our segments. We will continue to invest, especially to deliver better connectivity, but we will do so in a measured way. We remain focused on building a business that in due course is capable of delivering mid-single digit rates of organic growth and a double-digit operating margin. The Board remains confident in the medium term outlook for the Group and anticipates that the year ahead will be broadly in line with 2019 with growth accelerating in 2021."

(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.

(2) The Board considers market expectations to be the consensus fee income, PBTA and fully diluted adjusted earnings per share published in the notes of those analysts who regularly follow and interact with the Group.

A meeting for analysts will be held at the office of Buchanan, 107 Cheapside, London, EC2V 6DN commencing at 9.30am. Attendance is strictly limited.

A video webcast of the meeting will be available from 12 noon via the following link:
https://webcasting.buchanan.uk.com/broadcast/5e31691cb9710760e292473b

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RPS Group plc

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Founded in 1970, RPS is a leading global professional services firm of 5,000 consultants and service providers. Having operated in 125 countries across six continents RPS defines, designs and manages projects that create shared value for a complex, urbanising and resource scarce world.

RPS delivers a broad range of services in six sectors: property, energy, transport, water, defence and government services and resources. Services provided across RPS' six sectors cover twelve service clusters: project and program management, design and development, water services, environment, advisory and management consulting, exploration and development, planning and approvals, heath, safety and risk, oceans and coastal, laboratories, training and communication and creative services.

RPS stands out for its clients by using its deep expertise to solve problems that matter, making them easy to understand. Making complex easy.

RPS' London Stock Exchange ticker is RPS.L. For further information, please visit www.rpsgroup.com.

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.

Next trading update: RPS will announce a Q1 2020 trading update in late April 2020.

Results

PBTA was £37.3m (2018: £50.2m, £49.9m at constant currency) on fee income of £556.5m (2018: £574.2m, £571.4m at constant currency). Exceptional items in the year resulted in charges totalling £23.4m (2018: £nil). Profit before tax was £4.8m (2018: £41.0m). The effective rate of tax on PBTA is 25.4% (2018: 26.8%). Adjusted diluted EPS was 12.31p (2018: 16.34p, 16.24p at constant currency). Statutory diluted loss per share was 0.54p (2018 earnings: 13.23p, 13.16p at constant currency).

Profit in FY 2019 suffered marginally from exchange movements on the conversion of non-UK results in comparison to FY 2018. PBTA would have been £0.3m higher than reported had 2018 exchange rates repeated in 2019. PBTA in FY 2018 would have been £0.3m lower than reported if 2019 rates had prevailed in 2018. Statutory profit before tax in FY 2018 would have been £0.2m lower than reported if 2019 exchange rates prevailed in 2018.

Trading performance

£m	FY 2019	FY 2018	FY 2018 at constant currency
Energy	**11.1**	8.9	9.1
Consulting UK and Ireland	**15.1**	15.4	15.4
Services UK and Netherlands	**10.8**	13.5	13.5
Norway	**6.0**	6.2	5.9
North America	**3.4**	5.1	5.4
AAP	**6.4**	13.3	12.9
Total segment profit	**52.7**	62.4	62.2
Unallocated expenses	**(9.3)**	(8.4)	(8.4)
Adjusted operating profit	**43.4**	54.0	53.8

Notwithstanding a good performance from Energy, 2019 was a difficult year. Energy benefited from improving market conditions and had a good year. The political uncertainty in the UK impacted on Consulting UK and Ireland for much of the year, although the uncertainty was significantly reduced by the UK general election that took place in December. The performance of Services UK and Netherlands was impacted, as anticipated, by the usual reduction in activity on the England and Wales water business as the current AMP regulatory cycle entered its final year. Despite strong markets in North America our performance was disappointing, largely due to ongoing retention and recruitment challenges in the region and management has accordingly been strengthened, as it was in Norway where we were impacted by the loss of some senior staff during the year. The results of AAP were impacted by the hiatus caused by state and federal elections at the start of the year and a slow property market, although there was some improvement in trading conditions in the latter part of the year. The increase in unallocated costs reflects increased investment in IT to improve the connectivity of our various businesses.

Borrowings and cash flow

Net bank borrowings at the year end were £94.1m (31 December 2018: £73.9m). Net cash from operating activities remained strong at £37.6m (2018: £44.5m). Our conversion of profit into operating cash was again good at 90% (2018: 94%) reflecting our continued focus on collections. Excluding the effect of exceptional items our conversion was 89%. Net cash used in investing activities was £30.9m (2018: £13.4m), the increase reflecting investment in new acquisitions of £10.1m (2018: £0.2m) and higher net capital expenditure of £20.8m (2018: £11.7m) mainly due to investment in a new ERP. The amount paid in respect of dividends was £16.9m (2018: £22.1m).

Deferred consideration outstanding at the year end was £8.7m (31 December 2018: £0.3m). Our leverage (being net bank debt plus deferred consideration expressed as a ratio of adjusted EBITDA) was 2.0x at the year end (31 December 2018: 1.3x). This is at the top end of our desired operating range of between 1.0x and 2.0x other than immediately following an acquisition.

Net finance costs were £6.1m (2018: £3.9m) and include IFRS16 interest of £1.9m (2018: £nil). We expect that net finance costs will rise in 2020 due to a higher average total borrowings and deferred consideration than in 2019.

In July 2019 the Group successfully refinanced its revolving credit facility. We arranged a committed £100m facility and an uncommitted £60m accordion facility. The facilities have a term of three years with the possibility of extending for another two years, with NatWest joining Lloyds Bank and HSBC who provided the original facility.

IFRS 16

IFRS 16 'Leases' was applied from 1 January 2019 (see note 17) and has impacted the balance sheet and the profit for the year. Right-of-use assets have been recognised at the year end totalling £44.8m (31 December 2018: £nil) whilst lease liabilities associated with those assets totalled £49.8m (31 December 2018: £nil). PBTA in 2019 was reduced by £0.6m (2018: £nil), operating profit increased by £1.3m and finance costs increased by £1.9m.

Amortisation of intangible assets and transaction-related costs

Amortisation of intangible assets and transaction-related costs totalled £9.1m (2018: £9.2m), of which £8.6m was amortisation (2018: £9.2m).

Exceptional items

Exceptional items in 2019 resulted in costs totalling £23.4m (2018: £nil).

These included a goodwill impairment charge of £19.8m relating to the impairment of our business in AAP. Performance of this business was poor in the first half of 2019 and although it improved in the second half, was not as good as anticipated. The Board considered the risks faced by the Australian economy and concluded that the prospects for the business, particularly from historic acquisitions, are less certain than in previous impairment reviews. Consequently, this resulted in the impairment of goodwill.

We completed the global rebranding of RPS, which included a new logo, colour scheme, office signage and a new website for a total cost of £1.0m.

Legal fees totalling £1.4m were incurred investigating potential issues regarding the administration of US government contracts and/or projects. We are continuing to investigate this matter and identify the implications if any of the conduct under review. The impact if any is unknown. The investigation is ongoing and further exceptional costs for legal fees will be incurred in 2020.

Our new ERP has been implemented in the Netherlands and part of Australia. The amount expensed in 2019 in respect of change management and data migration was £1.2m (2018: £nil). Further exceptional cost of this nature will be incurred in 2020 as the roll out of the ERP continues.

We anticipate that total exceptional costs in 2020 will be broadly similar to the amount incurred in 2019 excluding the goodwill impairment charge of £19.8m.

Dividends

In the Group's Interim Results issued on 1 August 2019 we announced that the dividend had been rebased to reflect a new, sustainable dividend policy. The total dividend payment for the year will be 40% of the adjusted earnings (being profit after tax before amortisation of intangibles and transaction-related costs and tax thereon) for the financial year. Accordingly, the total (paid and proposed) dividend for the year amounts to £10.0m (2018: £22.1m), equivalent to 4.42p per share (2018: 9.88p). The proposed final dividend amounts to £4.5m, equivalent to 2.00p per share (2018: 5.08p) and will be paid on 15 May 2020 to shareholders on the register of members at close of business on 24 April 2020.

Markets and trading

Energy

	FY 2019	FY 2018	FY 2018 at constant currency
Fee income (£m)	**110.6**	101.1	102.1
Segment profit * (£m)	**11.1**	8.9	9.1
Margin (%)	**10.0**	8.8	8.9

* after reorganisation costs: 2019 £nil, 2018 £0.7m; IFRS 16 adjustment credit: 2019 £0.1m, 2018 £nil

The oil and gas industry continued to recover, especially marine exploration and development, and we benefited from strong demand for our exploration and development, oceans and coastal, and training services. Following debt recoveries, £0.4m of associated bad debt provisions (2018: £1.2m) were reversed in the year. Our work advising clients on renewables is increasing and we remain confident this will provide a robust revenue stream in the future. We intend to invest further in functional support in 2020 and as we do not expect any further bad debt provision reversals, anticipate a broadly similar profit performance to that in 2019.

Consulting – UK and Ireland

	FY 2019	FY 2018	FY 2018 at constant currency
Fee income (£m)	**127.6**	122.1	121.8
Segment profit * (£m)	**15.1**	15.4	15.4
Margin (%)	**11.8**	12.6	12.7

* after reorganisation costs: 2019 £nil, 2018 £0.1m; IFRS 16 adjustment credit: 2019 £0.5m, 2018 £nil

Demand for our Consulting services in the Republic of Ireland and Northern Ireland was strong, leading to good fee growth. In the rest of the United Kingdom, market conditions were affected by political uncertainty which impacted clients' investment decisions leading to lower demand in some of our higher margin business units. Following the general election in the UK in December 2019 political uncertainty has reduced although activity levels currently remain subdued in the UK. The segment is capable of fee growth in 2020 but investment in strategic priorities, including preparation for the new ERP, will temper profit performance that we expect will be slightly down compared to 2019.

Services – UK and Netherlands

	FY 2019	FY 2018	FY 2018 at constant currency
Fee income (£m)	**101.4**	110.6	110.2
Segment profit * (£m)	**10.8**	13.5	13.5
Margin (%)	**10.6**	12.2	12.2

* after reorganisation costs: 2019 £nil, 2018 £0.1m; IFRS 16 adjustment credit: 2019 £0.1m, 2018 £nil

The demand for our water services in England and Wales was adversely impacted, as expected, as the industry prepared for the new AMP cycle that will commence in April 2020. The Netherlands business performed well, growing both fees and profit having benefitted from organic investments made in 2018. Our health and safety business, which is the smallest division within the segment, had a disappointing year, especially in the provision of occupational health services. Prospects for the segment in FY 2020 rely on the ability of our strong water services business to take advantage of the anticipated cyclical upturn in the sector arising in H2 2020. Our Netherlands business is diversified and operating in satisfactory markets and we expect an improvement in the performance of our health and safety business. Overall, we anticipate growth in this segment in 2020.

Norway

	FY 2019	FY 2018	FY 2018 at constant currency
Fee income (£m)	**64.7**	69.0	66.4
Segment profit * (£m)	**6.0**	6.2	5.9
Margin (%)	**9.2**	9.0	8.9

* after reorganisation costs: 2019 £0.1m, 2018 £0.8m; IFRS 16 adjustment credit: 2019 £0.1m, 2018 £nil

We remain a leading project and program management services provider in a very attractive and stable economy. The co-location of our teams in Oslo was completed and we are benefitting from working as a fully integrated business. Performance in the first half of the year was good. However, due to the loss of senior staff following the end of acquisition-related restrictive covenants, our second half performance suffered. The process to replace those staff who left us is almost complete. We expect that market conditions will remain stable and anticipate a similar performance in 2020.

North America

	FY 2019	FY 2018	FY 2018 at constant currency
Fee income (£m)	**58.3**	58.7	61.2
Segment profit * (£m)	**3.4**	5.1	5.4
Margin (%)	**5.8**	8.7	8.9

* after reorganisation costs: 2019 £0.1m, 2018 £0.1m; IFRS 16 adjustment credit: 2019 £0.2m, 2018 £nil

Ongoing retention and recruitment challenges posed serious challenges in strong markets. During the first half we suffered low work levels in our environment business and project delays in our design and development business During H2 2019 we felt the impact of the loss of a small environmental risk team in California whilst recruitment challenges in very strong design and development markets made it difficult to fulfil all available work. Our ocean and coastal business had a consistently good year. After a difficult year for this segment we are better positioned to take advantage of good market conditions in 2020 and anticipate no further decline.

Australia Asia Pacific

	FY 2019	FY 2018	FY 2018 at constant currency
Fee income (£m)	**98.3**	116.8	113.8
Segment profit * (£m)	**6.4**	13.3	12.9
Margin (%)	**6.5**	11.4	11.3

* after reorganisation costs: 2019 £0.6m, 2018 £0.1m; IFRS 16 adjustment credit: 2019 £0.3m, 2018 £nil

Our performance in H1 2019 was adversely affected by state elections that impacted on infrastructure spend and a federal election that impacted the release of major defence projects. Additionally, the property market was subdued. During H2 2019 we witnessed a more buoyant defence sector and the hiatus in infrastructure spend has abated, although the property market remains subdued. After a very challenging first half but with some recovery in the second half of 2019, we move into FY 2020 anticipating modest progress.

Unallocated expenses

Unallocated expenses comprise the costs of the main Board and the Group marketing, people, finance and IT functions. The total unallocated costs for 2019 were £9.3m (2018: £8.4m) with the increase mainly due to investment in IT. Unallocated costs are expected to increase in 2020, mainly due to further investment in IT and our Group people function.

Strategy

RPS is transitioning from a conglomerate of small consulting and service businesses to becoming a leading mid-sized global firm that uses its combined expertise to deliver professional services around the world. We have made solid progress in respect of each of our strategic priorities:

People:
We have implemented improved processes throughout the Group and have increased the percentage of staff receiving performance reviews to more than 95% this year end (2018: 81%). At the start of 2020 we started the roll-out of a learning and development system that will support all our staff, especially our young professional fee earners. We believe that the measures that we now have in place will lead to further improved employee retention rates in FY 2020 and beyond.

Brand:
The relaunch of the RPS brand, which commenced towards the end of 2018 and was completed in 2019, has had and continues to provide, a positive impact on the Group. We now have a modern, fresh image that resonates with clients and staff. Our new website is generating increased traffic and enables us to communicate our story and range of services much better to our existing and potential clients.

Connectivity:
We have successfully completed the design of our new global ERP system and implemented it in the Netherlands and in a division within our AAP segment. During 2020, we will continue to roll out the system to the remainder of AAP and prepare for implementation in the UK and Ireland. We anticipate that once the system has been fully implemented in 2021, this will provide a substantial competitive edge to the way in which RPS does business.

Energy:
Our priority to revitalise the Energy business has been successful. We have stabilised and grown this business during the last two years and positioned it to take greater advantage of increasing opportunities in the renewables space on a global basis.

Organic growth and selective acquisition:
The strategic priority to focus on organic growth supported by selective acquisitions remains integral to the Group. In 2019, we announced two exciting acquisitions. The integration of Corview, which we acquired in February 2019, has now been successfully completed. This has added depth to our existing strong advisory capability in AAP. In September 2019, we acquired Reservoir Imaging Limited in the UK, a complementary addition to our Energy segment that strengthened our expertise in the global offshore oil and gas sector, a market that is showing strong signs of good recovery.

Board Change / Global Leadership Team

Today, RPS has also announced the retirement of Gary Young, Group Finance Director, who will be stepping down from the Board at the time of the Company's Annual General Meeting on 30th April 2020. Gary has been with RPS for twenty years and has been a very loyal and devoted member of the Board. Gary provided much needed continuity at the time of significant Board renewal in 2017, for which his colleagues on the Board offer sincere thanks. The time is now right to make way for his successor, Judith Cottrell, currently RPS Group Strategy Director, who will be appointed at the Annual General Meeting.

At the Group's AGM on 1 May 2019, having not sought re-election, Robert Miller-Bakewell, a Non-Executive Director resigned as a Director of the Company. On the same date, Liz Peace was appointed as the Senior Independent Director and Catherine Glickman was appointed as Chairman of the Remuneration Committee.

Post period end, Peter Fearn retired as President and CEO of RPS North America and his successor is Doug Matthys, who has also become a member of the Group Leadership Team. Doug has been with RPS for 12 years and has held a range of roles, most recently as Chief Operating Officer for North America. The Board welcomes Doug to his new role and would also like to extend its sincere thanks to Peter for his extensive contribution to RPS over many years.

Group prospects

The future for RPS is about being at the forefront of changing market trends, identifying growth opportunities and delivering complex solutions in a way that is easy to understand and implement. 2020 will see a continuation of the focus on our people and investing in connectivity across the Group allowing us to build on the deep expertise that our clients have recognised and provide us with a stronger competitive edge in all the markets that we operate in.

As we enter 2020, trading conditions in our markets are generally satisfactory and we anticipate more stable results from our segments. We will continue to invest, especially to deliver better connectivity, but we will do so in a measured way. We remain focused on building a business that in due course is capable of delivering mid-single digit rates of organic growth and a double-digit operating margin. The Board remains confident in the medium term outlook for the Group and anticipates that the year ahead will be broadly in line with 2019 with growth accelerating in 2021.

Board of Directors
RPS Group plc
19 February 2020

Consolidated income statement

£000's	Notes	**Year ended 31 December 2019**	Year ended 31 December 2018
Revenue	**3**	**612,599**	637,383
Recharged expenses	**2, 3**	**(56,099)**	(63,226)
Fee income	**2, 3**	**556,500**	574,157
Adjusted operating profit		**43,377**	54,041
Amortisation of acquired intangibles and transaction-related costs	**4**	**(9,106)**	(9,181)
Exceptional items	**5**	**(23,359)**	-
Operating profit		**10,912**	44,860
Finance costs	**6**	**(6,243)**	(4,111)
Finance income	**6**	**172**	232
Profit before tax, amortisation of acquired intangibles, transaction-related costs and exceptional items	**2**	**37,306**	50,162
Profit before tax		**4,841**	40,981
Tax expense	**7**	**(6,072)**	(11,240)
(Loss) / profit for the year attributable to equity holders of the parent		**(1,231)**	29,741
Basic (loss) / earnings per share (pence)	**8**	**(0.55)**	13.34
Diluted (loss) / earnings per share (pence)	**8**	**(0.54)**	13.23
Adjusted basic earnings per share (pence)	**2, 8**	**12.43**	16.47
Adjusted diluted earnings per share (pence)	**2, 8**	**12.31**	16.34

Consolidated statement of comprehensive income

£000's	**Year ended 31 December 2019**	Year ended 31 December 2018
(Loss) / profit for the year	**(1,231)**	29,741
Actuarial gains and losses on remeasurement of defined benefit pension scheme	**(83)**	677
Tax on remeasurement of defined benefit pension scheme	**(18)**	(149)
Exchange differences*	**(12,263)**	(2,174)
Total other comprehensive expense	**(12,364)**	(1,646)
Total recognised comprehensive (loss) / income for the year attributable to equity holders of the parent	**(13,595)**	28,095

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

Consolidated balance sheet

£000's	Notes	As at 31 December 2019	As at 31 December 2018
Assets			
Non-current assets:			
Intangible assets		**378,723**	385,699
Property, plant and equipment		**32,300**	32,005
Right-of-use assets		**44,766**	-
Deferred tax asset		**3,856**	3,795
		459,645	421,499
Current assets:			
Trade and other receivables	**9**	**156,990**	165,783
Corporation tax receivable		**961**	635
Cash at bank		**17,731**	17,986
		175,682	184,404
Liabilities			
Current liabilities:			
Borrowings	**11**	**1,361**	2,581
Lease liabilities		**10,011**	-
Deferred consideration	**13**	**3,105**	53
Trade and other payables	**10**	**104,786**	117,914
Corporation tax liability		**-**	3,648
Provisions		**913**	2,119
		120,176	126,315
Net current assets		**55,506**	58,089
Non-current liabilities:			
Borrowings	**11**	**110,465**	89,280
Lease liabilities		**39,784**	-
Deferred consideration	**13**	**5,642**	249
Other payables		**1,474**	1,719
Deferred tax liability		**6,328**	6,405
Provisions		**2,921**	4,363
		166,614	102,016
Net assets		**348,537**	377,572
Equity			
Share capital		**6,814**	6,783
Share premium		**121,937**	120,400
Retained earnings		**195,652**	213,656
Merger reserve		**21,256**	21,256
Employee trust		**(10,085)**	(9,801)
Translation reserve		**12,963**	25,278
Total shareholders' equity		**348,537**	377,572

Consolidated cash flow statement

£000's	Notes	**Year ended 31 December 2019**	Year ended 31 December 2018
Net cash from operating activities	**12**	**37,602**	44,488
Cash flows from investing activities:			
Purchases of subsidiaries net of cash acquired		**(10,053)**	(165)
Deferred consideration		**(51)**	(1,611)
Purchase of property, plant and equipment		**(13,325)**	(11,872)
Purchase of intangible assets		**(7,835)**	-
Proceeds from sale of assets		**384**	222
Net cash used in investing activities		**(30,880)**	(13,426)
Cash flows from financing activities:			
Costs of issue of share capital		**-**	(9)
Increase in bank borrowings		**23,449**	(8,891)
Payment of bank arrangement fees		**(670)**	-
Payment of lease liabilities		**(9,240)**	-
Dividends paid		**(16,855)**	(22,115)
Net cash used in financing activities		**(3,316)**	(31,015)
Net increase in cash and cash equivalents		**3,406**	47
Cash and cash equivalents at beginning of year		**15,405**	15,376
Effect of exchange rate fluctuations		**(2,441)**	(18)
Cash and cash equivalents at end of year		**16,370**	15,405
Cash and cash equivalents comprise:			
Cash at bank	**12**	**17,731**	17,986
Bank overdraft	**12**	**(1,361)**	(2,581)
Cash and cash equivalents at end of year		**16,370**	15,405

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Merger reserve	Employee trust	Translation reserve	Total equity
At 1 January 2018	6,745	117,790	205,143	21,256	(8,602)	27,452	369,784
Effect of changes in accounting standards	-	-	(521)	-	-	-	(521)
Profit for the year	-	-	29,741	-	-	-	29,741
Other comprehensive income/(expense)	-	-	528	-	-	(2,174)	(1,646)
Total comprehensive income/(expense) for the year	-	-	30,269	-	-	(2,174)	28,095
Issue of new ordinary shares	38	2,610	(799)	-	(1,858)	-	(9)
Share-based payment expense	-	-	2,338	-	-	-	2,338
Transfer on release of shares	-	-	(659)	-	659	-	-
Dividends paid	-	-	(22,115)	-	-	-	(22,115)
At 31 December 2018	**6,783**	**120,400**	**213,656**	**21,256**	**(9,801)**	**25,278**	**377,572**
Effect of changes in accounting standards	-	-	(1,240)	-	-	(52)	(1,292)
Loss for the year	-	-	(1,231)	-	-	-	(1,231)
Other comprehensive expense	-	-	(101)	-	-	(12,263)	(12,364)
Total comprehensive expense for the year	-	-	(1,332)	-	-	(12,263)	(13,595)
Issue of new ordinary shares	31	1,537	(566)	-	(1,002)	-	-
Share-based payment expense	-	-	2,707	-	-	-	2,707
Transfer on release of shares	-	-	(718)	-	718	-	-
Dividends paid	-	-	(16,855)	-	-	-	(16,855)
At 31 December 2019	**6,814**	**121,937**	**195,652**	**21,256**	**(10,085)**	**12,963**	**348,537**

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 2019 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 IFRS 16 'Leases' for the first time and detail of the impact of the adoption can be found in note 17. Otherwise the Group has prepared these accounts on the same basis as the 2018 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 and adjusted operating profit
Profit before tax and amortisation of acquired intangibles and transaction-related costs and exceptional items (PBTA) is used by the Board to monitor and measure the trading performance of the Group.

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 of intangible assets are excluded from the Group's preferred performance measure, PBTA. Similarly, exceptional items (which because of their size, nature or expected infrequency merit separate presentation in the consolidated income statement), are excluded as they are not reflective of the Group's trading performance in the year.

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.

Adjusted operating profit is a derivative of PBTA. A reconciliation is shown below.

	£000s	**Year ended 31 December 2019**	Year ended 31 December 2018
	Profit before tax	**4,841**	40,981
Add:	Amortisation of acquired intangibles and transaction-related costs	**9,106**	9,181
	Exceptional items	**23,359**	-
	PBTA	**37,306**	50,162
Add:	Net finance costs	**6,071**	3,879
	Adjusted operating profit	**43,377**	54,041

Adjusted profit attributable to ordinary shareholders and adjusted earnings per share
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, transaction-related

costs and exceptional items, but is an after tax measure. The Board considers adjusted EPS measures to be more reflective of the Group's trading performance in the year.

	£000s	**Year ended 31 December 2019**	Year ended 31 December 2018
	(Loss) / profit attributable to equity holders of the parent	**(1,231)**	29,741
Add:	Amortisation of acquired intangibles and transaction-related costs	**9,106**	9,181
	Exceptional items	**23,359**	-
Deduct:	Tax on amortisation of acquired intangibles, transaction-related costs and exceptional items	**(3,396)**	(2,205)
	Adjusted profit attributable to equity holders of the parent	**27,838**	36,717

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	2018	Constant currency effect	2018 at constant currency
Revenue	637,383	(3,122)	634,261
Fee income	574,157	(2,776)	571,381
PBTA	50,162	(295)	49,867
Profit before tax	40,981	(215)	40,766

Segment profit and underlying profit

Segment profit is presented in our segmental disclosures. This excludes the effects of financing, amortisation and exceptional items 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 and the costs of consolidating office space.

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 marketing, HR, finance 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.

Cash flow measures

EBITDAS

EBITDAS is operating profit adjusted by adding back non-cash expenses, tax and financing costs. The adjustments include interest, tax, depreciation, amortisation, 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 12.

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

Net bank borrowings
Net bank borrowings is the total of cash and cash equivalents and interest bearing bank loans. This measure gives the external indebtedness of the Group (excluding lease liabilities) and is an input into the leverage calculations. This is reconciled in note 11.

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

Tax measures

We report one adjusted tax measure, which is the tax rate on PBTA ('adjusted effective tax rate'). This is the tax charge applicable to PBTA as a percentage of PBTA and is set out in note 7.

3. Business 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 an allocation of central costs.

The business segments of the Group are as follows:

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

Segment results for the year ended 31 December 2019

£000's	Fee income	Recharged expenses	Intersegment revenue	External Revenue
Energy	110,571	10,534	(1,000)	120,105
Consulting - UK and Ireland	127,589	27,757	(1,279)	154,067
Services - UK and Netherlands	101,390	9,736	(1,729)	109,397
Norway	64,746	837	(184)	65,399
North America	58,305	1,046	(509)	58,842
AAP	98,314	6,690	(215)	104,789
Group eliminations	(4,415)	(501)	4,916	-
Total	556,500	56,099	-	612,599

£000's	Underlying profit	Reorganisation costs	Segment profit
Energy	11,073	(4)	11,069
Consulting - UK and Ireland	15,087	-	15,087
Services - UK and Netherlands	10,809	(21)	10,788
Norway	6,091	(127)	5,964
North America	3,465	(87)	3,378
AAP	6,970	(593)	6,377
Total	53,495	(832)	52,663

Segment results for the year ended 31 December 2018

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

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

Group reconciliation £000's	**Year ended 31 December 2019**	Year ended 31 December 2018
Revenue	**612,599**	637,383
Recharged expenses	**(56,099)**	(63,226)
Fee income	**556,500**	574,157
Underlying profit	**53,495**	64,212
Reorganisation costs	**(832)**	(1,802)
Segment profit	**52,663**	62,410
Unallocated expenses	**(9,286)**	(8,369)
Adjusted operating profit	**43,377**	54,041
Amortisation of acquired intangibles and transaction-related costs	**(9,106)**	(9,181)
Exceptional items	**(23,359)**	-
Operating profit	**10,912**	44,860
Net finance costs	**(6,071)**	(3,879)
Profit before tax	**4,841**	40,981

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

£000's	Revenue 2019	Revenue 2018	Fee income 2019	Fee income 2018
UK	**232,447**	242,707	**203,648**	205,212
Australia	**123,398**	138,742	**113,557**	128,993
USA	**97,462**	94,119	**92,783**	89,776
Norway	**66,152**	73,747	**65,243**	72,524
Netherlands	**40,525**	38,998	**34,440**	33,504
Ireland	**38,311**	33,158	**34,352**	29,811
Canada	**10,416**	11,817	**8,993**	10,421
Other	**3,888**	4,095	**3,484**	3,916
Total	**612,599**	637,383	**556,500**	574,157

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

£000's	**Year ended 31 December 2019**	Year ended 31 December 2018
Amortisation of acquired intangibles	**8,602**	9,144
Transaction costs	**504**	37
Total	**9,106**	9,181

5. **Exceptional items**

£000's	**Year ended 31 December 2019**	Year ended 31 December 2018
Impairment of goodwill	**19,806**	-
Rebranding costs	**1,012**	-
Legal fees	**1,373**	-
ERP implementation costs	**1,168**	-
Total	**23,359**	-

The Group has recognised a goodwill impairment charge of £19,806,000 relating to the impairment of our business in AAP. Performance of this business was poor in the first half of 2019 and although it improved in the second half, was not as good as expected The Board considered the risks faced by the Australian economy and concluded that the prospects for the business, particularly from historic acquisitions, are less certain than in previous impairment reviews. Consequently, this resulted in the impairment of goodwill.

The recoverable amount for the AAP CGU group was calculated using value in use. That recoverable amount is £70,895,000 and the pre-tax discount rate used for the valuation was 12.9%.

During the year we completed the global rebranding of RPS, which included a new logo, colour scheme, office signage and a new website for a total cost of £1,012,000 (2018: £nil).

Legal fees were incurred investigating potential issues regarding the administration of US government contracts and/or projects (see note 15). The investigation is ongoing and further exceptional costs for legal fees will be incurred in 2020.

Our new ERP has been implemented in the Netherlands and part of Australia. The amount expensed in 2019 in respect of change management and data migration was £1,168,000 (2018: £nil). Further exceptional cost of this nature will be incurred in 2020 as the roll out of the ERP continues.

6. **Net financing costs**

£000's	**Year ended 31 December 2019**	Year ended 31 December 2018
Finance costs:		
Interest on loans and overdraft	**(3,862)**	(3,734)
Interest on lease liabilities	**(1,885)**	-
Amortisation of prepaid financing costs	**(287)**	(364)
Interest on deferred consideration	**(209)**	(13)
	(6,243)	(4,111)
Finance income:		
Deposit interest receivable	**172**	232
Net financing costs	**(6,071)**	(3,879)

7. **Income taxes**

Analysis of the tax expense in the consolidated income statement for the year:

£000's	**Year ended 31 December 2019**	Year ended 31 December 2018
Current tax:		
UK corporation tax	**1,795**	3,065
Overseas tax	**6,008**	9,509
Adjustments in respect of prior years	**(482)**	887
	7,321	13,461
Deferred tax:		
Origination and reversal of temporary differences	**(964)**	(1,729)
Effect of change in tax rate	**-**	28
Adjustments in respect of prior years	**(285)**	(520)
	(1,249)	(2,221)
Tax expense for the year	**6,072**	11,240

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

£000s	**Year ended 31 December 2019**	Year ended 31 December 2018
Deferred tax charge in other comprehensive income	**18**	149

The effective tax rate for the year on profit before tax was 125.4% (2018: 27.4%), distorted by the effect of the goodwill impairment (note 5). The effective tax rate for the year on PBTA was 25.4% (2018: 26.8%) as shown in the table below:

£000's	**Year ended 31 December 2019**	Year ended 31 December 2018
Total tax expense in income statement	**6,072**	11,240
Add back:		
Tax on amortisation of acquired intangibles, transaction-related costs and exceptional items	**3,396**	2,205
Adjusted tax charge on the profit for the year	**9,468**	13,445
PBTA	**37,306**	50,162
Adjusted effective tax rate	**25.4%**	26.8%

Tax rate impact of amortisation of acquired intangibles, transaction-related costs and exceptional items	**100.0%**	0.6%
Statutory effective tax rate	**125.4%**	27.4%

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 profits before tax earned there. It is sensitive to the statutory tax rates that apply in each jurisdiction and the geographic mix of profits. The statutory tax rates in our main jurisdictions were UK 19.0% (2018: 19.0%) and Australia 30% (2018: 30%) and the weighted average tax rate reduced to 21.3% in 2019 (2018: 23.1%).

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

£000's	**Year ended 31 December 2019**	Year ended 31 December 2018
Profit before tax	**4,841**	40,981
Tax at the weighted average rate of 21.3% (2018: 23.1%)	**1,031**	9,452
Effect of:		
Irrecoverable withholding tax suffered	**1,169**	1,018
Impact of intercompany financing	**(65)**	(56)
Effect of changes in tax rates	**-**	39
Losses not recognised	**5**	49
Adjustments in respect of prior years	**(767)**	368
Impairment of goodwill	**4,219**	-
Other differences	**480**	370
Total tax expense for the year	**6,072**	11,240

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 2019 as more work was undertaken in these jurisdictions.

The impact of intercompany financing relates to the funding of US operations from the UK.

Enacted changes in tax rates impact the carrying value of deferred tax balances, principally those related to the amortisation of intangible assets. The impact in 2018 relates to the Norwegian tax rate that reduced from 23% to 22% with effect from 1 January 2019.

Adjustments in respect of prior years arise when amounts of tax due calculated when tax returns are submitted differ from those estimated at the year end. The 2019 credit arose mainly in the USA.

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.

8. Earnings per share

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

£000's / 000's	**Year ended 31 December 2019**	Year ended 31 December 2018
(Loss) / profit attributable to equity holders of the parent	**(1,231)**	29,741
Weighted average number of ordinary shares for the purposes of basic earnings per share	**223,958**	222,946
Effect of employee share schemes	**2,264**	1,793
Diluted weighted average number of ordinary shares	**226,222**	224,739
Basic (loss) / earnings per share (pence)	**(0.55)**	13.34
Diluted (loss) / earnings per share (pence)	**(0.54)**	13.23

The calculations of adjusted earnings per share (see note 2) were based on the number of shares as above and are shown in the table below:

£000's	**Year ended 31 December 2019**	Year ended 31 December 2018
(Loss) / profit attributable to equity holders of the parent	**(1,231)**	29,741
Amortisation of acquired intangibles and transaction-related costs (note 4)	**9,106**	9,181
Exceptional items (note 5)	**23,359**	-
Tax on amortisation of acquired intangibles, transaction-related costs and exceptional items	**(3,396)**	(2,205)
Adjusted profit attributable to equity holders of the parent	**27,838**	36,717
Adjusted basic earnings per share (pence)	**12.43**	16.47
Adjusted diluted earnings per share (pence)	**12.31**	16.34

9. **Trade and other receivables**

Trade and other receivables comprise the following balances:

£000's	**31 December 2019**	31 December 2018
Trade receivables	**95,822**	106,509
Contract assets	**45,626**	44,907
Prepayments	**10,914**	10,406
Other receivables	**4,628**	3,961
Total trade and other receivables	**156,990**	165,783

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

£000's	**31 December 2019**	31 December 2018
Trade receivables	**98,794**	111,735
Provision for impairment	**(2,972)**	(5,226)
Trade receivables net	**95,822**	106,509

£000's	**31 December 2019**	31 December 2018
Contract assets	**50,948**	51,531
Provision for impairment	**(5,322)**	(6,624)

Contract assets net	**45,626**	44,907

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 trade receivables past due but not impaired are as follows:

£000's	**31 December 2019**	31 December 2018
Not more than three months	**11,308**	10,462
More than three months	**7,937**	9,582
Total overdue	**19,245**	20,044

At the year end the debtor days of the Group were 52 (2018: 50).

Movements in impairment:

£000's	Trade receivables	Contract assets	Total
As at 1 January 2019	5,226	6,624	11,850
Impairment charge	1,591	2,361	3,952
Reversal of provisions	(2,461)	(2,254)	(4,715)
Receivables written off during the year as uncollectible	(1,339)	(1,311)	(2,650)
Exchange differences	(45)	(98)	(143)
As at 31 December 2019	2,972	5,322	8,294

£000's	Trade receivables	Contract assets	Total
As at 1 January 2018	4,847	5,756	10,603
Increase in provision on adoption of IFRS 9	353	296	649
Impairment charge	2,285	3,646	5,931
Reversal of provisions	(1,634)	(980)	(2,614)
Receivables written off during the year as uncollectible	(621)	(2,082)	(2,703)
Exchange differences	(4)	(12)	(16)
As at 31 December 2018	5,226	6,624	11,850

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

10. Trade and other payables

£000's	**31 December 2019**	31 December 2018
Trade payables	**26,331**	33,210
Accruals	**36,946**	38,015
Contract liabilities	**21,116**	22,931
Creditors for taxation and social security	**15,767**	18,385
Other payables	**4,626**	5,373
Total trade and other payables	**104,786**	117,914

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

11. **Borrowings**

£000's	**31 December 2019**	31 December 2018
Bank loans	**55,400**	32,800
US loan notes	**55,719**	56,751
Bank overdraft	**1,361**	2,581
Total bank loans, notes and overdrafts	**112,480**	92,132
Arrangement fees	**(654)**	(271)
Net bank borrowings	**111,826**	91,861
Lease liabilities	**49,795**	-
Total borrowings	**161,621**	91,861

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

£000's	**31 December 2019**	31 December 2018
Amounts due for settlement within 12 months	**1,361**	2,581
In the second year	**55,719**	32,800
In the third to fifth years inclusive	**55,400**	56,751
Total	**112,480**	92,132

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 £100,000,000 with Lloyds Bank plc, HSBC Bank plc and NatWest Bank plc, expiring in 2022. 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 £55,400,000 at 31 December 2018 (2018: £32,800,000).

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

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

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

£000's	**Year ended 31 December 2019**	Year ended 31 December 2018
Operating profit	**10,912**	44,860
Adjustments for:		
Depreciation of owned assets	**9,267**	8,256

Depreciation of right-of-use assets	**9,981**	-
Amortisation of intangibles	**84**	-
Amortisation of acquired intangibles	**8,602**	9,144
Impairment of goodwill	**19,806**	-
Non-cash movement on provisions	**-**	(461)
Share-based payment expense	**2,707**	2,338
(Profit)/loss on sale of assets	**(93)**	37
EBITDAS	**61,266**	64,174
Decrease in trade and other receivables	**6,358**	1,964
Decrease in trade and other payables	**(12,750)**	(5,779)
Cash generated from operations	**54,874**	60,359
Interest paid	**(5,843)**	(3,773)
Interest received	**172**	232
Income taxes paid	**(11,601)**	(12,330)
Net cash from operating activities	**37,602**	44,488

The table below provides an analysis of net bank borrowings, comprising cash and cash equivalents, interest bearing bank loans and leases, during the year ended 31 December 2019:

£000's	At 31 December 2018	Effect of changes in accounting standards	Cash flow	Prepaid arrangement fees	Lease accounting adjustments[1]	Foreign exchange	**At 31 December 2019**
Cash at bank	17,986	-	2,186	-	-	(2,441)	**17,731**
Overdrafts	(2,581)	-	1,220	-	-	-	**(1,361)**
Cash and cash equivalents	15,405	-	3,406	-	-	(2,441)	**16,370**
Bank loans	(89,280)	-	(22,779)	(287)	-	1,881	**(110,465)**
Net bank borrowings	(73,875)	-	(19,373)	(287)	-	(560)	**(94,095)**
Leases	-	(49,208)	9,240	-	(10,800)	973	**(49,795)**
Total borrowings	(73,875)	(49,208)	(10,133)	(287)	(10,800)	413	**(143,890)**

[1] Includes lease additions, remeasurements and disposals

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

The cash balance at 31 December 2019 includes £1,301,000 (2018: £2,164,000) that is restricted in its use, either as security or client deposits.

13. Deferred consideration

£000s	**31 December 2019**	31 December 2018
Amount due within one year	**3,105**	53
Amount due between one and two years	**3,004**	77
Amount due between two and five years	**2,255**	49
Amount due after five years	**383**	123
Total deferred consideration	**8,747**	302

14. **Dividends**

Amounts recognised as distributions during the year:

£000s	**Year ended 31 December 2019**	Year ended 31 December 2018
Final dividend for the year ended 31 December 2018 of 5.08p (2017: 5.08p) per share	**11,406**	11,358
Interim dividend for the year ended 31 December 2019 of 2.42p (2018: 4.80p) per share	**5,449**	10,757
	16,855	22,115
Proposed final dividend for the year ended 31 December 2019 of 2.00p (2018: 5.08p) per share	**4,522**	11,415

The proposed final dividend for the year ended 31 December 2019 is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

15. **Contingent liabilities**

From time to time the Group receives claims from clients and suppliers. Some of these result in payments to the claimants by the Group and its insurers. The Board reviews all significant claims at each Board meeting and more regularly if required. The Board is satisfied that the Group has sufficient provisions at the balance sheet date to meet all likely uninsured liabilities.

RPS has notified the US government of potential issues regarding its administration of government contracts and/or projects. We are continuing to identify the implications, if any, of the conduct under review. The impact, if any, is unknown. During 2019 legal fees totalling £1,373,000 were incurred investigating this matter and were presented within exceptional items (note 5). Related to this matter are certain employment claims made against RPS, the outcome of which are also unknown.

16. **Acquisitions**

On 1 February 2019 the Group acquired the trade and assets of Corview Pty Ltd, an Australian transport advisory consultancy that is included in the AAP segment. This acquisition further strengthens RPS' deep expertise in the region.

On 30 September 2019 the Group acquired the entire issued share capital of Reservoir Imaging Limited, a UK-based seismic data acquisition software services company that will add a new growth area to the Energy segment.

The amounts recognised in respect of identifiable assets acquired and liabilities assumed, the fair value of consideration and the resulting goodwill are as follows:

£000s	**Corview**	**Reservoir Imaging Ltd**
Intangible assets:		
Order book	776	200
Customer relations	3,359	750
Trade names	67	20
Property, plant and equipment	29	8
Cash	1,164	1,222
Other assets	57	860
Other liabilities	(1,442)	(627)
Net assets acquired	4,010	2,433

Satisfied by:		
Initial cash consideration	9,756	2,683
Fair value of deferred cash consideration	7,548	1,283
Total consideration	17,304	3,966
Goodwill	13,294	1,533

The fair values of the net assets are provisional.

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

The fair value of the receivables acquired and the breakdown between gross receivables and estimated irrecoverable amounts was as follows:

£000s	**Corview**	**Reservoir Imaging Ltd**
Gross receivables	67	767
Estimated irrecoverable	-	-
Fair value of assets acquired	67	767

The Group incurred acquisition-related costs of £398,000 for Corview and £106,000 for Reservoir Imaging Limited which have been expensed through the consolidated income statement and are included within amortisation of acquired intangibles and transaction-related costs.

The contribution of Corview and Reservoir Imaging Limited to the Group's results for the year is given below:

£000s	**Corview**	**Reservoir Imaging Ltd**
Revenue	7,640	641
Fees	5,895	641
Adjusted operating profit	821	135
Operating (loss)/profit	(882)	64

The pro forma Group revenue and operating profit assuming that the acquisitions had been completed on the first day of the year would have been £614,903,000 and £31,038,000 respectively.

A reconciliation of the goodwill movement in 2019 in respect of the acquisitions is as follows:

£000s	**Corview**	**Reservoir Imaging Ltd**
On acquisition	13,294	1,533
Foreign exchange revaluation	(568)	-
At 31 December 2019	12,726	1,533

17. **Change in accounting policy**

The Group has applied IFRS 16 from 1 January 2019 using the modified retrospective approach under which the cumulative effect of is recognised in retained earnings on the date of application. The Group leases offices, equipment and vehicles that are negotiated on an individual basis and contain a wide range of different terms and conditions.

On transition to IFRS 16, the Group has elected not to reassess whether a contract is or contains a lease at the date of initial application and has relied upon the assessment made under IAS 17. In addition, the following practical expedients permitted by the standard have been applied:

- The use of a single discount rate for a portfolio of leases with reasonably similar characteristics.
- Reliance on previous estimates of whether leases are onerous.

- The accounting for operating leases with a remaining life of less than one year as at 1 January 2019 as short-term leases.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On adoption of IFRS 16, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The weighted average incremental borrowing rate applied was 3.96%. The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. Onerous lease contracts have been adjusted through the right-of-use assets.

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

£000s	
Right-of-use assets increased by:	44,856
Deferred tax asset increased by:	350
Prepayments reduced by:	482
Accruals reduced by:	1,096
Lease liabilities increased by:	49,208
Provisions reduced by:	2,096
Translation reserve reduced by:	52
Retained earnings reduced by:	1,240

A reconciliation of the operating lease commitments at 31 December 2018, disclosed in the 2018 consolidated financial statements, to the lease liability recognised on the transition date is as follows:

£000s	
Operating lease commitments disclosed as at 31 December 2018	57,075
Recognition exemption for short-term leases	(2,148)
Recognition exemption for low value assets	(19)
Adjustments as a result of different treatment of extension and termination options	1,331
Effect of discounting	(7,031)
Lease liability recognised at 1 January 2019	49,208
Of which are:	
Current lease liabilities	8,054
Non-current lease liabilities	41,154

Impact on alternative performance measures

Adjusted earnings per share decreased by 0.16p for the year ended 31 December 2019 as a result of the adoption of IFRS 16. PBTA decreased by £572,000, adjusted operating profit increased by £1,313,000 and finance costs increased by £1,885,000.

Segment profit has been disclosed including the effects of IFRS 16 transition. This is consistent with how management reviews the performance of the business. The IFRS 16 adjustments that have been posted to each segment for the year ended 31 December 2019 are as follows:

Segment	Segment profit per note 3	IFRS 16 adjustment	Segment profit pre IFRS 16 adjustment
Energy	11,069	(83)	10,986
Consulting UK and Ireland	15,087	(514)	14,573

Services UK and Netherlands	10,788	(111)	10,677
Norway	5,964	(129)	5,835
North America	3,378	(172)	3,206
AAP	6,377	(263)	6,114
Total	52,663	(1,272)	51,391

18. **Auditor's report on Report and Accounts 2019**

The financial information set out above does not constitute the Company's full statutory accounts for the year ended 31 December 2019 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 2018 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).

19. **Publication of Report and Accounts 2019**

This announcement has been posted on the Company's website at www.rpsgroup.com. A copy of the Report and Accounts will be posted on this website on 5 March 2020. It is expected that the Report and Accounts together with the notice of the Company's Annual General Meeting will be posted to shareholders on or before 17 March 2020. 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.

20. **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 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.

The main risk associated with Brexit is the potential reduction in investment in the UK economy and the consequent possible reduction in demand for our services. The risk is contained mainly within the Consulting UK and Ireland segment. The remaining segments are either outside of the EU or, in the case of Services UK and Netherlands, primarily exposed to the UK water market which is highly regulated and not susceptible to general economic and market risks.

Responsibility statement of the Directors in respect of the Report and Accounts 2019

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.

- Ends -