For immediate release **9 March 2021**

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

Final Results

'Strong financial discipline, robust platform, well-positioned for growth'

RPS, a leading multi-sector global professional services firm, today announces its Final Results for the year ended 31 December 2020 ('FY-2020').

	FY-2020	FY-2019	FY-2019 at constant currency[1]	% change	% change constant currency
Alternative performance measures [1]					
Fee revenue (£m) [2]	**457.3**	528.2	522.2	(13%)	(12%)
Adjusted operating profit (£m) [1]	**20.5**	43.4	42.9	(53%)	(52%)
Adjusted profit before tax (£m) [1]	**13.4**	37.4	36.9	(64%)	(64%)
Adjusted earnings per share (diluted) (p) [1]	**4.29**	12.31	12.17	(65%)	(65%)
Cash and debt measures					
Conversion of profit into cash (%) [1]	**239%**	90%	90%		
Net bank borrowings (£m) [1]	**10.8**	94.1	93.1		
Leverage	**0.7x**	2.0x			
Statutory measures					
Revenue (£m)	**542.1**	612.6	606.4	(12%)	(11%)
Operating (loss)/profit (£m)	**(24.2)**	10.9	9.4	(322%)	(357%)
Statutory (loss)/profit before tax (£m)	**(31.3)**	4.9	3.4	(739%)	(1021%)
Statutory diluted loss per share (p)	**(12.83)**	(0.54)	(1.09)	(2276%)	(1077%)
Dividend per share (p)	**-**	2.42	2.42		

Financial highlights

- After a promising first quarter, trading was impacted by COVID-19, and fee revenue and adjusted operating profit ended down on the prior year. Nonetheless, Q3-2020 and Q4-2020 showed encouraging momentum and an improving fee trajectory.
- All segments remained profitable for the year on an adjusted operating profit basis.
- Statutory loss before tax includes £39.2 million of exceptional items, of which £32.6 million are non-cash costs relating to onerous property provisions and the impairment of goodwill and other assets, largely as a result of COVID-19.
- Strong cash performance on the back of disciplined billing and cash collections and COVID-19 related tax deferrals, delivering a cash conversion of 239% (FY-2019: 90%), 213% excluding tax deferrals.
- Focused cash management and a successful placing raising net proceeds of £19.4 million, resulted in a significant reduction in net bank borrowings with net debt to EBITDA leverage of 0.7x as at 31 December 2020 (31 December 2019: 2.0x). This is below the bottom end of our target range of 1.0x to 2.0x. Net debt is expected to increase during 2021 as fee revenue growth returns, lock up days normalise and tax deferrals are paid.
- Amendments to banking facilities secured in 2020 provide significant liquidity and good headroom and, together with the placing, this is enabling RPS to make investment decisions for the medium term.
- Due to uncertainty over timing of recovery of markets, no final dividend is proposed (FY-2019: 2.42 pence per share).

Business headlines

- The diversity of RPS' sectors and services and exposure to government and quasi-government organisations provided resilience to COVID-19 impact. Government exposed business streams in Australia and the US delivered growth in fee revenue and/or adjusted operating profit. We are well positioned to benefit from increased spending by government.
- Adapted service offerings and utilised technology to enable clients to manage COVID-19 impact, as well as enabling RPS to capitalise on longer term opportunities as we emerge from the pandemic.
- Developed Net Zero Carbon proposition and secured a project in this space with a key blue-chip client.
- Responded quickly to COVID-19 and took prudent and proactive steps to reduce costs and contain cash outflows. Matched capacity to market demand while preserving jobs, maintaining capability and expertise, and positioning ourselves for recovery.
- Quickly mobilised our workforce to operate remotely. Rapidly adapted ways of working to maintain quality of work, continue to deliver for clients and networked our people to ensure teams continued to work effectively together.
- Continued focus on renewables with fee revenue increasing from 7.5% of Energy segment fee revenue to 15%.

Strategic progress

Our investment in people, clients and connectivity in recent years has meant we were able to stay connected with our clients and each other and deliver uninterrupted high levels of technology enabled service throughout the pandemic. In 2020, we continued to progress these strategic initiatives, including:

- People – continued with a deliberate strategy of technology enabled performance management with the global adoption of online tools to support recruitment, performance, development and learning.
- Clients – initiated global client experience project to connect marketing, business development and sales and focus on how we will grow the business by repeatedly delivering experiences our clients value and digitally connecting them to our expertise.
- Connectivity – focus on technology enabled consulting and modern workplace tools led to an acceleration in digital collaboration between RPS teams and greater connectivity with clients, supporting creation of new services such a virtual consultation, and facilitating cross-sell within and between segments.

In addition:

- As we work towards a thoughtful diversified energy offering, RPS continued to reshape the Global Energy portfolio with the divestment of our Specialist Geology business to Petrostrat in December 2020 and creation of a global renewables offering.
- The strategic review of our North America segment is resulting in a reshaping of the Environmental Risk business to add resilience to our mid-market private equity exposure.

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

"Our focus through the pandemic ensured the wellbeing and safety of our employees, preserved jobs, retained capability, and protected value. This focus resulted in an improving revenue trend in H2, with all segments profitable, debt significantly reduced, and leverage lowered.

"Our business model, diversification and cohesion, exposure to government stimulus via public spending as well as private sector work, means that RPS is well positioned globally to grow as we emerge from the pandemic.

"We have started 2021 well and expect 2021 to be a year of progress. Looking ahead, we are optimistic that the roll-out of vaccination programmes and easing of lockdowns in a number of key markets will stimulate economic activity and demand for our range of services. We will benefit from the strong structural growth drivers in the markets we serve and client demand for sustainable operations. This underpins our strategic focus on renewables, sustainability, project management and transport infrastructure. We will continue to invest in people, clients and connectivity and drive cross-selling opportunities thereby further strengthening our platforms. We will also continue to consider strategic acquisitions where there is a clear value proposition that adds density not further diversity. We remain focused on building a business that can deliver mid-single digit rates of organic growth and a double-digit operating margin in the medium term and are confident about our ability to do so.

"I would like to take this opportunity to thank all of our stakeholders – including our employees, our clients and our shareholders – for their support in 2020. As we move ahead, we remain committed to delivering great work for clients and to our promise of making complex easy."

(1) Alternative Performance Measures are used consistently throughout this announcement: these include adjusted profit before tax, fee revenue, items prefaced 'adjusted' such as adjusted EPS, segment profit, underlying profit, adjusted 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) Fee revenue has been restated – see note 2 for further information

An analyst presentation will be held via video webcast at 9.30am today. To participate, please contact Buchanan via RPS@buchanan.uk.com to request joining details. A recording of the presentation will be available later today at the RPS website, www.rpsgroup.com.

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Founded in 1970, RPS is a leading global professional services firm of c.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 programme management, design and development, water services, environment, advisory and management consulting, exploration and development, planning and approvals, health, safety and risk, oceans and coastal, laboratories, training and communications, creative & digital 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 Q1-2021 trading update in late April 2021.

Trading summary

Revenue for 2020 was £542.1 million (2019: £612.6 million, £606.4 million at constant currency). Our key performance measure is fee revenue; for 2020 this was £457.3 million (2019: £528.2 million, £522.2 million at constant currency). While the Group made a statutory loss before tax of £31.3 million (2019: profit £4.9 million, £3.4 million at constant currency) this was after significant exceptional items, many of which were non-cash items and largely driven by actions taken to mitigate the impact of COVID-19. The profit performance of the business is measured using adjusted operating profit. For 2020 this was £20.5 million (2019: £43.4 million, £42.9 million at constant currency). The trading performance of the Group by segment is summarised in the tables below.

The effective tax rate for the year on Adjusted profit before tax (PBT) was 22.4% (2019: 25.4%). The reduction was mainly due to the impact of carrying back losses in the US under the US CARES Act and recognising UK deferred tax balances at 19% rather than 17% . Our underlying tax rate prior to these adjustments increased in the year due to a rise in the proportion of taxable profit from higher rate tax jurisdictions, mainly Australia. The statutory tax credit for the year was £0.2 million (2019 charge: £6.1 million) on a loss before tax of £31.3 million (2019 profit before tax: £4.9 million). The effect of tax on the impairment of goodwill incurred in the year of £25.9 million was £nil.

Adjusted diluted EPS was 4.29p (2019: 12.31p, 12.17p at constant currency), a decrease of 65% over last year at constant currency. Statutory diluted loss per share was 12.83p (2019: 0.54p).

In addition to the impact of the pandemic, profit in 2020 suffered marginally in comparison to 2019 from exchange movements on the conversion of overseas results. Adjusted PBT in 2020 would have been £0.4 million higher than reported had 2019 exchange rates been repeated in 2020. The Adjusted PBT in 2019 would have been £0.5 million lower than reported if 2020 exchange rates have prevailed in 2019. Statutory PBT in 2019 would have been £1.5 million lower than reported if 2020 exchange rates had prevailed in 2019.

Fee revenue

£m	**FY-2020**	FY-2019	FY-2019 at constant currency
Energy	**75.7**	104.3	103.5
Consulting – UK and Ireland	**108.0**	126.2	126.6
Services – UK and Netherlands	**85.7**	96.6	97.1
Norway	**56.0**	64.7	60.1
North America	**39.0**	46.1	45.8
Australia Asia Pacific	**92.9**	90.3	89.1
Fee Revenue	**457.3**	528.2	522.2

The period under review started well with good growth in Energy, North America, and Australia Asia Pacific. As expected, the level of activity in Water Services was lower in Q1-2020 ahead of the UK water industry's new five-year asset management period (AMP7). Our Consulting - UK and Ireland and Norway segments were impacted during the early period of the pandemic.

From the second quarter COVID-19 impacted our business across all segments of the Group, with fee revenue reducing by 18.1% (at constant currency) compared to Q2-2019. As restrictions eased in Q3-2020, the business started to recover with fee reduction improving as our people began to return from furlough or reduced hours, with the reduction on prior year of 15.6% (at constant currency). This improving trend continued into Q4-2020 and coupled with a ramp up in the AMP7 cycle as well as increased activity with mid-market PE in the US resulted in a 12.1% (at constant currency) decline in Q4-2020 fee revenue compared to Q4-2019.

Full year fees of £457.3 million were down 12.4% (at constant currency) on the prior year. RPS generates circa 55% of fee revenue from government or quasi-government organisations, which provided resilience to the impact of COVID-19 and enabled Australia Asia Pacific to continue to deliver fee revenue growth in 2020.

Adjusted operating profit

£m	FY-2020	FY-2019	FY-2019 at constant currency
Energy	4.5	11.1	11.0
Consulting – UK and Ireland	6.3	15.1	15.1
Services – UK and Netherlands	5.4	10.8	10.9
Norway	4.5	6.0	5.5
North America	2.9	3.3	3.4
Australia and Asia Pacific	8.2	6.4	6.3
Total segment profit	31.8	52.7	52.2
Unallocated costs	(11.3)	(9.3)	(9.3)
Adjusted operating profit	20.5	43.4	42.9

In response to COVID-19 the Group took swift and considered action to match capacity to market demand, reduce discretionary spend, and make changes to our operating model. As a result of these actions, which included the receipt of £4.2 million of furlough income, segment costs reduced by 9.5% at constant currency, versus 12.4% lower fee revenue at constant currency. Segment profit margin was 7.0% (2019 at constant currency: 10.0%), reflecting the impact of lower fee revenue, fixed costs in the business that were not able to be reduced in line with fees and a £0.6 million cost for maintenance of a property in the Republic of Ireland.

Unallocated costs were higher in 2020 as a result of continued investment in the strategic initiatives of People and Connectivity and the retirement package for the outgoing Group Finance Director. The investment in People and Connectivity includes investment in an online performance development tool, operating costs of the new ERP system and strategic hires within the technology team.

Exceptional items

Exceptional items of £39.2 million have been recognised in 2020 (2019: £23.4 million), of which £32.6 million are non-cash. The exceptional items are detailed in note 5 and include:

- A goodwill impairment charge of £25.9 million after revising our view on the assumptions used for impairment modelling given the market uncertainty caused by the pandemic. This led to an impairment of goodwill at the Half Year in our Consulting UK and Ireland and North American segments, where the impact of the pandemic was more pronounced.

- Restructuring costs of £6.0 million as a result of the cost mitigating actions taken in light of the impact of the pandemic on the Group and aligning our operating models to the new environment. These costs included redundancy for a limited number of roles, and closure of offices with surplus space resulting in impairment of right-of-use assets and onerous contract provisions for associated property costs.

- ERP stabilisation activities of £2.2 million for the new ERP implemented in the Netherlands and parts of Australia in addition to an impairment of the ERP of £2.9 million in respect of those parts of the system which were identified in 2020 as needing to be redeveloped or are no longer part of the global design for future implementations. Further exceptional costs in respect of change management and data migration will be incurred in 2021 as the roll-out of the ERP continues.

- Further legal fees of £1.8 million investigating potential issues regarding the administration of US government contracts and/or projects. The investigation is ongoing and further exceptional costs for legal fees will be incurred in 2021. This matter is disclosed as a contingent liability in note 16.

- A loss of £0.4 million on divestment of our Specialist Geology business in the Energy Segment, supporting our strategy of migrating the business away from traditional oil and gas to renewables. The divestment took the form of an asset and trade sale with proceeds of £0.7 million in return for net assets transferred of £nil. Goodwill in respect of this business of £1.0 million was written off and transaction costs of £0.1 million were incurred resulting in a small loss on disposal.

We anticipate that exceptional costs will be incurred in 2021 associated with the continued rollout of the ERP system and ongoing legal fees in respect of the US government contracts investigation.

Amortisation of intangible assets and transaction-related costs

Amortisation of intangible assets and transaction related costs totalled £5.5 million (2019: £9.1 million). Included in this total is amortisation of acquired intangibles £5.5 million (2019: £8.6 million), and acquisition related third-party transaction costs of £nil (2019: £0.5 million).

Borrowings and cash flow

During the 12-month period, significant focus was placed on cash management and ensuring disciplined billings and cash collections. This focus and the equity placing in September, which raised a net £19.4 million, reduced net bank borrowings by £83.3 million to £10.8 million at 31 December 2020 (31 December 2019: £94.1 million).

Net cash from operating activities was £84.0 million (2019: £37.6 million). Our conversion of operating profit into operating cash was excellent at 239% (2019: 90%). This reflected a significant focus on billing and collections, the actions taken to protect cash in light of COVID-19, the unwinding of working capital as a result of a reduction in revenue, reduced corporate taxes and £10.2 million deferral of payroll/sales taxes under government COVID-19 schemes. Excluding the tax deferrals, cash conversion was 213%. Lock-up days at the end of December 2020 were exceptionally low at 48 days compared to 69 days at the end of 2019. Our focus on improving collections is demonstrated by average lock-up days for the year that were 65 days for 2020 compared to 69 days for 2019.

Net cash used in investing activities was £9.7 million (2019: £30.9 million), the decrease due to no acquisition costs in 2020 (2019: £10.1 million), lower net capital expenditure of £7.8 million (2019: £21.1 million) and proceeds on the divestment of Specialist Geology. The capital expenditure figure includes £2.5 million (2019: £7.8 million) invested in our new ERP system. In 2019 we completed the global design phase and implemented pilots in the Netherlands and part of Australia. The pilot implementation identified issues with the global design created by our implementation partner, and hence in 2020 the investment has been focused on progressing revisions to the global design and stabilisation of the initial rollout. In 2021 we plan to finalise the revised global design and continue with the global rollout programme.

Deferred consideration outstanding at the year end was £5.8 million (31 December 2019: £8.7 million).

The amount paid in respect of dividends was £nil (2019: £16.9 million) reflecting the cancellation of the 2019 final dividend and the decision not to pay an interim 2020 dividend. Included within financing activities are the £19.4 million net proceeds of the September share placing.

Our leverage (being net bank debt plus deferred consideration expressed as a percentage of adjusted EBITDA) at the year end was 0.7x (31 December 2019: 2.0x) compared to our target operating range of 1.0x to 2.0x. We expect this will increase during 2021 to within our target operating range of 1.0x to 2.0x as we invest in growing the business, as government clients revert to normal payment terms and as the COVID-19 cash initiatives reverse. The bank covenant limit that applies to all our facilities is 3.75x for December 2020 and March 2021, 3.25x for June 2021 and 3.0x thereafter.

The Group's main banking facility is a committed multi-currency revolving credit facility (RCF) with Lloyds, HSBC and NatWest totalling £100.0 million which expires in July 2022. This may be extended to July 2024 with the banks' agreement.

On 28 April 2020, to ensure adequate liquidity and financial flexibility through the pandemic, the Group secured an additional £60.0 million 12-month COVID-19 liquidity facility which formed part of the RCF facility. In September 2020 the expiry of this facility was extended to July 2022.

In addition, the Group has in issue 7-year US Private placement notes of US$34.1 million and £30.0 million that are repayable in September 2021. The Group is currently investigation options for refinancing these loan notes.

Net finance costs were £7.1 million (2019: £6.0 million), which includes £1.9 million in respect of IFRS 16 (2019: £1.9 million).

Dividends

In 2019 an interim dividend of 2.42 pence per share was paid in respect of H1 2019 but the payment of the proposed final dividend of 2.00 pence per ordinary share was cancelled as one of the measures in response to COVID-19.

Due to the ongoing restrictions in the UK and wider uncertainty over the timing of recovery in our markets, the Board of Directors has taken a prudent approach and decided not to recommend a dividend in respect of 2020. The Board recognises the importance of dividends to shareholders and anticipates resuming the dividend payment for 2021 providing markets continue to recover. When dividends resume the Board will assess the appropriate level of dividend to be paid.

Segment review

Energy

	FY-2020	FY-2019	FY-2019 at constant currency
Fee revenue (£m)	**75.7**	104.3	103.5
Segment profit (£m)	**4.5**	11.1	11.0
Margin (%)	**5.9**	10.6	10.6

Energy started the year with a strong performance in the Operations business and, although activity in Technical Advisory was muted, fee revenue in Q1-2020 grew by 8% at constant currency. From Q2-2020 our Energy businesses were significantly affected by COVID-19 due to the global travel restrictions, resulting in 2020 segment fee revenue being down 27% at constant currency on 2019. Our flexible, associate-based employee model enabled us to reduce costs as fee revenue reduced and in June 2020, we restructured our Technical Advisory business, providing the segment with increased flexibility and resilience to offset revenue fluctuations during H2-2020. This enabled the segment to remain profitable despite the significant impact from COVID-19.

During 2020 we continued to increase our exposure to renewables, accounting for 15% of fee revenue in 2020 compared to 7.5% in 2019, thereby reducing the segment's dependence on oil and fossil fuels. The focus on renewables and offshore wind has been supported in-house with existing expertise, where the skills are easily transferrable.

Markets will continue to be impacted in 2021 while COVID-19 travel restrictions remain in place. However, the transition to sustainable energy is creating significant opportunities for our business and fees from offshore wind are expected to continue to increase in 2021.

Consulting – UK and Ireland

	FY-2020	FY-2019	FY-2019 at constant currency
Fee revenue (£m)	**108.0**	126.2	126.6
Segment profit (£m)	**6.3**	15.1	15.1
Margin (%)	**5.8**	12.0	11.9

Since March 2020 performance in Consulting UK and Ireland has been significantly affected by COVID-19. Strong public sector demand provided some resilience to our Ireland and Northern Ireland business.

The remainder of the segment has greater exposure to private sector work and the property sector. Overall fee revenue at constant currency was down 15% on 2019 but with the trajectory improving throughout H2-2020. Careful matching of capacity to demand and the development of innovative services to help our clients emerge from COVID-19 has resulted in a profitable outturn for 2020.

Whilst we will still experience the impact of COVID-19 in 2021, there are a number of sectors where we have core strengths that are expected to outperform such as affordable residential property, health, logistics, and datacentres. Our Net Zero Carbon proposition for blue chip clients is delivering and private sector opportunities are expected to recover as the impact of COVID-19 reduces.

Services – UK and Netherlands

	FY-2020	FY-2019	FY-2019 at constant currency
Fee revenue (£m)	**85.7**	96.6	97.1
Segment profit (£m)	**5.4**	10.8	10.9
Margin (%)	**6.3**	11.2	11.2

As expected, the level of activity in the Water Services business in Q1-2020 was low ahead of the new AMP cycle. Whilst activity ramped up through H2-2020 this was at a slower pace than usual. Health and Laboratories and Netherlands experienced some short-term impact of COVID-19, caused by the impact of lock down and travel restrictions on our markets and specific client contracts. Overall fee revenue was down 12% at constant currency but a continued improvement in fees occurred across H2-2020 and returned to year-on-year growth in Q4-2020.

The UK water market is expected to improve through 2021, whilst in the Netherlands we have secured long term frameworks with key water boards and provinces. Our UK laboratory secured Good Laboratory Practice accreditation, which will open up new markets and should drive increased fee revenue as COVID-19 restrictions ease.

Norway

	FY-2020	FY-2019	FY-2019 at constant currency
Fee revenue (£m)	**56.0**	64.7	60.1
Segment profit (£m)	**4.5**	6.0	5.5
Margin (%)	**8.0**	9.3	9.2

Notwithstanding the pressure on the economy due to COVID-19 and its exposure to oil, the business delivered a solid performance, retaining its market leading position within Project and Program Management in Norway. Fee revenue improved in H2-2020, resulting in a 7% fee revenue reduction for the year as a whole at constant currency. Whilst revenue from private sector clients was lower, it was partially offset by an increasing exposure to the public sector where investment levels are good and stable. A strong focus on cost control enabled the business to deliver a good profit performance.

COVID-19 is still expected to impact the business in 2021, but activity and investment levels remain strong in the public sector with the segment well placed to benefit from this and new opportunities in emerging markets such as green technology and aquaculture.

North America

	FY-2020	FY-2019	FY-2019 at constant currency
Fee revenue (£m)	**39.0**	46.1	45.8
Segment profit (£m)	**2.9**	3.3	3.4
Margin (%)	**7.4**	7.2	7.4

The segment had an encouraging start with a good all-round performance in Q1-2020, during which fee revenue was up 2% at constant currency. Q2-2020 onwards was affected by the pandemic with trading mixed and the 2020 overall fee revenue for the year reduced by 15% at constant currency on 2019. Infrastructure benefited from high public sector exposure and delivered strong profit growth with improved margins. Although fee revenue growth was held back by delays in project activations in the last quarter of the year, activations have picked up in January 2021. Ocean Science delivered fee growth in the year on the back of good public sector activity. In the Environmental Risk business, subdued private equity activity in Q2-2020 reduced overall fee revenue in the year, although the business capitalised on buoyant activity in H2-2020 to deliver an improving performance in the second half. Restructuring during the year means the segment is now leaner and maintained its profit margin.

Good foundations are in place to return to growth in 2021 with a strong public sector order book to support activity in Infrastructure and Ocean Science and an enhanced sustainability offering in Environmental Risk.

Australia Asia Pacific

	FY-2020	FY-2019	FY-2019 at constant currency
Fee revenue (£m)	**92.9**	90.3	89.1
Segment profit (£m)	**8.2**	6.4	6.3
Margin (%)	**8.8**	7.1	7.1

The significant exposure of the segment to the public sector (over 70%), as well as the early implementation of several cost saving measures, enabled the segment to deliver solid fee revenue growth of 4% at constant currency on the prior year and improved profitability. Government stimulus spending in defence, transport infrastructure and property provided benefits across the segment. The acquisition of Corview in 2019 continues to deliver benefits, enhancing our exposure in transport and defence.

Whilst uncertainty remains due to the Australian government's strong response to COVID-19 and the end of the property stimulus, we are well positioned to win new Federal and State government infrastructure work. An increased focus on renewables, leveraging our experience in wind and solar markets, is expected to generate benefits in H2-2021.

Board Change

On 30 April 2020 Gary Young stepped down from the Board as Group Finance Director and Judith Cottrell was appointed to the Board in this role.

Group Outlook

Looking ahead, our businesses serving government and quasi-government organisations have solid order books. Those servicing the private sector are well positioned to recover as lockdown and travel restrictions ease. Whilst the disruption of COVID-19 will continue through the first half of 2021 and the pace of recovery is uncertain, we will continue to demonstrate the resilience of our business by managing the uncertainty and taking advantage of opportunities as they arise.

With a strong cash position and significant debt facilities available, RPS is well placed to deal with any further challenges that the continuing effect of COVID-19 may bring, although as the working capital benefits of 2020 unwind and as the Group returns to growth, it will start to absorb working capital and net bank borrowings are expected to increase from current low levels.

The enduring thematics that underpin our business of urbanisation, natural resources and sustainability are becoming ever more relevant and benefiting from government stimulus and future investment. The diverse nature of RPS, coupled with our expertise and global reach, positions us well to capitalise on recovery in our end markets.

Our investment to date in people, clients and connectivity has strengthened the business and provides a stronger platform from which to deliver growth. We remain focused on building a business that can deliver mid-single digit rates of organic growth and a double-digit operating margin in the medium term and are confident about our ability to do so.

We are optimistic that the roll-out of vaccination programmes and easing of lockdowns in a number of key markets in which we operate will stimulate economic activity and demand for our range of services. We expect 2021 to be a year of progress for RPS, but with the current uncertainty over the pace of recovery, we are not resuming guidance at this time.

Board of Directors
RPS Group plc
8 March 2021

Consolidated income statement

£m	Notes	Year ended 31 December 2020	Restated[1] Year ended 31 December 2019
Revenue	**3**	**542.1**	612.6
Less: passthrough costs	**2, 3**	**(84.8)**	(84.4)
Fee revenue	**2, 3**	**457.3**	528.2
Adjusted operating profit	**2, 3**	**20.5**	43.4
Amortisation of acquired intangibles and transaction-related costs	**2, 4**	**(5.5)**	(9.1)
Exceptional items	**2, 5**	**(39.2)**	(23.4)
Operating (loss)/profit		**(24.2)**	10.9
Finance costs	**6**	**(7.2)**	(6.2)
Finance income	**6**	**0.1**	0.2
Adjusted profit before tax	**2**	**13.4**	37.4
(Loss)/profit before tax		**(31.3)**	4.9
Tax credit/(expense)	**7**	**0.2**	(6.1)
Loss for the year attributable to equity holders of the parent		**(31.1)**	(1.2)
Basic loss per share (pence)	**8**	**(12.95)**	(0.55)
Diluted loss per share (pence)	**8**	**(12.83)**	(0.54)
Adjusted basic earnings per share (pence)	**2, 8**	**4.33**	12.43
Adjusted diluted earnings per share (pence)	**2, 8**	**4.29**	12.31

[1] See note 2

Consolidated statement of comprehensive income

£m	**Year ended 31 December 2020**	Year ended 31 December 2019
Loss for the year	**(31.1)**	(1.2)
Actuarial gains and losses on remeasurement of defined benefit pension scheme	**(0.1)**	(0.1)
Tax on remeasurement of defined benefit pension scheme	**-**	-
Foreign exchange differences on translation of foreign operations*	**8.9**	(12.3)
Total other comprehensive expense	**8.8**	(12.4)
Total recognised comprehensive loss for the year attributable to equity holders of the parent	**(22.3)**	(13.6)

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

Consolidated balance sheet

£m	Notes	As at 31 December 2020	As at 31 December 2019
Assets			
Non-current assets:			
Intangible assets	**9**	**350.5**	378.7
Property, plant and equipment		**28.5**	32.3
Right-of-use assets		**42.1**	44.8
Deferred tax asset		**11.2**	3.8
		432.3	459.6
Current assets:			
Trade and other receivables	**10**	**130.8**	157.1
Corporation tax receivable		**2.4**	0.9
Cash at bank		**43.2**	17.7
		176.4	175.7
Liabilities			
Current liabilities:			
Borrowings	**12**	**54.0**	1.3
Lease liabilities		**10.8**	10.0
Deferred consideration	**14**	**3.1**	3.1
Trade and other payables	**11**	**129.2**	104.9
Corporation tax liability		**3.0**	-
Provisions		**5.7**	0.9
		205.8	120.2
Net current (liabilities)/assets		**(29.4)**	55.5
Non-current liabilities:			
Borrowings	**12**	**-**	110.5
Lease liabilities		**38.1**	39.8
Deferred consideration	**14**	**2.7**	5.6
Other payables		**0.2**	1.5
Deferred tax liability		**8.4**	6.3
Provisions		**4.5**	2.9
		53.9	166.6
Net assets		**349.0**	348.5
Equity			
Share capital		**8.3**	6.8
Share premium		**125.3**	121.9
Retained earnings		**166.3**	195.7
Merger reserve		**38.7**	21.2
Employee trust		**(11.5)**	(10.1)
Translation reserve		**21.9**	13.0
Total shareholders' equity		**349.0**	348.5

Consolidated cash flow statement

£m	Notes	**Year ended 31 December 2020**	Year ended 31 December 2019
Net cash from operating activities	**13**	**84.0**	37.6
Cash flows from investing activities:			
Purchases of subsidiaries net of cash acquired		**-**	(10.1)
Deferred consideration		**(3.0)**	(0.1)
Purchase of property, plant and equipment		**(5.0)**	(13.3)
Purchase of intangible assets		**(2.8)**	(7.8)
Proceeds from sale of assets		**0.4**	0.4
Proceeds from sale of business		**0.7**	-
Net cash used in investing activities		**(9.7)**	(30.9)
Cash flows from financing activities:			
Proceeds from issue of share capital		**19.4**	-
(Decrease)/increase in bank borrowings		**(55.4)**	23.5
Payment of bank arrangement fees		**(1.0)**	(0.7)
Payment of lease liabilities		**(11.0)**	(9.2)
Dividends paid		**-**	(16.9)
Net cash used in financing activities		**(48.0)**	(3.3)
Net increase in cash and cash equivalents		**26.3**	3.4
Cash and cash equivalents at beginning of year		**16.4**	15.4
Effect of exchange rate fluctuations		**0.5**	(2.4)
Cash and cash equivalents at end of year		**43.2**	16.4
Cash and cash equivalents comprise:			
Cash at bank	**13**	**43.2**	17.7
Bank overdraft	**13**	**-**	(1.3)
Cash and cash equivalents at end of year		**43.2**	16.4

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Merger reserve	Employee trust	Translation reserve	Total equity
At 1 January 2019	6.8	120.4	212.4	21.2	(9.8)	25.3	376.3
Loss for the year	-	-	(1.2)	-	-	-	(1.2)
Other comprehensive expense	-	-	(0.1)	-	-	(12.3)	(12.4)
Total comprehensive expense for the year	-	-	(1.3)	-	-	(12.3)	(13.6)
Issue of new ordinary shares	-	1.5	(0.5)	-	(1.0)	-	-
Share-based payment expense	-	-	2.7	-	-	-	2.7
Transfer on release of shares	-	-	(0.7)	-	0.7	-	-
Dividends paid	-	-	(16.9)	-	-	-	(16.9)
At 31 December 2019	**6.8**	**121.9**	**195.7**	**21.2**	**(10.1)**	**13.0**	**348.5**
Loss for the year	-	-	(31.1)	-	-	-	(31.1)
Other comprehensive income/(expense)	-	-	(0.1)	-	-	8.9	8.8
Total comprehensive income/(expense) for the year	-	-	(31.2)	-	-	8.9	(22.3)
Issue of new ordinary shares	1.5	3.4	(0.9)	17.5	(2.1)	-	19.4
Share-based payment expense	-	-	3.4	-	-	-	3.4
Transfer on release of shares	-	-	(0.7)	-	0.7	-	-
At 31 December 2020	**8.3**	**125.3**	**166.3**	**38.7**	**(11.5)**	**21.9**	**349.0**

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 2020 which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

The Group has prepared these accounts on the same basis as the 2019 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

Adjusted operating profit and adjusted profit before tax

Adjusted profit before tax is used by the Board to monitor and measure the trading performance of the Group. It excludes certain items which the Board believes distorts the trading performance of the Group. These items are either acquisition or disposal related, non-cash items, or they are exceptional in nature.

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 adjusted profit before tax, 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. Similarly, exceptional items 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 adjusted profit before tax. A reconciliation is shown below.

	£m	**Year ended 31 December 2020**	Year ended 31 December 2019
	(Loss)/profit before tax	**(31.3)**	4.9
Add:	Amortisation of acquired intangibles and transaction-related costs	**5.5**	9.1
	Exceptional items	**39.2**	23.4
	Adjusted profit before tax	**13.4**	37.4
Add:	Net finance costs	**7.1**	6.0
	Adjusted operating profit	**20.5**	43.4

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 to be more reflective of the Group's trading performance in the year.

	£m	**Year ended 31 December 2020**	Year ended 31 December 2019
	Loss attributable to equity holders of the parent	**(31.1)**	(1.2)
Add:	Amortisation of acquired intangibles and transaction-related costs	**5.5**	9.1
	Exceptional items	**39.2**	23.4
Deduct:	Tax on amortisation of acquired intangibles, transaction-related costs and exceptional items	**(3.2)**	(3.4)
	Adjusted profit attributable to equity holders of the parent	**10.4**	27.9

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.

£m	2019	Constant currency effect	2019 at constant currency
Revenue	612.6	(6.2)	606.4
Fee revenue	528.2	(6.0)	522.2
Adjusted profit before tax	37.4	(0.5)	36.9
Profit before tax	4.9	(1.5)	3.4

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 expenses. Segment profit is then adjusted by excluding the costs of reorganisation to give underlying profit for the segment. This reflects the underlying trading of the business. A reconciliation between segment profit and operating profit is given in note 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 finance, marketing and people functions and related IT costs.

Revenue measures

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

Fee revenue is revenue from activity where RPS adds value. Specifically, this is the revenue from the Group's resource pool, that consists of its employees and associates, equipment and software, plus profit on passthrough costs.

Passthrough costs is a category of revenue representing costs incurred when delivering projects that are not directly related to the Group's resource pool. Such costs are recovered from clients and examples include the cost of subcontractors, travel, accommodation and subsistence.

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 13.

EBITAS is an equivalent measure, but is after depreciation costs.

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 13.

Leverage

Leverage is the ratio of net bank borrowings (adjusted to include bonds, indemnities and guarantees and to exclude restricted cash) 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 adjusted profit before tax ('adjusted effective tax rate'). This is the tax charge applicable to adjusted profit before tax as a percentage of adjusted profit before tax and is set out in note 7.

Changes in definition of alternative performance measures and restatements of comparatives

The Group has changed its definition for non-IFRS revenue measures with effect from 1 January 2020 as follows:

- Definition of fee income amended
- New category of revenue called passthrough costs introduced
- Recharged expenses no longer reported

There is no impact on profit or cash flow as a result of these changes in any reporting period. The changes in definition ensure alignment with the global ERP design.

The benefits from this change in definition are that it reduces judgement when determining what is fee revenue, provides a better indication of the underlying growth in revenue, gives improved information on resource requirements and allows for a better reflection of productivity and profitability.

The effects of the change in definitions are that the revenue from recharging the cost of subcontractors will be treated as passthrough costs and will not be included in fee revenue and the profit earned on recharging subcontractor costs and other incidental costs will be reported in fee revenue.

The Alternative Performance Measures relating to revenue measures have been restated for the year ended 31 December 2019 (note 3). Further details on these restatements are included in the appendix to the Group's RNS announcement made on 22 April 2020.

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 those that can be allocated on a reasonable basis.

The business segments of the Group are as follows:

- Energy
- Consulting - UK and Ireland
- Services - UK and Netherlands
- Norway
- North America
- Australia Asia Pacific

Segment results for the year ended 31 December 2020

£m	Fee revenue	Passthrough costs	Intersegment revenue	External revenue
Energy	75.7	14.8	(1.0)	89.5
Consulting - UK and Ireland	108.0	28.7	(1.2)	135.5
Services - UK and Netherlands	85.7	12.8	(1.9)	96.6
Norway	56.0	1.9	(0.1)	57.8
North America	39.0	10.3	(0.6)	48.7
Australia Asia Pacific	92.9	21.2	(0.1)	114.0
Group eliminations	-	(4.9)	4.9	-
Total	457.3	84.8	-	542.1

£m	Underlying profit	Reorganisation costs	Segment profit
Energy	4.5	-	4.5
Consulting - UK and Ireland	6.3	-	6.3
Services - UK and Netherlands	5.4	-	5.4
Norway	4.5	-	4.5
North America	2.9	-	2.9
Australia Asia Pacific	8.2	-	8.2
Total	31.8	-	31.8

Segment results for the year ended 31 December 2019 (restated)

£m	Fee revenue	Passthrough costs	Intersegment revenue	External revenue
Energy	104.3	16.8	(1.0)	120.1
Consulting - UK and Ireland	126.2	29.2	(1.3)	154.1
Services - UK and Netherlands	96.6	14.5	(1.7)	109.4
Norway	64.7	0.8	(0.2)	65.3
North America	46.1	13.3	(0.5)	58.9
Australia Asia Pacific	90.3	14.7	(0.2)	104.8
Group eliminations	-	(4.9)	4.9	-
Total	528.2	84.4	-	612.6

£m	Underlying profit	Reorganisation costs	Segment profit
Energy	11.1	-	11.1
Consulting - UK and Ireland	15.1	-	15.1
Services - UK and Netherlands	10.8	-	10.8
Norway	6.1	(0.1)	6.0
North America	3.4	(0.1)	3.3
Australia Asia Pacific	7.0	(0.6)	6.4
Total	53.5	(0.8)	52.7

Group reconciliation

£m	**Year ended 31 December 2020**	Restated Year ended 31 December 2019
Revenue	**542.1**	612.6
Less: passthrough costs	**(84.8)**	(84.4)
Fee revenue	**457.3**	528.2
Underlying profit	**31.8**	53.5
Reorganisation costs	-	(0.8)
Segment profit	**31.8**	52.7
Unallocated expenses	**(11.3)**	(9.3)
Adjusted operating profit	**20.5**	43.4
Amortisation of acquired intangibles and transaction-related costs	**(5.5)**	(9.1)
Exceptional items	**(39.2)**	(23.4)
Operating (loss)/profit	**(24.2)**	10.9
Net finance costs	**(7.1)**	(6.0)
(Loss)/profit before tax	**(31.3)**	4.9

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

	Revenue		Fee revenue	
£m	**Year ended 31 December 2020**	Year ended 31 December 2019	**Year ended 31 December 2020**	Restated Year ended 31 December 2019
UK	**190.9**	232.4	**160.8**	193.6
Australia	**128.6**	123.4	**105.5**	106.0
USA	**81.1**	97.5	**64.7**	76.9
Norway	**57.7**	66.2	**56.0**	65.2
Netherlands	**39.9**	40.5	**32.6**	34.7
Ireland	**34.4**	38.3	**30.5**	40.1
Canada	**6.4**	10.4	**5.2**	9.2
Other	**3.1**	3.9	**2.0**	2.5
Total	**542.1**	612.6	**457.3**	528.2

4. Amortisation of acquired intangibles and transaction-related costs

£m	**Year ended 31 December 2020**	Year ended 31 December 2019
Amortisation of acquired intangibles	**5.5**	8.6
Transaction-related costs	**-**	0.5
Total	**5.5**	9.1

5. Exceptional items

£m	**Year ended 31 December 2020**	Year ended 31 December 2019
Impairment of goodwill	**25.9**	19.8
Restructuring costs	**6.0**	-
Loss on disposal	**0.4**	-
Legal fees	**1.8**	1.4
ERP implementation costs	**2.2**	1.2
Impairment of ERP	**2.9**	-
Rebranding costs	**-**	1.0
Total	**39.2**	23.4

The Group has recognised a goodwill impairment charge of £25.9 million (2019: £19.8 million) relating to the impairment of the Consulting and North America (2019: AAP) CGU groups. The market uncertainty caused by the COVID-19 pandemic has meant that we revised our short-term assumptions in the impairment modelling. We undertook further impairment testing (as normal) on the December balance sheet. No further impairment charges were recognised as a result of this testing.

Restructuring costs of £6.0 million have been incurred as a result of the actions taken to mitigate the impact of COVID-19 on the Group. These costs comprise the impairment of right-of-use assets for properties that have been vacated, onerous contract provisions for associated property costs and the redundancy costs incurred when matching our resource base to market demand.

On 31 December 2020, the Group disposed of the trade and assets of its specialist geology business in the Energy segment. The cash consideration was £0.7 million and the loss on disposal of £0.4 million primarily related to the goodwill associated with the business.

Further legal fees of £1.8 million were incurred investigating potential issues regarding the administration of US government contracts and/or projects and the investigation is ongoing (note 16).

The new ERP was implemented in the Netherlands and part of Australia towards the end of 2019 and stabilisation activities proceeded throughout 2020. Further costs of £2.2 million were incurred in the current year on support through the stabilisation period. Substantial rewrites of key elements of the system were required post go live as part of the stabilisation activities. The Group has recognised an impairment charge of £2.9 million in respect of those parts of the system which have needed to be redeveloped or are no longer part of the global design for future implementations.

In the prior year, the Group undertook a global rebranding of RPS which included a new logo, colour scheme, office signage and a new website. This project was completed in 2019 and no further costs have been incurred in 2020.

6. Net financing costs

£m	**Year ended 31 December 2020**	Year ended 31 December 2019
Finance costs:		
Interest on loans and overdraft	**(4.4)**	(3.8)
Interest on lease liabilities	**(1.9)**	(1.9)
Amortisation of prepaid financing costs	**(0.7)**	(0.3)
Unwind of discount on deferred consideration	**(0.2)**	(0.2)
	(7.2)	(6.2)
Finance income:		
Deposit interest receivable	**0.1**	0.2
Net financing costs	**(7.1)**	(6.0)

7. Income taxes

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

£m	**Year ended 31 December 2020**	Year ended 31 December 2019
Current tax:		
UK corporation tax	**0.1**	1.8
Overseas tax	**6.2**	6.0
Adjustments in respect of prior years	**(1.1)**	(0.5)
	5.2	7.3
Deferred tax:		
Origination and reversal of temporary differences	**(5.5)**	(0.9)
Effect of change in tax rate	**0.6**	-
Adjustments in respect of prior years	**(0.5)**	(0.3)
	(5.4)	(1.2)
Total tax (credit)/charge for the year	**(0.2)**	6.1

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

£m	**Year ended 31 December 2020**	Year ended 31 December 2019
Deferred tax charge in other comprehensive income	**-**	-

The effective tax rate for the year on (loss)/profit before tax was 0.6% (2019: 125.4%). The effective tax rate for the year on adjusted profit before tax was 22.4% (2019: 25.4%) as shown in the table below:

£m	**Year ended 31 December 2020**	Year ended 31 December 2019
Total tax (credit)/expense in income statement	**(0.2)**	6.1
Add back:		
Tax on amortisation of acquired intangibles, transaction-related costs and exceptional items	**3.2**	3.4
Adjusted tax charge on the profit for the year	**3.0**	9.5
Adjusted profit before tax	**13.4**	37.4
Adjusted effective tax rate	**22.4%**	25.4%
Tax rate impact of amortisation of acquired intangibles, transaction-related costs and exceptional items	**(21.8%)**	100%
Statutory effective tax rate	**0.6%**	125.4%

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% (2019: 19.0%) and Australia 30% (2019: 30%) and the weighted average tax rate reduced to 16.8% in 2020 (2019: 21.3%).

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

£m	**Year ended 31 December 2020**	Year ended 31 December 2019
(Loss)/profit before tax	**(31.3)**	4.9
Tax at the weighted average rate of 16.8%% (2019: 21.3%)	**(5.3)**	1.0
Effect of:		
Irrecoverable withholding tax suffered	**0.8**	1.2
Adjustments in respect of prior years	**(1.6)**	(0.8)
Effect of change in tax rates	**(0.1)**	-
Impairment of goodwill	**5.7**	4.2
Other differences	**0.3**	0.5
Total tax (credit)/expense for the year	**(0.2)**	6.1

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. Whilst the overall irrecoverable withholding tax decreased in the year, it represented a larger proportion of the overall tax rate.

Enacted changes in the tax rate impact the carrying value of deferred tax balances, principally those related to the amortisation of intangible assets. The impact in 2020 is a result of the recognising UK balances at 19% rather than 17% as at the end of 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. In 2020 the credit was mainly the result of losses being recognised in the US due to changes in the carry back rules under the CARES Act.

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.

In the Chancellor's Budget on 3 March 2021, it was announced that the UK rate of corporation tax will increase from 19% to 25% on 1 April 2023. In addition, measures to increase losses that can be carried back to previous periods were announced. We will undertake a detailed analysis of the impact of these changes on the Group's UK tax position in due course but the changes would result in a material increase in the liability recognised on goodwill offset by the increased carrying value of losses.

8. Earnings per share

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

£m / 000's	**Year ended 31 December 2020**	Year ended 31 December 2019
Loss attributable to equity holders of the parent	**(31.1)**	(1.2)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**240,155**	223,958
Effect of employee share schemes	**2,162**	2,264
Diluted weighted average number of ordinary shares	**242,317**	226,222
Basic loss per share (pence)	**(12.95)**	(0.55)
Diluted loss per share (pence)	**(12.83)**	(0.54)

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:

£m	**Year ended 31 December 2020**	Year ended 31 December 2019
Loss attributable to equity holders of the parent	**(31.1)**	(1.2)
Amortisation of acquired intangibles and transaction-related costs (note 4)	**5.5**	9.1
Exceptional items (note 5)	**39.2**	23.4
Tax on amortisation of acquired intangibles, transaction-related costs and exceptional items	**(3.2)**	(3.4)
Adjusted profit attributable to equity holders of the parent	**10.4**	27.9
Adjusted basic earnings per share (pence)	**4.33**	12.43
Adjusted diluted earnings per share (pence)	**4.29**	12.31

9. Intangible assets

Goodwill

The Group tests annually for impairment or when there are any impairment triggers. Due to the impact of COVID-19 on the performance of the Group in the first half of the year a full impairment review was performed as at 31 May 2020 as well as at the year end date.

The determination of whether or not goodwill is impaired requires an estimate to be made of the value in use of the CGU groups to which goodwill has been allocated. Those value in use calculations include estimates about the future financial performance of the CGUs based on budgets and forecasts, medium-term and long-term growth rates, discount rates and the markets in which the business operates. A more cautious view has been taken in our short-term forecasts and assumptions due to the COVID-19 uncertainty and the resulting disruption in our markets and the wider economy. The cash flow projections in the four financial years following the forecast year reflect management's expectations of the medium-term operating performance of the CGU and the growth prospects in the CGU's market, including recovery from the impact of COVID-19. Thereafter a perpetuity is applied.

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

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

	31 December 2020	31 December 2019
Consulting (UK and Ireland)	**12.2%**	10.7%
Services (UK)	**13.1%**	11.2%
Services (Netherlands)	**14.2%**	12.4%
Norway	**12.2%**	10.8%
North America	**12.3%**	11.0%
AAP	**14.7%**	12.9%
Energy	**15.8%**	14.2%

Growth rates
The growth rates applied reflect management's judgement regarding the potential future performance of the business. The medium term comprises the years 2022 to 2025 and includes higher growth rates in the first couple of years as the economies and markets in which we operate recover from the current COVID-19 related downturn. COVID-19 is expected to impact on all CGUs, to varying degrees, in 2021 but have less of an impact on profit compared to the initial lockdown in 2020. Recovery to the level of profits seen prior to the pandemic will be gradual.

The long-term growth rate applied to the perpetuity calculations was between -2.0% and 2.5% per annum and is unchanged from the rates used in the 31 December 2019 goodwill impairment testing. These rates reflect the average long-term growth rates of the economies in which the CGUs are based and our assessment of the longer term prospects of the businesses including the impact that climate change may have on the Energy CGU.

	31 December 2020	31 December 2019
Consulting (UK and Ireland)	**2.1%-2.5%**	2.1%-2.5%
Services (UK)	**2.1%**	2.1%
Services (Netherlands)	**2.0%**	2.0%
Norway	**2.3%**	2.3%
North America	**2.3%**	2.3%
AAP	**2.5%**	2.5%
Energy	**(2.0%)**	(2.0%)

Summary of results
The Group recognised impairment charges of £17.4 million and £8.5 million against the goodwill allocated to the Consulting (UK & Ireland) CGU and North America CGU groups respectively in the interim results for the six months ended 30 June 2020. The Board had considered the prospects of and uncertainty in these two CGUs following the impact that COVID-19 was forecast to have on their medium-term performance. All other CGUs were tested for impairment and no impairment charges were identified.

The impairment testing was updated at the year end, based on the latest budget and forecasts for medium-term growth and no further impairments were identified.

The Group's market capitalisation is below the net assets of the Group. The Directors are comfortable with this difference as they consider the Group to be undervalued during these challenging times. The post year and share price performance has narrowed the gap between value in use and market capitalisation.

Sensitivity of results to changes in estimates
The Group's CGU groups all have headroom in the year end impairment review following the impairments made to the Consulting (UK & Ireland) and North America CGUs at the half year as a result of better than forecast performance in the second half.

The valuation of goodwill allocated to CGU groups is most sensitive to the achievement of the 2021 budget, the medium-term growth rates assumed for the following four years and the discount rate. Whilst we are able to manage staff costs, direct costs and overheads, the revenue projections are inherently uncertain due to the short-term nature of our order books and the current impact COVID-19 is having on market conditions in some of our sectors.

Consequently, further underperformance against the budget and medium-term growth rates is possible which could lead to an additional reduction in the carrying value of the CGUs. It is also reasonably possible that the budget and growth rates are exceeded if market conditions allow.

A 0.7% increase in the discount rate or a 7% reduction in the 2021 budgeted profit would lead to the recoverable amount of the Services (UK) CGU to equal its carrying amount of £50.1 million. Furthermore, a 1% increase in the discount rate will lead to an impairment charge of £1.8 million and a 15% decrease in the 2021 budgeted profit will lead to an impairment charge of £5.4 million in the next 12 months. There are no other reasonable changes in estimates that would result in a material adjustment to the carrying amounts of assets and liabilities as at 31 December 2020.

10. Trade and other receivables

Trade and other receivables comprise the following balances:

£m	**31 December 2020**	31 December 2019
Trade receivables	**78.4**	95.9
Contract assets	**36.8**	45.7
Prepayments	**12.5**	10.9
Other receivables	**3.1**	4.6
Total trade and other receivables	**130.8**	157.1

Trade receivables and contract assets net of loss allowance are shown below:

£m	**31 December 2020**	31 December 2019
Trade receivables	**81.2**	98.9
Loss allowance	**(2.8)**	(3.0)
Trade receivables net	**78.4**	95.9

£m	**31 December 2020**	31 December 2019
Contract assets	**42.9**	51.0
Loss allowance	**(6.1)**	(5.3)
Contract assets net	**36.8**	45.7

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 loss allowances recorded against them. The individually impaired balances mainly relate to items under discussion with customers.

At the year end the debtor days of the Group were 41 (2019: 52).

The following table shows the movement in lifetime expected credit losses that have been recognised for trade receivables and contract assets in accordance with the simplified approach set out in IFRS 9:

£m	Trade receivables	Contract assets	Total
As at 1 January 2020	3.0	5.3	8.3
Income statement impact of movement on loss allowance	0.5	2.0	2.5
Amounts written off	(0.8)	(1.4)	(2.2)
Exchange differences	0.1	0.2	0.3
As at 31 December 2020	2.8	6.1	8.9

£m	Trade receivables	Contract assets	Total
As at 1 January 2019	5.2	6.6	11.8
Income statement impact of movement on loss allowance	(0.9)	0.2	(0.7)
Amounts written off	(1.3)	(1.4)	(2.7)
Exchange differences	-	(0.1)	(0.1)
As at 31 December 2019	3.0	5.3	8.3

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

11. Trade and other payables

£m	**31 December 2020**	31 December 2019
Trade payables	**30.4**	26.4
Accruals	**43.5**	37.0
Contract liabilities	**25.7**	21.1
Creditors for taxation and social security	**27.5**	15.8
Other payables	**2.1**	4.6
Total trade and other payables	**129.2**	104.9

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.

12. Borrowings

£m	**31 December 2020**	31 December 2019
Bank loans	**-**	55.4
US loan notes	**54.9**	55.8
Bank overdraft	**-**	1.3
Total bank loans, notes and overdrafts	**54.9**	112.5
Arrangement fees	**(0.9)**	(0.7)
Net bank debt	**54.0**	111.8
Lease liabilities	**48.9**	49.8
Total borrowings	**102.9**	161.6

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

£m	**31 December 2020**	31 December 2019
Amounts due for settlement within 12 months	**54.9**	1.3
In the second year	**-**	55.8
In the third to fifth years inclusive	**-**	55.4
Total	**54.9**	112.5

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

i) an uncommitted £3.0 million bank overdraft facility, repayable on demand.

ii) an uncommitted Australian Dollar denominated overdraft facility of AUD 1.5 million repayable on demand.

iii) The Group has one principal bank facility: a multicurrency revolving credit facility of £100.0 million with Lloyds Bank plc, HSBC Bank plc and NatWest Bank plc, expiring in 2022 (the 'A' facility). 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 £nil at 31 December 2020 (2019: £55.4 million).

In April 2020 the Group agreed a further £60.0 million revolving credit facility for a period of 12 months with the existing lenders (the 'B' facility). At the same time the Group also agreed new financial covenant tests for the RCF and US private placement notes as at 31 December 2020, 31 March 2021 and 30 June 2021. In September 2020 the B facility was extended to July 2022 and further changes were made to the covenant tests. The covenant tests will revert back to the original tests from December 2021.

The A and B facilities are 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 $34.1 million and £30.0 million with fixed interest chargeable at 3.84% and 3.98% respectively that are repayable in 30 September 2021. Following the amendment to the Group's facilities in April 2020 the interest payable on the notes increased by 75 bps for the duration of the B facility. The notes are guaranteed by the Company and certain subsidiaries but no security over the Group's assets exists. The Group is currently investigated its options on refinancing these loans.

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

13. Notes to the consolidated cash flow statement

£m	**Year ended 31 December 2020**	Year ended 31 December 2019
Operating (loss)/profit	**(24.2)**	10.9
Adjustments for:		
Depreciation of owned assets	**9.4**	9.2
Depreciation of right-of-use assets	**10.9**	10.0
Impairment of right-of-use assets	**2.0**	-
Amortisation of internally generated software	**0.5**	0.1
Amortisation of acquired intangibles	**5.5**	8.6
Impairment of goodwill	**25.9**	19.8
Impairment of internally generated software	**2.9**	-
Non-cash movement on provisions	**2.3**	-
Share-based payment expense	**3.4**	2.7
Loss on sale of business	**0.4**	-
Profit on sale of assets	**-**	(0.1)
EBITDAS	**39.0**	61.2
Decrease in trade and other receivables	**29.0**	6.4
Increase/(decrease) in trade and other payables	**25.4**	(12.7)
Cash generated from operations	**93.4**	54.9
Interest paid	**(6.0)**	(5.9)
Interest received	**0.1**	0.2
Income taxes paid	**(3.5)**	(11.6)
Net cash from operating activities	**84.0**	37.6

The table below provides an analysis of liabilities arising from financing during the year ended 31 December 2020:

£m	At 31 December 2019	Financing cash flows	Acquisitions	Non-cash changes: Prepaid arrangement fees	Non-cash changes: Lease accounting adjustments[1]	Non-cash changes: Foreign exchange	**At 31 December 2020**
Cash at bank	17.7	25.0	-	-	-	0.5	**43.2**
Overdrafts	(1.3)	1.3	-	-	-	-	**-**
Cash and cash equivalents	16.4	26.3	-	-	-	0.5	**43.2**
Bank loans and notes	(110.5)	56.4	-	(0.7)	-	0.8	**(54.0)**
Net bank borrowings	**(94.1)**	**82.7**	**-**	**(0.7)**	**-**	**1.3**	**(10.8)**
Less: cash and cash equivalents	(16.4)	(26.3)	-	-	-	(0.5)	**(43.2)**
Leases	(49.8)	11.0	-	-	(9.2)	(0.9)	**(48.9)**
Liabilities arising from financing	(160.3)	67.4	-	(0.7)	(9.2)	(0.1)	**(102.9)**

£m	At 31 December 2018	Financing cash flows	Acquisitions	Non-cash changes: Prepaid arrangement fees	Non-cash changes: Lease accounting adjustments[1]	Foreign exchange	At 31 December 2019
Cash at bank	18.0	0.9	1.2	-	-	(2.4)	17.7
Overdrafts	(2.6)	1.3	-	-	-	-	(1.3)
Cash and cash equivalents	15.4	2.2	1.2	-	-	(2.4)	16.4
Bank loans and notes	(89.3)	(22.8)	-	(0.3)	-	1.9	(110.5)
Net bank borrowings	**(73.9)**	**(20.6)**	**1.2**	**(0.3)**	**-**	**(0.5)**	**(94.1)**
Less: cash and cash equivalents	(15.4)	(2.2)	(1.2)	-	-	2.4	(16.4)
Leases	(49.2)	9.2	-	-	(10.8)	1.0	(49.8)
Liabilities arising from financing	(138.5)	(13.6)	-	(0.3)	(10.8)	2.9	(160.3)

1 Includes lease additions, remeasurements and disposals

The cash balance at 31 December 2020 includes £1.4 million (2019: £1.3 million) that is restricted in its use, either as security or client deposits.

14. Deferred consideration

£m	**31 December 2020**	31 December 2019
Amount due within one year	**3.1**	3.1
Amount due between one and two years	**2.4**	3.0
Amount due between two and five years	**-**	2.2
Amount due after five years	**0.3**	0.4
Total deferred consideration	**5.8**	8.7

15. Dividends

Amounts recognised as distributions during the year:

£m	**Year ended 31 December 2020**	Year ended 31 December 2019
Final dividend for the year ended 31 December 2019 of £nil (2018: 5.08p) per share	**-**	11.4
Interim dividend for the year ended 31 December 2020 of £nil (2019: 2.42p) per share	**-**	5.5
	-	16.9

The proposed final dividend for the year ended 31 December 2019 was cancelled. No final dividend is proposed for 2020.

16. 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.

As previously announced, 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 the year legal fees totalling £1.8 million (2019: £1.4 million) were incurred investigating this matter and were presented within exceptional items (note 5).

17. Auditor's report on Report and Accounts 2020

The financial information set out above does not constitute the Company's full statutory accounts for the year ended 31 December 2020 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 2019 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).

18. Publication of Report and Accounts 2020

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 9th March 2021. 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 26th March 2021. 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.

19. 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 the recruitment and retention of staff, the COVID-19 pandemic, political events, the economic environment, business acquisitions, health and safety, regulatory and compliance risks, service failures, financial risks and information technology and security risks.

Responsibility statement of the Directors in respect of the Report and Accounts 2020

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 -