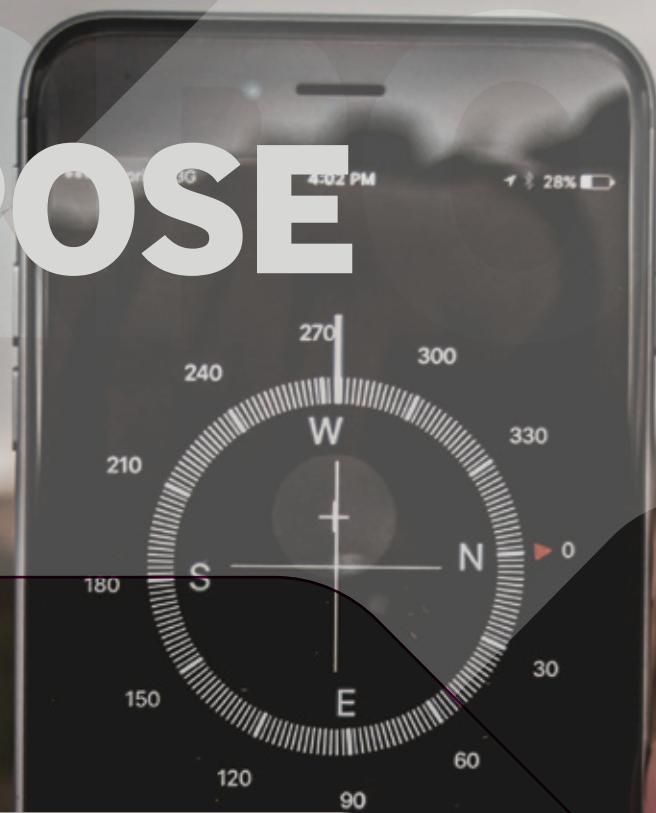




2019

# REPORT AND ACCOUNTS

# OUR PURPOSE



2

We create shared value by solving problems that matter to a complex, urbanising and resource-scarce world.

Our purpose reinforces our commitment to delivering client solutions to complex problems in a world that is rapidly changing. It is a bold affirmation of why RPS exists.

Intentionally created with our clients at the core, it is the driving force that connects and shapes a winning mindset, underpinned by our behaviours and reinforced through our actions.

It is the compass that keeps us in step with our people, our clients, our investors and our communities.

Our purpose gives us

- Meaning
- Identity
- Authenticity
- Connectivity
- Creativity
- Energy
- Inspiration

■ **A strategy and business model built around purpose**  
Page 10

■ **Purpose led corporate responsibility**  
Page 34

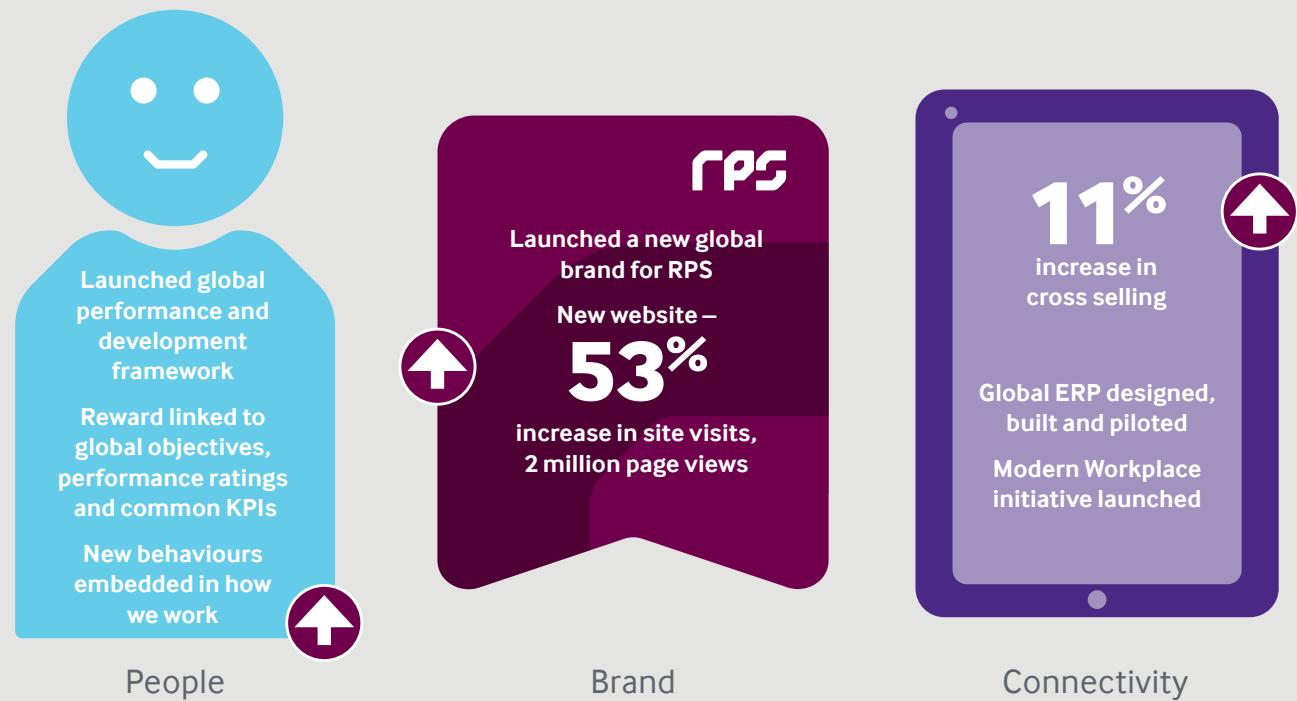
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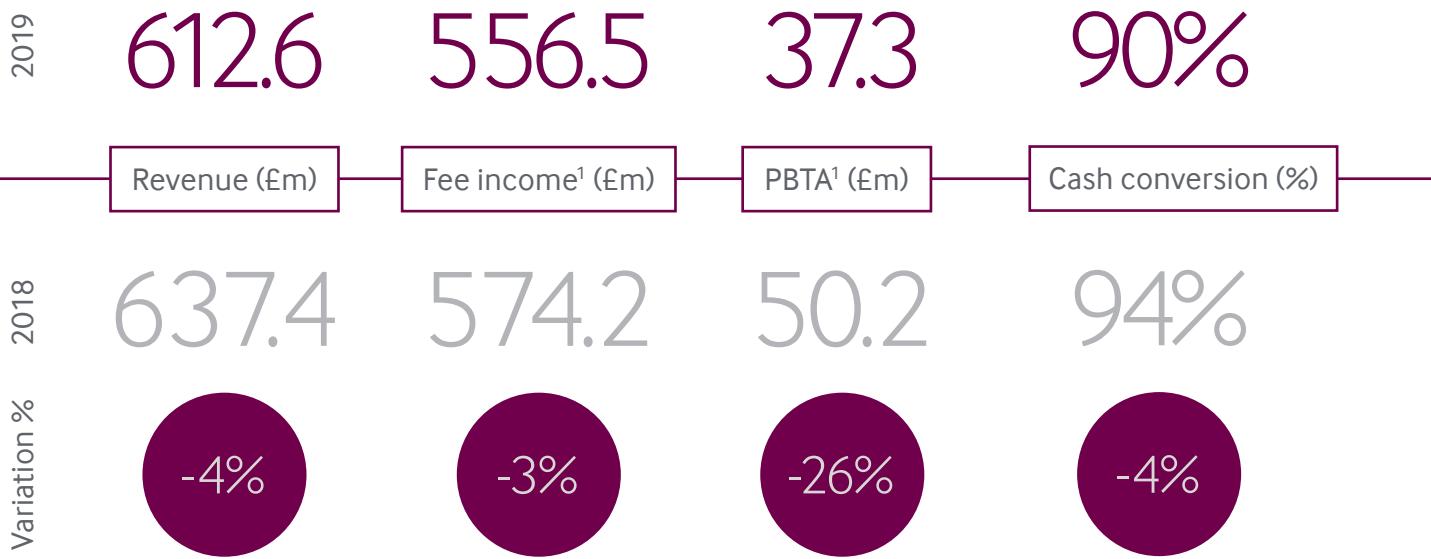
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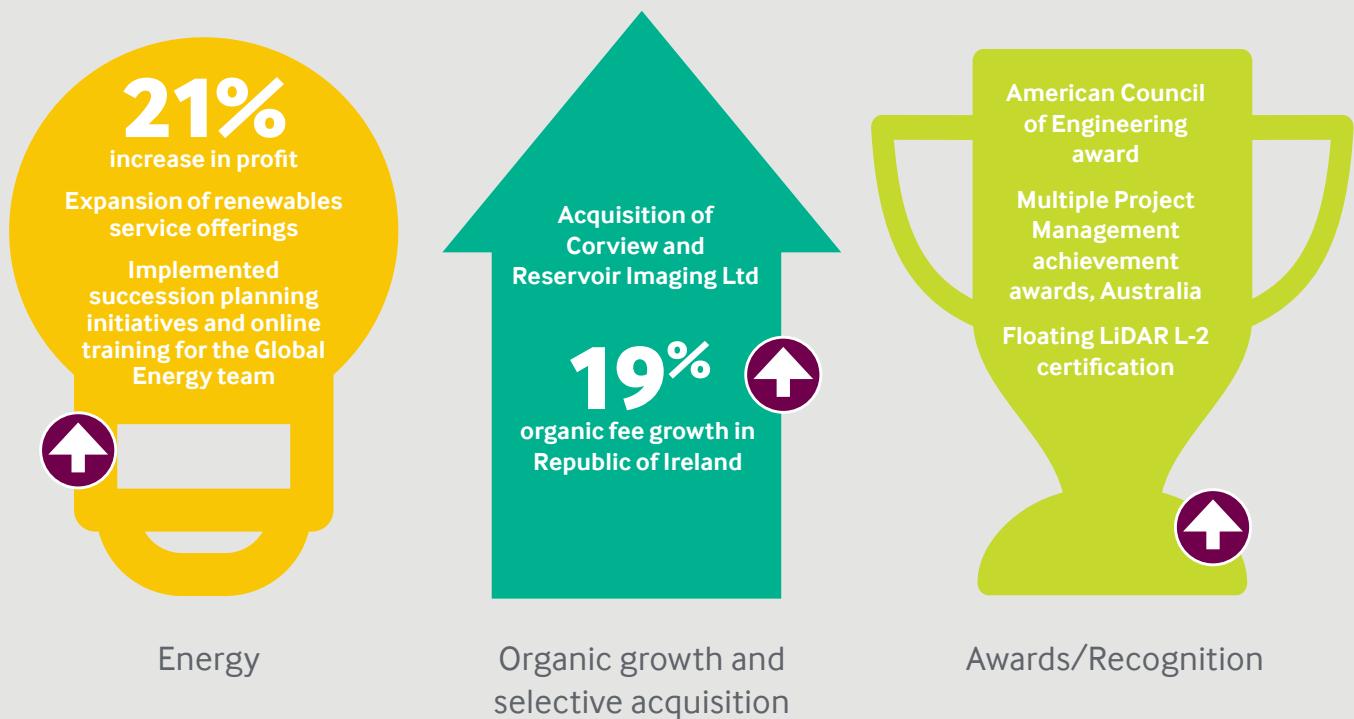
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# 2019 AT A GLANCE

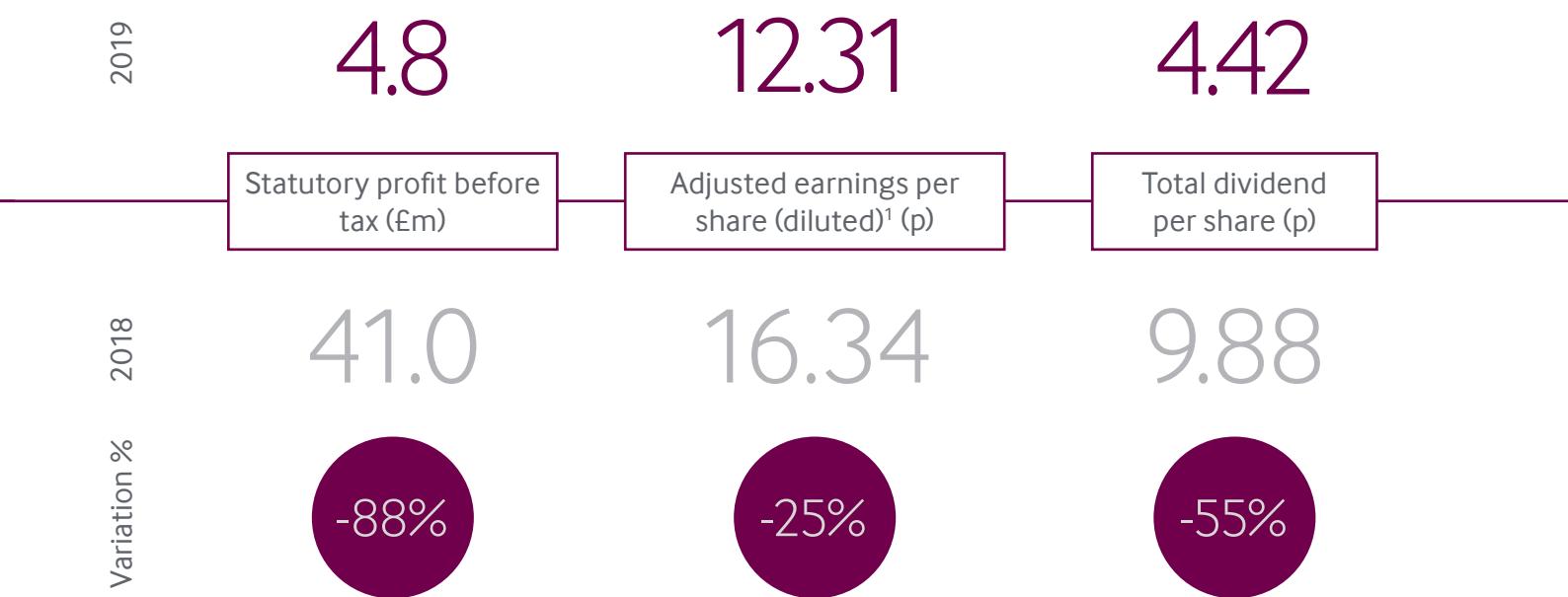


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(1) Alternative Performance Measures are used consistently throughout the Report and Accounts. These include PBTA, fee income, items prefaced "adjusted" such as adjusted EPS, segment profit, underlying profit, underlying operating profit, amounts labelled "at constant currency", EBITDAS, conversion of profit into cash, net bank borrowings and leverage. For further details of their purpose, definition and reconciliation for the equivalent statutory measures see note 3 to the consolidated financial statements.

# CASE STUDY



**Ross Thompson**

CEO  
Australia Asia Pacific



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## A turn-up-and-go transformation of Sydney's urban rail network

### What we do

RPS is supporting the development of Sydney Metro – a multi-phase project that will provide high frequency 'turn up and go' transport options for Australia's largest city. Once complete, Sydney Metro will deliver 31 new rail stations between Sydney's northwest and southwest via the Central Business District.

### Making complex easy

Working as a key partner to Sydney Metro, our team is helping to drive efficiencies for business case development, major package procurement and infrastructure delivery, while streamlining approvals and engaging with stakeholders to ensure delivered outcomes meet community need. We're also contributing to project delivery through surveying and spatial services, heritage and more.

### Result

The first stage of Sydney Metro is now open to the public after more than eight years of tunnelling, track laying and station building. More than 11 million customer journeys were recorded on the Metro North West Line in its first five months of operations, with the network now carrying more than 75,000 people each weekday.



# STRATEGIC REPORT

# CHAIRMAN'S STATEMENT



I was appointed as Chairman in November 2016. The previous Chairman had been on the Board for some 20 years. My first task was to find a Chief Executive to succeed Alan Hearne, who was retiring from the Board after being in post for over 30 years. John Douglas was appointed at the start of June 2017, formally taking over from Alan in October of that year. John was familiar with the market and the sector having previously been Chief Executive of Coffey in Australia. Each of the current non-executive directors was newly appointed shortly thereafter.

## **Future proofing the business whilst building on the RPS legacy**

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With the longevity of the previous leadership it was likely that changes would be required. Whilst Alan's legacy of building a group of over 5,000 people with revenue of over £500 million was recognised, the group John inherited was essentially a conglomeration of acquired small businesses with little in the way of a cohesive purpose and lacking synergy benefits from integration. Some of the earlier and recently acquired businesses proved to be fragile, past their peak and in decline with the performance deterioration offset by later acquisitions. The lack of integration added to the fragility. John set about addressing some of the inherent weaknesses in structure and market presence which were already showing signs of impacting ongoing performance. The business was underinvested in technology systems, marketing and branding and human resources systems.

## **A clear strategy involving change and investment**

The newly appointed Board recognised the potential for the Group to grow into a substantial consulting business based on the attractiveness of the markets we serve, our competitive positioning in those markets and the quality and capabilities of our people. In 2017 the Board endorsed management's strategy to pursue an organic growth strategy supported by highly targeted

acquisitions whilst addressing the challenges of underinvestment. This strategy was re-endorsed again in 2018 and 2019.

John and his executive team have worked hard to progress the various initiatives: to re-organise the business into more logical segments serving defined market sectors; to make changes to the executive management team; to provide clarity and transparency around the services offered; to establish a culture of one RPS with a clear purpose and expected behaviours; to develop and implement action plans around marketing, technology systems and human resources; and, to turn RPS from a conglomerate of consulting businesses into one RPS with clear direction. This has been apparent from the greater clarity and transparency of external reporting.

We have invested significantly to achieve a new look RPS Group and we have made substantial progress with brand, social media presence, communication and people management. We have also acquired Corview in Australia supplementing our Business Advisory business there and, in the Energy business, Reservoir Imaging, which adds to our technology capability. Both have been properly integrated with the existing business. Internally and externally, the image of RPS is now consistent and cohesive. HR practices are well along the road to where they should be and although this has not yet translated into a significantly lower employee turnover statistic, colleagues are evaluated in a consistent way and reviewed routinely. Through the employee engagement survey employees are listened to and feedback acted upon.

Enacting change is challenging. It has been tougher and taken longer than we might have hoped to see the benefits of the strategy, and the depth of the underinvestment has made it harder. Whilst there has been some underlying top line growth we have seen margin erosion as a result of the higher level of investment and of carrying scarce but underutilised resources during market weakness.

"We have without doubt made significant progress towards a more integrated, cohesive and purposeful business that will respond positively to the investments made and the improvements in our markets as they occur"

**Ken Lever**  
Chairman

## Market challenges

We are a consulting and services business and as such are subject to the variations in economic conditions in the markets we serve. 2019 brought its challenges in two of our important markets in Australia, defence and property. In the UK the uncertainty around Brexit has curtailed investment decisions on new projects. Our business is very much front-end in the project cycle in property, infrastructure and transport schemes and so this has taken its toll. We have also seen some market contraction in our UK Services business ahead of the introduction in the Water Industry of Asset Management Plan 7 applicable to the period 2020 to 2025.

During 2019 we made two downward adjustments to external profit expectations as the weakness in our end markets impacted financial performance. We also re-aligned the dividend to the lower level of profitability. This is an appropriate and prudent response to responsible cash management and capital allocation. These adjustments had an inevitable impact on the share price in an equity market which increasingly lacks liquidity and tends to over-react to the downside. The share price has only made slight progress since 31 December 2018 despite the investments in the business starting to enhance longer term intrinsic value. Our shareholders' disappointment with the progress of the share price is shared by the Board and executive management who are all invested in the business.

## Bright spots

We have been particularly pleased with the performance of our newly formed global Energy segment which exceeded our internal expectations and showed year on year improvement in revenue, margin and profitability and is well positioned for future growth. The business is now more broadly based in the sector with a greater focus on renewable energy and with less dependence on oil and so less vulnerable to the cyclical downturns in the oil sector. We have also seen good performances in the Netherlands, Ireland and Northern Ireland.

## Listening

I am a frequent visitor to our businesses. Recently I spent a week in our offices in Australia. I last visited the business there in 2017 prior to John's arrival at RPS. I was impressed by the improvement in the business since 2017. We clearly have a business in Australia which is now more holistic, benefits from the links with other

segments in the RPS Group, is better organised and has much greater clarity in terms of its market offering. The business is no doubt well positioned to take advantage of market improvements as they occur.

## A great global team

Overall it has been a challenging time for RPS. However, the business remains inherently profitable and cash generative, albeit at lower levels than were planned. Given the challenges of the markets and the extensive changes and investment made, the performance in 2019 is a testimony to the hard work, ingenuity and tenacity of our people at all levels of our business. Wherever I go I see the high quality of our staff, the excellent quality of the work that we do and the very strong and established client relationships. Thank you to my Board colleagues, our executive management and everyone at all levels in the business for the time and energy invested to deliver a respectable performance in trying circumstances and to lay the foundations for future development.

## Board changes

With the preliminary results announcement we advised the market of the departure of our Finance Director, Gary Young. Gary has been with RPS for some twenty years and has been a very loyal and devoted servant of the Board. With the significant changes to the Board in 2017 Gary remained the only continuity between the old and the new. The time is now right for Gary to make way for his successor, Judith Cottrell. Judith previously led the finance function of the European business of RPS and also had the CEO, Consulting UK and Ireland role for that business. Latterly, as Judith has prepared to take on the role of Finance Director, she has served as the Group Strategy Director. Judith will join the Board and Gary will step down at the Annual General Meeting.

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## The future

We have without doubt made significant progress towards a more integrated, cohesive and purposeful business that will respond positively to the investments made and the improvements in our markets as they occur. RPS is highly relevant for the future in a resource constrained world and we are committed to seeing the strengths in the business and the benefit of the investments show through in the future financial performance.

# BUSINESS MODEL

The RPS business model is a model with purpose. Our purpose defines the activities we engage in, the relationships we depend on and the outcomes we aim to achieve – not just in the short-term but in the best, longer-term, interests of our stakeholders.

## Complexity drives demand

The demand for our services and people is underpinned by a need from clients to deliver solutions that position them to navigate the complexities they face. Whether through the impact of population growth or an increasingly multifaceted legislative and regulatory landscape.

licenses and access to software and applications; providing classroom, field based and on-line training services to clients; and laboratory testing services.

## How we do it

RPS is a well-balanced, diversified business with a global presence.

- In Energy we have a global business that is structured in step with global clients
- In Consulting UK & Ireland and Services UK & Netherlands we offer a broad range of connected services
- In Australia Asia Pacific we have an integrated business that provides key services to a broad range of clients
- In Norway we are focused on project and program management – expertise which is leveraged globally
- And in North America we have three business units providing services to niche, in demand, areas

## The drivers of our business

 drivers p.16

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Our key themes of sustainability, urbanisation and natural resources generate demand for our services and skills. Whether it's the continuing need for sustainable development of land and buildings or the expanding need to provide adequate infrastructure such as airports, power stations, public transport and water treatment plants, professional services are needed to deliver these. The delivery of energy to market is also key in today's world, particularly the requirement to secure adequate supplies of energy and other natural resources alongside the need to manage environmental and health and safety risks, including climate change.

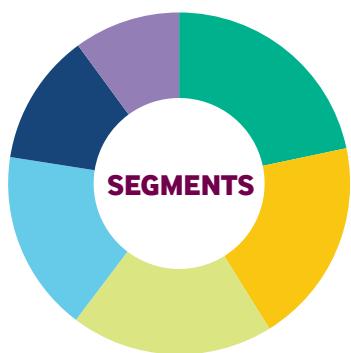
## What we do

Our business model is safe and robust. Primarily, RPS is a consultancy business that sells the expertise of our people without the risks associated with construction.

Across our six sectors and 12 services, we define, design and manage projects at each stage of an asset lifecycle – from the planning stages when a need is identified, through its useful life, to eventual disposal. We generate profit by selling our expertise at rates higher than the cost of employment, managing utilisation and controlling our overheads. RPS also generates revenue through data – selling

All our businesses have the following in common – dedicated teams of highly qualified professionals with deep expertise who know their specialism as well as anyone. Our people form teams that are pragmatic in their approach, absolutely focused on delivery and who have their client's goal at the heart of everything they do.

Our business units around the world are supported by a global network of functional support teams to ensure we have the right infrastructure and agility in place to respond to volatility and deliver for our clients.



■ Consulting UK & Ireland ■ Energy  
■ Services UK & Netherlands ■ Australia Asia Pacific  
■ Norway ■ North America



■ Property ■ Energy  
■ Water ■ Transport  
■ Defence and government services  
■ Resources



■ Project and program management ■ Design and development  
■ Water services ■ Exploration and development  
■ Environment ■ Advisory and management consulting  
■ Planning and approvals ■ Health, safety and risk  
■ Oceans and coastal ■ Laboratories ■ Training  
■ Communications, creative and digital

Overseeing the global direction of our business is a Group Leadership Team, made up of the Group CEO, Group Finance Director, six segment CEOs and the group leads for strategy, technology, people and marketing. The leadership team reflects the natural organisation of RPS, and the individuals provide a complementary blend of expertise, experience and local perspective. As a team the Group Leadership Team formally interact on monthly calls and at quarterly forums. The Group Leadership Team also work in partnerships to drive specific areas of work as required.

### Volatility comes with the territory

RPS works on a range of project profiles from long-term to short-term client work, with most of the work undertaken with existing clients. We maintain six month order books but have good visibility for three months. Due to the relatively short term nature of our

order book, our business is susceptible to changes in market conditions. Managing volatility is a key component of our business model. Because of our size and scale we are adept at managing our business to changes in market conditions.

We do this by:

- Staying close to clients to understand our future work
- Matching capacity to markets while holding capability
- Managing cash tightly
- Maintaining a disciplined balance sheet
- Staying agile enough to be responsive

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### Group Leadership Team



\*Peter Fearn retired 2020



# OUR PROMISE

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## OUR PROMISE

We have deep expertise in things that matter. And we are easy to work with.

Our clients trust us and we are respected for our creative thinking.

Together we build strong relationships by repeatedly delivering on our promise.

**Making complex easy**

# CASE STUDY



13

**Translating purpose into plans, actions and accountabilities – what does this mean for businesses?**

### **Opportunity**

Ongoing impacts from climate change, modern slavery and other social and environmental issues keep the importance of demonstrating sustainability front and centre of most businesses ensuring corporate sustainability programs have flourished. Our strategic Environmental Social Governance advisory services can help increase valuation, lower risk and protect reputation.

### **Making complex easy**

RPS is advising businesses on how to implement a sustainability strategy that is tailored for individual size and scale and the challenges and opportunities relevant to the sectors they operate in.

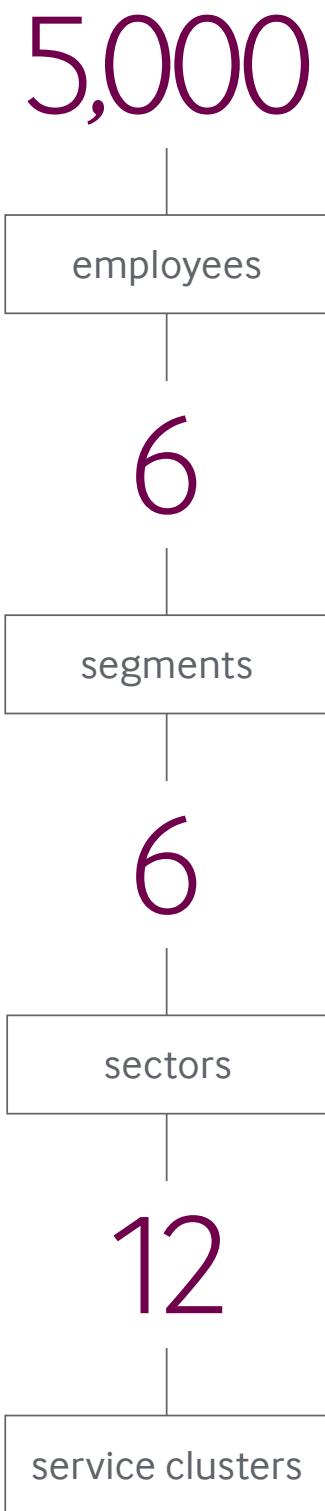
### **Result**

As banks, equity partners and clients seek to insulate themselves against risk and leverage potential upsides, an increasing focus is placed upon demonstrable sustainability performance, with tangible evidence of this now forming a condition of investment or contract. A strong corporate sustainability performance inspires trust in investment and helps to win work.

# RPS AT A GLANCE

Founded in 1970,  
RPS is a leading  
global professional  
services firm of  
5,000 people.

Operating in 125 countries, working  
across six continents we define, design  
and manage projects that create shared  
value to a complex, urbanising and  
resource-scarce world.



## SIX SECTORS

### Property

Residential  
Commercial and retail  
Leisure and tourism  
Industrial  
Health and healthcare  
Education



### Resources

Mining  
Waste



### Defence and government services

Defence  
Security and safety  
Information and telecommunications



### Energy

Gas and oil  
Renewables  
Nuclear facilities  
Power and gas networks  
Storage



### Transport

Roads  
Rail  
Aviation  
Ports



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### Water

Water management  
Wastewater  
Flooding and drainage  
Groundwater



## TWELVE SERVICE CLUSTERS

Project and program management  
Design and development  
Water services  
Environment  
Advisory and management consulting  
Training  
Planning and approvals  
Health, safety and risk  
Oceans and coastal  
Laboratories  
Exploration and development  
Communications, creative and digital

# MACRO DRIVERS

## Matching our expertise to growth markets where there is a demand for our services

Three macro growth markets have been intentionally defined where we have known client opportunities and where there is a demand for our services. These are Sustainability, Urbanisation and Natural Resources.

### Sustainability

Rapidly changing demographics and technological developments have given rise to a way of living that brings a range of environmental issues and global challenges including resource scarcity, climate change, instability and conflicts, inequality, achieving sustainable development, and maintaining biodiversity and food security.

#### The opportunity – supporting our clients to deliver their projects in a responsible way

Our deep understanding of the environment and the impacts of a changing world puts us in a strong position to deliver high value sustainable client solutions in a responsible way.

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At RPS we have expertise in:

- Environmental, Social, and Governance
- Climate and compliance
- Consenting – net-zero carbon target by 2050 for UK clients

#### Creating shared value

RPS works with clients to identify and design innovative opportunities and solutions that embrace sustainability. We understand the implications of changing availability, prices and risk, dependencies and vulnerability and the nature of evolving policy, regulation, investor focus and emerging sustainability standards.

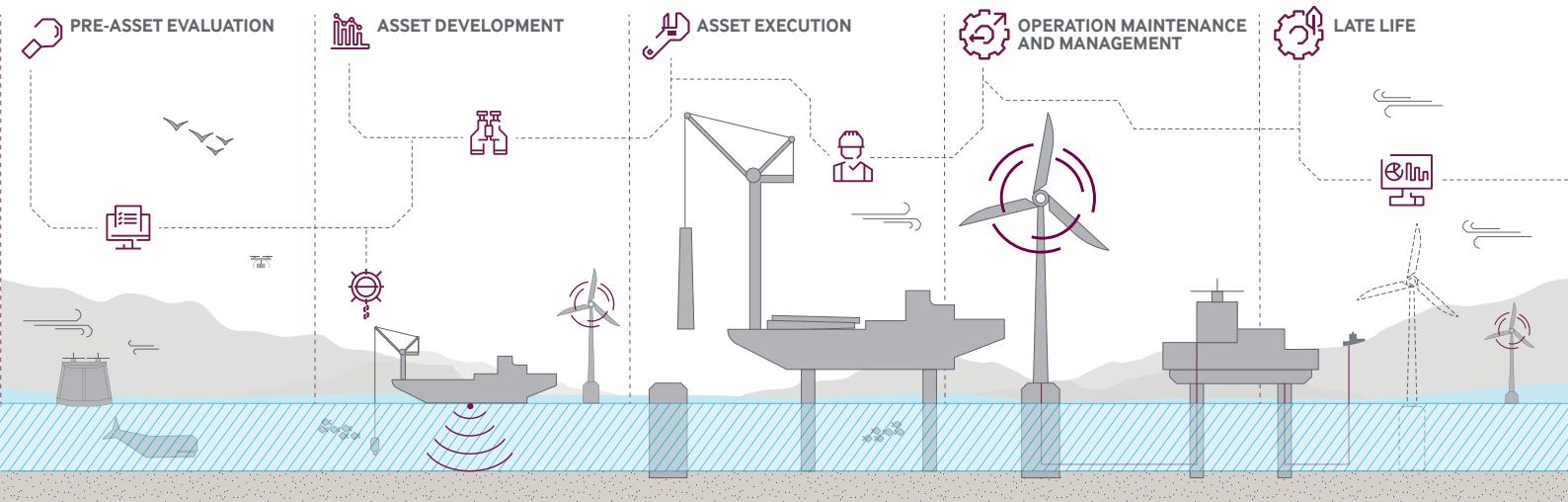
Our design solutions recognise:

- Environmental factors – natural resource use, efficiency and impacts
- Social factors – impact and engagement
- Governance factors – oversight and management

And we manage projects that:

- Build asset resilience
- Are innovative and agile
- Have client experiences at the core

[Go to page 13 to view our ESG case study](#)



## Urbanisation

Global megatrends are rapidly changing demographic patterns and accelerating rates of urbanisation. Most of the world's population live in urban areas, and there is strong appetite for the development of the infrastructure needed to support growing communities. Striking a balance between social, environmental and commercial needs is one of the biggest challenges in the design and development of our built environment.

### **The opportunity – building sustainable cities.**

#### **Balancing form and function**

- Regionalisation
- Major cities
- Urban design and development

#### **RPS – making complex easy to understand**

Partnering with public and private sector clients to define solutions to complex challenges around constrained resource capacity and financing infrastructure delivery, project prioritisation and future-proofing built environments.

Working with clients to make informed decisions that build sustainable futures for communities through:

- Designing new models planning approaches
- Digital and technology – challenging traditional ways of doing things
- Supporting clients to make better choices

Ensuring the optimal solution is delivered through careful management

- Enhancing the productivity, sustainability and liveability of cities
- Improving connectivity and delivering integrated infrastructure networks
- Stimulating enterprise and entrepreneurship

[Go to page 6 to view our](#)



## Natural resources

Countries and organisations globally are working hard to develop responsible energy supplies using renewable resources that are derived from sustainable sources such as wind and solar to ensure a sustainable future for the generations to come.

### **The opportunity – be on the front foot of a global, and complex shift in resource consumption**

To work with clients to define, design and manage the sustainable use of our natural resources to secure water, food and energy supplies and build asset resilience across water networks.

To work with our clients to adapt to increased demands on natural resources to develop alternative, renewable energy supplies while managing existing and potentially finite resources.

#### **Solving problems that matter**

RPS defines and delivers pragmatic asset solutions that are commercially and technically viable, to manage and secure future supplies.

We work with our clients to optimise the performance of energy and water networks while ensuring the equitable distribution of vital natural resources through great design

- Resource definition and viability
- High yield, low impact infrastructure
- Asset survey, monitoring and management
- Applying new technologies to reliably collect and analyse data

RPS identifies ways for clients to manage assets and projects to deliver viable, sustainable outcomes

- Water management: building asset resilience, reducing leakage and preventing flooding and pollution, using data to maximise capital maintenance programmes
- Energy: applying existing expertise in gas and oil into renewables and leveraging our extensive renewables experience into new and emerging markets

[Go to page 31 to view our](#)



# CHIEF EXECUTIVE'S STATEMENT



## Investing in a sustainable future

As CEO I want to ensure long-term success for RPS by investing in a purposeful, sustainable future that creates shared value for our stakeholders. We will do this through creating economic value on a platform of strong relationships with our people, investors and clients, positive social impact and effective succession planning.

Two years into the job we have a global strategy supported by investment, rebased the dividend, put succession planning into practice, strengthened leadership and created much greater transparency. We are well underway in transforming our business from a conglomerate of small consulting firms to a connected global firm that uses its combined expertise to deliver professional services around the world.

18

2019 was a critical year for the program, which saw us deliver a global design on budget, complete global construction and go-live in the Netherlands and parts of our business in Australia

4. We consider the journey to revitalise our **Energy** business to be complete. The Energy sector at RPS is growing and a continued expansion of renewables services offerings has also played a larger part than this time last year

5. Improving **organic growth** remained a key focus and we saw growth in fees and profits in Energy, Ireland and the Netherlands in 2019. **Acquisition** remained very selective as we invest and manage the balance sheet. Our acquisition of Corview (Australia) and Reservoir Imaging Ltd (Energy) this year reinforced our 'density, not greater diversity' strategy.

Going forward, investment in the business won't stop, but we have for the most part, completed the investment we outlined for our people and brand priorities. Growth and acquisitions are still important, but along with Energy, it's now a business as usual focus.

Our refreshed strategic priorities for 2020 have clients at the heart of our plan (see p.21). We will deliver organic growth by giving our clients repeated high value experiences that exceed expectations and consistently delivering on our promise of making complex easy. First-class customer experience combined with data insight will strengthen our relationships, create long-term loyalty, repeat work and reduced cost of sales.

## Managing volatility

In our June trading update we talked about a disappointing set of half year results, largely due to softness in the Australian market and a weak first quarter in North America. But, despite a backdrop of volatile markets, we continued to make solid progress, throughout 2019, in achieving our strategic priorities.

strategy p.21

2019 saw us continue to focus on the five strategic priorities we laid out in 2017 to create our platform for sustainable growth.

people p.22

1. Our deliberate **People** plan is starting to show results
2. At the start of the year we delivered a bold, client driven **brand**, with measurable impact
3. **Connectivity** has been a significant focus this year
  - The reorganisation of our business is yielding results with greater cross selling across segments. We are also seeing higher levels of cross selling within segments.

ERP p.29

- Our ERP program is a thoughtful four year plan to modernise the business by linking people through improved systems, while controlling risk. It represents the most significant proportion of our strategic investment and it's crucial we get it right.

"We are well underway in transforming our business from a conglomerate of small consulting firms to a connected global firm that uses its combined expertise to deliver professional services around the world."

**John Douglas**

Chief Executive

As part of a disciplined approach to capital allocation, the dividend was rebased. RPS continues to be a highly cash generative business, with strong market positions in our segments and good underlying fundamentals. The steps taken will support RPS' growth in the medium to long term and improve shareholder returns in the future.

In the short term our specialist businesses have a three-month order book which we manage carefully. This provides opportunities as well as challenges for RPS.

### Financial performance

Our results were in line with expectations. They reflect the significant investment made to progress our strategic priorities and the difficult market conditions and political uncertainty faced in some of the key geographies where we operate.

### Key financials

<b>Revenue</b>	£612.6m	<b>Total dividend per share</b>	4.42p
<b>Fee income</b>	£556.5m	<b>Statutory loss after tax</b>	(£1.2m)
<b>PBTA</b>	£37.3m	<b>Statutory diluted EPS</b>	(0.54p)
<b>Adjusted EPS</b>	12.31p		

### Trading performance and our markets

Notwithstanding a good performance from Energy, 2019 was a difficult year

- The gas and oil industry continued to recover, especially marine exploration and development, and our Energy business benefitted from strong demand for our exploration and development, oceans and coastal, and training services. We also saw continued expansion of our renewables offering.
- 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, particularly in our higher margin businesses. Despite these challenges, the segment performed credibly.
- In our Services segment, the demand for our water services in England and Wales was adversely impacted, as expected, as the industry prepared for the new AMP regulatory 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.

### Exceptional items

Exceptional items in 2019 resulted in costs totalling £23.4m. These included a goodwill impairment of £19.8m of our Australia Asia Pacific business and £3.6m of other exceptional items. These include the costs associated with our global rebrand, legal fees incurred for an investigation regarding the administration of some US government client work and change management and data migration costs associated with our ERP program.

- In Norway, teams in Oslo are benefitting from working as a fully integrated business and performance in the first half of the year was good. However, senior staff losses due to competitive pressures affected the second half of the year. We remain a leading project and program management services provider in a very attractive and stable economy and we are fighting hard to retain that position. The process to replace those staff who left us is almost complete.

- It was a difficult year for our North America segment. While our oceans and coastal business performed strongly, recruitment and retention challenges held us back in the rest of the business. Some management changes were made in 2020 following the retirement of Peter Fearn and a major strategic review of the segment is underway.
- In Australia a well-documented national property downturn and state and federal elections heavily impacted 2019 performance. We did start to see defence spending pick up in H2 and infrastructure spend in New South Wales picked up in Q4, although continues to be impacted by post government changes. The impact of the bushfires remains unquantified.

### A sustainable business with significant upside

The oil price crash of 2013 exposed RPS dependence on profit generated by oil for the overall success of the Group. This led to an intense period of acquisitions from 2013–2017 to replace Energy profits and diversify the business. RPS then experienced the impact of the end of acquisition lock-in periods, organisational change, functional investment and some Energy recovery. This is now largely behind us. RPS is a sustainable business with significant upside to come.

- RPS is a tighter, better integrated group with acquisition risk dealt with
- Our turnaround investment has largely been made, is yielding some results with more benefit to come
- RPS is well balanced and well diversified
- We have great theamics – sustainability, urbanisation and natural resources

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 drivers p.16

### Group Finance Director succession

On 19 February 2020, we announced Gary Young, Group Finance Director, will be stepping down from the Board of Directors at the time of the Group's AGM on 30 April 2020 and will not offer himself for re-election.

Gary has been with RPS as Group Finance Director for 20 years and, during that time, has been instrumental to the success and growth of the business. Since my appointment two years ago, Gary has provided much needed continuity as the Board was refreshed. He has also been a trusted adviser to me over that time and identified his successor.

We are pleased to announce that Gary will be succeeded by Judith Cottrell. Judith has been with RPS for five years. In that time she has been CFO Europe, CEO Consulting UK and Ireland and Group Strategy Director. Having qualified as an accountant with KPMG, Judith held senior finance roles at AEA Plc and Ricardo Plc. Her knowledge of RPS gives her a perspective that is highly valued.

### 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.

# OUR GLOBAL STRATEGY

## OUR PURPOSE

Why we exist

We create shared value by solving problems that matter to a complex, urbanising and resource-scarce world

## OUR PROMISE

What we do

Making complex easy

## OUR BEHAVIOURS

How we do it

We solve problems that matter

We are confidently pragmatic

We make it easy to connect

We are stronger together

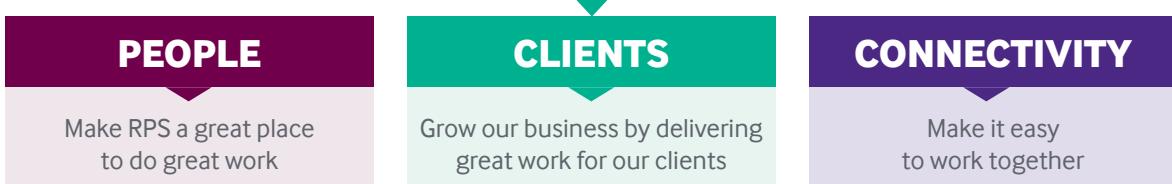
Absolute delivery

### 2019 – Strategic priorities – Laying the foundation for growth

PEOPLE	BRAND	ENERGY	ORGANIC GROWTH AND SELECTIVE ACQUISITION	CONNECTIVITY
Invest in people and reduce staff turnover	Tell our story better	Revitalise the Energy business	Density not diversity	Exploit revenue synergies where they exist but not where they don't
				
Progressing	Delivered	Delivered	Progressing	Progressing

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### 2020 – Strategic priorities – Evolution not revolution



"In 2019 we ran a thoughtful and comprehensive strategy and planning process. We did this with management teams at a global and local level, and with the Board. The outcome was a recognition that we were ready to move our priorities on and that the time was right to put our clients at the heart of our strategy for 2020. We will achieve organic growth by delivering great work for our clients and our three priorities are designed to achieve this."



**Judith Cottrell**  
Group Strategy Director

# PEOPLE

## Building on our foundations



**Liza Kane**  
Group People Director

"In 2018 we laid the foundations for a People strategy designed to attract and retain the best people. 2019 has seen a seismic shift in the experience we offer our employees at RPS. It was a year focused on realising the investment that has been made and starting the professionalisation of experience and services we provide for our people and offer the business."

Underpinning our people strategy is a desire to make all our current and future employees feel that RPS is a great place to do great work.



Our great place to do great work strategy inspires our people to be their best self and be part of a successful team in a results driven organisation that engages and retains talent.

To ensure we were working on the right things in the right way in 2019 and in recognition that the business was in different stages of evolution, we adopted the mantra of 'think global, act local' as opposed to a 'one size fits all' approach. This pragmatic mindset has meant we have been able to implement a wide range of initiatives this year.

### Our culture – embedding a culture of high performance to support our staff to succeed

Because of the calibre of our people, we attract complex projects. As a result, RPS is not short on **stimulating work**. Stimulating work requires a working environment that allows our people to thrive and reach their full potential. For this to happen we have encouraged local initiatives that are tailored to the needs of our people on the ground to flourish. This has been achieved by improving the flow of information employees receive, connecting pay to performance and supporting our people to recognise the work that counts to ensure we are all working on what matters.

At the start of the year, when we launched our new brand, we introduced our **behaviours** that underpin our new purpose and promise and give us the framework to focus on absolute delivery in the

right way. Created by our people, our behaviours are at the heart of our people strategy. The connection was clearly felt – when we launched a behaviours awareness program of voluntary learning, we saw an immediate uptake of 85% in the weeks that followed. Our behaviours have also strengthened recruitment processes, performance management, business strategy rationale and client pitches.



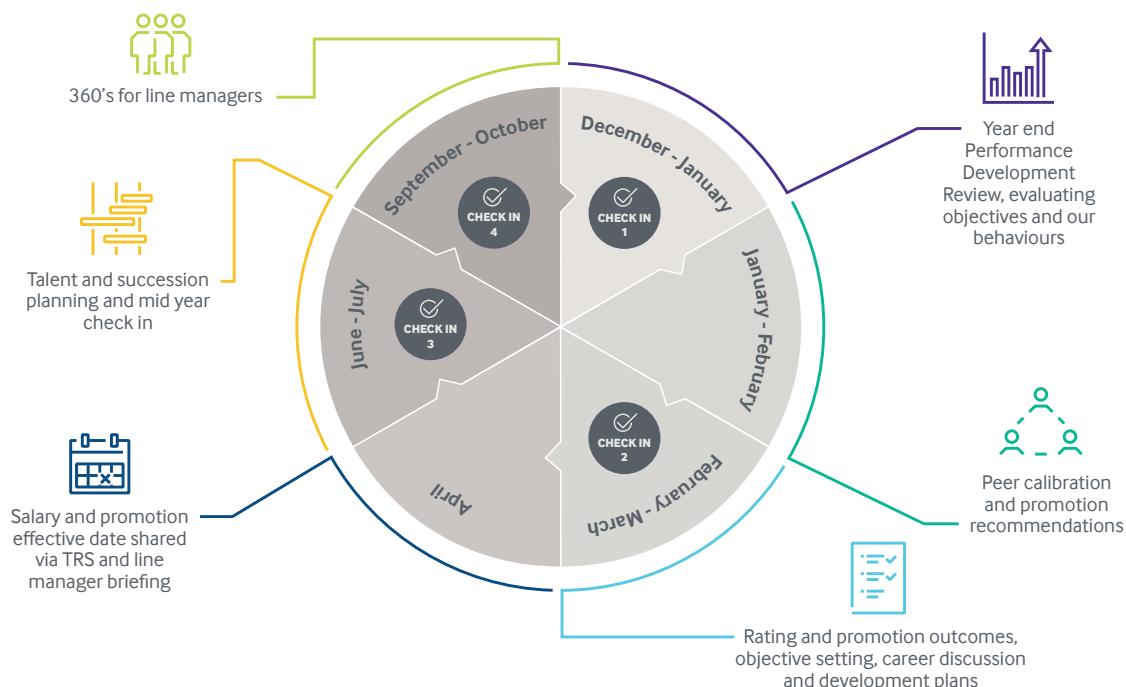
Closely linked to behaviours has been our emphasis on **leadership effectiveness** across the organisation. As well as providing a quarterly CEO forum for our global senior leadership community, we established a global line manager community – a first for RPS. For the first time there has been targeted support for this group to help them be the best managers they can be.

### Nurturing our talented people around the world

In 2019 we launched Progress@RPS – a global **performance and development framework** that puts our employees in the driving seat of their own growth at RPS. Based on the principle of more frequent and meaningful conversations, our people now have joint ownership, with their line manager, of their careers. This is backed up with a wealth of support for our people in achieving their ambitions and supporting RPS in recognising the value in the contribution our people make.

At a local level, businesses and teams implemented their own initiatives targeted to their people, in their business and in their operating environment. There was a groundswell of activity including graduate specific initiatives around connectivity to mental health campaigns including RU OK in Australia and a stress management workshop for colleagues in our Consulting business.

Enhancing our **learning and development** offering for our people is a key priority for 2020. In 2019 we articulated our vision and work is well underway to turning this into a reality next year.



## GLOBAL MOBILITY OPPORTUNITIES FOR OUR BEST AND BRIGHTEST

### CASE STUDY

#### Nathan Benfer

Principal Consultant, Energy

- Moved from Australia to UK
- MetOcean to Energy
- Deep expertise – MetOcean data
- Transferable skills – marine and freshwater environment projects, water movement and material/pollutant transport modelling

### MAKING PROGRESS

#### STAFF

**5,000**

IN 2018  
IMPROVED TO

**80%**

#### PERFORMANCE REVIEWS IN 2017

**50%**

IN 2019  
ROSE TO

**>95%**

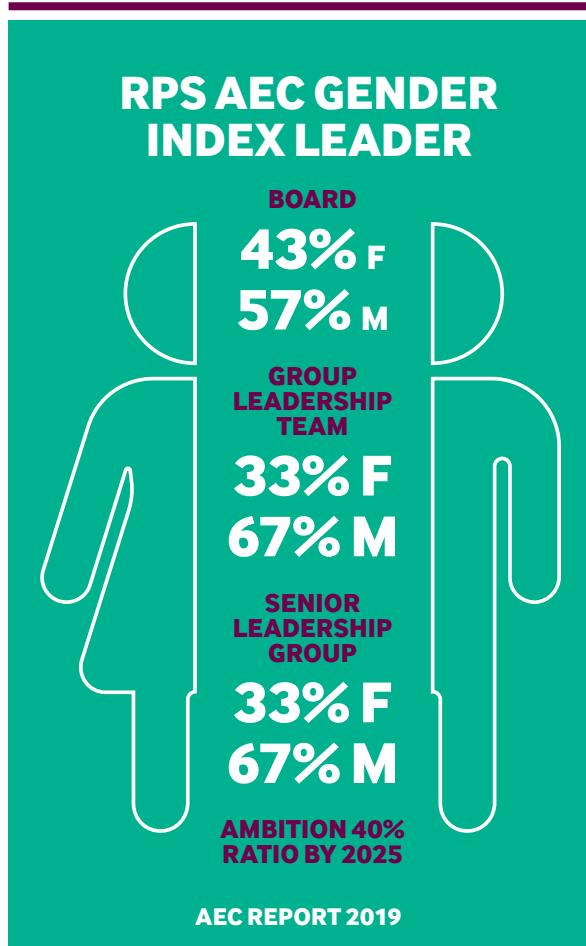
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## THE FUTURE IS BRIGHT

**CASE STUDY**

**Patrick Leahy**  
Project Manager, Project Management, Melbourne  
International Project Management Association (IPMA) Young Project Manager of the Year 2019



**A working environment that helps us deliver making complex easy for our people and our clients**

RPS is a business full of deep expertise and fresh thinking and that is critical in our line of work. The **diversity** of our people contributes to the diversity of our thinking significantly. We saw more innovation than ever before coming to the surface in 2019. The setting up of global forums – whether centred on a specific expertise such as AI or an opportunity we want to leverage like offshore wind – considerably enriched the debate in 2019.

We acknowledge that for our business to grow; we depend on diversity of talent and breadth of thinking from a range of backgrounds. Our diversity of talent is what makes RPS a great place to do great work. We are delighted to be the 2019 AEC industry leaders in the gender index of larger firms, this represented in our Board, Group Leadership Team and our global Senior Leadership Group. In 2019 women currently make up 43% of our Board and 33% of our Group Leadership Team. Our intent is to have our Senior Leadership Group 40% female by 2025. This figure currently stands at 33%.

Our new behaviours are central to creating an inclusive and diverse culture. Our global behaviours training, which is also a key component of onboarding, talks about wanting our people to be respectful of each other, acknowledge diversity and recognise the potential and contribution of everyone. To foster this, we encourage our employees to bring out the best in one another and assume best intent.

A **modern workplace** and providing our people with the tools and equipment to create the fresh thinking and deliver for our clients has made great strides this year. Working with our **technology** partners we have significantly upgraded and modernised key tools, with more to come in 2020.

All this is set against an unrelenting focus on making RPS a **safe place to work** – whether in our premises or on site with clients. We are very proud that our safety statistics continue to be strong – this gives our people the confidence to focus on their work, thrive in their surroundings and be the best they can be.

## RPS Director confirmed as 100th President of the Institution of Structural Engineers

- Professional Reviewer of graduate engineers – Institution of Civil Engineers and Engineers Ireland
- Mentor for RPS' young engineers
- Royal Academy of Engineering Visiting Professor at Queens University Belfast



**Professor  
Don McQuillan**

## Transparency and clarity for our people when it comes to reward

In support of RPS' commitment to be a more consistently results driven organisation, we introduced a number of improvements and initiatives to help our people make the **connection between their performance and RPS' success.**



giving our people the ability to share in the success of RPS through profit, fees and lock up days and personal performance objectives

- Made improvements to our SIP scheme
- Introduced a new global performance rating scale which includes an assessment of behaviours including Absolute Delivery which was defined by our Senior Leadership Group
- The end of 2019 also saw the introduction of global SMART objectives linked to common KPI's that will be universally rolled out in 2020 for the first time

With the introduction of our performance management framework, greater rigour and transparency around Reward and the embedding of our new behaviours, we have laid strong foundations for 2020. Our people priorities will remain focused on making RPS a great place to do great work but will also be closely aligned to our clients and connectivity imperatives. 2020 will see a focus on Learning and Development – in relation to sales and project management capabilities. We will continue to consolidate the investment in performance and reward and our drive to modernise how we provide our services will be at the forefront as we digitise the assessment and development of our talent.

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## Maintaining momentum in 2020



# BRAND

A change in mindset giving us clear strategic direction



**Chantalle Meijer**  
Group Marketing Director

"At the start of the year we reset ourselves with the launch of a new global brand for RPS. This important step in our evolution defined who we are, signified a change in mindset and set the framework for our strategic direction – our purpose, our promise and our behaviours."

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## A brand built on strong sense of PURPOSE

Our purpose reflects our commitment to creating shared value and reinforces our undertaking to challenge industry norms to solve problems that matter. Over the past year we've laid the foundations for a global corporate responsibility framework that looks at the services we offer, the environment we create for our people and our impact on the communities we serve. This work will continue in 2020 and will underpin and continue to foster a purposeful, responsible business culture that empowers our people to live our purpose.

## A PROMISE that we repeatedly deliver

The articulation of our promise, *making complex easy*, provided much needed clarity in our markets that have been exposed to considerable political instability and uncertainty. The focus on making complex easy for our clients and repeatedly delivering on our promise has deepened relationships, created resilience and preserved client confidence.

## The character of RPS as defined by our people

The way we deliver our purpose and our promise is underpinned by five *behaviours*. Developed by our people, these behaviours reinforce everything we do. How we do things is the essence of our brand and gives the sense of what it is to like to work with RPS and for RPS. We know we are stronger together when we develop integrated solutions for our clients. By easily connecting our deep expertise, we can deliver new, innovative thinking for clients. This innovation, coupled with a commitment to solve problems in a confident and pragmatic way, naturally delivers results.

## Bringing our brand to life

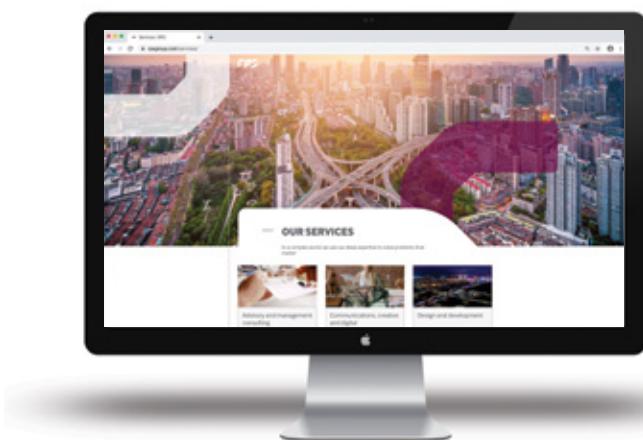
Over the past year, we've invested in the way we express ourselves through our visual and our verbal identity – our brand personality. We've created comprehensive guidelines and writing principles designed to show empathy to our clients who are often time poor and overwhelmed by content. Repeatedly expressing ourselves in a way that consistently delivers high value client experiences at every interaction with our brand will deliver trust and loyalty.

**"Overall, we thought you were a great fit for Clipper from a capability and cost perspective but also, we felt there was a pragmatic and collaborative approach demonstrated that would fit with our culture."**

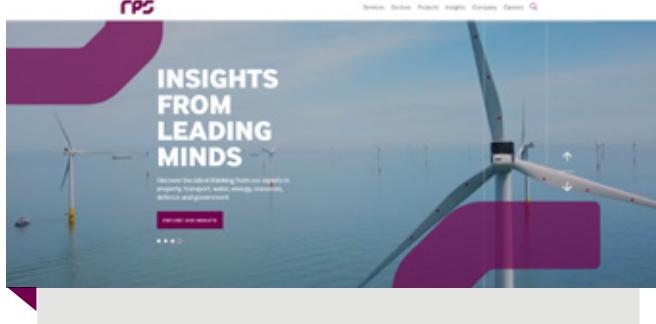
Nicholas Beadle, Clipper Logistics Plc

In 2018, we partnered with a digital agency to design and build a fully responsive website to create high value client experiences and drive organic growth.

In January 2019 we launched our new global website. Geotargeting capability ensures a localised and targeted visitor experience and live chat is building demonstrable pipeline velocity and revenue conversations. Since launching the new site we've received positive feedback from clients, investors, our people and prospective new staff.



- **2–3 clicks to reach an expert**
- **Fully responsive**
- **Designed for mobile-first**
- **Targeted geolocation functionality**
- **Scalable**



In 2019 we launched RPS' Templafy solution – automated templates making it easy for our people to consistently produce high quality, branded documents. The launch of Templafy was a signature digital transformation project.

#### Templafy has...

- Given us a global understanding of our regional document requirements
- Driven engagement in the brand through local ownership
- Given RPS better management of legal documents and disclaimers
- Met the complex design needs of a global business with an easily accessible repository of templates
- Improved work flow and considerably reduced time spent on preparing material

2020 will see us continue to leverage the investment by developing the skills of our users and refining our document library to provide support on a wider range of documents and applications.

—  
“I am happy to say that the Canadian Team is fully embracing the Templafy Platform. Feedback from team members is positive and based on recognition of the ease of creating consistent documents/reports. Based on the emphasis put on the rebranding effort over the last year, it is great to see a platform that helps support and enhance the RPS brand.”

Roger Edgecombe, Senior VP – Geoscience, RPS Canada

#### 2020, the next chapter

We know our markets and we know our clients. We've recognised that social, technological, economic, political and environmental factors are impacting and influencing our clients' purchasing decisions. Targeting the right clients using data driven insights and developing optimised, connected client journeys across each stage of our sales cycle in markets where there is a demand for our services will further reinforce the ethos of our brand.

# CONNECTIVITY – DATA, DIGITAL AND TECH

Using data, digital and technology expertise to make complex easy



**Kelly Olsen**  
Chief Information Officer

“We have moved at pace to deliver digital initiatives designed to enable our teams to work smarter to enhance client engagement and delivery.”

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In 2018 RPS took a significant step away from being a conglomerate of small businesses to becoming a global business of inter-connected sectors and services. We recognised that by combining our deep expertise with data and digital technology capabilities we held a unique and enviable position to repeatedly deliver high value client experiences.

#### Our investment focused on:

- Leveraging the power of data
- Investing in digital solutions where they add value and make complex easy
- Creating modern technological capability to enable enhanced client experiences
- Cross selling our expertise and capability across the asset lifecycle

#### Tangible progress

In 2019 we invested in future proofing our technological capabilities, building our data capability and continued to deliver on our promise of making complex easy for our clients. We also made a significant move to de-risk the business by looking at the design of our own business critical systems and processes and how we can integrate them.

We are future proofing our technical capabilities to ensure we have the capability and expertise to embrace opportunities, are fit to face the challenges of a digital age and ready to respond to the pace of change.

In 2019, we:

- Built a global technology leadership team who have reset the provision of technology services at RPS to provide both critical business support and client facing expertise
- Are better equipped to robustly handle cyber security threats to ensure the integrity of valuable data – both ours and of our clients, is protected
- Leveraged the cloud more than we have ever done before, completing technology optimisations that will allow us to disrupt markets by executing large models in the cloud. We have also built a platform for modern provisioning, that means we can deploy new devices directly from the cloud

## CYBER SECURITY

RPS manages IT systems and security risk centrally – maximising reliability, resilience and disaster planning.

A dedicated Security team monitors activity, hardens systems and responds to events. Policies, procedures and security measures are regularly reviewed and enhanced. In 2019 additional automated technical and operational security measures were introduced, including:

- Cloud monitoring
- Enhanced user authentication
- Encryption
- Security awareness training
- Attack simulations

## ERP TIMELINE

**2017**

Single, modernised and robust platform in country for North America and Norway

**2018**

Announced strategic investment of £14m to connect our segments and business systems with a new ERP with a single common platform

**2019**

Completed global design, built platform and went live in part of Australia and the Netherlands. Invoices out, suppliers paid, books closed for December

**2020**

Australia – Phase 2 in H2  
Assess timeline and prepare for UK and Ireland migration

### We built our data capability

Advanced analytics and artificial Intelligence are helping us to improve operational efficiency and lift the quality of projects by supporting our decision making. By applying advanced analytics, we can pick up on patterns and relationships in our project data that are not immediately obvious to the human eye. Artificial intelligence is being applied to materially speed up and sometimes even eliminate whole elements of traditional project delivery, particularly routine and repetitive tasks.

As part of a strategy of promotion and best practice of these progressive technologies, we have created a Community of Practice to facilitate discussion, collaboration, and to share ideas and best practice between members.

### We continued to make complex easy for our clients

Our UK Services Water business is a great example of how client facing teams have embraced digital, data and technology and put customer experience at the heart of this strategy – being smarter with client data, leveraging potential of digital technology, commercialising the untapped value of data and using technology to support new ways of working that help us meet the complex needs of our clients. And in other segments, highlights include:

- Surveying marine seismic data
- Collecting data from solar farms
- Sharing meteorological and oceanographical information
- Using AI solutions to drive efficiency in water treatment processes

### We invested in business critical systems and processes

Enterprise Resource Planning (ERP) is a flagship project for RPS in support of our focus on aligning and connecting our segments. The nature of RPS' growth through acquisition led to a complex system of finance, operations and project management tools being used in silos in our offices around the world.

RPS is making a significant investment in a new global ERP system, Microsoft Dynamics 365, to upgrade and streamline the many systems and processes across RPS. In time this will provide one, easy access, real time finance system that ensures one financial

reporting view for all RPS businesses worldwide. The platform provides the flexibility to grow with our business and integrates seamlessly with our existing Microsoft Office 365 ecosystem.

### We launched a Modern Workplace initiative

We also laid the foundations for our Modern Workplace initiative that will see workplace technology across RPS upgraded in 2020 to bring us up to date with modern practice. The premise of our Modern Workplace project is to create an environment that:

- Ensures work and confidential data is better protected
- Gives our people access to the tools, documents and information they need to do their job, anywhere, anytime
- Allows us to easily connect, meet, chat, share and work on projects together
- Is fully supported with training and support to help our people become expert users

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Modern Workplace is central to us modernising, having a platform fit for the future and creating a real step change in how we work at RPS.



### OPTIMISING CLOUD TECHNOLOGY TO DISRUPT THE MARKET

MetOcean business – Rhode Island, USA

- Develops industry leading process models to predict ocean chemical spills for search and rescue scenarios
- Used in North America, Australia and increasingly South East Asia
- RPS nearing completion on phase one optimisations that will reduce model run times from 10 days to less than eight hours



**Paul Aitken**  
CEO  
Services UK & Netherlands

## Data, digital and tech – commercialising the opportunity

Our UK Services Water division creates shared value through the development and delivery of pragmatic asset management strategies. Using our deep expertise and digital technologies to interpret multiple sets of complex data, we deliver high value client and user experiences.

### CASE STUDY



**The complexity:** Reduce leakage across the Welsh Water network by 7%

**The answer:** Get available data to work harder to better predict leakage

**RPS solution:** Apply our Waternet™ software to give better insight for repeatedly high quality, timely decisions

**The outcome:** Improved resilience and sustainability through

- Lowered leakage – by 11 million litres per day
- Reduced interruptions to supply
- Minimised customer disruption



**The complexity:** Improve the understanding of water flow paths in the urban environment at low cost

**The answer:** Automate data collection for more sophisticated analysis

**RPS solution:** Design and build object detection software using AI to map and model entry points to urban drainage systems

**The outcome:**

- Greater understanding of how and where flows enter urban drainage networks
- Significantly improved modelling accuracy
- Improved confidence in modelled flooding and pollution reduction solutions

### CASE STUDY



**The complexity:** Support Thames Water in optimising maintenance schedule to achieve critical leakage reduction KPIs

**The answer:** Design

a platform to monitor their pressure management program – a critical element of water management

**RPS solution:** Leverage our Waternet™ software to develop a platform that monitors the system, flags issues and identifies maintenance needs

**The outcome:**

- 24/7 monitoring
- Automated maintenance activity reports
- Reliable, integrated, alert system that flags issues more quickly
- Better planned maintenance activity



**The complexity:** Support clients to exploit efficiency opportunities in a data-rich, digital water world

**The answer:** Use agile methodology to take a

streamlined, more collaborative approach to problem solving

**RPS solution:** Bring the right people together – clients, technical experts and industry leaders – to discuss critical issues such as extreme water scarcity, substance extraction, in-pipe robots, community-based sensor technology and industry terrorism

**The outcome:**

- Greater creative thinking led to a wider range of opportunities /solutions being identified
- Follow on actions focused on detailed investigation of data were developed

# CASE STUDY



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## Offshore wind organic growth initiative – meeting the market demand for renewable energy

### Opportunity

As the offshore wind industry has matured and costs have reduced, existing offshore wind markets have continued to expand, and new markets have continued to emerge globally. We will continue to take a pragmatic approach towards developing our Energy business into new sectors (such as offshore wind) to build resilience and expand our reach.

### Making complex easy

- Leveraging our global expertise and connecting services across segments, we are winning new work – such as unexploded ordnance and Floating LiDAR
- We have established cross segment working groups whose role it is to develop our strategy and coordinate our market approach
- We will exploit the deep expertise of our metocean and environmental consultancy to gain early market share and then sell wider services across the asset lifecycle

### Outcome

- We recognise there are growing opportunities in offshore wind and will leverage our brand reputation into new and emerging markets to achieve organic growth in our top line revenue

# SEGMENT HIGHLIGHTS

CONNECTED SEGMENTS



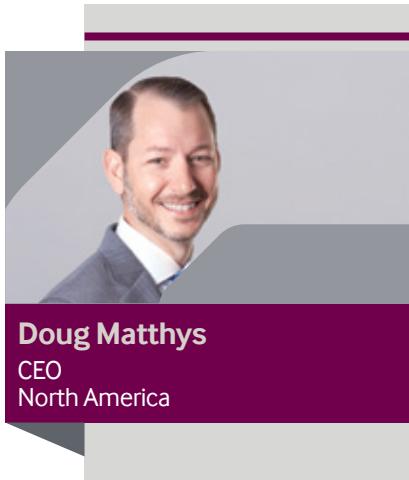
**John Chubb**  
CEO  
Consulting UK & Ireland



5% fee growth in a stagnating and uncertain market; collaborative working strengthens position for any market upturn.



Prospects, a group for our younger staff to shape the future, has been established across the Consulting business.



**Doug Matthys**  
CEO  
North America



Won Texas Public Works Association project of the year, Environmental Category. (\$2–5 million)



Launched professional excellence initiatives including learning and development program, mentorship program for young professionals, and staff incentive schemes.



**John Tompson**  
CEO  
Energy



Acquired Reservoir Imaging Limited, a leading seismic software company for £4m.



Implemented performance review processes, succession planning initiatives and on-line training for the Global Energy teams.



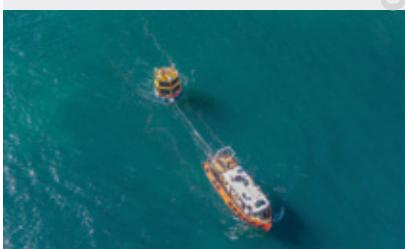
## Westminster City Council

An initial win for Consulting's project management business for a mixed-use scheme in Pimlico, London expanded to include 13 RPS disciplines and 20 priced activities. The strength of this offering resulted in two further project wins from the client.



## Offshore Wind Growth Initiative

In 2019 three segments set up a forum to bring together technical expertise to define and coordinate our approach to offshore wind market opportunities, making it easier to collaborate, position RPS in this market and drive organic growth.



## Global measurement and assessment of factory premises to standardise metrics

Bringing specialist and local knowledge of a Dutch measurement and registration method, the Services team from the Netherlands worked with North American colleagues to perform the assessment on location at the ASML factory in San Diego.



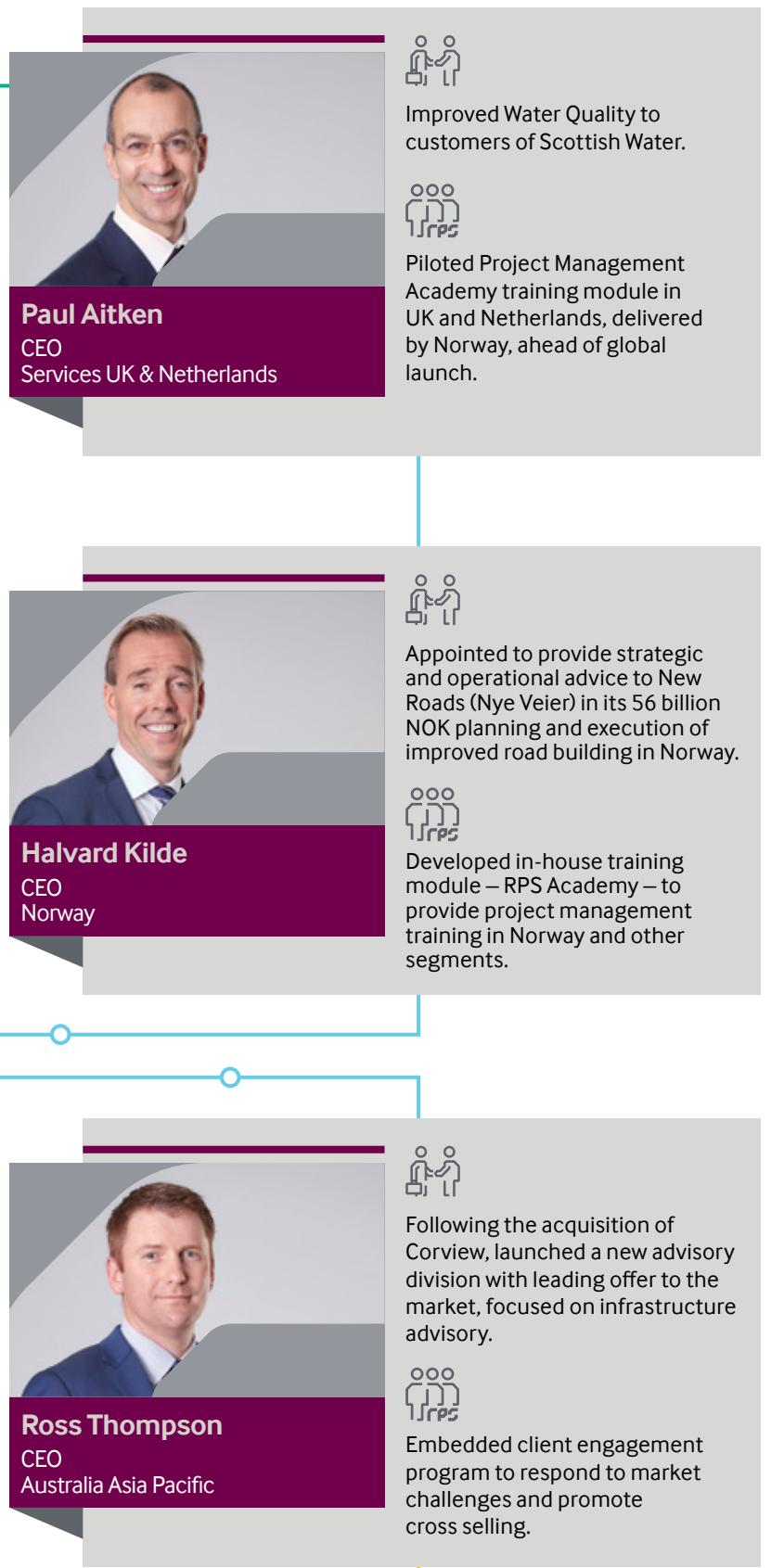
## Queensland Advancing Clean Energy School Program (ACES)

Using Norway's MyProjects software, RPS has helped shape the Queensland ACES program reducing operational costs and contributing to the state's 50 per cent by 2030 renewable target.



CONNECTED SEGMENTS

CONNECTED SEGMENTS



# OUR APPROACH TO RESPONSIBLE BUSINESS

## Living our purpose

Our purpose of creating shared value underpins a responsible business culture that informs our interactions and decision making and is reinforced by our behaviours. We know this matters to our people, clients and the communities in which we work. Our corporate responsibility framework covers how we ensure good governance and the way we manage our environmental and social impacts. It applies to all elements of our business; our people, our clients, investors and the communities in which we work and live.

Our approach enables our purpose and supports our business by:

- Making RPS an employer of choice that attracts and retains the best talent
- Ensuring we provide the best services and advice to our clients
- Reducing risk and building resilience in our business
- Increasing transparency
- Giving substance to our story so our employees, clients and investors have a deeper understanding of who we are, what we do and how we do it

### A snapshot of where we focused our energies in 2019

- **Launch of a new brand and strategy** – 2019 saw the launch of our new strategy, centred around our purpose, promise and behaviours
- **A renewed attention on our approach to corporate responsibility** – Developing a framework for being a responsible business that supports us in delivering our purpose
- **Investing in our people** – Our people are undeniably our greatest asset. This year's focus has been investing in performance management, career development and developing our behaviours.  people p22
- **Delivering for our clients** – We continued to provide our clients with best practice environmental advice, driving sustainability strategies and approaches and supporting robust environmental, social and governance due diligence
- **Investing in our future** – Future-proofing our business processes to ensure we are best placed to work with our clients on complex issues

### Unlocking shared value, responsibly

Our potential to create shared value is unlocked when we align our approach across our people, the work we do with clients and how we interact with the communities in which we work. In 2019 we focused on two key themes; sustainable behaviours and investing in future generations.

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We create shared value by solving problems that matter to a complex, urbanising and resource-scarce world.

## Our people

Our people want to know they are part of a business with purpose that delivers positive social and environmental impact. This is key to us attracting and retaining the best talent.

We are committed to investing and developing our next generation of talent, working towards creating a pipeline of future leaders and continuing to deliver the best work for our clients. You can read more about our key people achievements on page 22.

## The environment

A changing climate, together with the pressures of population growth and urbanisation, require that society and business work together to adapt. RPS has unrivalled global capabilities that enable our clients to take a balanced approach to deliver a sustainable future.

We are fully committed to reducing our carbon footprint across our global operations and our 'leading minds' are uniquely placed to work with our clients to guide them in the implementation of sustainable business practices.

Throughout our business our people are passionate about promoting sustainable activities through the choices we make and the initiatives we invest in towards reducing our carbon footprint. Our greenhouse gas reporting can be found on page 47.

Key work we have done this year includes:

- Introduction and increased use of video conferencing to reduce travel
- Our Newark, UK office marked its certification to The Planet Mark award for the sixth year in a row. Their joint efforts saw an 11.8% decrease in carbon footprint per employee

We support our clients to develop environmental and socially responsible solutions. This isn't new to us. RPS' roots are in environmental consultancy. We have always done this and will always continue to work this way.



**John Chubb**  
CEO  
Consulting UK & Ireland



## LIGHTENING OUR FOOTPRINT AND MAKING OUR MARK ON THE PLANET

In Newark, we marked our sixth successive year of certification to The Planet Mark by holding a sustainability and wellbeing awareness day.



## CASE STUDY

## INVESTING IN FUTURE GENERATIONS

**Amy Rogers**  
Environmental Scientist

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"I wanted to join RPS' graduate scheme because of the training and support on offer. The course content is varied and includes development in essential soft skills alongside technical areas."



## TRANSFORMING DISUSED STEELWORKS INTO RECREATIONAL PARK FOR THE BENEFIT OF LOCAL RESIDENTS, WORKFORCE AND VISITORS

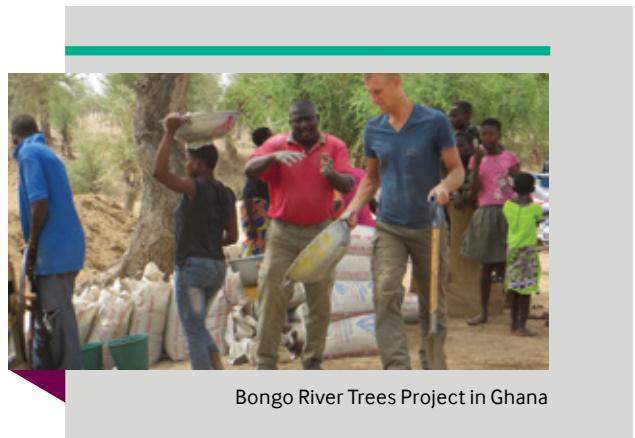
Considering the extensive contractual risks presented by the uniqueness of the site, characteristics of the waste material and location within Cork Harbour, this is a significant achievement showcasing excellence in Irish engineering and its positive impact on society.

## CASE STUDY

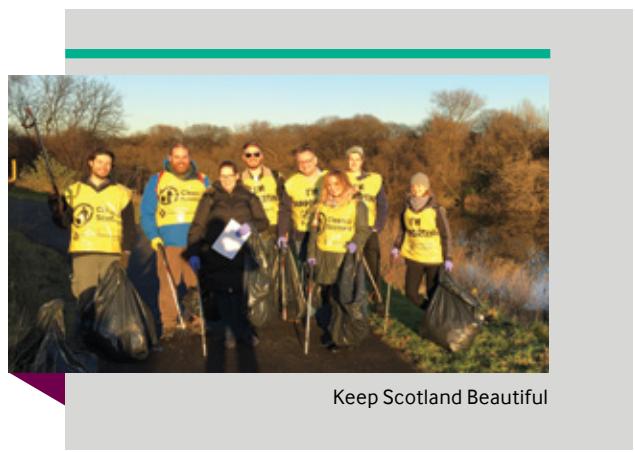
## Our communities

Our impacts are not limited to the advice we give our clients or the environment we create for our employees. We also have a responsibility to the communities in which we work and operate. To live our purpose our work must create shared value; for our people, clients and importantly our communities.

- We are working with global charities to help communities mitigate the effects that they are feeling from resource scarcity. Our ongoing support of Tree Aid is a great example of this. At a local level our employees have taken part in a variety of local initiatives, including a river clean up as part of Keep Scotland Beautiful's Upstream Battle campaign
- Our work with communities also includes activities that focus on support to developing a diverse pipeline of future talent. One example of this is our work with Yalari in Australia, who focus on empowering indigenous children through education. We have provided financial support and volunteers for their fundraising events



Bongo River Trees Project in Ghana



Keep Scotland Beautiful

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## Looking to 2020

We have defined our behaviours to support our purpose. As we embed these throughout the organisation our 2020 global corporate responsibility approach will be structured as a three-year corporate responsibility plan that reflects our purpose, promise and behaviours and informs the way we develop our approach to managing environmental and social impacts.



# FINANCIAL REVIEW

This has been a difficult trading year for the Group with challenges in a number of segments and necessary investment in strategic priorities impacting results. Our conversion of profit into cash was again good but net bank borrowings were higher at the year end partly due to increased capital investment during the year.



## Performance summary

The Group's key profit performance metrics for the year are summarised in the table below:

	2019	2018	2018 (constant currency)
<b>Key financial performance metrics</b>			
Revenue	<b>£612.6m</b>	£637.4m	£634.3m
Fee income <sup>1</sup>	<b>£556.5m</b>	£574.2m	£571.4m
Underlying operating profit <sup>1</sup>	<b>£43.4m</b>	£54.0m	£53.8m
Underlying operating profit margin <sup>1</sup>	<b>7.8%</b>	9.4%	9.4%
PBTA <sup>1</sup>	<b>£37.3m</b>	£50.2m	£49.9m
Adjusted diluted earnings per share <sup>1</sup>	<b>12.31p</b>	16.34p	16.24p
<b>Statutory reporting</b>			
Operating profit	<b>£10.9m</b>	£44.9m	£44.7m
PBT	<b>£4.8m</b>	£41.0m	£40.8m
Statutory diluted (loss)/earnings per share	<b>(0.54)p</b>	13.23p	13.16p

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## Trading performance

£m	2019	2018	2018 (constant currency)
Energy	<b>11.1</b>	8.9	9.1
Consulting UK & Ireland	<b>15.1</b>	15.4	15.4
Services UK & Netherlands	<b>10.8</b>	13.5	13.5
Norway	<b>6.0</b>	6.2	5.9
North America	<b>3.4</b>	5.1	5.4
AAP	<b>6.4</b>	13.3	12.9
Total segment profit <sup>1</sup>	<b>52.7</b>	62.4	62.2
Unallocated expenses	<b>(9.3)</b>	(8.4)	(8.4)
Underlying operating profit <sup>1</sup>	<b>43.4</b>	54.0	53.8

### Note:

- Alternative performance measures are used consistently throughout the report and accounts. For further details of their purpose, definition and reconciliation to the equivalent statutory measures see note 3 to the consolidated financial statements.

Notwithstanding a good performance from Energy, 2019 was a difficult year. Energy benefitted 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 general election that took place in December. The performance of Services UK & 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 Australia Asia Pacific 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.

### **Net finance costs**

Net finance costs were £6.1m (2018: £3.9m), which includes £1.9m in respect of IFRS 16 (2018: nil). Excluding lease obligations, the average total net borrowings in 2019 was £104.4m (2018: £87.2m). Interest expense includes imputed interest on deferred consideration of £0.2m in 2019 (2018: nil).

### **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 Australia Asia Pacific. 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 introduced a new logo, colour scheme and a new website for a total cost of £1.0m.

Legal fees were incurred totalling £1.4m 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 2020. This matter is disclosed as a contingent liability in note 26.

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.

### **Foreign exchange**

Approximately 69% of underlying operating profit was derived from operations other than in UK, mainly in Australia, US, Norway, Netherlands, Ireland and Canada. The Group's consolidated results are therefore significantly exposed to the effect of exchange rates when translating the results of non-UK operations into sterling.

The profit in 2019 suffered marginally from exchange movements on the conversion of overseas results in comparison to 2018. PBTA in 2019 would have been £0.3m higher than reported had 2018 exchange rates been repeated in 2019. The PBTA in 2018 would have been £0.3m lower than reported if 2019 exchange

rates have prevailed in 2018. Statutory profit before tax in 2018 would have been £0.2m lower than reported if 2019 exchange rates prevailed in 2018.

### **Organic growth at constant currency**

The acquisition of Corview was completed in February 2019 and Reservoir Imaging Limited in September. There were no acquisitions in 2018. Adjusting for the impact of acquisitions and at constant currency the organic fee decline in the year was 4% and operating profit decline was 21%.

### **Tax**

The effective tax rate for the year on adjusted profit before tax is 25.4 % (2018: 26.8%). The reduction is mainly due to prior year adjustments, proportionally less profit from Australia, offset by an increase in irrecoverable withholding tax suffered that mainly arises in our Energy business.

The statutory tax expense for the year was £6.1m (2018: £11.2m) on a profit before tax of £4.8m (2018: £41.0m). The effect of tax on the impairment of goodwill incurred in the year of £19.8m is nil.

### **Amortisation of intangible assets and transaction-related costs**

Amortisation of intangible assets and transaction related costs totalled £9.1m (2018: £9.2m). Included in this total is amortisation of acquired intangibles £8.6m (2018: £9.1m), and acquisition related third party transaction costs of £0.5m (2018: £nil).

### **EPS**

Adjusted diluted EPS was 12.31p (2018: 16.34p, 16.24p at constant currency), a decrease of 24% over last year at constant currency. The Board consider that adjusted EPS, which is statutory EPS excluding exceptional items and amortisation of intangible assets and transaction-related costs and the tax thereon provides a more

useful indication of performance and trends over time. Statutory diluted (loss) / earning per share was (0.54)p (2018: 13.23p).

### **Dividends**

The Board announced a change to its dividend policy in the 2019 Interim Results announcement. The policy was rebased such that full year dividends will equal, in total, 40% of the adjusted earnings 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 ordinary share (2018: 9.88p). The proposed final dividend amounts to £4.5m (2018: £14.4m), equivalent to 2.00p per share (2018: 5.08p) will be paid on 15 May 2020 to shareholders on the register of members at the close of business on 24 April 2020 subject to approval at the Annual General Meeting on 30 April 2020.

### **Acquisitions**

In February we acquired the trade and assets of Corview an Australian transport advisory consultancy, for total fair value of consideration of AUD 29.2m (£17.3m). The amount paid on completion was AUD 17.6m (£9.8m) with the deferred consideration balance payable on the first second and third anniversaries of completion. We acquired AUD 2.1m (£1.2m) of cash at acquisition. Based upon provisional fair values of the acquired net assets, the fair value of intangible assets arising was £17.5m. This includes goodwill of £13.3m. It contributed £5.9m to AAP segment fee income and £0.8m to AAP segment profit since acquisition. The integration of Corview into the AAP segment has been substantially completed.

In September we acquired Reservoir Imaging Limited, a seismic software services consultancy, that strengthens our existing marine seismic capabilities in our Energy segment. The fair value of consideration was £4.0m of which £2.7m was paid at completion, with the deferred consideration payable on the first and second anniversaries of completion. Based upon provisional fair values of the acquired net assets, the fair value of intangible assets arising was £2.5m. This includes goodwill of £1.5m. It contributed £0.6m

to Energy segment fee income and £0.1m to Energy segment profit since acquisition. The integration of Reservoir Imaging Limited into Energy is progressing well.

### **Intangible assets**

The net book value of intangible assets at the year end was £378.7m (31 December 2018: £385.7m) which largely comprises goodwill. The increase during the year is attributable to intangible assets recognised through the acquisition of Corview and Reservoir Imaging Limited, investment in the new ERP, less amortisation, impairment and the effect of foreign exchange movements.

### **Borrowings and Cash flow**

Net bank borrowings at the year end were £94.1m (31 December 2018: £73.9m). Net cash from operating activities was £37.6m (2018: £44.5m). Our conversion of profit into operating cash was again good at 90% (2018: 94%). It would have been better but for delays in invoicing in the Netherlands and Australia arising from the implementation of the new ERP there in November. Lock up days\* at the end of December 2019 were 69 days compared to 65 days at the end of 2018, the increase due to the impact of the ERP. We expect to reduce lock up during 2020. Our focus on improving collections is demonstrated by average lock up days for the year that were 69 days for 2019 compared to 71 days for 2018.

Net cash used in investing activities was £30.9m (2018: £13.4m), the increase due to higher acquisition expenditure of £10.1m (2018: £1.8m) and higher net capital expenditure of £20.8m (2018: £11.7m). The amount paid in respect of dividends was £16.9m (2018: £22.1m) reflecting the rebased dividend policy.

Included within capital expenditure was £7.8m (2018: £2.2m) invested in our new ERP system. We have completed the global design phase and implemented in the Netherlands and in part of Australia. We plan to

roll out the system to the rest of Australia during 2020. 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 percentage of adjusted EBITDA) at the year end was 2.0x (31 December 2018: 1.3x) which is at the high end of our desired operating range of 1.0x to 2.0x. We expect this will reduce during 2020. The bank covenant limit that applies to all our facilities is 3.0x.

### **Bank facilities**

The Group's main banking facility was refinanced in July with Lloyds, HSBC and NatWest. The facility is a committed multi-currency revolving credit facility totalling £100m which expires in July 2022, that may be extended to July 2024 with the banks' agreement. The facility includes an accordion feature whereby the Company may request an additional facility up to £60m although this is uncommitted and requires lender approval.

The amount drawn under the facility at the year end was £55.4m resulting in headroom of £44.6m. The margin payable on the drawn funds is variable and is set for the following six months dependent on the leverage of the Group at 31 December and 30 June. The loans drawn at the year end have tenors of up to 1 month.

In 2014 the Group issued seven year US private placement notes of \$34.1m and £30.0m that

\*(Being a calculation of the number of days taken between undertaking work for clients, through billing to the collection of cash).

are repayable in September 2021. They are non-amortising and carry fixed interest of 3.84% pa and 3.98% pa respectively. These notes represent the Group's core debt.

### **Capital structure**

As at 31 December 2019 the Group had shareholders' funds of £368.3m (31 December 2018: £377.6m). The company had shareholders' funds of £249.1m (2018: £270.6m) and 227.1m fully paid ordinary shares in issue at 31 December 2019 (31 December 2018: 226.1m).

### **Basis of preparation and new accounting standards**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and International Financial Reporting Standards Interpretations Committee (IFRS IFRIC) interpretations issued and effective at the time of preparing the financial statements. The Group's significant accounting policies are detailed in note 1 to the accounts on pages 102 and 103. The Group adopted IFRS 16 "Leases" for the first time in 2019. The impact of the adoption of this new standard is disclosed in note 32 to the consolidated financial statements. Bank covenant compliance is calculated using accounting standard IAS 17, that is pre the application of IFRS 16.

# RISK AND RISK MANAGEMENT

## Risk management

The nature of the activities that the Group undertakes and its business model are described on page 10. This gives rise to a range of risks consistent with a commercial organisation of this type, the principal of which are itemised and explained below. This explanation encompasses the nature of each risk, the steps taken to mitigate them and changes in the magnitude of such risks during the year.

There are two principal components to the Group's system of risk management. The Group's formal system of Risk Management and Internal Control and its principal components described on page 66. Through the adoption of appropriate controls and related audit this seeks to mitigate financial and commercial risks which are inherent in the Group's operating processes. Given the nature of the Group's activities, however, the effective management of risk also requires collective responsibility and engagement across the business. The management of risk is not therefore separated from the business and is treated as an integral part of the Group's culture and the way it operates. Our operational Boards accordingly consider the risks to which their component businesses are exposed and their mitigation on an ongoing basis and at each of their

regular meetings. A structured reporting framework is in place to support this activity. This rates and analyses key risks to provide clear understanding and enable identification of mitigating actions.

Against the background of reporting from this level, the Group Leadership Team oversees the operational management of the key risks to which the Group as a whole is exposed. Reporting to the Group Board incorporates the principal risks to which the Group is exposed and the specific manifestation of those risks from time to time. In considering and challenging this information the Group Board undertakes robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity. Management prepares for the Group Board an Annual Review of Risk Management and Internal Control. This process is integral to consideration of the Group's Long Term Viability Statement which is shown below.

## Principal risks

The principal risks to which the Group is exposed as well as the measures taken to achieve their mitigation and in each case any change that has happened in the year are detailed in the table below.

RISK	EXPOSURE	MITIGATION	CHANGE IN THE YEAR
<b>Political events</b>	 <p>The changes and uncertainties arising from political events may have an impact upon the markets in which we operate and the plans of our clients. This may cause the cancellation, postponement or downsizing of projects, or present further opportunities for the business.</p>	<p>The substantial majority of the Group's services are provided in relatively stable and predictable liberal democracies. In addition the factors serving to mitigate economic risks also operate in this area whereby the wide range of markets and geographies in which we operate serves to reduce the impact of political change in any particular region. As far as is practicable, risks in this area are monitored and plans adjusted accordingly.</p>	<p>Overall risk remained unchanged during the year. Despite the results of the General Election and the forthcoming exit from the EU, the political uncertainty relating to the terms of the UK's departure from the European Union remains unclear. General elections in Australia, the Netherlands and Canada have provided a degree of political stability in the coming years.</p>

RISK	EXPOSURE	MITIGATION	CHANGE IN THE YEAR
<b>Recruitment and retention of staff</b> 	The Group's ability to manage and service its clients is dependent upon the skills of well-qualified and professional employees. A failure to recruit and retain employees of appropriate calibre will therefore affect our ability to meet client expectations and develop the business. Linked to this a failure to adequately consider management succession may lead to discontinuity in operations.	The Group retains the key strategic priority of being recognised by its people as being a great place to do great work. This entails the development of an appropriate culture and related management systems. The ongoing work in this area is fully described on pages 22 to 25. The successful completion of which will serve to substantially mitigate overall risk in this area.	A focused effort on development of leadership succession and bench strength has occurred specifically in our Global Energy business. Vacancies across Segment leadership teams has provided an opportunity to build bench strength specifically in our Consulting UK/Ireland and Services UK/NL business. The competition for talent in a number of the Group's markets has remained intense. Initiatives taken to mitigate risks in this area will therefore be of continuing importance.
<b>Business acquisitions</b> 	The Group will look for acquisitions that are complementary to the markets that we operate in and add value to our business proposition. They will continue to be an important element in support of our strategy. A failure to understand the market conditions affecting an acquired business, to identify acquired liabilities, or to retain and motivate key employees within an acquired business can all result in a business failing to deliver anticipated profit and cash flow.	The Group's strategy will in general dictate that acquisitions are only made in market areas with which senior management are familiar. Detailed commercial, financial and legal due diligence is undertaken prior to completing any acquisition and clear corporate integration plans are agreed.	There was no change in overall risk in the year. The Group retains considerable acquisition experience and as activity in this area resumes, risks are unlikely to change materially.
<b>Health and safety</b> 	The Group has a legal and moral obligation to ensure the safety of its employees and others whom its activities may affect. A failure to discharge these obligations could expose individuals to risk of injury or other harm as well as leaving the Group liable to related damages, regulatory penalty and reputational harm.	Detailed health and safety policies and procedures are in place throughout the Group and focus on the differing and emerging risks within the Group's various businesses. A structured reporting process is in place to ensure that any incidents are identified and appropriate action taken to investigate and mitigate future risk. The Group's approach to health and safety is described more fully in the Corporate Social Responsibility report on page 46.	There was no overall change during the year. The scope of the Group's activities and the risks they present has not changed in any significant way.
<b>Regulatory and compliance</b> 	The Group is subject to a range of legal, taxation and regulatory requirements at corporate level and within each of the jurisdictions within which it operates and does business. A failure to comply with these obligations could give rise to financial penalty, regulatory intervention and reputational damage.	Whilst the Group is subject to the corporate law and regulation affecting most groups of its size and complexity, the activities that the Group undertakes are, in general, not subject to industry specific regulation. Overseas projects that may carry elevated risk are scrutinised on a case by case basis. The Group has appropriate internal controls to support regulatory compliance and employs suitably qualified professionals to monitor and manage regulation within its various jurisdictions.	Whilst the detail of applicable law and regulation will continue to evolve there have been no changes anticipated within the Group's current jurisdictions which are likely to have any material effect upon overall risks in this area. The range of jurisdictions in which project work is undertaken may change, although will remain subject to scrutiny as highlighted above.

RISK	EXPOSURE	MITIGATION	CHANGE IN THE YEAR
<b>Service failures</b> 	A failure to deliver our services in accordance with contractual obligations may lead to compensatory claims against the Group and damage to reputation as well as possible loss of future work.	The Group operates quality control systems many of which are externally certified and which are designed to mitigate the risk of failures. In addition the Group operates contract management systems to ensure that contractual risks are identified, risk assessed and as far as practicable mitigated. The Group maintains professional indemnity insurance throughout the large majority of its businesses at a level commensurate with risks. Subject to applicable policy limits and excesses this will indemnify the Group against claims in the large majority of situations.	There was no overall change in the year. The nature of the Group's activities and the environments in which they are conducted have not changed materially.
<b>Financial risks</b> 	An inability to secure adequate funding for the Group will limit the ability to invest in growth. In addition, a failure to manage risks related to foreign exchange, interest rates, credit and liquidity could lead to a significant deterioration in the Group's financial position and its ability to win work.	During the year the Group successfully refinanced its multi-currency revolving credit facility for £100m and arranged an uncommitted accordion facility of £60m both of which have a three-year term to 2022, with the possibility of extending for another two years. This is provided by Nat West, Lloyds and HSBC. The Group has also issued seven-year US private placement notes of US\$34m and £30m repayable in 2021 under a facility provided by Prudential Management Inc. Funding and investment requirements are monitored by the Group Finance function which also oversees the management of financial risks on a prudent basis and as more fully described in note 30 to the consolidated financial statements.	Following the refinancing of the multi-currency facility and introduction of the accordion facility, the Group has an adequate committed facility until 2022 and will continue to manage financial risks on a prudent basis.
<b>Information technology and security risks</b> 	A prolonged lack of availability of critical IT systems could cause significant discontinuity in operations. A cyber-related attack on our systems could lead to infection by viruses, loss of personal and commercially sensitive data, theft or fraud. Phishing and business email compromise attacks on individuals could lead to diversion of payments, exposure of critical business systems or release of data. Any of the above attack vectors could lead to operational disruption, affecting our ability to deliver client services, leading to financial loss and reputational damage.	The Group continues to manage its IT systems on a centralised basis with annual planning which incorporates measures designed to maximise reliability and resilience as well as disaster planning. Systems are reviewed and upgraded on a rolling basis. The Group employs a Security team that monitors activity, hardens systems and responds to security events. Policies, procedures and security measures are reviewed and enhanced on a regular basis. The roll-out of additional automated technical and operational security measures has commenced during the year including: cloud monitoring, vulnerability management, enhanced user authentication, device hardening, encryption, security awareness training and attack simulations.	As system resilience improves, the focus of cyber-attacks has shifted from systems towards individuals, who are targeted through social engineering techniques. The ongoing program of training, systems development and monitoring should serve to improve the resilience of end-users and systems. There was no overall change in the year. The ongoing programme of systems development should serve to improve the resilience and reliability of systems. Notwithstanding additional measures highlighted above the level of threat from cyber-attacks of an increasingly sophisticated nature is unlikely to diminish.

## Going concern

The Group has a diverse range of businesses in a spread of geographies which serve to limit the overall impact of adverse conditions in any particular market. It continues to enjoy strong cash flow and operates well within the financial covenants applying to its main bank facility.

The Directors have reviewed the latest budgets and forecasts and considered the activities and performance of the Group together with factors which could potentially affect future developments. Based on this assessment the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on the going concern basis.

## Long term viability

In accordance with the requirements of the UK Governance Code the Board has assessed the long-term viability of the Group. This was done over a three year period to March 2023 taking account of the principal risks as well as the Group's current position, its strategy and the Board's risk appetite. A three year period was chosen as it is supported by the detailed strategic review work undertaken, giving greater certainty over the forecasting assumptions used.

The Board considered cash flow models over that period based upon a range of assumptions relating to trading performance, working capital management, exchange rates and other outflows including those associated with the principal risks the Group faces. This modelling included severe but reasonable scenarios of selected principal risks to analyse the cash and borrowing levels, leverage and headroom under the Group's facilities and the potential for and effectiveness of mitigating actions. Various scenarios were modelled, some of which took account of the impact of multiple risks occurring and these included the impact of a downturn in one or more markets, a strengthening of sterling versus all other major currencies in which we operate, a deterioration in working capital and a significant uninsured claim against the Group.

The Directors have also made key assumptions in the modelling of the long-term funding for the Group. The Group's loan notes are repayable in September 2021 and we have a reasonable expectation of being able to refinance them on similar terms. The revolving credit facility was successfully refinanced during 2019 on a three year term with the possibility of extending for a further two years and extension has been assumed in the modelling.

Based on this assessment, the Directors have a reasonable expectation that the Group will continue in operation and be able to meet its liabilities as they fall due over the period to March 2023.

# CORPORATE RESPONSIBILITY

Our approach to responsibility ensures good governance and management of our environmental and social impacts applies to all elements of our business; our people, our clients, investors and the communities in which we work.

On pages 34–36 of this report we have given examples of the work we are doing across the business to deliver our purpose. We provide information on the development, performance and the impact of our activity across environmental and social matters, our employees, human rights and business ethics.

## People

Recruitment, retention and motivation of employees is of vital importance for a professional services organisation and is identified as one of the Group's principal risks. They are our greatest asset and have been a focus of 2019.

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A full report in relation to this area is presented on pages 22 to 25.

## Environmental management

RPS' roots are in environmental consultancy and we have always been mindful of our responsibility to the environment in which we work. The Group's greatest contribution to the environment is through its own expertise and many of the projects we work on. We advise international bodies, governments, local authorities and companies on the improvement of environmental performance.

Projects include the development of strategies to reduce carbon emissions and the adaptation of buildings and infrastructure to anticipate climate change as well as the preparation of Environmental Impact Assessments across several sectors. Our direct impact on the environment is comparatively modest however policies and standards are in place which aim to minimise this impact wherever possible.

These incorporate the following:

- Compliance with all relevant national and regional legislation as a minimum standard
- Compliance with relevant codes of practice and other requirements such as those specified by regulators and our clients
- Employment of practical energy efficiency and waste minimisation measures
- Policies in relation to the purchase and use of vehicles to minimise environmental impact
- Provision of an inter-office IT network together with communications and video conferencing technology in order to reduce business travel

A number of the Group's operating businesses have achieved ISO 14001, the internationally recognised environmental management system standard.

During 2019 many of our offices continued to recycle waste paper, spent toner and ink cartridges, obsolete computer hardware, printers and mobile phones.

We are a participating member of the Carbon Disclosure Project to which we provide data on an annual basis.

## Greenhouse gas reporting

For the reporting year 1 January 2019–31 December 2019, we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the 2019 UK Government's Conversion Factors for Company Reporting and the International Energy Agency CO<sub>2</sub> Emissions from Fuel Combustion, OECD/IEA, Paris, 2019 for consumption in our international offices. Greenhouse gas emissions are reported using the following parameters to determine what is included within the reporting boundaries in terms of RPS' energy consumption.

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

Greenhouse gas emissions (tCO<sub>2</sub>e) are set out in the table below.

	2018	2019
<b>Scope 1:</b> Direct emissions	10,466	9,074
<b>Scope 2:</b> Indirect emissions	3,539	2,843
<b>Total</b>	14,005	11,917

The decrease of 13% in Scope 1 is largely attributed to a restructuring of the RPS water business and a consequent halving of the van fleet but also the use of 100% electric cars in our Netherlands car fleet. The decrease of 20% in Scope 2 emissions is principally attributable to the ongoing decarbonisation of the grid but also rationalisation of our London based offices through the opening of the new Farringdon office which consolidated three offices into one more efficient building.

Overall per capita performance shows an 8% decrease year on year of 2.34 tCO<sub>2</sub>e for 2019 against 2.52 tCO<sub>2</sub>e for 2018.

The Group has set a target to reduce per capita office energy consumption by 2.5% on a five-year rolling average basis. Using this approach, the five-year rolling average up to 2018, was 3.26 MWh per capita which decreased to 3.24 MWh per capita up to 2019. This equates to a decrease of 0.5% which is below our target. Going forward for 2020, we will be reviewing our strategy and approach to our carbon and energy management. This will include defining targets and identifying efficiencies and opportunities such as expanding the use of electric cars within the company car fleet.

## Community Involvement

We have a clear responsibility to the communities in which we work, this is key to delivering our purpose to create shared value. Our people work in their local communities every day and we are always mindful of the impact our work has. In addition to this, our people take part in a range of activities to support local communities, organisations and charities.

As a Group, we continued to support Tree Aid. Since 2006, we have provided £1.1 million of funding which has been used across projects in Ghana, Mali and Ethiopia. We are currently supporting a project in Ethiopia focusing on healthy ecosystems and sustainable livelihoods, donating over £380,000 across five years.

## Health and safety

We have a moral and legal responsibility to safeguard our employees and others affected by our operations and services. Health and safety is also recognised as one of the Group's principal risks.

The Group sets an overall policy for the management of health and safety and the Group People Director retains general oversight in this area. The Chief Executive takes a direct interest in health and safety and discusses performance on a regular basis with business segments. He also reports to the Board on overall performance and any more serious incidents that arise. Operational responsibility lies within the Group's operating businesses which are closest to, and best positioned to manage their risks. The nature of these risks is dependent on the activities of particular businesses and health and safety systems vary accordingly to ensure that key areas are addressed. All have in common clear policies and procedures and appropriate risk assessment techniques backed by training and clear communication.

Training is focused not only on specific hazards but also the wider obligations of management. These activities are overseen by appropriately qualified and experienced health and safety advisers and systems are subject to regular audit, both internally and by external agencies. Where accidents, near-misses or dangerous occurrences occur these are investigated in order that they are fully understood, and appropriate action can be taken to minimise risk of occurrence.

Health and safety performance is monitored at business and segment level. This incorporates analysis of incidents, dangerous occurrences and near-misses in order that appropriate remedial action can be taken where required. As noted above, the Group Board receives and reviews a regular report which incorporates these elements and any emerging issues. Any material issues or concerns identified at Group level are considered by the Chief Executive and the Group People Director.

OHSAS 18001 is an internationally recognised standard for health and safety management that is aligned with the ISO 9000 (Quality Management) and ISO 14001 (Environmental Management) standards. 61% (2017: 66%) of employees across the Group work in offices that now have third party accreditation to the OHSAS 18001 standard. This slight reduction is due to changes in staff numbers across multiple offices.

The reportable accident rate in the year was 1.2 accidents per 1,000 employees (2018: 0.8). We've looked into the increase in injuries in 2019. We are reviewing the trends along with the segment CEOs and putting in improvement plans to reduce minor injuries within the business. Accidents that do occur most commonly relate to field staff and involve manual handling activities, slips and falls.

#### **Reportable accident rates**

Group	2019	2018
Reportable injuries	7	5
Reportable injuries incident rate per 1,000 employees	1.2	0.8

#### **Business relationships**

In 2019 we launched our behaviours and embedded them across the Group with over 75% of employees completing the online training. Our behaviours are at the core of how we do business. Sitting alongside our approach to corporate responsibility, they ensure we conduct business in a transparent and fair way with a focus on delivering our purpose of creating shared value.

We have policies and procedures that support our people and provide us with a framework to ensure they act in a consistent way with our behaviours. Employees are required to be sympathetic to the cultures of and comply with the laws and regulations of the countries in which they operate, as well as giving due regard to the safety and wellbeing of all project personnel and relevant local communities. All RPS employees are expected to avoid any personal or professional interests that could conflict with their responsibilities to the Group and, should such a situation arise, are expected to report it promptly. The Group has a clearly stated zero tolerance policy in relation to acts of bribery and corruption and supports the UN Global Compact and the UN Convention on Anti-Corruption. No incident of bribery or corruption has been identified within the Group's operations.

In the coming year we are reviewing our Code of Conduct and associated policies and will be rolling out an independent whistleblowing line. These will further strengthen our approach to responsible business. The Group supports the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. The Group understands its responsibility to respect the human rights of the communities and workforces with whom it interacts, and employees are expected to conduct themselves in a commensurate manner.

We support the objectives of the UK Modern Slavery Act and will not tolerate modern slavery or human trafficking within its own supply chain. During the year, the Group conducted a further review of its supply chain and published its second modern slavery statement. As far as is reasonably ascertainable none of the Group's activities have directly or indirectly given rise to the abuse of human rights. We support the introduction of the Australian Federal Government's Modern Slavery Act and will review our Group position in line with its guidance.

#### **Cyber and data security**

Throughout 2019 we have strengthened our approach with new automatic technical and security measures. More information on our approach can be found on page 28.

Signed on behalf of the Board

**David Gormley**  
**Company Secretary**  
19 February 2020

# REPORT OF THE DIRECTORS

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# THE BOARD



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## Report of the Directors

The Directors present their report together with the audited financial statements of RPS Group Plc and its subsidiary undertakings (the 'Group') for the year ended 31 December 2019. Certain matters that would otherwise be disclosed in the Report of Directors are reported elsewhere in the Annual Report and Accounts. The Report of Directors should therefore be read in conjunction with the Strategic Report on pages 7 to 48, the Corporate Governance Report on pages 57 to 92 and other parts of the Report and Accounts as referred to below.

## Directors

The Directors of the Company as at 31 December 2019 were those listed on pages 52 to 53. The changes to the Board that occurred in the year are as detailed on page 68. The Directors' interests in the share capital of the Company are as shown in the Annual Report on Remuneration on page 78.

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

## Results and dividend

The Consolidated Income Statement is set out on page 103 and shows the profit for the year. The Directors recommend a final dividend of 2.00p (2018: 5.08p) per share which, subject to approval at the Annual General Meeting to be held on 30 April 2020, will be paid to shareholders on 15 May 2020. This together with the interim dividend of 2.42p (2018: 4.80p) per share paid on 11 October 2019 gives a total dividend of 4.42p (2018: 9.88p) per share for the year ended 31 December 2019.



**The Board:** (left to right) Ken Lever, Liz Peace, Gary Young, John Douglas, Catherine Glickman, David Gormley, Allison Bainbridge, Michael McKelvy

## Strategic report

The Group's Strategic Report can be found on pages 7 to 48. This report is required to contain a fair review of the Company's business and a description of the principal risks and uncertainties that it faces. The Strategic Report contains certain forward looking statements with respect to the financial condition, results of operations and businesses of RPS as well as likely future developments. These statements involve risk and uncertainty as they relate to events and depend upon circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. Nothing in the Strategic Report should be construed as a profit forecast.

Financial key performance indicators can be found on page 4. The Directors review performance using these Alternative Performance Measures (APMs) as defined in note 3 to the Consolidated Financial Statements. The APMs used exclude certain items that the Board believes distort the trading performance of the Group. These items are either acquisition and disposal related or non-cash items. The Board does not at

present use non-financial key performance indicators to assess the Group as a whole, although parts of the Group do use such indicators from time to time.

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

The Group obtains enhanced tax relief for these costs in the United Kingdom and has adopted the RDEC (Research and Development Expenditure Credit) regime.

# THE BOARD



**Ken Lever**  
**Non-Executive Chairman**

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



**Gary Young**  
**Finance Director**

Gary Young graduated from Southampton University in 1982 and qualified as a chartered accountant in 1986 with Price Waterhouse. Before joining RPS he held a number of Finance Director roles including positions within Rutland Trust Plc and AT&T Capital. He joined RPS in September 2000 and was appointed to the Board in November of that year.



**Liz Peace**  
**Independent Non-Executive**

Liz Peace was appointed to the Board in July 2017. Liz was Chief Executive of the British Property Federation for thirteen years until her retirement in 2014. She was awarded a CBE in 2008 for services to the property industry. Liz now has a portfolio career with a range of non-executive, advisory and charity roles, at Howard de Walden Estates, RDI REIT, Holtby Turner, the Churches Conservation Trust and Whiteley Homes Trust. She is Chairman of the Architectural Heritage Fund and Centre for London and President of the Property Litigation Association. She is also a member of the Mayor of London's Homes for Londoners Board. In 2017 Liz was appointed Chairman of the Old Oak and Park Royal Development Corporation (OPDC) and in 2018 she was appointed Chairman of the shadow Sponsor Board for the Palace of Westminster Restoration and Renewal Programme. Liz was appointed Senior Independent Director in May 2019 and is a member of the Audit, Remuneration and Nominations Committees.



**John Douglas**  
**Chief Executive**

John Douglas joined the Board on 1 June 2017 and assumed the role of Chief Executive with effect from 1 September 2017. John was previously Chief Executive of Coffey International Limited, a business listed on the Australian Stock Exchange which operated in markets similar to RPS. Prior to that he worked with Boral, an International Building Material Group, latterly as Divisional Managing Director. John had previously worked as a consultant with Boston Consulting Group as well as for a number of engineering companies. John is a civil engineer from Adelaide University and has a MBA from London Business School.



**Allison Bainbridge**  
**Independent Non-Executive**

Allison was appointed to the Board on 1 June 2017 and is serving an initial three-year term. She is the Group Finance Director of Vp plc, a quoted specialist in the equipment rental business serving international markets including rail, water, construction, civil engineering, house building and oil and gas. Prior to that she was Finance Director at Yorkshire Water and Kelda Group, having initially trained and qualified as a chartered accountant with Price Waterhouse. Allison graduated in economics from Birmingham University and went on to take an MA in economics at Leeds University. Allison is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees.



**Catherine Glickman**  
**Independent Non-Executive**

Catherine was appointed to the Board on 2 August 2018 and is Chairman of the Remuneration Committee. Catherine has extensive senior level executive experience in public companies, most recently as Group HR Director at the FTSE 250 animal genetics company, Genus plc, where she led an agenda on talent and leadership development to support growth plans. Catherine retired from this position in 2017. Prior to her time at Genus, Catherine worked for over twenty years at Tesco plc where she held various senior positions including latterly as Group HR Director. Catherine is currently a non-executive director of Renishaw plc and TheWorks.co.uk plc where in each case she is Chair of the Remuneration Committee. Catherine is also a member of the Audit and Nominations Committee.



**Michael McKelvy**  
**Independent Non-Executive**

Michael was appointed to the Board on 1 May 2018. US-based, Michael is a member of the Nomination and Remuneration Committees. Michael is CEO of construction firm Gilbane and has held Presidential roles with CH2M. He is a chartered architect and has extensive senior level experience of construction, infrastructure and natural resource markets.



**David Gormley**  
**Company Secretary**

David has over 20 years' senior experience as a company secretary, starting his career with Guinness Plc, before working in roles as company secretary continental Europe in Belgium for the Albert Fisher Group Plc, then Group Company Secretary for Sky Plc. He has since worked with UK insurance firms Brit and Hiscox and infrastructure developer John Laing.

	<b>Corporate governance</b>	<b>Going concern</b>																																							
	The Directors' report on Corporate Governance can be found on pages 55 to 90 and incorporates other parts of the Report and Accounts as detailed therein.	The Group's business activities, a review of the 2019 results together with factors likely to affect its future development and prospects are set out on pages 7 to 48. Note 20 to the Consolidated Financial Statements sets out the borrowings of the Group and considers liquidity risk, whilst note 30 describes the Group's approach to capital management, and financial risk management in general. The going concern statement together with the viability statement is set out in the Strategic Report on page 45.																																							
	<b>Employees</b>																																								
	The Group's policies in relation to employees are disclosed on pages 22 to 25.																																								
	<b>Corporate responsibility</b>	<b>Directors' responsibilities statement</b>																																							
	The Group's Corporate Responsibility statement is included on pages 46 to 48.	The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Each of the persons who is a Director at the time of this report confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and that they have taken all the steps necessary to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.																																							
54	This includes disclosures concerning Greenhouse Gas emissions as required pursuant to part 7 of The Companies Act (Strategic Report and Directors' Report) Regulations 2013. The Group made no contribution to political organisations during the year.																																								
	<b>Substantial shareholdings</b>																																								
	The Company is aware of the following interests in excess of 3% of the ordinary share capital of the Company as at 18 February 2020.	This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.																																							
	<table border="1"> <thead> <tr> <th>Shareholder</th> <th>Total holding</th> <th>% of ISC</th> </tr> </thead> <tbody> <tr> <td>Aberforth Partners (i)</td> <td>29,244,784</td> <td>12.87%</td> </tr> <tr> <td>UBS Asset Management (ii)</td> <td>17,029,807</td> <td>7.49%</td> </tr> <tr> <td>Artemis Investment Managemnet</td> <td>16,008,701</td> <td>7.05%</td> </tr> <tr> <td>Montanaro Asset Management</td> <td>12,000,000</td> <td>5.28%</td> </tr> <tr> <td>BMO Global Asset Management</td> <td>9,504,218</td> <td>4.18%</td> </tr> <tr> <td>Chelverton Asset Management</td> <td>9,326,785</td> <td>4.10%</td> </tr> <tr> <td>Unicorn Asset Management</td> <td>9,000,000</td> <td>3.96%</td> </tr> <tr> <td>Dimensional Fund Advisors</td> <td>8,697,890</td> <td>3.83%</td> </tr> <tr> <td>Blackrock</td> <td>8,431,960</td> <td>3.71%</td> </tr> <tr> <td>NBIM</td> <td>7,578,668</td> <td>3.33%</td> </tr> <tr> <td>Vanguard Group</td> <td>7,392,897</td> <td>3.25%</td> </tr> <tr> <td>Coloumbia Threadneedle Investments</td> <td>7,201,049</td> <td>3.17%</td> </tr> </tbody> </table>	Shareholder	Total holding	% of ISC	Aberforth Partners (i)	29,244,784	12.87%	UBS Asset Management (ii)	17,029,807	7.49%	Artemis Investment Managemnet	16,008,701	7.05%	Montanaro Asset Management	12,000,000	5.28%	BMO Global Asset Management	9,504,218	4.18%	Chelverton Asset Management	9,326,785	4.10%	Unicorn Asset Management	9,000,000	3.96%	Dimensional Fund Advisors	8,697,890	3.83%	Blackrock	8,431,960	3.71%	NBIM	7,578,668	3.33%	Vanguard Group	7,392,897	3.25%	Coloumbia Threadneedle Investments	7,201,049	3.17%	The Directors are required by Company law to prepare financial statements for each financial year, and prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation. The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland." Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.
Shareholder	Total holding	% of ISC																																							
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(i) The Wellcome Trust Ltd as Trustee of the Wellcome Trust holds 6,908,549 (3.13%) shares included within the shares held by Aberforth Partners.

(ii) Tameside MBC re Greater Manchester Pension Fund holds 13,798,887 (6.08%) shares included within the shares held by UBS Asset Management

## Group Financial Statements

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

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

## Parent Company Financial Statements

In preparing the Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

## Responsibilities pursuant to DTR4

We confirm that to the best of our knowledge:

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

## Financial instruments

Details on the use of financial instruments and financial risk are included in note 30 to the Consolidated Financial Statements.

## Post balance sheet events

There are no significant post balance sheet events requiring adjustments to the year end results or disclosure.

## Takeover directive

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

## Share capital

As at 31 December 2019 the Company's issued share capital consisted of 227,139,412 ordinary shares of 3p each. Substantial shareholder interests of which the Company is aware are shown on page 54.

## Shareholder rights and restrictions

At a general meeting of the Company every holder of ordinary shares present in person is entitled to vote on a show of hands and on a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. Holders of ordinary shares may receive interim dividends approved by the Directors and dividends declared in general meetings. On liquidation and subject to a special resolution, the liquidator may divide among members in specie the whole or any part of the assets of the Company. There are no shares in issue that carry special rights with regard to control of the Company and there are no restrictions on the transfer of ordinary shares in the Company other than those that may be imposed by law or regulation from time to time. The Company's Articles of Association may be amended by special resolution at a General Meeting of the shareholders.

## Directors

Directors are appointed by ordinary resolution at a General Meeting of the shareholders. Whilst the Board can appoint a Director any Director appointed in that manner must be elected by an ordinary resolution at the next General Meeting. Under the Articles of Association any Director who has held office for more than three years since their last appointment must offer themselves for re-election at the next Annual General Meeting. It is the Company's policy, however, that all Directors should stand for annual re-election. The Directors have power to manage the Company's business subject to the provision of the Company's Articles of Association, law and applicable regulations. The Directors have power to issue and buy back shares in the Company pursuant to the terms and limitations of resolutions passed by shareholders at each Annual General Meeting of the Company. No such power was exercised during the year under review. Directors' interests in the share capital of the Company are shown in the table on page 81.

## Change of control

The Company's debt facilities include provisions that take effect on a change of control and provide that the Company may be unable to draw down any further amounts and/or that such facilities may be cancelled, thus restricting the Company's ability to operate.

## **Listing rule 9.8.4c**

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

## Directors' indemnities

Directors and Officers of the Company benefit from Directors' and Officers' liability insurance cover in respect of legal actions brought against them. In addition Directors are indemnified under the Company's articles of association to the maximum extent permitted by law, such indemnities being qualifying third party indemnities.

## Annual General Meeting

The Annual General Meeting will be held on 30 April 2020. The Notice of Annual General Meeting circulated with this Report and Accounts contains a full explanation of the business to be conducted at that meeting. This includes a resolution to re-appoint Deloitte LLP as the Company's Auditor.

Signed on behalf of the Board

**David Gormley**  
**Company Secretary**  
19 February 2020

Registered Office:  
20 Western Avenue  
Milton Park  
Abingdon  
Oxfordshire OX14 4SH  
Registered in England No. 02087786

The background image shows a modern architectural complex with a prominent glass facade featuring a geometric pattern of triangles. The sky is filled with warm, orange and yellow hues of a setting sun. A large, solid red diagonal banner covers the right side of the image, containing the title text.

# CORPORATE GOVERNANCE

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# CORPORATE GOVERNANCE

## Chairman's Introduction

### Governance and culture

The Group's strategic priorities and progress against them is set out on page 21. Whilst achieving these objectives is key to the Group's future, the Board also believes that maintaining high standards of governance is an important ingredient to drive success. Whilst the formal rules that apply to RPS as a listed Group are important in maintaining standards in this area, good governance is also about culture, behaviours and how we do business. The Board is therefore committed to ensuring that the Group's values and standards are set at the top and embedded throughout the Group. The work to define purpose, promise and behaviours is described elsewhere in the Annual Report and are an important component in this process.

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At the start of 2019 we launched our new brand and introduced our behaviours that underpin our purpose and promise and give us the framework to focus on absolute delivery. Created by our people our behaviours are at the heart of our people strategy discussed in the people section of this report. The launch of our new global brand was an important step in our evolution and defined who we are, signifying a change in mindset and further setting the framework for our strategic direction.

### Framework and compliance

During the year under review the Group was subject to the revised UK Corporate Governance Code which was published in July 2018 (the 'Code'). During the year the Group has moved to be fully compliant with the Code and considers that apart from Whistleblowing remaining under the remit of the Audit Committee was fully compliant in all other areas of the Code at the end of the year. The areas where we have moved towards compliance are discussed in more detail within the Corporate Governance Report on page 60. The Code contains broad provisions together with more specific provisions which set out standards of good practice in relation to Board leadership and effectiveness, accountability and remuneration and relations with shareholders. The

Annual Corporate Governance Report that follows together with the reports from each of our principal committee chairs explain how, in a practical sense, the provisions of the Code have been applied throughout this period.

The Board continues to operate within the framework of a Board Charter which clarifies the respective roles of the Chairman, Chief Executive and Non-Executive Directors as well as incorporating a schedule of matters reserved for Board approval and the terms of reference of the Board Committees.

Whilst in a people business, risk management and internal control needs to remain an integral part of our culture the Group's formal systems of risk management and internal control continue to develop as outlined in the Annual Corporate Governance Report below.

### Leadership and performance

The further changes that have occurred at Board level during the year are detailed in the Annual Report of the Nomination Committee. The Board as now constituted incorporates a strong and appropriate balance of skills and experience and having undergone a number of changes in recent years I expect it to be stable in membership for the foreseeable future. The Board is, I believe, well equipped to provide an appropriate balance of leadership and oversight as the Group pursues its strategic objectives and is working well with executive management to offer support and robust challenge as appropriate. The Board's agenda will continue to balance oversight and governance of the business with the ability to debate and examine forward looking strategy including changes to the business environment and the markets in which we operate. During the year the Board again undertook a two day review of strategy with the Group Leadership Team.

The review of effectiveness, which I led towards the end of the year, and which was then considered by the Board, is described in the Annual Governance Report. As the Board has now been working as a

cohesive unit for just over two years, under its current membership, it found that there were no specific areas for improvement but did note that unscheduled calls between the Board that happen between meetings worked well. The exercise continued to confirm my view that the Board is discharging its duties described to good effect. Whilst we had previously contemplated undertaking an external review of performance, we concluded that against the backdrop of further changes in Board membership such an exercise would be premature. We will look to conduct an externally facilitated review during 2020.

### **Workforce and shareholder engagement**

Notwithstanding the formal framework within which the Board operates, it is important that it remains connected with and understands the wider business. The Board receives regular presentations from business and functional areas within the Group and has commenced a programme of holding Board meetings at operating business locations, a practice that it intends to develop further during 2020. The two day strategy review mentioned above was undertaken in conjunction with the Group Leadership Team and provided an excellent opportunity for the Board to gain greater insight into the challenges facing our business.

The Board are encouraged to visit the offices of the Company and meet and hear from our people about their expectations and experience of working for RPS. During the year we also appointed Catherine Glickman as the Non-Executive Director responsible for workforce engagement and Catherine has visited a number of offices during the year meeting with staff and holding various Q&A sessions on these visits.

During 2018 steps were taken to improve the Group's engagement with the investment community. The Chief Executive Officer and Finance Director meet regularly with the Company's shareholders both through individual engagement with our largest shareholders and through investment presentations and investor roadshows. During the year I met with a number of our major shareholders, who noting the difficult year that the Group has experienced, remain fully supportive of the strategy that is being implemented by the Chief Executive Officer and his leadership team. Liz Peace, who was appointed as the Senior Independent Director, has also met with some of the Group's shareholders.

In December 2019 we renewed the Remuneration Policy of the Group for another three years, following extensive consultation with our shareholders led by Catherine Glickman, Chair of the Remuneration Committee, I am happy to note that we received a vote of 87.15% in favour of the Remuneration Policy.

### **2019 AGM**

At the Annual General Meeting held in May 2019 the Company received a vote of 22% against my reappointment as Chairman of the Group. Although this is disappointing from a personal level, this was due to concerns raised about the number of Board positions that I hold. This is covered more fully in the report from the Senior Independent Director on page 67.

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### **The year ahead**

We will continue to focus on governance as an important element in the achievement of our strategic priorities and key to this is our focus on our behaviours and culture as key elements in driving good governance.

"It is clear to me, from the conversations I have had at all levels in the organisation, that the changes occurring in the organisation are significant and that everyone is focused on creating a single RPS that addresses the challenges of our clients in a consistent way so that complex is made easy."



**Ken Lever**  
Chairman

19 February 2020

# CORPORATE GOVERNANCE

## Overview and compliance

The Chairman's statement on pages 58 to 59 incorporates comments relating to the governance of the Group; and provides a backdrop to this detailed report.

The Board operates within the framework of a charter incorporating the key aspects of the Group's governance arrangements. This includes the definition of roles, responsibilities and authorities as applicable to the Board, its Committees and its individual Directors.

Throughout the year the Board has focused firmly on progressing to a target of full compliance with the provisions of the Corporate Governance Code 2019 (the 'Code'). There are specific instances where it has not achieved full compliance in the last year:

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**Whistleblowing Policy:** The Company's Whistleblowing Policy allows for employees to raise any matters of concern securely, and is overseen by the Audit Committee. The Board reviewed the current structure of the Company's whistleblowing arrangements resulting that in the first instance the Whistleblowing policy should remain under the remit of the Audit Committee, but with the addition that any incidents reported through the policy be reported to the Board together with recommendations for follow up actions or processes to be instigated.

As all Board members attend meetings of the Audit Committee either as a member or an invitee, it is to be expected that the Board will be aware at all times of any incidents that arise in this area.

**Post-Employment Shareholding:** The Company confirmed in its 2018 annual report that it would be reviewing and subsequently renewing its Remuneration Policy during 2019. Part of that review would include the development of a formal policy for post-employment shareholding. The new Remuneration Policy includes a post-employment shareholding requirement, effective from 1 January 2020 and discussed more fully in the Remuneration Report on pages 74 to 92.

**Executive Director Pension Contribution Rates:** As part of the review of the Remuneration Policy the Remuneration Committee reviewed the pension rates of the current Executive Directors, and has implemented a policy for all new Executive Director appointees to pay a pension contribution in line with the wider workforce. There is no change to the current pension contributions of Executive Directors already employed at such level by the Company. This is explained more fully in the Remuneration Committee report on pages 74 to 92.

This report and the following report of the Committee Chairs describe the structures, processes and events through which compliance was achieved in 2019.

## Board structure

At the date of this report the Board comprised two Executive Directors, four Non-Executive Directors and the Chairman. During the year Robert Miller-Bakewell rotated off the Board at the Annual General Meeting having served over nine years as a Non-Executive Director of the Company. Robert has been replaced in his role of Senior Independent Director by Liz Peace. With the announcement of our preliminary results we also announced that Gary Young will be retiring from the Board after 20 years with the Company and will be succeeded by Judith Cottrell. Gary will retire from the Board at the 2020 Annual General Meeting, at which time it is proposed that Judith will be elected to the Board by the shareholders.

The Board Charter referred to above incorporates descriptions of the distinct roles of the Chairman and Chief Executive.

The Chairman provides leadership to the Board of Directors, sets its agenda and is responsible for its overall effectiveness and performance. This includes ensuring all Directors receive the right information in order to take a full and constructive part in Board discussions. The Chairman, with the involvement of the Executive Directors, also seeks to ensure effective communication with shareholders and will meet with major shareholders as reasonably required.

The Chief Executive is responsible for all executive management matters within the Group. This incorporates the development of Group strategy, budgets and business plans as well as providing effective executive leadership and developing a culture which strikes an appropriate balance between entrepreneurship and the management of risk. The role of the Non-Executive Directors is to provide independent and considered advice to the Board in matters of strategy, risk and performance, whilst providing governance oversight through operation of the Board's Committees. The Board is satisfied that all Non-Executives are independent and that there are no circumstances or relationships (as detailed in the guidance notes of the Code) that may affect judgements. Catherine Glickman was formerly engaged in a consultancy capacity by the Group for a short period during 2017–2018 to undertake specific tasks, the Board was satisfied at the time of her appointment that this did not constitute a material business relationship that would affect her independence. The Chairman and the Non-Executive Directors are generally appointed for three-year terms, which may subsequently be extended. Any term beyond six years for a Non-Executive is rigorously reviewed, taking account of the requirement to refresh the Board.

The Senior Independent Director is available to shareholders who wish to raise concerns that cannot be resolved through the Chairman, Chief Executive or Finance Director. Liz Peace has performed the role of Senior Independent Director from May 2019 onwards following Robert Miller-Bakewell stepping down at the Annual General Meeting. The Board is assisted by the Audit, Remuneration and Nomination Committees. Separate reports from each of these Committees can be found on pages 68 to 92. The Chairman of each Committee provides regular updates at Board meetings.

All Directors are subject to annual re-election by shareholders.

## Board responsibilities

The Board Charter incorporates a comprehensive schedule of matters that are reserved for its decision and which include the following:

- Determination of the Group's overall strategy
- Approval of annual budgets and business plans
- Financial reporting including annual and half year results and market updates

- Recommendation and approval of dividends and other capital distributions
- Approval of material corporate transactions including all acquisitions
- Approval of policies and systems for risk management and internal control
- Appointment of key advisers to the Group
- Approval of major items of capital expenditure
- Any substantive change in the nature of the Group's activities

Matters falling outside the Board's reserved list are delegated to the Group executive under the leadership of the Chief Executive. Responsibilities are, subject to clear written limits, delegated further to the Group's business segments. The Group Leadership Team meets regularly throughout the year and retains operational oversight of the Group's activities. This team currently consists of: the Chief Executive, Group Finance Director, Group Marketing Director, Group People Director, Chief Information Officer, Group Strategy Director and the Group's six principal business leaders.

## Board meetings and operation

The Board has eight scheduled meetings during the year but will meet on other occasions should circumstances require. The Board's agenda seeks to achieve a balance between review of performance, strategy development, adoption of appropriate corporate policies, risk management and regulatory obligations. During the year the following items were considered at each meeting:

- Safety performance
- Financial and business performance
- Strategic priorities
- Emerging risks
- Material employment issues
- Significant litigation
- Investor and City relations

In addition to these, and at the appropriate point the Board also considered:

- The Group's Annual Budget and Business Plan
- Group results and the Annual Report and Accounts
- Significant market announcements
- Board performance
- Review of internal control and risk management
- Dividends and dividend policy
- Reports from Board Committee Chairmen
- Other matters reserved for Board approval

	<b>Full Board</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>Nomination Committee</b>
Ken Lever	14	–	–	3
John Douglas	14	–	–	–
Gary Young	14	–	–	–
Robert Miller-Bakewell*	6	1	7	1
Allison Bainbridge**	13	4	5	3
Liz Peace****	14	3	9	2
Michael McKelvy ***	14	2	10	3
Catherine Glickman****	14	3	10	3
Number of meetings held	14	4	10	3

\* Robert Miller-Bakewell retired as a director on 1 May 2019.

\*\* Allison Bainbridge was appointed to the Remuneration Committee on 18 February 2019 and missed one board meeting which was called at short notice and she was on holiday without a mobile signal at the time.

\*\*\*Mike McKelvy was appointed to the Audit Committee on 18 February 2019.

\*\*\*\* Catherine Glickman was appointed to the Audit Committee on 18 February 2019.

\*\*\*\*\* Liz Peace was unable to attend meetings of the Remuneration, Nominations and Audit Committees, due to a prior board engagement with another Company.

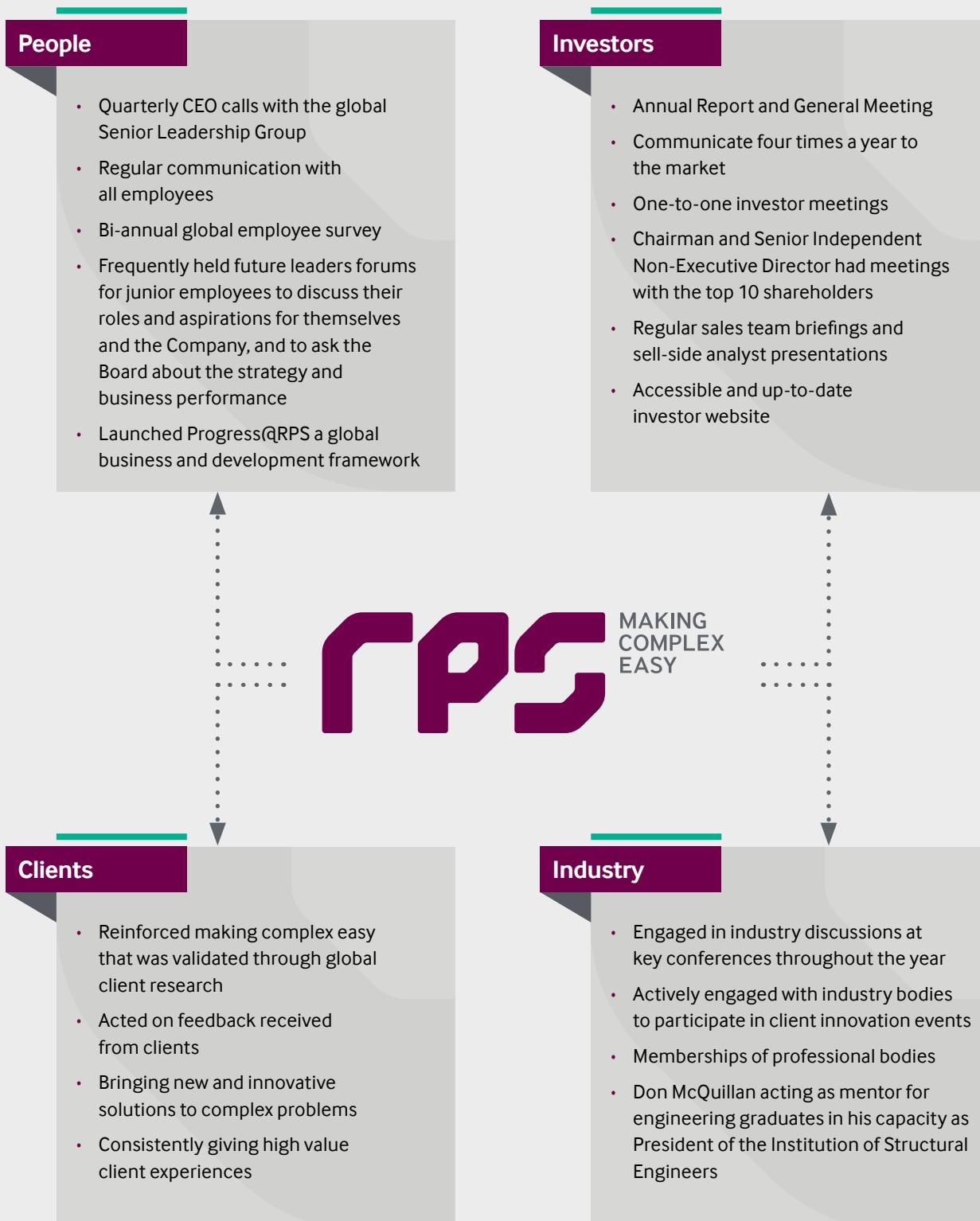
- A presentation from the CEO of Australia Asia Pacific discussing the issues and performance of the business during the year.
- The Board also received a number of presentations from the Chief Information Officer on the introduction of a new ERP system into the business.

Prior to the holding of a majority of the Board meetings, the Chairman will hold a private session with the Non-Executive Directors to discuss the forthcoming business of the meeting and any particular issues that they should focus on in the Board meeting. Outside of Board meetings the Chairman holds regular discussions with all Directors, on issues that may arise between meetings and to provide briefings. The Non-Executives met once

during the year without the Chairman present. Each Director is required to declare any interests that may give rise to a conflict of interest with the Company on appointment and subsequently as they may arise, in accordance with the Companies Act 2006. Where such a conflict or potential conflict arises the Board is empowered (under the Company's articles of association) to consider such conflicts and authorise as appropriate and subject to such terms as the Board deems relevant. No such conflict arose during the year under review.

There is an agreed procedure for Directors to take independent professional advice at the Company's expense. The Company maintains Directors and Officers liability insurance.

# Stakeholder engagement



## Board performance

The Board undertakes an annual appraisal of its performance. Given the substantive changes to Board membership in 2017 and further changes during 2018 it was again concluded that a highly structured evaluation process would be of limited value at this point. The Chairman engaged with all of the Company's Directors across a range of topics during this time as a strategic action to ascertain any areas of concern and suggestions.

The results of the exercise were reported to the Board as a whole for discussion. The Board noted that there were no major areas of concern that required immediate attention, but it was noted that having update calls in-between scheduled Board meetings worked well and that this should be utilised more throughout the year.

The Board continues to review progress in these areas as an ongoing action. A more structured review will be undertaken during 2020, potentially involving an external facilitator if felt required.

## Directors duties – Section 172

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The Board is mindful of its duties under Section 172 of the Companies Act 2006, to promote the success of the Company and with regards to all its stakeholders and has complied with this in the following ways:

### **The Board is encouraged to visit the various locations of the Group and meet and discuss various topics with employees**

Director	Engagement opportunities with employees
<b>Ken Lever</b>	<p>During 2019 the Chairman visited a number of office locations In Consulting UK and Ireland he visited our offices in Wolverhampton, Warrington, Manchester and Newcastle He also went to the consulting business in Derby and our laboratory in Bedford, being parts of our Services UK and Netherlands business And then towards the end of the year he spent a week visiting our offices in Perth, Brisbane, Melbourne and Sydney He has in previous years visited our operations in North America, Netherlands, Norway, Ireland, Northern Ireland and Scotland</p>
<b>Catherine Glickman</b> (as workforce representative)	Held town hall gatherings across a number of our UK locations and in Australia
<b>Liz Peace</b>	<p>Met our Corporate Responsibility Lead to advise on our approaches to corporate responsibility Supported our London office in their gender diversity initiative at MIPIM 2019</p>
<b>Mike McKelvy</b>	<p>Visited our offices in Rhode Island and attended the Group Leadership Team meeting Assisted John Douglas in interviewing the preferred candidate for the Chief Executive Officer role in North America</p>

**Consequences of decisions in the long term:** In the 2018 Annual Report the Group determined five clear strategic priorities for the business. We were very clear in setting these strategies that they were aimed at building long term sustainable growth for the future and that remains very much the case today. We were clear that investment would be required to support the strategy where it had not existed before and that during this period of growth our profits would therefore be subdued. This was clearly articulated to our shareholders who to date have supported us in the execution of our strategic aims and we have achieved significant progress in the aims during the last 24 months.

In 2019, we delivered on brand enabling us to move to focus on client experience and our priority of energising the Energy business is complete. With this progress, these five priorities have evolved into three strategic priorities of people, clients and connectivity.

**Employees:** The Group's core strategy is our purpose, promise and behaviours which we talk about extensively throughout the Annual Report. This is the Group's DNA and one of our core strategic priorities is our "People and making RPS a great place to work". When the Board meets it regularly holds informal lunches with staff members who are invited to join the Board and discuss their roles and aspirations for themselves and the Company and at the same time to ask questions of the Board, on strategy and business performance. These are mostly junior staff who have

been identified as future leaders of the business. The Board also received a presentation from the board on Prospects, an employee development platform which aims to align future leaders across the organisation, focused on personal and professional development whilst driving value and efficiency. Open to employees up to Associate level, its purpose is to prepare our leaders of tomorrow by equipping them with skills that ensure the continuity and prosperity of the business.

The Group also launched during the year Progress@RPS, a global business and development framework, which is discussed more fully in the people section of the Annual Report.

**Customers:** Our brand has been intentionally created with our clients at the core and we are now in a strong position to deliver a return on the investment that we made in 2018/2019.

Repeatedly delivering high value client experiences that exceed expectations and consistently delivering on our promise of making complex easy at every interaction is at the centre of everything we do.

In 2020, our focus will be on using data insights to deliver connected client experiences by generating trackable, measurable leads at every stage of the client journey to further strengthen our client relationships resulting in long-term loyalty, repeat work and reduced cost of sales.

**Community and environment:** The Board has noted that we need to improve our own Corporate Responsibility priorities. We as a Company are involved in various environmental projects, we have unrivalled global capabilities that enable our clients to develop environmental and socially responsible solutions. We have recognised the growing opportunities in offshore wind and will leverage our brand reputation into new and emerging markets to achieve organic growth in our top line revenue.

We have also appointed a Corporate Responsibility Lead to the business, and this will be a major area of focus for the business in the year ahead, building out our Corporate Responsibility policies and Liz Peace has been instrumental in reviewing the Company's plans for the year in this area.

**High standards of business conduct:** The employees of the Company are obliged to act in a legal, ethical and responsible manner. These obligations apply to all staff who work for the Company. The Company has a suite of policies in

place from anti-bribery to a code of conduct and we have a moral and legal responsibility to safeguard all our employees and others affected by our operations and services. The Board receives regular health and safety updates at all meetings. The instances of accidents has slightly increased during the year but there is nothing systematic or any trends that have been identified, to cause a matter of concern.

#### **Act fairly between the members of the Company:**

Shareholders are invited to attend the Company's Annual General Meetings and ask questions of the Board. The Board have met with shareholders at various times during the year in one to one meetings as requested and through result presentations to our institutional shareholders. There has also been a series of investor roadshows to promote the Company and encourage prospective shareholder investment.

The Company's investor website page [<https://ir.rpsgroup.com/>] on its corporate website [<https://www.rpsgroup.com>] gives access to a wealth of longstanding and new information on the Company and its activities.

#### **Training and induction**

Directors receive information on the Company as well as the Board and its procedures on appointment. They also meet with other members of the Board to be briefed on strategy, financial matters and other key issues. The foregoing applied to all Directors appointed during the year. Advice is available from the Company's solicitors, auditors and brokers if required. Updates on key technical matters are provided as required including those relating to corporate governance and corporate social responsibility. During the year the Chairman and Non-Executive Directors met with and received presentations from members of the Group Leadership Team as well as engaging with the Group's wider business activities more generally.

The Non-Executive Directors have access to a training academy managed by Deloitte LLP.

#### **Communication**

The Company attaches great importance to communication with its shareholders and other stakeholders. The Group website includes financial presentations, general information about the Group and its services, as well as regular corporate reporting including public details on projects the Company is engaged on. In addition to presenting financial results, the Executive Directors hold meetings with the Company's principal shareholders to discuss the

Company's strategy and performance. The Chairman and Senior Independent Director also meet with major shareholders from time to time. An investor relations update is provided at all regular Board meetings to ensure that the Board is kept aware of the views of larger shareholders and the investment community generally.

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

### **Risk management and internal controls**

#### **Overview**

The Board retains overall responsibility for setting the Group's risk appetite as well as risk management and internal control systems. The Board has maintained procedures in accordance with this throughout the year and up to the date of approval of the financial statements, as recommended in the UK Corporate Governance Code and the supporting document issued by the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The principal risks to which the Group is exposed and the measures to mitigate those risks are described on pages 42 to 44.

The key procedures established by the Company's Directors to ensure effective internal financial controls are:

#### **Financial reporting**

The Financial results for the Group are reviewed at each Board meeting. The detailed formal budgeting process for all Group businesses culminates in an annual Group budget approved by the Board.

#### **Financial and accounting principles and internal financial controls assurance**

The Group's accounting policies, principles and standards for effective financial control are clearly communicated to all its accounting teams, assured by the Internal Audit Manager through periodic detailed reviews to ensure close adherence to policies and procedures as well as to identify any control weaknesses.

#### **Capital investment**

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

#### **Treasury**

The Group operates a central treasury function that undertakes required borrowing and foreign exchange transactions as well as daily monitoring of bank balances and cash receipts. Appropriate payment authorisation processes are in place throughout the Group. Trading in financial instruments is not permitted.

#### **Base controls**

The internal controls self-assessment system launched in 2017 by the Group Assurance Manager is now operational throughout the Group. Within this, the Finance Directors of the Group's operating units regularly assess their operational controls against a standard base control set, to identify and mitigate any shortcomings effectively and inform new controls where appropriate.

#### **Delegated authorities**

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

#### **Review and reporting**

Internal controls and in particular any failures are reported to and reviewed at Group and operating Board meetings to facilitate effective implementation of system changes wherever required. The Audit Committee maintains a brief to keep the overall internal control systems under review. A detailed review of the Group's internal control system and risk management was undertaken and reviewed by the Board during the year. The Board and the Audit Committee were satisfied that the systems in place are appropriate and effective.

#### **Annual review**

A detailed report of the Group's systems of risk management and internal control was prepared during the year. Having reviewed and discussed this report the Board was satisfied that these systems are effective.

The respective responsibilities of the Directors and the independent auditors in connection with the accounts are explained on pages 54 and 100. The statement of the Directors in respect of going concern appears on page 45. The long term viability statement is on page 45.

#### **Takeover directive**

Disclosures required under the Takeover Directive are included on page 56 and form part of the Group's Corporate Governance report.

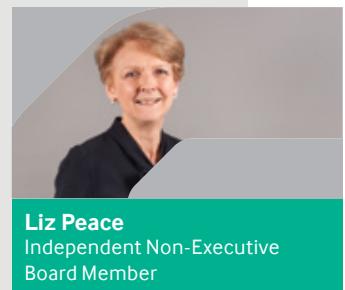
Response to

# SHAREHOLDER CONSULTATION

## Report from the Senior Independent Director

### Annual General Meeting

At the Annual General Meeting that was held on 1 May 2019, 22.09% of votes were cast against the re-election of Ken Lever as Chairman of the Company. In discussions with some of the Company's shareholders they raised concerns on the number of directorships that the Chairman held and although this was highlighted by Glass Lewis and ISS within their proxy reports they did not believe this warranted a vote against.



**Liz Peace**  
Independent Non-Executive  
Board Member

Following the vote, I personally wrote to a number of our top shareholders, and specifically to those shareholders who voted against the resolution, to explain why the Board of RPS believed that the Chairman was the right person to lead the Company forward.

The Board is aware that there was a change in the Corporate Governance Code, which made specific recommendations as regards to an additional Board role for an Executive Director. A number of institutional investors and proxy advisors have developed more specific guidelines, which cover the overboarding of both Executive and Non-Executive Directors.

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In the letter to shareholders I clearly explained that on his appointment to the Board in November 2016 the Chairman had, at that time, a number of other appointments and had indeed resigned from two of his positions during the year. We note that this was a main concern of shareholders in that it could undermine the Chairman's ability to serve effectively on the Board of RPS, particularly at times when the Chairman may be required to involve himself at short notice, such as when urgent issues arise for the Company. Over the period that the Chairman has been on the Board of RPS he has not, to date, missed a Board meeting, or committee meeting of the Company. Furthermore, the Company does hold ad hoc Board and Committee calls and the Chairman has been in attendance at all of these meetings.

I also pointed out that the Chairman does not hold a full time executive role and had calculated that during the last two years he had to commit to circa 150 days in fulfilling his various directorship roles, this would leave him with at least 70 free business days within a year, to devote to other activities.

The Board does monitor the appointments that the Non-Executive Directors hold and in the case of the Chairman we have no concerns in the Chairman being able to fulfil his role on behalf of RPS.

The Board of RPS believes that the Chairman plays a pivotal role in helping drive the strategy of the Group and we remain fully supportive of the role and guidance he provides to the Company and fully endorse his continuing role as Chairman of the Company.

In the letter, I did offer to meet with shareholders if they had any concerns and was happy to discuss any governance issues but did not receive any responses.

A copy of the letter has been posted on the Company's investor website.

# NOMINATION COMMITTEE REPORT



**Ken Lever**  
Chairman of the  
Nomination Committee

19 February 2020

I am pleased to report to shareholders in my capacity as Chairman of the Nomination Committee. This report outlines the key responsibilities of the Committee and activities during the year. The previous two years were a busy period for the Nomination Committee, with the appointment of a new Chief Executive Officer, and a number of changes to the Board. The last year has seen a settling down of the Board.

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## Membership and meetings

I and all of our Non-Executive Directors, Allison Bainbridge, Catherine Glickman, Mike McKelvy and Liz Peace are members of the Committee. The Company Secretary acts as secretary of the Committee whilst Executive Directors and external agents may be asked to attend as required. The Committee met three times during the year.

## Responsibilities and activities

The Committee's key responsibilities include reviewing the Board structure, size and composition; as well as evaluating the balance of skills, knowledge and experience which may be required in the future and making recommendations to the Board accordingly. It is also responsible for nominating candidates to the Board when vacancies arise, recommending retiring Directors for re-election as relevant, and where appropriate considering any issues relating to any Director's continuation in office. The Committee also maintains an ongoing brief to consider succession planning at Board and Senior Executive level.

All of these activities were undertaken during the year, some of which are described in more detail below. The Committee has written terms of reference which are available on the Company's website.

## Board changes

After serving on the Board for over nine years Remuneration Committee Chairman Robert Miller-Bakewell stepped down from the Board at the 2019 Annual General Meeting. Robert has been replaced by Catherine Glickman. Catherine has extensive HR experience and having served on other remuneration committees, it was always the intention that following her appointment as a Non-Executive Director she would assume the role of the Chair of the Remuneration Committee from Robert.

The Nomination Committee further recommended to the Board the appointment of Liz Peace as the Senior Independent Non-Executive Director. Liz has extensive experience as a director both in the private and public sector and was widely endorsed as the appropriate person for this role.

The Nomination Committee has been aware that the Group Finance Director would at sometime be looking to retire from the Board of Directors and in holding sessions with management and in particular, looking at succession, the Committee had identified Judith Cottrell as a possible long term successor to Gary when he retired. Judith has experience of working initially as the CFO for Europe and then moved into an interim role as the Chief Executive Officer for Europe and then Consulting, following the split of the segments. In preparing Judith for this role, she also underwent the KPMG C Suite programme which is a programme to develop individuals to undertake senior Board level roles.

The Committee did also consider external candidates for the role but were of the opinion that Judith would be the best person for the role having a wide knowledge and understanding of the Group's operations.

### **Election and re-election of Directors**

As in previous years and in accordance with the UK Governance Code all Directors will stand for election or re-election at the Annual General Meeting. The range of skills and experience offered by the current Board is mentioned above and set out in full on pages 50 to 51. The Committee and the Board consider the performance of each of the Directors standing for election or re-election to be fully satisfactory and that they have demonstrated ongoing commitment to their roles. The Board therefore strongly supports the election or re-election of all Directors and recommends that shareholders vote in favour of the relevant resolutions at the Annual General Meeting.

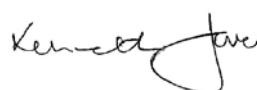
### **Succession planning**

The Board and Group Leadership Team have been through a period of substantial change over the last three years, with a significant number of new appointments having been made as the new team was built. Whilst the Committee has considered succession issues against the backdrop of what should now be a stable Board and executive team it intends to further develop and formalise succession plans for key roles during 2020 and beyond.

### **Diversity**

The Committee is aware that the Code places an increased emphasis on the role of the Nomination Committee in the areas of diversity and inclusion. When considering appointments to the Board the Committee evaluates the skills, experience and knowledge required for a particular role with due regard to the benefit of diversity. Whilst the Committee will look to recruit the best available candidate for any role, the Company has previously set and announced a target that a minimum of 25% of its Board should be female. Following Robert Miller-Bakewell's retirement from the Board 43% of the Board are female. The female membership of the Group Leadership Team is 33%. Further information on gender balance is also given in the People report. The Committee is pleased to report these trends and believes that the enhanced balance of skills that this has brought will be an important component in achieving the Group's strategic priorities.

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# AUDIT COMMITTEE REPORT



**Allison Bainbridge**  
Chair of the  
Audit Committee

I am pleased to present our Audit Committee report for the year ended 31 December 2019. The report below describes the Committee's ongoing responsibilities as well as the major activities undertaken in the year, and its policies in a number of key areas.

19 February 2020

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## Membership and meetings

There have been a number of changes to the membership of the Committee during the year, following Robert Miller-Bakewell's resignation from the Board of Directors at the Annual General Meeting. Catherine Glickman and Mike McKelvy were both appointed as members of the Committee and the membership constitutes myself, Liz Peace, Catherine Glickman and Mike McKelvy.

As the serving Finance Director of a fully listed public company I am identified as the Committee member having recent and relevant financial experience, although the Board considers that all members of the Committee have experience that is relevant to the role. The Company Secretary acts as secretary of the Committee.

The Committee held four meetings during the year: these included one to consider audit planning and one to coincide with each of the publication of the Group's annual and interim financial results. Other matters which fall within the Committee's terms of reference are included on the agendas of these meetings as required. The Group Chairman, Group Chief Executive and Group Finance Director all attend the Committee's meetings and members of the Group Finance team are asked to attend from time to time. The Deloitte Audit Partner and Director also attend meetings and with whom the Committee has a private session at least once a year without executive management present.

## Responsibilities and activities

The Audit Committee provides an independent overview of the effectiveness of the financial reporting process and internal financial control systems. This incorporates the appointment of the external auditors including: agreeing their terms of engagement at the start of each audit, the audit scope and the audit fee.

At the conclusion of the full-year audit and interim review the Committee receives a detailed report from the auditors. The Committee reviews this report, and the integrity of the accounting statements, ensuring that statutory and associated legal and regulatory requirements are met as well as:

- Considering significant reporting judgements and estimates
- The adoption of appropriate accounting policies and practices and compliance with accounting standards

It incorporates consideration of significant accounting issues, as detailed below, and advising the Board in relation to the fairness, balance and understandability of the Annual Report.

The Committee monitors the external auditor's effectiveness, independence and objectivity – including the nature and appropriateness of any non-audit fees. The Committee additionally assists the Board in monitoring and reviewing the Group's internal control and risk management procedures as described in the Corporate Governance Report. This includes review of the Group's whistleblowing policy whereby employees may, on a confidential basis, raise concerns with regard to improprieties relating to financial reporting, internal control or other matters. All the activities detailed above were undertaken in the year, some of which are described in more detail below. The Committee's detailed terms of reference can be found on the Company's website.

### **Significant accounting issues**

In respect of the year under review and as part of its role in reviewing estimates and judgements made by management, the following significant issues were reviewed and in each case addressed as indicated.

#### **Intangible assets**

This classification of assets is by far the largest on the Group balance sheet and as such receives careful attention from the Board and Committee to ensure that its carrying value is appropriate. Goodwill impairment testing is normally undertaken at 30 November; in 2019 additional impairment testing of the Group's Australia Asia Pacific and North American cash generating unit ('CGU') groups was undertaken at 31 May due to the underperformance of those business units relative to budget.

The Board and Committee considered the appropriateness of the CGU's for goodwill testing, along with the assumptions and estimates used in the modelling including the approved budgets for 2020 and the three year strategic plan.

After careful consideration, the Board and Committee concluded that it was appropriate to book an impairment charge of £19.8m against the Group's Australia Asia Pacific CGU grouping given the performance and prospects of that

CGU group and the growth expectations for that business in the medium term. See note 14 to the financial statements for further information.

In respect of the other CGU groups, consideration was given as to:

- Whether there were any indicators of impairment in respect of other non-current assets; and
- Whether a reasonably possible change in any one key assumption could give rise to an impairment

For these CGUs, the Board and Committee agreed that no indicators of impairment existed and that a reasonably possible change to any one assumption would not lead to an impairment.

#### **Contingent liability**

The Board and Committee considered in detail potential issues regarding RPS' administration of government contracts and/or projects in the USA. RPS has informed the US government of these potential issues and is continuing to identify the implications, if any, of the conduct under review. The related employment claims against the Group were also considered.

After careful consideration, the Board and Committee are satisfied that, at this stage, the impact (if any) is unknown and that it is not appropriate to recognise a provision in respect of these matters at this time. The Board and Committee are also satisfied that it is appropriate to treat these matters as contingent liabilities.

#### **Exceptional items**

This year the Group has presented Exceptional items in the Income Statement. A paper was presented to the Committee detailing the items in question and confirming that those items are significant in quantum and are expected to be non-recurring.

The Board and Committee are satisfied that it is appropriate to separately disclose those items.

### **Recoverability of trade receivables and accrued income**

Potential risks arising from trade debtors not collected and/or non-billable accrued income therefore being overstated in the accounts is considered by the Board on an ongoing basis: at its regular meetings as part of its review of business performance.

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

### **Fair balanced and understandable view**

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Having reviewed the Report and Accounts, the Committee concluded and advised the Board that in its view the Report and Accounts for 2019 taken as a whole is fair, balanced and understandable. The Board then separately considered the advice before formally concurring with the Audit Committee's recommendation. In reaching this conclusion the Committee and the Board were satisfied that the Group's performance across its segments, as well as its business model, strategy and the key risks that it faces are clearly explained in the relevant sections of the Report and Accounts for 2019.

### **New accounting standards**

2019 was the first year in which accounts have been produced in accordance with IFRS 16 'Leases'. During the year the Committee received papers detailing the transition process and the impact of IFRS 16 on the Group accounts.

### **Auditor independence**

Deloitte LLP was appointed as Group Auditor in June 2012 following a comprehensive tender process. As general policy audit partners are rotated at least every five years. The Group's policy is that the Group audit appointment should be retendered at least every ten years. The Group Audit Partner in the previous year was Andrew Bond who completed two audits. Following a review of our relationship with Deloitte, Alex Butterworth took over the Group Audit Partner role from Andrew. The Committee ensures that the Group Auditor remains independent of the Group and reviews this on an annual basis, with Deloitte providing a written report to the Committee showing its compliance with professional and regulatory requirements to ensure independence.

In addition and as part of its responsibility to ensure audit independence and objectivity, the Committee has adopted a policy in relation to the use of the auditors for the provision of non-audit services.

Under the terms of this policy the provision of certain services are prohibited, including those listed below:

- Bookkeeping services
- Valuation services
- Investment advisory, broker and dealing services
- General management services
- Preparation of financial statements
- Design and implementation of financial systems
- Taxation services

Notwithstanding the general prohibition in respect of certain services, any other non-audit service to be provided by the Auditor requires the approval of the Group Finance Director who will in turn refer the matter to the Audit Committee should any potential for conflict exist. The split between audit and non-audit fees for 2019 appears in note 11 to the consolidated financial statements.



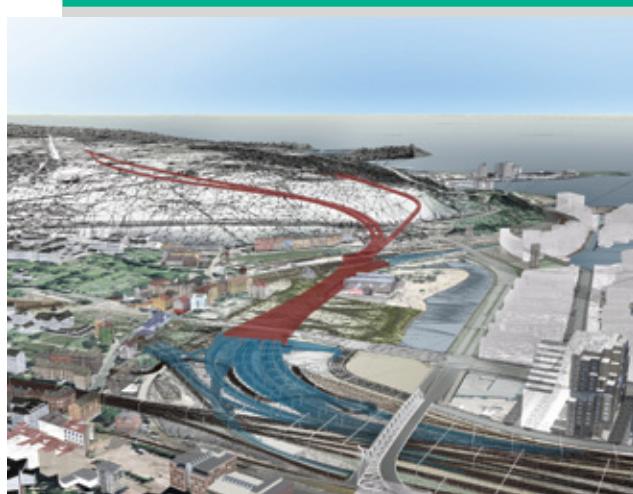
**Halvard Kilde**  
CEO  
Norway

## Re-appointment of auditors

As noted above the Audit Committee keeps the scope, cost and effectiveness of the external audit under review. The Committee reviews the effectiveness of the annual audit prior to making recommendations for the annual re-appointment of auditors. This assessment is based upon the Committee's interactions with the external auditor and through feedback from finance teams across the Group. The Committee is satisfied that Deloitte continues to provide an effective service across the Group and accordingly recommended to the Board that a resolution to re-appoint Deloitte as auditor be proposed at the next Annual General Meeting.

## Internal control and audit

The Committee also monitors the ongoing effectiveness of the Group's internal financial controls and risk management processes as described on page 42 as well as assisting the Board with its annual assessment of this area. Internal audit within the Group is undertaken by the Internal Audit Manager who has a dual reporting line to the Chairman of the Audit Committee and the Group Finance Director. The Internal Audit Manager undertakes a planned programme of reviews across the Group's operations that is approved in advance by the Audit Committee. Detailed reports are produced following each review and any related follow-up actions identified and in some cases further summary reports provided to the Audit Committee for consideration.



**SHOWCASING OUR ABILITY TO TRANSFER  
OUR PROJECT MANAGEMENT SKILLS  
FROM GAS AND OIL TO TRANSPORT AND  
INFRASTRUCTURE WORKING ON BIG  
AND OFTEN COMPLEX PROJECTS.**

### Oslo S / Oslo Central Station

The Follo Line – view from Oslo Central Station towards the Ekeberg hill.

Source: Bane NOR/ViaNova

# REMUNERATION COMMITTEE REPORT



**Catherine Glickman**  
Independent Non-Executive  
Board Member

I am pleased to present the report of the Remuneration Committee for 2019, which consists of my Annual Statement and the Annual Report on Remuneration, which follows on pages 76 to 90.

19 February 2020

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## Membership and meetings

I took over the role of Chair of the Committee following Robert Miller-Bakewell's retirement from the Board earlier in the year. I am grateful to Robert for establishing the core remuneration policy effective from 2017: I plan to continue to evolve this in line with RPS' strategy. During the year, Alison Bainbridge was appointed to the Committee, joining Liz Peace and Mike McKelvy, all as independent Non-Executive Directors of the Board.

## Remuneration policy renewal

During 2019, we conducted a full review of the remuneration policy as our current policy expired on 31 December 2019. After discussion, we proposed minimal change as the Committee considered that, for this cycle, the policy was aligned with the Company strategy and the design targeted delivery of the right performance metrics. We put the proposals out to consultation with our major shareholders and were pleased that so many engaged with us. After receiving feedback, we introduced a post-employment shareholding requirement and confirmed that, for current Executive Directors, we would keep the position on pension contribution under review. In December 2019, shareholders voted in favour of the Remuneration Policy with a 87.15% majority vote. We thank shareholders for their feedback during the consultation and support of the policy which became effective on 1 January 2020.

## Review of advisors

In the 2018 Annual Report we announced that we would be reviewing our remuneration advisors. The Committee invited a number of advisors to meet with the Remuneration Committee Chair, prior Remco Chairman and members of management. The Committee chose Mercer to act as the Company's principal remuneration advisor and they have been advising us since May 2019.

## Framework

The objectives of the remuneration policy continue to be to reward delivery of the strategy and results, to be fair and competitive, and retain and motivate the Executive Directors. These were the objectives of both the 2017 and 2020 policy.

The Committee believes that there should be a competitive base package of salary and benefits, with variable incentives rewarding short and long term results. The Short Term Annual Bonus Scheme – the STABP – rewards annual results of which adjusted PBTA forms the largest part, supported by cash conversion and achievement of Personal Objectives. The 3 year incentive - the Executive Long Term Incentive Plan (ELTIP) – is linked to long term growth of the value of the business, with performance metrics linked to EPS, Total Shareholder Return and Cash Conversion. We made our first awards under the ELTIP in FY2017 for the financial years from FY2017

to FY2019. ELTIPs are due to vest in 2020 and will be reported in next year's report. ELTIP awards made in 2019 and proposed for 2020 are detailed in the Annual Report on Remuneration on page 79, together with the targets for the 2020 awards.

### **Performance and outcomes for 2019**

Under the STABP, the bonus opportunity for John Douglas is up to 150% of basic salary and for Gary Young, up to 125%. The performance metrics were adjusted PBTA (70%), cash collection (20%) and achievement of Personal Objectives (10%).

In 2019, the threshold and maximum targets for PBTA were £50.2m and £56.9m respectively. PBTA was £37.3m (2018: £50.2m) so no bonus was earned for this element. For cash conversion, threshold and maximum were set at 80% and 100% respectively. Cash conversion was 90% (2018: 94%), so partial bonus was earned in respect of this element.

The Personal Objectives are outlined on page 79 of the Annual Report on Remuneration. For the Chief Executive, they were linked to the Group's strategic priorities, for the Group Finance Director, to key operational priorities. The Committee concluded that the objectives for both John Douglas and Gary Young had been partially met, and that each Executive should receive 50% of the maximum award under this element. A commentary on performance against the objectives is provided on page 79.

The table on page 78 details the bonus earned in respect of each element and the total bonus payable to the Executive Directors. The Committee was satisfied that the policy had operated as intended in 2019 and that the rewards were commensurate with the business performance: discretion was exercised in relation to achievement of personal objectives. Under the normal terms of the STABP, 50% of any bonus earned is payable in cash and 50% deferred in shares over a three year period. In light of the retirement of Gary Young at this year's AGM, the Remuneration

Committee has exercised its discretion under the terms of 2017's policy and agreed that FY2019's bonus payment to Gary Young will be paid wholly in cash, with no deferral. John Douglas has elected to take all of his bonus in the form of deferred shares.

### **Implementation of policy for 2020**

We have reviewed the salary of the CEO, increasing it by 2% - the increase of the wider workforce – to £518,600 with effect from 1 January 2020. John Douglas helpfully offered the Remuneration Committee the opportunity to balance any salary increase with a reduction in his pension contribution: we thank John for this offer and have accepted it.

The CEO will participate in the STABP in 2020 with maximum opportunity of 150% of salary. The performance conditions will be unchanged: 70% will be earned on adjusted PBTA, 20% on cash collection and 10% on Personal Objectives.

In respect of the ELTIP, John will receive an award of shares equal to 150% of salary. A two year post-vesting holding period will apply to any shares that vest. Further details of the terms of participation in these plans for 2020 are shown in the Annual Report on Remuneration on page 89.

### Appointment of new Finance Director

The Company has announced the retirement of Gary Young as the Group Finance Director and Board Director effective from the time of the AGM, and I would like to recognise the contribution Gary has made over a long and successful career with RPS. We are pleased that we are able to appoint an able and well qualified internal successor, Judith Cottrell, who knows the business well and can rapidly make a contribution as she joins the Board. We have agreed an appointment salary of £250,000: in future years, as Judith develops in the role, the Committee reserves the right to increase her salary at a rate higher than general awards for staff to ensure she is appropriately rewarded for her role. Her annual incentive opportunity is up to 125% of basic salary and her ELTIP award of shares will be 125% of salary – the same as her predecessor. In line with our policy, Judith's pension contribution has been reduced and aligned with that of the wider workforce at 5%, rising to 7% in July in line with her length of service with RPS. The other terms of her remuneration are in line with policy and will be disclosed in the 2020 Annual Report on Remuneration.

We will continue to review the remuneration policy as the strategy and remuneration guidance develops, recognising that this is a fast moving area, and that requirements are continually changing. We welcome engagement with shareholders, and should anyone wish to engage with me, I can be contacted at [investorrelations@rpsgroup.com](mailto:investorrelations@rpsgroup.com)

*Catherine Glickman*

#### CATHERINE GLICKMAN

Chair of the Remuneration Committee  
19 February 2020

# REMUNERATION AT A GLANCE

## Summary of our current Remuneration Policy and structure for FY19

Key reward component	Key features
<b>Base salary and core benefits</b>	Competitive salary and benefits to attract right calibre of executive
<b>Short Term Annual Bonus Plan (STABP)</b> 70% PBTA 20% Cash 10% Personal	Max potential 150% of salary for CEO Max potential 125% of salary for GFD Key financial KPIs and personal objectives
<b>Executive Long Term Incentive Plan</b> 50% TSR 25% EPS 25% Cash	CEO Award up to 150% of salary GFD Award up to 125% of salary
<b>Shareholding requirements</b>	CEO: 200% of salary GFD: 150% of salary Ensure material personal stake in the business

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## Reward linked to performance

### What did we do?

Key reward component	What we have done
<b>Base salary</b>	Increased salaries for CEO and GFD by 2.7% <b>Salaries effective 1st January 2019</b> CEO : £508,400 GFD: £325,000
<b>Short Term Annual Bonus Plan (STABP)</b>	<b>Bonus</b> CEO : £114,000 GFD: £61,000
<b>Executive Long Term Incentive Plan (ELTIP)</b>	CEO : 420,234 shares value of £762,600 GFD: 223,866 shares value of £406,250

# ANNUAL REPORT ON REMUNERATION

This Report details how the Company's Remuneration Policy for Directors was implemented during the financial year ended 31 December 2019.

It has been prepared in accordance with the provisions of the Companies Act 2016, the Large and Medium-sized Companies, and Group's (Accounts and Reports) Regulations 2008 (as amended in 2013) (the 'Regulations'). An advisory resolution to approve this report and the Annual Statement will be put to shareholders at the forthcoming Annual General Meeting scheduled for 1 May 2020.

## Director remuneration for the financial year ended 31 December 2019 (audited)

### Executive Director's total single figure remuneration

The following table sets out the breakdown total of the remuneration received by each of the Executive Directors during the year under review, with the comparative figures for the prior financial year. Figures provided have been calculated in accordance with the Regulations.

Executive Director £000s	Base Salary or Fees		Benefits <sup>1</sup>		Bonus		Long Term Incentives <sup>4</sup>		Pensions <sup>3</sup>		All Employee Share Plan <sup>5</sup>		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Year														
<b>Executive</b>														
John Douglas	508	495	180 <sup>2</sup>	114	114	178	—	—	108	99	2	2	912	888
Gary Young	325	316	17	17	61	89	48	—	49	47	2	4	502	473

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#### Notes:

1. Benefits – the value of benefits for each Executive Director shown is comprised of a company car or car allowance, private medical insurance, life assurance and group income protection.
2. In the case of John Douglas this includes a relocation allowance of £76,000 per annum that is grossed up and includes a payment for the outstanding balance due for 2017 of £29,000, an outstanding balance of £56,000 in 2018 and a payment of £83,000 for the current year. The relocation allowance is time limited to 31 March 2021.
3. Pension – the Executive Directors are eligible to participate in defined contribution pension schemes, or receive a salary supplement or a combination of the two, the value of which has been shown in the single figure remuneration for each.
4. Long term Incentives: This relates to an exercise of 27,687 shares under the STABP that were exercised on 14 March 2019 at £1.74 per share.
5. This refers to the matching share award for John Douglas and Gary Young under the Share Incentive Plan.

## Short Term Annual Bonus Plan outcomes for the financial year ending 31 December 2019 (audited)

For 2019 John Douglas and Gary Young had a maximum annual bonus opportunity of 150% and 125% of basic salary respectively. For both Executive Directors the 2019 annual bonus determination was based on performance against PBTA (70%), cash conversion (20%) and personal objectives (10%). The table below provides information on the targets for each measure, actual performance and resulting bonus payment for each Executive Director.

Measure	Weighting	Performance required		Actual Performance		John Douglas	Gary Young
		Threshold (0% vesting)	Maximum (100% vesting)	Actual % of element	Value £000		
PBTA	70%	£50.2m	£56.9m	£37.3m	0	0	0
Cash Conversion	20%	80%	100%	90%	50%	£76,260	£40,625
Personal Performance	10% See below.					£38,130	£20,313
				Bonus achieved in 2019	£114,390		£60,938

Performance against the personal objectives and the Committee's assessment of performance for each Executive Director is set out in the table below.

<b>Director</b>	<b>Personal objectives set at the start of the year</b>	<b>Assessment against the targets</b>
John Douglas	<p>Deliver meaningful progress on our five strategic objectives and communicate with investors.</p> <p>Focus on improving the performance of the Australian business.</p> <p>Develop a succession plan for the Group Finance Director.</p> <p>Recommend and implement a succession plan for North America.</p> <p>Build the GLT into a high performing team.</p>	<p>The RPS brand was successfully launched, ProgressQ RPS and other initiatives were introduced; improved connectivity delivered new cross selling opportunities and the Energy business was revitalised.</p> <p>Organic growth was delivered in three segments, but the Australian business was particularly affected by the weak economy.</p> <p>Judith Cottrell was developed internally and will be appointed as the Group Finance Director in May 2020.</p> <p>Doug Matthys has been appointed as CEO North America, an internal promotion.</p> <p>The GLT continues to evolve into a strong leadership team.</p> <p>The Committee agreed that objectives had been met at 50% of target.</p>
Gary Young	<p>Refinance the revolving credit facility.</p> <p>Improve the production time of the ED report to the Board ensuring quality reviews at every level.</p> <p>Develop standardised Segment reporting for RPS to enable consistency and insight.</p> <p>Agree a development plan for the senior Finance team.</p> <p>As an ERP steering committee member, deliver the project on time, under budget and with agreed functionality.</p> <p>Develop a plan to deliver significant savings in the finance function to largely offset the additional costs of the ERP</p>	<p>The Revolving Credit Facility was renewed for a further three years.</p> <p>The Board reporting time achieved the targeted production date, with no reduction in quality of review.</p> <p>Segment reporting improved throughout the year, which resulted in better insight into business performance and consistency of interpretation.</p> <p>The senior Finance leadership has been developed: the team has strengthened with new appointments and promotions.</p> <p>ERP was launched on plan in part of Australia and the Netherlands: there have been some difficulties with the implementation which are being resolved: commitment remains to the ERP solution.</p> <p>A number of cost savings were implemented during the year.</p> <p>The Committee agreed that the objectives had met 50% of target.</p>

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The Committee has reviewed the overall bonus outcomes against corporate performance and believes that the bonuses earned are commensurate with the shareholder experience in 2019. Under the normal terms of the STABP 50% of bonus earned is payable in cash and 50% deferred in shares over a three-year period. John Douglas has elected to take all of his bonus in the form of deferred shares. Due to the fact that Gary Young is retiring, the Remuneration Committee has exercised its discretion under the terms of 2017's policy and agreed that FY2019's bonus payment to Gary Young will be paid wholly in cash, with no deferral.

#### **Executive Long Term Incentive Plan ('ELTIP') awards vesting in the financial year ending 31 December 2019**

There were no ELTIP awards vesting in the Financial Year ending 31 December 2019.

#### **ELTIP awards granted in the financial year ending 31 December 2019 (audited)**

The table below sets out the details of the ELTIP awards granted on 7 March 2019 to John Douglas and Gary Young, where vesting will be determined according to the achievement of certain performance measures.

<b>Director</b>	<b>Type of award</b>	<b>Basis of award</b>	<b>Face value of award at grant Date (£)</b>	<b>Number of shares under option</b>	<b>Vesting date</b>
John Douglas	Nil Cost Options	150% of salary	762,600	420,234	07/03/22
Gary Young	Nil Cost Options	125% of salary	406,250	223,866	07/03/22

Notes:

1. The number of shares to constitute these awards was calculated by reference to the average of the Company's closing share price over the period 4 – 6 March 2019 being 181.47p.

The awards will vest subject to achievement of the following targets.

Performance measure	Weighting	Measurement period	Performance target	Vesting level (% maximum)
Total Shareholder Return relative to the FTSE All Share	50%	Three years from date of grant	Upper Quartile	100%
			Median to Upper Quartile	Pro rata on a straight-line basis between 20% and 100%
			Below Median	0%
Average Annual Growth in Earnings Per Share (measured on a constant currency basis)	25%	Three financial years	9% p.a.	100%
			Between 3% and 9% p.a.	Pro rata on a straight-line basis between 20% and 100%
			Below 3% p.a.	0%
Cash conversion	25%	Three financial years	100%	100%
			Between 80% and 100%	Pro rata on a straight-line basis between 20% and 100%
			80% and below	0%

#### Share Incentive Plan ('SIP') awards granted in the financial year ending 31 December 2019

The following table sets out the number and value of matching and dividend shares that were awarded to the Executive Directors under the all employee Share Incentive Plan during 2019.

Executive Directors	Number of shares	Value of shares (£)
John Douglas	1,362	2,202
Gary Young	2,375	3,927

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Shares are valued by reference to their price as at date of award.

#### Payments to past Directors (audited)

No payments were made to past Directors during the year.

#### Payments for loss of office (audited)

No payments for loss of office were made during the year.

#### Non-Executive Directors total single figure remuneration (audited)

The following table sets out the breakdown total of the remuneration received by each of the Non-Executive Directors during the year under review, with the comparative figures for the prior financial year. Figures provided have been calculated in accordance with the Regulations.

Non-Executive Director £000s	Fee	Fee
Year	2019	2018
Ken Lever	140	136
Robert Miller-Bakewell <sup>1</sup>	27	64
Allison Bainbridge	55	55
Liz Peace	58	53
Michael McKelvy	52	33
Catherine Glickman	54	21

Notes:

1. Robert Miller-Bakewell resigned as a Director on 1 May 2019.

### Statement of Directors' shareholding and share interests (audited)

Directors' share interests as at 31 December 2019 or at date of retirement from the Board are set out below.

Director	Number of beneficially owned shares	Interests subject to performance conditions <sup>1</sup>	Interests subject to employment conditions <sup>2</sup>	Total interests
John Douglas	528,354	986,575	157,733	1,672,662
Gary Young	203,654	534,707	85,793	824,154
Ken Lever	70,000	—	—	70,000
Robert Miller-Bakewell	10,000	—	—	10,000
Allison Bainbridge	18,400	—	—	18,400
Liz Peace	7,000	—	—	7,000
Catherine Glickman	21,500	—	—	21,500

Notes:

1. Interests held under the Executive Long Term Incentive Plan.
2. Interests held under (i) The RPS Group Plc Short Term Annual Bonus plan and (ii) matching shares held for less than three years under the Share Incentive Plan.

Between 31 December 2019 and 18 February 2020 no changes in the share interests shown above occurred.

The Company's Remuneration provides that John Douglas and Gary Young are required to build and maintain shareholdings of 200% and 150% of basic salary respectively. As at 31 December 2019 John Douglas and Gary Young held beneficial shares in the Company equal in value to 179% and 108% of their respective salaries. Executive Directors are required to retain 50% of the post-tax number of shares vesting under the STABP and the ELTIP until this requirement is met and maintained.

### Short Term Annual Bonus Plan

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The interests of the Executive Directors under the STABP are set out below:

	Number of awards at 1 January 2019	Number of awards granted	Number of awards lapsed	Number of awards exercised	Number of awards as at 31 December 2019	Market Price at date of grant	Market price at date of exercise	Date from which released
John Douglas	56,789	—	—	—	56,789	250.83p	—	08/03/2021
	—	98,198	—	—	98,198	181.47p	—	07/03/2022
Gary Young	25,610	—	—	27,687 <sup>1</sup>	—	252.83p	174p	14/03/2019
	25,403	—	—	—	25,403	250.83p	—	08/03/2021
	—	49,005	—	—	49,005	181.47p	—	07/03/2022

1. The award included 2,077 shares accrued as a dividend reinvestment under the rules of the STABP. On the exercise of the award, Gary Young made a gain of £48,673.74.

The weighted average share price of awards exercised in the year was £1.74.

### Executive Long Term Incentive Plan (ELTIP)

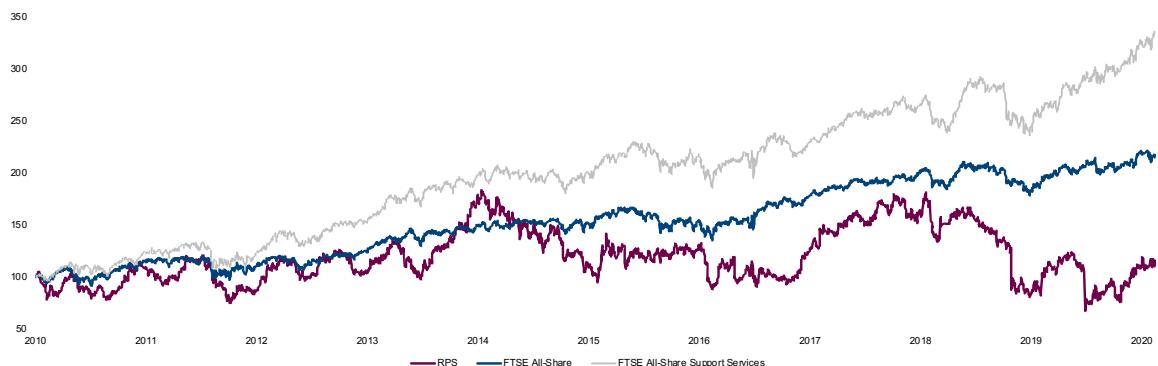
The interests of the Executive Directors under the ELTIP are set out below:

	Number of awards at 1 January 2019	Number of awards granted	Number of awards lapsed	Number of awards exercised	Number of awards as at 31 December 2019	Market Price at date of grant	Market price at date of exercise	Date from which released
John Douglas	270,324	—	—	—	270,324	274.67p	—	08/06/2020
	296,017	—	—	—	296,017	250.83p	—	08/03/2021
	—	420,234	—	—	420,234	181.47p	—	07/03/2022
Gary Young	153,265	—	—	—	153,265	252.85p	—	09/03/2020
	157,576	—	—	—	157,576	250.83p	—	08/03/2021
	—	223,866	—	—	223,866	181.47p	—	07/03/2022

## Total Shareholder Return Performance

The graph below shows the value of £100 invested in RPS over the past ten years compared with the value of £100 invested in the FTSE All Share and FTSE All Share support services. The Company has selected the FTSE All Share and the FTSE All Share support services as the broad equity market indices against which to compare the Company's total shareholder return performance as the Company has been a constituent member of these indices throughout the nine year period.

### RPS Group TSR performance against FTSE All Share Index and FTSE All Share Support Services Index



## Chief Executive Officer and employee pay

### Chief Executive Officer Remuneration

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The table below shows the Group Chief Executive's total remuneration and percentage of opportunity achieved for variable remuneration elements.

Element	2010 A Hearne	2011 A Hearne	2012 <sup>1</sup> A Hearne	2013 A Hearne	2014 A Hearne	2015 A Hearne	2016 A Hearne	2017 <sup>2</sup> A Hearne	2017 <sup>2</sup> J Douglas	2018 J Douglas	2019 J Douglas
Total Remuneration (single figure for the Year – £000s)	608	793	1,650	883	922	748	981	627	351	888	912
Annual Bonus (% of maximum opportunity)	46%	54%	77%	47%	32%	zero	20%	33%	33%	24%	15%
Long-Term incentives (%age of Maximum number of shares capable of vesting)	zero	13%	100%	zero	zero	zero	zero	zero	zero	zero	zero

#### Notes

- Single Figure for 2012 includes the payment of deferred balances under the previous bonus banking plan from 2010 and 2011. These balances were earned during these years but subject to deferral until the end of 2012 and at risk of performance based forfeiture.
- The remuneration shown for Alan Hearne for 2017 is in respect of the period to 31 August at which time he retired from the Board. The total remuneration shown for John Douglas is in respect of 2017 is for the period from 1 September 2017, when he was appointed as Group Chief Executive. The remuneration for John Douglas in 2017 includes a pro-rata of the annual bonus that was earned from 1 June 2017 being the date at which he joined the Board.

## Chief Executive Officer Pay Ratio

2019 is the first year for which RPS Group is required to publish a CEO pay ratio. As required by the reporting regulations, the Committee will build up this disclosure in future years to disclose the trend in the pay ratio over time. The table below provides the ratio between the CEO single figure total remuneration and total remuneration for all UK employees and the details of the salary and total remuneration for UK employees in 2019. We have chosen option B as our method for calculating the pay ratio for this report, consistent with the methodology for reporting of the gender pay gap.

	Year	Method	Pay ratio			Remuneration		
			25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
Salary	2019	B	23	16	12	£22,068	£32,050	£43,890
Total remuneration	2019	B	40	26	17	£22,719	£34,487	£52,387

The Committee has considered the findings of the pay ratio analysis which appear to be reasonable in the context of the RPS Group's sector and taking into account the composition of the Group's UK workforce against which CEO remuneration is compared. Going forward, the Committee will review the trend in pay ratio as well as the ratio for the relevant year, and seek to understand the drivers of any short- and medium-term changes to this. Mindful that the ratio of total remuneration will be volatile over time (in large part due to the relative weighting in the CEO's package of variable, performance-based incentives), the Committee has also decided to calculate and publish the pay ratio for salary only. We believe this additional perspective on relative pay (in particular the trend over time) will help ensure that RPS Group is delivering against its stated policy for Executive Director salary increases generally to be consistent with the range awarded across the Group more broadly.

## Percentage change in the Chief Executive Officer's remuneration

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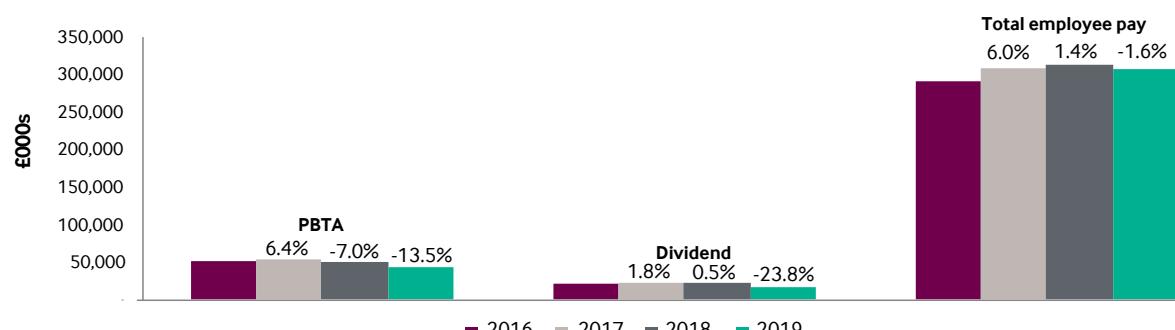
The following table shows the percentage change in the Chief Executive's salary, benefits and annual bonus between financial years compared to the percentage change for all Company employees.

	Percentage change from 2018 Financial Year to 2019 Financial Year	
CEO		Employees
Salary	2.7%	3.6%
Taxable Benefits	58% <sup>1</sup>	15%
Annual Bonus	-36%	24%

1. In the case of John Douglas this includes a relocation allowance of £76,000 that is grossed up per annum and includes a payment for the outstanding balance due for 2017 of £29,000 an outstanding balance of £56,000 in 2018 and a payment of £83,000 for the current year. The relocation allowance is time limited to 31 March 2021.

## Relative importance of spend on pay

The chart below shows the total remuneration paid to or receivable by all employees of the Company and total distributions to shareholders by way of dividends for the current and previous financial years: Profit before tax and amortisation is a key performance indicator for the Group and was the principal performance measure used under the Short Term Annual Bonus Plan.



## Committee organisation

### Role of the Remuneration Committee (“Committee”)

The Committee held 10 meetings in the year timed to ensure the proper discharge of the activities described below. The Group Chairman attends the meetings of the Committee. The Group Chief Executive and Group People Director also attend meetings, although they will not be present when discussion relates to their own remuneration. The Company Secretary acts as Secretary to the Committee and representatives from the Committee’s advisers, Mercer, attend meetings as and when required.

The Remuneration Committee is responsible for determining the overall policy for executive remuneration which is then subject to Board and shareholder approval. Within the context of shareholder approved policy the Committee is then responsible for determining the specific remuneration packages for the Executive Directors. This incorporates review of salaries as well as determining opportunities under incentive plans and performance conditions relating to those plans. Activities also include the determination of terms for any Executive leaving or joining the Board.

The Committee also has direct responsibility for the terms and conditions of those Senior Executives that sit immediately below Board level and form the Group Leadership Team. During the year, the Committee reviewed the terms and conditions of this group including future incentives and approved any changes thereto.

The Committee is cognisant of the provisions of the Code as they affect remuneration committees. A key provision relates to the review of wider workforce remuneration and the Committee’s remit has been extended to cover this. The Committee already considers employment conditions in the Group as a whole when setting Executive Director remuneration.

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The Committee’s detailed terms of reference can be found on the Company’s website.

### External advice

During the period January to April 2019 the Committee received external advice in relation to executive remuneration from PwC. Following a tender exercise taken out by the Committee, Mercer were selected to provide ongoing remuneration advice to the Committee and took over the role from PwC on 1 May 2019. Both PwC and Mercer are members of the Remuneration Consultants Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. PwC also undertook some tax advisory work for the Company during the year. The Committee reviewed the nature of the services provided and was satisfied that no conflict of interest exists or existed in the provision of these services provided by PwC and that the advice the Remuneration Committee received was objective and independent. The Committee can also confirm that Mercer provided no other services for the Company. The total fees paid to PwC in the year for services to the Committee amounted to £31,582. This fee was comprised of an annual retainer to cover certain standard advice and payment for additional services in respect of which fees were agreed on a case by case basis. No contingent fee arrangements were operated. The fees paid to Mercer during the period May 2019 to December 2019 were £23,190 and were agreed on a project by project basis.

## Shareholder voting

The Remuneration Committee's Annual Report for 2018 was approved at the Company's 2019 Annual General Meeting on 1 May. The voting for this resolution is shown below.

<b>Annual report</b>	<b>Number of Votes cast</b>	<b>% of Votes cast</b>
Votes for	155,214,497	95.47
Votes against	7,361,229	4.53
Total	162,575,726	100.00
Withheld	10,923,907	–

### Implementation of the remuneration policy for the year ending 31 December 2020

The Company's remuneration policy was approved by shareholders at a General Meeting held on 30 November 2016 and applied for 3 years until 31 December 2019. On 16 December 2019 the remuneration Policy was renewed for a further three years effective from 1 January 2020. The key components of this policy as they apply to the Executive Directors of the Company are set out on pages 74 to 75, together with any changes that have been made effective from 1 January 2020.

The full policy statement is available on the Company's website.

In respect of the Remuneration Policy that was approved at a General Meeting on 30 November 2016, the voting in respect of the report was as shown below:

<b>Remuneration policy</b>	<b>Number of votes cast</b>	<b>% of votes cast</b>
Votes for	159,064,587	90.55
Votes against	16,607,705	9.45
Total	175,672,292	100.00
Withheld	3,167,972	–

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In respect of the Remuneration Policy that was approved at a General Meeting on 16 November 2019, the voting in respect of the report was as shown below:

<b>Remuneration policy</b>	<b>Number of votes cast</b>	<b>% of votes cast</b>
Votes for	162,451,438	87.15
Votes against	23,949,709	12.85
Total	186,401,147	100.00
Withheld	58,147	–

Element, purpose and link to strategy	Operation and maximum opportunity	Performance measures and assessment	Implementation for 2020
<b>BASE SALARY</b>			
<p>To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group.</p>	<p>An Executive Director's basic salary is considered by the Remuneration Committee on appointment and normally reviewed once a year, or when there is a significant change to the role or responsibility.</p> <p>When making a determination as to the appropriate remuneration, the Remuneration Committee, where it is relevant, benchmarks the remuneration against the Company's comparator group (organisations of comparable size and or sector to RPS in the FTSE All Share).</p> <p>The results of benchmarking will only be one of a number of factors taken into account by the Remuneration Committee which includes:</p> <ul style="list-style-type: none"> <li>· individual performance and experience of the Executive Director;</li> <li>· pay and conditions for employees across the Group;</li> <li>· the general performance of the Group; and</li> <li>· the economic environment</li> </ul> <p>The Remuneration Committee policy in relation to salary is:</p> <ul style="list-style-type: none"> <li>· to position this around the median salary for the role on appointment, depending on experience and background; and</li> <li>· on promotion, to increase salary up to the median salary for the new role</li> </ul> <p>Annual percentage increases are generally consistent with the range awarded across the Group. Percentage increases in salary above this level may be made in certain circumstances – such as change in responsibility or significant increase in the scale of a role or the Group's size and complexity.</p> <p>Individuals recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases, subsequent increases in salary may be higher than the average until the target positioning is achieved.</p>	<p>A broad assessment of individual and business performance is used as part of the salary review.</p>	<p>With effect from 1 January 2020 the salary for John Douglas is £518,600.</p>

Element, purpose and link to strategy	Operation and maximum opportunity	Performance measures and assessment	Implementation for 2020
<b>BENEFITS</b>			
To provide competitive benefits and to attract and retain high calibre employees.	<p>The Remuneration Committee's policy is to provide a market competitive benefits package. The Executive Directors may receive the following benefits:</p> <ul style="list-style-type: none"> <li>· healthcare;</li> <li>· life assurance and dependents' pensions;</li> <li>· disability schemes;</li> <li>· company car or car allowance; and</li> <li>· other benefits as provided from time to time, such as relocation allowances on recruitment.</li> </ul> <p>Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits.</p>	Not applicable.	Benefits for 2020 will be provided in accordance with the policy. In the period up to 31 March 2021 John Douglas will continue to receive a relocation allowance of £76,000 pa.
<b>PENSION</b>			
To provide a competitive company contribution that enables effective retirement planning.	<p>The Executive Directors are eligible to:</p> <ul style="list-style-type: none"> <li>· participate in defined contribution pension schemes;</li> <li>· or receive a salary supplement;</li> <li>· or a combination of the two</li> </ul> <p>Other than basic salary, no element of the Directors' remuneration is pensionable. Salary supplements are not included in base salary in order to calculate other benefits and incentive opportunities.</p> <p>For incumbent Executive Directors the maximum employer contribution either to a pension scheme and/or provided as a salary supplement is 20% of base salary for the CEO and 15% of base salary for the FD.</p> <p>Under the new policy any new Executive Director appointments from 1 January 2020 will receive an employer contribution in line with that available for the wider workforce in the relevant market.</p>	Not applicable.	Pension benefits for 2020 will be provided in accordance with the policy. The pension contribution for John Douglas will be reduced relative to the salary increase received from 1 January 2020.

Element, purpose and link to strategy	Operation and maximum opportunity	Performance measures and assessment	Implementation for 2020
<b>THE RPS GROUP PLC SHORT TERM ANNUAL BONUS PLAN (THE 'STABP')</b>			
<p>To incentivise achievement of annual objectives which support the Group's short-term performance goals.</p>	<p>Maximum awards each year under the STABP are equal to 150% of salary. The performance period is one financial year with pay-out determined by the Remuneration Committee following the year end, based on achievement against a range of financial and non-financial targets.</p> <p>50% of the bonus award will be paid out in cash with the remaining 50% deferred into shares subject to a further three year vesting period. There are no further performance targets applicable to the deferred amount.</p> <p>Malus and clawback provisions may apply at the discretion of the Remuneration Committee where it considers such actions necessary and appropriate.</p> <p>The malus period would be up to the date of the bonus determination and three years after in respect of deferred shares under the STABP. The clawback period will be three years from the date of the bonus determination for any cash payments under the STABP.</p> <p>Participants may be entitled to dividend equivalents representing the dividends paid during the deferral period of the shares.</p>	<p>Performance targets will be set by the Remuneration Committee annually based on a range of financial and non-financial measures.</p> <p>Financial targets govern the majority of bonus payments, although non-financial metrics may also be used.</p> <p>The Remuneration Committee will determine the weighting of the various measures and targets to ensure that they support the business strategy and objectives for the relevant year.</p> <p>Targets are typically structured on a challenging sliding scale, with zero pay-out accruing for achieving threshold performance through to full pay-out for maximum performance.</p> <p>The Remuneration Committee has the discretion to adjust targets or performance measures for any exceptional events that may occur during the year.</p> <p>The Remuneration Committee has the discretion to make downward or upward movements to the amount of bonus earned resulting from the application of the performance measures, if it believes that the bonus outcomes are not a fair and accurate reflection of business performance.</p>	<p>The bonus opportunity in 2020 will be 150% of salary for John Douglas.</p> <p>The bonus awards in 2020 will be subject to achievement of three measures: PBTA (70% weighting), cash conversion (20% weighting) and personal objectives (10% weighting).</p> <p>The Committee considers prospective disclosure of targets to be commercially sensitive in relation to the trading performance of the Company but will disclose targets retrospectively following the financial year end.</p> <p>The bonus will normally be paid 50% in cash and 50% in shares deferred for a period of three years.</p>

Element, purpose and link to strategy	Operation and maximum opportunity	Performance measures and assessment	Implementation for 2020
<b>THE RPS GROUP PLC EXECUTIVE LONG TERM INCENTIVE PLAN (THE 'ELTIP')</b>			
<p>To incentivise Executives to achieve sustainable, strong, long term performance for the Company, to retain key individuals and to align their interests with shareholders.</p>	<p>Under the ELTIP, the Remuneration Committee may award annual grants of performance share awards in the form of nil-cost options or conditional shares ('ELTIP awards'). Maximum ELTIP awards each year are equal to 150% of base salary (200% of salary in exceptional circumstances). ELTIP awards will normally vest after a three year performance period subject to the achievement of the performance measures. The Remuneration Committee will retain the discretion to determine whether to attach a holding period to a particular award at the date of each grant.</p> <p>Malus and clawback provisions may apply at the discretion of the Remuneration Committee where it considers such action necessary and appropriate.</p> <p>The malus period will be up to the date of vesting (i.e. three years from the date of grant). The clawback period will be two years from the date of vesting.</p> <p>Participants may be entitled to dividend equivalents during the deferral period of the shares.</p>	<p>Financial and non-financial measures may be applied to awards under the ELTIP.</p> <p>Targets are typically structured on a challenging sliding scale, with no more than 20% of the maximum award vesting for achieving the threshold performance level through to full vesting for maximum performance. The Remuneration Committee has the discretion to adjust targets or performance measures for any exceptional events that may occur during the vesting period.</p> <p>The Remuneration Committee has the discretion to make downward or upward movements in the vesting of the ELTIP resulting from the application of the performance measures.</p> <p>If the Remuneration Committee believes that the outcomes are not a fair and accurate reflection of business performance.</p> <p>The Remuneration Committee will review the performance measures annually, in terms of the range of targets, the measures themselves and weightings applied to each element of the ELTIP. Any revisions to the measures and/or weightings in future years will only take place if it is necessary due to developments in the Group's strategy and, where these are material, following dialogue with the major shareholders.</p>	<p>The ELTIP awards granted in 2019 will be 150% of salary for John Douglas. The 2019 ELTIP awards will vest subject to the achievement of three measures: EPS (25% weighting), TSR (50% weighting) and cash conversion (25% weighting).</p> <p>Performance targets will be as shown in the separate table on page 91.</p>

Element, purpose and link to strategy	Operation and maximum opportunity	Performance measures and assessment	Implementation for 2019
<b>ALL-EMPLOYEE INCENTIVES</b>			
To encourage all employees to become shareholders and thereby align their interests with those of colleague shareholders.	<p>Eligible employees may participate in the Share Incentive Plan or country equivalent. Executive Directors will be entitled to participate on the same terms.</p> <p>Maximum participation levels for all staff are set by reference to the plan rules and relevant legislation.</p>	Not applicable.	Executive Directors will continue to be eligible to participate in the Share Incentive Plan.
<b>Shareholding guidelines</b>			
To ensure that Executive Directors' interests are aligned with those of shareholders over the longer term.	<p>The Executive Directors are required to build or maintain a minimum shareholding in the Company. Shares included in this calculation are those held beneficially by the Executive Director and their spouse/life partner.</p> <p>The shareholding requirement is determined by the Remuneration Committee and may be up to 200% of salary.</p> <p>Executive Directors will be required to retain 50% of their post-tax number of shares vesting under the STABP and ELTIP until their requirement is met and then maintained.</p>	Not applicable.	Shareholding guidelines will remain at 200% of salary for the Group Chief Executive and 150% of salary for other Executive Directors.
90	<p>The Post-Employment Policy stipulates that the post-employment shareholding for the Executive Directors will be:</p> <ul style="list-style-type: none"> <li>· In Year One the shareholding to be the lesser of the in employment shareholding requirement or the current shareholding</li> <li>· In Year Two this will reduce to 50% of the figure.</li> </ul>	Not applicable.	The new policy will apply from 1 January 2020 and will not apply to any historical awards, or voluntary shares purchased, including the voluntary deferral into shares of any bonus above the mandatory deferral requirement (50%) under the STABP.

The following performance targets will apply to the LTIP awards to be made to Executive Directors in 2020.

<b>Performance measure</b>	<b>Weighting</b>	<b>Measurement period</b>	<b>Performance target</b>	<b>Vesting level (% maximum)</b>
Total Shareholder Return relative to the FTSE All Share	50%	Three years from date of grant	Upper Quartile	100%
			Median to Upper Quartile	Pro rata on a straight-line basis between 20% and 100%
			Below Median	0%
Average Annual Growth in Earnings Per Share (measured on a constant currency basis)	25%	Three financial years	9% p.a.	100%
			Between 3% and 9% p.a.	Pro rata on a straight-line basis between 20% and 100%
			Below 3% p.a.	0%
Cash conversion	25%	Three financial years	100%	100%
			Between 80% and 100%	Pro rata on a straight-line basis between 20% and 100%
			80% and below	0%

### **Executive Director service contracts and Non-Executive letters of appointment**

#### **Executive Director service contracts**

When setting notice periods, the Remuneration Committee has regard to market practice and best governance practice. The Company's general policy is to provide contracts to Executive Directors with no greater than 12 months' notice.

The table below summarises the service contracts for the current Executive Directors.

<b>Executive Director</b>	<b>Date of contract</b>	<b>Notice period</b>
John Douglas	June 2017	12 months
Gary Young	September 2000	12 months

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None of the Directors' contracts provide for extended notice periods or compensation in the event of a change of control.

### Non-Executive Director letters of appointment

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment which provide for a review after an initial three year term. Each Non-Executive Director is subject to annual re-election at the Company's AGM. Details of the terms of appointment of the Non-Executive Directors are shown below:

Non-Executive director	Date of appointment	Unexpired term as at 31 December 2019
Ken Lever	November 2016	5 months
Allison Bainbridge	June 2017	6 months
Liz Peace	August 2017	8 months
Michael McKelvy	May 2018	17 months
Catherine Glickman	August 2018	20 months

No compensation is payable in the event of early termination. All service contracts and letters of appointment are available for viewing at the Company's registered office.

### Consideration of employee remuneration and shareholders

#### Consideration of shareholder views

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The Remuneration Committee takes the views of the shareholders very seriously and these have been influential in shaping remuneration policy and practice. Shareholders were consulted with in September 2019 on the renewal of the Remuneration Policy and their views were considered when evaluating and setting ongoing remuneration strategy. We also consulted with shareholders in February 2019 in relation to changes we were considering making to the remuneration policy. We would like to thank shareholders for their engagement and comments received during the year. The Remuneration Committee will continue to consult with shareholders prior to any significant changes to the remuneration policy.

#### Employment conditions elsewhere in the Group

In setting the remuneration policy for Directors, the pay and conditions of other employees of RPS is taken into account, including any base salary increases awarded. The Remuneration Committee has not expressly sought the views of employees and no remuneration comparison measurements were used when drawing up the Policy. Through the Board, however, the Remuneration Committee is updated as to employee views on remuneration generally.

*Catherine Glickman*

**CATHERINE GLICKMAN**

Chair of the Remuneration Committee



# **FINANCIAL STATEMENTS**

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# INDEPENDENT AUDITOR'S REPORT

to the members of RPS Group Plc

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion:

- the financial statements of RPS Group Plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes to the consolidated financial statements 1 to 33 and notes to the parent company financial statements 1 to 15.

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>Revenue recognition – accrued income cut-off; and</li> <li>Impairment of goodwill and long lived assets.</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <p> Similar level of risk</p>
Materiality	The materiality that we used for the group financial statements was £1.7m which was determined on the basis of 5% of profit before tax, amortisation and transaction related costs (PBTA) as detailed in note 3.
Scoping	We focused our group audit scope and work on the business units at 5 locations. Within the 5 locations, 19 business units were subject to a full audit scope, whilst the remaining 7 were subject to specified audit procedures. Our full scope audit testing and specified audit procedures covered 91% of revenue, 92% of PBTA, and 98% of net assets.
Significant changes in our approach	There have been no significant changes in our audit approach in comparison to the prior year except for classification of the Ireland component as it was not material in the current year, and therefore not subject to a full scope audit.

## Conclusions relating to going concern, principal risks and viability statement

### Going concern

We have reviewed the directors' statement in the Report of the Directors on page 49 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

**Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.**

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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### Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 42-45 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 42 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 45 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

**Viability means the ability of the group to continue over the time horizon considered appropriate by the directors.**

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

# Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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

There have been no changes to the key audit matters from the prior year.

## REVENUE RECOGNITION - ACCRUED INCOME CUT-OFF

Key audit matter description	<p>The group is engaged in the provision of consultancy services through contractual arrangements with its customers. Revenue for the financial year 2019 is £613m (2018: £637m) with accrued income of £46m (2018: £45m).</p> <p>The specific key audit matter is around the recognition of accrued income on fixed fee contracts over £50,000 where the contracts remain open at year-end. There is judgement required around the recognition of the revenue and its recoverability in estimating the stage of completion and the costs to complete fixed fee open contracts. Given the level of judgement involved in the recognition of revenue in relation to fixed fee contracts, we identified a risk of fraud in the recognition of revenue.</p> <p>The group's revenue recognition policy is disclosed in note 1(c).</p>
How the scope of our audit responded to the key audit matter	<p>We tested relevant controls over the recognition of revenue (including those related to accrued income recognition).</p> <p>Whilst relying on controls where we tested satisfactorily, we tested in detail a sample of accrued income and work-in-progress balances. We focused on fixed fee contracts over £50,000 by comparing them to the signed contract terms and where relevant agreeing inputs to the related time records, verifying customer acceptances, billing milestones/schedules, understanding and challenging the estimated costs to complete. In the locations where we were unable to rely on controls due to the results of our testing not being satisfactory, we increased the extent of our testing.</p> <p>In our assessment of the stage of completion, wherever relevant, we attended project status review meetings and observed the management's process as well as confirming status of projects.</p> <p>We recalculated the amount of revenue recognised against the percentage completion and ensured that they agreed to the general ledger record.</p>
Key observations	<p>Based on our procedures, revenue recognised in respect of accrued income for fixed fee contracts open at year end is appropriate.</p>

## IMPAIRMENT OF GOODWILL AND LONG LIVED ASSETS

Key audit matter description	<p>At 31 December 2019, the net book value of goodwill and long lived assets was £411m (2018: £418m). The associated disclosure is included in note 14, the audit committee report on page 71 and the accounting policy is disclosed in note 1(e).</p> <p>The assessment of the carrying value of goodwill and long lived assets is a key audit matter due to the quantum of the balance recorded and the number of judgements involved in assessing impairment. The trading announcement issued by the Group on 26 June 2019 and prior to that, on 25 October 2018 highlighted underperformance of certain segments of the group, namely Australia Asia Pacific and North America. The key audit matter is pinpointed to the key assumptions in the cash flow forecasts for the Australia Asia Pacific and North America CGUs, specifically assumptions on growth rates and the selection of appropriate discount rates.</p> <p>Management have identified an impairment charge of £19.8m against the Australia Asia Pacific CGU.</p> <p>In respect of the key audit matter, the CGUs cashflows are predominantly derived from outside of the European Union.</p>
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How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of the relevant controls over management review of goodwill and long lived assets impairment.</p> <p>Our work focused on challenging management's assumptions and the appropriateness of their judgements and forecasts used as part of their value in use calculations, specifically for Australia Asia Pacific and North America CGUs. This included discussions with both group and local management teams and corroboration of information obtained.</p> <p>We considered management's forecasts in light of current trading conditions by comparing them against current and historical results with particular focus on Australia Asia Pacific and North America CGUs. We worked with our valuation specialists to calculate an acceptable range of discount rates and compared our range to that determined by management.</p> <p>We examined the short-term and medium growth rates by using market data, relevant industry data and considering historical growth rates, in order to check for any contradictory evidence. We benchmarked the long-term growth rates against external peer group published rates and market data. We also performed sensitivity analysis on the amount and timing of cash flows.</p> <p>We have considered the adequacy of the associated disclosures.</p>
Key observations	We concur with management that the carrying value of goodwill and long lived assets as at 31 December 2019 is appropriately valued.

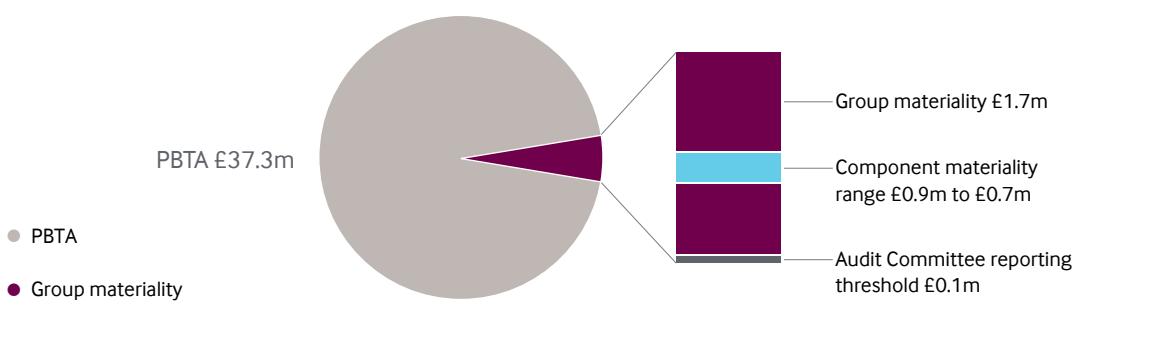
## Our application of materiality

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

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

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	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Materiality	£1,700,000 (2018: £2,500,000)	£850,000 (2018: £1,250,000)
Basis for determining materiality	5% of adjusted pre-tax profit, adjusted for amortisation and impairment of acquired intangible assets, transaction related costs and exceptional items (PBTA). This basis is consistent with the prior year.	Materiality determined at 3% of the parent company net assets. This was then capped at 50% of group materiality. This materiality equates to 0.5% of net assets.
Rationale for the benchmark applied	We chose this measure as it is the group's key profit performance indicator. It is also the primary measurement used by the users of the accounts and key stakeholders to measure the performance of the group. The group carries a material level of intangible assets, therefore on an annual basis, the results, including the impact of amortisation and acquisitions can be significantly distorted. Similarly, transaction related and other infrequent costs and are excluded as they are not reflective of the Group's trading performance in the year. Materiality has decreased by 32% from the prior year consistent with the decrease in PBTA in the year compared to prior year. The reduction in PBTA is due to a number of CGUs suffering reduced performance in the year.	Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value. Materiality has decreased by 32% from prior year consistent in line with group materiality due to the application of a component materiality threshold.



We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the group's overall control environment and that we consider it appropriate to rely on controls over a significant part of our revenue testing;
- the implementation in the year of a new Enterprise Resource Planning system in Australia and the Netherlands; and
- our past experience of the audit, which has indicated a low number of uncorrected misstatements identified in prior periods.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £85,000 (2018: £125,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls and assessing the risks of material misstatement at the group level.

Based on that assessment, we focused our group audit scope and work on the business units at 5 locations – UK, Australia, USA, Norway and Netherlands (2018: 6). With the exception of Ireland which was no longer in scope for the current year, these are the same locations as prior year. Within the 5 locations, 19 (2018:20) business units were subject to a full audit

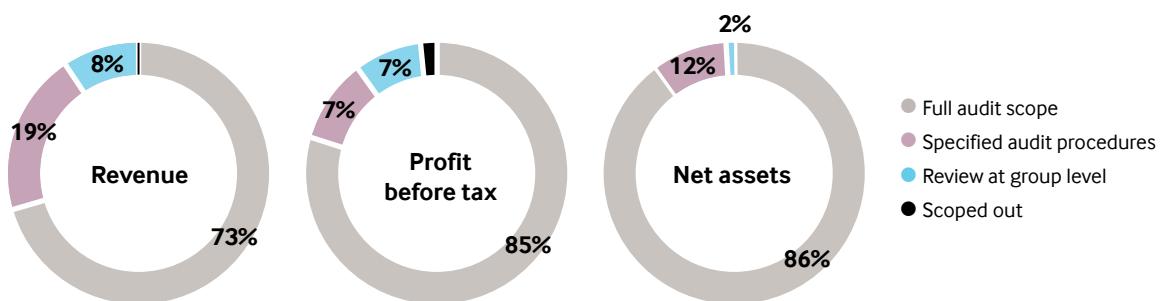
scope, whilst 7 (2018: 6) were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's operations at those locations.

These locations, incorporating those covered by specified audit procedures, account for 98% (2018: 97%) of the group's net assets, 91% (2018: 97%) of the group's revenue and 92% (2018: 94%) of the group's profit before tax, amortisation and transaction-related costs. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Component materiality ranged from £0.68m to £0.85m (2018: £1.0m to £1.25m).

At the group level, we also tested the consolidation process, impairment of goodwill and long lived assets, accounting for leases, accounting for acquisitions and related balances, borrowings, intercompany and carried out analytical procedures to support our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor and/or a senior member of the group audit team visits certain overseas components selected by the Senior Statutory Auditor based on his judgement. In the year, we visited three (2018: three) overseas locations (Australia, US and Norway) in addition to the UK. Every year, regardless of whether we have visited or not, we include the component audit partner and other senior members of the component audit team in our team briefing, discuss their risk assessment and review documentation of the findings from their work. The extent of our involvement which commenced from the planning of the group audit included:

- setting the scope of the component auditor and assessment of the component auditor's independence;
- designing the audit procedures for all significant risks to be addressed by the component auditors and issuing group audit instructions detailing the nature and form of the reporting required by the group engagement team;
- visits to three overseas locations where the group audit scope was focussed in addition to the work performed at the group head office;
- providing direction on enquiries made by the component auditors and reviewing their reporting documents submitted to the group audit team;
- a review of the significant risks work for all component auditors' including the three components we visited this year, Australia, US and Norway; and
- participating in the audit close meetings for each of the operating companies.



## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters

## Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform

audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

## Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, IT, Valuation and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in revenue recognition - accrued income cut off. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act,

Listing Rules, pensions legislation and tax legislation. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's operating license, regulatory solvency requirements and environmental regulations.

### **Audit response to risks identified**

As a result of performing the above, we identified revenue recognition – accrued income cut-off as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- enquiring of management, the audit committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax authorities where the case; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## Matters on which we are required to report by exception

### Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

## OTHER MATTERS

### Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board on 27 June 2012 to audit the financial statements for the year ending 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years, covering the years ending 31 December 2012 to 31 December 2019.

### Use of our report

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

### Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

**Alexander Butterworth ACA  
(Senior statutory auditor)**

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, UK

19 February 2020

## CONSOLIDATED INCOME STATEMENT

£000s	Note	Year ended 31 December 2019	Year ended 31 December 2018
Revenue	4,5	612,599	637,383
Recharged expenses	4,5	(56,099)	(63,226)
Fee income	4,5	556,500	574,157
Adjusted operating profit	3,4,6,7,8	43,377	54,041
Amortisation of acquired intangibles and transaction-related costs	3,6	(9,106)	(9,181)
Exceptional items	7	(23,359)	–
Operating profit		10,912	44,860
Finance costs	9	(6,243)	(4,111)
Finance income	9	172	232
Profit before tax, amortisation of acquired intangibles, transaction-related costs and exceptional items		37,306	50,162
Profit before tax		4,841	40,981
Tax expense	12	(6,072)	(11,240)
<b>(Loss)/profit for the year attributable to equity holders of the parent</b>		<b>(1,231)</b>	<b>29,741</b>
Basic (loss)/earnings per share (pence)	13	(0.55)	13.34
Diluted (loss)/earnings per share (pence)	13	(0.54)	13.23
Adjusted basic earnings per share (pence)	13	12.43	16.47
Adjusted diluted earnings per share (pence)	13	12.31	16.34

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£000s	Note	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	29	(83)	677
Tax on remeasurement of defined benefit provision liability	12	(18)	(149)
Exchange differences*		(12,263)	(2,174)
<b>Total comprehensive expense</b>		<b>(12,364)</b>	<b>(1,646)</b>
<b>Total recognised comprehensive (expense)/income for the year attributable to equity holders of the parent</b>		<b>(13,595)</b>	<b>28,095</b>

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

The notes on pages 107 to 142 form part of these financial statements.

## CONSOLIDATED BALANCE SHEET

£000s	Note	As at 31 December 2019	As at 31 December 2018
<b>Assets</b>			
Non-current assets:			
Intangible assets	14	<b>378,723</b>	385,699
Property, plant and equipment	15	<b>32,300</b>	32,005
Right-of-use assets	16	<b>44,766</b>	—
Deferred tax asset	23	<b>3,856</b>	3,795
		<b>459,645</b>	421,499
Current assets:			
Trade and other receivables	18	<b>156,990</b>	165,783
Corporation tax receivable		<b>961</b>	635
Cash at bank		<b>17,731</b>	17,986
		<b>175,682</b>	184,404
<b>Liabilities</b>			
Current liabilities:			
Borrowings	20	<b>1,361</b>	2,581
Lease liabilities	16	<b>10,011</b>	—
Deferred consideration	21	<b>3,105</b>	53
Trade and other payables	19	<b>104,786</b>	117,914
Corporation tax liabilities		<b>—</b>	3,648
Provisions	22	<b>913</b>	2,119
		<b>120,176</b>	126,315
<b>Net current assets</b>		<b>55,506</b>	58,089
104	Non-current liabilities:		
	Borrowings	20	<b>110,465</b>
	Lease liabilities	16	<b>39,784</b>
	Deferred consideration	21	<b>5,642</b>
	Other payables		<b>1,474</b>
	Deferred tax liability	23	<b>6,328</b>
	Provisions	22	<b>2,921</b>
			<b>166,614</b>
<b>Net assets</b>		<b>348,537</b>	377,572
<b>Equity</b>			
Share capital	24	<b>6,814</b>	6,783
Share premium		<b>121,937</b>	120,400
Retained earnings		<b>195,652</b>	213,656
Merger reserve		<b>21,256</b>	21,256
Employee trust		<b>(10,085)</b>	(9,801)
Translation reserve		<b>12,963</b>	25,278
<b>Total shareholders' equity</b>		<b>348,537</b>	377,572

These financial statements were approved and authorised for issue by the Board on 19 February 2020.

The notes on pages 107 to 142 form part of these financial statements.

John Douglas, Director

Gary Young, Director

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

## CONSOLIDATED CASH FLOW STATEMENT

£000s	Note	Year ended 31 December 2019	Year ended 31 December 2018
Net cash from operating activities	28	<b>37,602</b>	44,488
<b>Cash flows from investing activities:</b>			
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		<b>(30,880)</b>	(13,426)
<b>Cash flows from financing activities:</b>			
Costs of issue of share capital		–	(9)
Increase in bank borrowings		<b>23,449</b>	(8,891)
Payment of lease liabilities		(9,240)	–
Bank arrangement fees		(670)	–
Dividends paid	25	(16,855)	(22,115)
Net cash used in financing activities		<b>(3,316)</b>	(31,015)
Net increase in cash and cash equivalents		<b>3,406</b>	47
Cash and cash equivalents at beginning of year		<b>15,405</b>	15,376
Effect of exchange rate fluctuations		(2,441)	(18)
Cash and cash equivalents at end of year	28	<b>16,370</b>	15,405
<b>Cash and cash equivalents comprise:</b>			105
Cash at bank		<b>17,731</b>	17,986
Bank overdraft		(1,361)	(2,581)
<b>Cash and cash equivalents at end of year</b>	28	<b>16,370</b>	15,405

The notes on pages 107 to 142 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£000s	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 (note 24)	38	2,610	(799)	—	(1,858)	—	(9)
Share-based payment expense (note 31)	—	—	2,338	—	—	—	2,338
Transfer on release of shares	—	—	(659)	—	659	—	—
Dividends paid (note 25)	—	—	(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	—	—	<b>(1,240)</b>	—	—	<b>(52)</b>	<b>(1,292)</b>
Loss for the year	—	—	<b>(1,231)</b>	—	—	—	<b>(1,231)</b>
Other comprehensive income/(expense)	—	—	<b>(101)</b>	—	—	<b>(12,263)</b>	<b>(12,364)</b>
Total comprehensive expense for the year	—	—	<b>(1,332)</b>	—	—	<b>(12,263)</b>	<b>(13,595)</b>
Issue of new ordinary shares (note 24)	31	<b>1,537</b>	(566)	—	(1,002)	—	—
Share-based payment expense (note 31)	—	—	<b>2,707</b>	—	—	—	<b>2,707</b>
Transfer on release of shares	—	—	<b>(718)</b>	—	<b>718</b>	—	—
Dividends paid (note 25)	—	—	<b>(16,855)</b>	—	—	—	<b>(16,855)</b>
At 31 December 2019	<b>6,814</b>	<b>121,937</b>	<b>195,652</b>	<b>21,256</b>	<b>(10,085)</b>	<b>12,963</b>	<b>348,537</b>

The notes on pages 107 to 142 form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

RPS Group Plc (the 'Company') is a public company limited by shares domiciled in England under the Companies Act. The address of the registered office is given on page 56. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 7 to 48. The consolidated financial statements of the Company for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the 'Group').

### (a) Basis of preparation

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

During the year, the Group has adopted IFRS 16 'Leases' for the first time and the impact is disclosed in note 32 to the financial statements.

The adoption of IFRIC 23 'Uncertainty over income tax treatment' has not impacted on the current and deferred tax balances presented in the consolidated financial statements.

Except for IFRS 16 and IFRIC 23 the accounting policies set out below have been applied consistently to both years presented in these consolidated financial statements.

### (b) Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the purchase method. When the Group makes acquisitions the acquiree's identifiable

assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date in the Consolidated Balance Sheet. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the financial statements from the date control ceases.

### (c) Revenue

#### Consultancy

The Group delivers consultancy services to our clients on a time and materials or fixed fee basis. In both cases, revenue is recognised over the life of the project, as the services are performed by our staff. The Group delivers services that have no alternative use to us (advice to clients, which may take the form of reports, designs, etc.) as the services are specifically tailored to each client's projects and circumstances. The Group has a right to payment for work performed to date.

For time and materials projects, revenue is recognised in proportion to the number of hours worked and the out of pocket expenses incurred. For fixed fee projects, revenue is recognised with reference to the cost to complete the project.

#### Software

The Group sells licences and access to software and applications. The software may be customised by RPS for each client, and where we sell customised software we recognise revenue over the period of customisation. Access to applications is provided for a period and revenue is recognised evenly over that period.

#### Training

The Group provides classroom, field-based and online training services to clients, either on a course by course basis or through a program specifying the numbers of training days available to the client. Revenue is recognised as the courses are delivered to the clients. In some cases, subscriptions give access to training programmes and in those circumstances, revenue is recognised when the subscription is sold.

#### Equipment

From time to time, the Group sells pieces of equipment to clients. In these cases, revenue is recognised when control of the asset passes to the customer and we have no remaining rights over the asset.

#### Laboratory testing

The Group provides Laboratory testing services and the revenue generated is recognised as samples are tested.

#### Agency agreements

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

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#### Payment terms

For all revenue types, payment is typically due between 30 and 60 days after the invoice date, depending on the service, the client and the territory in which the Group is operating.

#### Fee income and recharged expenses

Revenue is classified into fee income and recharged expenses. 'Fee income' represents the Group's personnel, subcontractor and equipment time and expertise sold to clients. 'Recharged expenses' is the recharge of costs incidental to fulfilling the Group's contracts, for example mileage, flights, subsistence and accommodation, and subcontractor costs on which a negligible margin is earned by the Group.

#### Contract assets and liabilities

Contract assets are booked when the amount of revenue recognised on a contract exceeds the amount invoiced. Upon invoicing, the contract asset is reclassified to trade receivables. Where the amount invoiced exceeds the amount of revenue recognised, the difference is booked in contract liabilities.

### **Financing components**

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

### **(d) Deferred consideration**

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

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

### **(e) Intangible assets**

#### **i Goodwill**

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

Goodwill is stated at cost less any accumulated impairment losses and is not amortised as it has an indefinite life. Goodwill is allocated to Groups of cash-generating units and is tested annually for impairment.

#### **ii Other intangible assets**

Intangible assets other than goodwill that are acquired by the Group and internally generated software are stated at cost less accumulated amortisation and impairment losses. Where assets are under construction, these are reviewed at the balance sheet date to determine whether there is an impairment.

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

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

### **iii Amortisation**

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

The Group's intangible assets are amortised on a straight-line basis over their expected useful lives:

Customer relationships	5 to 10 years
Trade names	1 to 5 years
Order backlog	1 to 6 years
Software	4 to 8 years
Internally generated software	10 years
Intellectual property rights	4 years

### **(f) Impairment of non-financial assets**

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

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

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

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

### **i Calculation of recoverable amount**

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

### **(g) Judgements made in applying accounting policies**

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

### **(h) Sources of estimation uncertainty**

The key assumptions concerning the future and other sources of estimation uncertainty at the end of 2019 that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities are described below.

The Group performs an annual impairment review on goodwill and other non-current assets or whenever there are indicators of impairment. The recoverable amounts of cash-generating units have been determined from value in use calculations and these calculations include estimates about the future financial performance based on budgets and forecasts, medium and long-term growth rates, discount rates and the markets in which the Group operates.

Impairment indicators were noted during the year in the AAP and North America segments from poor performance. There is ongoing economic uncertainty in the UK associated with Brexit that may affect the cash flows generated by the segments which operate in the UK. Based on the calculations performed, all CGUs have significant headroom except for AAP (further discussion of this uncertainty can be found in note 14).

## 2. OTHER ACCOUNTING POLICIES

### (a) Foreign currency

#### i Foreign currency transactions

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

#### ii Financial statements of foreign operations

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

#### iii Net investment in foreign operations

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

#### iv Foreign currency forward contracts

Foreign currency forward contracts are initially recognised at nil value, being priced-at-the-money at origination. Subsequently they are measured at fair value (determined by level 2 inputs: price changes in the underlying forward rate, the interest rate, the time to expiration of the contract and the amount of foreign currency specified in the contract). Changes in fair value are recognised in the income statement as they arise.

### (b) Property, plant and equipment

#### i Owned assets

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

#### ii Subsequent costs

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

#### iii Depreciation

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

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

#### (c) Leases

The Group has applied IFRS 16 from 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and is reported under IAS 17. The impact of the change is disclosed in note 32.

From 1 January 2019, the Group assesses whether a contract is, or contains, a lease and recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

#### i Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- any restoration costs.

The right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the useful life and the end of the lease term. In addition, the right-of-use asset may be

periodically reduced by impairment losses and adjusted for certain remeasurements such as exercising a break or an extension option.

#### ii Lease liabilities

Lease liabilities are measured at the net present value of the following lease payments:

- fixed payments less any incentives receivable;
- variable lease payments based on an index or rate; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Extension and termination options are included in many property leases across the Group to maximise operational flexibility and these options tend to be only exercisable by the Group and not the lessor. In determining the lease term, the Group considers the facts and circumstances that incentivise the Group to exercise an extension or termination option. Extension options are included to the extent they are reasonably certain to be exercised. Likewise, the period after a termination option is only excluded from a lease if the option to terminate is reasonably certain to be exercised.

The lease payments are discounted using the incremental borrowing rate in all cases, as the interest rate implicit in the Group's leases cannot be determined. The lease liability is remeasured when there is a change in future lease payments arising from a change in index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset.

#### iii Short-term leases and low value assets

Payments associated with short-term leases and leases of low value assets are recognised as an expense in the income statement on a straight-line basis over the lease term. Short-term leases are leases with a term of 12 months or less. Low value assets generally include small pieces of office equipment such as coffee machines and photocopiers.

## 2. OTHER ACCOUNTING POLICIES CONTINUED

### iv Comparative information

The comparative information is presented under IAS 17. Leases which contained terms whereby the Group assumed substantially all the risks and rewards incidental to ownership were classified as finance leases. Assets acquired under a finance lease were capitalised at inception of the lease at the fair value of the leased asset, or if lower, the present value of the minimum lease payments. Obligations under finance leases were included in liabilities net of finance costs allocated to future periods. The finance charge was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

All other leases were classified as operating leases and charged to the income statement on a straight-line basis over the lease term. Lease incentives received were recognised as an integral part of the total lease expense.

### (d) Trade and other receivables

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

### Financial assets

The Group's financial assets consist of trade receivables, contract assets and cash. These assets are measured at amortised cost as the Group's business model for managing these assets is to hold them until realisation of the asset as cash.

### Impairment of financial assets

For trade receivables and contract assets, the Group applies the simplified impairment approach permitted by IFRS 9 which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics relating to the markets we operate in. The Group's history of such losses is not material, even

during significant downturns, and consequently the risk associated with Brexit is deemed to be limited.

### (e) Cash and cash equivalents

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

### (f) Employee benefits

#### i Defined contribution plans

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

#### ii Defined benefit plans

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

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

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit in the Group's defined benefit scheme.

#### iii Share-based payments

The Group operates share-based payment arrangements with employees.

The **Share Incentive Plan ("SIP")** is an all-employee share plan which operates in the UK, Ireland, Australia, Canada, Netherlands, Norway and USA. Employees

purchase partnership shares on a monthly or annual basis using deductions from salary and the Group matches this by awarding matching shares. These matching shares are awarded at no cost to the employee and are released to the employee subject to continuity of employment provision after three years.

#### The Performance Share Plan ("PSP")

is a discretionary share incentive arrangement for RPS Group Plc's senior employees. The awards are granted over a fixed number of shares at no cost to the employees. At the end of the three year holding period the award will vest subject to continuity of employment conditions.

#### The Energy Share Option Plan

is a discretionary share incentive arrangement for RPS Group Plc's senior employees within the Energy segment. The awards are granted over a fixed number of shares. At the end of the three year holding period, the award will vest subject to continuity of employment conditions. The employee can exercise the option to purchase the shares on payment of the option price to the Company at any point between three and ten years following the grant of the option.

#### The Executive Long Term Incentive Plan ("ELTIP")

is a discretionary share incentive arrangement for RPS Group Plc's senior employees. The awards are granted over a fixed number of shares at no cost to the employees. At the end of the three year holding period the award will vest subject to the achievement of the performance measures outlined in the Remuneration Report. There is then a two year holding period for awards that have vested.

#### The Short Term Annual Bonus Plan ("STABP")

is an incentive scheme for RPS Group Plc's senior employees based on the achievement of a range of financial and non-financial targets over a one year period. 50% of the bonus award is paid in cash and 50% is deferred into shares which are subject to a three year holding period. There are no further performance conditions applicable to the deferred shares.

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

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

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

#### **iv Accrued holiday pay**

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

#### **(g) Provisions**

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

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

#### **(h) Trade and other payables**

Trade and other payables are stated at cost. Trade payables due within one year are not discounted.

#### **Financial liabilities**

The Group's financial liabilities consist of trade and other payables, contract liabilities and borrowings and are measured at amortised cost.

#### **(i) Borrowings**

Bank overdrafts and interest bearing loans are initially measured at cost and subsequently stated at amortised cost.

#### **(j) Reserves**

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

##### **Share premium**

Premium on shares issued in excess of nominal value, other than on shares issued in respect of acquisitions when merger relief is taken.

#### **Merger reserve**

Premium on shares issued in respect of acquisitions when merger relief is taken.

#### **Employee trust**

Own shares held by the SIP and Employee Benefit trusts. When the shares are released to staff, the related entry to the employee trust reserve is reversed to retained earnings.

#### **Translation reserve**

Cumulative gains and losses arising on retranslating the net assets of overseas operations into sterling.

#### **Retained earnings**

Cumulative net gains and losses recognised in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

#### **(k) Exceptional items**

Exceptional items are items which, because of their size, nature or expected infrequency, merit separate presentation in the consolidated income statement to allow users to better understand the Group's performance in the year.

#### **(l) Income tax**

Income tax on the income for the years presented comprises current and deferred tax. It is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Income tax is recognised in the income statement except to the extent that it relates to items recognised in equity, in which case it is recognised in equity.

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

enacted or substantively enacted at the balance sheet date.

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

#### **(m) Dividends**

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

#### **(n) Share Scheme Trusts**

The Company administers its share plans through two Trusts - the Employee Benefit Trust ('EBT') and the SIP Trust. The SIP Trust is used for the HMRC-approved Share Incentive Plan and the EBT as used for all other plans. As the Company is deemed to have control of its share trusts, they are treated as subsidiaries and consolidated for the purpose of the Group accounts. The Trusts' assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the Group financial statements. The Trusts' investments in the Company's shares are deducted from shareholders' funds in the Group balance sheet as if they were treasury shares.

#### **(o) Accounting standards issued but not adopted**

There are no standards that are not yet effective and that would be expected to have a material impact on the Group in current or future reporting periods and on foreseeable future transactions.

### 3. ALTERNATIVE PERFORMANCE MEASURES

Throughout this document the Group presents various alternative performance measures. The measures presented are those adopted by the Chief Operating Decision Maker ('CODM', deemed to be the main Board) 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. It excludes certain items which the Board believes distort the trading

performance of the Group. These items are either acquisition and disposal related or 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 PBTA, the Board has a clearer view of the performance of the Group and is able to make better 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 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	<b>4,841</b>	40,981
Add: Amortisation of acquired intangibles and transaction-related costs	<b>9,106</b>	9,181
Exceptional items	<b>23,359</b>	—
<b>PBTA</b>	<b>37,306</b>	50,162
Add: Net finance costs	<b>6,071</b>	3,879
<b>Adjusted operating profit</b>	<b>43,377</b>	54,041

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#### 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 and transaction-related costs, but is an after tax measure. The Board considers adjusted EPS 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 ordinary shareholders	<b>(1,231)</b>	29,741
Add: Amortisation of acquired intangibles and transaction-related costs	<b>9,106</b>	9,181
Exceptional items	<b>23,359</b>	—
Tax on amortisation of acquired intangibles, transaction-related costs and exceptional items	<b>(3,396)</b>	(2,205)
<b>Adjusted profit attributable to ordinary shareholders</b>	<b>27,838</b>	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 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 4.

### **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 and marketing functions and related IT costs.

### **Revenue measures**

The Group disaggregates revenue into fee income and recharged expenses. This provides insight into the performance of the business and our productive output. (See note 1(c).) This is reconciled on the face of the income statement. Fee income by segment is reconciled in note 4.

### **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 and transaction-related costs and share scheme costs. This generates a cash-based operating profit figure which is the input into the cash flow statement. A reconciliation between operating profit and EBITDAS is given in note 28.

#### **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 28.

### **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 expressed as a percentage of PBTA and is set out in note 12.

## **4. BUSINESS AND GEOGRAPHICAL SEGMENTS**

Segment information is presented in the financial statements in respect of the Group's business segments, as reported to the CODM. 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
- AAP

#### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

Segment results for the year ended 31 December 2019:

£000s	Fee income	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	–
<b>Total</b>	<b>556,500</b>	<b>56,099</b>	–	<b>612,599</b>

£000s	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
<b>Total</b>	<b>53,495</b>	<b>(832)</b>	<b>52,663</b>

Segment results for the year ended 31 December 2018:

£000s	Fee income	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	–
<b>Total</b>	<b>574,157</b>	<b>63,226</b>	–	<b>637,383</b>

£000s	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
<b>Total</b>	<b>64,212</b>	<b>(1,802)</b>	<b>62,410</b>

## Group reconciliation:

£000s	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)
<b>Profit before tax</b>	<b>4,841</b>	40,981

£000s	Carrying amount of segment assets		Segment depreciation and amortisation	
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
Energy	81,739	76,297	2,962	1,933
Consulting - UK and Ireland	184,408	169,879	4,749	1,989
Services - UK and Netherlands	107,568	104,950	5,212	3,489
Norway	53,865	56,670	2,893	2,262
North America	66,726	66,656	3,299	2,246
AAP	114,032	118,608	7,851	5,143
Unallocated	26,989	12,843	968	338
<b>Group total</b>	<b>635,327</b>	605,903	<b>27,934</b>	17,400

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#### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

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

£000s	Revenue		Fee income	
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 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
<b>Total</b>	<b>612,599</b>	<b>637,383</b>	<b>556,500</b>	<b>574,157</b>

£000s	Carrying amount of non-current assets	
	As at 31 December 2019	As at 31 December 2018
UK	193,160	163,591
Australia	96,955	96,436
USA	52,071	49,458
Ireland	39,896	42,166
Norway	21,060	38,454
Canada	43,423	12,679
Netherlands	13,064	18,710
Other	16	5
<b>Total</b>	<b>459,645</b>	<b>421,499</b>

## 5. REVENUE

### Disaggregation of revenue

The Group segmental information disclosed in note 4 best depicts how the nature, timing, amount and uncertainty associated with our revenues and cash flows are affected by economic factors. Segments are structured along geographical and market lines, and risks are broadly consistent within the segments as a result.

### Unsatisfied performance obligations

The transaction price allocated to partially satisfied or unsatisfied performance obligations at the balance sheet date are set out below. These obligations equate to the contracted work which the Group has on hand at the year end.

£000s	As at	
	31 December 2019	31 December 2018
To be undertaken and recognised within one year	252,805	218,227
To be undertaken and recognised between one and two years	37,378	19,233
To be undertaken and recognised after two years	23,592	6,489
	<b>313,775</b>	<b>243,949</b>

These obligations will be recognised as revenue over time.

## 6. AMORTISATION OF ACQUIRED INTANGIBLES AND TRANSACTION-RELATED COSTS

£000s	Year ended 31 December 2019	Year ended 31 December 2018
Amortisation of acquired intangibles	8,602	9,144
Transaction-related costs	504	37
Total	<b>9,106</b>	9,181

## 7. EXCEPTIONAL ITEMS

£000s	Year ended 31 December 2019	Year ended 31 December 2018
Impairment of goodwill (note 14)	19,806	–
Legal fees	1,373	–
Rebranding costs	1,012	–
ERP Implementation costs	1,168	–
Total	<b>23,359</b>	–

An impairment charge of £19,806,000 (2018: £nil) has been recognised on the AAP CGU (note 14).

During the year the global rebranding of RPS was completed which introduced a new logo, colour scheme and a new website. Total costs during the year of this rebranding were £1,012,000 (2018: £nil).

Legal fees were incurred investigating potential issues regarding the administration of US government contracts and/or projects (see note 26). 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.

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## 8. OPERATING PROFIT - BY NATURE OF EXPENSE

£000s	Year ended 31 December 2019	Year ended 31 December 2018
Revenue	612,599	637,383
Staff costs (note 10)	(306,701)	(311,691)
Subconsultant costs	(137,671)	(148,351)
Other employment-related costs	(27,557)	(26,688)
Depreciation of owned assets	(9,267)	(8,256)
Depreciation of right-of-use assets	(9,981)	–
Amortisation of software	(84)	–
Profit on disposal of property, plant and equipment and right-of-use assets	93	(37)
Operating lease rentals payable - property	–	(13,453)
Operating lease rentals payable - equipment and motor vehicles	–	(4,986)
Short-term and low value lease rentals	(2,675)	–
Travel costs	(18,221)	(16,576)
Office costs	(22,396)	(21,608)
Amortisation of acquired intangibles	(8,602)	(9,144)
Transaction-related costs	(504)	(37)
Exceptional items	(23,359)	–
Other costs	(34,762)	(31,696)
<b>Operating profit</b>	<b>10,912</b>	44,860

## 9. NET FINANCING COSTS

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

## 10. EMPLOYEE BENEFIT EXPENSE

£000s	Year ended 31 December 2019	Year ended 31 December 2018
Wages and salaries	262,903	268,749
Social security costs	26,884	26,912
Pension costs - defined contribution plans	14,004	13,443
Pension costs - defined benefit plans	203	249
Share-based payment expense - equity settled	2,707	2,338
	<b>306,701</b>	311,691
<b>Average monthly number of employees (including Executive Directors) was:</b>		
Fee earning staff	4,129	4,639
Support staff	845	917
	<b>4,974</b>	5,556

The Group considers the Directors to be the key management personnel and details of Directors' remuneration are included in the Remuneration Committee Report from page 74. The share-based payment charge in respect of key management personnel was £602,000 (2018: £396,000). Social security costs in respect of these personnel were £285,000 (2018: £260,000).

## 11. AUDITORS' REMUNERATION

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

£000s	Year ended 31 December 2019	Year ended 31 December 2018
Statutory audit of the Company's annual accounts	65	50
Statutory audit of the Group's subsidiaries	788	569
Total audit fees	853	619
Interim review	62	27
Total audit-related assurance services	915	646
Other services	—	12
<b>Total fees</b>	<b>915</b>	<b>658</b>

## 12. INCOME TAXES

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

£000s	Year ended 31 December 2019	Year ended 31 December 2018
<b>Current tax:</b>		
UK corporation tax	1,795	3,065
Overseas tax	6,008	9,509
Adjustments in respect of prior years	(482)	887
	<b>7,321</b>	<b>13,461</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(964)	(1,729)
Effect of change in tax rate	—	28
Adjustments in respect of prior years	(285)	(520)
	<b>(1,249)</b>	<b>(2,221)</b>
<b>Total tax charge for the year</b>	<b>6,072</b>	<b>11,240</b>
In addition to the amount charged to the consolidated income statement, the following items related to tax have been recognised:		
Deferred tax charge in other comprehensive income	18	149

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## 12. INCOME TAXES CONTINUED

The effective tax rate for the year on profit before tax was 125.4% (2018: 27.4%). The effective tax rate for the year on PBTA was 25.4% (2018: 26.8%) as shown in the table below:

£000s	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
Profit before tax, amortisation of acquired intangibles, transaction-related costs and exceptional items	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 income 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 charge for the reasons set out in the following reconciliation:

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

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.

## 13. EARNINGS PER SHARE

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

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

The calculations of adjusted earnings per share (see note 3) were based on the number of shares as above and are shown in the table below:

£000s	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
(Loss)/profit attributable to equity holders of the parent	<b>(1,231)</b>	29,741
Amortisation of acquired intangibles and transaction-related costs (note 6)	<b>9,106</b>	9,181
Exceptional items (note 7)	<b>23,359</b>	—
Tax on amortisation of acquired intangibles, transaction-related costs and exceptional items (note 12)	<b>(3,396)</b>	(2,205)
Adjusted profit attributable to equity holders of the parent	<b>27,838</b>	36,717
Adjusted basic earnings per share (pence)	<b>12.43</b>	16.47
Adjusted diluted earnings per share (pence)	<b>12.31</b>	16.34

## 14. INTANGIBLE ASSETS

£000s	Intellectual property rights	Customer relationships	Order backlog	Trade names	Non compete agreements	Software	Internally generated software	Goodwill	Total
<b>Cost:</b>									
At 1 January 2019	3,743	131,606	19,260	9,355	624	3,299	–	418,507	586,394
Additions	–	4,109	976	87	–	–	9,199	14,827	29,198
Reclassification from tangible assets	–	–	–	–	–	–	2,175	–	2,175
Exchange differences	(137)	(3,815)	(579)	(315)	(14)	(124)	2	(9,413)	(14,395)
<b>At 31 December 2019</b>	<b>3,606</b>	<b>131,900</b>	<b>19,657</b>	<b>9,127</b>	<b>610</b>	<b>3,175</b>	<b>11,376</b>	<b>423,921</b>	<b>603,372</b>

**Aggregate amortisation and impairment losses:**

At 1 January 2019	3,743	112,228	19,149	9,259	624	3,036	–	52,656	200,695
Amortisation	–	7,443	836	115	–	208	84	–	8,686
Impairment	–	–	–	–	–	–	–	19,806	19,806
Exchange differences	(137)	(3,129)	(556)	(313)	(14)	(118)	1	(272)	(4,538)
<b>At 31 December 2019</b>	<b>3,606</b>	<b>116,542</b>	<b>19,429</b>	<b>9,061</b>	<b>610</b>	<b>3,126</b>	<b>85</b>	<b>72,190</b>	<b>224,649</b>
<b>Net book value at 31 December 2019</b>	<b>–</b>	<b>15,358</b>	<b>228</b>	<b>66</b>	<b>–</b>	<b>49</b>	<b>11,291</b>	<b>351,731</b>	<b>378,723</b>

£000s	Intellectual property rights	Customer relationships	Order backlog	Trade names	Non compete agreements	Software	Goodwill	Total
<b>Cost:</b>								
At 1 January 2018	3,563	132,916	20,478	9,566	603	3,224	419,041	589,391
Additions	–	–	–	–	–	–	319	319
Disposals	–	(2,130)	(1,274)	(271)	–	–	–	(3,675)
Exchange differences	180	820	56	60	21	75	(853)	359
<b>At 31 December 2018</b>	<b>3,743</b>	<b>131,606</b>	<b>19,260</b>	<b>9,355</b>	<b>624</b>	<b>3,299</b>	<b>418,507</b>	<b>586,394</b>

**Aggregate amortisation and impairment losses:**

At 1 January 2018	3,563	105,071	20,133	9,420	603	2,626	52,245	193,661
Amortisation	–	8,527	222	50	–	345	–	9,144
Disposals	–	(2,130)	(1,274)	(271)	–	–	–	(3,675)
Exchange differences	180	760	68	60	21	65	411	1,565
<b>At 31 December 2018</b>	<b>3,743</b>	<b>112,228</b>	<b>19,149</b>	<b>9,259</b>	<b>624</b>	<b>3,036</b>	<b>52,656</b>	<b>200,695</b>
<b>Net book value at 31 December 2018</b>	<b>–</b>	<b>19,378</b>	<b>111</b>	<b>96</b>	<b>–</b>	<b>263</b>	<b>365,851</b>	<b>385,699</b>

Customer relationships relate to assets acquired in business combinations since 2008 and have remaining useful lives of 1-10 years.

### Goodwill

The Group tests annually for impairment or when there are any impairment triggers. The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the CGU Groups to which goodwill has been allocated.

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

### Key assumptions

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

### Discount rate applied

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

## Growth rates

The growth rates applied reflect management's judgement regarding the potential future performance of the business. The medium term comprises the years 2021 to 2024. The average real growth rate used during this period is 3% relative to budgeted performance, although particular years may be higher or lower than this rate reflecting market conditions.

The long-term growth rate applied to the perpetuity calculations was between -2.0% and 2.5% per annum (2018: -2.0% and 2.5%) reflecting the average long-term EBIT growth rates of the economies in which the CGUs are based and our assessment of the longer term prospects of these businesses.

The assumptions used for the Groups of CGUs are as follows:

	Pre-tax discount rate		Medium-term growth rate		Long-term growth rate	
	2019	2018	2019	2018	2019	2018
Consulting (UK and Ireland)	<b>10.7%</b>	11.6%	<b>3.0%</b>	3.0%	<b>2.1%-2.5%</b>	2.1% - 2.5%
Services (UK)	<b>11.2%</b>	12.2%	<b>3.0%</b>	3.0%	<b>2.1%</b>	2.1%
Services (NL)	<b>12.4%</b>	13.9%	<b>3.0%</b>	3.0%	<b>2.0%</b>	2.0%
Norway	<b>10.8%</b>	12.1%	<b>3.0%</b>	3.0%	<b>2.3%</b>	2.3%
North America	<b>11.0%</b>	12.3%	<b>3.0%</b>	3.0%	<b>2.3%</b>	2.3%
AAP	<b>12.9%</b>	14.2%	<b>3.0%</b>	3.0%	<b>2.5%</b>	2.5%
Energy	<b>14.2%</b>	15.4%	<b>3.0%</b>	3.0%	<b>(2.0%)</b>	(2.0%)

## Summary of results

The Group has recognised an impairment charge of £19,806,000 against the goodwill allocated to the AAP CGU group. AAP performance was well below budget in the first half of the year and goodwill was tested for impairment at that time. The conclusion at the interim was that the goodwill was not impaired as the Group expected AAP performance to improve in the second half and over the forecast period. Whilst performance has improved in the second half, and our budgets show that the CGU group is expected to grow in 2020 and beyond, performance is not as good as previously expected. The Board has considered the prospects of and uncertainty in this business and while improved performance in 2020 is still expected, the medium-term performance is less certain than at the last review. This is due to the combination of market, economic and political risk.

We remain committed to the Australian market and our activities in Australia are fully aligned with and support our strategic objectives.

All other CGUs were tested for impairment and no impairment charges were identified.

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## Sensitivity of results to changes in estimates

The Group's CGU groups all have headroom except for AAP which has no headroom. Aside from AAP, the Group does not consider the changes in estimates that would result in material adjustment to the carrying amounts of assets and liabilities in 2019 to be reasonably possible.

The valuation of goodwill allocated to the AAP CGU group is most sensitive to the achievement of the 2020 budget. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board. Whilst we are able to manage staff costs, direct costs and overheads, the revenue projections are inherently uncertain due to the short-term nature of our order book and Australian market conditions which remain fragile.

Consequently, further underperformance against budget in 2020 is possible which could lead to an additional reduction in the carrying value of this CGU. It is also reasonably possible that AAP exceeds its budget if market conditions allow.

A 50% underperformance against budget would generate an additional impairment charge of up to £34 million. For 2020 we consider it reasonably possible that AAP could suffer an additional impairment charge of up to £34 million if market conditions worsen significantly. Headroom for this CGU group is currently £nil.

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

£000s	As at 31 December 2019	As at 31 December 2018
Consulting (UK and Ireland)	112,230	114,021
Services (UK)	50,095	50,095
Services (Netherlands)	9,798	10,106
Norway	31,164	32,897
North America	40,516	42,142
AAP	70,895	81,229
Energy	37,033	35,361
	<b>351,731</b>	<b>365,851</b>

## 15. PROPERTY, PLANT AND EQUIPMENT

£000s	Freehold land and buildings	Alterations to leasehold premises	Motor vehicles	Fixtures, fittings, IT and equipment	Total
<b>Cost:</b>					
At 1 January 2019	10,755	6,372	3,517	78,548	99,192
Additions	23	565	375	12,229	13,192
Additions through acquisition	–	–	–	37	37
Disposals	–	(1,107)	(724)	(10,147)	(11,978)
Transfers	–	1,034	–	(1,034)	–
Reclassification to intangible assets	–	–	–	(2,175)	(2,175)
Exchange differences	(562)	(235)	(102)	(1,765)	(2,664)
<b>At 31 December 2019</b>	<b>10,216</b>	<b>6,629</b>	<b>3,066</b>	<b>75,693</b>	<b>95,604</b>

**Depreciation:**

At 1 January 2019	3,638	4,273	2,305	56,971	67,187
Charge for the year	229	857	467	7,714	9,267
Disposals	–	(1,096)	(707)	(9,858)	(11,661)
Exchange differences	(174)	(138)	(57)	(1,120)	(1,489)
<b>At 31 December 2019</b>	<b>3,693</b>	<b>3,896</b>	<b>2,008</b>	<b>53,707</b>	<b>63,304</b>
<b>Net book value at 31 December 2019</b>	<b>6,523</b>	<b>2,733</b>	<b>1,058</b>	<b>21,986</b>	<b>32,300</b>

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£000s	Freehold land and buildings	Alterations to leasehold premises	Motor vehicles	Fixtures, fittings, IT and equipment	Total
<b>Cost:</b>					
At 1 January 2018	10,628	6,656	3,284	72,660	93,228
Additions	16	426	622	11,123	12,187
Disposals	–	(774)	(289)	(4,570)	(5,633)
Transfers	–	142	–	(142)	–
Exchange differences	111	(78)	(100)	(523)	(590)
<b>At 31 December 2018</b>	<b>10,755</b>	<b>6,372</b>	<b>3,517</b>	<b>78,548</b>	<b>99,192</b>
<b>Depreciation:</b>					
At 1 January 2018	3,371	4,163	2,207	55,143	64,884
Charge for the year	234	829	450	6,743	8,256
Disposals	–	(771)	(289)	(4,312)	(5,372)
Transfers	–	102	–	(102)	–
Exchange differences	33	(50)	(63)	(501)	(581)
<b>At 31 December 2018</b>	<b>3,638</b>	<b>4,273</b>	<b>2,305</b>	<b>56,971</b>	<b>67,187</b>
<b>Net book value at 31 December 2018</b>	<b>7,117</b>	<b>2,099</b>	<b>1,212</b>	<b>21,577</b>	<b>32,005</b>

## 16. LEASES

The Group applied IFRS 16 'Leases' from 1 January 2019 and the impact of the adoption is disclosed in note 32.

£000s	Properties	Vehicles	Office equipment	Total
<b>i. Right-of-use assets</b>				
At 1 January 2019	40,646	3,968	242	44,856
Additions	8,124	1,794	254	10,172
Depreciation	(7,958)	(1,774)	(249)	(9,981)
Remeasurements	1,092	(31)	2	1,063
Derecognition	(207)	(33)	(22)	(262)
Exchange differences	(934)	(132)	(16)	(1,082)
<b>As at 31 December 2019</b>	<b>40,763</b>	<b>3,792</b>	<b>211</b>	<b>44,766</b>

£000s	As at 31 December 2019
<b>ii. Lease liabilities</b>	
The maturity profile of the Group's lease liabilities based on contractual undiscounted cash flows:	
Less than one year	11,728
One to five years	32,418
More than five years	11,771
<b>Total undiscounted lease liabilities at 31 December 2019</b>	<b>55,917</b>
Lease liabilities included in the balance sheet:	
Current	10,011
Non-current	39,784
<b>Total</b>	<b>49,795</b>

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£000s	Year ended 31 December 2019
<b>iii. Amounts recognised in profit or loss</b>	
Depreciation on right-of-use assets	9,981
Interest expense on lease liabilities	1,885
Expense relating to short-term leases	2,663
Expense relating to low value assets	12

£000s	Year ended 31 December 2019
<b>iv. Amounts recognised in statement of cash flows</b>	
<b>Total cash outflow for leases</b>	<b>9,240</b>

## 17. SUBSIDIARIES

The Group consists of RPS Group Plc (the parent company incorporated in the UK) and its subsidiaries. A list of the Group's subsidiaries, including the name, country of incorporation and proportion of ownership interests is given in Note 6 to the Parent Company's financial statements.

## 18. TRADE AND OTHER RECEIVABLES

£000s	As at 31 December 2019	As at 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
	<b>156,990</b>	165,783

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

£000s	As at 31 December 2019	As at 31 December 2018
Trade receivables	98,794	111,735
Provision for impairment	(2,972)	(5,226)
Trade receivables net	<b>95,822</b>	106,509

£000s	As at 31 December 2019	As at 31 December 2018
Contract assets	50,948	51,531
Provision for impairment	(5,322)	(6,624)
Contract assets net	<b>45,626</b>	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 financial assets past due but not impaired is as follows:

£000s	As at 31 December 2019	As at 31 December 2018
Not more than three months past due	11,308	10,462
More than three months past due	7,937	9,582
	<b>19,245</b>	20,044

No interest is charged on overdue receivables. At the year end the Group's debtor days were 52 (2018: 50).

Movements in impairment:

£000s	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)
<b>As at 31 December 2019</b>	<b>2,972</b>	<b>5,322</b>	<b>8,294</b>
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 carrying amounts of the Group's trade and other receivables are denominated as follows:

£000s	As at 31 December 2019	As at 31 December 2018	
UK Pound Sterling	62,585	65,220	
US Dollar	32,185	31,847	
Euro	26,833	24,677	
Australian Dollar	21,129	25,576	
Canadian Dollar	1,841	4,296	
Norwegian Krone	8,389	11,977	
Malaysian Ringitt	3,286	1,544	
Other	742	646	
	<b>156,990</b>	<b>165,783</b>	127

The maximum exposure to credit risk at the reporting date is £152,362,000 (2018: £161,822,000).

The concentration of credit risk is limited as the customer base is large and unrelated.

The impact on revenue of projects where work was undertaken in 2018 but related revenue recognised in 2019 was immaterial.

## 19. TRADE AND OTHER PAYABLES

£000s	As at 31 December 2019	As at 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
	<b>104,786</b>	<b>117,914</b>

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

The revenue recognised in the year that was included in contract liabilities in the previous year was £22,931,000.

## 20. BORROWINGS

£000s	As at 31 December 2019	As at 31 December 2018
Bank loans	55,400	32,800
US loan notes	55,719	56,751
Bank overdraft	1,361	2,581
Total bank loan, notes and overdrafts	<b>112,480</b>	92,132
Arrangement fees	(654)	(271)
Net bank debt	111,826	91,861
Leases	49,795	—
<b>Total borrowings</b>	<b>161,621</b>	91,861

£000s	As at 31 December 2019	As at 31 December 2018
The bank loan, notes and overdrafts are repayable as follows:		
Amounts due for settlement within 12 months	1,361	2,581
Amount due between one and two years	55,719	32,800
In the third to fifth years inclusive	55,400	56,751
<b>112,480</b>	<b>92,132</b>	

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. The facility includes an accordion feature whereby the Group may request an additional facility up to £60,000,000, subject to lender approval. Term loans drawn 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.

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There were loans drawn totalling £55,400,000 at 31 December 2019 (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 September 2021. The notes are guaranteed by the Company and certain subsidiaries but no security over the Group's assets exists.

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

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

### Liquidity risk

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

Loan liquidity risk profile

£000s	As at 31 December 2019	As at 31 December 2018
<1 year	4,842	5,486
1-2 years	58,623	35,364
>2 but <5 years	56,132	58,151
<b>119,597</b>	<b>99,001</b>	

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

## 21. DEFERRED CONSIDERATION

£000s	As at 31 December 2019	As at 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
	<b>8,747</b>	302

Deferred consideration relates to payments due to vendors of acquired companies which are due to be made on future anniversaries of the acquisitions.

## 22. PROVISIONS

### Onerous contracts

The provision for onerous contracts related to a vacant property.

### Warranty

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

### Dilapidations

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

£000s	Onerous contracts	Warranty	Dilapidations	Total
As at 1 January 2019	2,263	1,782	2,437	6,482
Reduction in provision on adoption of IFRS 16	(2,263)	–	–	(2,263) 129
Additional provision in the year	–	–	382	382
Utilised in year	–	(25)	(255)	(280)
Released	–	–	(428)	(428)
Exchange difference	–	(25)	(34)	(59)
As at 31 December 2019	–	1,732	2,102	3,834

£000s	As at 31 December 2019	As at 31 December 2018
Due as follows:		
Within one year	913	2,119
After more than one year	2,921	4,363
	<b>3,834</b>	6,482

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

## 23. DEFERRED TAXATION

£000s	Property, plant and equipment timing differences	Goodwill and intangible assets	Employment benefits	Share based payments	Provisions and other timing differences	Total
At 1 January 2018	762	(6,687)	2,821	(132)	(1,792)	(5,028)
Effect of changes in accounting standards	–	–	–	–	116	116
(Charge)/credit to income relating to current year	(32)	327	338	(133)	1,749	2,249
(Charge)/credit to income due to change in tax rates	2	(20)	(15)	–	5	(28)
Charge to equity for the year	–	–	(149)	–	–	(149)
Exchange differences	(15)	261	(108)	–	92	230
At 31 December 2018	717	(6,119)	2,887	(265)	170	(2,610)
Disclosed within liabilities	285	(8,351)	419	(290)	1,532	(6,405)
Disclosed within assets	432	2,232	2,468	25	(1,362)	3,795
(Charge)/credit to income relating to current year	(862)	1,212	(324)	38	1,185	1,249
Charge to equity for the year	–	–	(18)	–	–	(18)
Acquisitions	–	(1,437)	–	–	–	(1,437)
Exchange differences	–	149	(160)	3	352	344
<b>At 31 December 2019</b>	<b>(145)</b>	<b>(6,195)</b>	<b>2,385</b>	<b>(224)</b>	<b>1,707</b>	<b>(2,472)</b>
<b>Disclosed within liabilities</b>	<b>(465)</b>	<b>(5,366)</b>	<b>497</b>	<b>(231)</b>	<b>(763)</b>	<b>(6,328)</b>
<b>Disclosed within assets</b>	<b>320</b>	<b>(829)</b>	<b>1,888</b>	<b>7</b>	<b>2,470</b>	<b>3,856</b>

No deferred tax liability is recognised on temporary differences of £3,443,000 (2018: £3,776,000) related to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The amount of tax that would be payable on the unremitted earnings is £393,000 (2018: £406,000).

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

## 24. SHARE CAPITAL

	As at 31 December 2019		As at 31 December 2018	
	Authorised Number	Authorised £000s	Authorised Number	Authorised £000s
Ordinary shares of 3p each	240,000,000	7,200	240,000,000	7,200

Issued and fully paid	2019			2018		
	Number	£000s Share capital	£000s Share premium	Number	£000s Share capital	£000s Share premium
<b>Ordinary shares of 3p each:</b>						
At 1 January	226,105,296	6,783	120,400	224,817,001	6,745	117,790
Issued under the Share Incentive Plan	685,990	20	982	877,492	26	1,833
Issued in respect of the Performance Share Plan	320,439	10	488	410,803	12	786
Issued in respect of the Bonus Plan	27,687	1	67	—	—	—
Admission fees	—	—	—	—	—	(9)
<b>At 31 December</b>	<b>227,139,412</b>	<b>6,814</b>	<b>121,937</b>	226,105,296	6,783	120,400

Number	As at 31 December 2019		As at 31 December 2018	
	3,645,018	3,237,181	5,302,292	4,619,977
Ordinary shares held by the ESOP Trust				
Ordinary shares held by the SIP Trust				

The total number of issued and fully paid shares is inclusive of the shares held in the ESOP and SIP Trusts. These shares are deducted from equity through the EBT reserve. The ESOP Trust has elected to waive any dividend on the unallocated ordinary shares held.

The table below shows options outstanding under the Energy Share Option Scheme at 31 December 2019:

Period exercisable	Number	Exercise price (p)
2019 - 2021	50,000	212.01

## 25. DIVIDENDS

£000s	Year ended 31 December 2019	Year ended 31 December 2018
Amounts recognised as distributions to equity holders during the year:		
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
	<b>16,855</b>	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 shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

## 26. CONTINGENCIES

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 7). Related to this matter are certain employment claims made against RPS, the outcome of which are also unknown.

## 27. RELATED PARTY TRANSACTIONS

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

## 28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

£000s	Year ended 31 December 2019	Year ended 31 December 2018
Operating profit	10,912	44,860
<b>Adjustments for:</b>		
Depreciation of owned assets	9,267	8,256
Depreciation of right-of-use assets	9,981	—
Amortisation of intangibles	84	—
Amortisation of acquired intangible assets	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
<b>EBITDAS</b>	<b>61,266</b>	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)
<b>Net cash from operating activities</b>	<b>37,602</b>	44,488

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

£000s	Effect of					At 31 December 2019
	At 31 December 2018	changes in accounting standards	Cash flow	Prepaid arrangement fees	Lease accounting adjustments <sup>1</sup>	
Cash at bank	17,986	—	2,186	—	—	(2,441)
Overdrafts	(2,581)	—	1,220	—	—	—
Cash and cash equivalents	15,405	—	3,406	—	—	(2,441)
Bank loans and notes	(89,280)	—	(22,779)	(287)	—	1,881
Net bank debt	(73,875)	—	(19,373)	(287)	—	(560)
Leases	—	(49,208)	9,240	—	(10,800)	973
	(73,875)	(49,208)	(10,133)	(287)	(10,800)	413
						(143,890)

<sup>1</sup>Includes lease additions, remeasurements and disposals.

£000s	At			Foreign exchange	At
	31 December 2017	Cash flow	Prepaid arrangement fees		
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 and notes	(96,008)	8,891	(363)	(1,800)	(89,280)
	(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.

## 29. DEFINED BENEFIT PENSION SCHEMES

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

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

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

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

The most recent full actuarial valuations of the plans' assets and present value of the defined benefit liabilities were carried out in November 2018 for the two schemes by a qualified actuary.

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

	As at 31 December 2019	As at 31 December 2018
Discount rate	1.80%	2.60%
Expected rate of salary increase	2.25%	2.75%
Inflation	2.00%	2.50%

With the exception of the rates of pension increase all principal assumptions are the same for both schemes. The assumed rates of pension increase were 2.0% and 0% (2018: 2.5% and 0%).

The assumed life expectations on retirement at age 65 are:

Years	As at 31 December 2019	As at 31 December 2018
Retiring today:		
Males	21.8	21.8
Females	25.0	25.0

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

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

£000s	Year ended 31 December 2019	Year ended 31 December 2018
Current service cost (including tax)	203	249
Net interest (income)/expense	(3)	14
<b>Components of defined benefit costs recognised in profit or loss</b>	<b>200</b>	<b>263</b>

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

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

£000s	Year ended 31 December 2019	Year ended 31 December 2018
Actuarial gains/(losses) arising from:		
Changes in financial assumptions	(54)	606
Movements in payroll tax	(11)	71
Derecognition of surplus	148	–
<b>Remeasurement of the net defined benefit liability</b>	<b>83</b>	<b>677</b>

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

£000s	As at 31 December 2019	As at 31 December 2018
Present value of defined benefit obligations	(2,697)	(4,042)
Fair value of plan assets	2,845	4,022
	148	(20)
Asset not recognised	(148)	—
<b>Net asset/liability arising from defined benefit obligations</b>	<b>—</b>	<b>(20)</b>

In 2018, the net liability is reported within the consolidated balance sheet within 'other payables'. Movements in the present value of defined benefit obligations in the year were as follows:

£000s	Year ended 31 December 2019	Year ended 31 December 2018
Defined benefit obligation at 1 January	4,042	4,389
Current service cost	167	249
Interest cost	102	113
Remeasurement (gains)/losses:		
Actuarial gains arising from changes in financial assumptions	(1,300)	(514)
Reduction in employer's national insurance liability	(14)	(81)
Exchange differences	(227)	(39)
Benefits paid	(73)	(75)
<b>Defined benefit obligation at 31 December</b>	<b>2,697</b>	<b>4,042</b>

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

£000s	Year ended 31 December 2019	Year ended 31 December 2018	
Plan assets at 1 January	4,022	3,630	135
Remeasurement (gains)/losses:			
The return on plan assets (excluding amounts included in net interest expense)	105	99	
Actuarial gains arising from changes in financial assumptions	(1,246)	92	
Exchange differences	(221)	(5)	
Contributions from the employer	266	288	
Benefits paid	(73)	(75)	
Administration costs	(8)	(7)	
<b>Plan assets at 31 December</b>	<b>2,845</b>	<b>4,022</b>	

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

	As at 31 December 2019	As at 31 December 2018
Shares	9.7%	11.7%
Other investments	1.9%	0.9%
Short term bonds	12.4%	23.5%
Term bonds	62.6%	54.1%
Property	13.4%	9.8%
<b>Total</b>	<b>100%</b>	<b>100.0%</b>

Reasonably possible changes at the reporting date to one of the actuarial assumptions, holding all other assumptions constant would have affected the defined benefit obligation as follows:

£000s	As at 31 December 2019	
	Increase	Decrease
Discount rate (1% movement)	(358)	428
Future salary growth (1% movement)	92	(86)
Future pension growth (1% movement)	355	(23)
Mortality rates (1 year movement)	(122)	108

## 30. FINANCIAL RISK MANAGEMENT

### (a) Capital management

The capital of the Group consists of debt, which includes the borrowings and facilities disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated balance sheet. The Group manages its capital to support its strategy. At the interim results, the Group changed its dividend policy. Full year dividends to equal, in total, 40% of adjusted earnings for the financial year.

The borrowings are managed centrally and funds are onward lent to operating subsidiaries as required. The Group has a committed £100 million multi currency revolving credit facility that provides a high degree of flexibility. There are two financial covenants related to this facility; interest cover must be no less than 400% and the leverage ratio of Group net borrowings (including deferred consideration) to EBITDAS adjusted to include the annualised contribution of acquisitions in the year should be no greater than 300%. These covenants are tested regularly and were not breached during the year and have not been since the year end.

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

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

### (b) Financial instruments

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

#### Fair values

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

£000s	As at 31 December 2019	As at 31 December 2018
Cash	17,731	17,986
Trade and other receivables	146,076	156,012
<b>Financial assets</b>	<b>163,807</b>	173,998
Borrowings	112,480	91,861
Lease liabilities	49,795	–
Deferred consideration	8,747	302
Trade and other payables	73,211	84,799
<b>Financial liabilities</b>	<b>244,233</b>	176,962

Interest rate and currency risk are the most significant aspects for the Group in the area of financial instruments. It is exposed to a lesser extent to liquidity risk that is reviewed in note 20. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

### (c) Interest rate risk

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

### Interest rate risk and profile of financial liabilities

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

£000s	Floating rate		Fixed rate		Non interest bearing		Total 2018
	2019	2018	2019	2018	2019	2018	
Sterling	<b>56,761</b>	31,842	<b>50,112</b>	29,868	<b>28,436</b>	33,513	<b>135,308</b>
Euro	—	—	<b>5,529</b>	—	<b>6,737</b>	6,588	<b>12,266</b>
Australian Dollar	—	—	<b>19,569</b>	213	<b>12,523</b>	15,615	<b>32,092</b>
Canadian Dollar	—	—	<b>1,589</b>	—	<b>339</b>	4,343	<b>1,928</b>
US Dollar	—	—	<b>32,449</b>	26,814	<b>13,434</b>	9,978	<b>45,883</b>
Norwegian Krone	—	3,400	<b>4,868</b>	26	<b>11,537</b>	14,438	<b>16,405</b>
Other	—	—	<b>145</b>	—	<b>205</b>	324	<b>351</b>
<b>At 31 December</b>	<b>56,761</b>	35,242	<b>114,261</b>	56,921	<b>73,211</b>	84,799	<b>244,233</b>
							176,962

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

£000s	Floating rate		Fixed rate		Non interest bearing		Total 2018
	2019	2018	2019	2018	2019	2018	
Within one year	<b>1,361</b>	2,581	<b>13,116</b>	53	<b>68,816</b>	78,717	<b>83,293</b>
In one to two years	—	32,661	<b>67,925</b>	77	<b>1,346</b>	3,345	<b>69,271</b>
In two to five years	<b>55,400</b>	—	<b>21,775</b>	56,668	<b>2,117</b>	2,129	<b>79,292</b>
Over five years	—	—	<b>11,445</b>	123	<b>932</b>	608	<b>12,377</b>
	<b>56,761</b>	35,242	<b>114,261</b>	56,921	<b>73,211</b>	84,799	<b>244,233</b>
							176,962

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

	Fixed and floating rate financial liabilities				Fixed rate financial liabilities		137	
	Weighted average interest rate %				Weighted average period for which rate is fixed – months			
	2019	2018	2019	2018	2019	2018		
Sterling	<b>3.2</b>	3.0	<b>44</b>	33				
Australian Dollar	<b>3.9</b>	3.5	<b>59</b>	34				
US Dollar	<b>3.9</b>	3.8	<b>28</b>	33				
Norwegian Krone	<b>4.0</b>	2.3	<b>65</b>	16				
Euro	<b>2.5</b>	—	<b>59</b>	—				
Canadian Dollar	<b>4.6</b>	—	<b>38</b>	—				
Other	<b>4.4</b>	—	<b>66</b>	—				
	<b>3.4</b>	3.2	<b>43</b>	21				

Cash balances at year end:

£000s	As at	
	31 December 2019	31 December 2018
Sterling	<b>2,029</b>	261
Euro	<b>2,215</b>	2,103
US Dollar	<b>2,393</b>	2,302
Australian Dollar	<b>3,897</b>	3,837
Canadian Dollar	<b>393</b>	955
Norwegian Krone	<b>5,653</b>	7,044
Malaysian Ringgit	<b>486</b>	1,069
Singapore Dollar	<b>134</b>	122
Other	<b>531</b>	293
	<b>17,731</b>	17,986

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

## 30. FINANCIAL RISK MANAGEMENT CONTINUED

### (d) Foreign currency sensitivity

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

### (e) Credit risk

It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. The Group does not enter into complex derivatives to manage credit risk. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. The Directors consider the Group's financial assets that are not impaired to be of good credit quality including those that are past due. It is Group policy, implemented locally, that receivables are only written off when there is no reasonable expectation of recovery. This may occur if there is objective evidence of a client's financial difficulty, or if enforcement activity has been unsuccessful. See note 18 for further detail on receivables that are past due. The Group's financial assets are not secured by collateral advanced by counterparties. In respect of trade and other receivables, the Group has a broad range of clients, the largest being government agencies and departments, national water companies, multi-national oil companies or substantial utility companies. Infrequently (and generally for administrative reasons) there may be a build up of unpaid invoices. The Group does not have significant credit risk exposure to any single counterparty or Group of counterparties having similar characteristics.

The credit risk in cash and derivatives is limited because the counterparties are banks with high credit ratings assigned by international credit ratings.

## 31. SHARE-BASED PAYMENTS

### Share scheme costs

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£000s	Year ended 31 December 2019	Year ended 31 December 2018
Share Incentive Plan ('SIP')	1,457	1,304
Performance Share Plan ('PSP')	652	640
Executive Long Term Incentive Plan ('ELTIP')	414	277
Short Term Annual Bonus Plan ('STABP')	184	117
<b>Total share scheme costs</b>	<b>2,707</b>	<b>2,338</b>

A description of each plan is given in accounting policy note 2(f)(iii).

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

### SIP

Year of grant	Number outstanding 31 December			Vesting conditions	
	2018	New grants	Releases		
2016	612,608	–	(572,513)	(40,095)	–
2017	506,496	–	(23,263)	(45,916)	437,317
2018	801,336	–	(30,154)	(75,827)	695,355
2019	–	1,146,438	(11,406)	(39,564)	1,095,468
	<b>1,920,440</b>	<b>1,146,438</b>	<b>(637,336)</b>	<b>(201,402)</b>	<b>2,228,140</b>

Year of grant	Number outstanding 31 December			Vesting conditions	
	2017	New grants	Releases		
2015	463,068	–	(435,899)	(27,169)	–
2016	702,879	–	(26,398)	(63,873)	612,608
2017	578,835	–	(19,352)	(52,987)	506,496
2018	–	833,623	(6,555)	(25,732)	801,336
	<b>1,744,782</b>	<b>833,623</b>	<b>(488,204)</b>	<b>(169,761)</b>	<b>1,920,440</b>

## PSP

Year of grant	Number outstanding 31 December				Vesting conditions
	2018	New grants	Releases	Lapses	
2009	18,292	—	(16,482)	(1,810)	—
2011	20,659	—	—	(760)	19,899
2012	27,617	—	—	(850)	26,767
2013	34,697	—	—	(1,402)	33,295
2014	38,647	—	—	(1,032)	37,615
2015	76,326	—	(9,071)	(3,336)	63,919
2016	421,302	—	(285,315)	(68,753)	67,234
2017	305,495	—	(8,381)	(39,776)	257,338
2018	429,393	—	(1,190)	(21,937)	406,266
2019	—	561,660	—	(2,765)	558,895
	1,372,428	561,660	(320,439)	(142,421)	1,471,228

Year of grant	Number outstanding 31 December				Vesting conditions
	2017	New grants	Releases	Lapses	
2009	52,543	—	(34,251)	—	18,292
2011	41,618	—	(20,959)	—	20,659
2012	45,315	—	(15,147)	(2,551)	27,617
2013	51,139	—	(15,641)	(801)	34,697
2014	66,554	—	(24,894)	(3,013)	38,647
2015	383,118	—	(278,726)	(28,066)	76,326
2016	470,080	—	(13,364)	(35,414)	421,302
2017	337,729	—	(7,821)	(24,413)	305,495
2018	—	431,122	—	(1,729)	429,393
	1,448,096	431,122	(410,803)	(95,987)	1,372,428

## SIP

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

SIP awards	
Fair value at measurement date	120.00p - 292.25p
Weighted fair value	193.47p
Holding period	3 years

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

## PSP

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

PSP awards	
Fair value at measurement date	147.97p - 318.65p
Weighted fair value	199.4p
Weighted average exercise price	184.93p
Holding period	3 years
Expected dividend yield	2.02% - 5.55%

## 32. NEW ACCOUNTING STANDARD

The Group has applied IFRS 16 from 1 January 2019 using the modified retrospective approach under which the cumulative effect 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

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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)
<b>Lease liability recognised at 1 January 2019</b>	<b>49,208</b>

Of which are:

	As at 31 December 2018
Current lease liabilities	8,054
Non-current lease liabilities	41,154

At 31 December 2018 the Group's total remaining commitments as lessee under non-cancellable operating leases were as follows:

£000s	Property	Other
Within one year	11,799	3,519
In two to five years	28,871	4,567
After five years	8,318	1
	<b>48,988</b>	<b>8,087</b>

### 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, operating profit before amortisation 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:

£000s	Segment profit per note 4	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
<b>Total</b>	<b>52,663</b>	<b>(1,272)</b>	<b>51,391</b>

## 33. 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's deep expertise in the region.

On 30 September 2019 the Group acquired the entire issued share capital 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 Limited	141
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	
<b>Satisfied by:</b>			
Initial cash consideration	9,756	2,683	
Fair value of deferred cash consideration	7,548	1,283	
<b>Total consideration</b>	<b>17,304</b>	<b>3,966</b>	
<b>Goodwill</b>	<b>13,294</b>	<b>1,533</b>	

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.

### 33. ACQUISITIONS CONTINUED

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

£000s	Corview	Reservoir Imaging Limited
Gross receivables	67	767
Estimated irrecoverable	—	—
<b>Fair value of assets acquired</b>	<b>67</b>	<b>767</b>

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
Operating profit before amortisation	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 acquisition of Corview is as follows:

£000s	Corview	Reservoir Imaging Limited
On acquisition	13,294	1,533
Foreign exchange revaluation	(568)	—
<b>As at 31 December 2019</b>	<b>12,726</b>	<b>1,533</b>

# PARENT COMPANY BALANCE SHEET

£000s	Notes	As at 31 December 2019	As at 31 December 2018
<b>Fixed assets:</b>			
Intangible assets	4	<b>11,292</b>	251
Tangible assets	5	<b>1,370</b>	1,541
Investments	6	<b>341,267</b>	353,356
		<b>353,929</b>	355,148
<b>Current assets:</b>			
Debtors:			
- due within one year	7	<b>48,595</b>	50,525
Cash at bank and in hand		<b>111</b>	139
		<b>48,706</b>	50,664
Creditors: amounts falling due within one year:	8	<b>42,889</b>	45,733
Net current assets		<b>5,817</b>	4,931
Total assets less current liabilities		<b>359,746</b>	360,079
Creditors: Amounts falling due after more than one year	9	<b>110,465</b>	89,280
Provision for liabilities	10	<b>172</b>	152
<b>Net assets</b>		<b>249,109</b>	270,647
			143
<b>Capital and reserves</b>			
Called up share capital	12	<b>6,814</b>	6,783
Share premium account	12	<b>121,937</b>	120,400
Profit and loss account	12	<b>65,931</b>	76,664
Merger reserve	12	<b>21,256</b>	21,256
Employee trust shares	12	<b>(10,085)</b>	(9,801)
Other reserve	12	<b>43,256</b>	55,345
<b>Total shareholders' equity</b>		<b>249,109</b>	270,647

The loss for the year attributable to the shareholders of the Parent Company and recorded through the accounts of the Parent Company was £7,390,000 (2018 profit: £6,882,000).

These financial statements were approved and authorised for issue by the Board on 19 February 2020.

The notes on pages 145 to 153 form part of these financial statements.

John Douglas, Director

Gary Young, Director

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

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

£000s	Share capital	Share premium	Merger reserve	Employee trust shares	Profit and loss account	Other reserve	Total
At 1 January 2018	6,745	117,790	21,256	(8,602)	83,373	62,989	283,551
Changes in equity during 2018:							
Issue of new shares	38	2,610	—	(1,858)	(799)	—	(9)
Share-based payment expense	—	—	—	—	2,338	—	2,338
Transfer on release of shares	—	—	—	659	(659)	—	—
Profit and total comprehensive income	—	—	—	—	6,882	—	6,882
Reserves transfer on impairment loss (note 6)	—	—	—	—	7,644	(7,644)	—
Dividend paid (note 13)	—	—	—	—	(22,115)	—	(22,115)
At 31 December 2018	6,783	120,400	21,256	(9,801)	76,664	55,345	270,647
Changes in equity during 2019:							
Issue of new shares	31	1,537	—	(1,002)	(566)	—	—
Share-based payment expense	—	—	—	—	2,707	—	2,707
Transfer on release of shares	—	—	—	718	(718)	—	—
Loss and total comprehensive expense	—	—	—	—	(7,390)	—	(7,390)
Reserves transfer on impairment loss (note 6)	—	—	—	—	12,089	(12,089)	—
Dividends paid (note 13)	—	—	—	—	(16,855)	—	(16,855)
At 31 December 2019	6,814	121,937	21,256	(10,085)	65,931	43,256	249,109

The notes on pages 145 to 153 form part of these financial statements.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

RPS Group Plc (the "Company") is a company domiciled in England under the Companies Act. The address of the registered office is given on page 56. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 7 to 48.

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

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

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

### Goodwill

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

### Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over their estimated useful lives as follows:

Software	10 years
----------	----------

### Valuation of investments

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

### Tangible fixed assets

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

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

Alterations to leasehold premises:  
Life of lease

Fixtures, fittings, IT and equipment:  
3 to 8 years

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

### Operating leases

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

### Foreign currency translation

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

### Pension costs

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

### Share based employee remuneration

The Company's employees may benefit from a Group operated share-based payment arrangement. Further information on these arrangements is in other accounting policies to the consolidated financial statements (2(f)(iii)). The fair value of equity settled awards for share-based payments is determined at grant and expensed straight-line over the period from grant to the date of earliest unconditional exercise.

The Group has calculated the fair market value of options using a binomial model and for whole share awards the fair value

has been based on the market value of the shares at the date of grant adjusted to take into account some of the terms and conditions upon which the shares were granted.

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

### Taxation

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

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

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

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

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

## 1. ACCOUNTING POLICIES CONTINUED

### Employee Share Trusts

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

The Trusts are used to issue shares under the Group's share schemes, as described on page 110. Cash is loaned to the Trust and then used to subscribe for shares in the Company.

### Financial instruments

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

### i Financial assets

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

### ii Financial liabilities

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

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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The ongoing economic uncertainty in the UK associated with Brexit was considered for the investment values in the UK.

The US business underperformed against budget in 2019 and whilst not probable, it is possible that further underperformance may occur in 2020 if expenditure by our clients reduces. Our US business may exceed budget if market conditions allow. An underperformance against budget may lead to an impairment of this asset.

The investment value associated with the US business at 31 December 2019 was £88,383,000.

No impairment was recorded against the investment value associated with the Australia business and the carrying value at 31 December 2019 was £75,613,000.

**Sources of estimation uncertainty**  
In applying the Company's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. The only source of estimation uncertainty at the end of 2019, that has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities during 2020, relates to the testing for impairment of the Company's investments.

The Company performs an annual impairment review on the valuation of the investment. The recoverable amounts of each investment have been determined from value in use calculations and these calculations include estimates about the future financial performance based on budgets and forecasts, medium and long-term growth rates, discount rates and the markets in which the investments operate.

### 3. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

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

The remuneration of the auditors for the statutory audit of the Company was £65,000 (2018: £50,000).

The average number of employees of the Company during the year, including Directors, was 160 (2018: 141).

### 4. INTANGIBLE ASSETS

£000s	Goodwill	Software	Total
<b>Cost</b>			
At 1 January 2019	2,134	–	2,134
Additions	–	10,200	10,200
Reclassification frm tangible assets	–	924	924
<b>At 31 December 2019</b>	<b>2,134</b>	<b>11,124</b>	<b>13,258</b>
<b>Amortisation</b>			
At 1 January 2019	1,883	–	1,883
Charge for the year	66	17	83
<b>At 31 December 2019</b>	<b>1,949</b>	<b>17</b>	<b>1,966</b>
<b>Net book value at 31 December 2019</b>	<b>185</b>	<b>11,107</b>	<b>11,292</b>
Net book value at 31 December 2018	251	–	251

### 5. TANGIBLE ASSETS

£000s	Alterations to leasehold premises	Fixtures, fittings, IT and equipment	Total
<b>Cost or valuation</b>			
At 1 January 2019	599	8,310	8,909
Additions	55	1,170	1,225
Disposals	–	(36)	(36)
Reclassification to intangible assets	–	(924)	(924)
<b>At 31 December 2019</b>	<b>654</b>	<b>8,520</b>	<b>9,174</b>
<b>Depreciation</b>			
At 1 January 2019	505	6,863	7,368
Charge for the year	48	424	472
Disposals	–	(36)	(36)
<b>At 31 December 2019</b>	<b>553</b>	<b>7,251</b>	<b>7,804</b>
<b>Net book value at 31 December 2019</b>	<b>101</b>	<b>1,269</b>	<b>1,370</b>
Net book value at 31 December 2018	94	1,447	1,541

## 6. INVESTMENTS

£000s	2019	2018
<b>Subsidiary undertakings</b>		
Cost		
At beginning and end of year	<b>455,670</b>	455,670
<b>Provisions</b>		
At beginning of year	<b>102,314</b>	94,670
Impairment	<b>12,089</b>	7,644
At end of year	<b>114,403</b>	102,314
Net book value at end of year	<b>341,267</b>	353,356

The Group's investment in its US business was impaired by £12,089,000 (2018: £7,644,000) and this was recorded through the profit and loss account. The impact on the profit and loss reserve is offset by a transfer of the same amount from the other reserve. The other reserve represents profits previously recognised in a group reorganisation involving the US business.

### Subsidiary undertakings

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

The following were the subsidiaries during the year. All subsidiaries are held 100% by RPS Group Plc with the exception of Delphi Group Asia PTE Limited where 85% of the ordinary share capital is held.

Shares are held directly by RPS Group Plc except where marked by an asterisk where they are held by a subsidiary undertaking.

Registered Office	Country of registration and operation	Registered Office	Country of registration and operation
<b>Australia</b>		<b>Canada</b>	
1 ECL DM Pty Ltd	*	3 Petroleum Institute for Continuing Education Ltd	*
1 ECL Drilling Management Pty Limited	*	3 Boyd Exploration Consultants Ltd	*
1 ECL Pty Ltd	*	3 Maverick Land Consultants 2012 Ltd	*
1 Everything Infrastructure Consulting Pty Ltd	*	3 RPS Canada Ltd	*
1 Everything Infrastructure Group Pty Ltd	*	3 RPS Energy Canada Ltd	*
1 Intelligent Infrastructure Pty Ltd	*	4 Canadian GaiaTech, B.C. ULC	*
1 RPS APASA Pty Ltd	*		
1 RPS Advisory Services Pty Ltd	*		
1 RPS Aquaterra Pty Ltd	*		
1 RPS Australia East Pty Ltd	*		
1 RPS Australia West Pty Ltd	*		
1 RPS Consultants Pty Ltd	*		
1 RPS ECOS Pty Ltd	*		
1 RPS Energy Pty Ltd	*		
1 RPS Energy Services Pty Ltd	*		
1 RPS Environment and Planning Pty Ltd	*		
1 RPS Harper Somers O'Sullivan Pty Ltd	*		
1 RPS Manidis Roberts Pty Ltd	*		
1 RPS AAP Consulting Pty Ltd	*		
1 Rudall Blanchard Associates Pty Limited	*		
1 Troy Ikoda Australasia Pty Ltd	*		
1 Whelans Corporation Pty Limited	*		
1 Whelans Insites Pty Limited	*		
<b>Brazil</b>		<b>England</b>	
2 RPS Consultores do Brasil Ltda	*	5 Aquaterra International Ltd	*
		5 Aquaterra UK Limited	*
		5 Basicshare Limited	
		5 Burks Green & Partners Limited	*
		5 Cambrian Consultants America Limited	*
		5 Cambrian Consultants Limited	*
		5 CgMs Holdings Limited	*
		5 CgMs Limited	*
		5 Clear Environmental Consultants Limited	*
		5 DBK Partners Limited	*
		5 ECL Group Limited	
		5 ECL Resources Management Limited	*
		5 ECL Technology Limited	*
		5 Emulous Group Limited	
		5 Emulous Ltd	
		5 Energy Innovations Limited	*
		5 Exploration Consultants Limited	*
		5 Flow Control (Water Conservation) Limited	
		5 Geocon Group Services Limited	

Registered Office	Country of registration and operation
	5 Geophysical Consultants Limited *
	5 Geophysical Safety Resources Limited *
	5 Hydrosearch Associates Limited
	5 Ichron Limited *
	5 Isochrone Holdings Limited
	5 Knowledge Reservoir (UK) Ltd *
	5 Martindale Holdings Limited *
	5 Nautilus (SEAA) Limited *
	5 Nautilus Limited *
	5 Net Admin Limited *
	5 Nigel Moor Associates plc *
	5 Oil Experience Limited *
	5 Paras Consulting Limited *
	5 Paras Limited *
	5 Probabilistic Risk Assessments Limited
	5 Quad Engineering Limited *
	5 Reservoir Imaging Limited *
	5 R W Gregory Limited
	5 RPS Business Healthcare Limited
	5 RPS Chapman Warren Limited *
	5 RPS Consultants Ltd *
	5 RPS Consulting Services Limited
	5 RPS Design Ltd
	5 RPS Ecoscope Limited
	5 RPS Energy Consultants Limited
	5 RPS Energy Limited
	5 RPS Energy Services Limited
	5 RPS Environmental Management Limited
	5 RPS Finance AAP Limited
	5 RPS Group US Holdings Limited
	5 RPS Occupational Health Limited *
	5 RPS Laboratories Limited
	5 RPS Mountainheath Limited *
	5 RPS Planning & Development Limited
	5 RPS Timetrax Limited *
	5 RPS Trustees Limited
	5 RPS US Holdings Limited *
	5 RPS Utilities Limited
	5 Rudall Blanchard Associates Group Limited *
	5 Rudall Blanchard Associates Limited *
	5 Safety and Reliability Consultants Limited
	5 Scott Pickford Limited *
	5 Sherwood House Properties Limited *
	5 SRC (Consultants) Limited *
	5 Town Planning Consultancy Limited
	5 TPK Consulting Limited
	5 Troy Ikoda Limited *
	5 Troy-Ikoda Management Limited *
	5 Utility Technical Services Limited
	5 WTW & Associates Limited
	5 X-IPEC Limited *
<b>Germany</b>	
6 Metier Academy GmbH	*
Registered Office	Country of registration and operation
<b>Gibraltar</b>	
7 Geocon Asia Limited	*
<b>Ireland</b>	
8 RPS Consulting Engineers Limited	*
8 RPS Engineering Services Limited	*
8 RPS Environmental Consultancy Limited	
8 RPS Group Limited	*
8 RPS MMA Limited	*
8 RPS Planning & Environment Limited	*
8 RPS Properties Limited	*
<b>Malaysia</b>	
9 Cambrian Consultants Asia Sdn. Bhd	*
10 Knowledge Reservoir Geoscience & Engineering Sdn. Bhd	*
11 RPS Consultants Sdn Bhd	*
<b>Mexico</b>	
12 Cambrian Consultants CC America, Inc S.de R.L. de C.V.	*
<b>Mongolia</b>	
13 Aquaterra East Asia LLC	*
<b>Netherlands</b>	
14 RPS advies-en ingenieursbureau BV	*
15 RPS Analyse BV	*
14 RPS BV	
14 RPS Detachering BV	*
<b>New Zealand</b>	
16 RPS Consultants NZ Limited	*
<b>Northern Ireland</b>	
17 RPS Ireland Limited	*
<b>Norway</b>	
18 Delphi AS	*
9 Knowledge Reservoir AS	*
9 Knowledge Reservoir Holding AS	*
19 Metier OEC AS	*
20 RPS Norway AS	*
20 RPS Group AS	
<b>Oman</b>	
21 Knowledge Reservoir LLC (Oman)	*
<b>Papua New Guinea</b>	
22 Point Project Management (PNG) Ltd	*
<b>Scotland</b>	
23 OceanFix International Limited	*
24 RPS Health in Business Limited	*
<b>Singapore</b>	
25 Delphi Group Asia PTE Limited	*

## 6. INVESTMENTS CONTINUED

Registered Office	Country of registration and operation	
<b>Sweden</b>		
<b>26</b> Metier AB	*	
<b>26</b> Metier Academy AB	*	
<b>USA</b>		
<b>27</b> APA USA, Inc	*	
<b>27</b> Espey Consultants, Inc.	*	
<b>27</b> GaiaTech Holdings, Inc	*	
<b>27</b> GaiaTech Canada, Inc	*	
<b>27</b> Houston Geoscan Inc	*	
<b>27</b> Hydrosearch USA Inc	*	
<b>28</b> RPS Infrastructure Inc	*	
<b>27</b> Knowledge Reservoir Group Inc		
<b>27</b> RPS America Group Inc	*	
<b>27</b> RPS Americas Inc	*	
<b>27</b> RPS Group, Inc.	*	

### Registered Offices

<b>1</b> 520 Wickham Street, Fortitude Valley, Queensland 4006, Australia	
<b>2</b> Av. Almirante Barroso 91, Rio de Janeiro, Rio De Janeiro 20031--005, Brazil	
<b>3</b> 1200, 700 - 2nd Street SW, Calgary, Alberta, TP2 4V5, Canada	
<b>4</b> 1300-777 ST Dunsmuir Vancouver, British Columbia V7Y1K2 Canada	
<b>5</b> 20 Western Avenue, Milton Park, Abingdon, Oxfordshire OX14 4SH	
<b>6</b> Frankfurt am Main, Gashaftsanschrift, Marketstrasse 4460388 Frankfurt am Main, Germany	
<b>7</b> Line Group Limited, 57/63 Line Wall Road, Gibraltar	
<b>8</b> West Pier Business Campus, Old Dunleary Road, Dunlaoghaire, Co Dublin, Republic of Ireland	
<b>9</b> Level 11-2 Faber Imperial Court, Jalan Sultan Ismail 50250, Kuala Lumpur, Malaysia	
<b>10</b> Welhavens Road 5, 4319 Sandines, Sandines, Norway	
<b>11</b> Suite 11-13A, Level 11, Wisma UOA II, Jalan Pinang, 50450 Kuala Lumpur. Malaysia	
<b>12</b> Avenida Paseo de la Reforma No. 404, Piso 6 - Despacho 602, Col Juarez, Mexico City, Mexico, FED DISTR. 06600	
<b>13</b> 701 San Business Centre, 8th Khoroo, Sukhbaatar, Ulaanbaatar, Mongolia	
<b>14</b> Elektronicaweg 2, 2628 XG Delft, The Netherlands	
<b>15</b> Minervum 7002, 4817, ZL Breda, The Netherlands	
<b>16</b> 50 Customhouse Quay, Wellington Central, Wellington, 6011, New Zealand	
<b>17</b> Elmwood House, 74 Boucher Road, Belfast, BT12 6RZ	
<b>18</b> Engelsminnegata, 24, 4008 Stavanger, Norway	
<b>19</b> Hoffsveien 70C, 0377 Oslo, Norway	
<b>20</b> Hovfaret 10, 0275 Oslo, Norway	
<b>21</b> Al-Kulieah Street, Al-Khuwair 17/2, Building No.741, Way No. 4508 Muscat, Oman	
<b>22</b> 2nd Floor, Brian Bell Plaza, Turumu Street, Boroko, NCD, Papua New Guinea	
<b>23</b> 9 Queens Road, Aberdeen, AB15 4YL	
<b>24</b> Unit 1, Ratho Park, Station Road, Edinburgh, EH28 8QQ	
<b>25</b> Paya Lebar Road 60, 40 Singapore - Hougang, Singapore - Singapore	
<b>26</b> Drottninggatan 71, C, 111 36, Stockholm, Sweden	
<b>27</b> 20405 Tomball Parkway, Suite 200, Houston, Texas 77070, USA	
<b>28</b> 575 North Dairy Ashford, Suite 700, Houston, Texas 77079, USA	

## 7. DEBTORS

£000s	As at 31 December 2019	As at 31 December 2018
<b>Amounts falling due within one year:</b>		
Amounts due from subsidiary undertakings	<b>36,478</b>	42,665
Corporation tax receivable	4,000	2,032
Other debtors	3,299	2,729
Prepayments	4,818	3,099
	<b>48,595</b>	50,525

Amounts due from subsidiary undertakings include short-term loans of £33,850,000 that incur interest at rates of between 1.33% and 4.67%. All other amounts are unsecured, interest free and repayable on demand.

## 8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

£000s	As at 31 December 2019	As at 31 December 2018
<b>Borrowings</b>		
Bank loans	1,361	2,581
Trade creditors	2,549	3,270
Amounts due to subsidiary undertakings	34,386	36,646
Other creditors	630	501
Accruals	3,963	2,735
	<b>42,889</b>	45,733

Amounts due to subsidiary undertakings include short-term loans of £27,565,000 that incur interest at rates of between 1.13% and 4.47%. All other amounts are unsecured, interest free and repayable on demand.

## 9. CREDITORS – AMOUNTS DUE AFTER MORE THAN ONE YEAR

£000s	As at 31 December 2019	As at 31 December 2018
<b>Borrowings:</b>		
Bank loans	55,400	32,800
US loan notes	55,719	56,751
Arrangement fees	(654)	(271)
	<b>110,465</b>	89,280
<b>Due as follows:</b>		
Amount due between one and two years	55,719	32,800
In the third to fifth years inclusive	55,400	56,751
Arrangement fee previously settled	(654)	(271)
	<b>110,465</b>	89,280

Details of borrowings are disclosed in note 20 to the consolidated financial statements.

## 10. PROVISION FOR LIABILITIES

£000s	Total
As at 1 January 2019	152
Additional provision in the year	24
Utilised in the year	(4)
<b>As at 31 December 2019</b>	<b>172</b>

The provisions relate to property and dilapidations provisions.

The total provision is expected to be utilised as follows:

£000s	As at 31 December 2019	As at 31 December 2018
Within one year	51	4
After more than one year	121	148
<b>As at 31 December 2019</b>	<b>172</b>	<b>152</b>

## 11. DEFERRED TAXATION

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

£000s	As at 31 December 2019	As at 31 December 2018
Net asset at beginning of year	198	257
Credit/(charge) to income for the year	91	(59)
<b>Net asset at year end</b>	<b>289</b>	<b>198</b>

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The deferred taxation balances comprise:

£000s	As at 31 December 2019	As at 31 December 2018
Short-term timing differences	163	27
Depreciation in excess of capital allowances	126	171
<b>Deferred tax asset</b>	<b>289</b>	<b>198</b>

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

## 12. SHARE CAPITAL AND RESERVES

	Authorised Number	Value £000s	Allotted and fully paid Number	Value £000s
Ordinary shares of 3p each				
At 1 January 2019	240,000,000	7,200	226,105,286	6,783
At 31 December 2019	240,000,000	7,200	227,139,412	6,814

Full details of the share capital of the Company are disclosed in note 24 to the consolidated financial statements.

The Company's reserves are as follows:

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

## 13. DIVIDENDS

Details of dividends paid by the Company are disclosed in note 25 of the consolidated financial statements.

## 14. COMMITMENTS UNDER OPERATING LEASES

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

£000s	Land and buildings		Other	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Within one year	16	20	629	834
Between one and five years	—	20	662	874
	<b>16</b>	40	<b>1,291</b>	1,708

## 15. DIRECTORS' INTERESTS IN TRANSACTIONS

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

# FIVE YEAR SUMMARY

£000s	2019	2018	2017	2016	2015
Revenue	<b>612,599</b>	637,383	630,636	594,471	566,972
Fee income	<b>556,500</b>	574,157	562,320	534,296	506,110
PBTA	<b>37,306</b>	50,162	53,941	50,704	51,795
Net bank debt	(94,095)	(73,875)	(80,632)	(83,419)	(78,779)
Net assets	<b>348,537</b>	377,572	369,784	411,307	364,490
Cash generated from operating activities	<b>54,874</b>	60,359	63,511	78,253	92,628
Average number of employees	<b>4,974</b>	5,556	5,340	5,099	5,054
Dividend per share	<b>4.42p</b>	9.88p	9.88p	9.74p	9.74p
Adjusted basic EPS	<b>12.43p</b>	16.47p	17.13p	16.60p	16.57p
Adjusted diluted EPS	<b>12.31p</b>	16.34p	17.01p	16.51p	16.47p

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

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