RPS GROUP PLC
(“RPS” or “the Group”)

Results for the Year Ended 31 December 2010

Results in line with market expectations. Excellent cash flow. Balance sheet remains strong.

	2010	2009
Revenue (£m)	461.8	443.9
Fee income (£m)	393.3	374.4
Profit before taxation* (£m)	48.0	52.5
Earnings per share* (basic) (p)	15.79	17.08
Operating cash flow (£m)	57.9	70.6
Statutory profit before tax (£m)	42.5	48.6
Statutory earnings per share (basic) (p)	14.78	15.78
Total dividend per share (p)	4.83	4.20

**Adjusted to add back the amortisation of acquired intangible assets arising on business combinations of £5.5m (2009: £3.9m) and, in respect of EPS, the one-off tax credit arising on changes in Australian tax law of £1.8m (2009: £nil).*

Key Points

- strong management and diversity of activity and geography enabled the Group to produce resilient results in markets which remained challenging;
- almost two thirds of operating profit earned in growth markets of Energy and Australia;
- conversion of profit (ebitda) to cash once again over 100%;
- balance sheet remains strong with year end net bank borrowings at £31.5m (2009: £32.8m) having spent £18.0m on acquisitions;
- committed bank facilities of £125m available until 2013;
- full year dividend increased by 15%;
- acquisitions made during the year performing well;
- since year end two further acquisitions EHI (announced 18 February) and Nautilus (announced today).

Brook Land, Chairman, commenting on the results, said:

"2010 was another challenging year, ending as it began, with extreme weather conditions in Europe and Queensland causing disruption. The moratorium on deep water drilling for oil in the Gulf of Mexico, following the Macondo disaster, was another significant, unpredictable event with which we had to contend. Given these factors and, against the background of continuing global economic and financial uncertainty, our 2010 full year results again demonstrated the Group's resilience.

"Our strategy of building a multi-disciplinary business on an international basis will deliver shareholder value and we anticipate making further progress with this in 2011, using our strong balance sheet.

"RPS is well positioned, internationally, in markets of fundamental importance to the reshaping of the world economy. The Board is confident that once we get through the hiatus caused by the extreme weather in Australia and sustainable economic growth resumes, the Group will experience another extended period of good growth."

2 March 2011

ENQUIRIES

RPS Group plc — **Today: 020 7457 2020**
Dr Alan Hearne, *Chief Executive* — **Thereafter: 01235 863206**
Gary Young, *Finance Director*

College Hill
Justine Warren — **Tel: 020 7457 2020**
Matthew Smallwood

RPS is an international consultancy providing independent advice upon: the development of land, property and infrastructure; the exploration and development of oil and gas and other natural resources; the management of the environment and the health and safety of people. We trade in the UK, Ireland, the Netherlands, Australia, the United States, Canada, Brazil, the Middle East and Asia and undertake projects in many other parts of the world. The Group is a constituent of both the FTSE 250 and FTSE4Good Indices.

Results

Profit (before tax and amortisation of acquired intangibles) was in line with market expectations at £48.0 million (2009: £52.5 million). The tax rate at 25.3% (2009: 30.9%) was lower than normal due to a one off benefit arising from changes in the tax law relating to acquisitions in Australia. Basic earnings per share (before amortisation and this one-off tax credit) were 15.79 pence (2009: 17.08 pence).

Group operating profit (before amortisation) was £51.8 million (2009: £55.3 million). Unallocated central costs were reduced to £5.1 million (2009: £6.2 million) leaving a total result for the 3 segments of £57.0 million (2009: £61.5 million). Our margins remain exemplary for the sectors in which we operate. The contribution of each segment was:

(£m)	2010	2009
Energy	27.3	27.7
Planning and Development		
- UK and Ireland	10.8	15.6
- Australia	9.4	8.3
	20.2	23.9
Environmental Management	9.4	10.0
Total	57.0	61.5

Both Energy and Environmental Management were broadly flat year on year. Without the Macondo disaster in the Gulf of Mexico, Energy would have made an increased contribution. Planning and Development declined overall, even though the Australian result improved. The significant reduction in the UK and Ireland sub-segment of Planning and Development was the primary cause of the reduction in Group profitability. This was caused by exceptionally difficult trading conditions described below. Our Energy activities are very largely international in character. In combination with our Planning and Development (Australia) business we now have approaching two thirds of our profit being generated outside Europe. This exposes us to higher growth economies and better opportunities.

Cash Flow, Funding and Dividend

2010 was another year of good cash flow, with over 100% of ebitda being converted into cash once again. Operating cash flow was £57.9 million (2009: £70.6 million). Our balance sheet remains strong and we have no defined benefit pension schemes. We have bank facilities of £125 million available until 2013 and the cost of these facilities remains at historically low levels. Net bank borrowings at the year end were £31.5 million (2009: £32.8 million), after investing in acquisitions to the value of £18.0 million (2009: £44.2 million). We are well positioned to continue to fund the Group's growth strategy.

The Board continues to be confident about the Group's financial strength and is recommending a final dividend of 2.52 pence per share payable on 28 May 2011 to shareholders on the register on 15 April 2011. The total dividend for the full year will be 4.83 pence per share, an increase of 15% (2009: 4.20 pence per share). Our dividend has risen at about this rate for 17 consecutive years.

Markets and Trading

Energy

We provide internationally recognised consultancy services to the oil and gas industries from bases in the UK, USA, Canada, Brazil, Australia, the Middle East and Asia. Projects are undertaken in many other countries including China, India, West Africa and the Arctic. As current events in Libya demonstrate, much of the world's oil reserves are found in difficult working environments. In addition, we are market leaders in the provision of environmental and engineering advice to the UK offshore renewable energy industry.

Trading

	2010	2009
Fee income (£m's)	157.6	149.1
Profit* (£m's)	27.3	27.7
Margin (%)	17.3	18.6

**before amortisation of acquired intangible assets of £2.1m (2009: £1.8m) and after reorganisation costs of £0.3m (2009: £0.3m).*

Global investment in exploration and production slowed significantly during the second quarter of 2009 and remained at a subdued level for the rest of that year. Market conditions in the first part of 2010 showed a modest improvement over the latter part of 2009. However, the explosion on 20 April 2010 of the Deepwater Horizon rig on the Macondo prospect resulted in a moratorium on deep water drilling in the Gulf of Mexico. This adversely affected activity levels in our US operations for the rest of 2010. Elsewhere in the world, towards the end of the year, we experienced improved client confidence, particularly as the oil price increased and investment in exploration for unconventional hydrocarbon resources gathered pace. However, the level of demand did not improve sufficiently to remove the pricing pressure from our clients which had built during 2009.

National Oil Companies were consistently active and have become an increasingly important part of our portfolio of clients. In addition, our reputation within the financial community in respect of determination of oil and gas reserves for reporting purposes, asset evaluation and in support of corporate activity continued to develop during the year. Notably, we advised KNOC in its successful bid for Dana Petroleum.

Outlook

Trading towards the end of 2010 suggests that a sustainable recovery may be under way in our Energy business. The high and rising oil price seems to be stimulating additional activity. Our business development initiatives in Brazil and the Middle East are showing signs of success and our exposure to new exploration areas such as the Arctic should assist our development.

Many of the projects in which we are involved are of a long term nature, reflecting the complexity of identifying and securing sources of oil and gas in increasingly challenging environments. This provides a solid underpin for our business. Our reputation as providers of asset and corporate valuations was enhanced last year and we believe these markets are likely to remain a good source of fee income. New opportunities, for example, in relation to unconventional forms of gas and the infrastructure they require, are continuing to develop, particularly in respect of shale gas in North America and coal seam gas in Australia.

The moratorium on deep water drilling in the Gulf has ended and the first licence to drill was awarded recently. We currently anticipate a significant level of activity to develop in the second half. The need to improve safety within the industry globally has already resulted in additional safety and risk management commissions. We envisage this trend continuing.

The acquisition of Boyd in August is, as expected, supporting the development of our oil and gas activities in Canada and increases our exposure to the attractive international mining sector.

Since the year end we have completed two further acquisitions. Evans Hamilton (announced on 18 February) provides similar services to the offshore exploration and production industry in the Americas as our successful Metocean business does in Australia. Nautilus (announced today) takes us into the technical, geosciences training market, which we see having good growth opportunities as the need for specialist training increases across the oil and gas sector.

Planning and Development

Within these businesses we provide consultancy services in respect of town and country planning, building, surveying, landscape and urban design, transport planning and environmental assessment. We remain leaders in this market in the UK and Ireland and Australia.

Trading

2010	UK and Ireland	Australia	Total
Fee income (£m's)	105.2	65.2	170.4
Profit* (£m's)	10.8	9.4	20.2
Margin (%)	10.3	14.4	11.9

2009	UK and Ireland	Australia	Total
Fee income (£m's)	127.7	33.2	160.9
Profit* (£m's)	15.6	8.3	23.9
Margin (%)	12.2	24.9	14.9

**before amortisation of acquired intangible assets of £3.1m (2009: £1.7m) and after reorganisation costs of £0.7m (2009: £2.8m).*

Our 2010 results reflect the challenging nature of a number of the markets in which we operate, but also the high quality management we have bought to bear, enabling us to maintain a respectable return, despite demand falling significantly and considerable pricing pressure from clients.

The economic downturn began to be felt in parts of these businesses in the last part of 2008. We moved quickly to reduce capacity and costs, a process which continued throughout 2009, and in 2010 particularly as the effects of the global financial crisis spread to the Australia property market. Our commercial development clients, affected by market uncertainties and a reduced ability to access credit, significantly reduced activity levels and, in consequence, the support needed from consultants. Both these characteristics were apparent, internationally, throughout 2010. In the UK this effect was exacerbated by uncertainty surrounding the run up to both the General Election and the new Government's spending review.

In Australia commercial developers became increasingly short of appropriate finance, and so operated at reduced levels, despite the overall health of their economy, relative to others. We have, however, successfully expanded our support to the energy infrastructure sector. The acquisition of Aquaterra in May significantly strengthened our activities in the water and mining sectors, where we see good growth opportunities. Aquaterra's main operating centre in Perth has relocated into our new Perth office, which is now the Group's largest. Floods in Queensland in both January/February and December had a significant adverse effect.

In Britain we were involved in a number of private sector infrastructure projects and are increasing our involvement in this market, as it seems relatively robust, particularly in respect of energy related projects. The early effects of reduced public expenditure began to be felt by the year end, particularly in Scotland.

Our businesses in both the Republic of Ireland and Northern Ireland depend significantly on public sector investment. The weak state of public finances in the Republic continued to put pressure on our business throughout the year, requiring further cost cutting. In Northern Ireland our business progressed reasonably well until the effects of UK public finance constraints began to appear in the last part of the year.

In our Interim Management Statement dated 28 October 2010 we announced that in order to ensure a robust Planning and Development business we were merging our British, Irish and Northern Ireland businesses. The integration process was successfully completed before the year end and accordingly we are reporting the results of one business, *Planning and Development: UK and Ireland* for 2010. In order to provide appropriate year on year comparisons, business segment information has been revised for prior periods, as shown in the announcement made by the Group on 3 February 2011.

Outlook

As identifying sources of energy, climate change and other environmental issues grow in importance, the competitive advantage we derive in these markets from our broad range of integrated services should continue to increase.

We retain long term optimism about the potential for our business in Australia. This is underpinned by public and private sector investment in infrastructure, particularly related to gas exploration and other natural resources projects, as well as the opportunities we now have in the water and mining sectors. However, the effects of the recent extreme flooding and Cyclone Yasi in Queensland are likely to be felt for some while, and will affect the first half results of Planning and Development (Australia) significantly. Eventually we should benefit from recovery related work, much of which will be done under the control of the newly created Queensland Reconstruction Authority. It remains unclear, however, when we will move from adverse to beneficial effects. The Board is hopeful that a more normal workload will return during the course of the second half, as our clients re-establish project requirements and we become involved in the early stages of the reconstruction work.

Until our commercial development clients in the UK experience less economic uncertainty and have better access to credit, achieving organic growth will remain difficult and further setbacks are possible. We are, therefore, focussed on developing additional work with private sector infrastructure providers, particularly in the energy sector. In those parts of the economy more dependent on the public sector we are likely to continue to face uncertainty until the effect of expenditure cuts become clearer.

The integration of our Republic of Ireland and Northern Ireland businesses with the British Planning and Development business has been well received by staff and clients, has proceeded well and is already beginning to open up new domestic and international opportunities. Following the economic and political turbulence in Ireland in recent months, it is to be hoped there will now be a period of stability which will allow the economy to begin to recover.

Environmental Management

This business provides consultancy services in respect of environmental sciences, health, safety, risk and water management in the UK and the Netherlands.

Trading

Total	2010	2009
Fee income (£m's)	68.5	67.1
Profit* (£m's)	9.4	10.0
Margin (%)	13.7	14.9

**before amortisation of acquired intangible assets of £0.4m (2009: £0.3m) and after reorganisation costs of £0.3m (2009: £0.4m).*

This is another good set of results, with exemplary margins being sustained despite significant pricing pressure from clients.

As expected, our UK water activities remained relatively subdued through much of the year as our clients shifted attention to the new regulatory cycle. Towards the end of the year we saw some signs that the new round of investment is getting underway. The Dutch economy has suffered a serious recession, but we have been well positioned to benefit from Government stimulus expenditure related to water and transport infrastructure. During the course of 2010 and particularly when the Dutch government introduced a consolidation budget, our private sector clients became more cautious. This held back our performance towards the end of the year. Our health and safety activities in the UK are largely in regulated markets; this protects volume to an important degree, but exposes us to pricing pressure. The acquisition of Health in Business in February supported our growing occupational health business. It has been integrated successfully and performed well. Our nuclear safety activities continued to trade well, as demand held up in a highly regulated market, short of the specialist skills we provide.

Outlook

Much of the work we do in these markets is regulatory driven and to a degree non-discretionary enabling us to maintain levels of activity, although we expect pricing pressure to continue. We do not anticipate a particularly good year in the Netherlands, but are well positioned in relation to the new round of investment in the UK water industry.

Group Prospects

We have come through the exceptionally challenging circumstances of the last two years in good shape and hope to resume growth in the current year. However, we face continuing uncertainties in Queensland and in understanding our clients' responses to reduced public expenditure in a number of countries. We remain focussed, therefore, on continuing to improve the efficiency of our businesses, although enabling our employees to recover some of the ground they have lost in remuneration over the last 2 years has been important at the beginning of 2011.

RPS remains well positioned in markets of fundamental importance to the global economy; these continue to have significant long term potential. We believe that our strategy of building multi-disciplinary businesses in each of the territories in which we operate to be attractive and achievable and we will, therefore, continue to seek acquisition opportunities. Our balance sheet is strong enough to continue to support this strategy.

The main drivers of growth for the Group in 2011 are likely to be steadily improving oil and gas exploration and production markets and activity related to providing energy infrastructure. Environmental management is likely to grow, provided the Dutch market does not deteriorate much further. Recovery in commercial property and public sector infrastructure markets seems likely to take longer.

We continue to operate in unpredictable circumstances. Overall, however, we currently expect a modestly improved performance in 2011.

Board of Directors
RPS Group plc
2 March 2011

Consolidated income statement

	Notes	year ended 31 December 2010 £000's	year ended 31 December 2009 £000's
Revenue	*2*	461,830	443,909
Recharged expenses	*2*	(68,568)	(69,558)
Fee income	*2*	393,262	374,351
Operating profit	*2*	46,309	51,448
Finance costs	*3*	(4,025)	(3,113)
Finance income	*3*	185	268
Profit before tax and amortisation of acquired intangibles		47,993	52,472
Amortisation of acquired intangibles		(5,524)	(3,869)
Profit before tax		42,469	48,603
Tax expense	*4*	(10,733)	(14,997)
Profit for the year attributable to equity holders of the parent		31,736	33,606
Basic earnings per share (pence)	*5*	14.78	15.78
Diluted earnings per share (pence)	*5*	14.69	15.59
Adjusted basic earnings per share (pence)	*5*	15.79	17.08
Adjusted diluted earnings per share (pence)	*5*	15.69	16.87

Consolidated statement of comprehensive income

	year ended 31 December 2010 £000's	year ended 31 December 2009 £000's
Profit for the year	31,736	33,606
Other comprehensive income		
Exchange differences	6,978	(3,804)
Tax recognised directly in equity	85	188
Total recognised comprehensive income for the year attributable to equity holders of the parent	38,799	29,990

Consolidated balance sheet

	Notes	as at 31 December 2010 £000's	as at 31 December 2009 £000's
Assets			
Non-current assets			
Intangible assets		314,621	293,943
Property, plant and equipment		28,107	28,226
Investments		447	204
		343,175	322,373
Current assets			
Trade and other receivables		158,766	139,247
Cash at bank		13,933	13,691
		172,699	152,938
Liabilities			
Current liabilities			
Borrowings		1,744	1,802
Deferred consideration		9,873	15,652
Trade and other payables		86,971	68,678
Corporation tax liabilities		2,618	6,135
Provisions		1,768	1,324
		102,974	93,591
Net current assets		69,725	59,347
Non-current liabilities			
Borrowings		43,726	44,652
Deferred consideration		8,661	9,289
Other creditors		1,052	1,301
Deferred tax liability		11,291	9,791
Provisions		3,177	3,219
		67,907	68,252
Net assets		344,993	313,468
Equity			
Share capital		6,516	6,457
Share premium		101,941	98,238
Other reserves	*6*	45,581	39,519
Retained earnings		190,955	169,254
Total shareholders' equity		344,993	313,468

Consolidated cash flow statement

	Notes	year ended 31 December 2010 £000's	year ended 31 December 2009 £000's
Cash generated from operations	*7*	57,874	70,583
Interest paid		(4,507)	(3,839)
Interest received		185	268
Income taxes paid		(14,384)	(12,550)
Net cash from operating activities		39,168	54,462
Cash flows from investing activities			
Purchases of subsidiaries net of cash acquired		(4,418)	(20,616)
Deferred consideration		(13,626)	(15,075)
Purchase of property, plant and equipment		(6,856)	(4,061)
Sale of property, plant and equipment		3,193	86
Dividends received		116	-
Net cash used in investing activities		(21,591)	(39,666)
Cash flows from financing activities			
Proceeds from issue of share capital		229	381
Repayments of bank borrowings		(5,022)	(9,023)
Payment of finance lease liabilities		(1,491)	(599)
Dividends paid		(9,710)	(8,410)
Payment of pre-acquisition dividend		(694)	(1,511)
Net cash used in financing activities		(16,688)	(19,162)
Net increase/ (decrease) in cash and cash equivalents		889	(4,366)
Cash and cash equivalents at beginning of year		13,691	16,707
Effect of exchange rate fluctuations		(647)	1,350
Cash and cash equivalents at end of year		13,933	13,691
Cash and cash equivalents comprise:			
Cash at bank	*7*	13,933	13,691

Consolidated statement of changes in equity

	Share capital £000's	Share premium £000's	Retained earnings £000's	Other reserves £000's	Total equity £000's
At 1 January 2009	6,399	95,531	142,126	43,551	287,607
Changes in equity during 2009					
Total comprehensive income	-	-	33,794	(3,804)	29,990
Issue of new ordinary shares	58	2,707	(1,536)	(228)	1,001
Share based payment expense	-	-	3,280	-	3,280
Dividends paid	-	-	(8,410)	-	(8,410)
At 31 December 2009	6,457	98,238	169,254	39,519	313,468
Changes in equity during 2010					
Total comprehensive income	-	-	31,821	6,978	38,799
Issue of new ordinary shares	59	3,703	(2,036)	(916)	810
Share based payment expense	-	-	1,626	-	1,626
Dividends paid	-	-	(9,710)	-	(9,710)
At 31 December 2010	6,516	101,941	190,955	45,581	344,993

Notes to the results

1. **Basis of preparation**

The financial information attached has been extracted from the audited financial statements for the year ended 31st December 2010 and has been prepared under International Financial Reporting Standards (IFRS) adopted by the EU and IFRIC interpretations issued and effective at the time of preparing those financial statements.

The IASB has issued the following revised and updated standards that are applicable to the Group and that resulted in changes in presentation for this accounting period.

IAS 27 (amended) "Consolidated and separate financial statements" and IFRS 3 (revised) "Business Combinations".

Since the 2009 Annual Report the IASB has also issued a variety of IFRIC amendments and interpretations that have no impact on the Group's reporting.

Otherwise, the accounting policies used are the same as set out in detail in the Report and Accounts 2009. The accounting policies used have been applied consistently to all periods presented in these financial statements.

2. **Business segments**

As announced on 3 February 2011, the Group merged its Planning and Development businesses in Britain, Ireland and Northern Ireland. The business segments of the Group are as follows:

Planning and Development – consultancy services in UK and Ireland, and Australia related to town and country planning, urban design, architecture, transport planning and highway design, environmental impact assessment and provision of water and waste utilities and energy infrastructure.

Environmental Management – consultancy services in the UK and the Netherlands, related to environmental science, the management of water resources and health, safety and risk management other than to the oil and gas sector.

Energy – the provision of a wide range of consultancy services including those relating to health, safety and risk management, on an international basis, to the upstream oil and gas and offshore renewable energy sectors.

Segment results for the year ended 31 December 2010

£'000	Fees	Recharged expenses	Inter-segment revenue	External revenue
Planning & Development				
UK and Ireland	105,150	18,118	(1,985)	121,283
Australia	65,232	11,898	(951)	76,179
Intra P&D eliminations	(6)	-	6	-
Total Planning & Development	170,376	30,016	(2,930)	197,462
Energy	157,554	30,450	(160)	187,844
Environmental Management	68,521	8,807	(804)	76,524
Group eliminations	(3,189)	(705)	3,894	-
Total	393,262	68,568	-	461,830

£'000	Underlying profit	Reorganisation costs	Amortisation of acquired intangibles	Segment result
Planning & Development				
UK and Ireland	10,442	384	(837)	9,989
Australia	10,473	(1,064)	(2,240)	7,169
Total Planning & Development	20,915	(680)	(3,077)	17,158
Energy	27,616	(289)	(2,060)	25,267
Environmental Management	9,714	(298)	(387)	9,029
Total	58,245	(1,267)	(5,524)	51,454

Revised segment results for the year ended 31 December 2009

£'000	Fees	Recharged expenses	Inter-segment revenue	External revenue
Planning & Development				
UK and Ireland	127,728	26,813	(1,136)	153,405
Australia	33,235	8,648	(544)	41,339
Intra P&D eliminations	(21)	(3)	24	-
Total Planning & Development	160,942	35,458	(1,656)	194,744
Energy	149,057	24,616	(601)	173,072
Environmental Management	67,106	9,771	(784)	76,093
Group eliminations	(2,754)	(287)	3,041	-
Total	374,351	69,558	-	443,909

£'000	Underlying profit	Reorganisation costs	Amortisation of acquired intangibles	Segment result
Planning & Development				
UK and Ireland	18,377	(2,755)	(887)	14,735
Australia	8,287	(21)	(855)	7,411
Total Planning & Development	26,664	(2,776)	(1,742)	22,146
Energy	27,979	(306)	(1,793)	25,880
Environmental Management	10,349	(371)	(334)	9,644
Total	64,992	(3,453)	(3,869)	57,670

	2010 £'000	2009 £'000
Revenue	461,830	443,909
Recharged expenses	(68,528)	(69,558)
Fees	393,262	374,351
Underlying profit	58,245	64,992
Reorganisation costs	(1,267)	(3,453)
Unallocated expenses	(5,145)	(6,222)
Operating profit before amortisation	51,833	55,317
Amortisation of acquired intangibles	(5,524)	(3,869)
Operating profit	46,309	51,448
Finance costs	(3,840)	(2,845)
Profit before tax	42,469	48,603

Geographical analysis

	Revenue		Fees	
£'000	2010	2009 (revised)	2010	2009 (revised)
UK	210,444	225,016	180,224	192,216
Ireland	49,527	67,030	40,690	51,620
Australia	110,712	70,590	93,152	60,340
USA	35,019	32,762	32,349	29,745
Netherlands	25,867	28,947	22,918	24,268
Canada	26,718	18,003	20,422	14,601
Other	3,543	1,561	3,507	1,561
Total	461,830	443,909	393,262	374,351

The table shows revenue and fees to external customers based upon the location from which billing took place. The Group has changed how it monitors its Planning and Development business in the UK and Ireland (see note 2). Therefore, the analysis in respect of 2009 has been revised to include Northern Irish sales in the UK geographical area.

3. Net financing costs

£000's	year ended 31 Dec 2010	year ended 31 Dec 2009
Finance costs		
Interest on loans, overdraft and finance leases	(3,079)	(1,975)
Interest imputed on deferred consideration	(241)	(428)
Interest payable on deferred consideration	(705)	(710)
	(4,025)	(3,113)
Finance income		
Deposit interest receivable	185	268
Net financing costs	(3,840)	(2,845)

4. Income taxes

£000's	year ended 31 Dec 2010	year ended 31 Dec 2009
Current tax		
UK corporation tax	5,706	8,377
Foreign tax	5,092	7,441
	10,798	15,818
Deferred tax credit	(65)	(821)
Tax expense for the year	10,733	14,997

Analysis of (credit)/charges to equity

Current tax on share based payments	(23)	(40)
Deferred tax on share based payments	(62)	(148)
Tax credit in equity for the year	(85)	(188)

The charge for the year can be reconciled to the profit per the income statement as follows

£000's	2010	2009
Profit before tax	42,469	48,603
Tax at the UK effective rate of 28% (2009: 28%)	11,891	13,609
Expenses not deductible for tax purposes	259	439
Overseas tax rates	659	894
Effect of change in tax rates	(85)	-
Change in Australian tax law	(1,754)	-
Prior year adjustments	(237)	55
Total tax expense for the year	10,733	14,997

Tax Laws Amendment (2010 Measures No.1) Act 2010 was enacted in Australia during July and amends the tax treatment of certain assets acquired in business combinations. The one-off impact is to retrospectively reduce the income tax liability for the head company of the Australian tax group for the years ended 31 December 2007 and 2009 when acquisitions entered the tax group. The tax expense for 2010 is reduced by £1,754,000 in relation to the impact of this new legislation.

5. **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 below:

£000's	year ended 31 Dec 2010	year ended 31 Dec 2009
Profit attributable to ordinary shareholders	31,736	33,606
000's		
Weighted average number of ordinary shares for the purposes of basic earnings per share	214,737	212,943
Effect of shares to be issued as deferred consideration	-	286
Effect of employee shares schemes	1,311	2,347
Diluted weighted average number of ordinary shares	216,048	215,576
Basic earning per share (pence)	14.78	15.78
Diluted earnings per share (pence)	14.69	15.59

The directors consider that earnings per share before amortisation and the one-off effect of the change in Australian tax law (see note 4) provides a more meaningful measure of the Group's performance than statutory earnings per share. The calculations of adjusted earnings per share were based on the weighted average number of ordinary shares outstanding during the year as shown above and the profit attributable to ordinary shareholders before the amortisation of acquired intangible assets and the tax thereon and the one-off effect of the change in Australian tax law as shown below:

£000's	year ended 31 Dec 2010	year ended 31 Dec 2009
Profit attributable to ordinary shareholders	31,736	33,606
Amortisation of acquired intangibles	5,524	3,869
Tax on amortisation of acquired intangibles	(1,598)	(1,106)
Change in Australia tax law	(1,754)	-
Adjusted profit attributable to ordinary shareholders	33,908	36,369
Adjusted basic earnings (pence)	15.79	17.08
Adjusted diluted earnings per share (pence)	15.69	16.87

6. **Other reserves**

£000's	Merger reserve	Employee trust shares	Translation reserve	Total other reserves
At 1 January 2009	20,079	(3,583)	27,055	43,551
Changes in equity during 2009				
Exchange differences	-	-	(3,804)	(3,804)
Issue of new shares	608	(836)	-	(228)
At 31 December 2009	20,687	(4,419)	23,251	39,519
Changes in equity during 2010				
Exchange differences	-	-	6,978	6,978
Issue of new shares	569	(1,485)	-	(916)
At 31 December 2010	21,256	(5,904)	30,229	45,581

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

£000's	year ended 31 Dec 2010	year ended 31 Dec 2009
Profit before tax	42,469	48,603
Adjustments for:		
Interest payable and similar charges	4,025	3,113
Interest receivable	(185)	(268)
Depreciation	7,556	6,868
Amortisation of acquired intangibles	5,524	3,869
Share based payment expense	1,626	3,280
(Profit)/Loss on sale of property, plant and equipment	(1,579)	152
Share of profit of associates	(335)	(78)
(Increase)/Decrease in trade and other receivables	(7,981)	31,223
Increase/(Decrease) in trade and other payables	6,754	(26,179)
Cash generated from operations	57,874	70,583

The table below provides an analysis of net borrowings, comprising cash and cash equivalents, interest bearing bank loans and finance leases, during the year ended 31 December 2010.

£000's	At 31 Dec 2009	Cash flow	Foreign exchange	At 31 Dec 2010
Cash and cash equivalents	13,691	889	(647)	13,933
Bank loans	(41,949)	5,022	(4,889)	(41,816)
Finance lease creditor	(4,505)	1,491	(640)	(3,654)
Net borrowings	(32,763)	7,402	(6,176)	(31,537)

The cash balance includes £1,100,000 (2009: £nil) that is restricted and not available to the Group for general use.

8. **Post balance sheet events**

The Group completed the acquisition of 100% of the issued share capital of Evans-Hamilton Incorporated, a US based oceanographic consulting firm on 18 February 2011 for a maximum cash consideration of US$8.67 million (£5.5 million). In the financial year ended 31 December 2010 Evans-Hamilton Inc had revenues of US$7.5 million (£4.7 million) and profit before tax of US$1.4 million (£0.9 million) after adjustment for non-recurring items. Net assets at 31 December 2010 were US$0.6 million (£0.4 million) after adjusting for assets excluded from the transaction. On the same basis, gross assets at 31 December 2010 were US$3.75 million (£2.4 million). Net debt at 31 December 2010 was US$1.5 million (£1.0 million). Initial consideration of US$4.67 million (£3.0 million) has been paid. Subject to certain operational conditions being met, two further sums of US$2.0 million (£1.3 million) will be paid on the first and second anniversaries of the transaction.

As announced today, the Group has also completed the acquisition of the Nautilus Group. Details of this acquisition can be found in the announcement.

Since these acquisitions were completed on 18 February 2011 and 2 March 2011 respectively, it is not practicable to provide the remaining information required by IFRS 3.

9. The financial information set out above does not constitute the company's full statutory accounts for the year ended 31 December 2010 for the purposes of section 435 of the Companies Act 2006, but it is derived from those accounts. The auditors have reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006. Statutory accounts for 2009 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified and did not include an emphasis of matter statement. The auditor's report did not contain statements under the Companies Act 1985, S237 (2) or (3).

10. This announcement has been posted on the Company's website at www.rpsgroup.com. It is expected that the annual report and accounts will be posted to shareholders on or before 1 April 2011 and a copy will be posted on the Company's website at that time. Further copies may be obtained after that date from the Company Secretary, RPS Group plc, Centurion Court, 85 Milton Park, Abingdon, Oxfordshire OX14 4RY.

11. The Group has a well-established and embedded system of internal control and risk management that is designed to safeguard shareholders' investment as well as the Group's personnel, assets and reputation. The principal risks and uncertainties for the Group will be described in the Group's Annual Report and Accounts. These risks relate to failure to deliver long term strategy, an adverse occurrence preventing the business from operating, performance falling short of expectations including the reputational risk linked to quality of work, failure to comply with legislation or regulation and risks related to health, safety and the environment. The continuing uncertainty in global economic outlook inevitably increases the risks to which the Group is exposed.

Responsibility Statement of the Directors

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the International Financial Reporting standards as adopted by the EU, 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; and

- the 'Business Review' 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, and that the 'Risk Management' report includes a description of the principal risks and uncertainties that the Group faces.

Forward looking statements

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