RPS GROUP PLC
(“RPS” or “the Group”)

Results for the Year Ended 31 December 2016

Significantly improved performance in second half. Strong cash conversion. Net debt and leverage reduced substantially from Interim position. Dividend maintained.

	2016	2015	2015 (constant currency)[3]
Revenue (£m)	**594.5**	567.0	611.1
Fee income (£m)	**534.3**	506.1	545.6
PBTA[(1)] (£m)	**50.7**	51.8	57.2
Adjusted earnings per share [(2)] (basic) (p)	**16.60**	16.57	18.31
Total dividend per share (p)	**9.74**	9.74	9.74
Statutory profit before tax (£m)	**32.8**	9.9	10.4
Statutory earnings per share (basic) (p)	**11.35**	3.11	3.32

1) PBTA is profit before tax, amortisation and impairment of acquired intangibles and transaction related costs.
(2) Adjusted earnings per share is before amortisation and impairment of acquired intangibles and transaction related costs and the related tax.
(3) 2015 results restated at 2016 currency rates.

Key Points

- PBTA: £50.7 million (2015: £51.8m) after £5.6 million (2015: £2.0m) reorganisation costs;
- EPS (adjusted, basic) 16.60p (2015: 16.57p);
- Statutory profit before tax £32.8m (2015: £9.9m);
- H2 PBTA £30.5 million; H1 PBTA £20.2 million;
- Energy trading improved in H2, 10.7% trading margin;
- Energy bad debt provision reversal of £4.2 million in H2;
- results on consolidation boosted £3.7m by weak sterling;
- non oil and gas businesses across the Group generally traded well;
- project management activities proving resilient and flexible;
- acquisitions made in 2014/15/16 integrated and contributed well; provided significant re-positioning of Group activities;
- strong cash conversion (117%);
- year end net debt £83.4 million (June 2016: £95.0 million); leverage 1.6 (June 2016: 2.2);
- full year dividend held at 2015 level: 9.74 pence.

Alan Hearne, CEO, commented:

"The Group's long term strategy of building a diverse international business has enabled RPS to produce a creditable result despite the significant impact of the worst downturn the global oil and gas sector has experienced. Our operating cash flow was once again strong and our balance sheet strengthened significantly in the second half.

In order to reflect the changing mix of the business our regional Energy activities have been merged with our BNE businesses to form 2 new multi-disciplinary regional businesses. Our experience of doing this in AAP in 2013 has been positive and we expect the new Europe and N. America segments to benefit from being integrated in the same way.

The Board believes the new regional structure provides a platform to enable the Group to return to growth in 2017."

2 March 2017

ENQUIRIES

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

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

RPS is an international consultancy providing independent advice upon: the development and management of the built and natural environment, the planning and development of strategic infrastructure and the evaluation and development of energy, water and other resources. We have offices in the UK, Ireland, the Netherlands, Norway, the United States, Canada and Australia/Asia Pacific and undertake projects in many other parts of the world. The Group has been a constituent of the FTSE4Good index since its inception in 2001.

Results

PBTA for the full year was £50.7 million (2015: £51.8 million; £57.2 million on a constant currency basis). Energy and other businesses exposed to the oil and gas sector suffered a significant downturn, resulting from a further substantial contraction in expenditure by our clients, responding to the collapse in the oil price early in the year. However, our businesses not involved in that sector generally performed well and enabled the Group as a whole to produce a result well above expectations. The Group tax rate on PBTA was 27.7% (2015: 29.6%). Adjusted basic earnings per share were 16.60 pence (2015: 16.57 pence; 18.31 pence on a constant currency basis).

Sterling weakened during the year, particularly following the UK referendum in June 2016. This provided a significant benefit when our overseas earnings were consolidated into the Group results. PBTA in 2016 would have been £3.7m lower had 2015 exchange rates been repeated.

Segment Contribution

The acquisitions made in recent years have contributed materially to a shift of emphasis in the Group's performance away from the Energy sector. The scale of the downturn in this sector is unprecedented and the impact on our Energy business and, consequently, the Group has been dramatic. Energy contributed £35 million segment profit in 2014, £11 million in 2015, and only £5.4 million in 2016.

We committed c.£126 million to acquisitions in 2014-2016, none with direct exposure to oil and gas markets. This brought new activities and geographies into the Group with an aggregate run rate profit at time of completion of each transaction of £22 million. Whilst it is difficult to establish precisely their contribution, because these businesses have been integrated with appropriate parts of the Group, they have continued to grow, contributing an estimated £29 million of segment profit in the year. This move away from oil and gas sector activities materially assisted the Group maintain its profits and demonstrates clearly the value of this part of our strategy.

The contribution of the Group's four segments in 2016 was:

Segment Profit* (£m)		**2016**	2015	2015 (constant currency)
Built and Natural Environment:	Europe	**35.1**	30.3	31.7
:	North America	**7.9**	10.6	12.0
Energy		**5.4**	10.9	11.9
Australia Asia Pacific ("AAP")		**14.2**	12.1	13.9
Total		**62.6**	63.9	69.5

*after reorganisation costs.

Both our BNE businesses were exposed to oil and gas client projects. The oil and gas component in Europe was small contributing about 2% of fees and segment profit in the year and primarily focussed in Norway. In North America the contribution was greater, about 30% of fees and 17% profit; we have in place a strategy to diversify this business further, as has been achieved in AAP. Our resources businesses in AAP contributed about 20% of total AAP fees in the year and 5% segment profit. The contribution from these markets to total Group segment results in 2016 was about 23% in respect of fees and 12% in respect of segment profit. In 2014 the equivalent proportions were 54%

and 62%. Despite this reduction we retain effective capability in the oil and gas and resources sectors and should benefit from any sustained recovery in these markets.

Cash Flow, Funding and Dividend

Our conversion of profit into cash was again strong at 117%. We funded acquisition investment of £35.1 million in the period, including £23.7 million deferred consideration from acquisitions made in prior years. Net bank borrowings at 31 December 2016 were £83.4 million (31 December 2015: £78.8 million). Deferred consideration of up to £13.4 million is payable in 2017, leaving only £1.6 million remaining to be paid, in 2018.

Since July 2015 we have had in place a five year £150 million revolving credit facility with Lloyds Bank plc and HSBC Bank plc. In addition, over 4 years remain on the £30.0 million and $34.1 million fixed term, fixed rate notes issued through Pricoa in 2014. Our interest cover at 31 December was 11.8 times, well above the bank covenant of 4.0 times. The Board indicated in the 2016 Interim Results announcement that it had decided to take a more cautious approach to investment in acquisitions because leverage, (being the ratio of net bank debt plus deferred consideration to annualised EBITDAS), had reached 2.2, even though it was well below the bank covenant of 3.0. Our leverage at 31 December had reduced to 1.6 (December 2015: 1.6). Assuming this position can be maintained or further reduced, as seems likely, during 2017, the Board would be comfortable about making further investments in suitable businesses.

The Board remains confident about the Group's financial strength and is recommending a final dividend of 5.08 pence (2015: 5.08 pence), payable on 19 May 2017 to shareholders on the register on 21 April 2017. If approved by shareholders this would result in a full year dividend of 9.74 pence, unchanged from 2015.

Markets and Trading

Built and Natural Environment (BNE)

BNE: Europe

Within this business we provide a wide range of consultancy services to many aspects of the property and infrastructure development and management sectors and also have a modest exposure to the oil and gas sector in Norway. It delivered a very good result in the period, with an improved performance in the second half.

	2016	2015	2015 (constant currency)
Fee income (£m)	**269.0**	222.4	234.6
Segment profit* (£m)	**35.1**	30.3	31.7
Margin (%)	**13.1**	13.6	13.5

** after reorganisation costs: 2016 £0.5m; 2015 £0.5m.*

Those activities which assist clients develop new capital projects, particularly our planning and development business in the UK and Ireland, continued to benefit both from good market conditions and client confidence. Our clients' investment activity did not appear to change materially in the second half as a result of the UK EU referendum. The integration of DBK, project management consultants, (acquired in April 2016) into this part of the business has been successful.

Those activities exposed to operational environments continued to need to offer an efficient, cost effective service to assist clients in managing tight budgets. This was particularly the case in the Netherlands, where our businesses experienced significant pricing pressure. Our water business in the UK, however, benefited from its strong market presence and once again performed well.

This segment includes the Group's Norwegian business: the process of integrating OEC (acquired November 2013) and Metier (acquired April 2015) to form that country's leading project management consultancy has moved forward significantly. This helped the business manage the adverse impact from the downturn in the oil and gas sector in that country.

The UK decision to leave the EU could cause disruption to Group activities if our clients decide to change their investment plans. It currently appears, however, that there will be no significant short term effect. The Board believes this segment is capable of delivering further growth in 2017.

BNE: North America

This business was formed in 2013 from parts of our North American Energy business providing advice in respect of infrastructure required by Energy clients. As a result, it still has a significant exposure to the oil and gas sector. This exposure held back progress as clients reduced and delayed expenditure. This impacted both fee income and margin.

	2016	2015	2015 (constant currency)
Fee income (£m)	**65.4**	58.7	66.4
Segment profit* (£m)	**7.9**	10.6	12.0
Margin (%)	**12.0**	18.0	18.1

** after reorganisation costs: 2016 £0.3m; 2015 £0.2m.*

The acquisition of Iris, based in San Francisco, in October 2015 continued the process of diversifying into more traditional environmental consultancy activities. Following integration, it is now working successfully with GaiaTech (acquired May 2014), which operates from Chicago in a similar market. Klotz (acquired February 2015) performed well in the infrastructure market in Texas. This shows the strength and value of our diversification strategy and the speed at which it can reposition our activities.

A low level of activity and continuing uncertainty in our energy focussed businesses is likely to hold back the performance in 2017, particularly in Canada where the market is particularly sluggish. However, our non-oil and gas activities now form the majority of our business, giving us a platform from which to achieve growth. This may over time be supported by the additional infrastructure investment being proposed by the new administration. Developing our business in the environmental, infrastructure and project management markets remains a Group priority and is likely to be a focus of attention when we resume acquisition activity.

Energy

We continue to provide internationally recognised consultancy services to the oil and gas industry from bases in the UK, USA and Canada. The activity levels in this market declined at an unexpected pace in the first few months of 2016 and remained uncertain during much of the rest of the year. Some stability seemed to emerge towards the end of the period. The 2015 result included a £7.0 million provision for doubtful debts. Towards the end of 2016 a significant proportion of the debt provided was recovered, resulting in the reversal of provisions totalling approximately £4.2 million.

	2016	2015	2015 (constant currency)
Fee income (£m)	**71.5**	123.0	129.3
Segment profit* (£m)	**5.4**	10.9	11.9
Margin (%)	**7.5**	8.9	9.2

** after reorganisation costs: 2016 £3.6m; 2015 £0.9m*

Responding to the reduction in the volume of work available we reduced permanent headcount a further 33%, on top of the 19% reduction in 2015. At the same time staff were grouped into a smaller number of core offices. Reorganisation costs of £3.6 million were incurred in the year, mainly in the first half (£2.6 million). We also significantly reduced our use of external sub-consultants. This enabled the business to perform far better in the second half producing a profit of £7.8 million, after a recovery of £4.2 million of debts previously provided for. Excluding both bad debt recovery and reorganisation costs, in the second half, the business produced a trading margin of 10.7%.

On 1 January 2017 the EAME component of Energy was merged with BNE: Europe and the North American component merged with BNE: North America. Although the oil and gas markets remain uncertain the second half performance suggests the regional Energy businesses will contribute positively to both these new segments.

Australia Asia Pacific ("AAP")

This business is a combination of the former BNE: AAP and the AAP component of Energy. They were brought together in 2013 to help counter the impact of the slowdown in the resources sector by focusing more upon the buoyant infrastructure sector. This strategy is working well. We also continue to benefit from the development of our project management capability, supported by the acquisition of Point in 2014 and EIG in 2015, both of which performed well in 2016.

	2016	2015	2015 (constant currency)
Fee income (£m)	**130.1**	104.2	117.5
Segment profit* (£m)	**14.2**	12.1	13.9
Margin (%)	**10.9**	11.6	11.8

** after reorganisation costs: 2016 £1.2m; 2015 £0.4m.*

Our resources businesses in Western Australia were faced with a shrinking market that deteriorated further in the second half. As a result, it produced a significantly reduced contribution compared with 2015. We further reduced our cost base and were able to relocate from our main office in Perth to smaller premises. This involved a significant, but non recurring, reorganisation cost. Our businesses on the east coast, particularly those involved in the management of major infrastructure projects and private sector development continued to operate successfully. Our work for a growing number of Federal Government agencies also continued to expand.

Our activities on the east coast give us confidence that the business as a whole has a good platform to achieve further growth.

Strategy and Group Prospects

As a result of the further significant change in the relative scale and contribution of the Group's businesses, and the changing nature of the global energy market, the Board has decided that, from 1 January 2017, the Group would operate and report three multi-disciplinary regional segments: AAP, which has been in existence since 2013, Europe and North America. The latter two have been formed by combining BNE: Europe with the EAME component of Energy and BNE: North America with the North America component of Energy. Our experience of reorganising this way in AAP has been positive and we expect the new Europe and North America segments to benefit also.

In recent years our acquisitions in both Norway and Australia have been directed towards project management consultancy, particularly in respect of large scale infrastructure projects. We see this as an important new activity for the Group; it reduces our dependency on the resources sectors and provides a more flexible business model than some of our technical businesses in other sectors. This strategy can be developed further in all the territories in which we operate. DBK, acquired in April 2016 in the UK, is an illustration of this. Further expansion in this market internationally is an attractive opportunity.

The Board believes the Group's new regional structure provides the platform to enable RPS to return to growth in 2017. Assuming such growth and leverage remaining at the current level or reducing further, as seems likely, there would be flexibility to consider resuming progressive dividends and investments in "bolt on" acquisitions to provide additional growth in 2018.

Board of Directors
RPS Group plc
2 March 2017

Consolidated income statement

£000's	*Notes*	year ended 31 December 2016	year ended 31 December 2015
Revenue	*2*	594,471	566,972
Recharged expenses	*2*	(60,175)	(60,862)
Fee income	*2*	534,296	506,110
Operating profit before amortisation of acquired intangibles and transaction related costs	*2*	55,877	56,845
Amortisation and impairment of acquired intangibles and transaction related costs	*3*	(17,890)	(41,940)
Operating profit		37,987	14,905
Finance costs	*4*	(5,331)	(5,232)
Finance income	*4*	158	182
Profit before tax, amortisation and impairment of acquired intangibles and transaction related costs		50,704	51,795
Profit before tax		32,814	9,855
Tax expense	*5*	(7,733)	(3,013)
Profit for the year attributable to equity holders of the parent		25,081	6,842
Basic earnings per share (pence)	*6*	11.35	3.11
Diluted earnings per share (pence)	*6*	11.29	3.09
Adjusted basic earnings per share (pence)	*6*	16.60	16.57
Adjusted diluted earnings per share (pence)	*6*	16.51	16.47

Consolidated statement of comprehensive income

£000's	year ended 31 December 2016	year ended 31 December 2015
Profit for the year	25,081	6,842
Exchange differences*	41,429	(9,181)
Actuarial gains and losses on re-measurement of defined benefit pension liability	(261)	234
Tax on re-measurement of defined benefit pension liability	65	(63)
Total recognised comprehensive income/(loss) for the year attributable to equity holders of the parent	66,314	(2,168)

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

Consolidated balance sheet

£000's	*Notes*	as at 31 December 2016	as at 31 December 2015
Assets			
Non-current assets:			
Intangible assets		455,508	416,658
Property, plant and equipment		28,448	26,504
Deferred tax asset		5,953	4,281
		489,909	447,443
Current assets:			
Trade and other receivables		165,604	157,430
Cash at bank		16,503	17,801
		182,107	175,231
Liabilities			
Current liabilities:			
Borrowings		36	525
Deferred consideration	*10*	13,376	20,383
Trade and other payables		125,165	112,309
Corporation tax liabilities		4,472	4,014
Provisions		1,809	1,161
		144,858	138,392
Net current assets		37,249	36,839
Non-current liabilities:			
Borrowings		99,886	96,055
Deferred consideration	*10*	1,634	9,890
Other payables		2,496	2,162
Deferred tax liability		10,045	10,043
Provisions		1,790	1,642
		115,851	119,792
Net assets		411,307	364,490
Equity			
Share capital		6,703	6,667
Share premium		114,353	112,026
Other reserves	*7*	40,898	1,149
Retained earnings		249,353	244,648
Total shareholders' equity		411,307	364,490

Consolidated cash flow statement

£000's	*Notes*	year ended 31 December 2016	year ended 31 December 2015
Cash generated from operations	8	78,253	92,628
Interest paid		(5,077)	(6,021)
Interest received		158	182
Income taxes paid		(11,057)	(11,737)
Net cash from operating activities		62,277	75,052
Cash flows from investing activities:			
Purchases of subsidiaries net of cash acquired		(6,557)	(35,354)
Deferred consideration		(23,672)	(16,568)
Purchase of property, plant and equipment		(8,130)	(7,963)
Proceeds from sale of property, plant and equipment		225	465
Net cash used in investing activities		(38,134)	(59,420)
Cash flows from financing activities:			
Costs of issue of share capital		(5)	-
(Repayment of)/proceeds from bank borrowings		(6,921)	4,831
Payment of finance lease liabilities		(47)	(66)
Dividends paid		(21,613)	(19,973)
Payment of pre-acquisition dividend		(850)	(169)
Net cash used in financing activities		(29,436)	(15,377)
Net (decrease)/increase in cash and cash equivalents		(5,293)	255
Cash and cash equivalents at beginning of year		17,322	17,046
Effect of exchange rate fluctuations		4,474	21
Cash and cash equivalents at end of year		16,503	17,322
Cash and cash equivalents comprise:			
Cash at bank	8	16,503	17,801
Bank overdraft	8	-	(479)
Cash and cash equivalents at end of year		16,503	17,322

Consolidated statement of changes in equity

£000's	Share capital	Share premium	Retained earnings	Other reserves	Total equity
At 1 January 2015	6,640	110,100	256,386	11,551	384,677
Total comprehensive loss	-	-	7,013	(9,181)	(2,168)
Issue of new ordinary shares	27	1,926	(730)	(1,221)	2
Share based payment expense	-	-	1,889	-	1,889
Tax recognised directly in equity	-	-	63	-	63
Dividends paid	-	-	(19,973)	-	(19,973)
At 31 December 2015	6,667	112,026	244,648	1,149	364,490
Total comprehensive income	-	-	24,885	41,429	66,314
Issue of new ordinary shares	36	2,327	(688)	(1,680)	(5)
Share based payment expense	-	-	2,184	-	2,184
Tax recognised directly in equity	-	-	(63)	-	(63)
Dividends paid	-	-	(21,613)	-	(21,613)
At 31 December 2016	6,703	114,353	249,353	40,898	411,307

An analysis of other reserves is provided in note 7.

Notes to the results

1. **Basis of preparation**

The financial information attached has been extracted from the audited financial statements for the year ended 31 December 2016 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.

During the year, the Group has applied IFRS 10 (amended), IFRS 12 (amended) and IAS 28 "Investment Entities: Applying the Consolidation Exception", IFRS 11 (amended) "Accounting for Acquisitions of Interests in Joint Operations", IAS 1 (amended)"Disclosure Initiatives" and IAS 16 (amended) and IAS 38 (amended) "Depreciation and Amortisation". Their adoption has not had a material impact on the disclosures or amounts reported in these accounts. Otherwise, the Group has prepared these accounts on the same basis as the 2015 Report and Accounts.

Throughout this document the Group defines and presents various non-GAAP performance measures. The measures presented are those adopted by management and analysts who follow us in assessing the performance of the business. Our principal non-GAAP measure is profit before tax, amortisation and impairment of acquired intangibles and transaction related costs (PBTA). We adjust for amortisation and impairment of acquired intangible assets as they are non-cash items and their measurement is based on estimates of asset lives and fair values at acquisition where underlying assumptions are subjective in nature. We adjust for acquisition related costs as they not dependent on the underlying performance of the business and only incurred when acquisitions arise.

2. **Business segments**

The business segments of the Group are as follows:

Built and Natural Environment ("BNE") – consultancy services to many aspects of the property and infrastructure development and management sectors. These include: environmental assessment, project management, the management of water resources, oceanography, health and safety, risk management, town and country planning, building, landscape and urban design, surveying and transport planning. Consulting services are provided on a regional basis in Europe and North America.

Energy – the provision of integrated technical, commercial and project management support and training in the fields of geoscience, engineering and health, safety and environment, on a global basis mainly to the oil and gas sector.

Australia Asia Pacific ("AAP") – in the AAP region there is a single board that manages the BNE and Energy services that we provide in that region. Accordingly the results of this business are reported as a separate segment.

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. These costs are included in the category "unallocated expenses".

"Segment profit" is defined as statutory profit before tax adjusted for interest, amortisation and impairment of acquired intangibles, transaction related costs and unallocated expenses.

"Underlying profit" is defined as segment profit before reorganisation costs.

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

Segment results for the year ended 31 December 2016

£000's	Fees	Expenses	Intersegment revenue	External revenue
BNE - Europe	269,029	36,166	(714)	304,481
BNE - North America	65,382	6,398	(160)	71,620
Energy	71,490	9,327	(485)	80,332
AAP	130,140	8,439	(541)	138,038
Group eliminations	(1,745)	(155)	1,900	-
Total	534,296	60,175	-	594,471

£000's	Underlying Profit	Reorganisation Costs	Segment Profit
BNE - Europe	35,598	(460)	35,138
BNE - North America	8,156	(305)	7,851
Energy	8,989	(3,603)	5,386
AAP	15,481	(1,246)	14,235
Total	68,224	(5,614)	62,610

Segment results for the year ended 31 December 2015

£000's	Fees	Expenses	Intersegment revenue	External revenue
BNE - Europe	222,437	30,503	(808)	252,132
BNE - North America	58,672	7,713	(343)	66,042
Energy	122,971	13,931	(938)	135,964
AAP	104,153	9,045	(364)	112,834
Group eliminations	(2,123)	(330)	2,453	-
Total	506,110	60,862	-	566,972

£000's	Underlying profit	Reorganisation costs	Segment profit
BNE - Europe	30,871	(549)	30,322
BNE - North America	10,741	(166)	10,575
Energy	11,810	(904)	10,906
AAP	12,539	(409)	12,130
Total	65,961	(2,028)	63,933

Group reconciliation

£000's	2016	2015
Revenue	594,471	566,972
Recharged expenses	(60,175)	(60,862)
Fee income	534,296	506,110
Underlying profit	68,224	65,961
Reorganisation costs	(5,614)	(2,028)
Segment profit	62,610	63,933
Unallocated expenses	(6,733)	(7,088)
Operating profit before amortisation and impairment of acquired intangibles and transaction related costs	55,877	56,845
Amortisation and impairment of acquired intangibles and transaction related costs	(17,890)	(41,940)
Operating profit	37,987	14,905
Finance costs	(5,173)	(5,050)
Profit before tax	32,814	9,855

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

	Revenue		Fees	
£000's	2016	2015	2016	2015
UK	220,053	231,094	186,939	198,876
Australia	134,935	106,167	126,366	97,317
USA	91,705	102,290	83,486	93,180
Norway	69,528	48,587	68,129	47,255
Netherlands	31,759	28,955	26,803	24,231
Ireland	27,190	23,766	24,585	20,186
Canada	15,172	18,516	13,927	17,637
Other	4,129	7,597	4,061	7,428
Total	594,471	566,972	534,296	506,110

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

£000's	year ended 31 Dec 2016	year ended 31 Dec 2015
Amortisation of acquired intangibles	17,470	20,491
Impairment of acquired intangibles	-	20,040
Adjustments to consideration payable	187	249
Transaction costs	233	1,160
Total	17,890	41,940

The impairment of intangible assets in 2015 arose in the following segments as a result of reduced prospects of businesses with exposure to the oil and gas sector:

£000's	
Energy	16,612
BNE:North America	2,927
AAP	501
Total	20,040

4. **Net financing costs**

£000's	year ended 31 Dec 2016	year ended 31 Dec 2015
Finance costs:		
Interest on loans, overdraft and finance leases	(3,982)	(3,847)
Amortisation of prepaid financing costs	(359)	(299)
Interest on deferred consideration	(990)	(1,086)
	(5,331)	(5,232)
Finance income:		
Deposit interest receivable	158	182
Net financing costs	(5,173)	(5,050)

5. **Income taxes**

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

£000's	year ended 31 Dec 2016	year ended 31 Dec 2015
Current tax:		
UK corporation tax	3,115	1,656
Overseas tax	7,297	11,300
Adjustments in respect of prior years	(49)	(364)
	10,363	12,592
Deferred tax:		
Origination and reversal of timing differences	(2,589)	(9,332)
Effect of change in tax rate	(223)	(826)
Adjustments in respect of prior years	182	579
	(2,630)	(9,579)
Tax expense to income for the year	7,733	3,013

Analysis of tax expense/(credit) not included in income for the year:

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

The effective tax rate for the year on profit before tax is 23.6% (2015: 30.6%). The effective tax rate for the year on profit before tax, amortisation and impairment of acquired intangibles and transaction related costs is 27.7% (2015: 29.6%) as shown in the table below:

£000's	2016	2015
Total tax expense in Income Statement	7,733	3,013
Add back:		
Tax on amortisation and impairment of acquired intangibles and transaction related costs	6,292	12,304
Adjusted tax charge on the profit for the year	14,025	15,317
PBTA	50,704	51,795
Adjusted effective tax rate	27.7%	29.6%

The Group operates in and is subject to tax in many jurisdictions. The weighted average tax rate is derived by weighting the statutory rates in those jurisdictions by the profit before tax earnt 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 20% (2015: 20.25%), Australia 30% (2015: 30%), US 39% (2015: 37%). The 2015 geographic mix of profits was impacted by the impairment of certain intangible assets which was not repeated in 2016. The impact of the change in the tax rates and mix of profits was that the weighted average tax rate increased to 25.1% in 2016 from 24.5% in 2015.

The actual tax charge differs from the amount derived by applying the weighted average rate to the profit before tax for the reasons set out in the following reconciliation:

£000's	2016	2015
Profit before tax	32,814	9,855
Tax at the weighted average rate of 25.1% (2015: 24.5%)	8,240	2,417
Irrecoverable withholding tax suffered	1,190	934
Impact of intercompany financing	(1,664)	(1,403)
Effect of change in tax rates	(223)	(826)
Other differences	57	1,675
Adjustments in respect of prior years	133	216
Total tax expense for the year	7,733	3,013

The Group operates, mainly through our Energy 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 intercompany financing relates to the funding of US operations. New legislation introduced in the UK in response to the OECD's Base Erosion and Profit Shifting project (BEPS) will apply from 1 January 2017 which will reduce the impact in future.

During the year new legislation in the UK reduced the corporation tax rate by 1% to 17% from April 2020. In Norway the rate reduced by 1% to 24% from 1 January 2017. These changes have resulted in an income statement credit arising from the reduction in the balance sheet carrying value of net deferred tax liabilities to reflect the anticipated rate of tax at which those liabilities are expected to reverse.

Other differences include expenses not deductible for tax purposes such as entertaining, share scheme charges, depreciation of fixed assets which do not qualify for capital allowances and transaction related costs. They also include items that are deductible for tax purposes, such as goodwill and other asset amortisation, but are not included in the income statement. The 2015 other differences are higher than in 2016 as they included the impact of higher transaction costs and the impairment of intangible assets.

6. **Earnings per share**

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

£000's / 000's	year ended 31 Dec 2016	year ended 31 Dec 2015
Profit attributable to ordinary shareholders	25,081	6,842
Weighted average number of ordinary shares for the purposes of basic earnings per share	220,977	220,166
Effect of employee share schemes	1,237	1,269
Diluted weighted average number of ordinary shares	222,214	221,435
Basic earnings per share (pence)	11.35	3.11
Diluted earnings per share (pence)	11.29	3.09

The directors consider that earnings per share before amortisation and impairment of acquired intangibles and transaction related costs 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 number of shares as above and are shown in the table below:

£000's	year ended 31 Dec 2016	year ended 31 Dec 2015
Profit attributable to ordinary shareholders	25,081	6,842
Amortisation and impairment of acquired intangibles and transaction related costs (note 3)	17,890	41,940
Tax on amortisation and impairment of acquired intangibles and transaction related costs	(6,292)	(12,304)
Adjusted profit attributable to ordinary shareholders	36,679	36,478
Adjusted basic earnings per share (pence)	16.60	16.57
Adjusted diluted earnings per share (pence)	16.51	16.47

7. **Other reserves**

£000's	Merger reserve	Employee trust	Translation reserve	Total
At 1 January 2015	21,256	(10,776)	1,071	11,551
Exchange differences	-	-	(9,181)	(9,181)
Issue of new shares	-	(1,221)	-	(1,221)
At 31 December 2015	21,256	(11,997)	(8,110)	1,149
Exchange differences	-	-	41,429	41,429
Issue of new shares	-	(1,680)	-	(1,680)
At 31 December 2016	21,256	(13,677)	33,319	40,898

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

£000's	year ended 31 Dec 2016	year ended 31 Dec 2015
Operating profit	37,987	14,905
Adjustments for:		
Depreciation	8,390	8,101
Impairment of acquired intangibles	-	20,040
Amortisation of acquired intangibles	17,470	20,491
Consideration fair value adjustments	187	249
Share based payment expense	2,184	1,889
Loss on sale of property, plant and equipment	537	151
EBITDAS[1]	66,755	65,826
Decrease in trade and other receivables	9,522	29,320
Increase/(decrease) in trade and other payables	1,976	(2,518)
Cash generated from operations	78,253	92,628

[1] EBITDAS is earnings before interest, tax, depreciation, amortisation and share scheme costs.

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 2016:

£000's	At 31 Dec 2015	Cash flow	Acquisitions	Foreign exchange	Prepaid arrangement fees	At 31 Dec 2016
Cash at bank	17,801	(5,821)	49	4,474	-	16,503
Overdrafts	(479)	479	-	-	-	-
Cash and cash equivalents	17,322	(5,342)	49	4,474	-	16,503
Bank loans	(96,018)	6,921	(4,900)	(6,886)	997	(99,886)
Finance lease creditor	(83)	47	-	-	-	(36)
Net borrowings	(78,779)	1,626	(4,851)	(2,412)	997	(83,419)

The cash balance at 31 December 2016 includes £3,036,000 (2015: £3,640,000) that is restricted in its use, either as security or client deposits.

9. **Acquisitions**

On 25 April 2016 the Group completed the acquisition of 100% of the issued share capital of DBK Partners Ltd, a UK based property project management consultancy that is included in the BNE-Europe segment. This acquisition broadens and strengthens the services the Group offers.

The Group has allocated provisional fair values to the net assets of DBK as it did not have complete information at the balance sheet date. The provisional amounts recognised in respect of the identifiable assets acquired and liabilities assumed, the fair value of consideration and the resulting goodwill are as follows:

£000	
Intangible assets:	
Order book	620
Customer relations	3,160
Trade names	190
PPE	131
Cash	49
Other assets	3,975
Other liabilities	(8,360)
Net assets acquired	(235)
Satisfied by:	
Initial cash consideration	6,606
Fair value of deferred consideration	2,438
Total consideration	9,044
Goodwill	9,279

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

The total fair value of receivables acquired was £1,663,000. The breakdown between gross receivables and amounts estimated irrecoverable was as follows:

£000's	
Gross receivables	1,918
Estimated irrecoverable	(255)
Fair value of assets acquired	1,663

The vendors of DBK have entered into warranty agreements with the Group. The total undiscounted cash flow that could be receivable by the Group is between £nil and £1,663,000. The Group does not expect that these warranties will become receivable and therefore has not recognised an indemnification asset on acquisition.

The Group incurred acquisition related costs of £420,000 which have been expensed through the income statement and are included within amortisation of acquired intangibles and transaction related expenses.

The contribution of DBK to the Group's results for the year is given below.

£000's	
Revenue	9,501
Fees	9,108
Adjusted operating profit*	1,491
Operating profit	649

* Adjusted operating profit is operating profit before amortisation of acquired intangibles and transaction related expenses.

The proforma Group revenue and operating profit assuming that the acquisition had been completed on the first day of the year would have been £598,703,000 and £38,288,000 respectively.

A reconciliation of the goodwill movement in 2016 in respect of acquisitions made in 2015 and 2016 is given in the table below.

£000s	Goodwill at 31 Dec 2015	Additions through acquisition	Adjustments to prior year estimates	Foreign exchange movement	Goodwill at 31 Dec 2016
Klotz	9,372	-	-	1,805	11,177
Metier	13,662	-	503	3,141	17,306
Iris	5,446	-	-	1,050	6,496
EIG	11,431	-	31	2,138	13,600
DBK	-	9,279	-	-	9,279

There were no accumulated impairment losses at the beginning or end of the period. No negative goodwill was recognised in 2015 or 2016.

10. **Deferred consideration**

£000s	As at 31 December 2016	As at 31 December 2015
Amount due within one year	13,376	20,383
Amount due between one and two years	1,625	9,708
Amount due between two and five years	9	182
Total deferred consideration	15,010	30,273

11. **Events after the balance sheet date**

There were no events arising after the balance sheet date requiring adjustment to the year end results or disclosure.

12.

The financial information set out above does not constitute the Company's full statutory accounts for the year ended 31 December 2016 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 2015 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified and did not include an emphasis of matter statement. The auditor's report did not contain statements under the Companies Act 2006, s498 (2) or (3).

13.

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 24th March 2017 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, 20 Western Avenue, Milton Park, Abingdon, Oxfordshire OX14 4SH.

14.

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

Responsibility statement of the Directors in respect of the Report and Accounts 2016

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face and;

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.