21 February 2019

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

Final Results

"Investing to accelerate growth. Dividend maintained. Strong cash conversion."

RPS, a leading multi-sector global professional services firm, today announces its Final Results for the year ended 31 December 2018 ('FY 2018').

	FY 2018	FY 2017	FY 2017 at constant currency [1]
Revenue (£m)	**637.4**	630.6	619.9
Fee income [1] (£m)	**574.2**	562.3	552.6
PBTA[1] (£m)	**50.2**	53.9	52.8
Adjusted diluted earnings per share [1] (p)	**16.34**	17.01	16.65
Total dividend per share (p)	**9.88**	9.88	9.88
Statutory profit/(loss) before tax (£m)	**41.0**	(1.6)	(2.4)
Statutory diluted earnings/(loss) per share (p)	**13.23p**	(7.47)p	(7.66)p

Financial headlines

- Fee income £574.2m (FY 2017: £562.3m); 4% growth at constant currency; in line with market expectations [2]
- PBTA £50.2m (FY 2017: £53.9m); in line with market expectations [2]
- Effective tax rate on PBTA lower at 26.8% (2017: 29.6%)
- EPS (adjusted, diluted) 16.34p (FY 2017: 17.01p); ahead of market expectations [2]
- Statutory profit before tax £41.0m (FY 2017: loss £1.6m)
- Strong cash conversion 94% (FY 2017: 91%)
- Net bank borrowings reduced to £73.9m (FY 2017: £80.6m); leverage [1] 1.3x (FY 2017: 1.3x)
- Proposed final dividend maintained at 5.08p (FY 2017: 5.08p) holding full year dividend at 9.88p (FY 2017: 9.88p)

Business highlights

- Significant progress made on all strategic priorities
- Energy growth strong, reflecting continuing recovery in oil and gas markets
- Retention and recruitment challenges impacted Consulting UK & Ireland, North America and AAP

Post year-end highlights

- Acquisition of Corview, an Australian based transport advisory consultancy, for a maximum consideration of AUS$32.0m (equivalent to £17.8m)
- New global brand launched to position the Group for future growth

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

"2018 has been a year of transition and investment for the Group. We have made significant progress in respect of our five strategic priorities. Our people have been integral to delivering this progress. I would like to thank them all for their vision, hard work and dedication in delivering these results.

Alongside investment in RPS' brand, 2019 will see a continuation of the focus and investment in its people, technology and innovation. Trading conditions in most of our markets appear satisfactory and against this background, the Board's view of the 2019 outlook for the Group is unchanged and is in line with market expectations."

(1) Alternative Performance Measures are used consistently throughout this announcement: these include PBTA, fee income, items prefaced "adjusted" such as adjusted EPS, segment profit, underlying profit, underlying operating profit, amounts labelled "at constant currency", EBITDAS, conversion of profit into cash, net bank borrowings, leverage. For further details of their purpose, definition and reconciliation to the equivalent statutory measures see note 2.

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

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

A video webcast of the meeting will be available later today via the following link:
http://webcasting.buchanan.uk.com/broadcast/5c41d450a124b668b4dac6fd

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Founded in 1970, RPS is a leading global professional services firm of 5,600 consultants and service providers. Having operated in 125 countries across six continents RPS defines, designs and manages projects that create shared value for a complex, urbanising and resource scarce world.

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

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

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

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

Next trading update: RPS will announce a Q1 2019 trading update in early May 2019.

Results

PBTA was £50.2m (2017: £53.9m, £52.8m at constant currency) on fee income of £574.2m (2017: £562.3m, £552.6m at constant currency), both in line with market expectations. Profit before tax was £41.0m (2017: loss £1.6m, following £40.0m goodwill impairment charge). The effective tax rate for the year on PBTA is lower at 26.8% (2017: 29.6%), due mainly to the reduction in the Federal tax rate in USA. Adjusted diluted EPS was 16.34p (2017 17.01p, 16.65p at constant currency) and ahead of market expectations. Statutory diluted earnings / (loss) per share was 13.23p (2017 (7.47p), (7.66p) at constant currency).

The profit in 2018 suffered from exchange movements on the conversion of overseas results. PBTA in 2018 would have been £1.3m higher than reported had 2017 exchange rates been repeated in 2018. The PBTA in 2017 would have been £1.2m lower than reported if 2018 exchange rates have prevailed in 2017. Statutory profit in 2017 would have been £0.4m lower than reported if 2018 exchange rates prevailed in 2017.

Trading performance

£m	**FY 2018**	FY 2017	FY 2017 at constant currency
Energy	**8.9**	8.0	7.9
Consulting UK & Ireland	**15.4**	16.6	16.7
Services UK & Netherlands	**13.5**	14.0	14.0
Norway	**6.2**	6.4	6.3
North America	**5.1**	7.3	7.0
AAP	**13.3**	14.8	14.0
Total segment profit	**62.4**	67.0	65.8
Unallocated expenses	**(8.4)**	(8.5)	(8.5)
Underlying operating profit	**54.0**	58.5	57.3

Energy benefited from improving market conditions and Norway traded well although reported slightly reduced profits having incurred a £0.8m cost in respect of consolidating premises. The results of Consulting UK & Ireland, North America and AAP each suffered from the impact of retention and recruitment challenges in the year. Investments supporting organic initiatives tempered the results of Services UK & Netherlands. Unallocated expenses incurred in 2018 was £8.4m, slightly lower than the prior year (2017: £8.5m). In support of our strategic priorities, HR, marketing and IT expenditure was increased, off-set by less cost in relation to board room changes and bonuses.

Borrowings and cash flow

Net bank borrowings at the year-end were lower at £73.9m (31 Dec 2017: £80.6m). Net cash from operating activities remained strong at £44.5m (2017: £43.7m). Our conversion of profit into operating cash was again good at 94% (2017: 91%) reflecting our continued strong focus on collections. Net cash used in investing activities was £13.4m (2017: £21.1m), the reduction due to lower expenditure on deferred consideration for acquisitions of £1.6m (2017: £12.9m) and higher net capital expenditure of £11.7m (2018: £8.4m). The amount paid in respect of dividends was £22.1m (2017: £22.0m).

Deferred consideration outstanding at the year-end was £0.3m (31 December 2017: £1.8m). Our leverage (being net bank debt plus deferred consideration expressed as a ratio of adjusted EBITDA) calculated in accordance with our bank's financial covenants was 1.3x at the year end, the same as at the end of 2017.

Net finance costs were £3.9m (2017: £4.5m) reflecting a lower average level of bank debt and deferred consideration in 2018 than in 2017.

Amortisation and impairment of intangible assets and transaction related costs

Amortisation and impairment of intangible assets and transaction related costs totalled £9.2m (2017: £55.5m). Included in this total is amortisation of acquired intangibles £9.1m (2017: £12.8m), goodwill impairment of nil (2017: £40.0m, in respect of our Energy businesses) and loss on disposal of business nil (2017: £2.7m).

Dividends

The total (paid and proposed) dividend for the year is 9.88p per ordinary share (2017: 9.88p) and amounts to £22.1m. The proposed final dividend of 5.08p (2017: 5.08p) will be paid on 17 May 2019 to shareholders on the register of members at the close of business on 23 April 2019 subject to approval at the Annual General Meeting on 1 May 2019.

Capital allocation policy

The Group intends to create long term shareholder value by growing organically and through prudent, selective acquisitions. To support organic growth RPS will continue to re-invest capital in the business. In support of the five strategic priorities, the Group is currently investing in HR, marketing and IT functions and has commenced the design and implementation of a global Enterprise Resource and Planning system.

The Board reaffirms its intention to operate with a leverage up to 2.0x, unless immediately following an acquisition, which provides substantial headroom compared to the current facilities limit of 3.0x.

The full year proposed dividend represents 60% (2017: 58%) of adjusted basic earnings per share. Prior to 2015 the dividend pay-out ratio was less than 40%. The Board reaffirms that the pay-out percentage currently is too high and in future should be more in line with the previous norm. Whilst the Board has no current intention of reducing the future full year dividend, increases are only likely once earnings have grown and the pay-out ratio is at or around this level.

Markets and trading

Energy

	FY 2018	FY 2017	FY 2017 at constant currency
Fee income (£m)	**101.1**	93.0	91.7
Segment profit * (£m)	**8.9**	8.0	7.9
Margin (%)	**8.8**	8.6	8.7

* after reorganisation costs: 2018 £0.7m, 2017 £0.5m

Activity in oil and gas markets increased throughout the year although there remained pressure on rates. The main service clusters comprising Exploration and Development, Oceans and Coastal, and Advisory and Management Consulting each posted good fee and profit growth. Following debt recoveries, £1.2m of associated debtor provisions (2017: £1.8m) were reversed in the year. Subject to the continuing recovery in oil and gas markets growth in this business is anticipated in 2019 although further significant debt recoveries are unlikely.

Consulting – UK and Ireland

	FY 2018	FY 2017	FY 2017 at constant currency
Fee income (£m)	**122.1**	120.8	121.1
Segment profit * (£m)	**15.4**	16.6	16.7
Margin (%)	**12.6**	13.8	13.8

* after reorganisation costs: 2018 £0.1m, 2017 £nil

The Design and Development businesses in Ireland and Northern Ireland performed well, where public infrastructure spending is strong. Our businesses in Great Britain enjoyed generally good market conditions in both private sector development and public infrastructure projects although have been held back by retention and recruitment challenges in London and to a lesser extent in Birmingham.

Subject to continuing favourable conditions and a more stable professional team we believe growth in this business is likely. However, the UK decision to leave the EU could cause disruption to activities if clients decide to change their investment plans although we are seeing little sign of this yet.

Services – UK and Netherlands

	FY 2018	FY 2017	FY 2017 at constant currency
Fee income (£m)	**110.6**	95.7	96.1
Segment profit * (£m)	**13.5**	14.0	14.0
Margin (%)	**12.2**	14.6	14.6

* after reorganisation costs: 2018 £0.1m, 2017 £nil

The UK Water business grew fees strongly, benefiting from poor weather during the first half of the year, albeit at a reduced margin. The businesses in Netherlands and in UK Health Safety and Risk both grew fees however due to investment in organic initiatives, primarily in the Laboratories business, they each made a reduced profit contribution. In April 2018 the UK Water business entered the fourth year of the current Asset Management Plan ('AMP') regulatory cycle and at this stage client demand for the services we provide traditionally becomes more uncertain than in the earlier part of the cycle. This may temper the performance of the segment until the new AMP cycle commences in 2020. There is limited risk to this business from the impact of Brexit given the nature of the services we provide in the UK and customer need.

Norway

	FY 2018	FY 2017	FY 2017 at constant currency
Fee income (£m)	**69.0**	68.0	67.1
Segment profit * (£m)	**6.2**	6.4	6.3
Margin (%)	**9.0**	9.4	9.3

* after reorganisation costs: 2018 £0.8m, 2017 £nil

This business provides project and program management, management consulting and training to public and private sector clients in Norway. Market conditions were generally favourable. The integration of our two business, Metier and OEC, is now complete other than the co-location of their offices in Oslo that will occur in early 2019. A significant cost associated with this move, £0.8m in respect of the termination of a property lease, was incurred in 2018 and included in reorganisation costs. Subject to market conditions remaining favourable, growth is expected in 2019.

North America

	FY 2018	FY 2017	FY 2017 at constant currency
Fee income (£m)	**58.7**	68.3	66.8
Segment profit * (£m)	**5.1**	7.3	7.0
Margin (%)	**8.7**	10.7	10.5

* after reorganisation costs: 2018 £0.1m, 2017 £0.2m

General economic conditions in the USA were good, with buoyant demand. This put pressure on our cost base, where the Design and Development business based in Texas suffered retention and recruitment issues resulting in only a modest profit contribution, much lower than in prior years. The environmental risk business suffered from retention issues in the second half of the year and profits declined year on year. We have invested in management and in the professional teams in both businesses and have more stability now. The Ocean Science business, that is indirectly exposed to the oil and gas sector, generated healthy fee growth and benefited from greater spend from clients in that sector. Subject to market conditions remaining good an improved performance overall is anticipated in 2019.

Australia Asia Pacific

	FY 2018	FY 2017	FY 2017 at constant currency
Fee income (£m)	116.8	119.7	113.1
Segment profit * (£m)	13.3	14.8	14.0
Margin (%)	11.4	12.4	12.3

* after reorganisation costs: 2018 £0.1m, 2017 £0.5m

The project management business continued to benefit from an active Australian defence sector and grew fees. However, a greater use of sub-consultants reduced the profit margin of this business. The government infrastructure and land development markets were good benefiting the Water & Environment and Project Communications businesses. However, due to staff retention issues within the Advisory Services business its fees and profit declined. In support of our businesses in the region, investment was made in support functions during the year. The acquisition of Corview, a leading Australian transport advisory consultancy, which we announced on 4 February 2019, has added breadth and depth to our existing strong advisory capabilities. We anticipate that there may be some softening of the property market but subject to conditions remaining strong in public and private infrastructure markets and defence spending remaining high this segment is capable of growth in 2019.

Strategy

RPS has made significant progress towards achieving its five strategic priorities that were outlined last year.

In respect of the priority to be rated by its people as a great place to do great work, the Group has recruited a Group People Director and established a group people strategy to address its recruitment and retention challenges. Implementation of the strategy is substantially underway. An inaugural global employee survey has been conducted and the Group has redesigned the development and appraisal framework for all staff and is introducing a new global incentive scheme for senior staff. The Group has also finalised its Group Leadership Team structure with key appointments to create a flatter, more responsive, organisational structure combining new and existing leaders who together provide deep expertise, global perspective and strong functional support.

Excellent progress was made in respect of the Group's ambition to tell its story better. In January 2019 RPS unveiled a new global brand to position the group for future growth. Informed by an independent client perception audit and comprehensive engagement with employees, along with expert third-party research, the brand encapsulates the essence of the Group via three core concepts: its purpose (why it exists), its promise (what it does) and its behaviours (how it does it). As previously announced the Group will incur significant one-off global brand relaunch expense in 2019.

Last year, the Group restructured into six segments and identified six sectors and 12 services clusters. This provides it with consistent global market focus and further enables its people to meet the requirements of its clients.

This greater focus in the business model and market proposition will connect its deep expertise and capability more effectively to support the strategic priority to 'exploit synergies where they exist but not where they don't'.

The strategic priority to focus on organic growth supported by selective acquisitions remains very important. RPS is pleased to have delivered Group organic fee growth of 4% at constant currency against a backdrop where the performance of Consulting UK and Ireland, North America and AAP were adversely impacted by retention and recruitment issues. The recent acquisition, by the Group, of Corview in Australia is an example of a leading consultancy wishing to join RPS, adding density and breadth to the existing strong capabilities in the region. The Group continues to seek acquisitions in North America, in sectors in which it has strength and familiarity, and is also seeking opportunities in Europe.

The priority to revitalise the Energy business is proving to be successful. The inclusion of all the directly exposed oil and gas businesses in Energy enables the Group to provide globally recognised consultancy and services to this important global market. This, together with the appointment of a new, experienced management team has enabled the reinvigoration of our Energy business in markets that are showing greater levels of activity.

To underpin these priorities work is well underway to design a new global ERP system with deployment commencing this year and expected to be completed in 2021. The total capital investment is estimated to be £14 million. Our Norwegian business, MetierOEC, is managing the project which is currently running to time, schedule and cost budget.

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. Alongside investment in RPS' brand, 2019 will see a continuation of the focus and investment in its people, technology and innovation to build on the deep expertise that its clients have recognised and give it a stronger competitive edge in all the markets that it operates in. RPS is pragmatic in its aspirations and has the capability to utilise the means available to achieve its goals and further strengthen the business.

Trading conditions in most of its markets appear satisfactory and supportive of organic growth although necessary investment previously announced will temper performance this year before accelerating growth in future years. The risks associated with Brexit are contained mainly within the Consulting UK and Ireland business and they have seen little impact so far. Against this background, the Board's view of the 2019 outlook for the Group is unchanged and is in line with market expectations. The transition the Group is undertaking is providing a strong foundation to deliver long term shareholder value.

Board of Directors
RPS Group plc
21 February 2019

Consolidated income statement

£000's	Notes	**Year ended 31 December 2018**	Year ended 31 December 2017
Revenue	**3**	**637,383**	630,636
Recharged expenses	**2, 3**	**(63,226)**	(68,316)
Fee income	**2, 3**	**574,157**	562,320
Operating profit before amortisation and impairment of acquired intangibles and transaction related costs	**2, 3**	**54,041**	58,467
Amortisation and impairment of acquired intangibles and transaction related costs	**4**	**(9,181)**	(55,541)
Operating profit		**44,860**	2,926
Finance costs	**5**	**(4,111)**	(4,639)
Finance income	**5**	**232**	113
Profit before tax, amortisation and impairment of acquired intangibles and transaction related costs	**2**	**50,162**	53,941
Profit/(loss) before tax		**40,981**	(1,600)
Tax expense	**6**	**(11,240)**	(15,072)
Profit/(loss) for the year attributable to equity holders of the parent		**29,741**	(16,672)
Basic earnings/(loss) per share (pence)	**7**	**13.34**	(7.52)
Diluted earnings/(loss) per share (pence)	**7**	**13.23**	(7.47)
Adjusted basic earnings per share (pence)	**2, 7**	**16.47**	17.13
Adjusted diluted earnings per share (pence)	**2, 7**	**16.34**	17.01

Consolidated statement of comprehensive income

£000's	**Year ended 31 December 2018**	Year ended 31 December 2017
Profit/(loss) for the year	**29,741**	(16,672)
Exchange differences*	**(2,174)**	(5,867)
Actuarial gains and losses on re-measurement of defined benefit pension liability	**677**	(66)
Tax on re-measurement of defined benefit pension liability	**(149)**	15
Total recognised comprehensive income/(loss) for the year attributable to equity holders of the parent	**28,095**	(22,590)

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

Consolidated balance sheet

£000's	Notes	As at 31 December 2018	As at 31 December 2017
Assets			
Non-current assets:			
Intangible assets		**385,699**	395,730
Property, plant and equipment		**32,005**	28,344
Deferred tax asset		**3,795**	3,312
		421,499	427,386
Current assets:			
Trade and other receivables	**8**	**166,418**	169,755
Cash at bank		**17,986**	15,588
		184,404	185,343
Liabilities			
Current liabilities:			
Borrowings	**10**	**2,581**	212
Deferred consideration	**12**	**53**	1,608
Trade and other payables	**9**	**117,914**	123,406
Corporation tax liabilities		**3,648**	3,415
Provisions		**2,119**	2,953
		126,315	131,594
Net current assets		**58,089**	53,749
Non-current liabilities:			
Borrowings		**89,280**	96,008
Deferred consideration	**12**	**249**	148
Other payables		**1,719**	2,543
Deferred tax liability		**6,405**	8,340
Provisions		**4,363**	4,312
		102,016	111,351
Net assets		**377,572**	369,784
Equity			
Share capital		**6,783**	6,745
Share premium		**120,400**	117,790
Retained earnings		**213,656**	205,143
Merger reserve		**21,256**	21,256
Employee Trust		**(9,801)**	(8,602)
Translation reserve		**25,278**	27,452
Total shareholders' equity		**377,572**	369,784

Consolidated cash flow statement

£000's	Notes	**Year ended 31 December 2018**	Year ended 31 December 2017
Net cash from operating activities	**11**	**44,488**	43,744
Cash flows from investing activities:			
Purchases of subsidiaries net of cash acquired		**(165)**	-
Deferred consideration		**(1,611)**	(12,879)
Purchase of property, plant and equipment		**(11,872)**	(8,651)
Proceeds from sale of business		**-**	234
Proceeds from sale of property, plant and equipment		**222**	221
Net cash used in investing activities		**(13,426)**	(21,075)
Cash flows from financing activities:			
Costs of issue of share capital		**(9)**	(8)
Proceeds from issue of share capital		**-**	382
Repayment of bank borrowings		**(8,891)**	(1,424)
Payment of finance lease liabilities		**-**	(36)
Dividends paid		**(22,115)**	(22,007)
Net cash used in financing activities		**(31,015)**	(23,093)
Net increase / (decrease) in cash and cash equivalents		**47**	(424)
Cash and cash equivalents at beginning of year		**15,376**	16,503
Effect of exchange rate fluctuations		**(18)**	(703)
Cash and cash equivalents at end of year		**15,405**	15,376
Cash and cash equivalents comprise:			
Cash at bank	**11**	**17,986**	15,588
Bank overdraft	**11**	**(2,581)**	(212)
Cash and cash equivalents at end of year		**15,405**	15,376

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Merger reserve	Employee trust	Translation reserve	Total equity
At 1 January 2017	6,703	114,353	249,353	21,256	(13,677)	33,319	411,307
Loss for the year	-	-	(16,672)	-	-	-	(16,672)
Other comprehensive income	-	-	(51)	-	-	(5,867)	(5,918)
Total comprehensive income for the year	-	-	(16,723)	-	-	(5,867)	(22,590)
Issue of new ordinary shares	42	3,437	(1,352)	-	(1,753)	-	374
Share based payment expense	-	-	2,700	-	-	-	2,700
Transfer on release of shares	-	-	(6,828)	-	6,828	-	-
Dividends paid	-	-	(22,007)	-	-	-	(22,007)
At 31 December 2017	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	-	-	528	-	-	(2,174)	(1,646)
Total comprehensive income for the year	-	-	30,269	-	_	(2,174)	28,095
Issue of new ordinary shares	38	2,610	(799)	-	(1,858)	-	(9)
Share based payment expense	-	-	2,338	-	-	-	2,338
Transfer on release of shares	-	-	(659)	-	659	-	-
Dividends paid	-	-	(22,115)	-	-	-	(22,115)
At 31 December 2018	6,783	120,400	213,656	21,256	(9,801)	25,278	377,572

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 2018 which have been prepared under International Financial Reporting Standards (IFRS) adopted by the EU and IFRIC interpretations issued and effective at the time of preparing those financial statements.

During the year, the Group has applied IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments' for the first time. Detail of the impact of their adoption can be found in note 14. Otherwise the Group has prepared these accounts on the same basis as the 2017 Report and Accounts.

The Group will apply IFRS 16 'Leases' from 1 January 2019 and has elected not to restate comparatives on initial adoption. An assessment has been undertaken of the impact of adopting IFRS 16 based on leases outstanding at 31 December 2018 and the Group estimates that lease right of use assets of £44m and lease liabilities of £48m will be recognised on transition. In addition, lease prepayments of £0.5m, lease accruals of £0.5m and onerous lease provisions of £2.1m will be derecognised on transition.

2. Alternative performance measures

Throughout this document the Group presents various non-GAAP performance measures ('alternative performance measures'). The measures presented are those adopted by the Chief Operating Decision Maker and analysts who follow us in assessing the performance of the business.

Group profit and earnings measures

PBTA

Profit before tax and amortisation and impairment of acquired intangibles and transaction related costs (PBTA) is used by the Board to monitor and measure the trading performance of the Group.

Delivering the Group's strategy includes investment in selected acquisitions that enhance the depth and breadth of services that the Group offers in the territories in which it operates. In addition, from time to time the Group chooses to exit a particular market or service offering because it is not offering the desired returns. By excluding acquisition and disposal related items from PBTA, the Board has a clear and consistent view of the performance of the Group and is able to make informed operational decisions to support its strategy.

Accordingly, transaction related costs including costs of acquisition and disposal, losses on the closure of businesses and amortisation and impairment of intangible assets are excluded from the Group's preferred performance measure, PBTA.

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.

Operating profit before amortisation and impairment of acquired intangible assets is a derivative of PBTA. A reconciliation is shown below.

	£000s	**2018**	2017
	Profit/(loss) before tax	**40,981**	(1,600)
Add:	Amortisation and impairment of acquired intangibles and transaction related costs	**9,181**	55,541
	PBTA	**50,162**	53,941
Add:	Net finance costs	**3,879**	4,526
	Operating profit before amortisation and impairment of acquired intangibles and transaction related costs	**54,041**	58,467

Adjusted profit attributable to ordinary shareholders

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 and impairment of acquired intangibles and transaction related costs, but is an after tax measure.

	£000s	**2018**	2017
	Profit/(loss) attributable to equity holders of the parent	**29,741**	(16,672)
Add:	Amortisation and impairment of acquired intangibles and transaction related costs	**9,181**	55,541
Deduct:	Tax on amortisation and impairment of acquired intangibles and transaction related costs	**(2,205)**	(885)
	Adjusted profit attributable to equity holders of the parent	**36,717**	37,984

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	2017	Constant currency effect	2017 at constant currency
Revenue	630,636	(10,697)	619,939
Fee income	562,320	(9,742)	552,578
PBTA	53,941	(1,176)	52,765
Loss before tax	(1,600)	(754)	(2,354)

Segment profit and underlying profit

Segment profit is presented in our segmental disclosures. This excludes the effects of financing and amortisation which are metrics outside of the control of segment management. It also excludes unallocated costs. Segment profit is then adjusted by excluding the costs of reorganisation to give underlying profit for the segment. This reflects the underlying trading of the business. A reconciliation between segment profit and operating profit is given in note 3.

Reorganisation costs

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

Unallocated expenses

Certain central costs are not allocated to the segments because they predominantly relate to the stewardship of the Group. They include the costs of the main board and the Group marketing, HR, finance functions and related IT costs.

Revenue measures

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

Cash flow measures

EBITDAS

EBITDAS is operating profit adjusted by adding back non-cash expenses, tax and financing costs. The adjustments include interest, tax, depreciation, amortisation and impairment 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 11.

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, interest bearing bank loans and finance leases. This measure gives the external indebtedness of the Group, and is an input into the leverage calculations. This is reconciled in note 11.

Leverage

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

Tax measures

We report one adjusted tax measure, which is the tax rate on PBTA ("adjusted effective tax rate"). This is the tax charge applicable to PBTA as a percentage of PBTA and is set out in note 6.

3. Business segments

Segment information is presented in the financial statements in respect of the Group's business segments, as reported to the Chief Operating Decision Maker. The business segment reporting format reflects the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as an allocation of central costs.

The segment results for the year ended 31 December 2017 were restated following changes to the Group's management structure and organisation, as announced on 2 July 2018.

The business segments of the Group are as follows:

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

Segment results for the year ended 31 December 2018

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

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

Segment results for the year ended 31 December 2017 (restated)

£000's	Fee income	Recharged expenses	Intersegment revenue	External revenue
Energy	93,005	13,024	(675)	105,354
Consulting - UK and Ireland	120,767	25,339	(1,388)	144,718
Services - UK and Netherlands	95,699	16,497	(708)	111,488
Norway	67,986	1,192	(212)	68,966
North America	68,274	1,918	(217)	69,975
AAP	119,674	10,939	(478)	130,135
Group eliminations	(3,085)	(593)	3,678	-
Total	562,320	68,316	-	630,636

£000's	Underlying Profit	Reorganisation Costs	Segment Profit
Energy	8,511	(544)	7,967
Consulting - UK and Ireland	16,615	-	16,615
Services - UK and Netherlands	13,955	-	13,955
Norway	6,378	-	6,378
North America	7,507	(206)	7,301
AAP	15,257	(461)	14,796
Total	68,223	(1,211)	67,012

Group reconciliation

£000's	**2018**	2017
Revenue	**637,383**	630,636
Recharged expenses	**(63,226)**	(68,316)
Fee income	**574,157**	562,320
Underlying profit	**64,212**	68,223
Reorganisation costs	**(1,802)**	(1,211)
Segment profit	**62,410**	67,012
Unallocated expenses	**(8,369)**	(8,545)
Operating profit before amortisation and impairment of acquired intangibles and transaction related costs	**54,041**	58,467
Amortisation and impairment of acquired intangibles and transaction related costs	**(9,181)**	(55,541)
Operating profit	**44,860**	2,926
Finance costs	**(3,879)**	(4,526)
Profit/(loss) before tax	**40,981**	(1,600)

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

	Revenue		Fee income	
£000's	**2018**	2017	**2018**	2017
UK	**242,707**	232,490	**205,212**	193,183
Australia	**138,742**	144,694	**128,993**	132,200
USA	**94,119**	98,957	**89,776**	93,901
Norway	**73,747**	73,217	**72,524**	71,804
Netherlands	**38,998**	36,180	**33,504**	30,148
Ireland	**33,158**	28,805	**29,811**	26,641
Canada	**11,817**	12,461	**10,421**	10,624
Other	**4,095**	3,832	**3,916**	3,819
Total	**637,383**	630,636	**574,157**	562,320

4. Amortisation and impairment of acquired intangibles and transaction related costs

£000's	**Year ended 31 December 2018**	Year ended 31 December 2017
Amortisation of acquired intangibles	**9,144**	12,804
Impairment of goodwill	**-**	40,024
Loss on sale of business	**-**	2,695
Transaction costs	**37**	18
Total	**9,181**	55,541

5. Net financing costs

£000's	Year ended 31 December 2018	Year ended 31 December 2017
Finance costs:		
Interest on loans, overdraft and finance leases	**(3,734)**	(3,952)
Amortisation of prepaid financing costs	**(364)**	(383)
Interest on deferred consideration	**(13)**	(304)
	(4,111)	(4,639)
Finance income:		
Deposit interest receivable	**232**	113
Net financing costs	**(3,879)**	(4,526)

6. Income taxes

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

£000's	Year ended 31 December 2018	Year ended 31 December 2017
Current tax:		
UK corporation tax	**3,065**	3,750
Overseas tax	**9,509**	9,603
Adjustments in respect of prior years	**887**	1,422
	13,461	14,775
Deferred tax:		
Origination and reversal of temporary differences	**(1,729)**	(722)
Effect of change in tax rate	**28**	2,278
Adjustments in respect of prior years	**(520)**	(1,259)
	(2,221)	297
Tax expense for the year	**11,240**	15,072

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

Deferred tax charge/(credit) in other comprehensive income	149	(15)

The effective tax rate for the year on profit before tax was 27.4% (2017: 39.2% as adjusted for the impairment of goodwill which was not deductible for tax purposes). The effective tax rate for the year on PBTA was 26.8% (2017: 29.6%) as shown in the table below:

£000's	2018	2017
Total tax expense in Income Statement	**11,240**	15,072
Add back:		
Tax on amortisation and impairment of acquired intangibles and transaction related costs	**2,205**	885
Adjusted tax charge on the profit/(loss) for the year	**13,445**	15,957
PBTA	**50,162**	53,941
Adjusted effective tax rate	**26.8%**	29.6%
Tax rate impact of amortisation and impairment of acquired intangibles and transaction related costs	**0.6%**	(971.6)%
Statutory effective tax rate	**27.4%**	(942.0)%

The Group operates in and is subject to tax in many jurisdictions. The weighted average tax rate is derived by weighting the rates in those jurisdictions by the profits before tax earned there. It is sensitive to the statutory tax rates that apply in each jurisdiction and the geographic mix of profits. The statutory tax rates in our main jurisdictions were UK 19.0% (2017: 19.25%) and Australia 30% (2017: 30%). The tax rate in the US reduced to 22.5% in 2018 (2017: 38.0%) due to the reduction in the US Federal tax rate effective from 1 January 2018.

The weighted average tax rate reduced to 23.1% in 2018 (2017: 26.1% as adjusted for the impairment of goodwill which was not deductible for tax purposes) due to the reduction in the US Federal tax rate effective from 1 January 2018.

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

£000's	**2018**	2017
Profit/(loss) before tax	**40,981**	(1,600)
Add back: impairment of goodwill	**-**	40,024
Profit before tax and impairment of goodwill	**40,981**	38,424
Tax at the weighted average rate of 23.1% (2017: 26.1%)	**9,452**	10,031
Effect of:		
Irrecoverable withholding tax suffered	**1,018**	1,619
Impact of intercompany financing	**(56)**	(581)
Effect of changes in tax rates	**39**	2,424
US repatriation tax	**-**	209
Canada losses not recognised	**49**	795
Adjustments in respect of prior years	**368**	163
Other differences	**370**	412
Total tax expense for the year	**11,240**	15,072

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 reduced in 2018 as less work was undertaken in these jurisdictions.

The impact of intercompany financing relates to the funding of US operations from the UK. The impact reduced in 2018 due to the reduction in the US Federal tax rate from 35% to 21% that applied from 1 January 2018.

Enacted changes in tax rates impact the carrying value of deferred tax assets, 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. A higher impact arose in 2017 due to the US Federal tax rate reducing from 35% to 21% and the Norwegian tax rate from 24% to 23%.

US repatriation tax applied in 2017 on distributed profits of US subsidiaries which became taxable at rates between 8.0% and 15.5% following USA tax reform. The charge was not recurring.

In Canada, no benefit has been recognised for the losses arising where it was uncertain that they would be utilised. The impact was higher at December 2017 due to the losses arising on the disposal of its pipeline approval business.

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 2018 charge 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.

7. 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 year as shown in the table below:

£000's / 000's	**Year ended 31 December 2018**	Year ended 31 December 2017
Profit/(loss) attributable to equity holders of the parent	**29,741**	(16,672)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**222,946**	221,804
Effect of employee share schemes	**1,793**	1,479
Diluted weighted average number of ordinary shares	**224,739**	223,283
Basic earnings/(loss) per share (pence)	**13.34**	(7.52)
Diluted earnings/(loss) per share (pence)	**13.23**	(7.47)

The directors consider that earnings per share before amortisation and impairment of acquired intangibles and transaction related costs provides a more consistent 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 December 2018**	Year ended 31 December 2017
Profit/(loss) attributable to equity holders of the parent	**29,741**	(16,672)
Amortisation and impairment of acquired intangibles and transaction related costs (note 4)	**9,181**	55,541
Tax on amortisation and impairment of acquired intangibles and transaction related costs	**(2,205)**	(885)
Adjusted profit attributable to equity holders of the parent	**36,717**	37,984
Adjusted basic earnings per share (pence)	**16.47**	17.13
Adjusted diluted earnings per share (pence)	**16.34**	17.01

8. Trade and other receivables

Trade and other receivables comprise the following balances:

£000's	**31 Dec 2018**	31 Dec 2017
Trade receivables	**106,509**	114,653
Contract assets	**44,907**	39,001
Prepayments	**10,406**	10,568
Other receivables	**4,596**	5,533
Total trade and other receivables	**166,418**	169,755

The Group measures the loss allowance for trade receivables as an amount equal to the lifetime expected credit loss ('ECL'). The ECL is estimated using the Group's history of loss for similar assets adjusted for the markets and territories that the trade receivable is exposed to and considers current and forecast conditions. The Group has considered the potential impact of Brexit on the ECL and has deemed this to be immaterial given the Group's history of trade receivable recovery after historical downturn. Trade receivables and accrued income net of provision for impairment are shown below:

£000's	**31 Dec 2018**	31 Dec 2017
Trade receivables	**111,735**	119,500
Provision for impairment	**(5,226)**	(4,847)
Trade receivables net	**106,509**	114,653

£000's	**31 Dec 2018**	31 Dec 2017
Contract assets	**51,531**	44,757
Provision for impairment	**(6,624)**	(5,756)
Contract assets net	**44,907**	39,001

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 are as follows:

£000's	**31 Dec 2018**	31 Dec 2017
Not more than three months	**10,462**	10,740
More than three months	**9,582**	10,558
Total overdue	**20,044**	21,298

At the year end the debtor days of the Group were 50.

Movements in impairment:

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

£000's	Trade receivables	Contract assets	Total
As at 1 January 2017	6,038	4,416	10,454
Impairment charge	2,445	5,153	7,598
Reversal of provisions	(2,417)	(1,426)	(3,843)
Receivables written off during the year as uncollectible	(1,161)	(2,354)	(3,515)
Exchange differences	(58)	(33)	(91)
As at 31 December 2017	4,847	5,756	10,603

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

9. Trade and other payables

£000's	**31 Dec 2018**	31 Dec 2017
Trade payables	**33,210**	34,838
Accruals	**38,015**	41,026
Contract liabilities	**22,931**	22,199
Creditors for taxation and social security	**18,385**	18,909
Other payables	**5,373**	6,434
Total trade and other payables	**117,914**	123,406

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

10. Borrowings

£000's	**31 Dec 2018**	31 Dec 2017
Bank loans	**32,800**	41,457
US loan notes	**56,751**	55,185
Bank overdraft	**2,581**	212
Total bank loans, notes and overdrafts	**92,132**	96,854
Arrangement fees	**(271)**	(634)
Total borrowings	**91,861**	96,220

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

£000's	**31 Dec 2018**	31 Dec 2017
Amounts due for settlement within 12 months	**2,581**	212
In the second year	**32,800**	-
In the third to fifth years inclusive	**56,751**	96,642
Total	**92,132**	96,854

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 £150,000,000 with Lloyds Bank plc and HSBC Bank plc, expiring in July 2020. Term loans drawn down under this facility carry interest fixed for the term of the loan equal to LIBOR (or the currency equivalent) plus a margin determined by reference to the leverage of the Group.

There were loans drawn totalling £32,800,000 at 31 December 2018 (2017: £41,457,000).

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

iv) In addition, in September 2014 the Group has 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 on 30 September 2021. They are guaranteed by the Company and certain subsidiaries but no security over the Group's assets exists.

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

11. Notes to the consolidated cash flow statement

£000's	**Year ended 31 December 2018**	Year ended 31 December 2017
Operating profit	**44,860**	2,926
Adjustments for:		
Depreciation	**8,256**	8,417
Impairment of goodwill	**-**	40,024
Amortisation of acquired intangibles	**9,144**	12,804
Non-cash movement on provisions	**(461)**	-
Share based payment expense	**2,338**	2,700
Loss on sale of business	**-**	2,617
Loss on sale of property, plant and equipment	**37**	86
EBITDAS	**64,174**	69,574
Decrease / (increase) in trade and other receivables	**1,964**	(7,584)
(Decrease) / increase in trade and other payables	**(5,779)**	1,521
Cash generated from operations	**60,359**	63,511
Interest paid	**(3,773)**	(4,960)
Interest received	**232**	113
Income taxes paid	**(12,330)**	(14,920)
Net cash from operating activities	**44,488**	43,744

The table below provides an analysis of net bank borrowings, comprising cash and cash equivalents, interest bearing bank loans and finance leases, during the year ended 31 December 2018:

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

The cash balance at 31 December 2018 includes £2,164,000 (2017: £2,917,000) that is restricted in its use, either as security or client deposits.

12. Deferred consideration

£000s	**As at 31 Dec 2018**	As at 31 Dec 2017
Amount due within one year	**53**	1,608
Amount due between one and two years	**77**	-
Amount due between two and five years	**49**	26
Amount due after five years	**123**	122
Total deferred consideration	**302**	1,756

13. Dividends

Amounts recognised as distributions during the year:

£000s	**Year ended 31 Dec 2018**	Year ended 31 Dec 2017
Final dividend for the year ended 31 Dec 2017 of 5.08p (2017: 5.08p) per share	**11,358**	11,308
Interim dividend for the year ended 31 Dec 2018 of 4.80p (2017: 4.80p) per share	**10,757**	10,699
	22,115	22,007
Proposed final dividend for the year ended 31 Dec 2018 of 5.08p (2017:5.08p) per share	**11,415**	11,361

The proposed final dividend for the year ended 31 December 2018 is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

14. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 'Financial Instruments' and 'IFRS 15 Revenue from Contracts with Customers' on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

IFRS 9 'Financial Instruments'

Impact of adoption

IFRS 9 was adopted without restating comparative information, in accordance with the provisions of the standard. The Group does not account using hedge accounting mechanisms, either under IAS 39 or under IFRS 9.

The only financial assets that the Group holds are trade receivables, contract assets, other receivables at amortised cost and cash, and the only financial liabilities that are held are borrowings, trade and other payables and deferred consideration. There is no change to the classification of these assets and liabilities because of the adoption of IFRS 9; they continue to be recorded at amortised cost. These assets and liabilities are held to realise cash flows at maturity. In addition, the Group holds some forward foreign exchange contracts. These are recorded at fair value through profit or loss - there is no reclassification for these contracts either. The business holds these to manage foreign exchange exposures; it is Group policy not to trade in those derivatives.

The only adjustments that have arisen on transition to IFRS 9 relate to the recognition of additional provisions against trade receivables and contract assets which represent the lifetime expected credit losses on those assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics, relating to the markets that we operate in. The Group's history of such losses has been low so the adjustment is not material. The change in valuation of those assets has been recorded as an adjustment through opening reserves.

The loss allowances for trade receivables and contract assets as at 31 December 2017 reconcile to the opening loss allowances as at 1 January 2018 as follows:

£000's	Trade receivables	Contract assets
At 31 December 2017, calculated under IAS 39	4,847	5,756
Amounts restated through opening retained earnings	353	296
Opening loss allowance as at 1 January 2018, calculated under IFRS 9	5,200	6,052

The loss allowances increased by £598,000 to £11,850,000 at 31 December 2018. The increase would have been £27,000 higher under IAS 39.

Impact of IFRS 9 on retained earnings

£000's	2018
At 31 December 2017 closing retained earnings, calculated under IAS 39	**205,143**
Increase in provision for trade receivables	**(353)**
Increase in provision for contract assets	**(296)**
Increase in deferred tax assets related to impairment provisions	**128**
Opening retained earnings 1 January 2018, calculated under IFRS 9	**204,622**

New accounting policies

Following the adoption of IFRS 9, the Group's accounting policies have been amended as follows:

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.

IFRS 15 'Revenue from Contracts with Customers'

Impact of adoption

After a detailed review of contracts across the Group's service lines and sectors, no IFRS 15 adjustment was identified. However, the Group has amended its revenue accounting policies to reflect the requirements of the new standard.

New Accounting Policies

Because of the adoption of IFRS 15, the Group's accounting policies have been amended as follows:

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.

Payment terms

For all revenue types, payment is typically due up to 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. 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.

15. Events after the balance sheet date

On 4 February 2019 the Group announced the acquisition of the business, certain assets and liabilities of Corview, an Australian based transport advisory consultancy, for a maximum consideration of AUD$32.0m (equivalent to £17.8m) all payable in cash. At completion the vendors received AUD$ 17.6m (£9.8m), with AUD$4.8m (£2.7m) being due to them on each of the first, second and third anniversaries of completion. Cash of AUD$ 2.1m (£1.2m) was acquired to fund working capital as no trade debtors were acquired. There were no other events arising after the balance sheet date requiring adjustment to the year end results or disclosure.

16. Auditor's report on Report and Accounts 2018

The financial information set out above does not constitute the Company's full statutory accounts for the year ended 31 December 2018 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 2017 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).

17. Publication of Report and Accounts 2018

This announcement has been posted on the Company's website at www.rpsgroup.com. A copy of the Report and Accounts will be posted on this website on 5 March 2019. It is expected that the Report and Accounts together with the notice of the Company's Annual General Meeting will be posted to shareholders on or before 15 March 2019. Further copies may be obtained after that date from the Company Secretary, RPS Group plc, 20 Western Avenue, Milton Park, Abingdon, Oxfordshire OX14 4SH. Copies of these documents, together with the form proxy for use at the Company's Annual General Meeting, have or will be submitted to the Financial Conduct Authority via the National Storage Mechanism.

18. Risk management

The Group has a well-established and embedded system of internal control and risk management that is designed to safeguard shareholders' investment as well as the Group's personnel, assets and reputation. The principal risks and uncertainties for the Group are described in the Group's Report and Accounts. These risks include macro-economic events occurring beyond our control, such as the effects of the 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.

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

Responsibility statement of the Directors in respect of the Report and Accounts 2018

The Directors confirm that to the best of their knowledge:

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

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

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

- Ends -