Ambition into action

Ricardo plc | Annual Report and Accounts 2023/24

What's in this report

Strategic report

Governance report

Financial statements

Additional information

Visit us at: **www.ricardo.com**

We are Ricardo

A global consultancy enabling the clean energy future by delivering strategic, environmental and engineering solutions that intersect the global transport, energy and climate agendas.

We strive to **create a safe and sustainable world by enabling our clients to solve the most complex and dynamic challenges.**

Our ambition is to **become a global leading strategy and engineering consultancy in environmental and energy transition solutions.**

While being led by **our values:**

- **Create together**
- **Be innovative**
- **Aim high**
- **Be mindful**

Highlights

Financial highlights

Order book(1),(2)

£396.5m

0.3%

Revenue(1),(2)

£474.7m

6.6%

Underlying(1) profit before tax(2)

£30.5m

9.3%

Statutory profit before tax(2)

£4.3m

153.8%

Underlying(1) earnings per share(2)

35.9p

7.5%

Statutory earnings per share

1.1p

112.6%

Dividend per share

12.7p

6.2%

Underlying(1) cash conversion(2)(3)

118.9%

52.2pp

Statutory cash conversion(2)(3)

125.4%

74.7pp

Operational highlights

2,600+

Active consulting projects

75%

Percentage of revenue that supports sustainability and safety

3.81

Employee engagement score

1,800+

Students reached through Ricardo STEM outreach

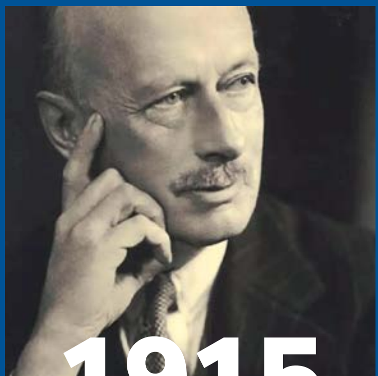
(1) Please see the glossary on page 224 for a definition of the above terms. These alternative performance measures (APMs) are described further, and where appropriate reconciled to GAAP measures, in Note 2 to the Group financial statements.
(2) Excluding the results of Ricardo Software which was classified as a discontinued operation at 30 June 2023.
(3) Growth based on prior year restated figure. See Note 37 in the Group Financial Statements.

Our story

Over 100 years of world-changing innovation and ideas

Ricardo has more than a century of engineering experience in improving transport efficiency and over 60 years of leading expertise in delivering environmental and energy solutions. Today, our consulting services and engineering solutions are helping overcome some of the world's most complex strategic and operational challenges.

Founded on principles of sustainability...



1915

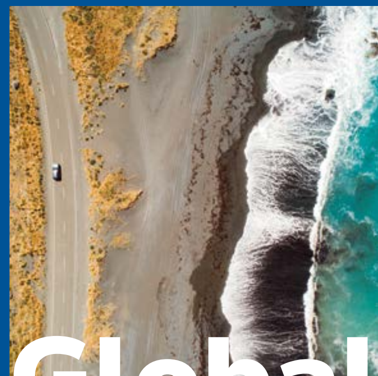
In 1915, Harry Ricardo set out on a mission to **'maximise efficiency and eliminate waste'**. This mindset continues to motivate and direct the business of Ricardo today.

...that forms the basis for a purpose and culture that our people believe in...

c.3,000

Ricardo is powered by c.3,000 highly capable employees, all of whom are helping to fulfil our vision to create a safer and more sustainable world.

...and shapes our portfolio of services and solutions.



Global

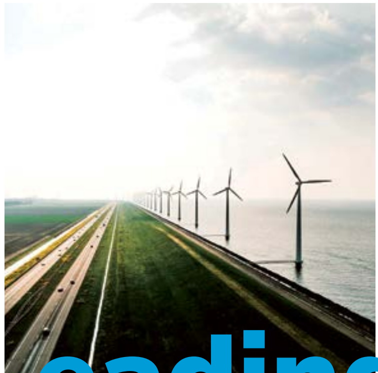
We are a global team of consultants, environmental specialists, engineers and scientists delivering innovative and cross-sector sustainable solutions.

Our story continued

Enabling a better energy transition

The shift to clean energy is not only critical to addressing the climate crisis but inevitable. At Ricardo, we're committed to helping clients in nearly every sector navigate this shift by providing expertise and solutions that create clear paths to a sustainable future.

We have a clear ambition that is transforming our business...



Leading

We're taking big leaps to transform Ricardo into a world-leading strategy and engineering consultancy in environmental and energy transition solutions.

...while creating lasting value for all our stakeholders...

Lasting

Through our ambition, we are taking an active role in addressing climate change and better aligning our business to respond to megatrends that are shaping the world.

...and working together towards a better tomorrow.

Sustainable

Building on our legacy of world-leading innovation, our teams are working together to solve complex challenges enabling a sustainable future.

Chair's statement

A year of taking action to achieve our long-term ambitions

Mark Clare | Chair

Dear Shareholders,

I am pleased to present to you the Ricardo plc Annual Report and Accounts for the financial year 2023/24.

Good progress has been made in the year with the repositioning of our Company to take advantage of the growth opportunities ahead, by focusing on clients, our people and the capabilities necessary for future success. As a result, we are starting to see real momentum in a number of areas and, while there is still work to be done, the board has confidence that we can deliver against our strategic ambitions.

Group performance

The Group saw underlying operating profit from continuing operations grow by 14% from £34.0m to £38.8m, in line with board expectations and on course to achieve our objective of doubling underlying operating profit over the five years to FY 2026/27. The Group's reported operating profit from continuing operations improved from a loss of £1.9m in FY 2022/23 to a profit of £12.8m in FY 2023/24.

After a challenging first half of the year which saw Emerging and Established Automotive and Industrial (A&I) making underlying operating losses, we were pleased to see a return to profit for both in the second half, following the additional restructuring actions taken. Our Defense business had a particularly strong year with an underlying operating profit growth of 82% (constant currency) driven by the ABS/ESC programme. Our Energy and Environment and Rail businesses have both shown good operating profit growth of 11% and 14% (constant currency), respectively.

Total orders received in the year were down (5%) against prior year, which was anticipated after a record order book in FY 2022/23 and the impact of delayed orders in A&I in FY 2023/24.

Cash performance was particularly strong with overall net debt falling in the year from £62.1m to £59.6m, despite having paid out the maximum earn outs for our E3-Modelling SA (E3M) and Aither Pty (Aither) acquisitions based on their strong performance and the payment of reorganisation costs.

Actioning our ambition

Ricardo has a clear ambition: to become a leading global strategic and engineering consultancy in environmental, energy transition and transport solutions.

It's an ambition which clearly aligns with our Company vision to create a safe and sustainable world. In just over two years since communicating our strategy, we have taken actions to make this a reality and are already seeing good progress. This includes the acquisitions of E3M and Aither in FY 2022/23 where we have seen strong performance in the current financial year; a refocusing on our key client relationships across the Group with much stronger levels of engagement; streamlining operations and support functions to optimise performance and reduce operating costs; and a stronger focus on the commercial disciplines required to win key business opportunities.

Chair's statement continued

The board

There have been a number of changes to the board that we have announced. In May, we said farewell to Laurie Bowen who served nine years on the board and, in July, Jack Boyer stepped down having served nearly six years with the Company. In addition, Bill Spencer will be stepping down after the AGM in November having served over seven years.

We are very grateful to Laurie, Jack and Bill for their significant contributions to the Company and we wish them well for the future.

I am delighted to have welcomed Carol Borg to the board from 1 July and Sian Lloyd Rees who will join the board from 1 October. Their significant combined experience and expertise will be very valuable to the board going forward.

People and culture

The success of our Company continues to be in the hands of our c.3,000 colleagues across the business and significant steps have been taken to ensure communication throughout the organisation is as effective as it can be. There is no doubt that the strength and depth of talent that exists within Ricardo gives us real competitive advantage and management's role is to harness this for the benefit of our clients and ultimately our shareholders.

I was delighted to see a number of colleagues from across the business being recognised externally for their work during the year. In addition, great progress is being made in the hydrogen technology area, with Ricardo being recognised in the IET Excellence and Innovation Future Mobility awards for our propulsion inverter technology, and as a top 10 consultancy for green hydrogen by Reuters Top 100 Innovators in Hydrogen.

Dividend

Given the financial performance of the Company, the board is proposing a final dividend of 8.9p in line with our distribution policy within the range of 2.5-3.0 times cover. Following the interim dividend of 3.8p, this will take the total dividend for the year to 12.7p, a 6.2% increase over the prior year.

Outlook

As I have already said, good progress has been made in aligning the Company with its strategic plans to meet its long-term ambitions. There is still a considerable way to go and looking ahead the board will continue to focus on performance optimisation; growing our longer-term order book; delivering the benefits of the acquisitions made whilst critically reviewing further opportunities; developing our ESG agenda; and delivering a vision of 'One Ricardo' serving all our stakeholders.

Mark Clare
Chair

10 September 2024

Chief Executive's review

Building One Ricardo to create value and deliver our vision of a safe and sustainable world

Graham Ritchie | Chief Executive Officer

I believe that we are truly unique in the combination of services we provide to support environmental and energy transition across the value chain. No other organisation can deliver what we can, with the deep strategic and engineering expertise across transport, environmental policy and energy infrastructure. This is the capability that binds us together.

Now more than ever, with the world changing rapidly and with a heightened level of urgency towards protecting our planet, Ricardo is becoming ever-more relevant in the services it can deliver to support energy transitions.

As a company, we maintain a strategic focus on three global megatrends, leveraging our position to access and drive long-term sustainable growth in areas encompassing energy decarbonisation, climate change and zero emission propulsion.

We are well placed to extract value in creating solutions for resolving each of these megatrends in ways that are beneficial for all of us.

As I travel to meet clients and colleagues across the world, I am more conscious than ever of the importance of the work that we do and how we are purpose-led in the projects that we work on. Ricardo colleagues, regardless of role or location, are motivated by the meaningful work and impact we deliver every day.

Delivering our full-year commitments

Ricardo's solid performance in FY 2023/24 resulted in the Group trading in line with the board's expectations, delivering underlying operating profit before tax of £30.5m, ahead of the prior year (FY 2022/23: £27.9m on a continuing basis). On a reported basis, the Group delivered a profit before tax of £4.3m (FY 2022/23: loss of £8.0m on a continuing basis).

As a business, we report our performance in two portfolios: our Environmental and Energy Transition portfolio, representing our core consulting capabilities, in which we deliver technical engineering and environmental consulting capabilities that enable the energy transition; and our Established Mobility portfolio that focuses on conventional propulsion engineering design, with niche manufacturing and production assembly.

Clear highlights for the year in our Environmental and Energy Transition portfolio included securing our largest environmentally focused project to date of close to £12m to support a Middle East client in establishing its regional air quality monitoring network.

Additionally, we are delighted to be working as the independent safety assurance expert on the California high-speed rail project, which is a publicly funded 170+ mile high-speed rail system that is due to open in 2030. Both projects demonstrate the clear progress we have made to date in creating operational scale in our chosen markets.

Within our Established Mobility portfolio, the United States Army awarded Ricardo's Defense business an extension agreement of USD$385m to continue production and delivery of the anti-lock braking system/electronic stability control (ABS/ESC), with delivery completion in September 2027, which contributed to the Group's overall operating profit.

Chief Executive's review continued

Delivering our full-year commitments continued

Work continues in supporting OEMs with cleaner transport solutions, and an example of this is the contract award that we have secured to design a new large engine concept for an Asia-based OEM. Through the engine design performance improvements that we are making, the client is able to further reduce greenhouse gas emissions and transition to a greener future.

Realising our long-term ambition

Our strategy is clear: we are on a transformation journey to become a global, world-leading strategic and engineering consultancy in environmental and energy transitions. And this has been a year of progress, as we firmly embed our strategy across Ricardo and focus on execution as we accelerate our impact in FY 2024/25.

Through our growth priorities, which include portfolio prioritisation, market expansion and M&A acceleration, we have ensured a structured approach to executing the Group's strategy.

Repositioning our portfolio has been a key focus for the Group, and we have actively continued our work to manage our portfolios through a shift from services to solutions, allowing us to increase our strategic consulting expertise while also investing heavily in our digital transformation. With the launch of Ricardo's digital platform, we are now able to offer scalable and repeatable solutions, specifically leveraging our market-modelling tools and converting these all to digital applications. We have also made great progress in our digital tools to support our technical innovation in hydrogen propulsion advancement and have recently expanded our hydrogen test facilities, which are already fully booked for the next 12 months.

Market expansion is crucial to our sales growth, and we are seeing traction in our key markets including North America, where we have established a foothold in rail services through our partnership with Metrolinx in Canada and, as I mentioned, the recent win of the California high-speed railway contract in the USA. We have successfully grown our Environmental and Energy Transition team to support our clients in Europe by establishing the Madrid hub, and we have also developed a pathway in Australia and Asia to align our services and practices through our regional leadership model.

We take a disciplined approach to M&A to accelerate growth in our chosen markets. Our two most recent acquisitions (E3-Modelling and Aither Pty Ltd) have provided the Group with good overall performance, achieving the maximum potential earn out following successful integrations into the Group.

Building One Ricardo

During the year, we have accelerated the consolidation of our enabling functions and right-sized our business operating model to support us in creating 'One Ricardo'.

Through the consolidation process of centralising our functions, we are able to leverage benefits of scale without duplicating effort or constraining investment. The functions have been structured in a way that supports the business today whilst enabling us to scale our functions to support future growth, and also allowing for greater opportunities for our people to grow and develop their potential.

The actions that we have taken have delivered immediate cost benefits within the full year, but more importantly, are already accelerating improvements in operational efficiency and client experience to support our growth ambition.

Acting responsibly

We are committed to making every day in Ricardo a great day through investing in our incredibly talented colleagues and creating a culture that is deeply rooted in being purpose-led.

As we transition the business, it is important to bring our teams along the journey, so it was encouraging to see the number of colleagues who responded to this year's engagement survey, which was up by 11 percentage points to 72%. We received more than 6,900 comments, which is a healthy measure that our colleagues believe that their opinion matters. The engagement score itself was down slightly, reflecting the level of change delivered through the organisation. In response to this, we are already beginning to implement engagement strategies throughout the organisation to optimise and realise the benefits of the changes made.

Being responsible and acting ethically are fundamental to Ricardo. We aim to continue to accelerate our own ESG performance through our sustainability commitments, which include the work that we do in energy transition and net zero pathways for our clients, our investment in our people, and our environmental and governance targets.

The Ricardo mission set out more than 100 years ago was to 'maximise efficiency and eliminate waste' and this remains deeply integrated in our working ethos today and, more than ever, ignites the passion that drives our people and our approach to responsible business.

Gaining good momentum as we look ahead

Ricardo is gaining good momentum to deliver its five-year strategic plan communicated in May 2022. We enter the new fiscal year with a similar order book level to the record one we achieved last year, and, through our solid pipeline visibility, we have good confidence in performance as we enter FY 2024/25.

With our expertise in environmental and energy transition, there is a real opportunity for us to do even more in supporting governments and the private sector in delivering a net zero pathway for future generations.

We also know that for us to be a pivotal part of change, we have to continue to grow and improve our business. By doing so, we can extend our reach, supporting even more clients and ensuring that our teams across the world continue to deliver meaningful work, knowing that the projects are delivering maximum impact.

The more we can do to accelerate our transformation, the more value we can create for all our stakeholders.

Graham Ritchie
Chief Executive Officer

10 September 2024

Who we are

At a glance

Our vision To create a safe and sustainable world.

Our purpose Enable our clients to solve the most complex and dynamic challenges.

Trusted the world over

23

Countries with Ricardo operations serving clients worldwide

2,600+

Active client projects

c.3,000

Colleagues

Our business portfolio

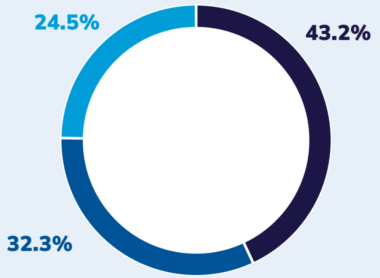
Our operating segments are grouped into two main portfolios:

Environmental and Energy Transition

Revenue

£239.3m

Energy and Environment	£103.3m
Rail and Mass Transit	£77.4m
Emerging Automotive and Industrial	£58.6m

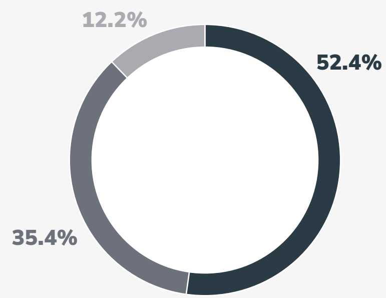


Established Mobility

Revenue

£235.4m

Defense	£123.4m
Performance Products	£83.4m
Established Automotive and Industrial	£28.6m



Markets we serve

- Aerospace and defence
- Automotive
- Industrial and manufacturing
- Energy, utilities and waste
- Financial services
- Government and public sector
- Maritime
- Rail and mass transit

Business model

How we create value

We are uniquely positioned to provide differentiated value linking environmental policy, transport and energy transition.

Client demand drivers	Our expert capabilities	What we deliver	Our impact
Strategy and planning **Implementation through own operations** **Implementation through the supply chain**	**Engineering services** Our multi-industry knowledge and deep technical expertise uniquely positions us to drive innovative engineering solutions to deliver sustainable outcomes for our transport clients.	Electrification and hybrid systems and integration Sustainable fuels and future internal combustion engines Hydrogen fuel cells Rail systems and operations Assurance and testing Niche manufacturing and assembly	**With our unique depth and breadth of engineering, science and economic expertise, we support clients from strategy to implementation to monitoring, to overcome the complexity of energy transition and engineering challenges.**
	Strategic consulting and advisory services Our global advisory and consulting services range from operational improvement, cost reduction and new product introduction to technology strategy and scenario planning.	Policy, regulation, incentives and funding optimisation Economic, environmental, operation feasibility Optimised economic, risk, safety and environmental benefits Optimised procurement for economic and environmental benefit	
	Environmental consulting services Through deep and broad expertise, Ricardo develops integrated solutions to complex environmental and sustainability issues.	Water management Air quality Corporate sustainability Energy and decarbonisation	

Outlook and opportunities

Global megatrends shaping our business

Ricardo's endurance is, in part, due to our constant monitoring of emerging, long-term trends, allowing us to ensure we're preparing the business to enable our clients to solve their most complex and dynamic challenges.

Global policy and funding for climate change

While a significant proportion of green transition investment comes from the private sector, government policy plays a critical enabling role through instruments such as target setting, regulation, subsidies, tax credits and R&D investment. Governments globally are continuing to roll out policies that advance and enable the financing of green transition.

Beyond green energy and decarbonisation, there is increasing focus, legislation and investment in the conservation, restoration and management of natural and modified ecosystems with initiatives such as the Global Biodiversity Framework and Taskforce on Nature-related Financial Disclosures.

How we're responding:

- World-leading modelling tools support governments worldwide to make energy, environment and transportation transition decisions for a better world
- Expanding our team of experts on a wide range of climate, societal and ecological areas

Energy decarbonisation

Developing a pathway from fossil-based energy generation to a low carbon future is a priority issue globally.

In June, the International Energy Agency (IEA) stated that investment in green energy and infrastructure is set to reach $2 trillion in 2024, with spending on renewable power, grids and storage set to greatly exceed spending on oil, gas and coal. This is partly driven by the falling price of renewable energy, meaning that investment will continue even with fluctuating investment rates.(1)

How we're responding:

- Supporting national-level clean energy and energy security policy, strategy and implementation plans
- Leading the development of carbon-negative biofuel technology
- Supporting energy generators and distributors with development of clean nationally critical infrastructure, including grid resilience and clean technology integration
- Developing sustainable fuel solutions and technologies for use in maritime, aviation, rail and ground transportation

Zero emission transport

Globally, there is a growing demand for zero emission vehicles of all kinds, driven by a mixture of public demand for fossil fuel-free vehicles and governments driving policy change to meet Paris Agreement obligations. There are increasingly stringent targets in major markets for CO_2 and nitrogen oxides, and future bans on the sale of passenger vehicles powered by fossil fuels – such as the EU and UK's 2035 ban. Maritime and aviation sectors are also under pressure to achieve net zero goals.

How we're responding:

- Supporting clients with their electrification journey from hybrid to fully electrified propulsion
- Leading in the development of commercial hydrogen technology for more challenging transport applications, including within the maritime industry
- Supporting the development of renewable aviation fuel
- Partnering with governments around the world in the development of rail projects powered by renewable energy

(1) Overview and key findings – World Energy Investment 2024 – Analysis – IEA.

Strategy

Delivering our ambition

Our strategic ambition is to become a global leading strategy and engineering consultancy in environmental and energy transition solutions...

....by transforming our business using strategic levers...

Portfolio prioritisation
Align our portfolio so it is better able to address global megatrends, while optimising service and profitability

Market expansion
Expand and develop our key market positions through geographic and industry expansion in attractive industries focused on high growth markets

M&A acceleration
Supplement organic growth with rationalised, targeted M&A that accelerates ambition achievement

...while continuously investing in our core enablers...

Client experience
Deliver the best client experience in each of our projects, consistently ensuring that our brand is relevant to our entire client base

Winning teams
Our people plan is developed around trust, accountability, inclusion, learning and mobility. We aspire to build an organisation that attracts, retains, develops and inspires the very best people around the world

Optimised operations
Continuously optimise operations through the improvement of our processes across the whole value chain to ensure that our clients' expectations are consistently met

...and delivering on our own sustainability focus areas.

Our clients
Accelerate clients' sustainability ambitions

Our environment
Positively impacting our planet

Our people and communities
Nurture an environment for everyone to thrive

Our business
Continuously improve ways of working

FY 2022/23 — **FY 2026/27**

Our targets

Portfolio transformation

- **Environmental and Energy Transition portfolio**
  75% of Group underlying operating profit to deliver a high growth, high margin and less capital-intensive business
- **Established Mobility portfolio**
  Long-term visibility to support our transformation

Strong financial framework

- **Double underlying operating profit**
- **Group underlying operating profit % to mid-teens**
- **Average cash conversion 90%**
- **3-4% capex % of revenue**
- **Dividend cover 2.5-3.0x**
- **Leverage <1.25x EBITDA**

Turning ambition into action through...

innovation.

Working with

Department for Energy Security & Net Zero

Demonstrating the effectiveness of community-scale carbon capture technology for clean energy and national energy security.

To accelerate the commercialisation of low-carbon technologies, systems and business models in power, buildings and industry, while reducing the UK's contribution to climate change, the UK government has established a £1bn Net Zero Innovation Portfolio.

Funded by the Portfolio, Ricardo is leading a consortium with Bluebox Energy and Woodtek Engineering that has designed, installed and is now operating a combined heat and power demonstration plant with a carbon negative footprint that processes biowaste to produce biochar; generate heat and power; and capture carbon dioxide from the exhaust – known as BIOCCUS.

BIOCCUS combines an innovative carbon capture system developed by Ricardo with hot air turbine technology from Bluebox Energy and pyrolysis technology from Woodtek Engineering.

Its innovation lies in the fact that it can capture 90% of the carbon in the biowaste – which would otherwise return to the atmosphere as CO_2 through combustion or degradation – while still producing valuable heat and power outputs. The plant demonstrates not only highly innovative technology but also a realistic carbon negative technology that can significantly contribute to net zero targets because of its applicability to several energy-intensive industry sectors as an on-site generator of heat and power.

Processing 2,600 tonnes of waste wood chip each year, the annual performance for a commercial, single-module system based on 8,000 hours of operation is:

- 540 tonnes of biochar produced
- 2,300 tonnes of food-grade CO_2 collected
- 330 MWh of electricity generated
- 1,200 MWh of heat generated
- 4,100 tonnes of CO_2e captured

With this project, Ricardo is at the forefront of removing carbon dioxide from the atmosphere, providing local industry/businesses with renewable heat and electricity, and delivering national energy security.

Turning ambition into action through…

sustainability.

Working with

European Commission
Research & Innovation

Developing multi-stack hydrogen fuel cell zero-emission systems for shipping.

Ricardo is working with the sustainable HYdrogen powered Shipping consortium (sHYpS) to design and develop hydrogen fuel cell propulsion technologies to power the next generation of zero-emissions passenger ships, helping to achieve zero-emissions navigation within the industry in line with global regulatory targets.

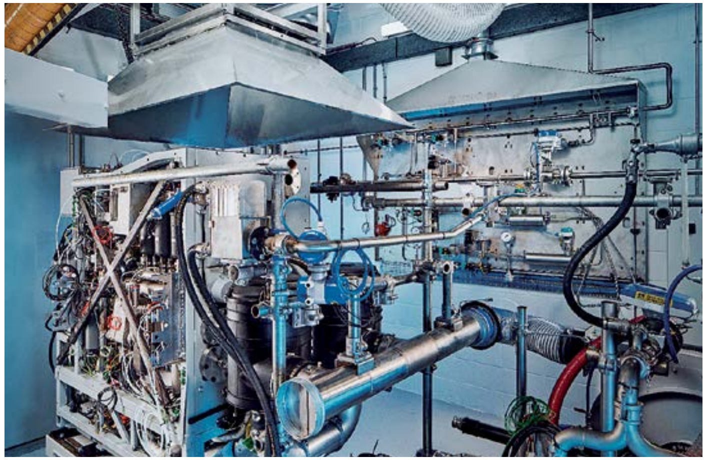
At the forefront of innovation, the project involves 13 partners in six European countries and will accelerate the adoption of hydrogen as a renewable fuel in the maritime industry. Ricardo's UK-based work has been funded by UK Research and Innovation (UKRI) under the UK government's Horizon Europe funding guarantee.

As experts in hydrogen technology and integration, Ricardo's role includes the specification, design, build and testing of a ~500 kW gross, 375 kW net power fuel-cell module (RFC500) and the design of a 40-foot containerised multi-megawatt power plant that combines the outputs of multiple fuel cell modules, intended to be installed under-deck on passenger ships.

Another key focus has been applying Ricardo's expertise in developing the bespoke, high-power, multi-stack, optimised fuel cell solution to deliver significantly enhanced power density by volume and mass: essential, given the space constraints of a passenger ship and the revenues earned from space on-board.

The project reached a key milestone in March 2024, when Ricardo received Approval in Principle (AiP) from Lloyd's Register, the leading provider of classification and compliance services to the marine and offshore industries, for the design of its cutting-edge multi-megawatt containerised fuel cell power plant solution. The granting of AiP by Lloyd's Register signalled confidence that this technology has the potential to satisfy regulatory requirements and can be used more widely as a solution to support future decarbonisation across the maritime industry.

Ricardo is testing the RFC500 module and now assembling its marine containerisation system in a new, purpose-built fuel cell facilities at our Shoreham Technical Centre.



Co-funded by the European Union

Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European union or European Climate, Infrastructure and Environment Executive Agency. Neither the European Union nor the granting authority can be held responsible for them, UK participants are supported by UKRI Grants.

The sHYpS project is co-funded by the European Union under Horizon Europe, the European Union's research and innovation programme under Grant Agreement Number 101056940. The consortium of members represents six European countries: Italy, France, Czechia, Germany, Norway and the UK. UK participants are supported by UK RI grant numbers 10038162 (Ricardo UK) and 10039049 (Lloyd's Register). Views and opinions expressed are however those of the authors only and do not necessarily reflect those of the European Union or Innovate UK. Neither the European Union nor Innovate UK can be held responsible for them.

Turning ambition into action through...

digital.

E3-Modelling was acquired by Ricardo in January 2023, adding world-leading macro energy, economic and environmental modelling capabilities to Ricardo's portfolio.

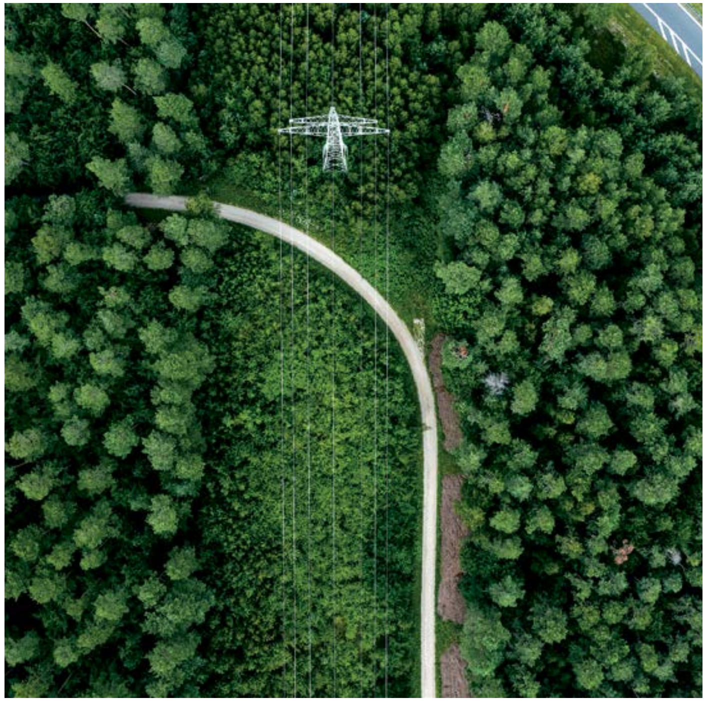
Since becoming part of Ricardo, the E3-Modelling team has provided valuable input on important global projects, which has included modelling for long-term international energy decarbonisation planning and implementation, empowering clients with essential data, insights and intelligence. The capabilities continue to be pivotal for informing policy development and its performance assessment, as well as supporting private sector investment, critical to the energy transition. The modelling team has expanded by over 25% to address the growing needs of our clients, which include new, long-term modelling projects, particularly for the European Commission.

Our reputation for modelling excellence was further evidenced this year when one of our models was recognised as the leading tool for analysing industrial transformation in a study published by Renewable and Sustainable Energy Reviews. Ranking top out of over 60 models, our model was recognised for its robust alignment with key criteria including industrial/sector representation, technological change, employment and environmental impact.

This year we have also invested in the development of a new software-as-a-service (SaaS) solution, leveraging our world-renowned PRIMES-IEM energy system model.

This innovative subscription-based model offers comprehensive and actionable insight into the electricity market, which can be used to make a wide range of key decisions to support the energy transition.

We continue to advance our modelling capabilities and offerings, ensuring that we meet the evolving needs of our clients and contribute meaningfully to the global energy transition. Our commitment to excellence and innovation positions us as a trusted partner in delivering high-quality modelling and insights for a sustainable future.



Turning ambition into action through...

people.

We recognise that our vision is achieved through ideas, innovation, expertise and being client-focused, delivered by our people globally.

In the past year, a number of our people and initiatives have been recognised externally for their excellent work. They include Kynan Serné and Steve Blevins, who were both recognised in the prestigious The Manufacturer Top 100 list that celebrates the heroes of UK manufacturing.

Steve Blevins, Head of Engineering, Performance Products, was named in both the Inspiring Leader and the Innovator categories, in recognition for his outstanding technical contribution to the world of motorsport and performance automotive engineering and his exemplary commitment to supporting the business at every level, including beyond his remit of Head of Engineering.

Meanwhile, manufacturing apprentice Kynan Serné was named in the Young Pioneer category, in recognition of his technical contribution to the processes on the Performance Products production line at Ricardo's Shoreham Technical Centre. He was also commended for his dedication to inspiring the next generation of engineering and manufacturing professionals by advocating for apprenticeships and the impact that they can make to the lives of young people.

Other colleague accolades from FY 2023/24 include:

- Dr Temoc Rodriguez, Automotive and Industrial, became a Fellow of the Institution of Engineering and Technology (IET)
- Dr David Carslaw, Energy and Environment, was named in the ENDS Report Power List 2024
- Honor Puciato, Energy and Environment, was selected by the UK government as one of 10 new national aviation ambassadors
- Ricardo was recognised by Reuters in its Top 100 Innovators in Hydrogen for 2023 and as a top-10 consultancy for green hydrogen
- Dr Jessica Bohorquez, Energy and Environment, was selected as a Junior Rapporteur at the World Water Week event in Sweden in August 2023
- Ricardo received the Future Mobility award at the 2023 IET Excellence and Innovation Awards, for our propulsion inverter technology with liquid hydrogen for long-haul mobility

Conversation with the CEO and CFO

Graham Ritchie
Group Chief Executive Officer

Judith Cottrell
Chief Financial Officer

Q What has been a key highlight for you in FY 2023/24?

GR A key highlight for me is how we are joining up our proposition and delivering meaningful project work through our collective consulting capabilities.

A case in point is the recent work that we have been doing in positioning Ricardo to drive the maritime sector towards an efficient, sustainable and low-carbon future. Highlights include: our consultancy work to support the International Marine Organisation (IMO) in its emissions position, policy work and future targets; the air quality work in modelling emissions from shipping that we have completed for the UK government and the European Commission, and for ports such as the Port of London Authority; and the engineering work we are completing in the sHYpS consortium in developing hydrogen fuel cells in marine applications.

In short, our teams are creating solutions across the entire ecosystem to support environmental and energy transition through solutions for policy and strategy, environmental monitoring, energy infrastructure, and the green-propulsion transport solutions that few others can match.

JC This year, it has been great seeing the impact that our focus on operational efficiency and client experience has had across the business. A great example of this is how our newly created global sales enablement team is now delivering consistent bidding processes to improve client delivery. The team has also established standard sales performance reporting, including pipeline management to provide greater visibility and confidence in our order book deliveries.

Another example is the introduction of our flexible resourcing model, which is helping to drive profitability, principally within A&I. Finally, we have seen an improvement in cash collections to drive reductions in working capital and increase our ability to reinvest for further growth.

And it has been a real delight to see all the fantastic work that the teams have produced this year – particularly in some of our bigger innovation programmes – in developing new carbon-negative technology and accelerating hydrogen development.

Q We are two years into the five-year transformation of Ricardo. Do you think we are on target to achieve this strategy?

GR Unquestionably, yes. We have successfully delivered our short-term commitments and this, in turn, has supported us in building confidence and options for the long term.

FY 2023/24 has been a year of significant change to how we operate and how we are structured, but it has also been a year of great progress across our key priorities that support us in accelerating our transformation. Through enhanced digital capabilities, we have launched our modelling tool for the electricity market outlook on Ricardo's own digital platform, which will support us in creating repeatable revenue. In terms of geographic expansion, we have prioritised and aligned ourselves across key markets and, as a result, we are gaining scale and strength in our chosen markets.

Conversation with the CEO and CFO continued

Q We are two years into the five-year transformation of Ricardo. Do you think we are on target to achieve this strategy? continued

GR With the actions that we have taken in our A&I businesses, we are seeing a change in direction, with a return to profitability in H2. Finally, through the centralisation of our functions, we are creating efficiencies that will enable growth.

Having put the key building blocks in place, we are now well set to accelerate our execution to enable our successful transition.

JC Absolutely. We have taken bold actions to achieve our ambition and these are set to continue. We are only two years in and thanks to the changes we have made – such as flexible resourcing – we are already delivering improved margins. Expansion of our operations geographically and through the breadth of our offering will also support our ambition. As mentioned by Graham, the launch of our digital offering will support improved margins through repeatable revenue. Importantly, there is real commitment by the board and the Executive Committee to deliver our strategic ambition. And to help ensure this, there will be a continued focus on operational excellence and organisational alignment.

Q M&A is an accelerator to your organic strategy – what is important for you when considering this approach to growth?

GR The Company's approach to M&A is to focus investment on highly attractive, environmentally and technologically led areas that support the acceleration of our portfolio capability in attractive growth markets. These commercial characteristics support strong financial attributes of a high growth, high margin and less capital-intensive business. In addition to the commercial and financial attributes, we look for companies that share a culture aligned to Ricardo's with similar purpose-led values. The acquisitions that we have completed in the past 18 months have supported Ricardo in extending its consulting solutions and increasing its digital footprint. In addition, they have enabled further industry and geographic expansion into key markets, already delivering strong profitable growth and potential increased synergies with our existing solutions.

Key to this success is targeted outreach and, in particular, partnering in advance of an acquisition. By developing partnerships, we can ensure we build a strong pipeline and trusting relationships in advance of acquisition, where there is a strong cultural alignment that is deeply rooted in technical expertise and being purpose-led.

Q How important is One Ricardo to achieving the Company's ambition?

GR We know that our clients choose Ricardo because of our high integrity and the deep knowledge we bring to solving their complex challenges. As mentioned already, we are unique in our ability to create solutions across the entire ecosystem that support the environmental and energy transition. By combining our solutions, we therefore add more value to our clients and have a bigger impact in driving environmental and energy transition.

We also know that this is one of the key motivators for our teams, applying their expertise to world-leading innovative projects that make a difference. This is truly what binds us all together, regardless of what individuals may do and in which practice they may work.

By operating as One Ricardo and bringing these two aspects together, we also create efficiencies in how we operate.

JC Coming together as a single company, rather than acting independently, has had a significant impact on how we do business and has allowed us to really focus on operational excellence to the benefit of our margins. By introducing a shared operating model and centralising our enabling functions, we can leverage the benefits of scale without duplicating effort, which has afforded us real improvement.

There are also the cultural benefits of One Ricardo – allowing us to celebrate as a single whole rather than as sums of our parts. As an example, in FY 2023/24 following the success of Community Week, we launched our Community Day, which included collecting over 12,800 pieces of litter in our communities around the globe. I will be excited to see more of this in the years ahead.

Q Anything on the horizon that you are looking forward to?

GR I continue to be excited by and look forward to fully realising the benefits of the changes we have made so far on our strategic journey. For FY 2024/25 it is all about accelerating the benefits of the change we have started. These include embedding One Ricardo in everything we do, accelerating our geographic expansion, realising the efficiencies of our functional enablers, and continuing to develop strategic partnerships and acquisitions to accelerate our growth. None of this is achievable without the highly talented team we have here in Ricardo. Through its hard work and expert delivery, we can all look forward to exciting times ahead.

JC While I am looking forward to continuing to take more big strides towards achieving our ambition – particularly in how we work together to achieve our own goals and those of our clients – I am also excited to see more of the great projects that our teams are working on across the business, from the projects that we deliver to our clients to internal initiatives that improve processes and ways of working. There is a real uniqueness to what we can deliver and achieve at Ricardo, and I am always impressed at the real-world impact that these have in creating a safer and more sustainable world.

Strategic progress and KPIs

Key performance indicators

Our strategic objectives have been selected to support execution of our ambition and ensure we are creating value for stakeholders.

1. **Enabling meaningful and fulfilling work**
2. **Being a trusted partner to our clients**
3. **Achieving high growth in our chosen markets**
4. **Delivering operational excellence and efficiency**
5. **Investing for growth**

To directly connect our colleagues with the strategy, we have aligned team and individual performance objectives with Ricardo's own strategic objectives.

Measuring our performance

Ricardo's key performance indicators (KPIs) are aligned with our Company's strategic objectives, and are based on financial and non-financial performance.

1 Enabling meaningful and fulfilling work

Voluntary employee turnover

Voluntary attrition has held steady against the prior year, which is down from our 2022 peak.

Why we measure this

Our people enable us to do the great things we do and we want to make sure they are doing meaningful work and remaining engaged.

Further details on our people are given on pages 52-56.

CO_2 per head

We have seen a decrease in CO_2 emissions in FY 2023/24.

Why we measure this

Based on total Scopes 1, 2 and 3 market-based emissions. This number helps us to understand the emissions we are producing and drive strategy to reduce these.

Further details of our approach to Responsible Business are given on pages 44-74.

2 Being a trusted partner to our clients

Value added turnover per head

FY 2023/24 value added turnover per head has improved marginally on the prior year, with a good longer-term improvement from 2020.

Why we measure this

Value added turnover per head is a measure of the revenue we generate from our own resource divided by the number of heads, including contractors. As such, it is a useful measure of both profitability and efficiency.

Further details of financial performance are given in the CFO report on pages 20-25.

Client engagement

In May 2024, we completed our second annual client satisfaction survey, measuring satisfaction, loyalty and brand awareness. We saw a 4.5% increase in client satisfaction to 88.5% from FY 2022/23 levels. Feedback will be used to develop our client service excellence and capabilities to ensure best practice and continuous improvement.

Why we measure this

Provides rich information about engagement with clients, ensuring that we are providing them with the highest quality service while supporting their goals.

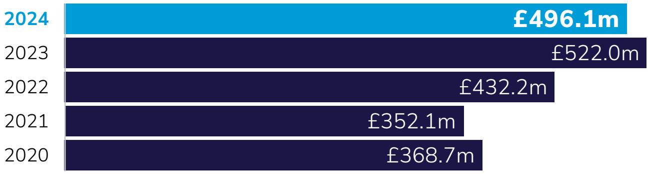
Further details of how we engage our stakeholders are given on pages 42-43.

Strategic progress and KPIs continued

Key performance indicators continued

3 Achieving high growth in our chosen markets

Order intake



FY 2023/24 order book is in line with the prior year.

Why we measure this

Helps to show us performance over time rather than a point-in-time position. Order book continues to be monitored as part of the financial results reported.

Further details of business unit performance are given on pages 26-41.

4 Delivering operational excellence and efficiency

Underlying operating profit margin

The Group's underlying operating profit margin was 8.2% in FY 2023/24. The increase compared to FY 2022/23 reflects improved margins in our Defense, Established A&I and Rail operating segments, plus leverage of our indirect cost base, offset by reduced margins in our Emerging A&I, EE and PP operating segments.

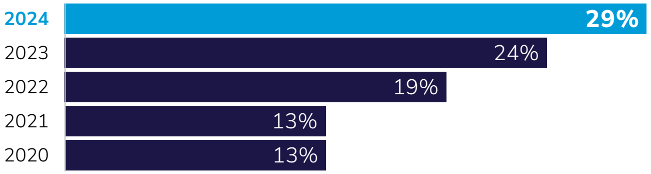
Why we measure this

Measure of how efficiently the business turns revenue into controllable profit.

Further details are given in the CFO's report on pages 20-25.

5 Investing for growth

Return on capital employed



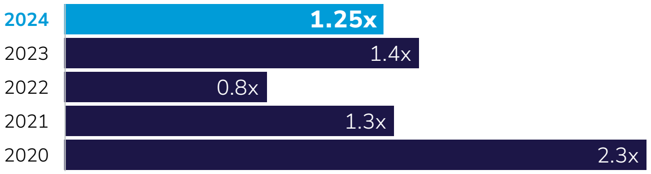
Return on capital employed has continued to trend upwards over the five-year period as our product mix moves, towards our less capital intensive consulting businesses.

Why we measure this

Return on capital employed is a measure of both profitability and capital efficiency. This ratio helps articulate how well we are generating profits from our capital as it is put to use.

Further details are given in the CFO's report on pages 20-25.

Adjusted leverage



We saw net debt drop from £62.1m to £59.6m in FY 2023/24, with adjusted leverage reducing from 1.4x to 1.25x, driven by strong underlying cash conversion, which more than offset restructuring and acquisition related cash outflows.

Why we measure this

Represents a more useful measure of how net debt relates to performance of the business.

Further details are given in the CFO's report on pages 20-25.

Chief Financial Officer's report

A year of positive growth and excellent cash performance

Judith Cottrell | Chief Financial Officer

Good growth in revenue and underlying operating profit. Actions to accelerate the operating model transformation delivered a strong second half profit performance and improving margins. A rigorous focus on working capital has driven strong cash performance, reducing net debt to £59.6m.

Group results

Overall, Ricardo has performed in line with the board's expectations in FY 2023/24, with a strong improvement in underlying operating profit in the second half. Revenue was £474.7m, an increase of 7% on the prior period on a continuing basis, excluding the results of Ricardo Software which was sold in the prior year (9% on a constant currency basis). Underlying operating profit was £38.8m and underlying profit before tax was £30.5m, representing growth of 14% and 9% on the prior period respectively on a continuing basis (17% and 13% on a constant currency basis).

FY 2023/24 saw a strong recovery in profit in the second half, with improved operational efficiencies following the acceleration of our operating model transformation which saw us centralise enabling functions and increase our use of flexible resources.

Order intake for the Group was £496.1m, down 5% on the prior year's record order intake (down 3% on a constant currency basis). This primarily reflects the new programme wins in the prior year in Performance Products and the delay of large orders in our A&I businesses.

Reported operating profit from continuing operations, after taking specific adjusting items into consideration, was £12.8m (FY 2022/23: loss £1.9m) and reported profit before tax from continuing operations was £4.3m (FY 2022/23: loss £8.0m). FY 2023/24 reported operating profit included £26.0m of specific adjusting items (profit before tax: £26.2m) predominantly related to the implementation of our strategic priorities of portfolio transition and operational efficiency (FY 2022/23: £35.9m). Further details can be found below and in Note 6 of the Group financial statements.

As a result of the Group's persistent and rigorous focus on working capital management, cash generation for the full year continues to deliver strong returns, delivering net debt at 30 June 2024 of £59.6m, a reduction of £2.5m on the 30 June 2023 position of £62.1m. This was after £15.4m of acquisition-related payments, including earn outs relating to the acquisitions of E3-Modelling SA (E3M) and Aither Pty (Aither), and £6.4m of restructuring costs, including costs incurred in accelerating our operating model transformation, partially offset by a £3.2m cash receipt from the sale and leaseback of a building at the Shoreham Technical Centre, excluding fees.

Underlying cash conversion improved from 66.7% (restated) in FY 2022/23 to 118.9%. Reported cash conversion was 125.4% (FY 2022/23: 50.7% (restated)) after taking into account the cash impact of specific adjusting items.

Chief Financial Officer's report continued

Headline trading performance

	Underlying[1]			Reported	
	External revenue £m	Operating profit £m	Profit before tax £m	Operating profit/(loss) £m	Profit/(loss) before tax £m
2024					
Continuing operations[2]	**474.7**	**38.8**	**30.5**	**12.8**	**4.3**
Less: performance of acquisitions	**(12.6)**	**(2.7)**	**(2.3)**	**(0.7)**	**(0.3)**
Continuing operations – organic[3]	**462.1**	**36.1**	**28.2**	**12.1**	**4.0**
2023					
Total	446.0	34.5	28.4	6.0	(0.1)
Less: discontinued operation	(0.8)	(0.5)	(0.5)	(7.9)	(7.9)
Continuing operations[2]	445.2	34.0	27.9	(1.9)	(8.0)
Less: performance of acquisitions	(4.8)	(1.1)	(1.1)	4.4	4.4
Continuing operations – organic[3]	440.4	32.9	26.8	2.5	(3.6)
Growth (%) – Total	6	12	7	113	4,400
Growth (%) – Continuing operations	7	14	9	774	154
Growth (%) – Continuing organic	5	10	5	384	211
Constant currency[4] growth (%) – Continuing operations	9	17	13	774	154

(1) Underlying measures exclude the impact on statutory measures of specific adjusting items as set out in Note 2 and Note 6 to the Group financial statements. Underlying measures are considered to provide a useful indication of underlying performance and trends over time.
(2) Growth from continuing operations excludes the results of Ricardo Software, which was sold on 1 August 2022.
(3) Organic growth excludes the performance of acquisitions (see Note 13 to the Group financial statements) from the results of 2024 and 2023.
(4) 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. Constant currency growth/decline is calculated by translating the result for the prior year using foreign currency exchange rates applicable to the current year. This provides an indication of the growth/decline of the business, excluding the impact of foreign exchange (see Note 2 to the Group financial statements).

FY 2023/24 and FY 2022/23 include the results of E3M and Aither, which were acquired in January 2023 and March 2023 respectively. In the current year, these acquisitions contributed £12.6m of revenue and £2.7m of underlying operating profit. In the prior year, they contributed £4.8m of revenue and £1.1m of underlying operating profit.

In the prior year, Ricardo divested its Software business unit, Ricardo Software, which contributed £0.8m of revenue and £0.5m of underlying operating profit in that year.

Chief Financial Officer's report continued

Operating segments summary: Order intake and revenue

	2024		2023		2023 at constant currency	
	Order intake £m	**Revenue £m**	Order intake £m	Revenue £m	Order intake £m	Revenue £m
EE	**116.9**	**103.3**	111.5	88.5	110.1	87.4
Rail	**95.1**	**77.4**	89.2	73.5	86.0	70.8
A&I – Emerging	**52.4**	**58.6**	84.3	82.3	83.0	80.4
Environmental and Energy Transition	**264.4**	**239.3**	285.0	244.3	279.1	238.6
Defense	**125.4**	**123.4**	85.0	88.6	81.3	84.8
PP	**77.1**	**83.4**	115.3	84.7	115.3	84.7
A&I – Established	**29.2**	**28.6**	36.2	27.6	35.6	27.0
Established Mobility	**231.7**	**235.4**	236.5	200.9	232.2	196.5
Total – continuing operations	**496.1**	**474.7**	521.5	445.2	511.3	435.1
Discontinued operation	**—**	**—**	0.5	0.8	0.5	0.8
Total	**496.1**	**474.7**	522.0	446.0	511.8	435.9

Operating segments summary: Underlying operating profit

	2024		2023		2023 at constant currency	
	Underlying operating profit/ (loss) £m	**Underlying operating profit/ (loss) margin %**	Underlying operating profit/ (loss) £m	Underlying operating profit/ (loss) margin %	Underlying operating profit/ (loss) £m	Underlying operating profit/ (loss) margin %
EE	**17.6**	**17.0**	16.0	18.1	15.8	18.1
Rail	**8.9**	**11.5**	8.0	10.9	7.8	11.0
A&I – Emerging	**3.4**	**5.8**	10.6	12.9	10.6	13.2
Environmental and Energy Transition	**29.9**	**12.5**	34.6	14.2	34.2	14.3
Defense	**23.5**	**19.0**	13.4	15.1	12.9	15.2
PP	**6.7**	**8.0**	9.0	10.6	9.0	10.6
A&I – Established	**(3.3)**	**(11.5)**	(5.8)	(21.0)	(5.7)	(21.1)
Established Mobility	**26.9**	**11.4**	16.6	8.3	16.2	8.2
Operating segments – continuing operations	**56.8**	**12.0**	51.2	11.5	50.4	11.6
Plc costs	**(18.0)**		(17.2)		(17.2)	
Total – continuing operations	**38.8**	**8.2**	34.0	7.6	33.2	7.6
Discontinued operation	**—**	**—**	0.5	62.5	0.5	62.5
Total	**38.8**	**8.2**	34.5	7.7	33.7	7.7

Chief Financial Officer's report continued

Environmental and Energy Transition portfolio

- Order intake: down 7% (constant currency: down 5%)
- Revenue: down 2% (constant currency: flat)
- Underlying operating profit: down 14% (constant currency: down 13%)
- Underlying operating profit margin: 12.5% (FY 2022/23: 14.3% at constant currency)

Energy and Environment (EE) continued to show good momentum, with overall growth in order intake, revenue and operating profit, boosted by the performance of the acquisitions made in FY 2022/23 and strong demand in policy, strategy and economics, and air quality and environment. Performance was tempered in water advisory services, which was impacted by project disruptions in end markets.

Rail delivered good growth in orders and executed consistently against its order book to deliver strong revenue growth. With increased revenue from recent contracts wins in Australia, Asia and North America and improved operational leverage, underlying operating profit margins improved from 11.0% to 11.5% and underlying operating profit grew by 14% (constant currency).

Order intake, revenue and operating profit declined year-on-year in Emerging A&I due to delays and volatility in order intake as our diversified client base manages the complexities of energy transition. However, we saw profit recovery in the second half of the year, driven by the restructuring initiatives and cost actions which took place. These were focused on accelerating the implementation of its flexible resourcing model, allowing for the business to be more resilient going forward in responding to changes within its end markets.

The Emerging A&I order book remains healthy at £43.3m, albeit lower than in June 2023 (£55.0m). Whilst the business will experience short-term volatility, we remain confident about the long-term growth prospects.

Established Mobility portfolio

- Order intake: down 2% (constant currency: flat)
- Revenue: up 17% (constant currency: up 20%)
- Underlying operating profit: up 62% (constant currency: up 66%)
- Underlying operating profit margin: 11.4% (FY 2022/23: 8.2% at constant currency)

Defense performed very strongly in the period, with significant growth in order intake (up 54% on a constant currency basis), revenue (up 46%) and underlying operating profit (up 82%). Defense delivered 13,100 Anti-lock braking system/electronic stability control (ABS/ESC) kits in FY 2023/24 (FY 2022/23: 8,707 kits). In addition, there was good growth in the Technical Solutions consultancy business, including Field Support Services (the sustainment of ABS/ESC kits in the field).

Performance Products (PP) benefited from £40m of multi-year transmission programme orders in FY 2022/23 and were working these orders in FY 2023/24. As expected, this resulted in lower order intake in FY 2023/24. With lower volumes in powertrain, due to revised client requirements and reduced activity in the transmission business, with two major programmes ramping down and one new programme in ramp-up phase, revenue was down by 2% on prior year.

This resulted in lower underlying operating profit overall, but with a strong profit in the second half, benefiting from a ramp-up to complete client transmission projects.

Order intake in Established A&I was down 18% on prior year on a constant currency basis. Although there were delays in the timing of orders, order intake improved in the second half of the year, which drove overall growth in revenue in the year of 6% on a constant currency basis. Actions taken to accelerate the move to flexible resources and reduce the fixed cost base resulted in the business returning to a small profit position in the second half of the year. The overall underlying operating loss for the year was £3.3m compared to an underlying loss of £5.7m in FY 2022/23, on a constant currency basis.

Cash performance

Net debt decreased £2.5m to £59.6m (FY 2022/23: £62.1m). Underlying cash from operations was an inflow of £63.4m for the year. Within this, underlying net working capital reduced by £8.8m.

In FY 2023/24, the Group paid: £15.4m in respect of acquisition and strategic project-related costs, including a total of £13.7m of acquisition-related and earn out payments to the former owners of E3M and Aither; £6.4m of cash costs in relation to restructuring activities to accelerate our operating model transformation through centralising enabling functions and increasing our use of flexible resources; and £0.5m for external costs incurred for planning activities to implement a new ERP system. Partially offsetting these, the Group received £3.2m for the sale and leaseback of a property at the Shoreham Technical Centre.

Basis of preparation

These consolidated financial statements of the Ricardo plc Group (Group) have been prepared in accordance with UK-adopted international accounting standards. The Group's principal accounting policies are detailed in Note 1 to the Group financial statements. Those accounting policies that have been identified as being particularly sensitive to complex or subjective judgements or estimates are disclosed in Note 1(d) to the Group financial statements.

Reported results represent the Group's overall performance in accordance with IFRS. The Group also uses a number of alternative performance measures (APMs) in addition to those reported under IFRS. Ricardo provides guidance to the investor community based on underlying results.

The underlying results and other APMs may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are provided in Note 2 to the financial statements.

Underlying results include the benefits of the results of acquisitions and major restructuring programmes but exclude significant costs (such as the amortisation of acquired intangibles, acquisition-related expenditure, reorganisation costs and other specific adjusting items). Ricardo believes that the underlying results, when considered together with the reported results, provide investors, analysts and other stakeholders with helpful complementary information to better understand the financial performance and position of the Group.

Chief Financial Officer's report continued

Specific adjusting items

As set out in more detail in Note 6, the Group's total underlying profit before tax excludes £26.2m of costs incurred during the period that have been charged to the income statement as specific adjusting items (FY 2022/23: £35.9m). In line with the Group's policy, these items have been recognised as specific adjusting items, due to their nature or significance of their amount, so as to provide further clarity over the financial performance.

	2024 £m	2023 £m
Underlying profit before tax from continuing operations	**30.5**	27.9
Amortisation of acquired intangibles	**(4.8)**	(4.6)
Acquisition and strategic project-related costs	**(12.2)**	(6.2)
Restructuring costs		
– A&I: impairment of non-financial assets	**—**	(18.7)
– A&I: restructuring costs	**(3.4)**	(4.7)
– Rail and EE: restructuring costs	**(3.3)**	(1.5)
– Group: restructuring costs	**(1.7)**	(0.2)
ERP implementation costs	**(0.5)**	—
Sale and leaseback costs	**(0.3)**	—
Total specific adjusting items from continuing operations	**(26.2)**	(35.9)
Reported (loss)/profit before tax from continuing operations	**4.3**	(8.0)
Specific adjusting items from discontinued operation		
Disposal of discontinued operation	**—**	7.4

Amortisation of acquired intangibles was £4.8m in the current year, compared to £4.6m in FY 2022/23.

Acquisition and strategic project-related costs of £12.2m were incurred in the year (FY 2022/23: £6.2m). These included: £5.0m for deferred consideration and £0.5m of integration costs in relation to the acquisition of Aither, acquired in March 2023 (cash cost: £8.3m); £4.1m for deferred consideration and £0.2m of integration costs in respect of the acquisition of E3M, acquired in January 2023 (cash cost: £6.1m, which included £1.3m of payments in relation to items which were accrued for at completion under the completion adjustment mechanism); £0.1m of deferred consideration in relation to the acquisition of Inside Infrastructure Pty (Inside Infrastructure), acquired in March 2022 (cash cost: £0.6m); and £2.3m of external fees in relation to other M&A and strategic projects (cash cost: £0.4m).

The prior year included: £3.2m for deferred consideration and £0.4m of external fees and integration costs for Aither (cash cost: £0.2m); £0.9m for deferred consideration and £0.2m of external fees and integration costs for E3M (cash cost: £0.1m); £0.4m of deferred consideration and £0.4m of integration costs for Inside Infrastructure (cash cost: £0.5m); and £0.7m of other M&A and strategic projects (cash cost: £0.8m).

Restructuring costs

A&I: impairment of non-financial assets: Non-cash goodwill and asset impairment charges of £18.7m were recognised in the prior year within the Established A&I operating segment. As a result of the performance of this segment in the year to 30 June 2023, the impact of economic uncertainty and the continuing technological change in the automotive sector, the future projections and discounted cash flows for the operating segment were reassessed.

The resulting value-in-use did not support the carrying value of the associated assets, resulting in an impairment of all of the goodwill associated with the Established A&I segment (£5.2m), together with £1.8m of intangible assets and £11.7m of property, plant and equipment.

Restructuring costs: As part of the Group's actions to accelerate its operating model transformation, £8.4m of restructuring costs were incurred. The total cash cost of restructuring in the year was £6.4m. These costs have been included within specific adjusting items as they are significant in quantum and would otherwise distort the underlying trading performance of the Group, and included:

A&I: £3.4m, including £1.8m of redundancy costs, £0.4m of external contractor and legal fees directly related to the process, and £1.2m of property exit and asset write down costs. The prior year cost included £2.4m of redundancy costs to right-size the business in response to the impact of the economic uncertainty above, £1.1m of losses on disposal of non-current assets, £0.2m of property exit costs and £1.0m of external fees and contractor costs incurred directly in relation to the transformation activities.

Rail and EE: £3.2m of redundancy costs, plus £0.1m of external legal and other fees incurred directly as a result of the process. A charge of £1.5m was recognised in Rail and EE in respect of the restructuring of the senior management structure in the prior year.

Group: £1.0m of redundancy costs, together with £0.7m of external legal and other fees incurred directly as a result of the process. A charge of £0.2m was recognised in Group in the prior year in relation to restructuring of the Group functions.

ERP implementation: Costs of £0.5m were incurred in the year in relation to planning activities to implement a new ERP system. These were classified as a specific adjusting item as they are not reflective of the underlying performance of the business in the period.

Sale and leaseback costs: External fees of £0.3m were incurred in the year in relation to the sale and leaseback of part of the Shoreham Technical Centre. These costs were classified as a specific adjusting item as they are not reflective of the underlying performance of the Group.

Gain on sale of Ricardo Software (recognised within the discontinued operation): In the prior year, a net gain of £7.4m was recognised in relation to the disposal of Ricardo Software, completed on 1 August 2022 (the net cash impact was an inflow of £11.9m). Per the terms of the sale, up to a further £2.4m ($3.0m) was receivable based on Ricardo Software achieving certain revenue targets in the 12-month period post-sale. These targets were not achieved and no further monies were paid.

Chief Financial Officer's report continued

Research and Development (R&D) and capital investment

The Group continues to invest in R&D and spent £11.3m (FY 2022/23: £14.6m) before government grant income of £1.8m (FY 2022/23: £6.8m). Development costs capitalised in the year were £6.3m (FY 2022/23: £5.4m), reflecting continued investment in electrification, hydrogen and carbon capture (BIOCCUS) solutions within the Emerging A&I segment, together with digital and air quality models and solutions within EE and R&D projects within Defense.

Capital expenditure on property, plant and equipment, excluding right-of-use assets, was £4.1m (FY 2022/23: £6.2m), reflecting targeted investment in our business operations, including hydrogen and electrical capability in the Emerging A&I segment.

Net finance costs

Finance income was £1.1m (FY 2022/23: £1.0m) and finance costs were £9.6m (FY 2022/23: £7.1m) for the year, giving net finance costs of £8.5m (FY 2022/23: £6.1m). The increase in costs reflects an increase in the SONIA interest rate during the current year.

Taxation

The underlying effective tax rate for the year was 26.6% (FY 2022/23: 26.1%). The reported effective tax rate was 81.4% (FY 2022/23: 5,100%). This unusually high reported effective rate in the current and prior year reflected a number of non-deductible or non-taxable specific adjusting items, including impairments and the disposal of the Software business in FY 2022/23.

Earnings per share

Basic earnings per share was 1.1p (FY 2022/23: loss of 8.7p). The Directors consider that underlying earnings per share provides a useful indication of underlying performance and trends over time. Underlying basic earnings per share for the year was 35.9p (FY 2022/23: 33.4p). The calculation of basic earnings per share, with a reconciliation to an underlying basic earnings per share, which excludes the impact (net of tax) of specific adjusting items, is disclosed in Note 7 to the Group financial statements.

Dividend

As set out in more detail in Note 8 to the Group financial statements, the board has declared a final dividend of 8.9p per share (FY 2022/23: 8.61p). The dividend will be paid gross on 22 November 2024 to holders of ordinary shares on the Company's register of members on 1 November 2024.

Goodwill

At 30 June 2024, the Group had total goodwill of £96.0m (FY 2022/23: £96.1m). The carrying value of goodwill is fully supported by the recoverable amounts of all cash-generating units.

Net debt and banking facilities

Net debt at 30 June 2024 comprised cash and cash equivalents, net of any restricted cash, of £47.3m (FY 2022/23: £49.8m), and borrowing and overdrafts, including hire purchase liabilities and net of capitalised debt issuance costs, of £106.9m (FY 2022/23: £111.9m).

The Group funds its operations via a revolving credit facility (RCF) of £150m, with a £50m uncommitted accordion, which provides funding through to August 2026, alongside the Group's uncommitted overdraft facilities of £16.1m. At 30 June 2024, the amount undrawn on the RCF was £47.0m. This, together with the net cash held (net of utilised overdraft) of £43.0m, and £16.1m of unutilised overdraft facilities, provided the Group with total cash and liquidity of £106.1m.

The Group's adjusted leverage ratio (defined as net debt over EBITDA for the last 12 months, excluding the impact of specific adjusting items and IFRS 16 Leases) was 1.25x as at 30 June 2024. The adjusted leverage covenant is a maximum of 3.0x.

The interest cover ratio (defined as EBITDA for the last 12 months, excluding the impact of specific adjusting items and IFRS 16, over net finance costs), was 5.86x at 30 June 2024. The interest cover covenant limit is a minimum of 4.0x.

Further details are provided in Note 23 to the Group financial statements.

Foreign exchange

On consolidation, revenue and costs are translated at the average exchange rates for the year. The Group is exposed to movements in the Pound Sterling exchange rate, principally from work carried out with clients that transact in Euros, US Dollars, Australian Dollars and Chinese Renminbi.

Had the prior year results been translated at current year exchange rates, revenue from continuing operations would have been £10.1m (2.3%) lower, underlying operating profit would have been £0.8m (2.3%) lower and underlying profit before tax would have been £0.8m (2.9%) lower.

Pensions

The Group's defined benefit pension scheme operates within the UK. The fair value of the scheme's assets at the end of the year was £105.4m (FY 2022/23: £104.6m) and the present value of the scheme's obligations was £97.4m (FY 2022/23: £92.0m).

The pre-tax surplus, measured in accordance with IAS 19, at 30 June 2024 was £8.0m (FY 2022/23: £12.6m). This is predominantly due to the experience loss from incorporating the census data from the 5 April 2023 statutory funding valuation into the IAS 19 liability calculations compared to the roll forward of the IAS 19 liabilities from the prior year end, which were themselves rolled forward from the 5 April 2020 census data. The discount rate also reduced during the year, partly due to the impact of moving to the expanded dataset version of the Mercer Yield Curve, which resulted in an increase in the liabilities. Ricardo paid £0.8m of cash contributions into the scheme during the year (FY 2022/23: £1.8m), with the final payment of £0.2m made on 1 November 2023.

Judith Cottrell
Chief Financial Officer

10 September 2024

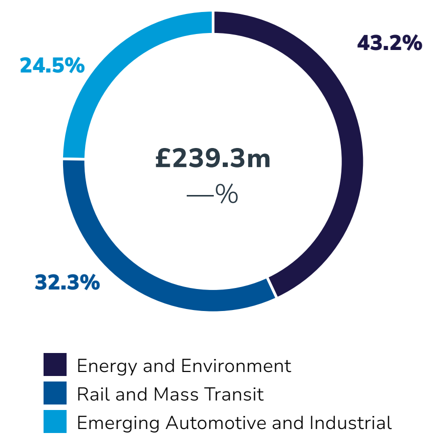
Business unit overview

Environmental and Energy Transition Portfolio

Providing technical engineering and environmental consulting services that enable the energy transition.

Our Environmental and Energy Transition portfolio business is dedicated to developing innovative solutions that solve our clients' challenges, from insights and strategy building, all the way through to implementation and monitoring. Our teams help clients overcome complex engineering issues associated with the integration of renewables, and play a pivotal role in developing strategies across all modes of transportation to support low carbon transition. Growth in this portfolio is driven by the global need to rapidly transition to a low carbon future and minimise harm to the planet.

FY 2023/24 portfolio revenue[1]



(1) At constant currency.

Business unit overview continued

Environmental and Energy Transition Portfolio

Our operating segments

Energy and Environment

Governments, public agencies and businesses around the world trust Ricardo's expertise in solving the most complex environmental challenges. Our clients value our deep understanding of energy and environmental drivers, policy development and technical insights, and our ability to turn challenges into business opportunities.

Revenue

£103.3m +18%

Rail and Mass Transit

We support our clients in navigating the rail industry's developmental, operational, commercial and regulatory demands. We work with governments, operators, infrastructure managers and manufacturers to ensure that railways deliver the highest possible value to their clients and to the wider community.

Revenue

£77.4m +9%

Emerging Automotive and Industrial

Our strategic and technical experts define future technologies that are innovative and sustainable for all types of emerging applications, from battery to fuel-cell technologies. We deliver solutions comprising energy transition propulsion, driveline and controls design, optimisation and prototype development.

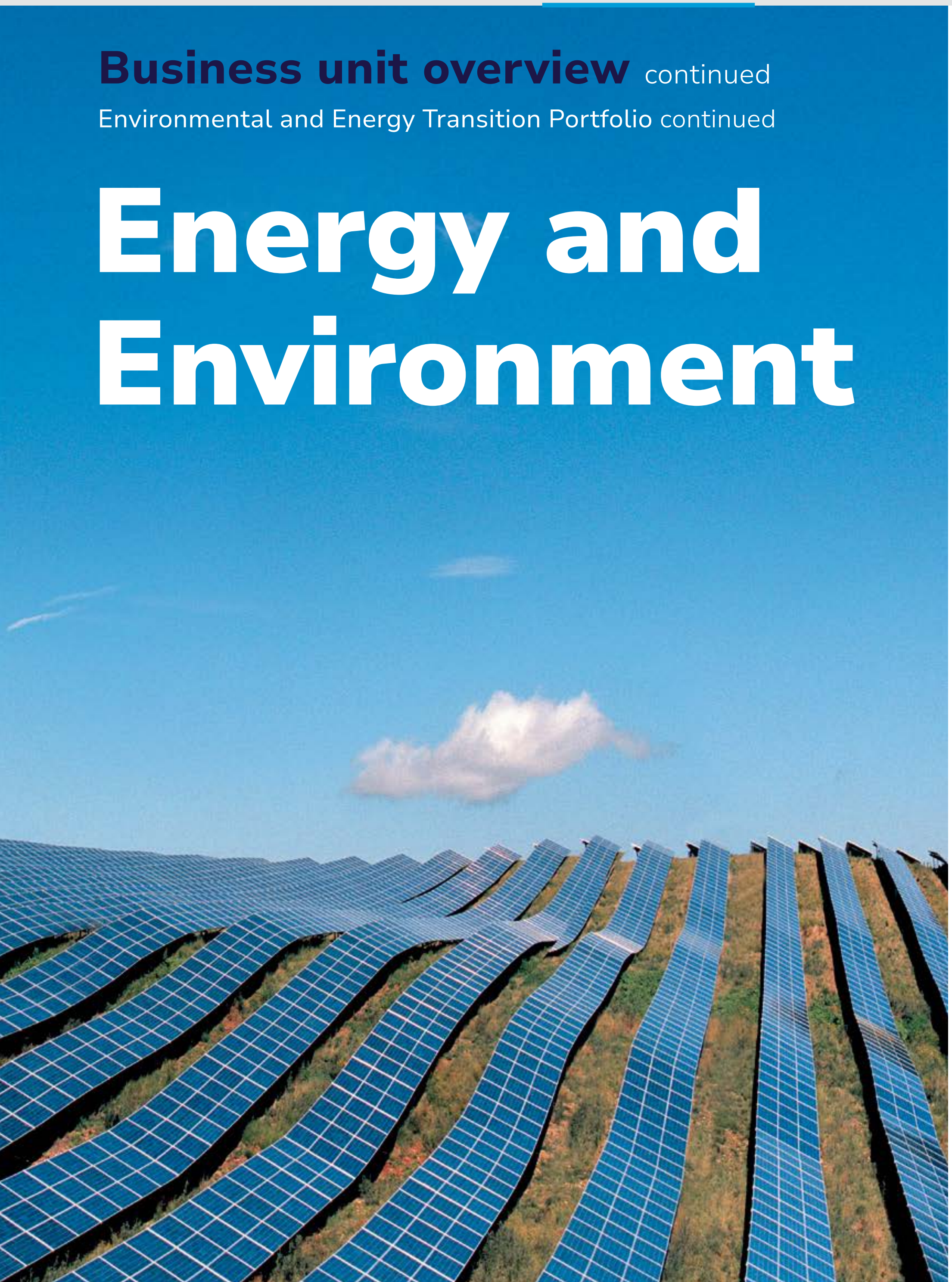
Revenue

£58.6m (27)%

Business unit overview continued

Environmental and Energy Transition Portfolio continued

Energy and Environment



Highlights

Order intake		Order book		Revenue	
£116.9m +6%		£99.1m +13%		£103.3m +18%	
2024	£116.9m	2024	£99.1m	2024	£103.3m
2023[(1)]	£110.1m	2023[(1)]	£87.5m	2023[(1)]	£87.4m

Underlying operating profit		Underlying operating profit margin		Headcount	
£17.6m +11%		17.0% (1.1)pp		984 +1%	
2024	£17.6m	2024	17.0%	2024	984
2023[(1)]	£15.8m	2023[(1)]	18.1%	2023	971

(1) At constant currency.

Partner of choice for solving complex environmental challenges through industry-leading analysis, advice and data.

Energy and Environment (EE) works with clients across a wide range of sectors and geographies to deliver robust data-driven solutions to solve complex energy transition and environmental challenges. Ricardo's depth of environmental and energy expertise supports our clients across the value chain, from policy and strategy to implementing impactful solutions. We have focused our portfolio on market-facing solutions that include policy, strategy and economics; air, land and water management; corporate sustainability; and energy infrastructure transition including economic modelling tools.

Competitive strengths

- Expert team of scientists, engineers, economists and data specialists
- Long-standing heritage on delivering policy, analysis and technology to clients
- Global leader in air, land and water quality analysis
- Mainstreaming of digital and data-science capabilities across consultancy projects
- Trusted supplier to governments in tackling climate change
- Growing international consultancy centres in the UK, Europe, Australia and the Middle East

Business unit overview continued

Environmental and Energy Transition Portfolio | Energy and Environment

Growth drivers

- Increasing focus on sustainability in the corporate sector driven by the ESG agenda
- Amplified interest in climate and carbon following COP26
- Innovation in electricity and heat as well as in key technology areas such as hydrogen

Performance

Overall demand for our solutions resulted in growth in order intake of 6% from £110.1m in FY 2022/23 to £116.9m in FY 2023/24, on a constant currency basis.

Headline EE revenue increased by 18% on a constant currency basis, from £87.4m to £103.3m. Excluding Aither and E3M, Ricardo's most recent acquisitions, revenue increased by 10% on an organic basis. The growth has been driven by strong demand across our policy, strategy and economics (PSE), air quality and environment (AQE) and our economic and environmental modelling capabilities.

In PSE we have secured both long-term renewals and new large-scale policy contracts with the European Commission and international governments, delivering advisory services to support major policy development to reduce the impacts of climate change.

The AQE practice secured significant long-term contracts in the Middle East, which included a new contract that represented EE's largest order value to date. In addition to international growth, the AQE team continues to see strong performance in its established markets, with renewals of high-value projects for the UK government and regional authorities.

Since its acquisition in January 2023, there has also been strong demand for the energy, economic and environmental modelling capabilities of E3M. As with PSE, we have seen the renewal of important existing contracts and the winning of new contracts that are helping to expand our service delivery into new areas. We have started to realise our acquisition ambitions, with E3M's modelling capabilities being combined with our PSE, energy decarbonisation and sustainable transport expertise, providing governments with enhanced solutions to their complex environmental challenges. For example, E3M's models were combined with our technical energy consultancy experts to support a national renewable energy programme. One of E3M's macroeconomic models has recently been named as the leading tool for analysing industrial transformation in a new study published in Renewable and Sustainable Energy Reviews, a peer-reviewed scientific journal.

During the year we consolidated our global water capabilities into a single practice area, which includes Aither, acquired in March 2023. The new combined water practice had a positive first half, securing large-scale orders with new clients in the Middle East and Asia-Pacific. Performance was tempered in the second half because of project disruptions in end markets, specifically the Middle East, impacting EE's overall margins.

Headline underlying operating profit increased from £15.8m in FY 2022/23 to £17.6m, growth of 11% on a constant currency basis. Organic underlying operating profit grew by 1%. Aither and E3M contributed £2.7m of underlying operating profit in FY 2023/24 (FY 2022/23: £1.1m). Headline underlying operating profit margin was 17.0% in FY 2023/24, 1.1pp down on the prior year on a constant currency basis due to investment in organic growth and lower utilisation in the second half in our global water practice due to the project disruptions.

Outlook

Looking ahead, policy insights, economic analysis, strategy development and environmental modelling will continue to be in high demand, which will also lead to follow-on work in our other environmental practices. In addition, investment in our capabilities in energy decarbonisation will open further opportunities to support new and existing clients with the critical needs of the energy infrastructure transition.

Case study

Multi-disciplinary expertise to support decarbonisation of the aviation industry

Ricardo has been appointed by the European Union Aviation Safety Agency (EASA) to support the management of a new Expert Network focused on assessing the climate impacts of non-CO_2 emissions generated by the aviation sector.

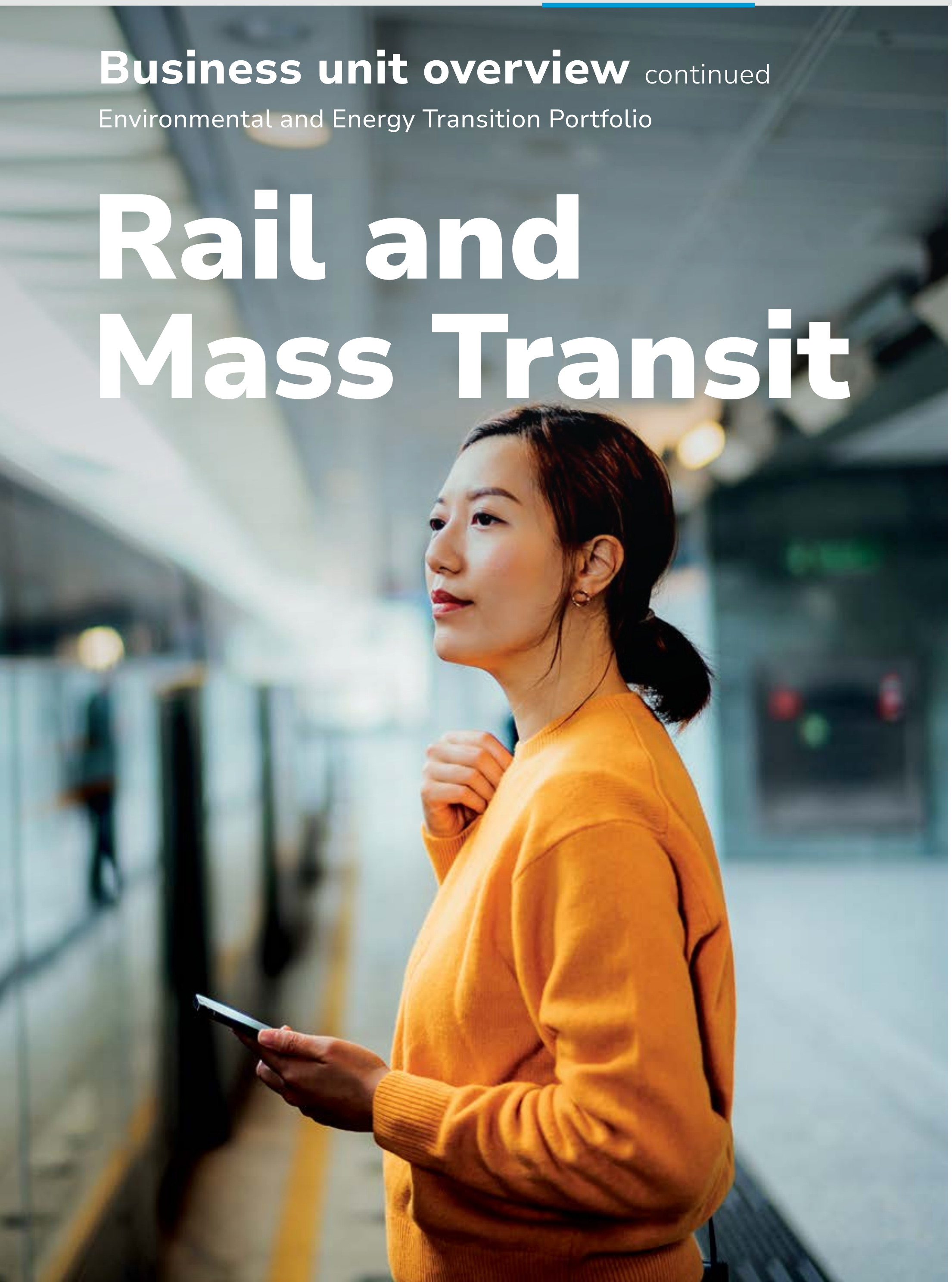
The initiative is funded by the EU's Horizon Europe programme and is part of a package of 'Climate, Energy and Mobility' research actions that will collectively contribute to the EU's objective to achieve climate neutrality by 2050.

Ricardo experts will establish a network of European and international testing facilities and guide fuel producers in assessing the environmental impacts of their products and in meeting strict eligibility criteria.

Business unit overview continued

Environmental and Energy Transition Portfolio

Rail and Mass Transit



Highlights

Order intake

£95.1m +11%

2024	£95.1m
2023(1)	£86.0m

Order book

£115.6m +7%

2024	£115.6m
2023(1)	£107.8m

Revenue

£77.4m +9%

2024	£77.4m
2023(1)	£70.8m

Underlying operating profit

£8.9m +14%

2024	£8.9m
2023(1)	£7.8m

Underlying operating profit margin

11.5% 0.5pp

2024	11.5%
2023(1)	11.0%

Headcount

544 +6%

2024	544
2023	514

(1) At constant currency.

We support our clients in navigating the rail industry's developmental, operational, commercial and regulatory demands.

Ricardo's rail experts provide specialist engineering and assurance services to help clients navigate the industry's complex operational, commercial and regulatory demands. Our experts work across a rail project's life cycle to provide rail operators, infrastructure managers and original equipment manufacturers with the highest safety, operational and environmental standards.

Our rail expertise includes railway systems engineering, which supports our clients in realising the intended performance of a complete and integrated system; operations and maintenance, which support operators in optimising day-to-day operations to deliver long-term efficiencies; and rail design and engineering.

Competitive strengths

- Recognised capabilities in systems engineering and independent assurance
- Renowned expertise in industry standards and regulations
- Local project teams ensure strong command of domestic practices and processes
- Diverse service portfolio applicable across all regional markets

Business unit overview continued

Environmental and Energy Transition Portfolio | Rail and Mass Transit

Growth drivers

- Greater demand from governments and industry stakeholders for the rail sector to exploit cleaner energy sources and adopt more sustainable practices
- Increasing demand for digital technologies to maximise capacity and deliver efficiencies
- A complex and evolving regulatory landscape that underpins increased quality and safety requirements, where independent/objective expertise and assurance is critical
- Whole-system engineering and integration demands to realise the full system performance

Performance

FY 2023/24 was a strong year for Rail with order intake of £95.1m, 11% up on the previous year on a constant currency basis. Revenue was £77.4m, a 9% increase on the prior year on a constant currency basis, and operating profit was £8.9m, a 14% increase on a constant currency basis. Revenue increased across all our major operating regions, except for the Middle East. The growth during the year has been driven by successfully securing significant contracts across our key operating regions.

In Australia we secured a wide range of projects, which included a key long-term high-value contract to provide safety oversight of the new fleet for Southeast Queensland as part of the Cross River Rail infrastructure project, in anticipation of the 2032 Olympic Games.

In Asia, we won large-scale projects with Colas Rail, an international leader in rail infrastructure, and Woojin Industrial Systems, both of which are key projects that are supporting us in winning new work in new markets. The positive trajectory in the Asia-Pacific region reflects positive returns on the investment in business development capability made in the previous year.

We saw a decline in the Middle East resulting from the successful completion of large-scale projects during the year. This included our safety assurance support on the Doha Metro, which came to an end following the completion of the 2022 FIFA World Cup.

Our North American business has continued to grow at pace. In Canada, we secured a combination of high-value project renewals with key clients, demonstrating the value being delivered to Ricardo's clients, as well as winning projects with new clients. In the USA we secured our first large-scale project, providing key expertise to the California High Speed Rail project, which in turn has opened additional opportunities in the region.

In the UK and Europe, we successfully grew our partnership with Irish Rail, and we continue to work closely with our long-term national-level rail infrastructure partner, NS, in the Netherlands.

Underlying operating profit margin was 11.5% compared to 11.0% in the prior year on a constant currency basis, with the improvement reflecting the combination of good revenue growth, focus on cost control and operational efficiency within the business. Improvements in operational efficiency included actions in the UK, which delivered increased employee project utilisation for the second half of the year, and actions in other territories as part of the Group's operating model transformation programme.

Outlook

Strong demand for Ricardo's core engineering and safety expertise across the global rail sector is complemented by increased demand to support the industry in its adoption of advanced digital technologies and to continue the acceleration of rail sector decarbonisation. The demand for the safe implementation of digital tooling enables Ricardo to utilise its advanced digital development capability and assurance experience to usher in the implementation of new robust tooling. As a result of the need for accelerated decarbonisation, we see growing demand to support industry and operational management through our advisory, sustainability, energy, engineering and modelling expertise to provide robust strategies.

Case study

Introduction of new generation high-speed rail fleet

Ricardo has been appointed by the Taiwan High Speed Rail Corporation (THSRC) to perform independent verification and validation (IV&V) services for 12 'New Generation' trainsets for Taiwan's high-speed railway.

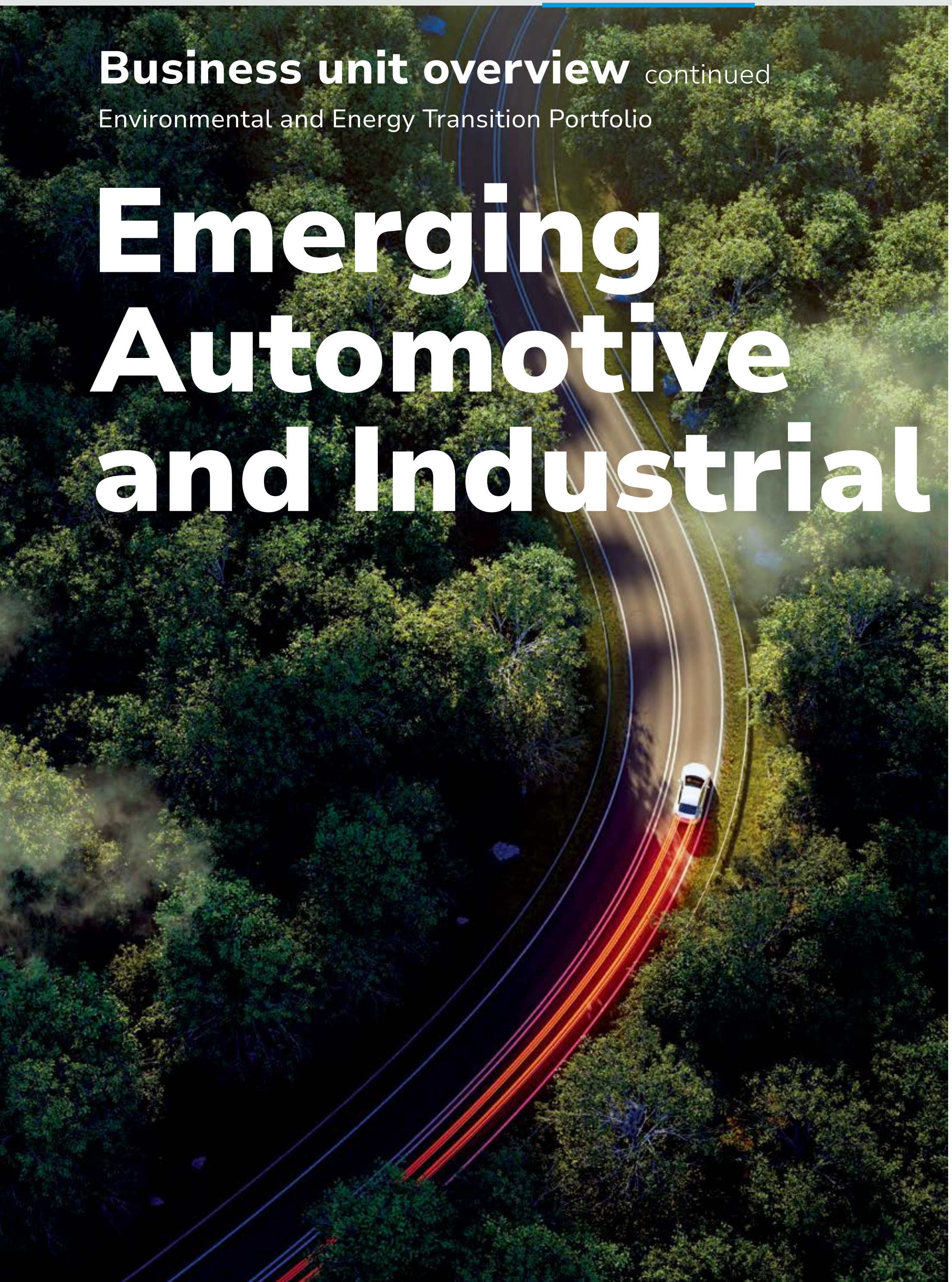
Selected for our deep knowledge in rail and client, Ricardo's rail engineering experts are providing oversight throughout the production of the vehicles, verifying that overall build quality complies with the original specifications, and that the client's requirements around safety, functionality, maintainability and quality – all stipulated in the procurement process – have either been met or exceeded. The first vehicles are expected into passenger operation in 2027.

Once installed, passengers will enjoy a more efficient rail system and improved experience.

Business unit overview continued

Environmental and Energy Transition Portfolio

Emerging Automotive and Industrial



Highlights

Measure	Headline	2024	2023
Order intake	£52.4m (37)%	£52.4m	£83.0m[1]
Order book	£43.3m (21)%	£43.3m	£55.0m[1]
Revenue	£58.6m (27)%	£58.6m	£80.4m[1]
Underlying operating profit	£3.4m (68)%	£3.4m	£10.6m[1]
Underlying operating profit margin	5.8% (7.4)pp	5.8%	13.2%[1]
Headcount	349 (20)%	349	435

(1) At constant currency.

Working with clients to develop tomorrow's clean and efficient energy and propulsion solutions.

From strategic planning and policy, concept to manufacture, Emerging Automotive and Industrial is a trusted partner for the next generation of sustainable transport and infrastructure solutions. Leveraging expertise in electrification, hybrid technologies and fuel cells, we deliver clean, efficient and integrated propulsion and energy solutions to support our clients in their energy transitions.

Our expertise supports the solution delivery across the value chain from policy, strategy and advisory services to design, engineering, testing and niche production and product launch. We develop strategies for the transport sector which address the biggest challenges of reducing greenhouse gas emissions and we strive to deliver a better world through solutions that take a whole life cycle carbon neutral approach.

Business unit overview continued

Environmental and Energy Transition Portfolio | Emerging Automotive and Industrial

Competitive strengths

- We leverage our technical expertise to de-risk electric vehicle (EV) development, while reducing time, cost and navigating stringent policies
- Specialists in design and integration of fuel cell systems to decarbonise transport sector applications
- Renowned for ingenuity in delivering integrated solutions to accelerate EV adoption
- Technically agnostic to energy transition applications allowing us to identify and implement the right solution to reduce emissions across a wide range of transport and stationary power applications
- Experts in complex integration to support transport decarbonisation

Growth drivers

- A rapid shift to decarbonised, sustainable transport technology
- Bridge solutions to fill the technology gap between internal combustion engines and electric vehicles
- Geopolitical pressures for zero emission output across the transport sector
- Global acceleration to reduce time and cost of new product development
- Digital transformation through industry 4.0, connected intelligence and software development capabilities to unlock new revenue streams

Performance

Emerging Automotive and Industrial (A&I) order intake declined by 37% to £52.4m (FY 2022/23: £83m) on a constant currency basis, and revenue decreased by 27% to £58.6m (FY 2022/23: £80.4m) reflecting global market challenges across the transport sector generally, in respect to timing delays to move to clean energy solutions that has resulted in short-term fluctuations.

Although we are expecting continued market challenges in the near term, we are increasingly well positioned to support the green transitions as regulatory and infrastructure requirements are expedited. Meanwhile, we are securing contracts from other transport industries including marine, aerospace and rail, ensuring confidence in building a robust sales pipeline, driving further growth and diversification. Key contracts awarded in FY 2023/24 include an extension contract to support continued work with the sustainable HYdrogen powered Shipping consortium (sHYpS), to complete the design of a modular, containerised fuel cell-based energy conversion system, intended to accelerate the adoption of hydrogen as a renewable fuel in the maritime industry. Additionally, we have secured a significant contract win, to design an engine variant running on sustainable fuels for a European industrial and marine OEM.

Underlying operating profit at £3.4m was lower than the prior year £10.6m, due to the delays in orders as reported above. As part of Ricardo's operating model transformation programme, we took proactive actions throughout the year to restructure A&I in both its Emerging and Established businesses. Actions included refocusing the service portfolio and accelerating our move to increase our flexible resourcing pool. This has resulted in ensuring that we better manage future order fluctuations as well as delivering improved profitability in the second half of FY 2023/24.

Outlook

Our global focus within Emerging A&I will be to deliver innovative, sustainable technical and engineering solutions to clients across the world and build resilience through continued expansion across all transport sectors.

Case study

Driving hydrogen development

Emerging A&I supported the development and launch of Toyota's hydrogen-powered light commercial vehicle, ensuring the seamless integration of the hydrogen fuel cell, fuel storage system and controls, including design, analysis and validation across all prototype vehicles. Ricardo was chosen by Toyota for its proven experience and capabilities in applying advanced propulsion technologies and its expertise in hydrogen fuel cell integration. While the development of the vehicle is ongoing, the launch was an important step for the project, allowing Toyota to undertake physical test, capability and feasibility studies.

Since the launch, Ricardo has concentrated on delivering the test and analysis stage of the project, including vehicle performance and fuel economy, safety, durability, heating, ventilation and air conditioning; noise, vibration and harshness, braking and ride handling.

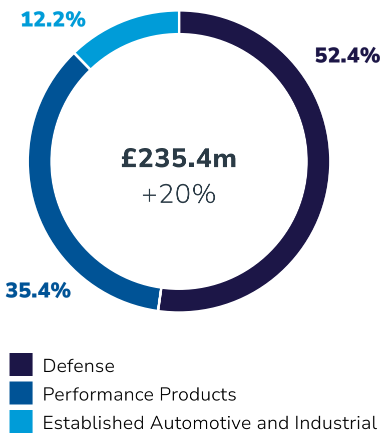
Business unit overview continued

Established Mobility Portfolio

Our Established Mobility team's niche specialisms in manufacturing and industrial engineering deliver innovative solutions, from concept right through to production, that solve client challenges.

Driven by increasing demands in continuously improving the performance of traditional transport solutions to reduce the impacts of climate change.

FY 2023/24 portfolio revenue(1)



(1) At constant currency.

Business unit overview continued

Established Mobility Portfolio continued

Our operating segments

Defense

A trusted engineering services partner for clean, efficient, integrated propulsion and energy systems with a deep legacy in partnering with the US military in the transition of innovative technologies from science to application.

Revenue

£123.4m +46%

Performance Products

Ricardo specialises in the design, manufacture and assembly of specialised engine and propulsion systems delivered at niche volumes to our clients in the motorsport, high-performance vehicle, defence and aerospace industries.

Revenue

£83.4m (2%)

Established Automotive and Industrial

With over a century of propulsion design and development, we deliver transportation solutions from strategic planning to concept. We work across key transportation industries to bring solutions to market more quickly, enhancing performance.

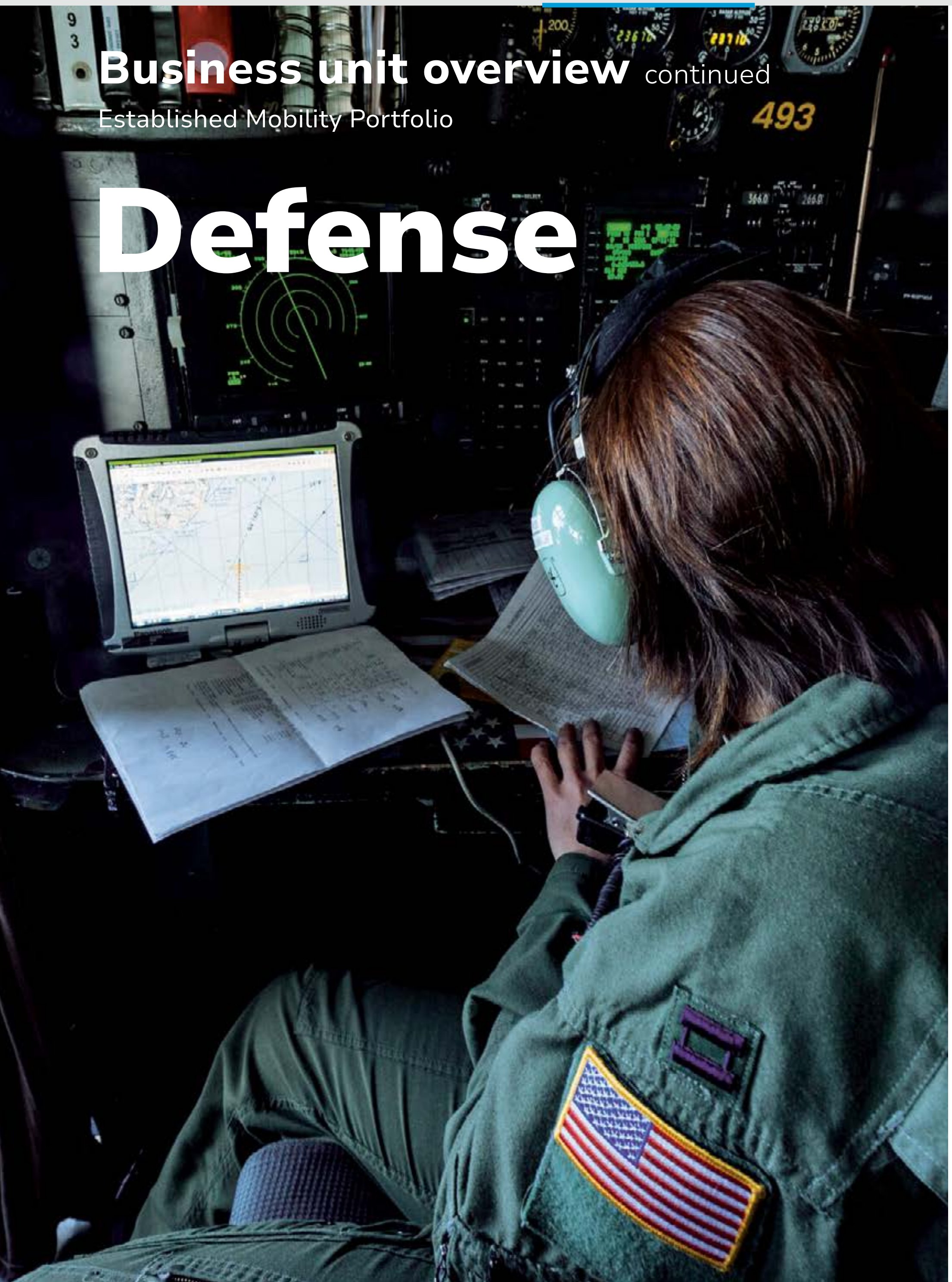
Revenue

£28.6m +6%

Business unit overview continued

Established Mobility Portfolio

Defense



Highlights

Order intake

£125.4m +54%

2024	£125.4m
2023(1)	£81.3m

Order book

£37.3m +5%

2024	£37.3m
2023(1)	£35.4m

Revenue

£123.4m 46%

2024	£123.4m
2023(1)	£84.8m

Underlying operating profit

£23.5m 82%

2024	£23.5m
2023(1)	£12.9m

Underlying operating profit margin

19.0% +3.8pp

2024	19.0%
2023(1)	15.2%

Headcount

236 6%

2024	236
2023	223

(1) At constant currency.

Trusted experts in delivering wide-ranging engineering programmes to drive efficiencies while optimising safety.

Defense provides solutions to address the challenges our clients face in the integration of logistics and field support for complex and diverse systems. We specialise in designing vehicle engineering solutions that improve safety, and we have a deep legacy in partnering with the US military to take innovative technologies from science to application.

We also provide niche product and assembly services, adapting commercial industry products to deliver innovative sector applications that protect people and infrastructure.

Competitive strengths

- Leading capability in the design and management of procurement processes for US Department of Defense (DoD)
- Industry expertise across the entire defence system life cycle support and product sustainment
- Experts in defence acquisition strategy, policy and procedure
- A specialist in complex systems, linking all aspects of a complete system of systems

Business unit overview continued

Established Mobility Portfolio | Defense

Growth drivers

- Decarbonisation and net zero planning focus within the US defence sector
- Demand for greater connectivity, communications and transport within the field
- Software-driven solutions to provide functionality and systems integration
- Continued focus on cybersecurity to protect against potential and ever-evolving threats

Performance

Defense's strong growth in orders, revenue and profit and its margin improvement underpinned its full-year performance. Order intake in FY 2023/24 grew by 54% to £125.4m (FY 2022/23: £81.3m) on a constant currency basis.

Revenue significantly increased by 46% to £123.4m (FY 2022/23: £84.8m) on a constant currency basis.

Growth was primarily driven by an extension contract awarded by the US Army, valued at over $385m, to continue production and delivery of anti-lock braking system/electronic stability control (ABS/ESC) retrofit kits, with an order completion of March 2026 and delivery completion of September 2027. This contract extends the previous three-year base contract by two years and increases the ceiling from $89m to $474m. Funding is determined with each delivery order (DO), with the first DO received in September 2023, under the terms of the extended contract, for $92m (£73m).

In total, we delivered 13,100 ABS/ESC kits in FY 2023/24 compared to 8,707 the previous year. We also received orders for the new HMMWV production and continue to expand our ABS/ESC service parts, while recording several framework purchase agreements with the US Army to support fleet maintenance of the ABS/ESC system.

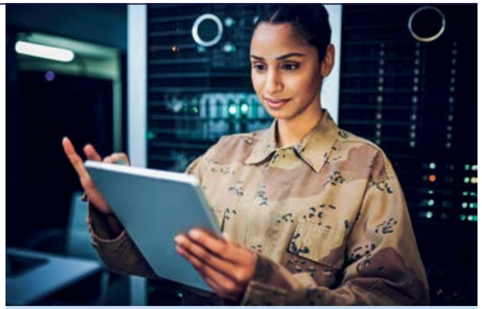
Additionally, Defense has secured several new and extension projects, including an extension agreement to continue ongoing efforts to expand the development of data management software tools for the US Navy fleet communications systems. Additional funding was secured for the testing and evaluation of wireless communications for the US Army and a contract award for model-based systems engineering to support the US Army with its digital acquisition framework, covering the entire procurement life cycle for their vehicle platforms from concept design and development to production and sustainment through life support.

Underlying operating profit of £23.5m represented a considerable increase of 82% compared to FY 2022/23 of £12.9m, and contributed to the Group's overall profit performance on a constant currency basis.

Outlook

Defense is expected to make further progress in its digital solutions to enable cross-domain operations between advanced platforms in the air, on land and at sea and its predictive maintenance data management software for naval fleet management.

We anticipate continued demand for our broad portfolio of engineering services, products such as ABS/ESC and field support solutions to fulfil the needs of future force design and which spans the entire military vehicle life cycle. Nevertheless, in FY 2024/25, we expect revenues for the ABS/ESC programme to decline as volumes becomes more proportional for the duration of the contract period.



Case study

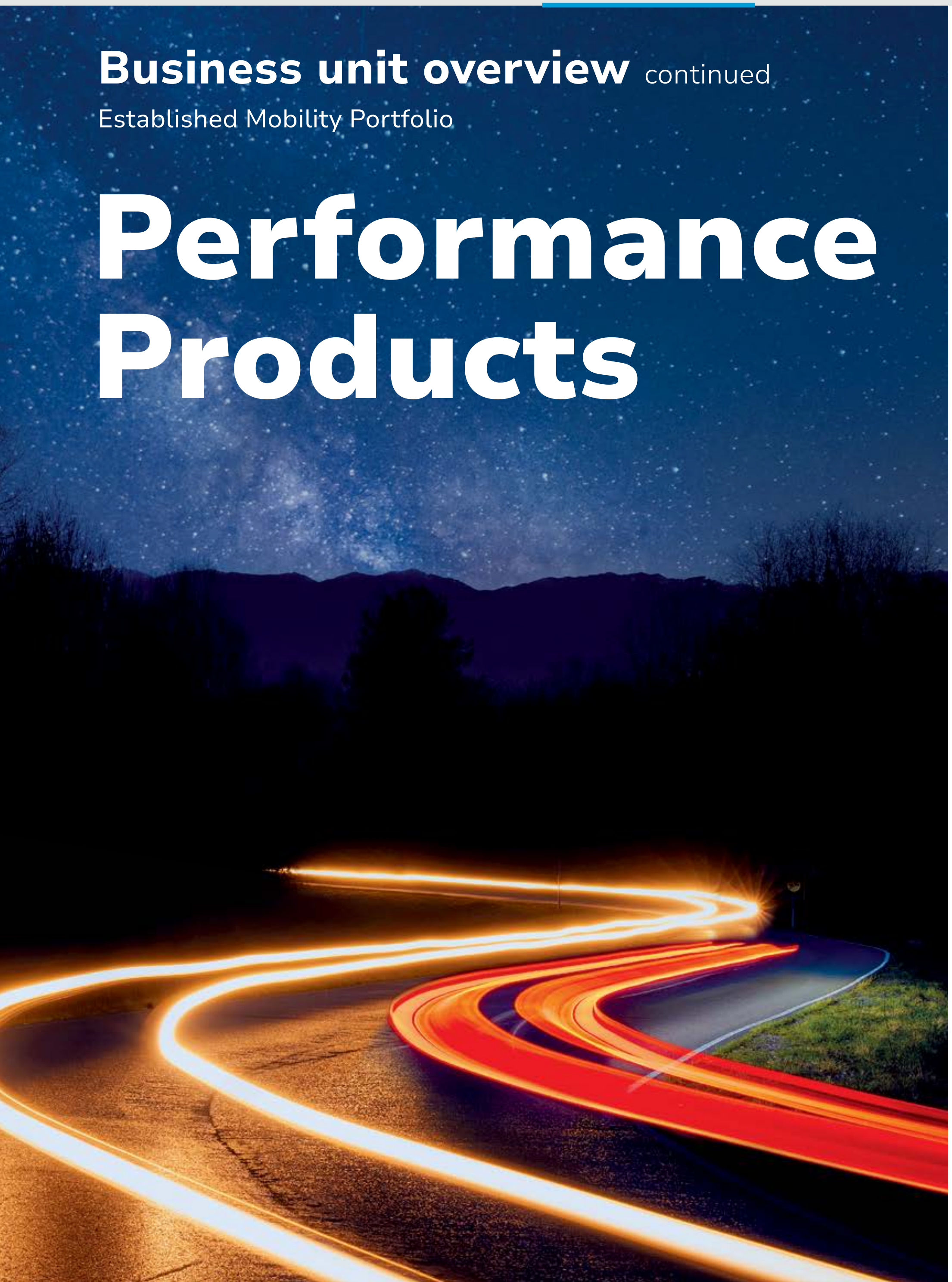
Enabling wireless communication

Ricardo Defense partnered with the US Army to enhance operational safety and efficiency through the Dismounted Soldier Communication System (DSCS). This innovative solution allows soldiers to safely disembark from their vehicles while maintaining real-time voice communication with the onboard crew during critical recovery operations. The DSCS offers a hands-free, multi-user communication network, advanced noise cancellation, and rapid field-level retrofitting to existing vehicles. Installed in three brigades of M88 vehicles, the DSCS is being used to gather data and soldier feedback, which will be crucial in evaluating and verifying system performance and effectiveness from the soldier's perspective. The DSCS solution has proven its effectiveness in increasing situational awareness and safety, providing the Army with a scalable solution adaptable to multiple vehicle fleets and operational scenarios.

Business unit overview continued

Established Mobility Portfolio

Performance Products



Highlights

	Order intake	Order book	Revenue
Headline	£77.1m (33)%	£74.4m (9)%	£83.4m (2)%
2024	£77.1m	£74.4m	£83.4m
2023	£115.3m	£81.3m	£84.7m

	Underlying operating profit	Underlying operating profit margin	Headcount
Headline	£6.7m (26)%	8.0% (2.6)pp	367 +3%
2024	£6.7m	8.0%	367
2023	£9.0m	10.6%	355

Experts in design, niche-volume manufacture and industrialisation for high-performance and specialised powertrain applications.

Performance Products (PP) specialises in the design, low-volume manufacture and series supply of powertrain and driveline products for high performance and complex established and emerging transport applications. Best known for our world-class engine and transmission products for traditional propulsion systems, our capability has extended to cover the next generation of decarbonised propulsion systems.

We also provide industrialisation consultancy services from concept through to series production. Our clients draw on Ricardo's expertise in low-volume production and in developing low-volume/prototype production to series production and apply it to their own facilities and programmes to successfully introduce new products and improve existing production processes.

Business unit overview continued

Established Mobility Portfolio | Performance Products

Competitive strengths

- Globally recognised for our world-class capability in driveline and powertrain design and supply
- Renowned for our expertise in niche-volume industrial engineering and sustainable supply chains
- Expanding capability in zero-emissions propulsion technology
- In-depth knowledge of hybrid and electrified powertrains/drivetrain developed from top-flight motorsport

Growth drivers

- Performance road vehicles and motorsport remain as relevant as ever for manufacturers and consumers, demonstrating continually increasing power and efficiency in ICE and decarbonised powertrains
- Shorter and leaner development programmes using innovative technologies are driving demand for proven off-the-shelf components, and for industrialisation services
- Transport is decarbonising, but differing vehicle and marine-vessel types plus geographic markets are favouring a multitude of powertrain solutions including electrification, fuel cells and carbon neutral combustion
- The defence vehicle sector continues to grow due to overseas material supply issues, and increased expenditure on arms procurement and military R&D

Performance

Order intake in FY 2023/24 was £77.1m, a reduction of 33% on the prior period. The FY 2023/24 order intake included a multi-year contract extension from Bugatti as well as a new multi-year transmission supply programme to Singer, the California-based luxury vehicle design specialist.

Performance Products has seen an effective diversification of its order book during the year, including several new contracts in new market sectors and a major key contract win for a multi-year assembly and production framework agreement in the marine propulsion segment, which will commence production in FY 2027/28. This year saw the commencement of production of the Singer transmission programme for the newly launched DLS-T and CTS platforms and continued deliveries of powertrains to McLaren and drivetrain product to Bugatti, Porsche and Aston Martin.

Revenue in FY 2023/24 was £83.4m, which was 2% lower than the prior year (FY 2022/23: £84.7m), due largely to two key transmission programmes ending. Nevertheless, revenue continues to generate from the programmes detailed above, ongoing supply agreements in defence and aerospace and a strong underlying performance in motorsport, including a presence in Formula 1, World Rally, Formula E and endurance motorsport.

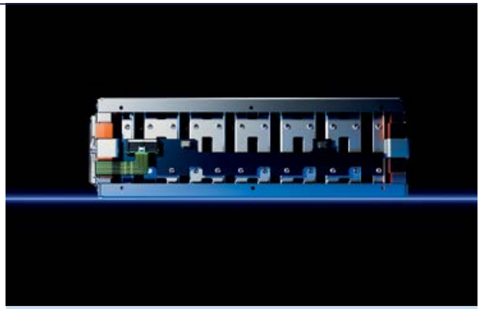
Underlying profit was £6.7m, a reduction of 26% compared to the prior period, due to the lower revenue, mix of transmissions sold and inflationary pressures on input and operating costs. Underlying operating profit margin was 8.0%, compared to 10.6% in the prior period.

Significant market sector and geographic expansion has been initiated within FY 2023/24, including the establishment of a Japanese office and the development of Ricardo's Detroit facility to support future manufacturing programmes.

Outlook

In FY 2024/25, Performance Products will continue to develop its portfolio of existing powertrain (engine) and driveline (transmission) products. Additionally, we are seeing demand in programmes that support the transition to net zero propulsion, including electric drive units, industrial engineering services focused on niche volume production, and concept work around fuel cells, battery systems and electric machines.

Whilst the new opportunities are creating good growth for the future, we expect a reduction in revenue in FY 2024/25 as we conclude several existing programmes and commence development of production facilities to allow for the launch of new programmes.



Case study

High-performance battery

PP, alongside the electrification team in A&I, launched its flexible battery module, in collaboration with its battery cell partners, InoBat, which is tailored for low-volume performance automotive and specialised vehicle applications.

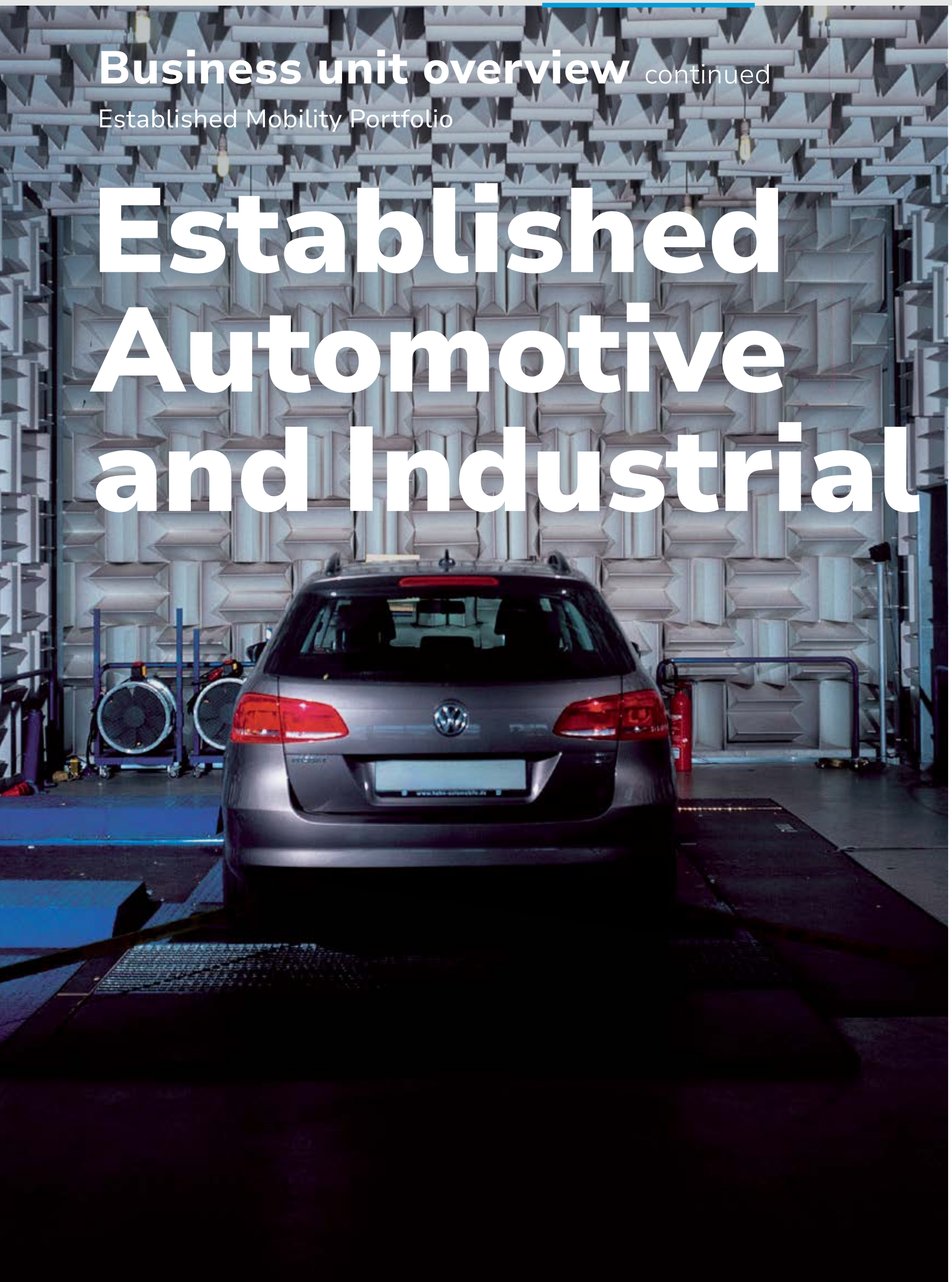
The new battery module concept, which utilises InoBat pouch cells, offers OEMs in this space a cost-effective, flexible and efficient solution to the development of bespoke battery packs for their high-performance and specialised product portfolio. The modular design is scalable and customisable to meet the requirements of vehicle platforms with complex performance, efficiency and packaging requirements, such as supercar, motorsport, performance motorcycle, marine and other equally demanding applications.

This product represents Ricardo's end-to-end capability in the design, assembly and industrialisation of battery technology for niche applications.

Business unit overview continued

Established Mobility Portfolio

Established Automotive and Industrial



Highlights

Order intake	Order book	Revenue
£29.2m (18)%	**£26.8m** (3)%	**£28.6m** 6%
2024 **£29.2m**	**2024** **£26.8m**	**2024** **£28.6m**
2023(1) £35.6m	2023(1) £27.6m	2023(1) £27.0m

Underlying operating profit	Underlying operating profit margin	Headcount
£(3.3)m 42%	**(11.5)%** 9.6pp	**321** (5)%
2024 **£(3.3)m**	**2024** **(11.5)%**	**2024** **321**
2023(1) £(5.7)m	2023(1) (21.1)%	2023 339

(1) At constant currency.

Trusted global engineering services partner for clean and efficient integrated propulsion and energy systems.

With over a century of propulsion design and development, we are a trusted global engineering services partner for clean and efficient integrated propulsion and energy systems.

Established Automotive and Industrial is a trusted partner for original equipment manufacturers (OEMs) and tier-one suppliers across the transportation industry, including land, air and sea. We work across key transportation industries to bring solutions to market more quickly, while also enhancing performance.

Established Automotive and Industrial is working to decarbonise current technologies through efficiency improvements, while helping global clients with bridging technologies to support the shift to fully decarbonised transport solutions and the achievement of a cleaner and greener future.

Business unit overview continued

Established Mobility Portfolio | Established Automotive and Industrial

Competitive strengths

- Over a century of transport engineering experience
- Renowned for our innovative applications to enable efficient design and validation of propulsion systems
- Industry experts in systems optimisation and integration from vehicle design through to production

Growth drivers

- A rapid shift to decarbonised, sustainable transport technology
- Bridge solutions to fill the technology gap between internal combustion engines and battery electric vehicles
- Global acceleration to reduce time and cost of new product development

Performance

Established Automotive and Industrial order intake was £29.2m in FY 2023/24, a decrease of 18% on a constant currency basis, because of project delays, which created some variability in the timing of deliveries.

Revenue at £28.6m was up 6% (FY 2022/23: £27.0m) on a constant currency basis, driven by increased orders in the second half which were driven by the increased demand for the hybridisation of engines and improved efficiency of current propulsion engines, while demand for full electrification continues to evolve and market demand catches up with development. Recent wins include the design of a high-efficiency aviation powertrain, which includes the engine design and the development and hybridisation of the powertrain for a world-leading aerospace manufacturer.

We also secured a contract to complete the initial phase of a large marine outboard-motor design and development programme for a major marine OEM.

Underlying operating loss was £3.3m, an improvement of 42% compared to FY 2022/23 on a constant currency basis. Despite the loss for FY 2023/24, we saw good profit recovery in the second half as a result of improved revenue and the Group's accelerated transformation programme. As part of the restructuring programme, we have been constantly vigilant in controlling expenditure, implementing measures that support improved working capital and the short to mid-term business through further optimisation of the flexible resourcing model.

Through our simplified leadership structure, our flexible resourcing model and the execution of further efficiencies to our operating model, we are able to respond more rapidly to our clients' changing requirements and ensure persistent future financial performance in line with our strategic ambition.

Outlook

We are seeing further programmes in key industries including defence, aerospace and marine for clean propulsion integrated systems that will support our clients in their transition to a cleaner and greener future.

Case study

Developing a next-gen motorcycle family

The Established A&I team worked closely with the Italian motorcycle brand, Ducati, on the design and development of three new Scrambler motorcycles, Icon, Full Throttle and Night Shift – all of which built on Ducati's legacy and reputation for performance, quality and aesthetic.

Ricardo supported Ducati proto assembly and testing, production phase validation activities, conducted on a test track and on the road. The project team were able to deliver the project at pace to very short timescales and deliver more efficient product improvement thanks to their commitment to work closely with the customer and make product adjustments.

Though the two companies have a long and established relationship, this project represented the first time Ricardo has delivered for Ducati with an on-road motorcycle.

Stakeholder engagement

Conversations are held with key stakeholders throughout the year promoting an open feedback culture on a variety of themes across the business. Stakeholder engagement takes place across various management levels of both Group and Business Unit. The board is regularly informed of these activities and invited to attend sessions where deemed necessary.

Clients

Link to ESG:

Ricardo is a client-centric organisation that places the needs and objectives of its client base at the heart of the sustainable solutions it creates.

What is important to our stakeholders

- Innovative and sustainable solutions to solve problems and unlock opportunities
- A seamless experience so clients can focus on what they do best
- A reliable partner to build a more sustainable and socially responsible future
- An unrivalled choice of products and services at the cutting edge of technology

How we engage

- Our continuous Voice of the Customer (VOC) programme to gather client feedback including successes and areas of improvement in our project delivery
- Informal feedback is gathered through regular client meetings, which take place both with Group executive team members and field-based teams
- Annual client survey used to better understand our clients' needs in order to build better experiences and positive business outcomes

How the board engages

- The board ensures that it continuously monitors performance through regular reviews with the Chief Executive Officer and Managing Directors of the various Business Units, who present the VOC and client surveys and the Group-client satisfaction survey, and address any actionable outcomes

Outcomes of engagement

In June 2024, we completed our second annual client survey. We saw an 8.5% increase in client satisfaction to 88.5% from FY 2022/23, with 93% saying they would use Ricardo for future projects. We received comments from 30% of our clients (+11%), which we will use to develop our client experience and capabilities to ensure best practice and continuous improvement.

People

Link to ESG:

We provide a safe working environment and regularly engage with our people and provide opportunities for progression and personal development.

What is important to our stakeholders

- High-performance, purpose-led culture
- Diversity and inclusion
- Wellbeing and mental health
- Training and career development
- Responsive leadership
- Positive environmental performance

How we engage

- Regular live CEO Townhalls, with Q&A
- Annual global employee engagement survey
- Affinity group meet-ups, providing a space for underrepresented groups to connect and support each other and share their views with the business
- Ad hoc emails on organisation updates, and 'always-on' communication provided through 'The Hub', our Company intranet

How the board engages

- Regular engagement with our people and teams across our sites through regular 'Meet the board' lunches and dinners
- Welcoming a wide range of employees to give presentations at board meetings
- Malin Persson, board Workforce Engagement Director, maintains regular engagement with colleagues, including hosting Listening Sessions when on site to gather first-hand feedback

Outcomes of engagement

Our Group engagement score for 2024 was 3.81 out of 5, a slight decrease from the previous year's score. We received a 72% response rate, an 9% increase year-on-year, and will be using the feedback from comments and ratings to improve culture, engagement and way of working across the business. Further feedback is gathered through our CEO Q&A sessions that take place across our sites annually and various listening forums – including our Diversity, Equity and Inclusion (DEI) Council, affinity groups, works councils and union representation – to allow our people to have a voice and share ideas.

Stakeholder engagement continued

Communities and environment

Link to ESG:

As a global company with operations in over 23 countries, we play an active role in helping our local communities thrive by contributing both socially and economically. We operate in a responsible and sustainable way by always aligning our decisions and actions according to our values and our responsible business commitments.

What is important to our stakeholders

- Providing support to our local communities
- Providing opportunities for STEM activities
- Providing educational initiatives to young people
- Limiting environmental impact in operations

How we engage

- Ricardo engages with, a range of community groups in many of, the communities we operate in
- Community Week 2023 and Community Day 2024 both gave the opportunity for our people to engage and give back to our communities

How the board engages

- The board is provided with regular updates on initiatives and activities across countries and sites and their impacts on our wider community through the Responsible Business Committee
- Considers the Group's net zero ambitions and its wider responsible business strategy and how these can be an integral part of the Group's long-term sustainable success

Outcomes of engagement

- We have engaged with over 1,800 young people globally regarding STEM
- We have reduced our Scope 1 and 2 emissions by 42.8% since 2019

Shareholders

Link to ESG:

Engagement with and receiving the support of our shareholders is a key factor in achieving our ambitions. We seek long-term relationships based on transparency, honesty and clarity – all of which are critical for building trust. We are committed to delivering honest value to our shareholders in a transparent manner. Our shareholders are concerned with various issues, and need to understand how we are impacted by such matters but more importantly how we responded.

What is important to our stakeholders

- Conflicts and geopolitical events
- Impact of global economic forces
- Growth within the relevant market sectors
- Sustainable growth and returns
- Understanding the business growth strategy
- Transparency on corporate governance
- ESG

How we engage

- We communicate our financial results through webinars, management presentations and Annual General Meeting
- Management regularly meet with current and prospective investors, including hosting at our sites, to communicate key messages and updates
- Any notable changes to the board or the Company are shared through RNS and hosted long-term at **ricardo.com**
- Management regularly attend investor conferences throughout the year to communicate key messages

How the board engages

- Regular reviews of shareholder interactions, including feedback by the Chair, Executive Directors and the Group Director of Communications, and feedback from the Group's brokers
- The board attends the Annual General Meeting where our shareholders are invited to submit questions on various governance matters

Outcomes of engagement

- We have participated in several investment conferences to engage with potential and existing investors both in the UK and the USA
- We have held a live presentation session for private investors with our CEO and CFO
- We have held a series of investor meetings covering our major shareholders

Suppliers and partners

Link to ESG:

Ricardo has a global network of suppliers and partners. We actively engage with our suppliers to ensure that our supply chain is competitive and reflects the Group's values, that supply chain disruption is minimised or avoided, and that we have trusted relationships to ensure our operational success.

What is important to our stakeholders

- Ease of doing business
- Positive environmental and social impact, operating to high ethical standards

How we engage

- We complete new supplier questionnaires to assess their risk against a number of variables, and to ensure that they meet our Sustainable Procurement Policy, Human Rights Policy and Supplier Code of Conduct

How the board engages

- Reviews suppliers and supply chain risks and opportunities through operating segment reviews and strategy day sessions
- Reviews strategic partnership arrangements to ensure that they are aligned to our overall strategy
- With the Responsible Business Committee, reviewed sustainable procurement to improve transparency in the supply chain

Outcomes of engagement

- 90% of suppliers were assessed against our supplier questionnaire
- We work with our supply chain partners to ensure that we are creating innovative approaches that improve on-time delivery and our ESG credentials in reducing our Scope 3 carbon emissions and waste

Responsible business

Focus on what matters

In 1915, Ricardo was set on a mission to 'maximise efficiency and eliminate waste'.

This mission has remained core to how we operate and, more than ever, informs the products and services that we provide to clients around the globe, ignites the passion that drives our people, and our approach to responsible business.

Clients
See page 47.

Environmental
See pages 48-51.

People
See pages 52-58.

Governance
See pages 59-60.

Ratings

MSCI	SUSTAINALYTICS	ecovadis	CDP	ISS ESG	S&P Global Ratings	FTSE Russell
AA – Leader	20.9 medium risk	Platinum award Silver award	C	Rating C decile 3	Score 34	Score 3.4

Responsible business continued

Focus on what matters

Our responsible business framework focuses on the outcomes we impact, enable or influence through our work and our operations, helping us to measure and adjust our behaviour to the long-term benefits of our clients, planet, people, communities and business.

Our responsible business framework covers a broad range of environmental, social and governance (ESG) topics as they relate to Ricardo and to our clients, and links directly to the United Nations' Sustainable Development Goals (SDGs), industry standards, frameworks and legislation, including Global Reporting Initiatives, International Sustainability Standards Board, and CDP.

See page 59 for more on our governance structure.

Responsible business continued

Focus on what matters continued

Our sustainability framework

Clients

Working alongside our clients to accelerate the transition to a sustainable future.

Commitment	Achievement date	Progress	Target measure
Consulting revenue from projects related to climate change, environmental or safety revenue. Services related to climate change, environmental and safety	2029	75%	80% of revenue
Delivering 75% underlying operating profit to the business through the Environmental and Energy Transition portfolio	FY 2026/27	53%	75% of underlying operating Group profit

Environmental

Positively impact the planet by upholding the ethos of eliminating waste and driving efficiency in everything we do.

Commitment	Achievement date	Progress	Target measure
Reduce Scope 1 and 2 emissions. Target aligned to 1.5°C average global temperature rise – market based	FY 2030/31	42.8%	46.2% reduction from FY 2019/20 baseline
Maximise procurement of renewable electricity in markets we operate and manufacture	2030	81%	90% of total electricity
Reduce water intensity (per employee) from 2022 baseline	2030	16%	30% reduction

People

Nurture a workplace where everyone can do their best, while supporting the communities where we operate.

Commitment	Achievement date	Progress	Target measure
Employee engagement score of 4.0	2027	3.81	Score of >4.0
Over 80% response rate to employee survey	2027	72%	80% response rate
Improved gender diversity of new hires	2029	39% / 61%	40:60 F/M of new talent
Zero reportable accidents annually	Each year	1	0
Employee voluntary turnover below 15%	2027	13%	<15%

Governance

Continuously improving our ways of working; ensuring the highest ethical standards across every level of our business and supply chain.

Commitment	Achievement date	Progress	Target measure
All existing and new suppliers risk assessed against our Supplier Code of Conduct and due diligence process	2025	90%	100%

Responsible business continued

Clients

We know that the biggest contribution we can make to the planet is through the work we do with our clients. We want to be the partner and champion of our clients and their sustainability goals, and see their sustainability success as part of how we achieve our ambition to continue to be an industry leader of sustainable solutions.

Delivering sustainability-focused work connects directly to our strategic ambition – to be a world-leading strategy and engineering consultancy in environmental and energy transition – and our related Environmental and Energy Transition portfolio transformation target of delivering 75% operating profit to the business through the delivery of high growth, high margin and less capital intensive business by FY 2026/27. Currently, this part of the business is providing 53% of operating profit. Meanwhile in FY 2023/24, Ricardo R&D spend for climate change and environment was 51%.

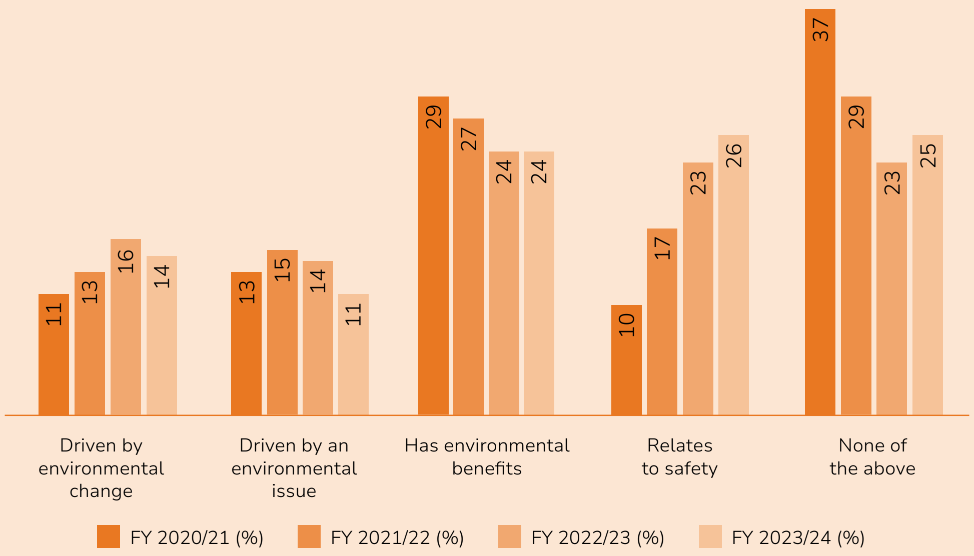
To achieve both these ambitions, we constantly monitor global megatrends to ensure we're prepared to support clients with relevant solutions that accelerate decarbonisation. We're also committed to not only advising clients, but supporting implementation and monitoring.

Climate change, environmental and safety revenue

Ricardo is in a unique position to provide a broad range of end-to-end solutions that support client climate adaption, environmental improvement and safety performance. From analysis and advisory, design, implementation, to ongoing support, while also being in the position to develop world-changing engineering solutions that also address the climate crisis.

We are able to analyse revenue streams from across our business units to assess how strongly they are driven by climate change, environmental change or issues, and safety. In FY 2023/24, such projects have made up 75% of revenue. See the graph on the right for more details.

Climate change, environmental and safety revenue



To help us better understand our business and how it is changing in line with our vision and ambition, over the past four years we have been analysing revenue streams across our business units on how they related to climate change, environmental and safety. Looking at this data side-by-side, we can see trends of increased interest in safety solutions, as the result of increased demand for our ABS/ESC programme and steady demand for environmental-focused consulting services and engineering solutions. Whereas remaining revenue, driven by revenue unrelated to these areas, has been trending downward since FY 2020/21.

Responsible business continued

Environment

We recognise the importance of minimising the environmental harm caused by our business. As part of this, we monitor a range of environmental metrics including our GHG emissions, energy and water use, and waste production across all our sites, so that we can identify improvement opportunities and ensure legislative compliance.

Carbon reduction

Reducing our emissions is an essential part of our overarching responsible business strategy. To support this, Ricardo measures and discloses elements of its impact on the environment by GHG emissions inventory reporting, with a baseline year of FY 2019/20 for Scope 1 and 2, and FY 2021/22 for Scope 3.

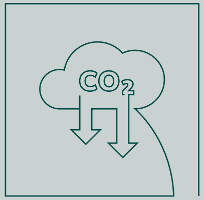
As part of our journey to net zero, Ricardo adopted Science Based Targets initiative (SBTi) targets in FY 2019/20, committing to:

- Reduce Scope 1 and 2 emissions 46.2% by FY 2030/31 – aligned to 1.5°C average global temperature rise
- Reduce absolute Scope 3 emissions 27.5% by FY 2030/31 – aligned to well below 2°C temperature rise

Since FY 2019/20, we have reduced our Scope 1 and 2 emissions by 42.8% through adoption of renewable energy and migration to a digital-first approach.

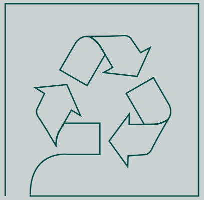
In FY 2023/24 we saw an 11% year-on-year reduction in Scope 3 emissions. However, since we first calculated Scope 3 emissions in FY 2021/22 there has been vast improvement in the ability to measure and calculate these emissions, which, coupled with an increased volume of products sold by Ricardo, has resulted in higher Scope 3 emissions since our baseline year.

During FY 2024/25 we will adjust our baseline year for all scopes using FY 2024/25 data, and use this to update our targets and initiatives in line with the 2025 net zero goal set out in the UN Paris Agreement.



42.8%

Reduction in GHG emissions (Scope 1 and 2 location-based)(1)



98%

Waste diverted from landfill

16%

Reduction in water(2)

(1) From 2019 baseline year.

(2) Since FY 2021/22.

Responsible business continued

Environment

Carbon reduction continued

As a result of the improved ability to calculate emissions, SBTi adjusted their Scope 3 emission grading system, resulting in over 200 companies – including Ricardo – having their Scope 3 Science Based Targets removed. Irrespective of this, there is no change in Ricardo's resolution to continually reduce our energy consumption and GHG emissions, and we intend to re-confirm our SBTi targets once trends and measurement capabilities at SBTi have stabilised.

For more information on GHG emissions, please see page 61.

Reward incentives

As of FY 2023/24, Ricardo senior management have had a reward incentive on reducing GHG emissions added to their long-term incentive scheme (LTIP), helping to integrate responsible business practices and sustainable thinking into every part of the business. The structure of the LTIP, which allocates 10% of the award on an ESG metric, was approved as part of the Directors' Remuneration policy at the AGM in November 2023. To ensure that this incentive is both fair and stretching, the Remuneration Committee will be reviewing the approach to this measure during the course of FY 2024/25. More details can be found on page 103.

Site environmental certification

Thirty-nine Ricardo sites, including all manufacturing sites, and 95% of colleagues are certified under ISO 14001 – Environmental management systems. All remaining colleagues and sites are managed with ISO 14001 processes which call for continuous improvement of environmental performance.

This helps us to identify and action environmental initiatives for our specific sites, while giving clients assurance of their supply chain.

Air pollution

In 2023, our Energy and Environment business unit initiated The Air Pollution Footprint Partnership to help organisations understand and reduce their air pollution emissions, with the support of our partners, the Clean Air Fund and Impact on Urban Health. Through this initiative, Ricardo has been analysing its own air pollution metrics using the test air pollution emission reporting tools to estimate and report on our air pollutant emissions at our key UK testing and manufacturing site, parallel to our GHG emissions.

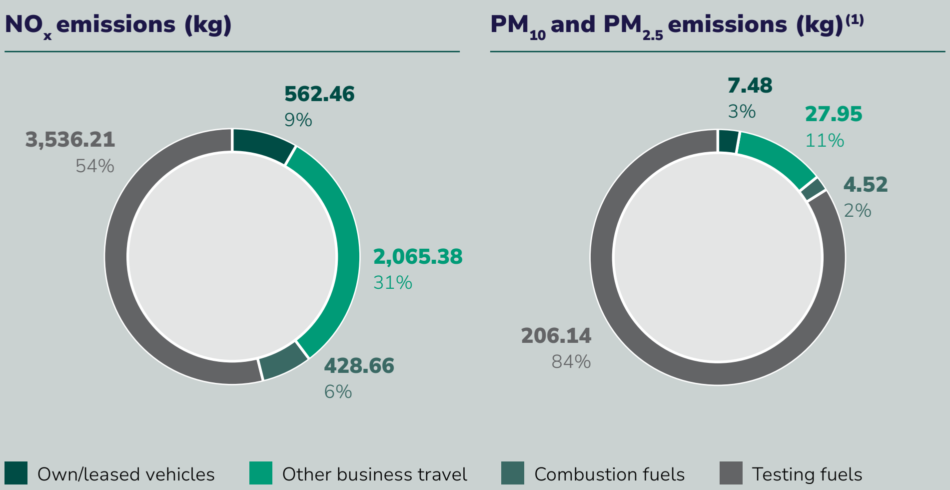
Through this initiative, we gain transparency to the type of toxins our operations are producing and from what activity. The chart to the right demonstrates what we measure relevant to our operations, under transport, heat and power, and non-road transport machinery by vehicle type, fuel types and consumption volumes.

The output provides Ricardo with the volume of NOx (nitrogen oxide), PM_{10} and $PM_{2.5}$ (Particulate Matter) toxic pollutants which are detrimental to good health. Having learned that our air pollution is localised to our main manufacturing and testing site, we are now reviewing the extent of the potential impact and ways to make improvements.

Transport
covering fuel consumption (litres), distance (km) and transport type, including fleet (own/leased) and staff vehicles (such as cars, buses, motorcycles) across all fuel types (diesel, petrol, BEV); powertrain technology, including conventional, HEV, BEV; and travel

Heat and power
from boilers, furnaces and related to electricity use, covering fuel group and type – gases (natural gas, biogas, LPG), liquids (kerosene, petrol, biofuels), solid (coal, coke, biomass), electricity; fuel consumption – kWh, MJ, tonnes, m³, litres

Non-road mobile machinery
covering engineering, construction and materials handling equipment, including machinery type, automotive engine test beds; fuel type – diesel, petrol, HVO etc; and fuel consumption (calculated from fuel use, annual energy use or from machines' net power rating and load factor)



(1) Results for PM_{10} and $PM_{2.5}$ emissions are identical in this case.

Next steps
Assessment showed the areas where Ricardo has the highest air pollution, which was focused to manufacturing and test locations and business travel. Ricardo continues to participate in the pilot, and as we continue to gather data and information we will begin to take affirmative actions to air pollution emissions wherever possible.

Responsible business continued

Environment continued

Spotlight

Conversations on water

Water is a critical component of life, but its increasing scarcity means that it is fast becoming one of the biggest risks to the global economy. This is where water policy can come in. Listen to Ricardo water policy experts Jessica Bohorquez and Ryan Gormly speak about the vital importance of robust water policy and the intricacy behind its development in Jessica's podcast: Our Water Connection.

Listen to the Open Water Connection podcast

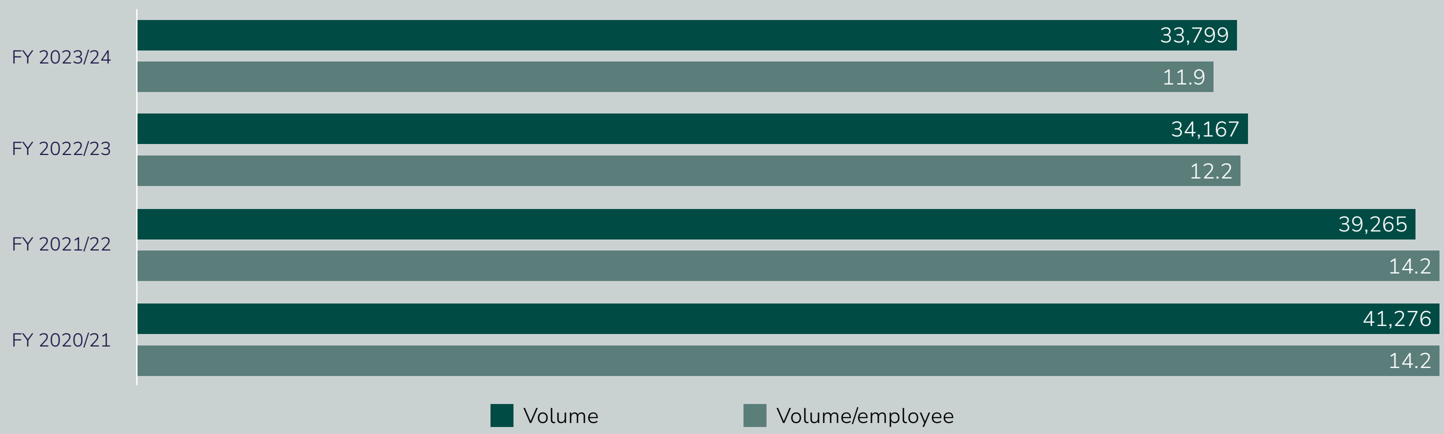
Resource efficiency

Water management

We have a limited use of water across Ricardo and seek to reduce its use in our manufacturing processes and test facilities in the UK and US. Overall, we have achieved a year-on-year reduction in water use since FY 2020/21.

Our testing and manufacturing processes consume water, however many systems run alongside recirculation or filtration systems to prolong and reduce water consumptions. A centrifuge system has been added to our Stream Finishing process at our Midlands Technical Centre, saving 151,000 litres of waste water annually, eradicating the waste stream in its entirety.

Water usage on large sites m^3 (over 50 people)



Renewable energy use

In FY 2023/24, Ricardo saw a 10% overall decrease in renewable energy use, resulting from higher production levels at sites where we are unable procure 100% renewable energy. This is the case for sites in the US, where the States in which we operate draw their energy from several renewable and non-renewable sources, and therefore we are unable to claim 100% renewable energy use. Despite this, we have seen annual year-on-year reductions in electricity use per employee, with a 6% reduction between FY 2022/23 and FY 2023/24.

	Renewable electricity percentage used per financial year	Non-renewable electricity percentage used per financial year	Electricity used per employee for the financial year kWh
2023/24	81%	19%	3,868
2022/23	91%	9%	4,922
2021/22	89%	11%	4,923
2020/21	91%	9%	5,412

Responsible business continued

Environment continued

Resource efficiency continued

Waste management

We measure the amount of waste we create so that we can continue to reduce and responsibly dispose of it. We have full transparency of where waste is disposed with maximum avoidance to landfill. For FY 2023/24, 76% of waste was recycled and only 2% of waste went direct to landfill.

All hazardous substances are collected from our sites, removed, and correctly controlled and managed by approved specialist waste companies adhering to environmental legislation. A specialist broker now manages waste from both UK manufacturing sites – Shoreham Technical Centre and Midland Technical Centre – supporting our overall waste management responsibilities.

This year, we also enhanced our metal recycling capability, with all test product transmissions, engines where possible, plus machine scrap is 100% recycled.

	FY 2023/24			FY 2022/23		
Waste stream	**Sum of quantity kg**	**% of total waste**	**kg per employee**	Sum of quantity kg	% of total waste	kg per employee
Electronic waste	**4,089**	**0.6%**	**1**	5,215	0.8%	2
Food waste to recycling (composting or anaerobic digestion)	**4,326**	**0.7%**	**2**	17,086	2.6%	6
General waste to landfill	**13,550**	**2.1%**	**5**	65,670	9.9%	23
General waste to recycling	**310,478**	**48.0%**	**109**	260,532	39.5%	89
General waste to incineration	**139,296**	**22.0%**	**49**	190,570	28.9%	65
Hazardous waste	**170,603**	**26.6%**	**60**	121,304	18.4%	42
Grand total – Ongoing operations	**642,342**		**226**	660,377		227
Waste processing						
Amount of waste recycled	**485,095**	**76%**	**171**	390,137	59%	134
Amount of waste converted to energy (EfW)	**144,992**	**23%**	**51**	204,570	31%	70
Exceptional item – Demolition waste	**612,000**					

Note:
- Electronic, food and general waste is from our offices and due to the reduction in office sites and occupancy there has been a decrease, reflected in the reduction in volume to landfill. Our method of estimating office waste has changed from allocated employee headcount to office occupancy
- Waste to incineration has decreased due to additional waste being put into recycling streams
- Hazardous waste has increased due to manufacturing productivity and disposal of asbestos from the one-off demolition waste. This resulted from the demolition of several end-of-life buildings, some of which contained asbestos, which has cleared an area for the construction of a proposed test facility
- Hazardous waste is categorised as oil sludge, batteries, and asbestos

Case study

Understanding our Scope 3 commuter emissions

To ensure we have a more accurate understanding of our Scope 3 emissions, since FY 2022/23 we have run an employee commuter survey. Approximately 82% of employees completed the FY 2023/24 survey, which asked team members to identify the modes of transport they use to commute to a Ricardo office, the distance involved and the frequency, with the data being used to assess emissions by mode, location, headcount and business unit.

From this year's results we learned that emissions for commuters to city centre offices and those with good rail links had much lower emissions per head. While commuters at some of our largest sites, with headcounts above 300 – such as Shoreham Technical Centre and Midland Technical Centre – use higher-emission transport modes with more frequency, when factoring in headcount, they have a lower intensity of emissions than some of our sites with smaller headcounts, as the result of limited public or sustainable transport options available.

Responsible business continued

People

At Ricardo we know that the success of our business is, quite simply, down to our people. We are committed to building an inclusive, engaging workplace that provides colleagues with meaningful and fulfilling work and the opportunity to develop their careers and thrive.

Culture and engagement

We recognise that to achieve our ambition, we must continue to improve collaboration across functions and build on our One Ricardo culture. Throughout FY 2023/24, we have continued to break down silos and are seeing an increasing number of projects come to life that are the result of teamwork across our business units and functions.

Vision and values

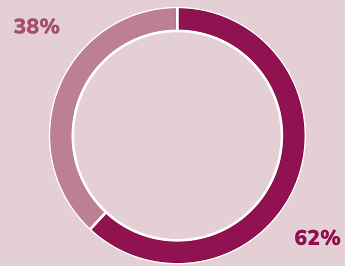
In everything we do, we are led by our vision to create a safe and sustainable world, and our values: Create Together, Be Innovative, Aim High and Be Mindful. It's not just how we approach our tasks but also a reflection of how we behave and what we consider important.

We continue to celebrate how our people put our values into action through the monthly CEO Awards, our annual Leading Lights awards.

- **Create together**
- **Be innovative**
- **Aim high**
- **Be mindful**

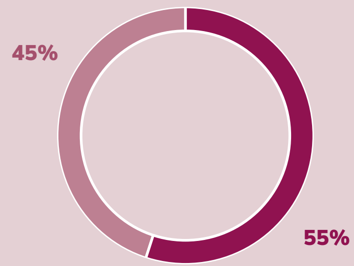
Who makes up Ricardo (numbers are reflective of positions held during the year)

Board members
including CEO and CFO



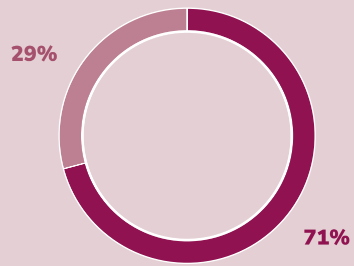
Male	5	Female	3

Executive Committee
including CEO and CFO



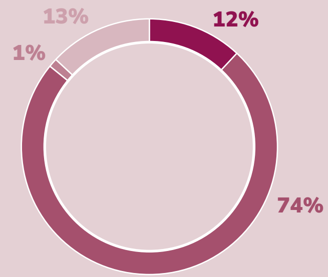
Male	6	Female	5

All employees
Percentage of colleagues by gender



Male	71%	Female	29%

Region
Percentage of colleagues by region



Americas	12%	Middle East	1%
Europe	74%	APAC	13%

Responsible business continued

People

Culture and engagement continued

Building One Ricardo culture

Throughout the year, the Group and local sites have held a number of activities to build a unified culture at Ricardo:

- Community Day (read more on page 57)
- Global Diversity, Equity and Inclusion (DEI) celebrations including Pride, International Woman's Day and Mental Wellness Day
- Local sport days and seasonal celebrations
- Monthly CEO awards
- Annual Leading Lights awards

In FY 2024/25 we look forward to hosting our first Ricardo Day, a day of reflection on One Ricardo and a celebration of the efforts made by our people.

Communicating to our teams

Ensuring that our people have an appropriate understanding of business activity and strategy is important to Ricardo's success and employee engagement. We use several communication streams to keep our people informed on activity and performance. At a Group level this includes CEO Townhalls, weekly newsletters, an active intranet – known as 'The Hub', and emails with the most important updates. At a team level, we encourage managers to have regular team and one-on-one meetings.

Gathering colleague feedback

Our annual employee engagement survey is a formal feedback mechanism we use to understand how Ricardo is performing with regard to culture and engagement, and to provide our people with the opportunity to freely express their views freely. Results and comments from the survey are used by leadership to make improvements to how we work with our people.

Overall, we saw a slight decrease in our engagement score in FY 2023/24 from 4.0 to 3.81 year-on-year, which comes against the backdrop of many changes occurring across the business in the previous 12 months. At the same time, we had our highest response rate to date at 72%, a 11% increase on FY 2022/23, and received more than 6,900 comments – a 40% increase from the prior year – which we see as a reflection of colleagues' belief that their opinion matters.

Top three areas where we are performing well:

- I know what is expected of me at work
- My supervisor, or someone at work, seems to care about me as a person
- At work my opinions count

Following the survey, colleagues were communicated the results via global Townhalls, team meetings, email and intranet. Leadership are using this feedback to develop engagement action plans for teams, sites and the wider Company to be implemented throughout the year.

Outside of the Employee Survey, colleagues are able to provide informal feedback on an ad hoc basis via Teams and The Hub.

Case study

Bring your daughter to work

In March, to celebrate International Women's Day, Ricardo's Shoreham site hosted a 'Bring your daughter to work' day for young female relatives and friends of employees across the business.

In total, 20 aspiring female engineers, aged between 7 and 16, took part in a packed day of activities, which included building a mini race car and marble obstacle course; designing and building clay model cars to test aerodynamics in a mini wind tunnel – aimed at encouraging creative problem-solving; a site tour, highlighting many of the different aspects of engineering; and one-on-one time with their sponsors to get an insight into their specific job role.

The activities aimed to create an environment where the girls could work together as a team whilst also have fun and understand the principles of engineering across a variety of areas.

Responsible business continued

People continued

Health, safety and wellbeing

Ricardo places the utmost importance on the health and safety of our employees, contractors and visitors. This year, we continued to strengthen our safety culture through comprehensive training, rigorous safety protocols, and proactive risk management.

Our ISO 45001 certification encompasses 39 sites and covers 95% of our site-based employees. The remaining employees and sites are managed through the ISO 45001 process to ensure comprehensive health and safety management.

Reportable accidents

We achieved a notable 75% decrease in RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable incidents compared to the previous year. This improvement reflects our focused efforts on hazard prevention and heightened safety awareness.

	Reportable accidents Number
2023/24	1
2022/23	4
2021/22	1
2020/21	1
2019/20	1

Based on current definitions of the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

Following the accident that occurred this year, an investigation into the cause was undertaken, allowing us to identify future mitigation measures to minimise the chances of this accident reoccurring. This accident did not result in life-changing injuries or a fatality.

Promoting employee wellbeing

In addition to taking care of our employees' physical health and safety, across Ricardo we want to make sure we are providing opportunities for colleagues to access mental health services should they experience any concerns, through our free and anonymous Employee Assistance Programme, open to them and their immediate family.

Across the business we encourage social wellbeing with site-relevant social engagement teams who organise regular team activities and seasonal or cultural events best suited to a country's or office's interests. There are also a number of opportunities and avenues for colleagues to participate in community volunteering opportunities (read more on page 57).

Attraction, capability and reward

People attraction

This year, we have made significant strides in enhancing our talent attraction initiatives, ensuring we continue to draw the brightest minds to our organisation.

Strategic workforce planning: Through our rigorous annual workforce planning process we now align our hiring plans with our business goals, ensuring that all future hiring requirements are anticipated with proactive strategies and timelines to meet those needs.

Technology integration: By leveraging technology partnerships, we have improved our ability to identify and engage with top candidates. By using these tools (and their built-in AI capability) we have been able to efficiently screen CVs and talent pools to required skill sets, reducing time-to-hire and ensuring a better fit.

Early careers partnerships and online campaigns: Strengthening our relationships with top universities has allowed us to tap into a pool of emerging talent. Through our work placement programmes and campus recruitment drives, we have successfully recruited fresh graduates who bring new perspectives and energy to our team. We have extended our online presence and range through our partnerships with organisations to improve our reach and recruitment of candidates from various backgrounds, enhancing diversity and fostering an inclusive work environment.

Learning and development

To support our clients and engage our colleagues we understand that continuous learning is core to our success. We encourage both on-the-job learning and participation in internal and external courses and participation at relevant industry courses. Across the business, colleagues can commit up to 5% of their time to learning, helping to expand their knowledge and keep abreast of changes within our industry, which can then be applied to client work.

As part of this learning organisation mindset, this year we launched LinkedIn Learning to all our people across the organisation so that they have sustained access to self-paced learning across a broad range of topics that interest them and support their career development.

Since introducing LinkedIn Learning in April, over 50% of the Ricardo employees have activated their accounts, engaging in over 1,200 courses; and over 25% have registered their career goals.

In FY 2024/25, our focus is on the continued development of our people managers with the launch of our first global management development programmes aimed at developing first-time line managers by providing them with learning resources and connecting them with more experienced managers who can provide guidance and support.

Feedback and objective setting

Managers are expected to give regular feedback to their team members throughout the year on their performance, providing the opportunity to align their activity with business objectives and personal development.

In FY 2023/24 colleagues across the Company had their objectives aligned with the strategic objectives of the business (see KPIs – page 18). This is intended to align colleague activity and success more clearly with that of the Company.

Global mobility

Ricardo designed and implemented the Global Mobility Framework and its associated policies, which provide an overview on how we manage and encourage international working within the Ricardo Group. A robust Global Mobility Framework, with a strategy closely aligned to the overall Group strategy, supports talent, the workforce and our clients.

There are many variables which are taken into account for each international movement and the aim is to be consistent, fair and equitable within the framework of provision, thus allowing our employees to achieve their career objectives and goals. The Global Mobility Framework is designed to be market competitive and legally compliant. Our overall reward systems are continually reviewed for legal compliance and equity, respecting regional nuances.

Responsible business continued

People continued

Case study

Global mobility spotlight

We have a large pool of topic specialists at Ricardo to support our global client base. This provides the dual benefit of having our clients supported by subject matter experts and exposing our people to a range of projects around the world at any one time. It also gives the opportunity for some of our people to relocate to provide dedicated support.

Daniela Phillips is one such expert who recently relocated to California, USA to lend her certification experience to the California High Speed Rail project, as part of a larger team of Ricardo experts who have established in the state.

"It was a big decision to move and be away from family, friends, and cat, but I knew what a once-in-a-lifetime opportunity it was to work on the first US high speed rail project. My role on the project is the Systems Certification Manager and on a day-to-day basis I am providing advice and support to construction packages, the Authority and internal teams and liaising with the Federal Railroad Administration (FRA). A lot of what I do is about building confidence in our assurance work and has meant I have had to get to grips with US railway legislation pretty quickly! It was really key for me to be here in person at the start of our work to meet the key people involved and build a relationship with them."

Attraction, capability and reward continued

Reward and recognition

Ricardo has continued to embed its international employee recognition awards including monthly CEO Awards and annual Leading Lights awards. This year, we launched an internal tool called Thank You! on the Ricardo intranet, which allows colleagues to quickly thank their team members for their contributions. When a thank you is sent, a note is also shared with the relevant manager, so they're also aware of the recognition their direct report is receiving.

In January, Ricardo returned to merit-based salary reviews, completing a consolidated, centrally led global salary review cycle. Ricardo continues to monitor its reward systems and benefits to make sure total reward remains in line with local markets. Pay principles have also been reviewed for legal compliance.

Embracing DEI

As an international business working on a broad range of matters, Ricardo recognises the need for not only a workforce that reflects the communities we operate in, but the benefit that diversity of thought, background and skill brings to our business; and for creating an environment that is inclusive and equitable to all who work here.

DEI is led by General Counsel, Harpreet Sagoo, who has been leading a number of discovery sessions across the business to better understand what diversity, equity and inclusion (DEI) means across the business and established an internal benchmark.

Findings from these sessions will help to form the development of a DEI Action Plan that will begin its rollout in FY 2024/25, supporting talent attraction and the development of Ricardo culture.

Read the interview with DEI Chair, Harpreet Sagoo, on page 56.

Gender diversity

We are committed to improving gender diversity at all levels of the organisation, from graduates to Executive and board level. Across the Ricardo Group, in the last 12 months 39% of new joiners at all levels – an increase of 3% – have been female, helping to increase representation by women in our workforce to 29% female, a slight increase from FY 2022/23. Gender representation at an executive level has improved to 45% in FY 2023/24 up from 27% in FY 2021/22, and we achieved our board gender diversity goals in July 2024 with the appointment of Carol Borg.

Reducing our gender pay gap

We have seen positive trends in reducing our gender pay gap in those parts of the business we have been reporting on for the last seven reporting cycles. Our figures have held steady in FY 2023/24, either sitting beneath or on par with the UK median of 14.9% in favour of males, according to the Office for National Statistics in 2022. However, we recognise that no amount of gap is appropriate and continue taking steps to make this a reality.

Responsible business continued

People continued

Accelerating our DEI ambition

Interview with **Harpreet Sagoo, General Counsel** and **DEI Chair** on where DEI is heading at Ricardo

Q Why is DEI important to Ricardo?

A Ricardo wants everyone it engages with to feel valued, respected and a part of the company story. To do this it is essential to have a safe environment where individuals are happy to challenge and provide a different perspective. This accelerates our growth culture. The same thought process, same experience, same ideas creates a stagnant environment. That is not Ricardo! Having a clear commitment to DEI where we can attract the best and retain the best is core to our success. DEI is not just important – it is critical!

Q What was your impression of DEI activity across Ricardo?

A As part of my interview process, I raised DEI and representation as a topic. I was impressed that our CEO was open about the fact we needed to do more. Each business unit was addressing DEI in silos, but it was important to elevate this to Group level. Upon joining, I was impressed with the different employee-led affinity groups that were active across the business. There is a sincere interest across all levels of the business to improve DEI and give it the prominence it needs. This is not a tick box exercise for Ricardo, or a nice to have, it is an integral part of our growth journey.

Q You have been holding a number of discovery sessions to understand DEI at Ricardo. Why did you want to undertake these sessions and what did you learn?

A You need to listen, which is difficult for lawyers! It is important to evaluate where you are, to map out how you get to your final destination. I have been meeting regularly with the affinity groups, and it has been invaluable for putting together our DEI Action Plan and commitment from Ricardo to our teams. These sessions allowed me to build relationships and create a safe environment for feedback. I am very appreciative for the support I have received from our CEO and board on this journey.

Q What are some clear areas of focus for you?

A Transparency is key. I am focused on ensuring that DEI has board, Executive and SLT visibility by elevating the work undertaken by the affinity groups. We are currently working on concluding our Action Plan, with each affinity group focused on one deliverable to help us move the dial. In addition, we are launching a new Code of Conduct which ties DEI into our values. There is a lot for us to do, but I feel empowered, energised and supported by Ricardo to make a difference. I want to conclude by saying a massive thank you to all the DEI Chairs who have been instrumental to get Ricardo to this point. Thank you.

Responsible business continued

People continued

Case study

Global Community Day

In May 2024, Ricardo held its first global Community Day to encourage more colleagues to connect with each other globally across all locations and contribute to their local communities.

As part of the Community Day we encouraged colleagues to step out into their communities and support the local environment by litter picking, helping to clean up local areas and reduce waste that could make its way into waterways, and be eaten by pets or wildlife. We also asked our colleagues to count their steps while collecting litter and encouraged them to say 'Thank You' to their team members using the new internal Thank You! channel.

As a thank you to our teams for getting involved, Ricardo also made donations to the local charities the team chose and contributed too during the day. Overall, we collected over 12,800 pieces of litter, which exceeded our target of 1,000 pieces, walked over 870,000 steps, the equivalent of 696km, and sent over 175 Thank You messages.

STEM and the community

12+	£97,000	1,800
Charities supported	Donations in FY 2023/24	Young people engaged

As a company of engineers, scientists and specialist technology experts, Ricardo has always been a strong supporter of STEM, engaging with local communities and charity work. Our commitment was embedded through a centrally funded social value STEM programme launched early in 2023 which we continue with, expanding the work with our partners into FY 2024/25 and beyond. These activities support our Social Value team with their work, demonstrating our commitment to society often required by our clients.

We actively manage our employee STEM volunteering programme which provides all Ricardo employees with the opportunity to volunteer during the year, which boosts team engagement, health and wellbeing, while positively impacting society.

During the last year Ricardo colleagues have engaged with 1,800 students across the England, Scotland and the USA to inspire and demystify careers in STEM. This has taken place through different STEM initiatives with our partners, including supporting school challenges for students to participate in, and present their final design products to a panel of judges. We also conduct careers talks and provide presentations on various topics such as engineering, air pollution, climate change, water scarcity and other important environmental issues.

We have provided week-long work experience placements and supported many school career fairs. We support our other STEM partners with mentoring students through other activities, which includes post-graduates and young people venturing into their careers.

The funding donated was for our STEM partners, and other charities our employees have supported, which we have fund-matched against the money they raised.

A key element of our community engagement is inspiring the future green workforce and encouraging social transport to overcome disparity in the STEM sector. We are setting out to inspire the next generation of problem-solvers from all backgrounds into careers in the clean energy, environment and sustainability sector and support young people's knowledge of topical issues in the sector.

We partnered with seven STEM charity organisations in 2023 and have worked with them during this year. We will be continuing our work to support STEM charities and are looking for additional partners in other locations where we operate, such as the Netherlands, Middle East and China.

In addition to STEM activities, Ricardo has donated over £97,000 to STEM, environmental, health and emergency response charities in FY 2023/24 (FY 2022/23: £16,069).

Responsible business continued

People continued

Educating on climate change and its solutions

Over the past year, Ricardo UK teams have been volunteering with EDT by bringing climate change education and supporting STEM at schools across the UK. Ricardo team members spoke with around 280 students on the phenomenon of global warming, how our daily activities impact the world, utilising carbon footprints as an environmental indicator, and the potential for carbon capture. As part of the sessions, pupils were then given the chance to plan and create models for an eco garden, with the aim of reducing their respective carbon footprints and improving the atmosphere.

Hands-on STEM experience

During the course of many weeks, Ricardo team members Canessa Hunter and Sarah Keegan volunteered by taking time to teach fourth graders in Detroit, USA about STEM through the SAE Foundation. Working with young girls and boys between 9 and 10 years old at Emerson Elementary School, the pair applied their skills, experience and education to teach the children about STEM while building a gravity cruiser as part of SAE's A World In Motion® (AWIM®) Gravity Cruiser Challenge. To nurture trust and their passion, the pair committed to answer all questions asked by the students and made sure they could attend every session. By the end of eight weeks, the children had learned more about STEM, as well as the importance of teamwork and compromise. After weeks of preparation, during their final session the children had an opportunity to test their gravity cruisers against their classmates, adjusting their vehicles throughout to improve performance and to see who could take home the first-place prize.

Encouraging STEM in Australia

Jessica Bohorquez and Jorge Martin Gistau participated in a Superstars of STEM Career Panel at Brighton Secondary School in Adelaide where they shared their experiences as STEM professionals, and answered questions on work environments and necessary educational and practical advice to pursue their STEM interests in these areas. In addition to the panel, Jessica collaborated with the School of Architecture and Civil Engineering at the University of Adelaide, delivering an interactive workshop to Year 11 and Year 12 students. The 'Aqualibrium' activity was created to enhance students' understanding of critical issues in water management and engineering, working with students to design their own water network, introducing students to design thinking, iterations, and the importance of infrastructure resilience. Both activities underscored Ricardo's essential role in inspiring the next generation of STEM professionals. By sharing real-world experiences and engaging students in practical workshops, Jessica and Jorge demonstrated the exciting possibilities within STEM careers.

Other STEM and charity partners

Responsible business continued

Governance

Building the foundations of a strong responsible business framework with robust governance structure.

Governance structure

While everyone at Ricardo is responsible for helping us achieve our sustainability goals, it is the Responsible Business Committee (RBC) who steers Ricardo's efforts in environmental, social and governance issues. Made up of the board's Chair and Non-Executive Directors, CEO, CFO and the Sustainability team, decisions made by the RBC are shared throughout the executive and the business units for implementation across the business.

Key elements of our responsible business process include:

- Monthly Executive meetings with our CEO and senior leadership team
- The ESG transformation workstream, which meets every two weeks

Part of the RBC's remit is contributing to the development and review – annual, or more frequently if legislation dictates change – of relevant Company-wide policies.

In the past year, the RBC have contributed to a new Anti-Bribery, Fraud and Corruption Policy, and updated the Code of Conduct, Supplier Code of Conduct, Human Rights Policy, Speak Up Policy and the DEI Policy Statement.

Leveraging Ricardo's internal specialist teams, the RBC makes in-depth analytical reviews of pending, developing and international regulations to provide a three to five-year view on impending changes for risk management, decision making and reporting. This provides our stakeholders with increased transparency regarding our risk decisions through the early adoption of reporting standards, and the opportunity to report our involvement publicly. The RBC reinforces the accountability and responsibility we all share, to ensure that the highest standards are adhered to in everything we do internally and for externally for the business and our stakeholders.

For more information on the RBC see page 97.

Case study

2econd Chance

2econd Chance

2econd Chance is a not-for-profit, community interest company that collects and refurbishes unwanted hardware, and provides opportunity for NEET (not in employment, education or training) adults and young people aged 16-25 with an EHCP (Education Health Care Plan). This helps to 'bridge the digital divide' by aiding digital inclusion, helping get people into work. It supports Ricardo to manage its environmental footprint and minimise its e-waste equipment, giving a second life to machines, and building further social value. This programme supports our compliance to ISO 27001 – International Standard for Information Security Management.

"Through our partnership, we have transformed corporate generosity into community empowerment. This support has enabled us to provide accredited and informal training for individuals with disabilities and those furthest from the job market, equipping them with valuable skills. To date, Ricardo has donated over 200 devices, which has facilitated approximately 260 hours of valuable training, and we have been able to donate 33 refurbished computers back into the community, providing people with access to essential technology for online learning and job searching."

Charlotte Solomon – Director, 2econd Chance

Responsible business continued

Governance

Our ratings and engagement with international bodies

We proactively engage with investor rating agencies such as, but not limited to: ISS, CDP, Sustainalytics, and FTSE Russell. Ecovadis awarded our Rail business in the Netherlands a Platinum Award and our A&I UK business Silver Award status for 2023. We await this year's updates.

Ricardo's ESG framework is set against GRI (Global Reporting Initiative) and as ISSB (International Sustainability Standards Board) evolves further with additional standards, we will adapt this further as part of the overarching framework, having already incorporated IFRS S1 and IFRS S2. We remain committed to reporting annually to CDP (Carbon Disclosure Project), mandatory reporting to TCFD (Task Force on Climate-related Financial Disclosures) and GHG emissions regulations. As a signatory to the United Nations Global Compact (UNGC), the world's largest corporate responsibility initiative, we remain committed to the 10 Principles. Our Communication on Progress (COP) report is submitted annually to the UNGC.

Sustainable procurement

Our supplier partnerships are built on business integrity and transparency, and our suppliers are equally accountable and responsible for due diligence of their own value supply chains, and all activities throughout our operations. In FY 2023/24, we completed a due diligence process for 90% of our suppliers, who were assessed against various risk categories including country and regions within, human rights risk levels, political or corruption concerns, with the support of Nexis and Dun & Bradstreet.

As a global consultancy, the majority of our suppliers provide business services rather than manufacturing, but we expect all our employees and external stakeholders to respect individuals with dignity, and to not breach this per our terms of business, our Code of Conduct, Supplier Code of Conduct, Human Rights and Anti-Bribery and Corruption policies. We have related policies which can be viewed on **www.ricardo.com**. These are linked to our internal policies and processes, including sustainable procurement processes and risk assessment supplier evaluation questionnaires for new and existing suppliers. We require information and details related to all core sustainable activities: waste and pollution, climate risks, carbon reduction targets, energy saving and renewables, working conditions, supply chain transparency, modern slavery due diligence and relevant accreditation standards.

Modern slavery

We consider the risks of all forms of modern slavery throughout our global operations. Modern slavery legislation exists in many countries including the UK, Australia and the USA, being three of the large operational regions for Ricardo Group. Therefore, as part of our supplier procurement due diligence process, modern slavery risk assessments are a mandatory requirement for all suppliers, even if the threshold of the individual national obligations does not legally impact a supplier's business.

Risks are prevalent in all countries, and we sometimes consider a smaller business partner more at risk than those who are large corporate businesses. We identify those who need support to help assess and mitigate their own risks. We continue to raise awareness, educating our teams and suppliers with this ongoing journey of complex issues and due diligence. We continue to engage with organisations such as the UNGC, to share best practice with other organisations to keep aware of wider issues that may impact Ricardo. These matters are fluid and high risk, therefore consistent monitoring is required to ensure the highest level of compliance. Ricardo encourages open, honest, two-way communication throughout the organisation to ensure issues of concern are raised, and addressed.

Whistleblowing

We provide an anonymous ethics hotline, Navex, hosted outside of the Ricardo internal network to give confidentiality and protection to those 'speaking out'. This service is open to all employees, clients and suppliers.

Ethics

We consider ethical conduct to be integral to our business and its success. In the past year, led by the Responsible Business Committee, Ricardo has updated its Code of Conduct, Supplier Code of Conduct, Human Rights Policy, Speak Up Policy, DEI Policy and introduced a new Anti-Bribery and Corruption Policy. We adhere to security standards to safeguard sensitive information. Our Information Security Policy is instrumental in fostering trust with clients, suppliers and employees.

Data responsibility

Ricardo maintains a robust information security programme that includes mandatory training for all employees, upon hire and annually thereafter, covering essential topics such as data protection, cybersecurity best practices, and incident response. Our information security programme is aligned with industry best practices and certified to ISO/IEC 27001 and Cyber Essentials standards.

Senior leadership oversees the information security management system (ISMS) through annual reviews assessing performance, risk, operations and incidents. Key performance indicators are tracked to identify improvements. Data, information security and privacy reports are submitted to the Audit Committee every six months, with findings presented to the board annually.

Global Slavery Index | Walk Free

Global: Global Slavery Index 2023 finds limited progress to eradicating modern slavery & forced labour – Business & Human Rights Resource Centre (business-humanrights.org)

2023 Corruption Perceptions Index: Explore the... – Transparency.org

Responsible business continued

Greenhouse gas emissions

The table below and supporting methodology and assumptions summarise the Streamlined Energy and Carbon Reporting (SECR) disclosure in line with the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. In support of our ambition to achieve our SBTi targets, we are increasing the breadth of KPI reporting as shown below.

Metrics and targets

		FY 2023/24	FY 2022/23	FY 2021/22	FY 2019/20 baseline
Emissions – tCO_2e					
Scope 1	Gas (methane-based) usage	**1,775**	1,563	1,599	
	Diesel usage	**574**	502	762	
	Gasoline usage	**318**	477	495	
	Other emissions	**58**	303	966	
	Total	**2,725**	2,845	3,822	4,343
Scope 2	Location-based	**2,777**	2,764	3,292	4,981
	Market-based	**914**	637	618	2,016
Total (Scopes 1 and 2)	Location-based	**5,502**	5,609	7,114	9,324
	Market-based	**3,639**	3,482	4,440	6,359
Scope 3	Category 1 (including Category 8) – Purchased goods and services	**124,699**	141,204	85,306	*
	Category 2 – Capital goods	**649**	4,936	4,430	*
	Category 3 – Fuel and energy-related activities	**195**	216	276	
	Category 4 – Upstream transportation and distribution	**340**	361	206	*
	Category 5 – Waste	**36**	113	144	*
	Category 5 – Waste – exceptional item – demolition at Shoreham Technical Centre	**13**	*	*	*
	Category 6 – Business travel (all modes)	**2,448**	3,018	2,462	*
	Category 7 – Employee commuting	**2,018**	1,737	2,902	
	Category 9 – Downstream transportation and distribution	**92**	163	89	
	Category 11 – Use of sold product (weight apportioned basis – GHG Protocol)	**4,925**	4,894	4,600	*
	Category 11 – Use of sold product (whole vehicle weight method – SBTi)	**35,172**	35,736	32,461	
	Category 12 – End of life of sold products	**517**	435	285	*
	Category 13 – Downstream leased assets, location-based	**61**	65	46	*
	Scope 3 total – GHG basis	**135,994**	157,142	100,746	*
	Scope 3 total – SBTi basis	**166,241**	187,984	128,607	*
	Total – Location-based (Scopes 1, 2, 3) GHG Protocol basis	**141,496**	162,751	107,860	13,291
	Total – Market-based (Scopes 1, 2, 3) GHG Protocol basis	**139,633**	160,624	105,186	10,326

- (*) No data
- Scope 1, 2 and Scope 3 categories 1, 2, 3 and 13 have all been verified to 'Reasonable Assurance'
- Scope 3 – Categories 4, 5, 6, 7, 8, 9, 11 and 12 have been verified to 'Limited Assurance'

Responsible business continued

Greenhouse gas emissions continued

Metrics and targets continued

		FY 2023/24	FY 2022/23	FY 2021/22	FY 2019/20 baseline
Intensity measures – GHG basis (tCO_2e per employee)					
Total (Scopes 1 and 2)	Location-based	**1.94**	2.00	2.57	3.05
	Market-based	**1.28**	1.24	1.61	2.08
Scope 3	GHG Protocol basis	**47.91**	56.10	36.40	*
Total (Scopes 1, 2, 3)	Location-based	**49.85**	58.10	38.97	*
	Market-based	**49.19**	57.34	38.00	*
(tCO_2e per £m revenue)					
Total (Scopes 1 and 2)	Location-based	**11.59**	12.58	18.37	24.49
	Market-based	**7.67**	7.81	11.46	18.07
Scope 3	GHG Protocol basis	**286.48**	352.34	260.12	*
Total (Scopes 1, 2, 3)	Location-based	**298.07**	364.91	278.49	*
	Market-based	**294.15**	360.14	271.59	*
Electricity consumption (MWh)					
	Electricity consumed (all sources)	**10,980**	12,021	15,369	17,455
	Renewable electricity consumed	**8,894**	10,901	13,601	12,973
	Non-renewable electricity used	**2,086**	1,120	1,768	4,482
	Percentage of renewable electricity used	**81%**	91%	89%	74%
SECR (UK Streamlined Energy and Carbon Reporting)					
	UK Scope 1 tCO_2e	**2,342**	2,333	3,430	2,496
	UK Scope 2 – Location-based tCO_2e	**1,931**	2,078	2,605	3,065
	UK Scope 2 – Market-based tCO_2e	**138**	12	26	166
	UK Scope 1 + Scope 2 tCO_2e location-based	**4,273**	4,411	6,035	5,562
	UK Scope 1 + Scope 2 tCO_2e market-based	**2,480**	2,344	3,455	2,662
	Energy consumption (million kWh)	**16**	19	26	17
Intensity measures (tCO_2e per UK employee)					
	Scope 1	**1.40**	1.40	2.07	1.50
	Scope 2 Location-based	**1.15**	1.25	1.57	1.84
	Scope 2 Market-based	**0.08**	0.01	0.02	0.10
	Scope 1 + Scope 2 Location-based	**2.55**	2.64	3.64	3.34
	Scope 1 + Scope 2 Market-based	**1.48**	1.41	2.08	1.60

- (*) No data
- Scope 1, 2 and Scope 3 categories 1, 2, 3 and 13 have all been verified to ‘Reasonable Assurance’
- Scope 3 – Categories 4, 5, 6, 7, 8, 9, 11 and 12 have been verified to ‘Limited Assurance’

Responsible business continued

Greenhouse gas emissions continued

Greenhouse gas emissions continued

Carbon accounting methodology and notes

- The operational control test is applied to determine if an emission is within Scope 1 or Scope 2
- The inventory has been compiled according to the GHG Protocol and internal procedures with the exception that individual gases are not reported. Our GHG emissions for FY 2023/24 have been verified by LRQA in accordance with ISO 14064–3:2019, 'Specification with guidance for validation and verification of greenhouse-gas assertions'
- The base year is FY 2019/20, as this is the first year where Scope 1 and Scope 2 data was verified. The Scope 3 base year is FY 2021/22. Some data includes estimates, which may be updated at a later time when more accurate data are available
- Our enhanced quality assurance processes for data have identified a number of data improvements which have resulted in updated estimates – the most significant of this was under-reporting of gas use at our Shoreham Technical Centre caused by a malfunctioning meter and this has resulted in a 52% increase in Scope 1 emissions, but is less than a 1% increase in the Group's total emissions for FY 2023/24 (market-based GHG protocol basis). The related totals and intensity metrics have been restated for FY 2021/22 and FY 2022/23, but these have not been verified by LRQA
- Large improvements have been made to our emissions calculation methodology during the FY 2023/24 reporting cycle, including:
  - Employee commuting: the return rate increased to 82% from 73% for site-based employees
  - Re-evaluation of the vehicle mileage used in the lifetime of the engines we produce. This was based on a sample of over 2,800 vehicles in the US and UK. As a result, the average mileage has reduced by 45%. We have restated all previous years based on this, which reduces the Group's whole carbon emissions by 2.5% and 13.5% on a market-based GHG protocol basis and market-based SBTi basis respectively and the same has not been verified by LRQA
  - Change to the estimating method for waste in our office-only sites where we moved to occupancy from capacity, as several buildings are under utilised – this has resulted in a 68% reduction in ongoing waste emissions from FY 2022/23 to FY 2023/24, and a di minimis change to Group emissions
  - In FY 2023/24 a greater proportion of business travel was calculated on an activity basis rather than spend basis
- Emission factors used for fuels, transmission and distribution and electricity are based on the most appropriate open-source data by location. For example, BEIS/Defra conversion factors are used for the UK, US EPA for the US and the most recent confirmed IEA factors for the majority of other locations. Electricity emissions factors used for market-based calculations where renewable electricity is procured are 0kgCO_2e/kWh. Location-based factors are applied elsewhere
- Scope 3 emissions factors for Categories 1, 2, 4, 5, 8 and 9 are based upon finance data using Defra for UK and EU-based entities, and Quantis for other entities. Scope 3, Category 7 is based on an annual employee commuting survey; Defra and US EPA emission factors are used for this. Category 11 is based on published WLTP emissions for each engine variant, and estimated vehicle use over 10 years. Category 12 emissions are estimated based on volumes of engines, transmissions and ABS kits sold. End of life emissions are estimated on material type and weight using Defra and Ecoinvent emission factors
- Our waste reporting shows an exceptional item in FY 2023/24, where there was significant demolition of old and unfit buildings at the Shoreham Technical Centre
- Most of the air, rail and hotel emissions are calculated by FCM using bespoke factors that take airline and aircraft type. This methodology follows those outlined by Thrust Carbon. The remaining elements of Category 6 are calculated based on cost using the Defra and Quantis factors as above
- Other Scope 1 emissions include refrigerants used to recharge cooling and air conditioning plants, fire extinguishants such as FM200 and sulphur hexafluoride (SF_6) associated with switchgear. These vary from year to year depending on the number and type of fire events and maintenance activities
- SECR: Our UK operations are our biggest consumer of electricity, which is our only UK Scope 2 emission source, where we directly procure electricity from renewable sources for our largest sites
- We have no Scope 3 emissions in Categories 10 (processing of sold product), 14 (franchises) or 15 (investments). Category 8 emissions (upstream leased assets) are included within our Category 1 reporting if applicable
- Our triggers for base year recalculation would be an acquisition or disposal which changed headcount by +/- 20%; this did not occur in the current or previous year. The combined effect of the acquisitions was below the threshold
- Revenue-based intensity metrics rely on the financially audited information and the KPMG audit opinion

Responsible business continued

Task Force on Climate-related Financial Disclosures

Background and approach

Ricardo operates a three-year cycle for major TCFD reviews and annual minor updates in the interim. The prior full cycle update was in 2023. The current review and update were used to capture pertinent changes such as legislation, guidance and the latest climate-related disclosure standards (IFRS S2), in addition to changes to Ricardo's global footprint, products, supply chain or specific geopolitical issues that have emerged that would drive sourcing, transportation or manufacturing locations creating the need to take on board major revisions to strategy, risk or production location. The corporate Group Risk Register was updated and subsequently the Executive Committee validated and signed off on the update.

For the board and the Audit Committee, inputs from our in-house experts and an update to the prior horizon scanning were used. This allowed adjustments and amendments in ratings to be derived. In addition, our materiality assessment process was updated to quantify the risks and opportunities that climate change presents to Ricardo in terms of financial magnitude and likelihood.

TCFD compliance summary

In accordance with the requirements of LR 9.8.67R and the Companies Act 2006, as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulation 2022, Ricardo's climate-related disclosures are consistent with all the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Topic	Disclosure	Annual Report reference	FY 2023/24 updates	Planned updates for FY 2024/25
Governance	a) Describe the board's oversight of climate-related risks and opportunities	See page 65 and page 59	• Formally held two RBC meetings, with two further planned after publishing this Annual Report. Both meetings contained GHG and climate-related topics related to risk, location, products and setting KPIs for GHG-related incentives for management	• Hold three RBC meetings, 11 Executive Committee meetings and >20 ESG/GHG Transformation Workstream meetings in FY 2024/25 • GHG and climate change to feature as an agenda item in each ESG Forum and RBC meeting
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 65		
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Pages 66-68	• Reviewed climate-related risks and opportunities and their relevance to Ricardo in 2024. Integrated and aligned the TCFD risks and materiality thresholds with the Group Risk Register and reviewed holistically the climate-related risks with the RBC, the Audit Committee and the Executive Committee • Conducted financial quantification of climate-related risks and opportunities impact on Ricardo's operating profit • Conducted formal reviews of the 60 global Ricardo locations, identifying and prioritising the four properties with the highest risk of Business Impact Analysis (BIA) due to climate-related disruption such as floods, wildfire, hurricane, rain or other acute event. Responses will be included in the FY 2025/26 Business Plan	• Plan FY 2024/25 minor update
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Pages 69-72		• Plan FY 2024/25 minor update
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 73		• Formalise BIA assessments and embed the outcomes into the planning for business continuity

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

TCFD compliance summary continued

Topic	Disclosure	Annual Report reference	FY 2023/24 updates	Planned updates for FY 2024/25
Risk management	a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 74	• Reassessed the materiality of climate-related risks using the principal risk register thresholds	• Plan FY 2024/25 minor update
	b) Describe the organisation's processes for managing climate-related risks	Page 74	• Identified additional business resiliency measure to adapt to the identified climate-related risks	• Continue to implement mitigation controls to manage risks as needed
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Page 74	• Considered the materiality of climate-related risks within the context of the principal risk register and the designated risk of climate change	• Plan FY 2024/25 minor update
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 74	• Refined Scope 1 and 2 measurement methodology which highlighted irregular operating GHG measurement equipment, allowing opportunity for restatement • Reviewed Scope 3 measurement approaches highlighting opportunities for greater accuracy of measurement and a real reduction of gross CO_2 emissions	• Restate Scope 3 emissions in light of improved data. Develop a plan for re-submission of SBTi 2030 short-term targets and for 2050 long-term targets reflecting the categories measured and the precision of the measurements (page 49)
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 emissions, and the related risks.	Page 74		
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Page 74		

Governance

Board's oversight of climate-related risks and opportunities

The Ricardo plc board has ultimate responsibility for risk management including risks and opportunities related to climate change. The board is also responsible for reviewing and directing the strategic approach on products, capital allocation and decisions related to investment. Support and advice to the board is provided by the ESG Forum, the RBC and the Audit Committee. The ESG Forum is responsible for ensuring the Company's approach to climate-related risks and opportunities is appropriate, fit for purpose, and that metrics and targets are in place and reported annually. The ESG Forum oversees measurement of and progress against these targets via a monthly report to the Executive Committee and twice per year through the RBC. Progress against KPIs for the compensation-linked GHG reductions are part of the reviews, together with a feed into the Remuneration Committee.

Risk management responsibilities are conducted through the Audit Committee who review the principal risks twice a year formally and on an ongoing basis. All department and business unit risks are assessed as part of this half-year process (see page 74 for fuller description). The ESG Forum supports the risk management process by reviewing and providing detailed updates of specific aspects of the risk portfolio. The membership of both the ESG Forum and Audit Committee are Executive Committee and Senior Leadership Team members.

Management's role in assessing and managing climate-related risks and opportunities

As set out on page 75, each business unit, and each of the enabling functions (HR, finance etc.) maintains its own risk register. The unit/function lead is responsible for ensuring this is done in a timely and comprehensive manner. Climate-related risks and opportunities are considered, and the Group Risk Register reflects those risks and opportunities most material to Ricardo.

Each business area develops a strategy, and from this strategy the budget is set to run projects to mitigate climate-related risks and grasp opportunities occurring over the short term (up to five years). These are reviewed and blended with the core enabling functions' budgets and requirements (Facility Operations, QSHE, HR) and used to prepare a comprehensive five-year plan. Longer-term risks and opportunities such as shifting weather patterns, and large, structural shifts in the markets in which Ricardo operates – particularly regarding fossil fuel use and the emergence of new technologies – are considered by the RBC as part of the annual TCFD refresh process. Any substantial changes in these risks and opportunities which might impact the current five-year plan are escalated to the board.

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy

Figure 1 (right) outlines the process undertaken in 2023 and the updates made in FY 2023/24 and the planned updates for FY 2024/25, when risks and opportunities will be reviewed again as part of our annual process. Ricardo aims to achieve full compliance with IFRS S2 as part of our major three-year updates in FY 2025/26

Identification of climate-related risks and opportunities

In 2023, the physical (acute and chronic) and transitional (regulatory, technological, market, legal and reputational) risks and opportunities attributed to climate change were assessed. Ricardo identified the six most material risk and opportunity issue groups as detailed in Figure 2 on page 67. Opportunities were assessed relating to Ricardo's capability to grow environmental consulting, service ever broader climate needs, maintain integrity of analysis and results, and develop new tools in a timely fashion.

In 2024, as part of the annual review, the risks and opportunities were reviewed, and it was concluded that there were no significant changes to the risks and opportunities identified in 2023. We updated our financial materiality assessment, in line with our Group risk management process, to reassess the individual risks and opportunities. The materiality of the individual risks and opportunities were assessed based on the magnitude (the financial significance or business impact level of a particular issue, risk or opportunity on Ricardo) from a scale of very low to very high and the likelihood of the risk/opportunity occurring from a scale of very unlikely to almost certain. The materiality assessment was conducted using the five-year timeline in line with the Group's strategic view and viability statement. Additionally, as part of this year's annual update we conducted financial quantification of the risk and opportunity issue groups and its impact on Ricardo's operating profit in the medium term (2030) and long term (2050) using a worst-case scenario RCP 8.5, as detailed on page 68.

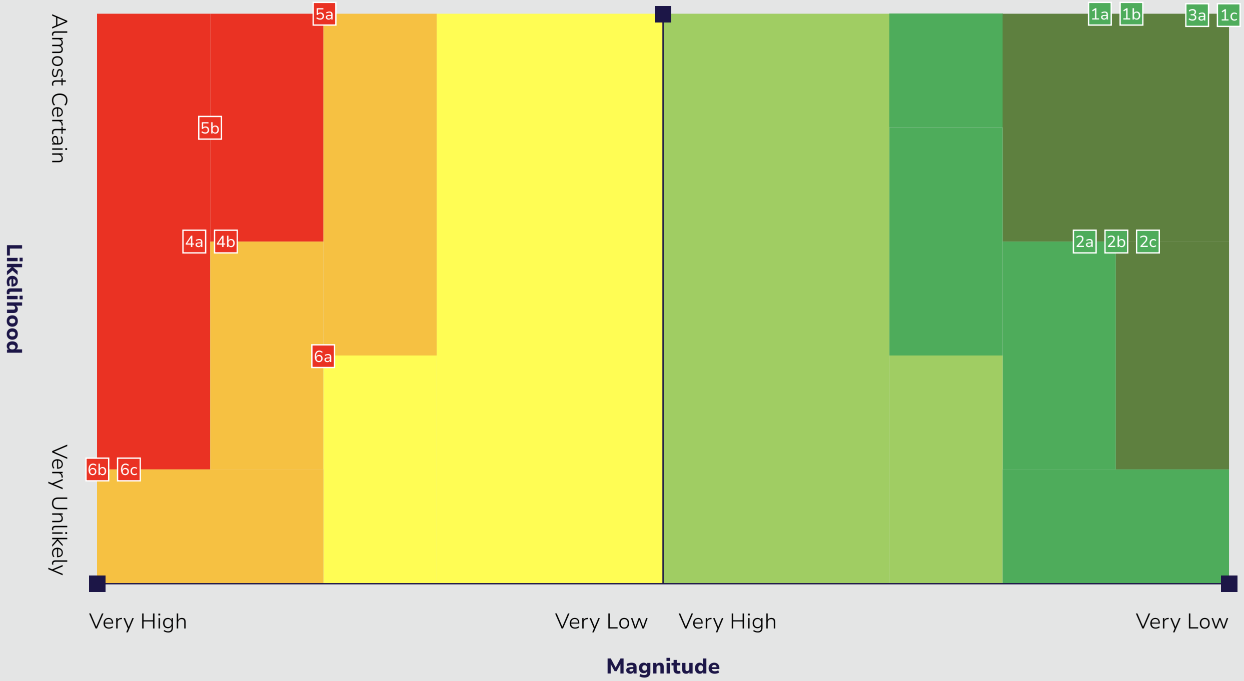
Figure 1: TCFD review cycle

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Assessing the materiality of risks and opportunities

Figure 2: Materiality assessment



Portfolio Prioritisation (PP)

- 1a Safe and sustainable transport
- 1b Clean energy and resources
- 1c Environmental services

Market Expansion (ME)

- 2a Geographic expansion
- 2b Physical risks altering client needs
- 2c Mergers and acquisitions

Digitalisation (D)

- 3a Digitalisation

Human Capital (HC)

- 4a Demand, supply, upskilling and reskilling
- 4b Employee retention

Reputational Pressure (RP)

- 5a Streamlining climate action across all business units
- 5b Increasing awareness and expectations of investors, shareholders and financiers

Physical Risks (PR)

- 6a Extreme heat
- 6b Chronic/acute flooding
- 6c Storm surge (Shoreham)

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Identification of climate-related risks and opportunities continued

The definitions of the issue groups, the associated individual risks and opportunities and the potential impact on Ricardo's operating profit term are detailed below:

Table 1: Climate-related risks and opportunities

			Climate/risk issue group potential impact on Ricardo's operating profit under RCP 8.5 (world of extreme climate change) (low: 0-3%, medium: 3-6%, high: >6%)	
Issue groups	**Definition**	**Risks or opportunities**	**2030**	**2050**
Physical risks to Ricardo's operations and assets	Physical climatic changes reducing function of Ricardo facilities, locations, supply chain and human capital. Physical risks identified include: flooding (related to either storm surges or sea level rise), extreme heat and cold, storms, drought. Ricardo has the ambition to maximise growth in the UK and EU market and to grow in the Middle East and South Africa. Assessing the physical risks in these geographies will be key to Ricardo's success.	Extreme heat (Risk) – Australia, southern Europe, Middle East.	Low	Medium
		Chronic/acute flooding (Risk) – Coastal locations – California, Shanghai, Shoreham, Prague (river).	Low	Low
		Storm surge (Risk) – Shoreham, Shanghai.	Low	Low
Human capital	Ricardo's ability to retain, reskill and recruit the human capital required to meet opportunity growth targets.	Demand, supply, upskilling and reskilling (Risk) – Worldwide.	Low	Medium
		Employee retention (Risk) – USA, Europe, Middle East.	Low	Low
Reputational pressures from stakeholders	Increasing pressure to act on climate change, leading to potential reputational risks.	Streamlining climate action across all business units (Risk) – Worldwide.	Medium	High
		Increasing awareness and expectations of investors, shareholders and financiers (Risk) – UK dominant but worldwide from fund managers.	Medium	High
Portfolio prioritisation	Growth in Ricardo's and energy transition offering e.g. safe and sustainable transport, clean energy, environmental services, and clean energy and resources.	Clean energy and resources (Opportunity) – Europe, UK, USA.	High	High
		Environmental services offering (Opportunity) – Middle East, Africa, USA, Europe.	High	High
		Safe and sustainable transport (Opportunity) – Developed nations, worldwide.	High	High
Market expansion	Ricardo's growth into new geographical and industrial markets, supported by M&As and partnerships.	Geographic expansion (Opportunity) – USA, Australia, Middle East.	Medium	High
		Physical risks altering client needs (Opportunity) – USA, Australia, Middle East, Europe.	High	High
		Mergers and acquisitions (Opportunity) – USA, Middle East, Australia.	Medium	High
Digitalisation	Ricardo's digital solutions can support with the energy and environmental transition.	Digitalisation (Opportunity) – Worldwide.	Medium	High

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Supported by our in-house climate risk expertise in CE&ES, Ricardo undertook a climate scenario analysis (pages 70-72) to examine business impacts over a range of time horizons to understand the materiality of the risks and opportunities identified. To allow for an assessment of the impact of the most material issue groups over a range of potential futures, Ricardo chose a best case (well below 2°C) scenario for transition and physical risks and opportunities (IEA Net Zero Emissions by 2050 and IPCC RCP 2.6), and a worst case/business-as-usual scenario (>4°C and 2.6°C) for each respectively (IEA Stated Policies Scenario and IPCC RCP 8.5). These scenarios were also selected because they are scientifically recognised and robust and are widely used for TCFD reporting and are regularly updated. The locations in the table 1 on page 68 analysis and the associated business units were considered during our analysis.

During our analysis Ricardo considered three time frames: 2030, 2050 and out to 2100 as detailed in the table below. These time frames are linked to Ricardo's strategic business planning – i.e. five-years for the short time frame to align with Ricardo's five-year business cycle.

Table 2: Time frames considered

Time frame	Short	Medium	Long
	2024-2030	2030-2050	2050+

Climate change impact on assets and operations

With the extensive global footprint of Ricardo, we need to be aware of the impacts of climate change, both at a macro level causing shifts in supply chain robustness, employee location of work and opportunity location, including emerging geographies with market opportunities, and also at local level for extreme climatic events (flood, hurricane, heatwave, wildfires).

Managing the impacts of climate-related risks to physical assets

To ensure we are a resilient organisation fit for the future, several aspects are considered when locating or expanding business to manage our climate-related risks and opportunities. As most leases are of a three-to-ten-year horizon, this span is considered when siting premises or investing in assets in a location.

Long-term asset investment and resilience planning

For more permanent assets – such as dedicated test facilities or installed machining/assembly capability – the three-to-ten-year time horizon is supplemented by a review of the extended time horizon aligned with typical amortisation periods of buildings and test equipment. This process guides our assessment of emerging risks and opportunities together with identifying the appropriate actions to strengthen business resilience.

Transitioning products and services towards zero carbon

Our strategy of fossil-free fuels used for transport at point of use is well established. This has been reflected in the phase down of facilities related to traditional fossil fuels through age-out, assigning capital to zero carbon facilities and products. The established sector (fossil fuel) facilities have a planned age-out and retirement to minimise these risks. Ricardo's main risks are now concentrated in managing the expansion and growth, rather than acute and transitional impacts on the historical business practices and product range. All recent test facility capital investments have been focused on zero carbon transport – such as the electric drive research facility and hydrogen test capability for fuel cells and internal combustion engines. The transition that has already happened is demonstrated in the revenue attributed to climate change, environmental and safety revenue (page 47). Portfolio prioritisation and physical risks to operations and assets: ICE test-bed infrastructure at the Shoreham Technical Centre only.

People and market expansion in environmental consulting

With regard to market expansion and human capital growth in environmental consulting, headcount is planned to continue, reflecting interest and capabilities in these areas. Growth will be boosted by expanded presence in Australia, the US and Europe for low carbon mass transit. Continued environmental acquisitions of premium consulting practices. As a consultancy, most facilities are leased (apart from two sites) and the minimal capital investment needed allows Ricardo to remain highly responsive in terms of product offerings and locations served.

The table on the following page details the issue groups, the scenario impact rating (high, medium and low) over the time horizons identified above and the potential risk and opportunity mitigation/adaption and resiliency measures.

This table on page 70 presents the transition risks and opportunities under two transition scenarios, 'Net Zero by 2050 (NZE)' and 'Stated Policies (STEPS)', the potential impact to our business, and our corresponding current and future business resiliency measures. The business impact has been scored high, medium, and low for each risk and opportunity (refer to the table key).

Business Impact Score

Key

-3	-2	-1	N/A
High-moderate potential risk	High-moderate potential risk	Slight potential risk	No potential risk

1	2	3	4	5	6
Slight potential opportunity	Slight potential opportunity	Moderate potential opportunity	Moderate potential opportunity	High potential opportunity	High potential opportunity

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning continued

Table 3: Business impact of climate-related risks and opportunities on Ricardo rating

Portfolio prioritisation (Opportunity)

Scenario	Short	Medium	Long	Impact on Ricardo	Business resiliency measures
NZE	6	6	6	**Short term:** Strategy implementation and policy development support for both governments and private sector. Some implementation solutions for easy-to-mitigate sectors. **Medium term:** Opportunity ramps up as heavy industries are expected to decarbonise by 2050, and the desire for ongoing implementation support is required. **Long term:** Opportunities tail off as targets are met. Lighter-touch ongoing strategy support, but focus continues with implementation support.	• Refocus EET strategy: Implement and evolve long-term resiliency measures for the next 10-15 years • Develop skilled workforce: Train employees to innovate and reduce costs in low/zero carbon technologies • Engage with industry groups: Actively participate in sustainability standards bodies to stay competitive • Track competitors: Monitor competitors and allocate capital strategically to maintain skills and recruitment • Plan for post-2050: Explore future offerings based on hydrogen adoption, BEV uptake and infrastructure development • Adapt to geopolitical changes: Prepare for challenges in resource access by diversifying supply chains and technologies
STEPS	6	6	6	**Short term:** Same as current day trends in strategy implementation and policy development support for both governments and private sector. **Medium term:** Increase in opportunities compared to short term but significantly less than under NZE. **Long term:** Opportunities continue to increase due to delayed climate action. This is done under extreme time pressure and increased costs to industry, increasing financial risks of companies, particularly SMEs.	

Market expansion (Opportunity)

Scenario	Short	Medium	Long	Impact on Ricardo	Business resiliency measures
NZE	6	6	6	**Short term:** Significant opportunities for Ricardo to support decarbonisation at a global scale in multiple emerging sectors. This will first occur in the advanced economies in which Ricardo sits. **Medium term:** The size of this opportunity will depend on Ricardo's service offering of implementation. There may be an opportunity to also support emerging economies with technology feasibility studies. **Long term:** Post 2050, the size of the opportunity will reduce in scale as climate targets are met. Opportunities will be around the maintenance and efficiency of systems and technologies implemented.	• Physical risk responses – majority of growth initiatives can be remote, reducing the vulnerability to risk. Key is continued investment in digital tool set development • Hire locally for at-risk countries (physical risk), establish connections, ensure network resiliency to allow transferability of tasks • Financial and insurance sector access – recruitment and value propositions • Ricardo should track market and service growth rates and compare its own figures against this. Ricardo must actively engage with key industry groups and sustainability standards bodies to drive legislative standards and promote adoption rates for technologies • It is too premature to begin assessing in detail what Ricardo's offering in this area should look like beyond 2050. This will be very scenario dependent. Ricardo should continue monitoring global progress against climate targets to understand which direction of travel industry and governments will take – depending upon fossil versus renewable energy costs and infrastructure development for zero carbon energy
STEPS	4	6	6	**Short term:** Less opportunities for Ricardo to support decarbonisation at a global scale. Opportunity will likely sit in portfolio prioritisation. **Medium term:** Opportunities for Ricardo to support emerging markets (geographically and industry) will likely increase as 2050 approaches and delayed climate action kicks in. This will likely be led by the private sector driven by consumers and investors. **Long term:** The opportunity for Ricardo will likely continue increasing after 2050 as decarbonisation is still occurring, particularly in emerging markets and economies.	

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning continued

Digitalisation (Opportunity)

Scenario	Short	Medium	Long	Impact on Ricardo	Business resiliency measures
NZE	6	6	6	There is little direct evidence within the scenarios selected on the attribution of emission reductions to digital solutions. However, it could be assumed that global trends and the shifts to automated services will drive efficiency gains and will continue to contribute towards climate-related solutions. Ricardo already integrates some digital solutions into its current products and services. This can be expected to increase in the future to support the Company's climate-related services and is already occurring to some extent with digital prototyping in Automotive and Industrial and automation in Rail.	• Digital knowledge transfer, training and experiential growth for staff. Increased M&A activity with consideration for how acquisitions will be accretive in the digital sector • Integrate the IT systems of the Group, meeting security and isolation requirements but building resiliency and availability • Ricardo will continue to consider how digitalisation can be integrated into the solutions it provides, as it is demonstrated in Ricardo's strategy. Partnerships will support this and fill the gap in the Company's current digital capabilities • Tracking the revenue and efficiencies from digital solutions • Increased support for digital tools, investment in tools • Risk around being able to act fast enough – competitor – loss of potential business
STEPS	6	6	6		

Human capital (Risk)

Scenario	Short	Medium	Long	Impact on Ricardo	Business resiliency measures
NZE	-3	-2	-1	The opportunities for Ricardo under this scenario are high in scale and level of impact. Therefore, the growth rates and development necessary to take advantage of these are large. Ricardo will be operating in a competing market and therefore scaling for growth will be difficult.	• Ensure Ricardo's compensations are competitive with other rivals in the sector • Continued investment in training, recruitment and providing growth opportunities • Increase investment in the career development and retention of junior employees. The market is currently under-saturated in the skills and expertise required for the climate transition • Ensure HR and team leaders are consistently engaging with employees on career and life satisfaction. Policies such as flexible working, volunteering, personal development and socials all encourage employee wellbeing • Better IT infrastructure, resiliency and security-conscious global availability
STEPS	-3	-1	-1	Ricardo will still face challenges in scaling for growth, however the scale of the associated opportunities is lower and therefore this challenge will be less than under the NZE. This will become a more 'business as usual' challenge.	

Reputational pressure coming from stakeholder (Risk)

Scenario	Short	Medium	Long	Impact on Ricardo	Business resiliency measures
NZE	-3	-2	-2	Political and regulatory pressures will increase in the short to medium term as decarbonisation progress must be made.	• Competitor awareness – to ensure Ricardo remains appropriately positioned • Carry out current growth strategy, prioritising the energy and environment transition, implement corporate strategy with majority of growth and capital allocation in the appropriate segments • Ricardo should continue impairing elements of declining business units to reduce the risk, and remain vigilant in the transition to zero carbon fuels • Ricardo should continue to prioritise the performance of the energy and environment transition, in both the quality of work delivered to clients also in the quality of reporting and climate action of Ricardo itself
STEPS	-3	-2	-2	Pressures are likely to still increase from current day and so the impact may not be dissimilar to under the NZE. Over the past few years, Ricardo has made significant progress around prioritising its portfolio to be focused on the future around the energy and environment transition. This consists of having targets to increase the proportion of revenue in this area, compared to the established mobility side of the business which is associated with more reputational risk.	

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning continued

This table presents the physical risks under two climate scenarios, IPCC SSP1-RCP2.6 and IPCC SSP5-RCP8.5, the potential impact to our business, and our current and future business resiliency measures. The business impact has been scored high, medium and low for each risk and opportunity (refer to table key) on page 69.

Physical risks (Risk)

RCP 2.6			Impact on Ricardo	Business resiliency measures
Short	Medium	Long	Global temperature increases but is limited to below 2°C. Physical impacts of climate change increase from current day but catastrophic impact is narrowly avoided.	• Becoming a larger and more global player will enable more support for employees with adaptation (financial strength enabling investment) • Careful consideration of the location of new technical centres and potential relocation of existing technical centres. Conscious assessment of climate risk versus capital allocation • Continuous encouragement of flexible working where possible and exploration of new ways of working such as work patterns that avoid the hottest period of the year in Ricardo's most vulnerable locations • Investment in building facilities such as efficient air conditioning and flood defence mechanisms where necessary • HR policies, business continuity plan, flood analysis at Shoreham to be conducted • Care when bidding for projects in extreme climate zones (Australia, Africa, Middle East and some regions of Europe and the USA) – extreme caution and consideration for impacts of heat on human health of employees
-1	-1	-1		
RCP 8.5			Global temperature rises to 5°C, leading to catastrophic impacts at a global scale. Some regions will become uninhabitable, and others will experience positive impacts e.g. growing season extensions. The overall impact is very negative, and society falls into a disruptive state.	
Short	Medium	Long		
-1	-2	-3		

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Resilience of the strategy, considering different climate-related scenarios, including a 2°C or lower scenario

We understand the risks, opportunities and appropriate responses. For physical risk, Ricardo demonstrates strong adaptive capabilities with minimal fixed investment, a mobile workforce, and a flexible global footprint. Business Impact Analysis showed only two sites would be materially impacted by acute weather events, focusing on quantifying probabilities and adapting. The remaining sites use hybrid/remote work and cloud-based processes to minimise disruption from climate issues.

Climate Transition Plan developments

Our plan to develop a Climate Transition Plan in line with the TPT (Transition Plan Taskforce) as detailed below. Ricardo has operated at the forefront of emissions reduction for 40 years. This vantage point has allowed transition starting close to 20 years ago with investment in zero-carbon skills, products and facilities. As part of the journey, Ricardo acquired a major environmental consultancy, allowing the growth in policy, strategy, technology, economic analysis and product development to both address climate change and to assist clients in adaption.

Climate Transition Plan

By 2026, Ricardo intends to pull these foundation elements together and publish a Climate Transition Plan in line with the TPT as part of the planned Sustainability Report. By expanding the space and content outside of the constraints of an annual report, we will demonstrate a robust Climate Transition Plan further integrating environmental sustainability into the core strategy of Ricardo.

Ricardo has several elements for a Climate Transition Plan developed and in place in line with the TPT. These include:

Figure 3: Approach to developing a Climate Transition Plan

Ambition	Action		Accountability	
1. Foundations	**2. Implementation strategy**	**3. Engagement strategy**	**4. Metrics and targets**	**5. Governance**
Throughout its 100+ year history, Ricardo has focused on improving efficiency and minimising waste. The Company has pioneered technologies to reduce emissions and achieved 90% adoption of renewable energy for Scope 2, significantly cutting emissions from fossil fuel testing for Scope 1 and 2 to just 3-4% of total emissions. Ricardo has set GHG emissions targets through to 2030, with a 2025 deadline to establish 2050 long-term goals, aligned with short-term SBTi objectives. As part of the TCFD update and three-year review cycle, Ricardo collaborates with CE&ES for regulatory reviews to ensure compliance with current and upcoming regulations.	Capital allocation decisions at Ricardo are driven in part by their GHG impact. To support this priority, Ricardo funds a dedicated Sustainability enabling function, covering staffing and operational costs. Additionally, all business units and related enabling functions contribute personnel to advance our mission of GHG reduction, efficiency improvement and waste minimisation. We have also developed advanced modelling tools to estimate the GHG impact of R&D activities and client programme onboarding, ensuring that sustainability is a key consideration in every project we undertake.	RBC working groups and the SLT/all-hands meetings are used to engage and communicate activities related to GHG and waste reduction. The Annual Report details activities together with sharing data with reporting frameworks and rating agencies, clients, prospective employees, investors and value chain, and communities.	GHG emissions are accurately measured and significantly enhanced since 2019 – our first year of collecting data. The data set continues to improve, and we are adding more Scope 3 categories to the reasonable assurance level. These results are included in the attestation table (pages 61-62) together with risks and opportunities shown in alignment with IFRS S2 – climate standard.	Ricardo exhibits good control on strategy and decision making with climate impact core to decisions on product development, capital allocation and growth initiatives. Governance structure from Chair and NEDs through the Executive Committee and then the SLT and working groups. Bi-directional communications are integral to this process.

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Risk management

Identification and assessment of climate-related risks

This year, Ricardo reassessed the materiality of climate-related risks as detailed on page 67. We integrate climate change risks into our Group risk management, annual budgeting and monthly ESG Forum meetings. In 2023, we conducted a detailed review of climate-related risks, refreshed in 2024 with insights from our 2023 TCFD assessment. A panel of climate specialists, ESG leaders and the Executive Committee provided comprehensive input. The summary is detailed on page 77. In July 2024, we formally re-rated our principal risks, including climate-related risks.

Managing climate-related risks

As part of this year's annual TCFD update, Ricardo identified additional business resiliency measures to adapt to the identified climate-related risks. Business units and functions evaluated the impact of climate issues on their strategy and operations. Mitigating controls will be implemented as needed. Risks are reviewed continuously, with each climate-related risk having a designated owner and leadership oversight.

Processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

The process for managing climate-related risks is integrated into our Group risk management process. One of the designated principal risks is climate change. This is detailed on page 75 of this report and is managed by the board, the ESG Forum, business units and enabling functions. Risk-taking and management occurs through the Audit Committee. Success in achievements is managed through the ESG Forum and is fed back into the RBC for main board review.

Metrics and targets

Metrics used to assess climate-related risks and opportunities

GHG and ESG metrics reporting

Ricardo records GHG data and other ESG metrics in the FigBytes aggregation system. This includes fuel consumption for powertrain development, water, waste, utilities and HVAC discharges. These metrics are summarised on pages 61-62 with absolute and intensity measures for the past three years.

Commitment to emissions reductions

As a values-led organisation, we are committed to reducing emissions under our control (Scopes 1 and 2) and through our operations (Scope 3).

Linking compensation to GHG emissions

In FY 2022/23, we studied various methodologies linking compensation to GHG emissions, which were implemented in FY 2023/24. Senior management now has variable compensation based on GHG reduction as part of a long-term incentive scheme (page 103).

Focus on Scope 3 emissions

Scope 1 and 2 emissions are now less than 2% of our total, and we are focused on reducing Scope 3 emissions.

GHG intensity KPI

Ricardo is committed to and has enacted a KPI related to long term incentives for senior management. Details are disclosed on page 49.

Scope 1, 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks

Scope 1, 2 and relevant categories for Scope 3 are disclosed on pages 61-62 along with restatements and methodology notes. Scope 1, 2 and 3 (category 1, 2, 3 and 13) have been verified to 'Reasonable assurance' and Scope 3 (categories 4, 5, 6, 7, 8, 9, 11 and 12 have been verified by LRQA to 'Limited Assurance'. There are risks in the method of data collection and conversion from cost-based invoices using emissions factors and consideration is being given to changing methodology to reach true CO_2 footprint (mass and materials) more accurately for some categories of S3C1. The FigBytes data aggregation platform has enhanced efficiency of data collection and allowed all locations to be measured and assessed for anomalous or missing data.

Targets to manage climate-related risks and opportunities

Ricardo has set the following targets:

- Reduce Scope 1 and 2 emissions by 46.2% by FY 2030/31, aligned with a 1.5°C global temperature rise
- Increase renewable electricity sourcing from 74% in FY 2019/20 to 90% by FY 2025/26
- Reduce absolute Scope 3 emissions by 27.5% by FY 2030/31, aligned with well below a 2°C temperature rise

Sustainable procurement remains a core focus to ensure compliance with principles, policies and supply chain legislation. We use the Group Risk Register framework to assess and manage risks, including climate-related ones, within our risk appetite. Regular reports are provided to the Responsible Business Committee on ESG ratings, carbon emissions and capital investments. The board approved an updated risk appetite statement aligned with the new risk management framework. By FY 2025/26, all non-financial GHG and ESG metrics will be captured in FigBytes. We use comprehensive reporting dashboards for real-time progress and data tracking.

Risk management and internal control

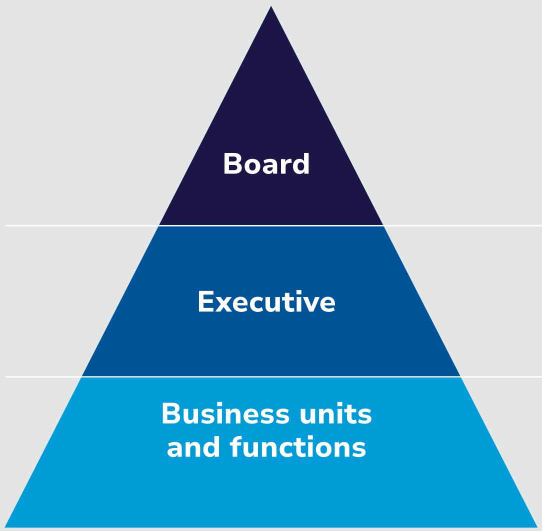
In common with all businesses, the Group faces risks and uncertainties on an ongoing basis. Effective risk management is required to support the achievement of the Group's strategic and business objectives. Our risk management framework is aligned to ISO 31000 and includes an ongoing formal process for identifying, assessing and responding to risk.

Governance

Ricardo operates both a bottom-up and top-down approach to the identification, ownership and management of risks.

Our strategy is designed to optimise our business model and take risk, with the required controls, on an informed basis. Responsibility for this operates at all levels throughout the Group.

Governance structure



The board takes overall responsibility, determining the nature and extent of the principal risks it is willing to take in achieving our strategic objectives, and overseeing the Group's risk governance structure and internal control framework. Each year, the board carries out a robust assessment of the principal risks facing the Group, including those emerging, that would threaten its business model, future performance, solvency or liquidity. This report describes those risks and how they are being managed or mitigated.

The Executive Committee regularly reviews the Group Risk Register prior to submission to the board and individual members own specific risks which are updated at least quarterly.

Business unit and functional leadership are responsible for the management of risk and for compiling and maintaining their own risk registers. These are submitted quarterly and aggregated to form the basis of the Group Risk Register.

Risk management process

The risk management processes updated during 2023 have remained consistent through 2024, providing dynamic risk assessments to support decision-making for business unit, functional and executive management. Our risk management processes require identified risks throughout the Group to be owned by a named individual.

They must review them regularly and consider related emerging risks. Risk identification is embedded within other processes, including strategy, project management, bid approvals and other operational activities.

Risks are identified and reviewed at a business unit and functional level on a consistent basis, before being submitted through the Group's review process.

Risks are reviewed by all business areas on a quarterly basis and measured against a defined set of likelihood and impact criteria. The likely time frame within which the impact of these risks might be felt (risk velocity) is also assessed. These risks are captured and reported consistently, enabling them to be consolidated and ranked. This prioritisation of risks then feeds into our assessment of long-term viability.

The resultant Group Risk Register is subject to a detailed review and discussion by the Executive Committee which includes discussion of risks which may not have been identified through the normal channels. This is then submitted to the board for review and approval half-yearly. As part of this bi-annual process, Directors and senior leadership teams are required to confirm that they maintain effective controls to manage risk and comply with legislation, as well as with the Group's policies and procedures.

We also ensure that emergent risks are considered as part of the board's existing half-yearly reviews of risk and annual review of strategy. The Board confirms that it has undertaken a robust assessment of the Group's emerging and principal risks in FY 2023/24.

The board assesses the outputs from this process and takes comfort from the 'three lines of defence' risk assurance model. The first line represents operational management who own and manage risk on a day-to-day basis, utilising effective internal controls. Group functions and business units monitor and oversee these activities, representing governance and compliance at the second line. The third line is the independent assurance over these activities provided by internal and external audits. Rigour over the management of these risks is demonstrated through the updated Group risk assurance matrix which summarises the assurance activities taking place throughout the Group in relation to the principal risks.

Risk management and internal control continued

Internal controls

The system of internal control is designed to manage, but not to eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

Ricardo's internal control and monitoring procedures include:

- Group-level policies, including risk management, approved by the board
- Procedure and process documents setting our controls, approved by Group functions
- Strategic plans, approved by the board and monitored through forecasting and budgeting processes
- Business unit review processes covering operational and financial performance
- Half-yearly business unit risk and control assessment sign-off confirming compliance with Group policies and procedures
- Control of key financial risks through clearly set authorisation levels and appropriate segregation of accounting duties
- Control of key project risks through project delivery and review systems
- Review and implementation of recommendations in reports on internal control by internal and external auditors
- A Speak Up process to ensure employee concerns are able to be raised
- Reporting on insurance policies as well as any uninsured risks

To ensure our risk process drives continuous improvement across the business, we monitor the ongoing status and progress of key action plans against each risk on a half-yearly basis. Risk is a key consideration in all strategic decisions made at board level.

The Group's internal audit function provides assurances on operating segment systems of internal control and compliance with applicable legislation and regulations. This is complemented by audits required as part of maintaining certifications to international standards for management systems. The effectiveness of these risk management and internal audit processes is reviewed annually by the Audit Committee and is set out on pages 99-101.

Financial risks faced by the Group comprise capital risk, liquidity risk, credit risk and market risk (comprising interest rate risk and foreign exchange risk). The Group's objectives, policies and strategies in respect of these risks are set out in Note 26 to the Group financial statements.

Principal risks and uncertainties

The following table details the Group's principal risks, the mitigating activities in place to address them and the risk to the Group.

It is also recognised that the Group is exposed to a number of emergent risks that are currently deemed to be less material, together with additional risks and uncertainties beyond those listed below that are at present not known to management and which may also have an adverse effect on the business.

Key to principal risks

Change in risk

Increase	No change	Decrease

Risk velocity

High – impact within one month of risk occurring	**Medium** – impact within one year of risk occurring	**Low** – impact after more than one year of risk occurring

Strategic priorities

1 Enabling meaningful and fulfilling work	2 Being a trusted partner to our clients	3 Achieving high growth in our chosen markets
4 Delivering operational excellence and efficiency	5 Optimising cash to invest for growth	

Risk management and internal control continued

Strategic risks

Market changes

Change: ↑ Velocity: High Link to strategic priorities: 2 3

Description
The Group operates in diverse markets which are politically and economically volatile. This exposes the Group to evolving legislative, geopolitical and macroeconomic pressures, as well as industry consolidation threats in a dynamic competitive landscape.

Impact
Unpredictability in the timing of the receipt of orders from clients and the utilisation of our resources to generate revenue and profit may give some volatility in our ability to forecast future performance.

Mitigation

- Diversification of the Group portfolio, so as to reduce exposure to any one specific client, territory or segment
- Rigorous performance review process which is led by the executive to monitor current and forecast performance
- Short-term contingency plans to react to sudden market downturn or changes in geopolitical risk

Climate change

Change: No change Velocity: Low Link to strategic priorities: 2 3 4

Description
Climate change is both a series of risks and opportunities to the business, which we describe on pages 64-74. Failure to adapt to global climate change or respond to client needs driven by climate change. This includes both the legal and regulatory transition requirements as well as the acute and chronic physical impacts.

Impact
If we do not have the right services, capability and products to meet those client needs, we:

- Will be unable to meet our strategic objectives
- May have assets which are impaired due to the rate of climate change in certain markets
- May not deliver our net zero objectives

Mitigation

- Climate change in the short term (one to five years) is addressed by ongoing monitoring of and input towards evolving environmental legislation, and capital allocation process for sustainable technologies and solutions
- Long-term site footprint strategy to improve efficiency and take account of changing weather patterns
- Group-wide business continuity plans and a comprehensive insurance programme

Transformation management

Change: ↑ Velocity: Medium Link to strategic priorities: 1 3 4 5

Description
Failure to successfully, and simultaneously, deliver the significant change programmes currently in process and planned across the Group, including integration of any future acquisitions.

Impact
Decreased revenue and profit, increased costs, damage to operational performance and reputation.

Mitigation

- Dedicated project oversight of large capital projects
- Integration management teams for significant acquisitions
- Regular monitoring by the Executive Committee through operational and project reviews

Key to principal risks

Change in risk

- ↑ Increase
- ○ No change
- ↓ Decrease

Risk velocity

- **High** – impact within one month of risk occurring
- **Medium** – impact within one year of risk occurring
- **Low** – impact after more than one year of risk occurring

Strategic priorities

1 Enabling meaningful and fulfilling work
2 Being a trusted partner to our clients
3 Achieving high growth in our chosen markets
4 Delivering operational excellence and efficiency
5 Optimising cash to invest for growth

Risk management and internal control continued

Operational risks

Client project delivery

Change: ↑ Velocity: Medium Link to strategic priorities: 2 3 4

Description
The Group's revenue depends on successful delivery of a broad range of contract types for engineering, technical, environmental and strategic consultancy services, product supply (niche manufacturing of parts and components), together with accreditation and independent assurance services, with an increasingly complex range of projects, technologies, clients and geographies.

Impact
Failure to perform on contracts within estimated cost and delivery timescales, and to the required level of quality, could impact profitability.

Mitigation

- Risks are proactively managed by clearly defined lead qualification, bidding, contracting and project management processes
- Regular monitoring by the Executive Committee through operational and project reviews

Supply chain

Change: ↓ Velocity: Medium Link to strategic priorities: 2 3 4

Description
Failure or inability of critical suppliers to supply unique products, capabilities or services preventing the Group from satisfying clients or meeting contractual requirements.

Impact
Decreased revenue and profit, damage to operational performance and reputation.

Mitigation

- Production supplier choices often undertaken with the original equipment manufacturer client so that risk assessments are shared
- Supplier quality assurance needs are agreed with clients and operate within our processes and ISO 9001 certifications
- Production supply chain monitoring and expediting capability and capacity
- Our sustainable procurement processes increase supply chain transparency and our Supplier Code of Conduct states our supplier expectations

Business interruption

Change: O Velocity: High Link to strategic priorities: 2 4

Description
A catastrophic event such as natural disasters; civil unrest, military conflict or terrorist activity; or a pandemic (including further impacts from COVID-19) could lead to infrastructure disruption and/or property damage which prevents the Group from fulfilling its contractual obligations.

Impact
Decreased revenue and profit, damage to operational performance and reputation.

Mitigation

- Group-wide business continuity and crisis management plans, subject to regular testing and updated for lessons learned
- Comprehensive insurance programme, renewed annually and subject to property risk assessment visits

Key to principal risks

Change in risk

- ↑ Increase
- O No change
- ↓ Decrease

Risk velocity

- **High** – impact within one month of risk occurring
- **Medium** – impact within one year of risk occurring
- **Low** – impact after more than one year of risk occurring

Strategic priorities

1. Enabling meaningful and fulfilling work
2. Being a trusted partner to our clients
3. Achieving high growth in our chosen markets
4. Delivering operational excellence and efficiency
5. Optimising cash to invest for growth

Risk management and internal control continued

Operational risks continued

People

Change: No change Velocity: Medium Link to strategic priorities: 2 3

Description
Failure to attract, retain or mobilise people due to factors including availability of talent, inadequate compensation, workforce demographics, lack of training and industrial action.

Impact
Decreased revenue and profit, damage to operational performance.

Mitigation

- We aim to ensure that we actively develop and manage staff in an environment where everybody belongs
- We are sharing best practice in talent acquisition across business units so we can maximise recruitment and retention efficiency
- Our IT infrastructure enables us to share work and mitigates transport issues
- Our people as stakeholders are discussed further on pages 42-43

Health, safety & wellbeing

Change: No change Velocity: Medium Link to strategic priorities: 2 4

Description
Failure to comply with local health and safety requirements impacting the physical and mental health of our employees, stakeholders or the public.

Impact
Health and safety compliance failures by the Group, or its representatives, could result in reputational damage, substantial fines and potential market exclusion.

Mitigation

- The Group has defined health and safety policies and operational procedures which are supplemented by regular training
- Incident reporting with near miss and lessons learned processes
- Comprehensive insurance programme, renewed annually
- Regular health and safety audits supporting ISO 45001 Health and Safety Management certification

Information security

Change: No change Velocity: High Link to strategic priorities: 3 5

Description
A breach of IT security due to increasingly more sophisticated cyber attacks resulting in proprietary or other sensitive information being lost, made inaccessible, corrupted or accessed by unauthorised users. This includes the loss of critical systems due to poorly executed implementation or change control; poor maintenance, business continuity or back-up procedures; and the failure of third-party service providers to deliver to their service level agreements.

Impact
The loss, theft or inability to access information assets could result in reputational damage, loss of competitive advantage, business disruption and financial penalties.

Mitigation

- Implemented an Information Security Management System certified to ISO 27001
- Adoption of a layered defence in-depth approach, with dedicated information security resources who continuously monitor controls and adapt them in response to emerging threats
- Penetration tests are conducted regularly by both internal and external resources to augment our control regime
- Information security risk register maintained and reviewed by the CIO
- The performance, progress and continued maturing of our information security controls are monitored bi-annually by the Audit Committee

Key to principal risks

Change in risk

- Increase
- No change
- Decrease

Risk velocity

- **High** – impact within one month of risk occurring
- **Medium** – impact within one year of risk occurring
- **Low** – impact after more than one year of risk occurring

Strategic priorities

1 Enabling meaningful and fulfilling work
2 Being a trusted partner to our clients
3 Achieving high growth in our chosen markets
4 Delivering operational excellence and efficiency
5 Optimising cash to invest for growth

Risk management and internal control continued

Operational risks continued

Investment in technology

Change: [O] Velocity: Low Link to strategic priorities: [2] [4]

Description

Investment in technologies, products or services that prove unsuccessful or unsuitable for our chosen markets, or failure to invest in areas that are key for us and our clients.

Impact

Loss of competitive marketplace advantage and reduction in revenue.

If there are disruptions in the implementation of new regulations, which in turn accelerate or delay client programmes dependent on new technology, the time taken to deliver returns from our research and development (R&D) programmes may also increase.

Mitigation

- Our R&D programmes are developed through a mixture of client consultation, long-range forecasting, thought leadership and deep technology roadmap development. We are increasingly leveraging digital and data science technologies as enablers for our innovations
- Capitalised development costs are subject to regular review to assess project progress, returns and any risk of impairment
- Capital allocation process to ensure robust executive review of resource prioritisation

Corporate risks

Laws and regulations

Change: [O] Velocity: Medium Link to strategic priorities: [2] [4]

Description

Failure to comply with laws or regulations leading to reputational damage, substantial fines and potential market exclusion. The Company operates in many jurisdictions and as a consequence is subject to complex and wide-ranging laws and regulations including those concerning export controls, data privacy, anti-trust, anti-bribery and corruption, and taxation.

Impact

Increased compliance costs, fines, penalties or reputational damage, or trading restrictions which could have a materially adverse impact on the business.

Mitigation

- To mitigate these risks, the Group has a number of defined policies and operating procedures in place and takes professional advice, where considered necessary, to ensure that the Group acts upon current and anticipated changes in legislation
- Our Code of Conduct ensures that employees and others act with the highest ethical standards and within local legal and regulatory requirements
- The Group's rolling assurance programme includes the review of compliance with applicable legislation and regulations and awareness of key Group policies and procedures

Financial risks

Financing

Change: [O] Velocity: Low Link to strategic priorities: [3] [5]

Description

The Group is in a net debt position, having drawn on available facilities primarily to fund acquisitions and for general corporate purposes.

Impact

Inability to access financing on normal commercial terms.

Mitigation

- This risk is mitigated by robust cash and working capital management, regular process improvement initiatives, monitoring actual cash flows to budgets and forecasts, maintaining good relationships with the Group's bankers and ensuring that sufficient borrowing facilities are in place at all times to support the Group's funding requirements to deliver on its growth strategy, with additional headroom available to meet possible downside scenarios
- Further details of the Group's borrowing facilities and other financial risks can be found in Note 23 and Note 26 to the Group financial statements, respectively

Key to principal risks

Change in risk

- [↑] Increase
- [O] No change
- [↓] Decrease

Risk velocity

- **High** – impact within one month of risk occurring
- **Medium** – impact within one year of risk occurring
- **Low** – impact after more than one year of risk occurring

Strategic priorities

- [1] Enabling meaningful and fulfilling work
- [3] Achieving high growth in our chosen markets
- [5] Optimising cash to invest for growth
- [2] Being a trusted partner to our clients
- [4] Delivering operational excellence and efficiency

Viability statement

The Directors have assessed the prospects of the Group in accordance with provision 31 of the 2018 UK Corporate Governance Code.

The context supporting the assessment

The Group's prospects are underpinned by its business model and strategy, which can be found on pages 9 and 11. The Group continues to follow a balanced approach to its strategy, which is subject to ongoing monitoring and development as described herein. In FY 2023/24, the Group delivered revenue of £474.7m (FY 2022/23: £445.2m on a continuing basis) and underlying operating profit of £38.8m (FY 2022/23: £34.0m on a continuing basis), growth of 7% and 14% on the prior year, respectively. FY 2023/24 adjusted EBITDA, defined as earnings before interest, tax, depreciation, impairment and amortisation, excluding the impact of IFRS 16 leases, adjusted for any one-off, non-recurring, exceptional costs and acquisitions or disposals, was £47.5m (FY 2022/23: £44.4m).

The Group enters the new financial year with an order book of £396.5m (FY 2022/23: £395.3m), growth of 0.3% on the prior year, of which c.65% is expected to be workable within the next 12 months. The year-end order book comprises the value of all unworked purchase orders and contracts received from clients.

The Group funds its operations via a revolving credit facility (RCF) of £150m, with a £50m uncommitted accordion, which provides funding through to August 2026, alongside the Group's uncommitted overdraft facilities of £16.1m (FY 2022/23: £16.1m). Net debt at 30 June 2024 was £59.6m (FY 2022/23: £62.1m), comprising cash and cash equivalents, net of any restricted cash, of £47.3m (FY 2022/23: £49.8m) and borrowings, including hire-purchase liabilities, but excluding IFRS 16 lease liabilities, of £106.9m (FY 2022/23: £111.9m).

Adjusted leverage, defined as net debt over adjusted EBITDA, was 1.25x (FY 2022/23: 1.4x), providing significant headroom of 1.75x against the covenant limit of 3.0x. Interest cover, defined as adjusted EBITDA over net finance costs, excluding pension and IFRS 16 interest, was 5.86x (FY 2022/23: 8.3x), compared to the covenant limit of 4.0x. There are no changes to debt covenants under the new facility.

The strategy of the Group is to deliver long-term and sustainable growth in environmental and energy transition services. The Group's businesses' focus is on the development of longer-term, multi-year contracts and relationships, underpinned by global long-term megatrends. The board has considered the risk appetite and profile of the Group in this context and has determined that this remains appropriate for the Group as a whole.

Assessing the prospects of the Group

The Group's prospects are assessed primarily through its five-year business planning process, led by the Chief Executive Officer.

The five-year planning process is a forward-looking process which is undertaken by Group management and the Group's constituent operating segments in the second half of the financial year. The planning process includes an assessment of changes in the market and competitive environment, together with macroeconomic, political, societal and technological changes. The detailed operating segment business plans are consolidated to form a Group-wide budget and five-year plan.

The Group-wide and individual operating segment plans are reviewed and approved by the board. Part of the board's role is to review the performance of the Group in the last financial year and to consider whether the plan presented is appropriate. The first year of the business plan forms the Group's annual operating budget. This is subject to a re-forecast on a monthly basis.

Assessment of viability

The five-year business plan reflects the best estimate of the prospects of the Group. The first two years of the plan have been stress-tested, to consider the impact of known risks, including the pace of technological change in the automotive sector, driven by climate change, which continues to shift rapidly away from the traditional internal combustion engine towards more renewable propulsion methods, on the Group's results, operations and financial position in a severe but plausible downside scenario.

Viability statement continued

Assessment of viability continued

The scenario includes:

- Limited revenue growth from Automotive and Industrial established mobility and emerging solutions, normalising the revenue achieved in Q4 FY 2023/24
- Reduced revenue growth rates in Energy and Environment and Rail
- Decline in key programme volumes in Performance Products
- Continuation of the ABS retrofit programme at FY 2023/24 government funding levels and lower revenue growth in technical services
- Removal of any assumed working capital improvement compared with June 2024
- An increase in the SONIA interest rate compared with external bank forecasts

The scenario incorporates the appropriate reversal of discretionary bonus payments and setting suitable levels of dividends based on the sensitised results of the operating segments. Under this scenario, the Group's adjusted EBITDA is forecast to reduce by 15% in FY 2024/25 and then increase by 8% in FY 2025/26.

The impact of this scenario on the Group's business plan has been quantified and presented to the board as part of the approval process. The scenario, which is based on aspects of the Group's principal and emerging risks and uncertainties, including clients and markets, contracts and financing, as set out on pages 75-80, and takes into consideration the risks identified as part of our TCFD work, as set out on pages 64-74, represents severe but plausible circumstances that the Group could experience.

The results showed that the Group would be able to continue operating well within its debt covenants and liquidity headroom under the downside scenario. If full bonus costs were included, headroom under the Group's banking covenants and liquidity is reduced, but no covenants are breached.

The Group also performed reverse stress-testing on its financial plan using these scenarios to identify the point at which its banking covenants would be breached. Based on this reverse stress testing, a further 26% reduction in sensitised adjusted EBITDA compared to the downside scenario would be required in FY 2024/25 (15% in FY 2025/26) before the adjusted leverage covenant is breached. Similarly, a further 19% reduction in sensitised adjusted EBITDA compared to the downside scenario would be required in FY 2024/25 (21% in FY 2025/26) before the interest cover covenant is breached. In the event of such scenarios materialising, more severe cost actions would be taken to ensure covenant compliance.

The Directors have assessed the prospects of the Group over the five-year plan period to 30 June 2029, consistent with the five-year planning process, and confirm that their assessment of the principal and emerging risks and uncertainties facing the Group was robust. Based on their assessment of prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period ending 30 June 2029.

Going concern

Given the viability statement provided above, the Directors consider it appropriate to prepare the financial statements on a going concern basis, as explained in Note 1(a) to the Group financial statements.

Non-financial information and sustainability statement

This section constitutes the Group's non-financial information statement (NFIS), produced to comply with Sections 414CA and 414CB of the Companies Act 2006. The information presented below is incorporated by cross-reference and most of the policies listed can be found on our website: **https://www.ricardo.com/en/who-we-are/governance/policies**. Our Code of Conduct underpins Ricardo's business activities while providing our stakeholders with clear guidance on expected behaviours, actions and compliance requirements covering each of the below areas.

	Reporting requirement and policy position	Relevant policies and standards	Due diligence and further information
Environmental matters	Our environmental policies set out our commitment to continuously improving our environmental performance to ensure sustainable growth in line with global goals.	Environmental Policy Carbon Reduction Plan Sustainable Procurement Policy	• Responsible Business: page 44 • TCFD report: page 64 • Responsible Business Committee report: page 97 • Ricardo.com/en/sustainability • Ricardo.com/en/who-we-are/governance/policies
People	Our people policies support our ambition to create an inclusive and engaging environment where our employees complete fulfilling work and thrive.	Human Resource Policy Health & Safety Policy Diversity, Equity & Inclusion Policy Gender Pay Gap Report	• Responsible Business: page 44 • Nomination Committee report: page 95 • Responsible Business Committee report: page 97 • Ricardo.com/en/sustainability • Ricardo.com/en/who-we-are/governance/policies
Social matters	We have strict standards of behaviour that we expect of our employees and supply chain partners, which are set out in our Code of Conduct and Supplier Code of Conduct and other related policies. This includes respecting and safeguarding our people and the wider community.	Code of Conduct Supplier Code of Conduct Information Security Policy Engaging and Supporting Local Communities Statement Modern Slavery Policy	• Responsible business – Governance section: page 59 • Governance report: page 85 • Responsible Business Committee report: page 97 • Ricardo.com/en/who-we-are/governance/policies
Human rights	We recognise and respect the Universal Declaration of Human Rights, ensuring that all people have freedom, dignity and equality. We uphold the highest ethical and legal standards within our business and supply chain.	Human Rights Policy Modern Slavery Policy Modern Slavery Statement	• Responsible Business – Governance: page 59 • Ricardo.com/en/who-we-are/governance/policies
Anti-bribery and corruption	We have zero tolerance on all forms of bribery and corruption and are committed to conducting our activities in line with UNGC Principle 10. Our Code of Conduct covers our stance on these matters in detail.	Code of Conduct	• Responsible Business – Governance: page 59 • Governance statement: page 88 • Audit Committee report: page 99 • Responsible Business: page 44 • Ricardo.com/en/who-we-are/governance/policies
Business model			• Business model: page 9 • Strategy: page 11
Non-financial KPIs			• Non-financial KPIs: page 18
Principal risks			• How we manage our risks effectively: page 75 • Our principal risks and uncertainties: page 76
Climate-related financial disclosures			• Disclosure aligned to clauses (a) to (h) of The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 detailed in the TCFD report: page 64

Section 172 statement

Stakeholders and the board

The Directors of Ricardo are bound by their duties under the Companies Act 2006 and, in particular, must act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, taking into account the factors listed in Section 172(1)(a) to (f) of the Companies Act 2006.

The board recognises the need to build trust with our key stakeholders and executes its obligations of good faith accordingly to ensure the success of the Company and that of its shareholders.

In making decisions, we consider the interests of multiple stakeholders across the Company. The executive team advises the board on levels of engagement and seeks feedback. Board feedback is carefully considered and the Company adapts its approach where considered appropriate. Further details on engagement and how our board operates can be found in the Governance section of this report.

How Section 172 has become part of the way the Company operates can be found throughout this report, some examples of which are indicated below:

S172 duties and key examples	Page
Consequences of decisions in the long term	
Chair’s statement	4 and 88
Chief Executive’s review	6
Our business model	9
Our strategy	11
Principal risks and uncertainties	75
Viability statement	81
Board activity FY 2023/24	91
Interests of the Company’s employees	
Chair’s statement	4 and 88
Chief Executive’s review	6
Our strategy	11
Strategic objectives	18
Stakeholder engagement	42
Sustainability – Social	52
Company’s business relationships with suppliers, clients and others	
Our business model	9
Market overview	8
Our strategy	11
Strategic objectives and KPIs	18
Stakeholder engagement	42
Responsible Business	44

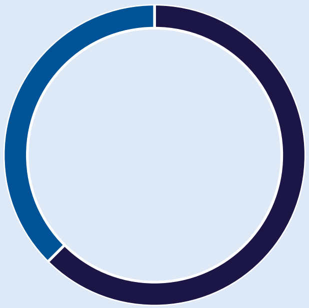
S172 duties and key examples	Page
Impact of the Company's operations on the community and environment	
At a glance	8
Chief Executive’s review	6
Our Strategy	11
Responsible Business	44
High standards of business conduct	
Responsible Business – Governance	59
Responsible Business Committee	97
Shareholders	
Chair Statement	4 and 88
Chief Executive’s review	6
Our strategy	11
Strategic objectives and KPIs	18
Corporate governance statement	88

Governance report

Board of Directors

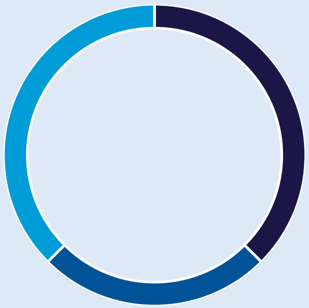
Our board at a glance

Gender(1)



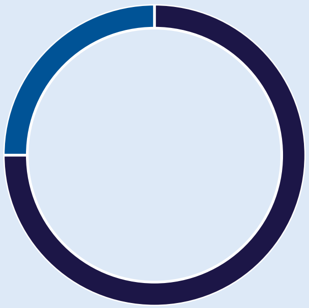
Male	5
Female	3

Tenure(1)



1-3 years	3
4-5 years	2
6+	3

Independence(1)



Independent	6
Non-independent	2

Board and committee attendance

Board member	Board	Audit Committee	Responsible Business Committee	Nomination Committee	Remuneration Committee	AGM
Mark Clare	●●●●●●●	●●●●	●●	●●	●●●●	●
Graham Ritchie	●●●●●●●	●●●●	●●	●●	●●●●	●
Judith Cottrell	●●●●●●●	●●●●	●●	●●	●●●●	●
Russell King	●●●●●●●	●●●●	●●	●●	●●●●	●
Malin Persson	●●●●●●○	●●●○	●●	●○	●●●●	●
Jack Boyer OBE	●●●●●●○	●●●●	●●	●●	●●○○	○
Bill Spencer	●●●●●●●	●●●●	●●	●●	●●●●	●
Laurie Bowen	●●●●●●◌	●●●●	●●	●●	●●●●	●
Ian Gibson	●●◌◌◌◌◌	●●◌◌	◌◌	●◌	●●◌◌	◌

● = attended ○ = did not attend ◌ = not applicable

(1) Chart includes Laurie Bowen, who resigned 31 May 2024, and excludes Ian Gibson, who resigned from the board in September 2023, and the General Counsel and Company Secretary.

Mark Clare

Chair

Appointed November 2022

B N R

Mark brings to Ricardo substantial plc-level experience. He is currently Non-Executive Chair of Grainger plc, a UK-based residential property business listed on the London FTSE 250 index and is a Senior Independent Director of Wickes Group plc and a Non-Executive Director of Premier Marinas Holdings Limited.

Graham Ritchie

Group Chief Executive Officer

Appointed October 2021

E B

Graham started his career with PwC, going on to hold a number of senior financial positions at T-Mobile, BT Group plc and Intertek.

Immediately prior to joining Ricardo, Graham was a member of the Intertek Group plc Executive Committee responsible for its operations in Europe, including Russia, and Central Asia.

Graham has no external appointments.

Board of Directors continued

Judith Cottrell

Chief Financial Officer

Appointed September 2023

E B

Judith has over 20 years' experience working in senior financial and operational roles. She was previously the Group Finance Director for RPS and, prior to that, she held various senior roles within the company, including Chief Executive of RPS's UK & Ireland consulting business and Group Strategy Director.

Judith has no external appointments.

Russell King

Non-Executive Director

Appointed September 2019

A B N **R**

Russell served as Chief Strategy Officer at Anglo American plc where he had global responsibility for strategy, business development, government relations, safety and sustainable development. He was also a member of its Executive Committee for eight years. Russell is currently a Non-Executive Director at J Murphy and Sons Ltd.

Malin Persson

Non-Executive Director, Senior Independent Director

Appointed 2016

A **B** N R

Malin is the nominated Non-Executive Director for Workforce Engagement and Responsible Business. She has held a number of senior executive roles at Volvo Group and is an elected member of the Royal Swedish Academy of Engineering Sciences. Malin is currently a Non-Executive Director of Peab AB, Getinge AB, Hexpol AB, OX2 AB, and Absolent Air Care Group.

Jack Boyer OBE

Non-Executive Director

Appointed September 2019

A B N R

Jack is a Non-Executive Director and Senior Independent Director of TT Electronics plc and member of the Audit, Remuneration and Nomination Committees. Jack is also a Non-Executive Director of Bela Holdings AG, and a non-executive board member at the Department for Education.

Jack resigned from the board in July 2024.

Bill Spencer

Non-Executive Director

Appointed April 2017

A B N R

Bill served as CFO of Intertek Group plc. Since then he has developed a varied non-executive career. His former Non-Executive Director roles, where he also chaired the Audit Committee, include UK Mail plc, Exova Group plc and Northgate plc.

Laurie Bowen

Non-Executive Director

Appointed July 2015

A B N R

Appointed Non-Executive Director in July 2015 and stepped down from the board in May 2024 after nine years.

Harpreet Sagoo

General Counsel and Company Secretary

Appointed 2023

E

Harpreet is Group General Counsel and Company Secretary for Ricardo plc. She began her career with Marconi Telecommunications, where she qualified as a lawyer in 2002. She has held several senior legal positions internationally, primarily within the technology sector, from listed companies to the start-ups.

Read the full biographies of our board members on our website.

www.ricardo.com/en/who-we-are/our-leadership

Key to committee membership

A Audit Committee N Nomination Committee B Responsible Business Committee R Remuneration Committee E Executive Committee ■ Chair of the Committee

Corporate governance statement

On behalf of the board, I am pleased to present the Ricardo governance report for the financial year 2023/24

Mark Clare | Chair

Board overview

As a board, our role is to ensure effective leadership of the Company and to ensure its long-term success.

This report sets out our approach to corporate governance and how the board contributes to the development and delivery of Ricardo's strategy.

The board provides leadership by approving the strategy of the Company and by overseeing its implementation by management. It also monitors the culture within the Company to ensure that it supports the agreed purpose and values. The board has responsibility for managing risk and monitoring financial and operational performance against targets set.

Strategy and operations

FY 2023/24 has been a busy year across the Company as we continue to execute our strategy and reshape the organisation to achieve our ambition and optimise operations. This has not been without its challenges and in the past 12 months we have seen the Company make hard choices as we improve operational performance and align the businesses to the agreed strategy. We are pleased with the performance of the acquisitions made in FY 2023/24 and continue to believe that a combination of organic growth and acquisitions will deliver the longer-term ambitions of the Group.

Engaging with our stakeholders

With every decision we make as a board, we consider the impact that this could have on all our stakeholders and see effective engagement with these groups as a critical part of our business success. Our key stakeholders include our colleagues, clients, shareholders, suppliers and the communities in which we operate.

Our stakeholder engagement (page 42) and Section 172 statement (page 84) explain how the Company and the board have engaged with these groups throughout the year and discharged their duties.

Our people and culture

Ensuring a strong and consistent culture is an important part of achieving our ambition and making sure that Ricardo is a fulfilling place to work. The board consistently monitors culture through our annual colleague survey, ad hoc engagement with team members, and through our 'Meet the board' sessions. Through my interactions, I am continually impressed by the passion and the clear drive of our team members to see Ricardo succeed. The board is firm in its belief of the importance of two-way communication to improve culture and ways of working and it will continue to encourage open and frank conversations as we transform the Company.

Responsible business

Thinking and acting sustainably is central to who we are at Ricardo. This year has seen progress in our environmental, social and governance sustainability agendas, driven by the board's Responsible Business Committee. In FY 2024/25 we are expecting to see further development in this area, led by the Committee. We have also seen a significant amount of engagement with community groups, with a focus on encouraging the next generation of STEM professionals. As a science and engineering-based business, we understand the importance of encouraging STEM careers, and hope through our community actions and DEI strategy to encourage people from diverse backgrounds to enter this field.

For more information on our approach towards responsible business please see page 44.

Corporate governance statement continued

Board evolution

We're fortunate to have a board that is constructed of people with a wide range of backgrounds and experiences, who are dedicated to the success of the Company as well as creating long-lasting impactful change. This breadth and depth of knowledge and experience is something that we will continue to expand upon as the board evolves, ensuring diversity of thought as well as the right experiences and values.

In the past year we have said farewell to Laurie Bowen after nine years of service, and have announced the departure of Jack Boyer who has served for five years. Bill Spencer also announced his retirement in FY 2023/24, finishing with the board at the FY 2024/25 AGM in November.

To these board members, I would once again like to give my thanks, for their commitment and significant contribution over their time with the Company. I am delighted to have welcomed Carol Borg to the board from July 2024, and to have announced Sian Lloyd Rees's appointment to the board, starting 1 October 2024, and look forward to working with them and the other board members to ensure the Company delivers on its strategy.

Looking ahead

The path ahead is an exciting one for Ricardo; we are transforming the Company in response to the challenges of our time and bringing value to all our stakeholders whilst achieving our vision of creating a safer, more sustainable world. Into the third year of our strategy, we will continue to optimise our operations, increase our services and deliver excellence to our clients whilst taking the actions necessary to achieve our ambition for the Company.

To our colleagues

On behalf of myself and the board, I would like to finish with a sincere note of thanks to our colleagues at every level of the organisation. This year has seen many successes and challenges, and your effort, passion and resilience has enabled the Company to make the progress it has.

Mark Clare
Chair

10 September 2024

The structure of the board

The board

Responsible for defining the Company's purpose, setting a strategy to deliver it, and monitoring values and behaviours that shape how the Company conducts its business and its culture. The board has several matters reserved for its consideration and delegates other responsibilities to its board and management committees as appropriate.

Board committees

Audit Committee

Responsible for overseeing the financial reporting process, significant accounting judgements and estimates, the Company's ethics and compliance programme, financial and compliance controls, and risk management.

Nomination Committee

Responsible for advising on succession matters and talent management for the board, Executive Committee and senior management.

Remuneration Committee

Responsible for recommending the policy for the remuneration of the Chair, Executive Directors and the Executive Committee members, in the context of considering the pay and conditions of the wider workforce.

Responsible Business Committee

Responsible for promoting the long-term sustainable success of the Company with regard to environmental, social and governance matters.

The Disclosure Committee was closed on 31 January 2024. All events requiring disclosure or possible disclosure were discussed by the board and the General Counsel through emergency meetings held throughout the year.

Management committee

The board has the following management committee:

Executive Committee
Responsible for the day-to-day management of the Company's operations.

Corporate governance statement continued

Corporate Governance Code statement of compliance

As a UK premium listed company, Ricardo plc is expected to comply or explain any non-compliance with the 2018 UK Corporate Governance Code, published by the FRC and available on its website, **www.frc.org.uk**.

The board considers that the Company complied fully with the provisions and principles as set out in the Code throughout the year ended 30 June 2024.

Reporting in accordance with the 2018 UK Corporate Governance Code

The 2018 UK Corporate Governance Code (the Code) sets out the Company's approach to governance. The following table shows where shareholders can evaluate how the Company has applied the principles of the Code and where key content can be found in this report.

	Page
Board leadership and company purpose	
Chair's introduction	4-5 and 88-89
Board leadership	86-87
Purpose, vision, strategy and values	8, 11 and 52
Culture	52-58
Board engagement with stakeholders	42-43
Section 172 statement	84
Measurement of strategy (KPIs)	18-19
Risk assessment and management	75-80
Viability Statement	81-82
Rewarding our people	54-55
Whistleblowing	60
Division of responsibilities	
Board Leadership and responsibilities	90
Governance Structure	89
Board committees	86-87
Board attendance	86

	Page
Composition, succession and evaluation	
Board biographies	86-87
Board evaluation	92
Board composition and tenure	93-94
Nomination Committee report	95-96
Audit, risk and internal control	
Audit Committee report	99-101
Statement of Directors' responsibilities	136
Risk Management	75-80
Going concern	82
Viability statement	81-82
Remuneration	
Directors' remuneration report	102-132
Other remuneration disclosures	103-133

Board leadership and division of responsibilities

Board and Executive Committee structure

The board and its committees oversee and manage the governance of the Company, and provide a mechanism to approve, review, challenge and monitor the strategies, policies and codes of conduct and behaviours through which the Company operates. The terms of reference of the committees, and the matters reserved to the board, can all be found at **www.ricardo.com/en/investors/corporate-governance.** The structure and responsibilities of the boardand its committees are set out below.

Board and committee attendance in FY 2023/24

	Board (scheduled)	Audit Committee	Nomination Committee	Remuneration Committee	Responsible Business Committee	AGM
Laurie Bowen(1)	6/7	4/4	2/2	4/4	2/2	Y
Jack Boyer(2)	6/7	3/4	2/2	2/4	2/2	N
Mark Clare	7/7	4/4	2/2	4/4	2/2	Y
Judith Cottrell	7/7	4/4	2/2	4/4	2/2	Y
Ian Gibson(3)	2/7	2/4	1/2	2/4	n/a	n/a
Russell King	7/7	4/4	2/2	4/4	2/2	Y
Malin Persson	6/7	3/4	1/2	4/4	2/2	Y
Graham Ritchie	7/7	4/4	2/2	4/4	2/2	Y
Bill Spencer	7/7	4/4	2/2	4/4	2/2	Y

(1) Laurie Bowen resigned from the board on 31 May 2024.
(2) Jack Boyer resigned from the board on 31 July 2024.
(3) Ian Gibson departed Ricardo in September 2023.

Directors who are unable to attend meetings continue to receive papers in advance of the meeting and have the opportunity to discuss them with, and provide comments to, the relevant Chair or General Counsel and Company Secretary and feedback is provided on any decisions made at the meeting.

Corporate governance statement continued

Board activity

Other key areas of focus for the board and the stakeholders that it considered in its discussions and decisions.

People and culture

Stakeholders considered: Communities, Shareholders, Colleagues

- Received regular updates on workforce matters including health and wellbeing, recruitment and attrition rates, gender pay gap, and employee engagement activity. Reviewed the results of the employee engagement survey
- Succession planning for the board, the Executive Committee and senior management including the approval of the succession of the Chief People Officer. The board has invested in recruiting new Non-Executive Directors who are able to bring industry expertise and diversity of thought to its current composition
- Supported management with the further development of a Company-wide diversity, equity and inclusion programme

Financial performance

Stakeholders considered: Clients, Communities, Shareholders, Suppliers and partners

- Received regular updates on the Group's financial performance including its cash management and conversion, working capital, profits and costs, and the management of clients, suppliers and operations
- Considered and approved the FY 2023/24 and FY 2024/25 budget following review of progress against the prior year budget
- Approved the Annual Report, interim and full/half-year results presentations
- Considered and approved the Group's going concern and viability statements
- Considered and approved dividend payments
- Considered and assessed the efficacy of the Group's capital allocation model

Strategy review

Stakeholders considered: Communities, Shareholders, Colleagues

- Received regular updates from the CEO on progress executing the Group's strategy, to become a leading environmental and energy transition consultancy, including reviews of the market and updates on investor relations
- Reviewed progress against the 2022-27 five-year plan. Carried out strategy reviews of the businesses within the Group
- Oversight of M&A activity: including updates on acquisition and divestiture activities at each scheduled board meeting
- The board continues to prioritise investment on decarbonisation and the net zero agenda with a focus on electrification and hydrogen, whilst continuing to support the transition away from fossil fuel-based internal combustion engines. The board plans to achieve this through a combination of organic growth and a programme of focused acquisitions
- The board considers that this renewed focus on strategy will positively impact all of our stakeholders and the long-term health of the business

M&A

Stakeholders considered: Clients, Communities, Shareholders, Colleagues, Suppliers and partners

- Received updates on the progress made to become a leading environmental and energy transition consultancy and to prioritise investment on the decarbonisation and net zero agenda and ensured that the Group's stakeholders were considered during this process
- Considered and assessed each of the Group's M&A activities where board approval was required
- Received regular updates on integration progress in respect of previous acquisitions into relevant business units to drive synergy savings and expertise

Governance and ethics

Stakeholders considered: Clients, Communities, Shareholders, Suppliers and partners

- Established a clear framework for the RBC ensuring the promotion of long-term environmental, social, health and safety, and governance matters
- Reviewed and approved the appointment of an external third-party board evaluation to build upon the agreed deliverables of the 2023 internal board evaluation. The conclusion of the board evaluation is still pending at the point of publishing
- Reviewed and approved the matters arising to the board
- Received updates on ongoing litigation matters and key legal and regulatory topics
- Received updates on the ethics and compliance programme and reviewed concerns raised through the Group's confidential Speak Up helpline

Key to board activity

Clients · Communities · Shareholders · Colleagues · Suppliers and partners

Corporate governance statement continued

Overseeing the Group's culture

Purpose and culture

The board is committed to maintaining an open and ethical culture at Ricardo and believes this is of significant importance to the success of the Group. Our Code of Conduct and our values – Create Together, Be Innovative, Aim High and Be Mindful – provide the framework within which we expect all of our employees to operate ethically and with integrity and provide solutions for our clients and other stakeholders.

Our purpose is to enable our clients to solve the most complex and dynamic challenges to help achieve a safe and sustainable world. Our values focus on the right behaviours to support our vision and purpose:

Create together **Aim high**

Be innovative **Be mindful**

The board and culture

The board has continued to consider the culture at Ricardo and the activities of the board during FY 2023/24, which includes:

- Engaging with employees at Meet and Greet board events
- Employee engagement workshops led by Malin Persson, which are discussed and reviewed in the Responsible Business Committee
- Reviewing the feedback from the annual Group employee engagement survey
- Regular reviews with the Group People Director to understand employee retention and the reasons why employees join and leave the Company
- Regular reviews of ethics cases reported to the Company's confidential Speak Up helpline
- Reviews of the Company's diversity, equity and inclusion programme
- Reviews of feedback from clients and suppliers including through Voice of the Client and feedback from the annual client engagement survey

Board effectiveness

Informed decision making

The Chair is supported by the General Counsel and Company Secretary in ensuring the dissemination of accurate, timely and clear information to the board, allowing it to function effectively and efficiently. The General Counsel and Company Secretary is responsible for compliance with appropriate laws and regulations and is available to support all of the Directors. Directors may solicit independent professional advice at the Company's expense where specific expertise may be required to effectively discharge their duties. The board has undertaken Directors training sourced through its legal external advisors to ensure that their skill set remains relevant for the Group's activities. The board includes the CEO and the CFO as Executive Directors who are directly responsible for business operations. The Non-Executive Directors use their independent and objective judgement in making informed board decisions.

Training and development

The development of Directors is essential to Ricardo, and new Directors receive a formal induction plan ensuring access to the business leadership team. The General Counsel and Company Secretary works closely with the Chair to understand any specific training requirements. In FY 2023/24, two formal training sessions were held, focusing on Directors' roles and responsibilities and horizon scanning.

Board evaluation

An effective board is critical to the success of Ricardo. To ensure that the board continues to operate as effectively as possible, this year the board undertook an external evaluation of its capabilities carried out by Board Alchemy and facilitated by the General Counsel and Company Secretary. In summary, it was concluded that notwithstanding the extent of change, the board and its committees operated effectively. The retirements from the board have provided an opportunity to review and revise board composition to support the strategic growth goals of Ricardo. In line with the values of Ricardo it was noted that the meetings were chaired in an inclusive way, enabling open discussions.

The evaluation made several minor suggestions, and some specific recommendations which are now being taken forward by the board of which the most significant were:

1. To continue providing opportunities for board members to build upon relationships given the changes in the past 12 months
2. To continue the focus on ethnic diversity for future Non-Executive Director recruitment
3. To ensure board discussions continue to strike the right balance between driving short-term performance and longer-term strategy

In response, the Nomination Committee will continue to evaluate diversity of skills on an annual basis and address any gaps through training or recruitment opportunities.

Workforce engagement activity

The Company activity for workforce engagement is part of a programme to establish meaningful and regular dialogue with the workforce to capture key insights and bring the employee voice into the boardroom; the programme supports the requirement of the UK Corporate Governance Code in this area.

Corporate governance statement continued

Workforce engagement activity continued

Malin Persson is the board member responsible for workforce engagement and was appointed to this role in September 2020. The board recognises the importance of having clear lines of communication with the workforce and is pleased with how the Workforce Engagement Director continues to strengthen these links and the role that she plays in doing so. Ricardo promotes a transparent feedback culture which it believes facilitates growth for both employees and the Company.

The workforce engagement activities undertaken in FY 2023/24 were varied and included the following:

- Members of the board meeting with senior leadership teams of the business units at board dinners
- Members of the board presenting at business unit senior leadership team meetings
- Members of the board presenting at the Company's leadership conference and awards ceremony
- Malin Persson attended the Company's DEI forums for fireside chats. It is planned that Mark Clare will be invited to similar sessions in FY 2024/25
- Malin Persson conducting on-site workshops with employees at various business locations
- The board being kept updated on feedback received from the Group employee engagement survey
- The board receiving regular feedback from those Directors who had taken part in workforce engagement activity throughout the year

Board Connections experience

"It was good to know that the higher management wants to understand more about their business from junior employees who recently joined. We were asked questions on favourite part of working with Ricardo, what the company can improve on and if we see ourselves working here in the long run. It was nice to know that our opinions and voices matter too."

Shaifali Sood, Analyst Consultant

Board composition

As at 30 June 2024, the board had seven Directors – following the departure of Laurie Bowen in May 2024 – comprised of four Non-Executive Directors, in addition to the Chair and two Executive Directors. The charts on pages 86-87 and the table to the right provide details of each of the Directors, as well as some information on gender and nationality split and also on overboarding scores. There were no related party transactions involving any board member in FY 2023/24.

Board changes

Ian Gibson retired from the board at the end of September 2023, with Judith Cottrell joining the board on 1 July 2023 as Chief Financial Officer. Laurie Bowen retired from the board on 31 May 2024. Jack Boyer retired from the board on 31 July 2024. Bill Spencer announced his retirement from the board and will stand down following the AGM in November 2024.

Ricardo welcomed Carol Borg to the board on 1 July 2024, and looks forward to welcoming Sian Lloyd Rees on 1 October 2024.

Directors' overboarding scores[1]

	Number of board members	Percentage of the board
1 mandate	2	25%
2 mandates	1	13%
3 mandates	3	36%
4 mandates	—	— %
5 mandates	1	13%
6 mandates	1	13%

(1) Based on the 2021 ISS Guidance, which classifies any person with more than five mandates at a listed company as being overboarded. A Non-Executive Directorship counts as one mandate, a Non-Executive Chairmanship counts as two mandates and a position as an Executive Director (or comparable role) counts as three mandates.

Board representation[1]

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number of executive leaders	Percentage of executive leaders
Sex/gender representation					
Men	5	75%	2	6	55%
Women	3[2]	25%	2	5	45%
Not specified/prefer not to say	—	—	—	—	—
Ethnicity representation					
White British or other White (including minority-white groups)	8	100%	4	10	89%
Mixed/Multiple Ethnic Groups	—	—	—	—	—
Asian/Asian British	—	—	—	1	11%
Black/African/Caribbean/Black British	—	—	—	—	—
Other ethnic group, including Arab	—	—	—	—	—
Not specified/prefer not to say	—	—	—	—	—

(1) The gender and ethnicity data for the board and other management groups was captured through a combined process of self-report where the data is not already captured in our HR systems.

(2) Laurie Bowen resigned 31 May 2024.

Corporate governance statement continued

Election and re-election of Directors

The Nomination Committee considered a number of factors in considering the election and re-election of Directors, including:

- The tenure and independence of each of the Directors
- The results of the individual evaluation process
- The skills, capabilities and relevant market experience of the Directors
- The other external appointments held by the Directors

Any potential or actual conflicts of interest were also considered which allowed the board to assess if any circumstances are likely to, or could, impair a Non-Executive Director's independence. Following the Nomination Committee's recommendation, the board has concluded that all Non-Executive Directors being recommended for election and re-election are considered to be independent.

Time commitments and external appointments

On appointment, Directors declare external directorships and any actual or potential conflicts of interest and these are reviewed annually by the Committee. Any external appointments are considered and approved by the Chair following careful consideration of the impact on the individual Director's ability to meet the necessary time commitments. The Company reviews and records any conflicts of interest, evidence of any situational or transactional conflicts, and Directors' shareholdings.

Diversity

The board continues to actively encourage the promotion of diversity in its composition as per the recommendations issued by the FTSE Women Leaders Review and the Parker Review.

The FTSE Women Leaders Review has set the following targets for FTSE 350 boards and leadership teams:

- 40% of FTSE 350 board and leadership positions should be held by women by the end of 2025
- FTSE 350 companies should have at least one woman appointed as chair, senior independent director (SID), CEO or CFO by the end of 2025

Although we did not achieve these targets by 30 June 2024, the board is proud to declare that it achieved a 50/50 gender spilt, with the appointment of Carol Borg on 1 July 2024.

The board regrettably has not been able to meet the targets set by the Parker Review, for FTSE 250 companies to have at least one member of the board from an ethnic background. This is a result of limited opportunities to drive personnel change. However, as opportunities arise the board will seek to address this. The board has been kept up to date on the progress made holistically across the Company with regard to DEI and is supportive of the action plan.

Directors' tenure

2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 July 2024

Director	Appointed	Tenure
Mark Clare	November 2022	2 years
Malin Persson	January 2016	8 years
Laurie Bowen resigned May 2024	July 2015	9 years
Bill Spencer	April 2017	7 years
Jack Boyer resigned July 2024	September 2019	5 years
Russell King	September 2019	5 years
Graham Ritchie	October 2021	3 years
Ian Gibson resigned September 2023	July 2013	10 years
Judith Cottrell	July 2023	1 year

Chair Non-Executive Director Executive Director

Nomination Committee report

In my position as Chair of the Nomination Committee, I am pleased to be sharing this year's Nomination Committee report

Mark Clare | Chair of the Nomination Committee

Introduction

During FY 2023/24 the Nomination Committee held two meetings and attendance at those meetings is recorded on page 90. The Committee's work has focused on understanding the executive management succession plan and filling any gaps identified in the current board composition with focused recruitment of new Non-Executive Directors.

The Committee's terms of reference can be found at **www.ricardo.com**.

Composition of the Committee and attendance

In accordance with the UK Corporate Governance Code, the Nomination Committee comprises a majority of independent Non-Executive Directors.

The Committee members and their biographies can be found on pages 86-87. The Group People, Team and Organisation Director regularly attends meetings of the Committee.

Role of the Committee

The Nomination Committee is responsible for corporate governance and succession planning, including leading the process for board appointments and reviewing the appropriateness of the size, structure and composition of the board. The Committee is also responsible for succession planning for senior executives of the Company. In fulfilling its responsibilities, the Committee evaluates the balance of skills, experience, independence and knowledge of the members of the board. The board values diversity in all of its forms and takes this into account when recruiting new board members. The gender balance of the board and those in senior executive roles can be found on page 93.

The key responsibilities of the Committee are:

- Reviewing the structure, size and composition of the board
- Undertaking succession planning for Directors and senior executives
- Evaluating the balance of skills, knowledge and experience on the board
- Leading the process for board appointments and nominating for the approval of the board candidates for appointment as Directors
- Reviewing and refreshing membership of board committees
- Undertaking the annual review of Directors' independence
- Assessing whether Directors are able to commit enough time to discharge their responsibilities
- Reviewing the induction and training needs of Directors

The Committee's performance was assessed as part of the board's internal evaluation, further details of which can be found on page 92. Following the review, the Committee is considered to be operating effectively.

The Committee's full terms of reference can be found at **www.ricardo.com**.

Diversity

The Company takes diversity and inclusion seriously and will look at external set targets as a guideline to ensure it can have the right representation for its workforce and the wider community it serves. Details of the targets achieved are listed on page 94. As a board it is important to note that although there is emphasis on the FTSE Women Leaders Review and the Parker Review, the Company strives to have diversity of thought and representation across a wider spectrum to facilitate its growth. The board is cognisant that the process of driving change will take time but will seize the opportunities as they arise.

Nomination Committee report continued

Activities of the Committee

During FY 2023/24, the Committee's key activities included:

- A detailed review of executive management and senior leadership team talent and succession planning
- A review of the learning and development action plan for key senior individuals across the organisation
- A review of the operating structure of business units and enabling functions to a centralised model
- Considering the independence of each of the Non-Executive Directors and their time commitments
- A review of the right mix of skills and capabilities on the board and the right size of the board to optimise its effectiveness
- Succession planning for the board
- A detailed review with the Group People, Team and Organisation Director on the results from the Group-wide employee engagement survey
- Board effectiveness

Succession planning

The Committee devoted a considerable period of time on identifying the opportunities to enhance the board's strengths and address any gaps through the recruitment process of Non-Executive Directors. The Committee placed emphasis on diversity but did not compromise on candidate requirements. In FY 2024/25, the Committee will focus on finalising its recruitment process for two new Non-Executive Directors.

In line with the requirements of the UK Corporate Governance Code, the Committee can confirm that Lygon Group was the external search consultancy engaged for the appointments referred in the Governance Statement on page 93 and that there is no further connection between the consultancy and the Company or individual Directors. The Committee is clear that any external search consultancy engaged should ensure that the selection process used promotes diversity in all of its forms, together with personal strengths, merit and other objective criteria.

On joining the board, new Non-Executive Directors will undertake a tailored induction process and following the results of the external board evaluation, the Committee will look at any required tailored development programmes for all Directors.

On becoming the Chair of the Nomination Committee on 1 July 2023, I have the privilege of understanding the future requirements of the Company as part of its growth strategy at board, Executive and Senior Leadership Team levels. By building out a robust succession and retention plan, I believe this will set the Company up for more success.

Mark Clare
Chair of the Nomination Committee

10 September 2024

Introducing Carol Borg

Ricardo welcomed Carol as a Non-Executive Director in July 2024

Q What excites you about joining the Ricardo board?

A As someone who has spent over 25 years in the renewable and natural energy sectors, I am excited to be joining the board to share experiences, insights to like-minded individuals as Ricardo moves into a new phase of its strategy, and playing my part in providing oversight, governance and delivering on Ricardo's ambition.

Q You're passionate about sustainability; was this a factor when considering Ricardo?

A Absolutely; it's very important to me that I work with businesses that are aligned with my values and somewhere I could utilise my expertise, so I am excited to be joining Ricardo and helping them on their sustainable ambition.

Q What has your international experience taught you about the importance of diversity?

A Diverse teams bring about diverse ways of thinking and allow us to better represent the communities we serve. I think by embracing diversity and inclusion, we can bring difference into how we think about things and how we deliver. Diversity can also help bring understanding and new points of view so we can get the best results.

Q What have you noticed since you began your induction?

A What is striking is the talented people that we have at Ricardo. A significant percentage of our products and services are people based, and I have been really impressed by the calibre of people I have met in the short time I have been with the board.

Responsible Business Committee report

I am delighted to present the first report on the Responsible Business Committee. We established the Committee in 2023, as part of our commitment to the long-term sustainable success of the Company regarding environmental, social and governance matters

Malin Persson | Responsible Business Committee Chair

During FY 2023/24 the Responsible Business Committee (RBC) held two meetings and attendance at those meetings is recorded on page 90.

The core Directors are supported at the Responsible Business Committee (RBC) meetings by the CEO, CFO, Director of Sustainability, Director HSEQ, and Head of ESG Data. This mix provides the span to ensure all aspects are covered and reported both upwards and downwards. Other attendees, as required, include the Finance Director, Director of Human Resource, and Director of Procurement.

The purpose of the RBC is to assist the board in promoting the long-term sustainable success of the Company with regard to ESG matters specific to the Company.

All Non-Executive board are members of the Responsible Business Committee, as is the CEO and the CFO.

Roles and responsibilities

Developing and overseeing ESG strategy: The Committee plays a key role in crafting and overseeing the Company's ESG strategy, including setting goals, establishing metrics and monitoring progress.

Policy and practice integration: ensures ESG considerations are embedded throughout the organisation, from employee responsibilities, supply chain management to human resources practices.

Stakeholder engagement: facilitates communication with various stakeholders: investors, employees and communities on all ESG initiatives.

Reporting and disclosure: plays a crucial role in ensuring the Company's ESG performance is accurately reported in the Annual Report.

Board oversight: reviews topics and progress, providing insights and recommendations to ensure effective ESG governance.

The span of the Responsible Business Committee's remit is:

Environmental: The Company's climate transition strategy and impact on the environment including greenhouse gas emissions, efficient use of resources, use of renewable energy, land use and biodiversity, and the environmental impact of the Company's suppliers.

Social: The Company's responsibilities towards:

- Employees, including workplace policies concerning safety and wellbeing, engagement, diversity and inclusion and other standards set out in the Company's Code of Conduct
- Engagement with local communities in which the Company operates
- Clients, suppliers and other stakeholders and application of human rights to such stakeholder groups and the Company's operations

Governance: The conduct of the Company's business including business ethics, product governance, security, and the Company's health and safety programme including its performance. The RBC also contributes to external policy disclosures.

Key activities

The priority for the year was to refine the ESG strategy, broaden the span of coverage and ensure it covered all aspects related to governance, environmental sustainability, our people and the community. It was also to set the initial targets for management compensation related to GHG intensity metrics and to provide experience from the Non-Executive board into the ESG Forum and through to the transformation workstream.

Throughout the course of FY 2023/24, the focus turned to developing milestones for GHG reduction, improvement in measurement and monitoring progress along our net zero roadmap. Strong emphasis was on sustainable procurement, improving the transparency in the supply chain due diligence. Also, on filling any deficiencies in policy disclosure on the Ricardo website; ensuring there is adequate governance and reportable metrics in place.

The Committee has continued to highlight the importance of ensuring our ESG activities are understood and that we are able to demonstrate visible policy compliance and support for the objectives.

Responsible Business Committee report continued

Key activities continued

Supply chain performance and transparency was also a focus as Ricardo operates with smaller and unique suppliers that are in the early stages of the journey towards carbon reduction.

There is recognition that we do not have complete transparency in some aspects of the supply base as many of Ricardo's products are homologated and certified for emissions or carefully validated for safety-critical performance.

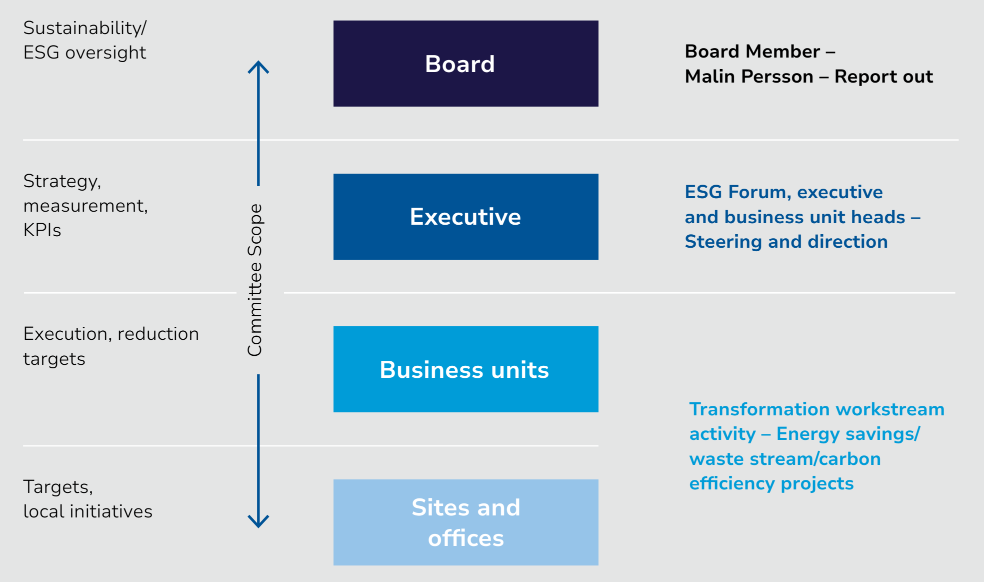
We engage with our clients, looking for every opportunity to reduce carbon while preserving the quality and integrity of our products and services.

A key highlight of the year was the review of the STEM charity engagement (see pages 57-58) where we have supported middle/senior schools, apprenticeships, university and postgraduate development and early career focused charities aimed developing interest in STEM and the transition from education into workplace readiness.

Another key focus for FY 2023/24 was on our safety and accident record and understanding causal factors and changes required to reach our zero-accident performance target.

We have reviewed the integrated safety and accident reporting dashboard that covers all 60 sites worldwide and can see a clear picture of target areas to improve.

Responsible Business Committee



Priorities for FY 2024/25

- SBTi (Science Based Targets initiative) – achievement against target and planning for setting long-term targets with an improved baseline
- Broadening policy coverage and providing transparency to allow outside assessment of our policies and compliance
- Driving GHG reductions from our expanding offerings and locations with a focus on intensity reduction
  Driving a safety culture to reach zero accidents

Stakeholder communication

The four-layer structure has enabled excellent communication throughout the Company and has driven substantial stakeholder engagement across all functions with an ability to participate in sustainability, charity, policy and community-oriented activities. Alignment up through the Executive Committee to the RBC and back has enabled excellent stakeholder communication with ESG-related topics being a regular feature in the 'all-hands' and SLT (Senior Leadership Team) employee briefings.

Malin Persson
Responsible Business Committee Chair

10 September 2024

Audit Committee report

As Chair of the Audit Committee, I am pleased to present the Committee's report for the year ended 30 June 2024

Bill Spencer | Chair of the Audit Committee

Composition

I chair the Audit Committee (the Committee). In line with the requirements of the UK Corporate Governance Code, during the year the Committee also comprised the independent Non-Executive Directors, Laurie Bowen, Malin Persson, Jack Boyer and Russell King. There was no change in membership during the financial year. Following the year end, in July 2024 Jack Boyer resigned from the Audit Committee. I thank Jack for his contributions and insights during his time on the Committee. Following the year-end, Carol Borg joined the board as a Non-Executive Director and became a member of the Audit Committee. I will also be stepping down as Audit Committee Chair when I retire from the board at the AGM in November 2024 and Carol Borg will take over the Chair role.

As the Committee's Chair and as is considered desirable by the Financial Reporting Council's Guidance on Audit Committees, I have recent and relevant financial experience and a professional accountancy qualification.

As set out on page 92, the performance of the Audit Committee has been evaluated and continues to be considered effective.

The Committee convenes four scheduled meetings each year and other ad hoc meetings, as required. Details of attendance at meetings held during the financial year are set out on page 90. The Chair, Executive Directors, the Group's Head of Internal Audit, PwC – the Group's internal audit co-source partners – and the Company's external auditors all have standing invitations to attend all Committee meetings.

Responsibilities and key areas of focus

The Committee is established by, and is responsible to, the board. As authorised by the board, the Committee has obtained all the necessary documentation and information it required from officers or employees of the Company, as well as external professional advice. In order to carry out its responsibilities during the year, the Committee undertook the following activities:

Accounting, tax and financial reporting

- Considered separate reports prepared by the Chief Financial Officer and external auditors on financial reporting and internal control matters as part of the interim review and annual audit processes
- Assessed the results, on behalf of the board, of the application of agreed assumptions to re-confirm the continued operational and financial viability of the Group for a period of five years from the date of this report
- Reviewed the significant financial reporting matters, judgements and estimates, and changes in accounting policies applicable in the preparation of both the Group's interim and year-end consolidated financial statements, prior to submission to the board for approval
- Evaluated the content of the Annual Report and Accounts as a whole and assessed the processes in place to assure its integrity, to advise the board on whether the information presented is considered fair, balanced and understandable, and whether it contains the information necessary for shareholders to assess the Group's position and performance, business model and strategy

Risk management

- Monitored the Group's risk management processes and internal control systems as part of its role on behalf of the board to oversee the Group's approach to risk management and with due consideration to the principal risks and uncertainties facing the Group
- Assessed the Group's risk profile, as well as its appetite for risk on behalf of the board, and evaluated the effectiveness of the Group's risk management and internal control systems, together with the policies and procedures in relation to ethics, speaking up (whistleblowing), fraud and bribery prevention
- Monitored the key risks to the Group in respect of data and cyber security and evaluated the effectiveness of its control environment

Audit Committee report continued

Responsibilities and key areas of focus continued

Internal controls

- Considered significant matters arising from internal audits performed during the year, evaluated the effectiveness of the internal audit function, and reviewed the scope and available resource for the internal audit plan in the following year to ensure that it is appropriate

External audit

- Reviewed the scope and planning of the external audit, and evaluated the external auditors' remuneration, effectiveness, independence and objectivity, including consideration of the provision of non-audit services

Significant financial reporting matters

The Committee considered the following significant financial reporting matters, judgements and estimates in approving the Group financial statements for the year ended 30 June 2024. Following discussions with senior management and the external auditors, the Committee approved the disclosure as set out in Note 1(d) to the Group financial statements.

Carrying value of intangible assets

The issue: Intangible assets receive careful attention from the board and Committee, who need to be satisfied that their carrying value is appropriate.

The role of the Committee: The board and the Committee considered the appropriateness of the cash generating units (CGUs) for goodwill testing. In addition, they reviewed and challenged the assumptions made by management, at both the half year and the full year, which underpinned the impairment review, including the FY 2023/24 forecast, the FY 2024/25 budget and the five-year plan.

Comments and conclusions: Following the impairment review at year end, the board and the Committee concluded that no impairment charges were necessary.

Revenue recognition on fixed-price contracts

The issue: The Group recognises a significant proportion of its consulting revenue from the supply of services under fixed-price contracts, which may span a number of reporting periods. Changes in these estimates, including the recognition of contingency to guard against project risk, may impact revenue recognition and the actual outcome may differ to the estimate made at the reporting date. The identification and separate accounting of distinct performance obligations within the context of a contract is a critical judgement in recognising revenue, as set out in more detail in Note 1(d) to the Group financial statements.

The role of the Committee: A summary of the judgements and estimates taken by management, including the assessment of distinct performance obligations and the methodology to calculate contingency, to assess the extent to which these contract assets are recoverable, was reviewed by the Committee at the February and September meetings.

Comments and conclusions: The Committee is satisfied that the Group's policies and procedures have been followed to reflect management's best estimate of revenue recognised at the reporting date and that no individual judgement or estimate is expected to have a materially different outcome.

Specific adjusting items

The issue: The Group presents specific adjusting items in the income statement which include the amortisation of acquired intangibles, costs relating to major restructuring programmes, acquisition-related expenditure and other items which are deemed to be significant or non-recurring in nature. The treatment and disclosure of such items is critical to allow stakeholders to fully understand the performance of the Group.

The role of the Committee: The Committee reviewed the papers presented to the board detailing the nature and composition of the specific adjusting items. The Committee challenged the nature and the amount of the items and evaluated the disclosures made in respect of the items.

Comments and conclusions: The Committee is satisfied that the items have been presented consistently and are in accordance with the Group's policy. The Committee is comfortable that the enhancements made to the disclosure of such items presents the Group's results in a transparent manner. After reviewing the Annual Report and Accounts, the Committee is satisfied that the reported and underlying results are given equal prominence throughout the document.

Defined benefit pension obligation

The issue: The Company operates the defined benefit Ricardo Group Pension Fund (RGPF). The accounting basis of the RGPF is exposed to changes in the value of its assets and liabilities. Economic uncertainty has continued to drive volatility in markets and the value of the scheme's assets and liabilities. The liabilities of the RGPF are also sensitive to changes in actuarial assumptions, on which management takes professional advice. Further detail is set out in Note 32 to the Group financial statements.

The role of the Committee: The Committee reviewed the papers presented to the board at the February and September meetings and considered the impact of the changes in assumptions on the pension obligation.

Comments and conclusions: The Committee is satisfied that the assumptions were reviewed by senior management and that the value of the RGPF's liabilities reflects the best estimate at the reporting date.

Financial Reporting Council's (FRC) Request for Information

In May 2024, a Request for Information in respect of the financial statements for the year ended 30 June 2023 was received from the FRC. This related to the disclosures made regarding derivatives and the impairment of non-financial assets. The observations have been considered by the Directors, resulting in the reclassification of a £4.2m non-cash movement in derivatives from financing cash flows to operating cash flows in the FY 2022/23 cash flow statement. The Directors are satisfied that other relevant disclosures are appropriate in the Annual Report and Accounts for the year ended 30 June 2023.

Audit Committee report continued

Significant financial reporting matters continued

Financial Reporting Council's (FRC) Request for Information continued

The review conducted by the FRC was based solely on the Company's Annual Report and Accounts to 30 June 2023. The FRC's review does not provide any assurance that the Company's Annual Report and Accounts to 30 June 2023 are correct in all material respects; the FRC's role is to consider compliance with reporting requirements, not to verify the information provided.

Internal audit

The internal audit function is accountable to the Committee and is considered to be an effective function as part of the Group's approach to risk management.

During the year, we have continued our co-source internal audit arrangement with PwC whilst expanding our in-house capabilities. Business unit audits are typically performed by the in-house team, with geographic support from PwC, where required. PwC was also engaged to carry out Group-wide audits of key functional areas. The co-source arrangement with PwC has given the Group access to specialist internal audit staff for deployment on higher risk, more complex audits and independent subject matter expertise. Responsibility for the internal audit process and setting the internal audit plan has remained with the Group's Head of Internal Audit, who has independently reviewed and scrutinised the work performed by PwC. The approach ensures independence in the internal audit process and combines external experience with the sharing of best practice around the Group.

All internal audit reports submitted during the year were reviewed by the Committee, and the status of each remedial action is tracked to completion to ensure appropriate resolution. The Audit Committee meets with the Group's Head of Internal Audit without the presence of management. The Committee also monitored the effectiveness of the Group's internal audit function including the approval of the scope and resources required to carry out work to be performed and received an external perspective on internal audit development from PwC.

External audit

KPMG LLP were re-appointed for the audit of the Group's results to 30 June 2024 at the Group's AGM on 16 November 2023.

Non-audit services

The board's policy is that the provision of permissible non-audit services may only be undertaken by KPMG in limited circumstances and is subject to a cumulative cap (which prohibits non-audit fees exceeding more than 70% of the average audit fees for the preceding three-year period). In order to remove the possibility of a perceived conflict of auditor objectivity and independence, KPMG has agreed with the Committee that no permissible non-audit services will be provided to Ricardo other than those closely related to the audit of the Group, such as the interim review.

Fees for non-audit services paid to the external auditors during the year were 6.4% of KPMG's audit fee (FY 2022/23: 7.8%). The ratio of audit and non-audit fees and the nature of non-audit fees are disclosed in Note 10 to the Group financial statements.

Given the nature and scale of the services provided by KPMG, the Committee concluded that these services did not cause any concerns regarding KPMG's objectivity or independence.

There are limited instances where Ricardo enters into business relationships or joint arrangements with KPMG to pursue commercial opportunities, either as a prime contractor, sub-contractor or as part of a consortium, with either party or a third party being the project manager. These business relationships are considered acceptable to the extent that they remain immaterial to both organisations and do not compromise the auditors' independence.

Independence and effectiveness

Both the board and KPMG have safeguards in place to ensure the auditors' objectivity and independence cannot be compromised. The Committee supports KPMG in having the necessary professional scepticism in its role. KPMG also provides the Committee with information about policies and processes for maintaining its independence.

The Committee confirms that during the year it has maintained formal and transparent arrangements for considering corporate reporting, risk management and internal control and for maintaining an appropriate relationship with KPMG.

During the year, the Committee carried out its annual effectiveness review of the external auditor, which primarily focused on the 2024 audit. This assessment was completed at the end of the 2024 audit and was based upon KPMG's audit findings and responses to questions from the Committee, together with input from senior management and finance personnel. The Committee also met with the audit partner without management being present. There were no significant findings following the review and it was concluded that the audit process was effective. The Committee recommended to the board that their re-appointment be proposed to shareholders at the 2024 AGM.

Bill Spencer
Chair of the Audit Committee

10 September 2024

Directors’ remuneration report

Part 1 – Remuneration Committee Chair’s overview and annual statement

I am pleased to present the FY 2023/24 Directors’ remuneration report

Russell King | Chair of the Remuneration Committee

Dear Shareholder,

The Remuneration Committee’s decisions during the year have been taken in the context of sound performance which was in line with the board’s expectations. Revenue from continuing operations increased by 7% and underlying profit before tax from continuing operations grew in line with guidance by 9% to £30.5m. The financial year was marked by a strong recovery in profit in the second half of the year following the successful and accelerated implementation of the new operating model. Net debt decreased to £59.6m despite the cash cost of earn out payments relating to the acquisitions of Aither and E3M which have both been fully integrated into the Group and have performed well. Our end of year order book is also robust. The board has been particularly impressed by the management of both working capital and costs to improve cash flow.

Shareholders will be asked to approve a final dividend of 8.9p per share in addition to the interim dividend paid in April 2024 of 3.8p.

The first year of the new Directors’ Remuneration Policy

At the 2023 AGM, the board sought approval for a new Directors’ Remuneration Policy (the Policy). The new Policy introduced a one-off ‘Accelerator’ share award for each of the Executive Directors under the Long Term Incentive Plan (LTIP) equal to 100% of their respective salaries at grant. Following approval of the Policy, these awards were granted, alongside the usual ‘Core’ awards, subject to performance targets linked to EPS performance and continued service over a three-year period. The target range for the ‘Accelerator’ awards aligns with the strategic growth target of doubling operating profit and awards will vest in full only if we achieve a superior level of EPS performance or ‘stretch’ which is 12% ahead of this strategic growth target. The share ownership requirement for the Chief Executive Officer was also increased to 250% of salary.

We embarked on an extensive engagement exercise with our largest investors on the Policy well before the 2023 Annual General Meeting. We received positive feedback from most respondents and we modified the final proposals in light of the constructive comments received.

There were, however, differing views and hence 22.9% of votes were cast against the Policy and 20.2% against the amendments to the LTIP. After the AGM we followed up with the few investors who chose to vote against the resolutions. The board remains satisfied that the new Policy supports our growth strategy as well as Ricardo’s style and approach. Further details on the results of the AGM are available on page 105.

Pay outcomes during the year

Base salary

The Remuneration Committee increased the base salaries of the Chief Executive Officer and the Chief Financial Officer by 3% from 1 January 2024. The Chair’s fee was also increased by 3%. The salary increases for employees across the Group averaged 5% for the financial year.

Annual bonus

Three financial measures underpin the annual bonus and they are Group underlying profit before tax (with a weighting of 40%); value added turnover (20%); and cash conversion (20%). The remaining 20% of bonus is assessed on the basis of achievement against specified individual objectives. The details of the targets and performance against them are shown on page 113. Performance in respect of underlying profit before tax was between target and maximum; value added turnover performance was below the threshold level; and adjusted cash conversion was excellent and well above the maximum. As a consequence, and when combined with the Remuneration Committee’s assessment of performance against the personal objectives set at the start of the year, the bonus payments were 58% and 59% as a percentage of maximum for the Chief Executive Officer and the Chief Financial Officer respectively (or 72% and 59% of salary respectively). One third of the bonus payments will be deferred into share awards which will vest after a three-year period. The Committee took the view that these outcomes were in line with overall underlying Group performance and that no discretion was required to make any adjustment.

Directors' remuneration report continued

Part 1 – Remuneration Committee Chair's overview and annual statement continued

Pay outcomes during the year continued

FY 2022/23 cash flow restatement

The impact of the reclassification of the non-cash movement in derivatives from financing cash flows to operating cash flows in FY 2022/23 had no impact on the FY 2022/23 bonus payouts.

The vesting in FY 2023/24 of the 2020 LTIP awards

The LTIP awards that vested in November 2023 were made in 2020 in the midst of the pandemic and as a result the share price at that time was significantly lower than the share price when the LTIP awards were made the year before. Neither Graham Ritchie, as Chief Executive Officer, nor Judith Cottrell, as Chief Financial Officer, received a 2020 LTIP award, having joined in 2021 and 2023 respectively.

The adjusted EPS for the year was 33.0p and the target range for the LTIP awards was 25.4p to 37.6p. The vesting outcome in respect of the EPS was therefore 68%. Over the three-year performance period, Ricardo was ranked between the median and the upper quartile of the TSR comparator group. As a result, 73.9% of the shares linked to Ricardo's TSR performance over the period vested. Ricardo's TSR over the period was 42.1% against a median of 18.8%. The overall vesting outcome was 70%, taking into account the weighting of the measures. EPS accounts for two-thirds of the weighting and relative TSR one-third. Following the assessment of performance conditions, the Committee exercised its discretion, in light of the extent of the fall in the share price between 2019 and 2020, to reduce the vesting levels of the 2020 LTIP awards by 10 percentage points – see page 114.

Ricardo's employees and incentives below the board

Ricardo is fortunate to have 3,000 highly skilled employees who every day do extraordinary work to support our clients.

The Chief Executive Officer has discretion, within parameters agreed by the Committee, to nominate annually key colleagues for share awards on a non-hierarchical basis. The number of participants in the LTIP and Ricardo's other share-based pay arrangements is constantly under review but at the moment over 100 employees hold share awards granted to them on a discretionary basis.

About 100 of Ricardo's most senior employees below the board were granted awards under the Ricardo three-year Profit Sharing Scheme which was introduced at the start of the financial year. Profit-related cash payments will be distributed based on annual performance and subject to Ricardo exceeding our stretch goals for the year and delivering absolute profit which aligns to our 'above stretch' targets. The cash payments are capped as a percentage of salary with the maxima ranging from 10% to 120% of salary and are determined at the end of the three-year period.

Women currently make up 29% of our UK employees and, although they remain under-represented in leadership roles, the Ricardo Group has made significant progress and, at the time of publishing, there are five women in the executive team of 11 in total. The Ricardo Group continues to strive towards a more diverse workforce and an even more inclusive culture. The Group is introducing a new job architecture and reward framework which will not only enhance the management of internal equity and external competitiveness but also career development and talent attraction and retention.

The Remuneration Committee members are well informed about and involved in the engagement of Ricardo's employees. Malin Persson, who sits on the Remuneration Committee, leads the work of the board on workforce engagement – see pages 92-93 – and is well placed to answer any questions about how executive remuneration aligns with wider Company pay policy.

The operation of the Policy in FY 2024/25

The operation of the Policy in FY 2024/25 is set out in detail on page 121. In short, the LTIP performance measures will remain the same – EPS, relative TSR and an ESG measure. The Committee is reviewing the approach to the ESG measure and target setting to ensure that it is fair and also stretching. Details of the ESG measure and targets will be published via RNS once they have been approved by the Committee and communicated to the LTIP participants. The details of the EPS target range can be found on page 122. The EPS range fully aligns with our five-year plan to double operating profit.

Conclusion

I hope you will support the Directors' remuneration report. If you have any questions or any comments on the Directors' remuneration report, please do contact me through Harpreet Sagoo, Ricardo's Group Legal Counsel and Company Secretary, at Harpreet.Sagoo@ricardo.com.

Russell King
Chair of the Remuneration Committee

10 September 2024

Directors' remuneration report continued

Part 1 – Remuneration Committee Chair's overview and annual statement continued

Summary of the key elements of Executive Directors' pay in FY 2023/24

The following table provides a summary of the key elements of Graham Ritchie's (CEO), Judith Cottrell's (CFO) and Ian Gibson's (former CFO) pay in FY 2023/24.

Base salary	• CEO: £498,623 (from 1 January 2024) • CFO: £375,950 (from 1 January 2024) • Former CFO: £365,815 (from 1 January 2023)
Other benefits	• Company car allowance: £12,000 • Private fuel • Private medical insurance • Life assurance
Pension	• 7% of salary (over lower earnings limit)
Annual bonus with deferral of one-third of any bonus earned	• Maximum opportunity of 125% of salary (CEO) and 100% of salary (CFO) • Based on PBT (40%), value added turnover (20%), adjusted cash conversion (20%), and personal targets (20%) • One-third of any bonus to be deferred into shares for three years
Long Term Incentive Plan shares[(1)]	• Share awards with a face value of 150% and 130% of base salary were granted to the CEO and CFO, respectively[(2)] • A one-off 'Accelerator' LTIP award was also granted in 2023 equal to 100% of salary for both the CEO and CFO, bringing the maximum opportunity up to 250% of base salary for the CEO and 230% for the CFO[(3)]
Share ownership and retention policy	• In-post: a minimum of 250% of base salary for the CEO and a minimum of 200% of salary for the CFO • Post-cessation of employment: a minimum of 250% (CEO)/200% (CFO) of salary (or holding at cessation if lower) for the first 12 months and half of this for the second 12-month period • Net value of 50% of vested shares under LTIP/DBP to be retained until holding requirement met • Year-end holding for Graham Ritchie was 70% of base salary[(4)] • Year-end holding for Judith Cottrell was 22% of base salary[(4)] • Shareholding for Ian Gibson was 149% of base salary[(5)]

(1) Once vested, the awards granted under the Long Term Incentive Plan will be subject to a holding period of two years and 50% of the vested shares (net of tax) will be retained until the share ownership requirement has been met.

(2) Face value of the 'Core' award of Long Term Incentive Plan shares granted in November 2023 was 150% and 130% of salary for the CEO and CFO respectively. These awards are subject to three-year performance conditions: 60% underlying EPS growth, 30% TSR vs. FTSE Small Cap Index (excluding financial services companies and investment trusts) and 10% achievement of specific ESG targets.

(3) The face value of the 'Accelerator' award of Long Term Incentive Plan shares granted in November 2023 was 100% of salary for both the CEO and CFO. These awards are also subject to a three-year performance condition based on underlying EPS growth above the EPS maximum target applicable to the 'Core' awards.

(4) Calculated by reference to the number of beneficially owned shares, including unvested shares not subject to performance conditions and any vested shares subject to a holding period, both on a net-of-tax basis, a share price of 487.0p per share (2023: 572.0p) and salaries as at 30 June 2024.

(5) Shareholding for Ian Gibson as at 1 April 2024, being the date on which he ceased employment with the Company after stepping down from the board of Directors on 13 September 2023, with percentage calculated by reference to that shareholding, salary at cessation of employment and a share price of 457.0p, being the closing share price on the dealing day immediately preceding the termination date.

Directors' remuneration report continued

Part 2 – Annual report on remuneration

This section of the report explains how Ricardo's Directors' Remuneration Policy, which was approved in November 2023, has been implemented during the financial year ended 30 June 2024. The paragraphs that have been audited in this annual report on remuneration are indicated.

The Remuneration Committee

During the year under review, the Remuneration Committee (the Committee) was chaired by Russell King. The Committee also comprised Mark Clare, Laurie Bowen (until she stepped down from the board on 31 May 2024), Malin Persson, Bill Spencer and Jack Boyer.

The Non-Executive Directors serving on the Committee have no personal financial interest (other than as shareholders) in matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business. Biographical details of the members of the Committee are shown on pages 86-87; details of attendance at the meetings of the Committee during the year ended 30 June 2024 are shown on page 90.

Advisors to the Remuneration Committee

During the year, FIT Remuneration Consultants and Shepherd and Wedderburn (who have been jointly appointed by the Committee following a competitive tender process) provided independent advice on matters under consideration by the Committee and updates on legislative requirements and market practice.

FIT Remuneration Consultants' fees for this work amounted to £56,084 (calculated based on a mixture of fixed fees and time spent). Shepherd and Wedderburn's fees for advising the Committee amounted to £74,160 (also calculated based on a mixture of fixed fees and time spent). Shepherd and Wedderburn also advises Ricardo on the design, implementation and operation of its various share incentive plans. FIT Remuneration Consultants are members of the Remuneration Consultants Group and their work is governed by its Code of Conduct. Shepherd and Wedderburn is a law firm and is regulated accordingly. Having carefully considered all relevant factors and using its judgement, the Committee is satisfied that the advice provided on executive remuneration is objective and independent and that no conflict of interest arises.

The Committee also seeks internal support from Group Human Resources and the Group General Counsel and Company Secretary, as appropriate. The Chief Executive Officer attends the Committee's meetings by invitation and is consulted in respect of certain proposals. The Chief Financial Officer may also be invited to attend meetings to address specific matters. Neither the Chief Executive Officer nor the Chief Financial Officer is consulted or involved in any discussions in respect of their own remuneration.

Voting outcome at AGM

The AGM for the financial year ended 30 June 2023 was held on 16 November 2023. The Directors' Remuneration Policy in operation during the year was approved by shareholders at the 2023 AGM. The results of the votes on the remuneration report and Remuneration Policy are set out below.

	Annual report on remuneration approved at 2023 AGM		Directors' Remuneration Policy approved at 2023 AGM	
Votes[1]	%	Number	%	Number
For, including discretion	97.31	47,457,971	77.12	37,722,908
Against	2.69	1,312,134	22.88	11,191,768
Total votes cast	100.00	48,770,105	100.00	48,914,676
Withheld		149,965		5,394

(1) Excludes withheld votes. A vote withheld is not a vote in law and so is not counted for the purposes of the calculation of the proportion of votes 'for' and 'against' a resolution.

The Committee consulted with our largest shareholders as part of the process for developing the Directors' Remuneration Policy that was voted on at the 2023 AGM. Once again, we would like to thank all shareholders who participated for their constructive feedback and guidance. Although a range of views were received, the responses were generally positive. Following this exercise, and taking into account the feedback received, a number of changes were made to the original proposal. While this amended proposal was approved by a significant majority, the Committee did note the level of votes cast against the resolution to approve the Directors' Remuneration Policy. Following the AGM the Committee engaged once more with all the investors who voted against the resolution to further understand their views. The Committee remains of the view that the Directors' Remuneration Policy remains appropriate for Ricardo and is in the best interests of shareholders. At the same time, the Committee recognises the concerns of some shareholders and that views on pay vary widely. The Committee appreciates the time that shareholders have given to Ricardo on executive remuneration matters and will continue to take their views into account at all times.

Directors’ remuneration report continued

Part 2 – Annual report on remuneration continued

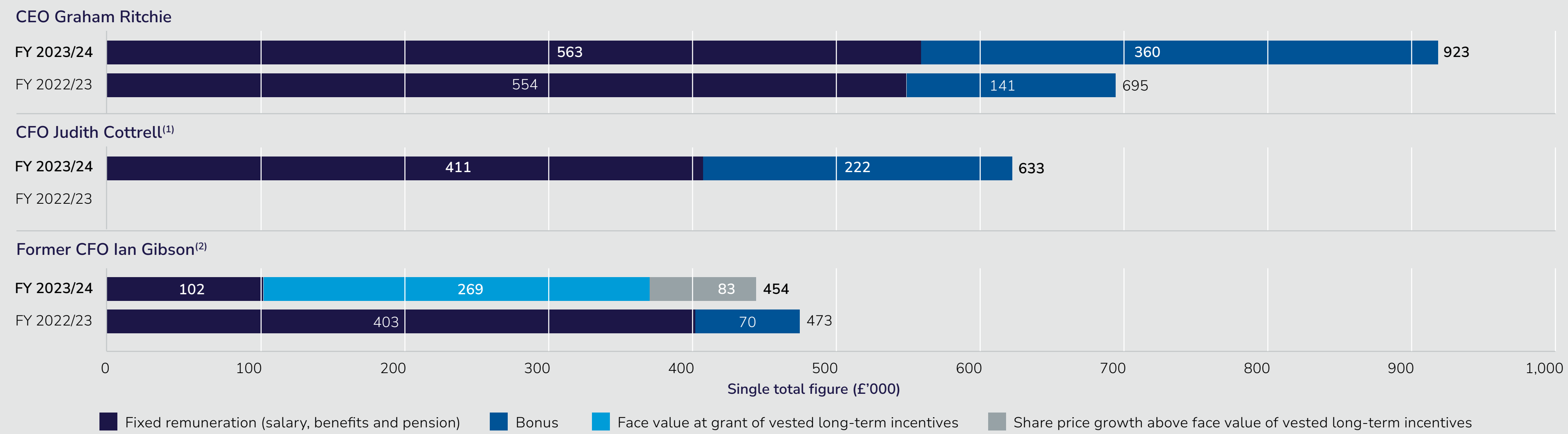
Performance at a glance in FY 2023/24 compared with FY 2022/23

Bonus performance outcomes			Long-term incentive performance outcomes in respect of awards vesting in FY 2023/24	
Underlying PBT (adjusted)	Adjusted cash conversion	Value added turnover	Underlying EPS (adjusted)	3-year TSR growth
£30.5m (FY 2023/24)	**119% (FY 2023/24)**	**£304.5m (FY 2023/24)**	**33.0p[1] for year to 30 June 2023 (between threshold and max vesting level)**	**42.1% (between median and upper quartile to October 2023)**
£26.6m (FY 2022/23)	70%[2] (FY 2022/23)	£291.1m (FY 2022/23)	31.5p for year to 30 June 2022 (below threshold vesting level)	(25.8)% (below median to October 2022)

(1) Adjusted for the disposal of Ricardo Software.
(2) Restated for the impact of the reclassification of a non-cash movement in derivatives. See Note 37 to the Group Financial Statements.

The closing mid-market price of the Company’s shares on 30 June 2024 was 487.0p per share (2023: 572.0p). The highest closing price during the year was 610.0p per share and the lowest closing price during the year was 404.0p per share.

Pay at a glance in FY 2023/24



(1) Judith Cottrell was appointed to the board on 1 July 2023.
(2) The long-term incentive awards granted in 2019 to Ian Gibson lapsed in full in FY 2022/23 respectively. As a result, the face value at grant of this award and any share price appreciation has not been shown in the above table.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Single total figure of remuneration table (audited)

The table below sets out the remuneration received by the Executive Directors and Non-Executive Directors during FY 2023/24.

		Fixed remuneration			Variable remuneration			Totals		
	Financial year	Base salary and fees £'000	Benefits[1] £'000	Pension £'000	Bonus (cash element)[2] £'000	Bonus (deferred element) £'000	LTIP[3] £'000	Total £'000	Total fixed £'000	Total variable £'000
Executive Directors										
Graham Ritchie	**2023/24**	**491**	**38**	**34**	**240**	**120**	**—**	**923**	**563**	**360**
	2022/23	477	44	33	94	47	—	695	554	141
Judith Cottrell[4]	**2023/24**	**370**	**16**	**25**	**148**	**74**	**—**	**633**	**411**	**222**
	2022/23	—	—	—	—	—	—	—	—	—
Ian Gibson[5]	**2023/24**	**91**	**5**	**6**	**—**	**—**	**352**	**454**	**102**	**352**
	2022/23	360	18	25	47	23	—	473	403	70
Non-Executive Directors										
Mark Clare	**2023/24**	**173**	**2**	**—**	**—**	**—**	**—**	**175**	**175**	**—**
	2022/23	113	1	—	—	—	—	114	114	—
Russell King	**2023/24**	**62**	**1**	**—**	**—**	**—**	**—**	**63**	**63**	**—**
	2022/23	60	1	—	—	—	—	61	61	—
Laurie Bowen[6]	**2023/24**	**49**	**32**	**—**	**—**	**—**	**—**	**81**	**81**	**—**
	2022/23	52	65	—	—	—	—	117	117	—
Malin Persson[7]	**2023/24**	**71**	**5**	**—**	**—**	**—**	**—**	**76**	**76**	**—**
	2022/23	60	10	—	—	—	—	70	70	—
Bill Spencer	**2023/24**	**62**	**2**	**—**	**—**	**—**	**—**	**64**	**64**	**—**
	2022/23	60	1	—	—	—	—	61	61	—
Jack Boyer	**2023/24**	**53**	**1**	**—**	**—**	**—**	**—**	**54**	**54**	**—**
	2022/23	52	1	—	—	—	—	53	53	—
Total	**2023/24**	**1,422**	**102**	**65**	**388**	**194**	**352**	**2,523**	**1,589**	**934**
	2022/23	1,234	141	58	141	70	—	1,644	1,433	211

(1) Further information on benefits for the Executive Directors can be found on page 111. The benefits include reimbursement of expenses incurred (including any associated personal tax charges) while travelling for business and committee meetings.
(2) Further details of the annual bonus can be found from page 111.
(3) This column shows the value of shares in respect of the LTIP awards that vested in FY 2023/24. Further details of this, including confirmation of the amount of the vesting value that was attributable to share price appreciation and a summary of any discretions that were exercised, are provided on page 114.
(4) Judith Cottrell was appointed to the board on 1 July 2023.
(5) Ian Gibson stepped down as an Executive Director on 13 September 2023 and ceased employment with the Company on 1 April 2024. Details of his remuneration for the period following 13 September 2023 are disclosed on page 121.
(6) Laurie Bowen stepped down as a Director on 31 May 2024. Her benefits to that date consisted of travel and accommodation expenditure.
(7) Malin Persson's benefits consisted of travel and accommodation expenditure. Malin received additional fees for her roles as Senior Independent Director and Chair of the Responsible Business Committee.
(8) Sir Terry Morgan has been excluded from the table as he was not a Director of the Company during FY 2023/24, therefore the total figure for FY 2022/23 will differ to the figure disclosed in last year's Directors' remuneration report. In FY 2022/23, he received total remuneration of £64,000, split between base salary and fees of £63,000 and benefits of £1,000.
(9) The figures in this table and throughout the report have been rounded so there may appear to be slight inconsistencies between this and some of the other tables in this Annual Report as a result.

Directors' remuneration report continued

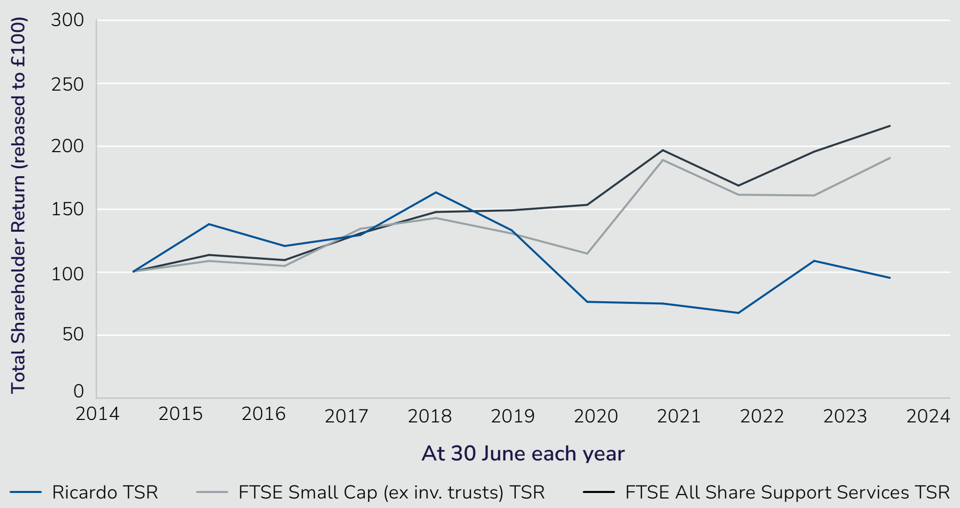
Part 2 – Annual report on remuneration continued

Single total figure of remuneration table (audited) continued

Following the year end, the Committee considered whether there were any circumstances that could or should result in the recovery or withholding of any sums pursuant to the Company's clawback arrangements. The conclusion reached by the Committee was that it was not aware of any such circumstances.

Pay for performance – TSR performance graph and CEO pay history

TSR from the year ended 30 June 2014 to 30 June 2024



The chart above shows Ricardo's TSR performance for the past 10 years against the FTSE Small Cap index (excluding investment trusts). In the Committee's opinion, the FTSE Small Cap index (excluding investment trusts) represents an appropriate index against which the Company should be compared when considering the Company's size. The FTSE All Share Support Services index is also shown for information. The remuneration of the Chief Executive Officer for the same period is shown in the table to the right.

Financial year	Group CEO	Single figure of CEO's total remuneration £'000	Annual variable element award rates against opportunity %	Long-term incentive vesting rates against maximum opportunity %
2023/24	Graham Ritchie	923	58	n/a(1)
2022/23	Graham Ritchie	695	23	n/a(1)
2021/22	Graham Ritchie	692	52	n/a(1)
2021/22	Dave Shemmans(2)	350	18	—
2020/21	Dave Shemmans	813	23	—
2019/20	Dave Shemmans	656	—	—
2018/19	Dave Shemmans	998	25	40
2017/18	Dave Shemmans	1,411	43	74
2016/17	Dave Shemmans	1,612	—	100
2015/16	Dave Shemmans	2,291	63	100
2014/15	Dave Shemmans	1,367	59	67

(1) Graham Ritchie commenced employment with the Group on 1 October 2021 and as a result did not hold any long-term incentive awards that vested during the year.

(2) Dave Shemmans ceased to be a Director on 30 September 2021.

Directors' remuneration compared to employees

The table on page 109 shows the percentage change in the Directors' salary/fees, taxable benefits and annual bonus for each financial year between the year ended 30 June 2019 and the year ended 30 June 2024 compared with the percentage change in each of those components of pay for all employees of the Group on a full-time equivalent basis. Dave Shemmans, former Chief Executive Officer, Mark Garrett, former Chief Operating Officer, and Sir Terry Morgan, former board Chair, have been excluded from the table on page 109 as they were not Directors during FY 2023/24. Details of their percentage change in base salary/fees, taxable benefits and annual bonus are still available in previously published Annual Report and Accounts. For Dave and Sir Terry, please refer to page 159 of last year's Annual Report and Accounts. For Mark, please refer to page 108 of the 2020 Annual Report and Accounts.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Directors' remuneration compared to employees continued

A = Base salary/fees

B = Taxable benefits[1]

C = Annual bonus[1, 2]

	Percentage change in FY 2023/24 compared with FY 2022/23 (%)			Percentage change in FY 2022/23 compared with FY 2021/22 (%)			Percentage change in FY 2021/22 compared with FY 2020/21 (%)			Percentage change in FY 2020/21 compared with FY 2019/20[3] (%)			Percentage change in FY 2019/20 compared with FY 2018/19 (%)		
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
All employees	**5**	**—**	**83**	3	—	(62)	3	—	556	—	—	n/a	3	—	(100)
Executive Directors															
Graham Ritchie[4]	**3**	**(14)**	**155**	35	301	(54)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Judith Cottrell[5]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ian Gibson[6, 7]	**(75)**	**(72)**	**(100)**	3	12	(71)	1	3	403	1	(9)	n/a	3	—	(100)
Non-Executive Directors															
Mark Clare[8]	**53**	**100**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russell King[9]	**3**	**—**	**n/a**	2	n/a	n/a	—	—	n/a	28	(100)	n/a	n/a	n/a	n/a
Laurie Bowen[10, 11, 12]	**(6)**	**(51)**	**n/a**	2	75	n/a	—	n/a	n/a	1	(100)	n/a	3	(39)	n/a
Malin Persson[13]	**9**	**(50)**	**n/a**	2	78	n/a	—	232	n/a	7	(57)	n/a	14	(52)	n/a
Bill Spencer[9]	**3**	**—**	**n/a**	2	n/a	n/a	—	—	n/a	1	(100)	n/a	3	—	n/a
Jack Boyer[9]	**2**	**—**	**n/a**	2	n/a	n/a	—	—	n/a	21	(100)	n/a	n/a	n/a	n/a

(1) A (100)% change shows the relevant element of remuneration reducing to zero from the previous year.
(2) The Non-Executive Directors are not eligible to participate in the bonus scheme. The large percentage change in annual bonus between FY 2020/21 and FY 2021/22 reflects the business recovering from the COVID-19 pandemic.
(3) The reduction in taxable benefits for the Non-Executive Directors reflects a lower level of travel and associated costs compared to the prior year. The change in bonus for Ian Gibson between FY 2020/21 and FY 2019/20 cannot be shown as no annual bonus was paid out in respect of FY 2019/20.
(4) Graham Ritchie commenced employment with the Group on 1 October 2021.
(5) Judith Cottrell commenced employment with the Group on 1 July 2023.
(6) Ian Gibson stepped down from the board on 13 September 2023 and ceased employment on 1 April 2024.
(7) The large percentage change in annual bonus for Ian Gibson between FY 2020/21 and FY 2021/22 reflects that a bonus of 13.7% of annual salary was paid in respect of FY 2020/21. While not included in the table above, as explained on page 112 of the 2022 Annual Report and Accounts, Ian Gibson's cash in lieu of pension contributions reduced with effect from 1 January 2022 from 20% of salary (above the lower earnings limit) to 7% of salary (above the lower earnings limit).
(8) Mark Clare was appointed as a Director of the Company on 17 November 2022.
(9) The year-on-year change in taxable benefits for Bill Spencer, Jack Boyer and Russell King between FY 2021/22 and FY 2022/23 cannot be shown as no taxable benefits were received in respect of the 2021/22 financial year.
(10) The increase in taxable benefits for Laurie Bowen between FY 2021/22 and FY 2022/23 largely reflects an increase in travel and associated costs since the prior financial year.
(11) The year-on-year change in Laurie Bowen's taxable benefits between FY 2020/21 and FY 2021/22 cannot be shown as no taxable benefits were received in respect of the 2020/21 financial year.
(12) Laurie Bowen stepped down from the board on 31 May 2024.
(13) Malin Persson received an additional fee for her role as Chair of the Responsible Business Committee. The increase in taxable benefits for Malin between FY 2020/21 and FY 2021/22 largely reflects an increase in travel and associated costs since the prior financial year.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Pay ratio information in relation to Chief Executive Officer's remuneration

Year	Method of calculation adopted	25th percentile pay ratio (CEO : UK employees)	Median pay ratio (CEO : UK employees)	75th percentile pay ratio (CEO : UK employees)
2023/24	Option A	25 : 1	19 : 1	13 : 1
2022/23	Option A	20 : 1	15 : 1	10 : 1
2021/22	Option A	32 : 1	24 : 1	16 : 1
2020/21	Option A	25 : 1	18 : 1	12 : 1
2019/20	Option A	19 : 1	14 : 1	10 : 1

The median, 25th percentile and 75th percentile figures used to determine the above ratios were calculated by reference to the full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) of all UK-based employees of the Group as at 30 June 2024 (i.e. 'Option A' under the applicable regulations). The Committee selected this calculation methodology as it was felt to produce the most statistically accurate result available to it.

The median ratio of the annual total pay of Graham Ritchie, who served as the Chief Executive Officer throughout year, has increased to 19:1 as a result of the increase in his total realised pay in line with a higher annual bonus payment for the year-ending 30 June 2024. We expect that the ratio in future years will be further affected by the levels of pay-outs under the incentive plans and changes in share price. His first award under the Long-Term Incentive Plan is due to vest during FY 2024/25. His variable pay (both long-term and short-term) also accounts for a significant proportion of the Chief Executive Officer's pay. By contrast, fixed pay accounts for a much higher proportion of total pay for the majority of Ricardo's employees.

The ratios shown for all the quartiles have been calculated on the same basis. We take the view that the median pay ratio which results from Ricardo's desire to pay for performance, to pay competitively and to pay fairly is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole. The Committee reviews the pay of all Ricardo's employees to ensure the alignment of the Executive Directors' pay with pay across the Group.

Pay details (on a full-time equivalent annualised basis where appropriate) for the individuals whose FY 2023/24 remuneration is at the median, 25th percentile and 75th percentile amongst UK-based employees are as follows:

FY 2023/24	25th percentile	Median	75th percentile
Salary	£33,125	£40,639	£65,787
Total pay and benefits	£36,487	£47,729	£69,945

Relative importance of pay spend

The following table sets out the total amounts spent on remuneration for all employees, the dividends declared and other significant distributions to shareholders in FY 2022/23 and FY 2023/24.

	FY 2023/24	FY 2022/23	% change
Total remuneration spend (£m)	**214.8**	206.8	4
Key management remuneration as a percentage of total remuneration spend(1) (%)	**3.2**	3.2	—
R&D expenditure(2) (£m)	**11.3**	14.6	(23)
Distributions to shareholders(3) (£m)	**7.9**	7.4	7

(1) The key management personnel are the board of Directors, together with the Managing Directors who have the authority and responsibility for planning, directing and controlling the Group's activities and resources within the market sectors in which the Group operates. Further details on key management remuneration can be found in Note 31. This measure was chosen in order to give greater context for the scale of key management remuneration within Ricardo.

(2) Further details on R&D expenditure can be found on page 25. This measure was chosen because of the importance to Ricardo's business of developing its R&D portfolio.

(3) The only distributions made by the Company over these years were in the form of dividends.

(4) The prior year distributions to shareholders has been updated to reflect the true-up of the final dividend paid.

Directors’ remuneration report continued

Part 2 – Annual report on remuneration continued

Detailed breakdown of pay in FY 2023/24

Base salary

As described in the policy section on page 126, a number of factors are taken into account when salaries are reviewed, principally: market levels of total pay for comparable roles in companies of a similar size, complexity and sector; the individual’s experience, scope of responsibilities and performance; and the salary increases for colleagues across the Group. The current salary levels for the Executive Directors, which reflect a 3% increase from the previous year, are set out in the table below. The salary for Ian Gibson, former CFO, as at 1 January 2023, has also been included for completeness. The Group-wide average increase approved in FY 2023/24 was 5%.

Executive Director	Salary
Graham Ritchie	£498,623 (from 1 January 2024)
Judith Cottrell(1)	£375,950 (from 1 January 2024)
Ian Gibson (former CFO)(2)	£365,815 (from 1 January 2023)

(1) Judith Cottrell joined the board on 1 July 2023 on a salary of £365,000

(2) Ian Gibson stepped down from the board on 13 September 2023 and ceased employment on 1 April 2024. Details of the actual amount paid to him during FY 2023/24 up until 13 September 2023 is set out in the single total figure table on page 107 and payments over the remainder of the financial year are shown on page 121.

Other benefits (audited)

The Company provides other cash benefits and benefits in kind to its Executive Directors. These include a company car or cash alternative, private fuel, private medical insurance, life assurance and permanent health or disability insurance. The car allowance levels are set at £12,000 p.a. for the Executive Directors.

Non-Executive Directors can recover travel and accommodation expenses for carrying out their duties and do not receive any other benefits. If tax is payable by a Non-Executive Director on expenses received, these may be paid gross of tax.

Pension (audited)

In accordance with the Directors’ Remuneration Policy, the Company operates a defined contribution scheme pursuant to which all UK employees are entitled to receive Company pension contributions. For Executive Directors, the Company’s pension contributions are capped at the maximum payable to the wider UK workforce population (currently 7% of basic salary). The following table provides details of payments made in FY 2023/24.

Executive Director	Employer contributions payable in the year £’000	Cash in lieu £’000
Graham Ritchie	—	34
Judith Cottrell	10	16
Ian Gibson (former CFO)(1)	—	6

(1) Ian Gibson stepped down from the board on 13 September 2023 and ceased employment on 1 April 2024.

Annual performance-related bonus (audited)

Introduction

For the year ended 30 June 2024, the maximum annual performance-related bonus opportunity was 125% of salary for the Chief Executive Officer and 100% of salary for any other Executive Director. To determine the amount of bonus payable for the year, the Committee assessed the level of achievement against the financial measures and targets set in respect of:

- Group underlying profit before tax (40%)
- Value added turnover (20%)
- Adjusted cash conversion (20%)
- The achievement of specified individual objectives (20%)

The choice of these measures, and their respective weightings for each individual, reflected the Committee’s belief that any incentive compensation should be tied both to the overall performance of the Group and to those areas of the business that the relevant individual can directly influence.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Detailed breakdown of pay in FY 2023/24 continued

Annual performance-related bonus (audited) continued

Details of financial targets

Adjusted cash conversion is defined as underlying cash generated from operations (excluding defined benefit pension scheme payments and the impact of derivative accounting) divided by underlying EBITDA. The definition of 'underlying' EBITDA excludes specific adjusting items comprising amortisation of acquired intangible assets, acquisition-related expenditure and reorganisation costs. On-target performance is set at the budgeted adjusted cash conversion, i.e. budgeted underlying cash from operations, adjusted for the items above, divided by budgeted underlying EBITDA. Threshold and maximum adjusted cash conversion targets are calculated based on performance below and above budget respectively.

Value added turnover is defined as revenue (net of pass-through) less external material costs. On-target performance is set at budgeted Group value added turnover. Threshold and maximum value added turnover targets are also calculated based on performance above and below the budget.

The financial targets for FY 2023/24 (details of which are provided on page 113) were set by the Committee after taking into account several factors such as the business plan, management's expectations and brokers' forecasts.

A sliding scale of targets for each financial measure of the Group was also set at the start of FY 2023/24:

Performance achieved	Element payable
Threshold	20%
On-target	50%
Maximum	100%
Between any two performance levels	Sliding scale between the above percentages

Details of personal objectives

The Committee, supported by the Chair of the board in the case of the Chief Executive Officer, and supported by the Chief Executive Officer in the case of Chief Financial Officer and members of the leadership team, set the personal objectives at the start of the year. The Committee usually identifies 'strategic areas' which each Executive Director is asked to focus on and seeks to ensure that all personal objectives are specific, measurable and are indirect drivers of financial performance and value creation. In the past, it has set five to six objectives and weighted them in accordance with their relative importance. From FY 2022/23, the Committee determined that only one of these objectives should be linked to a bonus pay-out for achieving personal objectives. The remainder continue to be assessed as part of the regular performance review programme run by the Nomination Committee. At the end of the year, based on a formal and qualitative assessment of performance against the bonus objective, the Committee decides how well each individual has performed overall.

The objective set by the Committee for the purposes of the bonus plan for the Executive Directors was to: continue to transform the Group's service portfolio in line with the board-approved strategy, delivering the transition from Established Mobility to Environmental and Energy Transition; continue to create an efficient operating model that attracts talent and engagement to deliver growth; and modernise systems and processes laying the foundation of accelerating margin expansion over the five-year plan.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Detailed breakdown of pay in FY 2023/24 continued

Annual performance-related bonus (audited) continued

Committee's assessment of achievement levels and determination of bonuses payable

The following table summarises the bonus outcomes for FY 2023/24. No bonus was paid to the former CFO, Ian Gibson, in respect of FY 2023/24 in light of his cessation of employment on 1 April 2024.

Measure	Weighting (% of maximum opportunity)	Performance required			Actual performance outturn		Pay-out (as % of maximum opportunity)	
		Threshold	On-target	Maximum	CEO	CFO	CEO	CFO
Underlying profit before tax	40	£26.9m	£29.9m	£32.9m	£30.5m	£30.5m	24	24
Value added turnover	20	£308.7m	£324.9m	£341.1m	£304.5m	£304.5m	—	—
Adjusted cash conversion	20	88%	93%	98%	119%	119%	20	20
Personal objectives	20	0%	75%	100%	69%	75%	14	15
Total pay-out (% of maximum opportunity) = (a)							**58**	**59**
Maximum opportunity (% of base salary) = (b)							**125**	**100**
Total pay-out (% of base salary) = (a) x (b)							**72**	**59**

The performance of the Group over the year included a 9% increase in underlying profit before tax to £30.5m (2023: £27.9m). This was between the on-target and maximum range set and therefore the resulting bonus outturn was 60% of the maximum payable for this element of bonus or 24% of the overall bonus maximum opportunity.

The Group value added turnover for the year was £304.5m, which was below the threshold set and so no bonus was achieved for this element.

The Group underlying cash conversion for the year was 119% (2023: 67% (restated)). The Group cash from operations was adjusted by £0.8m to remove pension deficit payments and by £(0.9)m to remove the impact of settlement of derivatives, in line with the Group's bonus principles, resulting in an adjusted cash conversion of 119%. This was well above the maximum of the target range set and hence the bonus outturn for Group adjusted cash conversion was achieved in full.

The Committee carried out a detailed and rigorous review of the achievement of personal objectives and determined that these had been achieved at a level of 69% and 75% for Graham Ritchie and Judith Cottrell respectively.

Examples of performance outcomes against personal objectives are as follows:

Graham Ritchie	Significant progress has been made in creating a more flexible resourcing model in A&I with strong profit momentum being created in H2. In addition, the operating model has been developed to align functional teams across the Group. This creates a more efficient cost base going forward, but more importantly establishes consistent enablers for our growth for our five-year plan. Good progress has also been made in the cultural transition of the business with improved diversity within the executive team, and greater focus on leadership talent, and learning and development across the Group.
Judith Cottrell	Excellent progress has been made in establishing operational and financial reporting to develop a stronger performance management culture. In addition, the operating model has been developed to align functional teams across the Group. This creates a more efficient cost base going forward, but more importantly establishes consistent enablers for our growth for our five-year plan. Cash performance has also been very strong with increased focus on billing and collection across the Group.

One-third (approximately 33%) of the bonus paid to an Executive Director, including former Executive Directors, is deferred into ordinary shares, via the DBP.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Detailed breakdown of pay in FY 2023/24 continued

Long-term incentive awards vesting during the financial year (audited)

Awards granted under the LTIP in November 2020 vested in part in November 2023. The performance conditions applicable to these awards are summarised below:

Relative TSR portion (one-third)		Underlying EPS (two-thirds)	
Relative TSR performance against the FTSE Small Cap (excl. financial services companies and investment trusts)	Vesting level (%)	Underlying EPS (adjusted)[1]	Vesting level (%)
Below median	—	Less than 25.4p	—
Median	25	25.4p	15
Upper quartile (or above)	100	Equal to or greater than 37.6p	100
Between median and upper quartile	Sliding scale between the above percentages	Between 25.4p and 37.6p	Sliding scale between the above percentages

(1) The EPS targets were adjusted for the impact of the Software disposal made during FY 2022/23 which resulted in the EPS targets being 3.1p below the original targets set.

Over the three-year performance period, Ricardo was ranked between the median and the upper quartile of the TSR comparator group, giving a vesting level for this portion of 73.9%. Ricardo's TSR over the period was 42.1% against a median of 18.8% and an upper quartile of 87%. The adjusted EPS for the year was 33.0p, giving a vesting outcome of 68%.

Following the assessment of performance conditions, the Committee considered whether the relevant participants might unduly benefit from a 'windfall gain' on these awards. Taking into account the fall in share price in 2020 at the time the awards were granted (in comparison to the prior year) and the share price movements in the period since, the Committee determined that the vesting levels should be reduced by 10 percentage points.

The following table shows, for Ian Gibson (former Chief Financial Officer), details of the LTIP award granted to him on 27 November 2020 that vested during the year. The Chief Executive Officer and current Chief Financial Officer did not participate in the vestings.

No. of shares originally granted	Date of vesting	% of award to vest as per performance condition assessment	Adjusted vesting % to take account of 'windfall' gains	No. of shares that vested[1]	Value of shares vesting[2]	Amount of vesting value attributable to share price appreciation[3]
126,341	27/11/23	69.97	59.97	75,762	£352,293	£83,473

(1) Following the vesting, the above award became subject to a two-year holding period during which the shares will not be released. The holding period will continue to operate notwithstanding Ian's cessation of employment.

(2) The value shown in this column (which is included in the single total figure table) has been calculated by multiplying the number of shares that vested by £4.65, being the closing mid-market price of a share in the Company on the date such vesting occurred.

(3) The value shown in this column has been calculated by (i) multiplying the grant date face value of the relevant award (as disclosed in previous Directors' remuneration reports) by the above noted adjusted vesting %; and (ii) deducting that amount from the 'value of shares vesting' figure.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Detailed breakdown of pay in FY 2023/24 continued

Long-term incentive awards granted during the financial year (audited)

LTIP awards were granted on 16 November 2023 under the rules of the Ricardo plc 2020 Long Term Incentive Plan to the Executive Directors on the basis set out below. As disclosed in last year's Directors' remuneration report, the Committee approved the grant of 'Core' LTIP awards of 150% and 130% of salary respectively for the Chief Executive Officer and the Chief Financial Officer, and a further one-off award of 100% of salary to each Executive Director, known as 'Accelerator' awards.

'Core' awards granted during the financial year

	Type of award	Basis of award (% of salary)	Number of shares	Face value of award (£)[1]	Threshold level of vesting (% of maximum)	End of performance period
Graham Ritchie	Performance shares[2]	150	161,223	£726,148	25	15 days after release of preliminary results announcement for FY 2025/26 (expected to be September 2026)
Judith Cottrell	Performance shares[2]	130	105,350	£474,496	25	15 days after release of preliminary results announcement for FY 2025/26 (expected to be September 2026)

(1) The face value of the award is based on the average of the share prices over the five days up to and including 15 November 2023 (450.4p).
(2) As the LTIP awards are granted in the form of performance share awards, no 'exercise price' is payable in order to receive any vested shares. This position has not changed since the awards were granted.

The vesting of these 'Core' awards will be based on Ricardo's underlying EPS growth (60%), three-year relative TSR performance (30%) and the achievement of specific ESG targets (10%) summarised in the table on page 116. The relative TSR measure was chosen by the Committee to link the remuneration of Executive Directors to the performance experienced by shareholders and to further align their interests. The underlying EPS measure was chosen to reward sustained profit growth and align with one of our key performance indicators. The Committee chose the weighting between TSR and underlying EPS growth to signal the importance of increasing Ricardo's profitability as measured by underlying EPS and to give the management team a stronger incentive to drive profitable performance which should in turn lead to increased shareholder value. The ESG targets relate to the Company's reduction in carbon emissions (Scopes 1, 2 and 3) intensity and were chosen to enhance the link between Ricardo's ESG strategy and remuneration.

In addition, no part of an award will vest unless the Committee is satisfied that the achievement against the TSR, ESG and underlying EPS performance conditions is a genuine reflection of the underlying performance of the Group over the performance period. The Committee will consider all relevant factors when the awards vest in November 2026 and may reduce vesting levels where appropriate. These factors will include the overall performance of the Company during the period 2023 – 2026, the experience of shareholders since the date of grant and the board's expectations in respect of efficient capital management including, but not limited to, the ratio of debt to EBITDA in light of the Company's strategy for growth, and any other considerations that the Committee deems relevant.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Detailed breakdown of pay in FY 2023/24 continued

Long-term incentive awards granted during the financial year (audited) continued

'Core' awards granted during the financial year continued

Relative TSR portion		Adjusted EPS portion		ESG	
Relative TSR performance against the FTSE Small Cap[1]	Vesting level (%)	Adjusted underlying EPS for the final year in the performance period (FY 2025/26)	Vesting level (%)	Average reduction in intensity of carbon emissions (Scopes 1, 2 and 3)[2]	Vesting level (%)
Below median	—	Less than 38.3p	—	Less than 1 percentage point	—
Median	25	38.3p	25	1 percentage point	25
Upper quartile (or above)	100	Equal to or greater than 50.1p	100	Equal to or greater than 2.5 percentage points	100
Between median and upper quartile	Sliding scale between the above percentages	Between 38.3p and 50.1p	Sliding scale between the above percentages	Between 1 percentage point and 2.5 percentage points	Sliding scale between the above percentages

(1) Excluding financial services companies and investment trusts.
(2) Average reduction in emissions/number of employees, contractors and production during the performance period.

'Accelerator' awards granted during the financial year

	Type of award	Basis of award (% of salary)	Number of shares	Face value of award (£)[1]	Threshold level of vesting (% of maximum)	End of performance period
Graham Ritchie	Performance shares[2]	100	107,482	484,099	0	15 days after release of preliminary results announcement for FY 2025/26 (expected to be September 2026)
Judith Cottrell	Performance shares[2]	100	81,039	365,000	0	15 days after release of preliminary results announcement for FY 2025/26 (expected to be September 2026)

(1) The face value of the award is based on the average of the share prices over the five days up to and including 15 November 2023 (450.4p).
(2) As the LTIP awards are granted in the form of performance share awards, no 'exercise price' is payable in order to receive any vested shares. This position has not changed since the awards were granted.

These awards will vest subject to stretching EPS performance requirement over the three years to 30 June 2026. The targets for these awards are based on delivering an additional 12% above the 'Core' award maximum EPS target with vesting for performance above 50.1p (from 0% on a straight-line basis) and 100% vesting where the final year underlying EPS is 56.2p.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Detailed breakdown of pay in FY 2023/24 continued

Performance target setting and those applying to awards outstanding during FY 2023/24

As shown in previous Directors' remuneration reports, the Committee has a track record of setting stretching underlying EPS targets which are carefully calibrated in light of Ricardo's business plan and market expectations. Full vesting of the shares linked to relative TSR performance only occurs where Ricardo's performance is in the upper quartile of the FTSE Small Cap index (excluding financial services companies and investment trusts).

The EPS performance targets applicable to LTIP awards outstanding during the year are as follows:

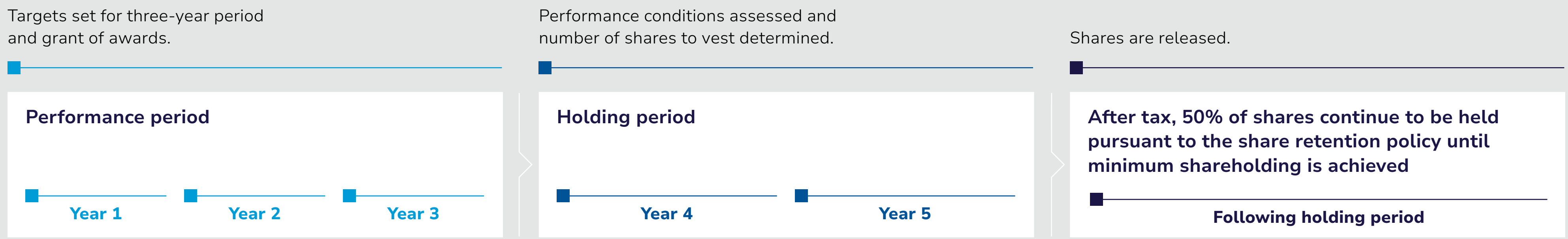
	FY 2020/21[2]	FY 2021/22	FY 2022/23
Threshold vesting[1]	25.4p	29.7p	36.8p
Maximum vesting	37.6p	50.2p	51.0p

(1) 15% for FY 2020/21 and FY 2021/22, and 20% for FY 2022/23.
(2) As adjusted in accordance with the principles for the impact of the Software disposal made during FY 2022/23.

The performance condition applicable to the TSR portion of awards has remained constant through this period and is the same as set out on page 114 for awards granted in the year ended 30 June 2024. The number and value of shares which were awarded to each of the Executive Directors in the year ended 30 June 2024 are set out in the table on pages 115-116.

Directors' interests in shares provisionally awarded under the LTIP (audited)

The following chart sets out in graphical form how the Company's LTIP was operated in FY 2023/24.



For details of the share retention policy, see page 119.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Directors' interests in shares provisionally awarded under the LTIP (audited) continued

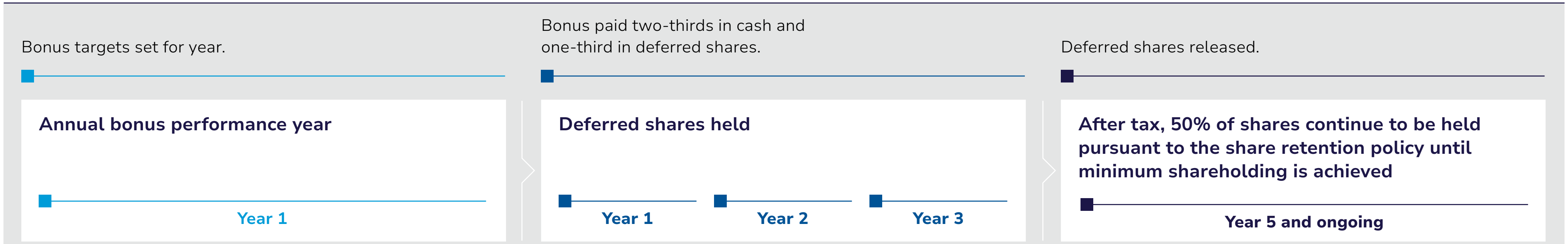
As at 30 June 2024, the Directors' interests in shares provisionally awarded under the LTIP were as follows:

	Award date	Share price at award date in pence	At 1 July 2023	Awarded[1]	Lapsed	Vested	Dividend shares[2]	**At 30 June 2024[3]**	Vesting date	Holding period ends
Graham Ritchie (CEO)	Oct 21	420.00	167,857	—	—	—	—	**167,857**	27/10/2024	27/10/2026
	Oct 22	446.80	157,788	—	—	—	—	**157,788**	06/10/2025	06/10/2027
	Nov 23	450.40	—	161,223	—	—	—	**161,223**	16/11/2026	16/11/2028
	Nov 23	450.40	—	107,482	—	—	—	**107,482**	16/11/2026	16/11/2028
Judith Cottrell (CFO)	Nov 23	450.40	—	105,350	—	—	—	**105,350**	16/11/2026	16/11/2028
	Nov 23	450.40	—	81,039	—	—	—	**81,039**	16/11/2026	16/11/2028
Ian Gibson (former CFO)	Nov 20	354.80	—	—	50,579	75,762	646	**76,408**	27/11/2023	27/11/2025
	Oct 21[4]	420.00	106,728	—	20,176	—	—	**86,552**	27/10/2024	27/10/2026
	Oct 22[4]	446.80	103,336	—	51,999	—	—	**51,337**	06/10/2025	06/10/2027

(1) As set out on page 116, in addition to the usual 'Core' awards, the Executive Directors were also granted one-off 'Accelerator' awards in November 2023. The face value at the date of grant of the awards made in November 2023 can be found on pages 115-116.
(2) Amounts allocated include shares equivalent to dividends on vested LTIP awards subject to a holding period.
(3) The mid-market closing price of the Company's shares on 30 June 2024 was 487.0p per share (2023: 572.0p).
(4) The awards granted to Ian Gibson in October 2021 and 2022 were reduced pro-rata following his cessation of employment with the Company. The reduction will be recalculated following the assessment of the relevant performance conditions.

Directors' interests in shares provisionally awarded under the DBP (audited)

The following chart sets out in graphical form how the DBP was operated during FY 2023/24.



For details of the share retention policy, see page 119.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Directors' interests in shares provisionally awarded under the DBP (audited) continued

As at 30 June 2024, the Directors' interests in shares provisionally awarded under the DBP were as follows:

	Award date	Deferral/ performance period	Share price at award date in pence	Number of provisional shares					
				At 1 July 2023	Awarded[1]	Dividend shares[2]	Lapsed	Vested	At 30 June 2024[3]
Graham Ritchie (CEO)	Oct 22	3 years	446.80	23,205	—	617	—	—	**23,822**
	Nov 23	3 years	450.40	—	10,452	277	—	—	**10,729**
Ian Gibson (former CFO)	Nov 21	3 years	426.80	3,850	—	102	—	—	**3,952**
	Oct 22	3 years	446.80	18,161	—	482	—	—	**18,643**
	Nov 23	3 years	450.40	—	5,198	138	—	—	**5,336**

(1) The face value at the date of grant of the awards made in November 2023 was £23,412 for Ian Gibson and £47,076 for Graham Ritchie.

(2) Amounts allocated include shares equivalent to dividends on provisional deferred award shares.

(3) The mid-market closing price of the Company's shares on 30 June 2024 was 487.0p (2023: 572.0p).

The fees of the Chair of the board and of the Non-Executive Directors

The Chair's fees as of 1 January 2024 and the Non-Executive Directors' fees are as follows:

	£'000
Chair's fee	175
Non-Executive Directors' fees:	
Basic fee	54
Additional fee for Audit, Remuneration and Responsible Business Committee Chairs	9
Additional fee for the Senior Independent Director	9

Share retention policy

Current policy

In order to foster greater alignment of interest between our Executive Directors and our shareholders, the board has operated a share retention policy with the objective that the CEO and CFO will own shares with a value equal to at least 250% and 200%, respectively, of annual base salary with the requirement that 50% of any vested LTIP/DBP shares (net of tax) are held until this is met. In line with the Investment Association's Principles of Remuneration, vested shares subject to a holding period (i.e. vested LTIP awards under the 2020 LTIP) and unvested shares that are not subject to performance conditions (i.e. DBP deferred awards) will count towards this shareholding requirement on a net-of-tax basis.

The retention requirement will continue post-cessation of employment with shares worth 250% or 200% (as the case may be) of annual base salary (or, if lower, the shareholding as at the date of cessation) to be held for the initial 12-month period, and half of this amount required to be held for the second 12-month period. Executive Directors are required to hold shares covered by the post-cessation retention requirements in a nominee structure.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Share retention policy continued

Directors' shareholdings (audited)

The interests of Directors and their connected persons in ordinary shares as at 30 June 2024 (or date of cessation of employment), including any shares provisionally awarded under the LTIP and DBP, are presented in the table below.

	No. of shares held	Share awards not subject to performance conditions[1]	Share awards subject to a holding period	Shareholding for purposes of share retention policy[2]	Shareholding (% of base salary)[3]	Share awards subject to performance conditions[4]
Executive Directors						
Graham Ritchie	53,263	34,551	—	71,575	70	594,350
Judith Cottrell	16,659[5]	—	—	16,659	22	186,389
Ian Gibson[6]	64,713	27,696	75,762	119,545	149	137,889
Non-Executive Directors						
Mark Clare	20,000	—	—	—	—	—
Russell King	5,105	—	—	—	—	—
Laurie Bowen[7]	6,000	—	—	—	—	—
Malin Persson	1,500	—	—	—	—	—
Bill Spencer	10,402	—	—	—	—	—
Jack Boyer	—	—	—	—	—	—

(1) Deferred awards granted pursuant to the rules of the Ricardo plc 2021 Deferred Bonus Plan.

(2) This includes the number of beneficially owned shares, unvested shares not subject to performance conditions and any vested shares subject to a holding period, on a net-of-tax basis (i.e. 53% of the shares shown in the adjacent 'share awards not subject to performance conditions' and 'share awards subject to a holding period' columns).

(3) For Executive Directors only (i.e. those who are subject to the share retention policy). Calculated by reference to the number of shares shown in the adjacent 'shareholding for purposes of share retention policy' column, a share price of 487.0p per share (2023: 572.0p) and salaries as at 30 June 2024, save for Ian Gibson whose percentage was calculated by reference to his shareholding and salary as at termination of employment and a share price of 457.0p, being the closing price on the immediately preceding dealing day.

(4) LTIP awards granted pursuant to the rules of the Ricardo plc 2020 Long Term Incentive Plan.

(5) Judith Cottrell participates in the Company's Share Incentive Plan. 260 of the shares shown in this column were held in the SIP on 30 June 2024.

(6) Shareholding as at 1 April 2024, being the date Ian Gibson ceased to be employed by the Company.

(7) Shareholding as at 31 May 2024, being the date Laurie Bowen stepped down from the board.

At 4 September 2024, the number of shares held by Judith Cottrell had increased to 16,719, meaning that her shareholding for the purposes of the share retention policy was 16,719 and her shareholding as a percentage of base salary was 23%. The interests in shares of the other Directors who were still in office were unchanged from those at 30 June 2024.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Dilution limits

The number of shares that may be issued in any 10-year rolling period will be restricted to:

- 10% of the issued ordinary share capital of the Company in respect of all Ricardo share plans
- (included within the above limit) 5% of the issued ordinary share capital of the Company for Ricardo's discretionary share plans

At the end of the year under review, the Company's overall share plan dilution was 3.73%, all of which related to discretionary share plans. The Company operates an employee benefit trust which has principally been used to facilitate the operation of the LTIP and DBP arrangements. Any new shares issued to the trust are, however, included in the dilution limits noted above.

Executive Directors and their board positions with other companies during FY 2023/24

Executive Directors may, with the prior consent of the board, hold a non-executive directorship with another company. Neither the Chief Executive Officer, nor the Chief Financial Officer, held a non-executive directorship with another company during the period from 1 July 2023 to 30 June 2024 (inclusive).

Payments to past Directors and in respect of loss of office (audited)

As disclosed in the Directors' remuneration report last year, Ian Gibson ceased to be a Director of the Company on 13 September 2023 but remained with the Company for a period to allow for a smooth transition of responsibilities. During the remainder of his notice period, which ended on 1 April 2024, Ian received his salary, pension entitlement and contractual benefits as usual which totalled £202,343. In line with his contractual arrangements, Ian also received a payment of £42,913 in respect of accrued but untaken holidays. Ian received a bonus in respect of financial year ended 30 June 2023 totalling £70,236, a third of which was deferred into shares (further details can be found on page 119). Ian was treated as a good leaver in respect of the awards under the Company's deferred bonus plan and long-term incentive plans.

As set out on page 114, the November 2020 LTIP awards vested in part following the performance condition assessment and the exercise of the Committee's discretion. Details of the vested awards held by the former CEO and former CFO are as follows:

Former Director	No. of shares vested	Value of vested shares[1]
Dave Shemmans (former CEO)	82,658	£384,360
Ian Gibson (former CFO)	75,762	£352,293

(1) The value shown in this column (which is included in the single total figure table for Ian Gibson) has been calculated by multiplying the number of shares that vested by 465.0p, being the closing mid-market price of a share in the Company on the date such vesting occurred.

The vested shares are subject to a two-year holding period and will be released in November 2025.

Implementation of Directors' Remuneration Policy in FY 2024/25

It is anticipated that the implementation of the 2023 Directors' Remuneration Policy (the 2023 Policy) in FY 2024/25 will be broadly similar to that of the implementation of the policy in FY 2023/24.

The Committee will:

- Review base salary levels for the Executive Directors with effect from 1 January 2025
- Set and review the performance targets for the FY 2024/25 annual bonus and the LTIP awards to be made in 2024 to ensure continued alignment to strategy
- Make awards under the Ricardo plc 2020 Long Term Incentive Plan (the 2020 LTIP)
- Make awards under the Ricardo plc 2021 Deferred Bonus Plan (the 2021 DBP)

To determine the amount of bonus payable for FY 2024/25, the Committee will assess the level of achievement against the financial measures and targets set in respect of:

- Group underlying profit before tax (40%)
- Value added turnover (20%)
- Adjusted cash conversion (20%)
- The achievement of specified individual objectives (20%)

Owing to concerns about commercial sensitivity, we do not believe it is in shareholders' interests to disclose any further details of these targets on a prospective basis. However, the Company is committed to adhering to principles of transparency and will, provided disclosure of targets is not then deemed to be commercially sensitive, make appropriate and relevant levels of disclosure of bonus targets and performance against these targets for FY 2024/25.

Directors' remuneration report continued

Part 2 – Annual report on remuneration continued

Implementation of Directors' Remuneration Policy in FY 2024/25 continued

2024 LTIP awards

Last year the Committee determined that, in addition to the usual 'Core' awards, an 'Accelerator' award of 100% of salary would also be granted to each of the Executive Directors. As previously disclosed and as set out in the 2023 Policy, this was a one-off arrangement, meaning that this year the intention is for the grant of LTIP awards to return to business as usual with only 'Core' awards of 150% and 130% of salary to be granted to the Chief Executive Officer and Chief Financial Officer, respectively.

In terms of the performance measures, targets and the different weightings ascribed to them, the Committee believes that TSR, underlying EPS and ESG continue to be appropriate measures for the Company's long-term incentive arrangements as they are strongly aligned to shareholder value creation and the Company's business strategy.

The peer group applicable to the TSR portion of these awards will be the same as those which applied to awards granted last year. Threshold performance (i.e. median ranking in the comparator group, for which 25% of this portion will vest) is generally intended to align with the anticipated performance of the relevant market and our competitors. If the maximum performance is achieved (i.e. upper quartile ranking in the comparator group), we would expect to have significantly outperformed the relevant market and our competitors.

In order to ensure that the target range for the EPS portion of the awards remains challenging in light of market expectations of the Company's underlying EPS performance to the year ending 30 June 2027, the Committee has determined that:

- No part of the underlying EPS portion of these awards will vest if the Company's underlying EPS for the final year in the performance period is lower than 41.6p
- 25% of this portion will vest where the final year underlying EPS is 41.6p
- 100% of this portion will vest where the final year underlying EPS is greater than or equal to 54.9p
- Vesting will take place on a straight-line basis between 41.6p and 54.9p

Where the underlying EPS performance period ends before 30 June 2027 (the final year of the performance period), the Committee retains the discretion to amend these targets and the corresponding vesting levels accordingly.

The Committee has not yet finalised the decision on the ESG measure and the targets. The details will be published once they have been approved by the Committee and communicated to the participants of the LTIP.

It should also be noted that in terms of the 2023 Directors' Remuneration Policy, the Committee will have the ability to adjust the formulaic outcomes from performance conditions where appropriate and the Committee will ensure that outcomes reflect Company and executive performance as well as the experience of shareholders and other stakeholders. In particular, before the awards vest at the end of the three-year performance period, the Committee will apply a supplementary test of the quality of Ricardo's performance and assess the underlying performance based on the board's expectations in respect of, for example, efficient capital management and the ratio of net debt to EBITDA in light of the Company's strategy for growth.

Changes to the board of Directors

As announced on 5 March 2024, Carol Borg has been appointed as a Non-Executive Director from 1 July 2024. William Spencer will step down from the board at the AGM in November and Carol will succeed him as Chair of the Audit Committee. In addition, and as announced on 3 May 2024 and 25 June 2024, Laurie Bowen and Jack Boyer stepped down from the board at the end of May and July 2024 respectively. Finally, as announced on 28 August 2024, Sian Lloyd Rees has been appointed as a Non-Executive Director from 1 October 2024. My thanks go to Laurie, Jack and Bill for their contributions.

The Directors' remuneration report, comprising the Chair's overview and annual statement in Part 1, the annual report on remuneration in Part 2 and the Directors' Remuneration Policy in Part 3, was approved by the board on 4 September 2024 and signed on its behalf by:

Russell King
Chair of the Remuneration Committee

10 September 2024

Directors' remuneration report continued

Part 3 – Directors' Remuneration Policy

Introduction

This part of the Directors' remuneration report provides an overview of the Company's policy on Directors' pay that is designed to align with and support Ricardo's strategic plan and will operate over the three years from the AGM held on 16 November 2023 (the 2023 AGM) until the AGM to be held in 2026 (the 2023 Policy). The previous policy that was approved by shareholders at the AGM held on 12 November 2020 (the 2020 Policy) continued to operate until the 2023 AGM and indeed the 2023 Policy permits the execution of remuneration arrangements that were agreed when the 2020 Policy was in effect. There have been no changes of substance to the text of the 2023 Policy that was approved at the 2023 AGM. We have, however, updated the 'remuneration outcomes' chart on page 130, some of the wording (particularly relating to time) and page references for ease of use. A copy of the originally approved text is in the Annual Report and Accounts 2023, which is also available at **www.ricardo.com**.

The Remuneration Committee – what we do

The Committee's primary purpose is to make recommendations to the board on the Group's framework or broad policy for executive remuneration. The board has also delegated responsibility to the Committee for determining the remuneration, benefits and contractual arrangements of the Chair and the Executive Directors. No individual is involved in deciding their own remuneration.

The Committee has written terms of reference, which are available at **www.ricardo.com**, and its responsibilities include:

- Determining and agreeing with the board the policy for executive remuneration and monitoring and considering the policy for, and structure of, senior management remuneration, taking into account that the ultimate decision-making responsibility for the remuneration of the senior management team (other than the Executive Directors) lies with the Chief Executive Officer
- Agreeing the terms and conditions of employment for Executive Directors, including their individual annual remuneration and pension arrangements, and reviewing such provisions for senior management
- Agreeing the measures and targets for any performance-related bonus and share plans
- Agreeing the remuneration of the board Chair
- Ensuring that, on termination, contractual terms and payments made are fair, both to the Company and the individual, so that failure is not rewarded and the duty to mitigate loss is recognised wherever possible
- Agreeing the terms of reference of any remuneration advisors it appoints

Directors' remuneration report continued

Part 3 – Directors' Remuneration Policy continued

Taking shareholders' views into account

When considering Ricardo's Remuneration Policy and its implementation, the Committee is always keen to ensure that it takes into account the views and opinions of all the relevant stakeholders in the business. In particular, when preparing its policy for approval at the 2023 AGM, the Committee undertook a programme of engagement with the Company's largest institutional investors and their representative bodies in order to better understand their perspective on our previous pay practices and the then proposed policy for 2023-2026.

Through the consultation process, we received valuable feedback and insights from all those we spoke to which directly influenced the final proposals that were submitted for approval. For example, as a result of the feedback received, changes were made to the structure of the performance ranges and enhancements were made to the share ownership guidelines.

In the spirit of continuous improvement and in order to ensure that our Directors' Remuneration Policy continues fully to support achievement of business objectives and delivery of value to shareholders, the Committee will continue to review our policy periodically in the context of the changing business environment. Any material future changes to the policy will be discussed with shareholders in advance.

Consideration of employment conditions elsewhere in the Company

Ricardo does not consult directly with employees on the subject of Directors' remuneration. The remuneration packages for each Executive Director and their fixed and variable elements are reviewed annually. This process (and the setting of the revised Remuneration Policy as a whole) takes into account a number of factors, including the following:

- Individual and business performance
- Pay arrangements for similar roles in other companies and consultancy organisations of Ricardo's size, complexity and international reach
- Risk management
- Pay and employment conditions of employees of the Group

The Committee also looks at the differential between the Chief Executive Officer's pay and Ricardo average employee earnings over time.

Overview of Ricardo's Directors' Remuneration Policy for 2023–2026

The objective of Ricardo's Directors' Remuneration Policy is to support the business strategy and timescales of an international consultancy business by not only rewarding the standard of performance and the outcomes that our shareholders require, but also encouraging share ownership and fostering alignment of interest between the Executive Directors and shareholders. We do this by setting base levels of salaries that are competitive, compared with companies of similar size and complexity to Ricardo, and providing other remuneration package elements, namely the short-term annual bonus plan and long-term incentive arrangement, that only pay for performance. Taken together, our two variable pay platforms focus on growing the profitability of the business, its resilience, the achievement of discrete non-financial targets and linking executive outcomes with the shareholder experience both by delivering rewards in the form of Ricardo shares and also by using a relative total shareholder return performance measure over the longer term.

Changes to the 2020 Directors' Remuneration Policy

The changes to the 2020 Policy were as follows:

- The maximum opportunity under the long-term incentives was amended to incorporate the grant, on a one-off basis in FY 2023/24, of an 'Accelerator' LTIP award equal to 100% of salary to each Executive Director
- The share ownership requirement for the Chief Executive Officer was increased to 250% of salary
- The cash in lieu of pension policy was simplified by the removal of references to legacy pension arrangements

Overview of the decision-making process that was followed for the determination of the new policy

As explained in the Chair's introduction on page 137 of the Annual Report and Accounts 2023, the new 2023 Policy, which shareholders approved at the 2023 AGM, was developed by the Remuneration Committee following a thorough review of the pre-existing executive remuneration arrangements. This also involved the Committee undertaking a consultation exercise with our major shareholders and the Chief Executive Officer and Chief Financial Officer.

In its deliberations, the Committee received support and advice from FIT Remuneration Consultants and Shepherd and Wedderburn, its independent external advisors (see page 105 for details).

Although the Executive Directors provided the Committee with a level of input in relation to the formulation of the new policy, the final decisions around its structure were taken by the Committee alone in order to avoid any conflicts of interest arising.

Directors' remuneration report continued

Part 3 – Directors' Remuneration Policy continued

Corporate Governance

When determining the 2023 Policy, the Committee was mindful of its obligations under Provision 40 of the Corporate Governance Code to ensure that the policy and other remuneration practices were clear, simple, predictable, proportionate, safeguarded the reputation of the Company and were aligned to Company culture and strategy. Set out below are examples of how the Committee addressed these factors:

Clarity

- Remuneration Policy and arrangements are clearly disclosed each year in the Annual Report
- The Company invited its principal shareholders and shareholder representative groups to consult on the 2023 Policy and received good feedback. Changes were made to the proposals following input from this process
- The Committee is regularly updated on workforce pay and benefits across the Group during the course of its activity

Simplicity

- Our remuneration structure is comprised of fixed and variable remuneration, with the performance conditions for variable elements clearly communicated to, and understood by, participants in order to ensure they are effective
- The 2023 Policy received positive feedback from stakeholders for its simplicity

Risk

- The Committee has the power to modify the outcomes under the incentive plans
- Ricardo's variable pay is subject to malus and clawback provisions
- When setting the total pay of the Executive Directors the Committee considers pay ratios with the wider workforce and shareholder returns

Predictability

- The range of possible rewards for the Executive Directors is considered in the scenario charts on page 130
- The Committee has a range of discretions in relation to variable pay awards, new joiners and leavers, which are identified and explained in the Remuneration Policy section

Proportionality

- As shown in the scenario charts on page 130, variable performance-related elements represent a significant proportion of the total remuneration opportunity for our Executive Directors
- The Committee considers the appropriate financial and personal performance measures each year to ensure that there is a clear link to strategy. For example, for FY 2022/23 the value added turnover measure was introduced under the annual bonus
- Discretions are available to the Committee to reduce awards if necessary to ensure that outcomes do not reward poor performance
- The potential payments under the 2023 Policy were tested as a proportion of value created for shareholders and deemed to be good value

Alignment to culture

- The Committee is confident that the incentive schemes, including the one-off changes in FY 2023/24, are aligned with the Company's purpose, values and strategy
- The use of metrics in both the annual bonus and LTIP measure how we perform against our financial and non-financial KPIs

Directors' remuneration report continued

Part 3 – Directors' Remuneration Policy continued

The structure of our Directors' remuneration package – the 2023 policy table

Pay element and link to strategy	Maximum	Operation	Framework for assessing performance
Base salary To provide a core level of remuneration to enable the Company to attract and retain skilled, high-calibre executives to deliver its strategy.	Base salary increases will not ordinarily be more than 10% p.a. with exceptional increases over the normal maximum limit capped at 25% p.a. However, generally speaking, increases will be no higher than salary increases for employees across the Group.	Salary levels are normally reviewed annually in January each year. Pay is set by considering: • Market levels of total pay for comparable roles in companies of similar size, complexity and sector • Each individual Executive Director's experience, scope of responsibilities and performance • The salary increases for employees across the Group Ricardo places a strong emphasis on internal succession planning. This emphasis may mean that talented individuals are promoted rapidly. In such circumstances, the Committee's policy is to set a relatively low base salary initially and then increase this to a market competitive level for the role over time. This may mean relatively high annual salary increases as the individual gains experience in the new role. We will notify shareholders where this is the case.	None
Other benefits To provide market-competitive benefits.	The total value of benefits will not exceed 10% of base salary p.a., save in the case of relocation.	The Company provides other cash benefits and benefits in kind to Executive Directors in line with market practice. These include a company car or cash alternative, private fuel, private medical insurance, life assurance and permanent health and disability insurance. The benefits arrangements are reviewed on an annual basis. The Committee reserves the right to provide further benefits where this is appropriate in the individual's particular circumstances (for example, costs associated with relocation as a result of the Executive Director's role with the Company). Certain other employees are eligible for the same or similar benefits described above depending on their role, seniority and geographical location.	None
Pension To offer market-competitive retirement benefits.	Workforce aligned (currently 7% of salary).	The Company operates a defined contribution scheme (the Pension Scheme). All UK employees are entitled to receive Company pension contributions. For Executive Directors, the Company's pension contributions are at a level that is capped at the maximum amount payable to the wider UK workforce population (currently 7% of basic salary). Executive Directors may only choose to opt out of the Pension Scheme where they are close to or have exceeded the pension lifetime allowance and have applied for fixed protection from HMRC. Under such circumstances, Executive Directors will receive a cash payment in lieu of pension. On death in service, all Executive Directors, subject to the medical requirements of the insurance company, are entitled to a lump sum of four times annual salary at date of death. Early retirement is available with the consent of the Company and the pension scheme trustees if the individual is over 55 or retiring due to ill health.	None

Directors' remuneration report continued

Part 3 – Directors' Remuneration Policy continued

The structure of our Directors' remuneration package – the 2023 policy table continued

Pay element and link to strategy	Maximum	Operation	Framework for assessing performance
Pay for performance: Annual bonus To reward the annual delivery of financial and operational targets.	Maximum opportunity of 125% of base salary for the Chief Executive Officer and 100% of base salary for other Executive Directors.	**Bonuses are awarded by reference to performance against specific targets measured over a single financial year** Two-thirds of any bonus paid to an Executive Director will be paid out in cash shortly after the assessment of the performance targets has been completed. The remaining one third of the bonus will be compulsorily deferred into ordinary shares, the vesting of which is normally subject to continued employment for a three-year period from the award date. The cash element of the bonus is not payable unless the individual remains in employment at the payment date. The principal purpose of this bonus deferral mechanism is to: • Provide for further alignment of executives' and shareholders' interests • Provide an additional retention element • Encourage Executive Directors to build up a shareholding in accordance with our share retention policy Dividends and dividend equivalents for each deferral period may also be paid in respect of shares under award to the extent that shares have vested in the relevant participants. Bonus arrangements exist for certain other employees throughout the Group on terms that are applicable to their role, seniority and geographical location, although typically at lower levels of maximum opportunity to reflect that a greater proportion of Executive Directors' remuneration is performance-based. **Malus and clawback** Annual bonuses (including any element deferred into shares) may be subject to malus and clawback provisions if certain events occur in the period of three years from the end of the financial year to which they relate. These events include the Committee becoming aware of: • A material misstatement of the Company's financial results • An error in the calculation of performance conditions • An act committed by the relevant participant that could have resulted in summary dismissal by reason of gross misconduct or which has caused significant reputational damage to the Group The mechanism through which malus and clawback can be implemented enables the Committee to take various actions including: • Reducing outstanding incentive awards • Requiring a cash payment to be made by participants	The measures and targets applicable to the annual bonus scheme (and the different weightings ascribed to them) are set annually by the Committee in order to ensure they are relevant to participants and take account of the most up-to-date business plan and strategy. A significant majority (at least 50%) of the bonus opportunity will normally be determined by reference to performance against Group KPIs such as: • Underlying profit before tax • Adjusted cash conversion • Value added turnover Any remaining part of an Executive Director's bonus will normally be based on the achievement of personal objectives which relate to delivery of the business strategy. See page 112 for examples. A payment scale for different levels of achievement against each performance target is specified by the Committee at the outset of each year – this ranges from zero for below-threshold performance up to 100% for full satisfaction of the relevant target. Bonus payments will also be subject to the Committee considering whether the proposed awards, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it retains the discretion to adjust the bonus outturn accordingly.

Directors' remuneration report continued

Part 3 – Directors' Remuneration Policy continued

The structure of our Directors' remuneration package – the 2023 policy table continued

Pay element and link to strategy	Maximum	Operation	Framework for assessing performance
Pay for performance: Long-term incentives Performance shares under the Long Term Incentive Plan (LTIP) To focus motivation on the long-term performance of the Group and reward shareholder value creation. To encourage share ownership and alignment with shareholders.	Maximum opportunity of 250% of base salary for the Chief Executive Officer and 230% for other Executive Directors for awards in FY 2023/24. Maximum opportunity drops to 150% of base salary for the Chief Executive Officer and 130% for other Executive Directors for awards in future years.	**LTIP – performance measured over a three-year period** Performance share awards under the LTIP are made on an annual basis to the Executive Directors and a small group of other senior managers. Each year, the Company intends to grant 'Core' LTIP awards equal to 150% and 130% of base salary for the Chief Executive Officer and Chief Financial Officer respectively. In addition, a further one-off 'Accelerator' LTIP award equal to 100% of salary was granted in FY 2023/24 to each Executive Director. From time to time a number of employees below board level are granted non-performance based share awards to reflect exceptional performance. **Holding period** Vesting of awards will generally take place on the third anniversary of grant or, if later, the date on which the performance conditions are assessed by the Committee. Executive Directors' awards that vest will normally be subject to a holding period in terms of which the relevant shares will only be released after a further period of at least two years from the vesting date has expired. **Dividends and equivalents** Dividends and dividend equivalents for each performance/holding period may also be paid in respect of shares under award to the extent that shares have vested in the relevant participants. **Malus and clawback** Long-term incentive awards may be subject to malus and/or clawback provisions if certain events occur after their grant but before the expiry of the period of two years from the end of the relevant performance period. These events include the Committee becoming aware of: • A material misstatement of the Company's financial results • An error in the calculation of performance conditions • An act committed by the relevant participant that has (or could have) resulted in summary dismissal by reason of gross misconduct or which has caused significant reputational damage to the Group The mechanism through which malus and clawback can be implemented enables the Committee to take various actions including: • Reducing outstanding incentive awards • Requiring a cash payment to be made by participants	The vesting of long-term incentive awards is subject to both continued employment and the extent to which performance conditions measured over a specified three-year period are met. The measures and targets applicable to the long-term incentive awards will consist of challenging shareholder return, financial and/or strategic/ESG measures. The particular measures and targets to apply (and the different weightings ascribed to them) will be set annually prior to each grant by the Committee in order to ensure they are relevant to participants, challenging to achieve and take account of the most up-to-date business plan and strategy. Our policy is simply for financial and shareholder return targets to make up at least 50% of awards. A maximum of 25% of each element of an award will vest for achieving the threshold performance target with 100% of the awards being earned for maximum performance (with straight-line vesting between these points). Further details of the performance conditions applicable to awards to be made in FY 2024/25 are set out on page 122. Formulaic outcome of all LTIP performance measures will also be subject to the Committee considering whether the proposed vesting levels, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it retains the discretion to adjust the LTIP outturn accordingly.

Directors' remuneration report continued

Part 3 – Directors' Remuneration Policy continued

The structure of our Directors' remuneration package – the 2023 policy table continued

Pay element and link to strategy	Maximum	Operation	Framework for assessing performance
Chair and other Non-Executive Directors Helps recruit and retain high-quality experienced individuals. Reflects time commitment and role.	The aggregate fees of the Chair and other Non-Executive Directors will not exceed the limit from time to time prescribed in the Company's Articles of Association.	The fees for the Chair and other Non-Executive Directors are set in line with prevailing market conditions and at a level that will attract individuals with the necessary experience and ability to make a significant contribution to the Group's affairs. Non-Executive Directors receive an annual basic fee plus an additional fee for acting as the Chair of the Audit or Remuneration Committee or the Senior Independent Director. The Chair of the board receives an annual fee payable monthly with no additional fees for chairing board committees. They also receive reimbursement for travel and incidental costs (including any associated personal tax charges) incurred in furtherance of Company business.	None

Notes to the 2023 policy table:

(1) Where maximum amounts for elements of remuneration have been set within the 2023 Policy, these will operate simply as caps and are not indicative of any aspiration.

(2) A description of how the Company intends to implement the 2023 Policy set out in the tables on pages 126-129 during the financial year to 30 June 2025 is provided on pages 121-122.

(3) A general overview of how each remuneration element applies to other employees of the Group is included under the relevant section of the policy table.

(4) The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the 2023 Policy (as set out on pages 126-131) where the terms of the payment were agreed

   (i) before 29 October 2014 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect);

   (ii) before the 2023 Policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or

   (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

   For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

(5) The 'framework for assessing performance' column of the tables on pages 126-129 provides information on choosing the particular performance measures and target setting in relation to them.

(6) Ricardo's variable pay may have any performance conditions applicable to the relevant element amended or substituted by the Committee if an event occurs which causes the Committee to determine that an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy. The Committee may make adjustments, where these are fair and reasonable, to measures or targets to take account of, for example, the implications of acquisitions and disposals.

(7) Long-term incentive awards can be granted in a variety of forms such as performance shares, nil-cost options or forfeitable shares, and the Committee reserves the right to grant long-term incentive awards with the same economic effect but in any of these different contractual forms (including in cash). Long-term incentive awards can also be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

(8) Under the terms of long-term incentive award performance conditions, where any company becomes unsuitable as a member of the comparator group as a result of, for example, a change of control or delisting, the Committee has the discretion to treat that company in such manner as it deems appropriate (including replacing it with another organisation).

(9) In the event of a change of control, long-term incentive awards will normally vest at that time, taking into account, amongst other things, the extent to which any performance criteria have been met (over the shortened performance periods) and the time elapsed since grant.

All-employee share plans

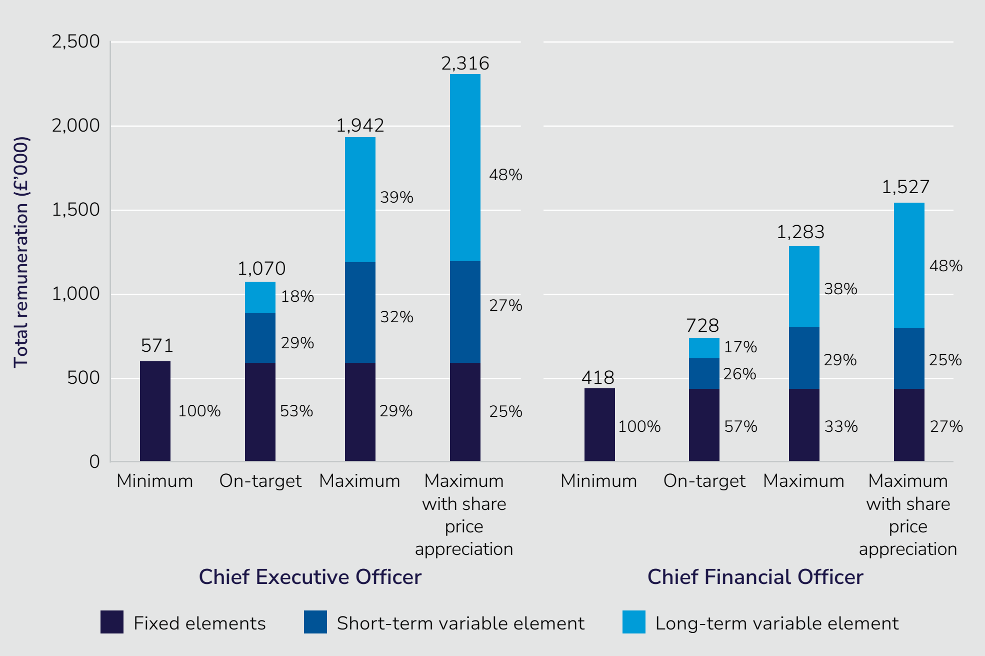
For its UK employees the Company has historically operated tax-advantaged share plans such as a Share Incentive Plan (SIP) and a Save As You Earn share option plan. Where operated, these are intended to encourage share ownership and wider interest in the performance of the Company's shares. A SIP, for example, may involve the award of free shares or free matching shares, the purchase of partnership shares and/or the award of dividend shares. Executive Directors are eligible to participate in these arrangements when offered up to the applicable statutory limits in the same way as any UK employee of Ricardo. Equivalent arrangements operate from time to time for non-UK employees.

Directors' remuneration report continued

Part 3 – Directors' Remuneration Policy continued

Illustrative remuneration outcomes at different performance levels

Ricardo's pay policy seeks to ensure that the long-term interests of Executive Directors are aligned with those of shareholders. The remuneration packages for each Executive Director and their fixed and variable elements are reviewed annually. The scenario chart below presents remuneration outcomes for the 2023 Policy under minimum, on-target, maximum and maximum with share price appreciation scenarios.



The on-target scenario broadly illustrates the remuneration level when budgeted performance is achieved. A further column has also been included which illustrates the impact on the figures contained in the maximum scenario of an assumed share price appreciation for the LTIP award of 50% over the relevant performance period. The disclosures in the chart above are based on the assumptions set out below.

- Fixed elements comprise current base salary, pension and other benefits. For example, for the Chief Executive Officer, fixed elements comprise base salary of £498,623, pension (cash in lieu) of 7% of base salary above the lower earnings limit and benefits equal to those received in FY 2023/24
- Long-term variable element performance includes the maximum policy level of grant for FY 2024/25 (e.g. 150% of annual base salary for the Chief Executive Officer and 130% for the Chief Financial Officer)
- For minimum performance, Executive Directors receive only the fixed elements of pay
- For on-target performance, an assumption of 50% of bonus pay-out and threshold vesting (25%) in respect of long-term incentives has been applied
- For maximum performance, an assumption of maximum bonus pay-out and maximum vesting in respect of long-term incentives has been applied
- Save for the 'maximum with share price appreciation' column, no share price increase has been assumed for the above and this means that the single total figure in any year may be higher than the maximum shown above
- For maximum with share price growth performance, share price appreciation of 50% over the relevant performance period has been assumed for the LTIP awards

Directors' remuneration report continued

Part 3 – Directors' Remuneration Policy continued

Recruitment remuneration policy

New Executive Directors will be appointed on remuneration packages with the same structure and elements as described in the policy table starting on page 126. Annual bonus and long-term incentive awards will be within the limits described in the policy table for the particular role. The limits for any new Executive Director roles will be set by the Committee taking into account the particular responsibilities of the role, but will not exceed those that apply to the current Chief Executive Officer. Pension contribution levels will be aligned to those applicable to the wider workforce.

For external appointments, although we have no plans to offer additional benefits on recruitment (and indeed did not do so for our last Executive Director appointment), the Committee reserves the right to offer such benefits when it considers this to be in the best interests of the Company and shareholders, and in order to protect a new Director against additional costs. The Committee may agree that the Company will meet certain relocation expenses as appropriate.

The Company may make an award to compensate a new recruit for the value of any remuneration relinquished when leaving a former employer. Any such award would reflect the nature, timescales and performance requirements attaching to that relinquished remuneration. The Listing Rules exemption 9.4.2 may be used for the purpose of such an award. Shareholders will be informed of any such payments as soon as practicable following the appointment.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue and will be disclosed to shareholders at the earliest opportunity.

On the appointment of a new Chair or Non-Executive Director, fees will be set taking into account the experience and calibre of the individual. Where specific cash or share arrangements are delivered to Non-Executive Directors, these will not include share options or other performance-related elements.

The board's policy on setting notice periods for Directors is that these should not exceed one year. It recognises, however, that it may be necessary in the case of new executive appointments to offer an initial longer notice period, which would subsequently reduce to one year after the expiry of that period. All future appointments to the board will comply with this requirement.

Termination remuneration policy

The contractual termination provision is payment in lieu of notice or, if termination is part way through the notice period, the amount of base salary relating to any unexpired notice to the date of termination. There is an obligation on Directors to mitigate any loss which they may suffer if the Company terminates their service contract. The Committee will take such mitigation obligation into account when determining the amount and timing of any compensation payable to any departing Director. No compensation is paid for summary dismissal, save for any statutory entitlements.

The cash element of any bonus is not payable unless the individual remains in employment at the payment date.

Unvested share-based awards will lapse unless the individual concerned leaves for one of a number of specified 'good leaver' reasons which are: death; injury, illness or disability; redundancy; or retirement. The Committee retains the discretion to prevent such awards from lapsing depending on the circumstances of the departure and the best interests of the Company.

Awards which do not lapse on cessation of employment will vest on their originally anticipated vesting date with any holding period also continuing to apply (although the Committee retains the discretion to allow vesting and/or release from the holding period at cessation, depending on the circumstances under the applicable rules). These awards will also usually be subject to a time pro-rating reduction to reflect the unexpired portion of the performance or deferral period concerned, although the Committee will retain the discretion to disapply this pro-rating. Awards that are subject to performance conditions will usually only vest to the extent that these conditions are satisfied.

Executive Directors will also be entitled to a payment in respect of any accrued but untaken holiday and statutory entitlements on termination.

In the event that any payment is made in relation to termination for an Executive Director, this will be fully disclosed.

Directors' remuneration report continued

Part 3 – Directors' Remuneration Policy continued

Executive Directors' service contracts

The service contracts of Executive Directors in post during the financial year contain the key terms shown in the table below:

Provision	Detailed terms
Remuneration	• Salary, pension and benefits • Company car or cash allowance • Private health insurance for Director and dependants • Life assurance and death in-service benefits • Permanent health and disability insurance • Directors' liability insurance • Up to 30 days' paid annual leave • Participation in annual bonus plan, subject to plan rules and at the discretion of the Committee • Eligible to participate in share plans, subject to plan rules and at the discretion of the Committee
Duration	• Indefinite, subject to termination by either party in certain circumstances including serving notice as set out below
Notice period	• 12 months' notice by the Director and 12 months' notice by the Company
Termination payment	• See separate general disclosure on page 131
Restrictive covenants	• During employment and for 12 months after leaving

The Executive Directors' service contracts are available for inspection, on request, at the Company's registered office.

Non-Executive Directors – fees and letters of appointment

The Committee determines the Chair's fees. The Chair and the Executive Directors determine the fees payable to other Non-Executive Directors. No Director is present for any discussion or decision about their own remuneration. The fees are reviewed each January.

The Chair and other Non-Executive Directors do not participate in any of the Company's employee share plans, pension schemes or bonus arrangements, nor do they have service agreements.

The Chair and other Non-Executive Directors are appointed for a period of three years by letter of appointment and are entitled to one month's notice of early termination for which no compensation is payable. The unexpired terms of the Non-Executive Directors' appointments, as at 30 June 2024, are:

Non-Executive Director	Unexpired terms of appointment (months)
Mark Clare	16
Russell King	14
Laurie Bowen[1]	n/a
Malin Persson	6
Bill Spencer[2]	4
Jack Boyer[3]	n/a

(1) Laurie Bowen stepped down from the board on 31 May 2024.
(2) Bill Spencer will step down from the board at the AGM in November 2024.
(3) Jack Boyer stepped down from the board at the end of July 2024.

Directors' report

This section sets out the information required to be disclosed by the Company in the Directors' report in compliance with the Companies Act 2006 (the Act), the Listing Rules of the UK Listing Authority (Listing Rules) and the Disclosure Guidance and Transparency Rules (DTR).

Overview of information required to be disclosed

Certain matters that would otherwise be disclosed in this Directors' report have been reported elsewhere in this Annual Report. This report should therefore be read in conjunction with the strategic report on pages 1-84 and the Governance section on pages 85-136 which are incorporated by reference into this Directors' report. The strategic report and this Directors' report, together with other sections of this Annual Report and Accounts including the Governance, are incorporated by reference, and when taken as a whole, form the management report as required under Rule 4.1.5R of the DTR.

Disclosure	Reported in	Page reference
Articles of Association	Directors' report	Page 133
Annual General Meeting	Directors' report	Page 135
Appointment and removal of Directors	Governance	Page 94
Auditor's re-appointment and remuneration	Directors' report	Page 135
Authority to allot shares	Directors' report	Page 135
Business model	Strategic report	Page 9
Branches	Directors' report	Page 135
Change of control	Directors' report	Page 134
Community and charitable giving	Strategic report	Page 135
Corporate governance	Governance	Page 85
Directors' conflicts of interest	Directors' report	Page 94
Directors' details	Governance	Page 86
Directors' indemnity	Directors' report	Page 134
Directors' remuneration and interest	Directors' report	Page 134
Directors' responsibility statement	Directors' report	Page 136
Disclosure of information to auditor	Directors' report	Page 135
Diversity, equity and inclusion	Strategic report	Pages 55-56
Employee engagement	Strategic report	Pages 52-56
Employee share plans	Directors' report	Page 134
Financial instruments	Directors' report	Page 134
Future developments and strategic priorities	Chief Executive's review	Pages 6-7
Going concern	Directors' report	Page 135
Internal control and risk management systems	Governance	Pages 75-80
Non-financial information and sustainability statement	Strategic report	Page 83
Ongoing Director training and development	Governance	Page 92
Political donations	Directors' report	Page 135
Post balance sheet events	Directors' report	Page 133
Powers of Directors	Directors' report	Page 134
Purchase of own shares	Directors' report	Page 134
Research and development activities	Strategic report	Page 134
Results and dividends	Directors' report	Page 133
Rights and obligations attaching to shares including restrictions on transfer of shares and voting rights	Directors' report	Page 134
Section 172 statement	Strategic report	Page 84
Share capital	Directors' report	Page 134
Stakeholder engagement	Governance	Pages 42-44
Streamlined Energy and Carbon disclosures	Strategic report	Pages 60-63
Substantial share interests	Directors' report	Page 135
Treasury shares	Directors' report	Page 135
Viability statement	Strategic report	Page 81

Dividends

On 11 April 2024 an interim dividend of 3.8p (HY 2023/24: 3.35p) was paid to shareholders. The Directors recommend the payment of a final dividend of 8.9p per ordinary share on 22 November 2024 to shareholders who are on the register of members at the close of business on 1 November 2024, which together with the interim dividend makes a total of 12.7p (FY 2023/24: 11.96p) per ordinary share for the year. The payment of the final dividend is subject to the approval of shareholders at the 2024 AGM. Dividend details are given in Note 8 to the consolidated financial statements.

Articles of Association

The Company's Articles of Association are available on the Company's website **www.ricardo.com/en**.

Events after the reporting date

There are no post balance sheet events to report after the reporting date.

Directors’ report continued

Research and development

The Group continues to devote effort and resources to the research and development of new technologies. Costs of £11.3m have been incurred, of which £6.3m has been capitalised and £5.0m has been charged to the income statement, excluding amortisation of any capitalised costs and net of £1.8m of government grant income, during the year.

Board of Directors

Details of the Directors who served during the year are set out on pages 86-87.

Directors’ remuneration and interests in shares

Details of Directors’ remuneration and their interest in the Company’s shares are set out on pages 102-132 of the Directors’ remuneration report.

Directors’ indemnities

The Company maintains liability insurance for its Directors and officers. The Company has entered into deeds of indemnity in favour of each of its Directors, under which the Company agrees to indemnify each Director against liabilities incurred by that Director in respect of acts or omissions arising in the course of their office or otherwise by virtue of their office.

At the date of this report, these indemnities are therefore in force for the benefit of all the current Directors of the Company.

Directors’ powers

The business of the Company is managed by the board, which may exercise all of the powers of the Company subject to the Company’s Articles of Association and the Act.

Employee share plans

Details of employee share plans are set out in Note 33 to the consolidated financial statements.

Employee information and equal opportunities

The Company provides colleagues with various opportunities to obtain information on matters of concern to them and to improve awareness of the financial and economic factors that affect the performance of the Company.

These include bi-annual presentations to all members of staff, department and team briefings and meetings with employee representatives that take place throughout the year.

All companies within the Group strive to operate fairly at all times and this includes not permitting discrimination against any employee or applicant for employment on the basis of race, religion or belief, colour, gender, disability, national origin, age, military service, veteran status, sexual orientation or marital status. This includes giving full and fair consideration to suitable applications for employment from disabled persons and making appropriate accommodations so that if existing team members become disabled they can continue to be employed, wherever practicable, in the same job or, if this is not practicable, making every effort to find suitable alternative employment and to provide relevant training.

Change of control provisions

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as commercial contracts, bank facility agreements, property lease arrangements and employees’ share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole.

Financial instruments

Details of the Company’s financial risk management in relation to its financial instruments are given in Note 26 to the consolidated financial statements.

Share capital, shareholders’ rights and obligations, and purchase of own shares

As at 13 August 2024, the Company’s share capital is divided solely into 62,218,280 ordinary shares of 25p each, all of which are fully paid. The ordinary shares are listed on the London Stock Exchange. All ordinary shares rank equally for all dividends and distributions that may be declared on such shares. At General Meetings of the Company, each member who is present (in person, by proxy or by representative) is entitled to one vote on a show of hands and, on a poll, to one vote per share. With respect to shares held on behalf of participants in the all-employee Share Incentive Plan, the trustees are required to vote as the participants direct them to do so in respect of their plan shares. There are no restrictions on voting rights and no securities carry special voting rights with regard to the control of the Company.

Awards granted under the Company’s share plans are satisfied either by shares held in the employee benefit trust or by the issue of new shares when awards vest. The Remuneration Committee monitors the number of awards made under the various share plans and their potential impact on the relevant dilution limits recommended by the Investment Association.

Based on the Company’s issued share capital as at 30 June 2024, the overall dilution was 3.73% (i.e. below the 10% limit for all plans in any rolling 10-year period) and 3.73% for discretionary employee share plans (i.e. below the 5% limit for discretionary employee share plans in any rolling 10-year period).

Directors' report continued

Treasury shares

Shares held by the Company in treasury do not have voting rights and are not eligible to receive dividends. Currently, the Company does not hold any shares in treasury.

Related party transactions

Details of related party transactions are set out in Note 36 to the consolidated financial statements.

Resolutions at the Annual General Meeting

It is intended that the Company's AGM will be held on 14 November 2024 at FieldFisher Offices. The Notice of AGM sets out the resolutions to be considered and approved at the meeting, together with some explanatory notes. The resolutions cover such routine matters as the renewal of authority to allot shares, to disapply pre-emption rights and to purchase own shares. The Notice of AGM accompanies this Annual Report and is available at **www.ricardo.com/en**

Substantial shareholdings

As at 30 June 2024, the Company has been notified of the following material interests in the voting rights of the Company under the provisions of the Disclosure and Transparency Rules.

Rank	Shareholder	Shares	% IC
1	Gresham House	11,878,530	19.09
2	Aberforth Partners	5,081,078	8.17
3	Royal London Asset Mgt	3,870,799	6.22
4	abrdn	3,394,748	5.46
5	Invesco	2,773,600	4.46
6	JO Hambro Capital Mgt	2,417,073	3.88
7	Aviva Investors	2,080,070	3.34
8	Schroder Investment Mgt	1,927,931	3.10
9	Montanaro Asset Mgt	1,696,965	2.73
10	Janus Henderson Investors	1,650,520	2.65

Charitable and political donations

During the year the Group made various charitable donations, which are summarised in the responsible business section on page 57. The Group made no political donations nor incurred any political expenditure during the year to 30 June 2024.

Auditor's re-appointment and remuneration

Resolutions for the appointment of KPMG LLP as the Company's auditor and to authorise the Directors, acting through the Audit Committee, to agree the remuneration of the auditor, are to be proposed at the 2024 AGM.

Going concern and viability statement

Having reviewed the Company's plans and available financial facilities, the board has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months following the signing of the accounts. For this reason, it continues to adopt the going concern basis in preparing the Company's accounts. The Company's viability statement can be found on pages 81-82.

Branches outside the UK

The Company has no overseas branches outside the UK. A number of the Group's subsidiaries have overseas branches outside the UK, which are disclosed in their local statutory financial statements, where required.

Disclosures required under UK Listing Rule 9.8.4

There are no disclosures required to be made under UK Listing Rule 9.8.4 other than in respect of long-term incentive schemes.

Disclosure of information to auditor

The Directors who held office at the date of approval of the Directors' report confirm that:

- So far as they are each aware, there is no relevant audit information, which would be needed by the Company's auditor in connection with preparing its audit report, of which the Company's auditor is unaware
- Each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Approved by the board and signed on its behalf by:

Harpreet Sagoo

Group General Counsel and Company Secretary

10 September 2024

Registered office
Ricardo plc
Shoreham Technical Centre
Shoreham-by-Sea, West Sussex, BN43 5FG

Statement of Directors' responsibilities

in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable, relevant, reliable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards
- For the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and corporate governance statement that complies with that law and those regulations.

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

In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, 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 issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy

Graham Ritchie
Chief Executive Officer

10 September 2024

Judith Cottrell
Chief Financial Officer

10 September 2024

Financial statements

Independent auditor's report

to the members of Ricardo plc

1. Our opinion is unmodified

We have audited the financial statements of Ricardo plc ("the Company") for the year ended 30 June 2024 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement, company statement of financial position, company statement of changes in equity, and the related notes, including the accounting policies in Note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS101 Reduced Disclosure Framework and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 15 November 2018. The period of total uninterrupted engagement is for the six financial years ended 30 June 2024.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	£1.3m (2023: £1.2m)	
Group financial statements as a whole	5.1% (2023: 5.1%) of normalised Group profit before tax	
Coverage	62% (2023: 69%) of the total profits and losses that made up group profit before tax	
Key audit matters		vs 2023
Recurring risks	Valuation of defined benefit pension obligation	<>
	Recoverability of Goodwill	<>
	Revenue recognition of fixed price contracts	<>

Independent auditor's report continued

to the members of Ricardo plc

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response

Group and parent Company:
Valuation of defined benefit pension obligation
(£97.4m; 2023: £92.0m)
Refer to page 99 (Audit Committee report), page 163 (accounting policy) and pages 204-208 (financial disclosures).
	Subjective estimate:
	A significant level of estimation is required in order to determine the valuation of the gross liability of the Defined Benefit Obligation. Small changes in the key assumptions (in particular, discount rates, inflation & mortality rates) can have a material impact on the gross liability.
	Given the level of judgement involved in the development of assumptions, the sensitivity of the assumptions and magnitude of the balance at year-end, we determined that the valuation of the defined benefit obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note 32) disclose the sensitivity estimated by the Group and Parent Company.
		We performed the detailed tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.
		Our procedures included:
		• **Benchmarking assumptions:** Challenging key assumptions applied (discount rate, inflation rate, and mortality rate) with the support of our own actuarial specialists, including a comparison of key assumptions against market data;
		• **Test of detail:** Considering whether the data used in the current year valuation is consistent with that prepared at the triennial valuation as at 5 April 2023, with appropriate updates for changes in membership data in the intervening period;
		• **Our actuarial expertise:** With the support of our own actuarial specialists, we performed the following:
		  • Assess the duration, sensitivities to key assumptions and life expectancies provided by the Group's actuary for disclosure purposes;
		  • Evaluate the judgements made and the appropriateness of the methodologies used by the Group's experts in determining the key actuarial assumptions;
		• **Assessing actuary's credentials:** Assessing the competence, capabilities and objectivity of the Group's actuarial expert;
		• **Assessing transparency:** Considering the adequacy of the Group and Company's disclosures in respect of the sensitivity of the obligation to changes in key assumptions.
		Our results
		We found the valuation of the defined benefit pension obligation to be acceptable (2023: acceptable).

Independent auditor's report continued

to the members of Ricardo plc

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of Goodwill Goodwill carrying value: £96.0m (2023: £96.1m), including A&I Emerging goodwill of £14.0m (2023: £14.4m) Refer to page 99 (Audit Committee report), page 159 (accounting policy) and pages 181-182 (financial disclosures).	**Forecast-based assessment:** The Group holds Goodwill that is allocated to CGUs or groups of CGUs that align to the Group's business units as disclosed in Note 14. The carrying value of goodwill in the Group's financial statements is significant and could be at risk of impairment depending on the performance of the respective business units. During the current year, the CGU which was most sensitive to changes in performance was the A&I Emerging group of CGUs (2023: Rail division and A&I Established CGUs). The performance of the A&I Emerging group of CGUs has been impacted by global market challenges across the transport sector, including timing delays to move to clean energy solutions due to changing political environment globally. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting risk and discounting future cash flows. The A&I Emerging business has specific challenges in forecasting due to the relatively limited level of historical information relating to the division due to the emerging nature of the industry in which it operates. This uncertainty is further impacted by the continuing challenging trading environment. The effect of these matters is that, as part of risk assessment for audit planning purposes, we determined that the value in use of the A&I Emerging CGU had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. In conducting our final audit work, we concluded that reasonably possible changes to the value in use of the A&I Emerging CGU would not be expected to result in an impairment. The financial statements (Note 14) disclose the key assumptions and sensitivities for goodwill estimated by the Group.	We performed the detailed tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: • **Our sector experience:** Challenging cash flow assumptions used, in particular those relating to forecast revenue growth, by assessing them in the context of our experience of the sector in which the CGU operates; • **Methodology implementation:** Assessing whether the methodology used for calculation of the recoverable amount has been appropriately implemented; • **Benchmarking assumptions:** Comparing the group's assumptions to externally derived data in relation to key inputs such as projected economic growth and discount rates and comparing the forecast revenue growth rate to sector data; • **Historical comparisons:** Analysing the reasonableness of operating margin by comparing to available historical trends; • **Sensitivity analysis:** Performing a sensitivity analysis on the assumptions noted above and considering reasonably possible changes in key inputs that had the greatest degree of judgment and their impact on the recoverable amount; • **Assessing transparency:** Assessing whether the group's disclosures about the key assumptions in the impairment assessment reflect the risks inherent in the recoverable amount of the CGU. **Our results** We found the carrying value of goodwill to be acceptable (2023: acceptable).

Independent auditor's report continued

to the members of Ricardo plc

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Revenue recognition on fixed price contracts (£214.0m; 2023: £216.9m) Refer to page 133 (Audit Committee report), pages 157-158 (accounting policy) and page 173 (financial disclosures).	**Accounting application:** The group has a large volume of contracts with a fixed price, the revenue from which is recognised based on the stage of completion calculated utilising the actual costs incurred for work performed to date, relative to the estimated total forecast costs of the contract at completion. The judgments and estimates impacting the recognition of revenue include: • The identification of distinct performance obligations • Assessment of stage of completion and costs to complete A large part of the portfolio comprises contracts that individually have low estimation uncertainty. The highest value, highest risk, most technically complex and financially challenging contracts to deliver are categorised by the Group as 'Red Category 4' contracts, which are subject to more frequent and senior levels of management review. The financial statements (note 1d) disclose the range of possible financial outcomes estimated by the Group on 'Red Category 4' contracts. Whilst this is not considered to be an area of significant estimation uncertainty, fixed price contracts is nonetheless an area that had the greatest effect on our audit due to the large volume of contracts and size of the related balances.	**Our procedures included:** • **Control observation:** Attending the 'Red Category 4' review meetings in January and July 2024 at which performance of these contracts was discussed with the Chief Financial Officer, Group Financial Controller, Group Quality & Risk Director, and divisional Managing and Finance Directors; • **Test of detail:** Selecting a sample of contracts over which revenue has been recognised in the year and costs incurred in the year and agreed to supporting documentation which included, for example signed contracts, invoices and timesheets; • **Test of detail:** Inspecting a sample of contracts to identify key contract mechanisms such as, liquidated damages and warranty clauses and assessing whether these key clauses have been appropriately reflected in the amounts recognised in the financial statements; • **Test of detail:** Inspecting a sample of correspondence with customers and instances where contractual variations had arisen to inform our assessment of the revenue and costs recorded up to the balance sheet date. We also agreed the variations to relevant invoicing schedules and payment plans and the subsequent cash receipts, where cash has been received; • **Historical comparisons:** Assessing the reasonableness of the estimated total forecasts costs by considering the historical accuracy of previous forecasts; • **Personnel interviews:** Obtaining an understanding of the performance and status of selected contracts through discussions with operational and finance contract project teams, to consider whether relevant information was included in cost and revenue forecasts; • **Test of detail:** Recalculating the stage of completion based on the actual costs incurred to date on the contract and the Group's latest forecast to inform our assessment of the appropriate amount of revenue and profit to recognise and comparing this to the amounts recorded by the Group; • **Assessing transparency:** Considering the adequacy of the group's disclosure about the degree of estimation uncertainty. **Our results** We found revenue recognised on fixed price contracts to be acceptable (2023: acceptable).

Independent auditor's report continued

to the members of Ricardo plc

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £1.3m (2023: £1.2m), determined with reference to a benchmark of normalised group profit before tax from continuing operations, of which it represents 5.1% (2023: 5.1%).

We normalised profit before tax by adding back adjustments that do not represent the normal, continuing operations of the Group, for both 2024 and 2023. The items we adjusted for were exceptional acquisition related expenditure, asset purchases and disposals and other reorganisation costs as disclosed in Note 6.

Materiality for the parent company financial statements as a whole was set at £0.7m (2023: £0.5m), which is the component materiality for the parent company determined by the group audit engagement team. This is lower than the materiality we would otherwise have determined with reference to company total assets, of which it represents 0.2% (2023: 0.2%).

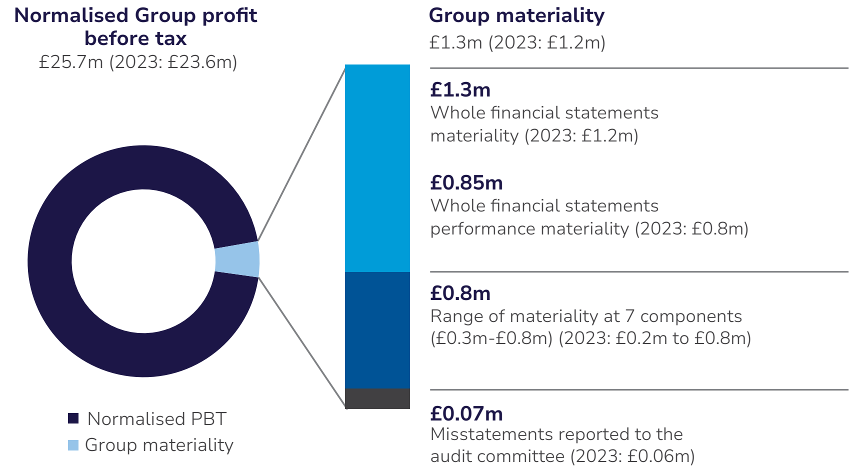
In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

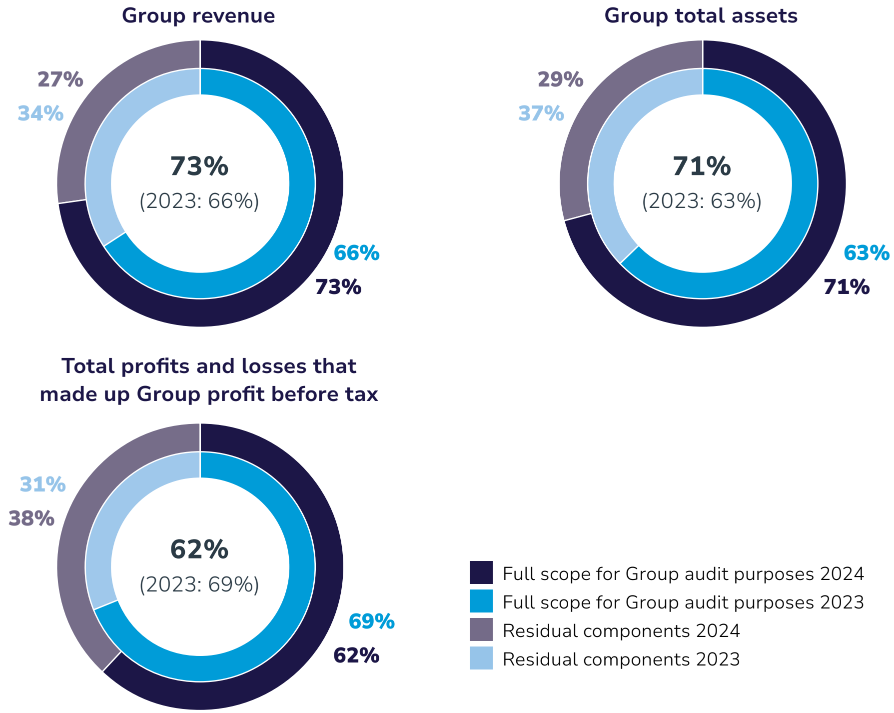
Performance materiality was set at 65% (2023: 65%) of materiality for the financial statements as a whole, which equates to £0.85m (2023: £0.8m) for the group and £0.5m (2023: £0.4m) for the parent company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.07m (2023: £0.06m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 67 (2023: 67) reporting components, we subjected 7 (2023: 7) to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite. The remaining 28% (2023: 34%) of total group revenue, 29% (2023: 31%) of group's total profits and losses that made up group profit before tax and 28% (2023:37%) of total group assets is represented by 60 (2023: 60) reporting components, none of which individually represented more than 7.1% (2023: 7.1%) of any of total group revenue, group's normalised profit before tax or total group assets. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.





Independent auditor's report continued

to the members of Ricardo plc

3. Our application of materiality and an overview of the scope of our audit continued

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.3m to £0.8m (2023: £0.2m to £0.8m), having regard to the mix of size and risk profile of the Group across the components. The work on 2 of the 7 components (2023: 2 of the 7 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised group profit before tax.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

During the year, video and telephone conference meetings were held with component auditors to assess the audit risk and strategy. In the prior year, the Group team visited one component location. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor, with all other in-scoped components audited by the Group team. Audit work undertaken by the component auditors were reviewed by the Group team and any further work required by the Group team was then performed by the component auditor.

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were challenges impacting the automotive industry with a potential decline in trading results for the A&I Emerging CGU.

We considered whether this risk could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the Directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Critically assessing assumptions in base case and downside scenarios relevant to liquidity and covenant metrics, and overlaying knowledge of the entity's plans based on approved budgets and our knowledge of the entity and the sector in which it operates.
- We also compared past budgets to actual results to assess the directors' track record of budgeting accurately.
- We inspected the confirmation from the lender of the level of committed financing, and the associated covenant requirements.
- Our procedures also included an assessment of whether the going concern disclosure in note 1 to the financial statements gives a complete and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- The related statement under the Listing Rules set out on page 176 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Independent auditor's report continued

to the members of Ricardo plc

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Considering remuneration incentive schemes and performance targets for management and Directors including the EPS target for management remuneration;
- Using analytical procedures to identify any unusual or unexpected relationships, and
- Reading Board and Audit Committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the relatively low estimation risk across the contract portfolio, the historical accuracy of forecasting and the strength of the control environment in place. We did not identify any additional fraud risks, other than those included above.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to cash and revenue where applicable to check for unexpected journal pairings.
- Agreeing of a sample of timesheet entries recorded directly with employees to confirm the accuracy.
- We considered whether judgements and estimates made by management impact on remuneration targets and assess whether this results in biased accounting.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to full scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, road and motor vehicle regulations, competition laws, regulatory capital and liquidity and certain aspects of company legislation recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report continued

to the members of Ricardo plc

5. Fraud and breaches of laws and regulations – ability to detect continued

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation within the viability statement page 81 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- The Principal risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- The Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 81 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- The Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- The section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- The section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

Independent auditor's report continued

to the members of Ricardo plc

7. We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 136, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

9. The purpose of our audit work and to whom we owe our responsibilities

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

Jeremy Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

10 September 2024

Consolidated income statement

for the year ended 30 June

	Note	2024 Underlying £m	2024 Specific adjusting items[1] £m	2024 Total £m	2023 Underlying £m	2023 Specific adjusting items[1] £m	2023 Total £m
Continuing operations							
Revenue	5	**474.7**	—	**474.7**	445.2	—	445.2
Cost of sales		**(340.1)**	—	**(340.1)**	(318.9)	—	(318.9)
Gross profit		**134.6**	—	**134.6**	126.3	—	126.3
Administrative expenses		**(96.8)**	**(26.0)**	**(122.8)**	(91.7)	(35.9)	(127.6)
Impairment losses on trade receivables and contract assets	21	**(0.2)**	—	**(0.2)**	(1.8)	—	(1.8)
Other income		**1.2**	—	**1.2**	1.2	—	1.2
Operating profit	3	**38.8**	**(26.0)**	**12.8**	34.0	(35.9)	(1.9)
Finance income		**1.1**	—	**1.1**	1.0	—	1.0
Finance costs		**(9.4)**	**(0.2)**	**(9.6)**	(7.1)	—	(7.1)
Net finance costs	9	**(8.3)**	**(0.2)**	**(8.5)**	(6.1)	—	(6.1)
Profit/(loss) before taxation		**30.5**	**(26.2)**	**4.3**	27.9	(35.9)	(8.0)
Income tax (expense)/credit	11	**(8.1)**	**4.6**	**(3.5)**	(7.3)	3.3	(4.0)
Profit/(loss) from continuing operations		**22.4**	**(21.6)**	**0.8**	20.6	(32.6)	(12.0)
Discontinued operation							
Profit from discontinued operation, net of tax		—	—	—	0.4	6.4	6.8
Profit/(loss) for the year		**22.4**	**(21.6)**	**0.8**	21.0	(26.2)	(5.2)
Profit/(loss) attributable to:							
Continuing operations							
– Owners of the parent		**22.3**	**(21.6)**	**0.7**	20.4	(32.6)	(12.2)
– Non-controlling interests	30	**0.1**	—	**0.1**	0.2	—	0.2
		22.4	**(21.6)**	**0.8**	20.6	(32.6)	(12.0)
Discontinued operation							
– Owners of the parent		—	—	—	0.4	6.4	6.8
Total							
– Owners of the parent		**22.3**	**(21.6)**	**0.7**	20.8	(26.2)	(5.4)
– Non-controlling interests	30	**0.1**	—	**0.1**	0.2	—	0.2
		22.4	**(21.6)**	**0.8**	21.0	(26.2)	(5.2)

Consolidated income statement continued

for the year ended 30 June

Earnings per share – basic and diluted (Note 7)	2024 pence	2023 pence
Basic		
Earnings/(loss) per share	**1.1**	(8.7)
Underlying earnings per share	**35.9**	33.4
Earnings/(loss) per share from continuing operations	**1.1**	(19.3)
Earnings per share from discontinued operation	**—**	10.9
Diluted		
Earnings/(loss) per share	**1.1**	(8.7)
Underlying earnings per share	**35.5**	33.4
Earnings/(loss) per share from continuing operations	**1.1**	(19.3)
Earnings per share from discontinued operation	**—**	10.9

(1) Specific adjusting items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance. See Notes 2 and 6.

The notes on pages 153-214 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 30 June

	Note	**2024 £m**	2023 £m
Profit/(loss) for the year		**0.8**	(5.2)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit pension scheme	32	**(6.0)**	(5.0)
Deferred tax on remeasurements of the defined benefit pension scheme	19	**1.4**	1.2
Total items that will not be reclassified to profit or loss		**(4.6)**	(3.8)
Items that are, or may be, subsequently reclassified to profit or loss:			
Currency translation on foreign currency net investments		**(0.9)**	(6.4)
Reclassification of foreign currency differences on disposal of foreign operation		**—**	(0.9)
Movement in fair value of cash flow hedge		**(0.1)**	—
Total items that may be subsequently reclassified to profit or loss		**(1.0)**	(7.3)
Total other comprehensive expense for the year (net of tax)		**(5.6)**	(11.1)
Total comprehensive expense for the year		**(4.8)**	(16.3)
Comprehensive expense attributable to:			
– Owners of the parent		**(4.9)**	(16.5)
– Non-controlling interests	30	**0.1**	0.2
		(4.8)	(16.3)

The notes on pages 153-214 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 30 June

	Note	2024 £m	2023 £m
Assets			
Non-current assets			
Goodwill	14	**96.0**	96.1
Other intangible assets	15	**33.7**	35.4
Property, plant and equipment	16	**30.4**	35.3
Right-of-use assets	17	**19.2**	20.7
Retirement benefit surplus	32	**8.0**	12.6
Other receivables	21	**2.5**	2.4
Deferred tax assets	19	**6.4**	8.5
		196.2	211.0
Current assets			
Inventories	20	**29.4**	29.5
Trade, contract and other receivables	21	**146.7**	153.5
Derivative financial assets	25	**0.8**	2.3
Current tax assets		**7.1**	2.7
Cash and cash equivalents	23	**48.6**	49.8
		232.6	237.8
Total assets		**428.8**	448.8
Liabilities			
Current liabilities			
Borrowings	23	**4.3**	12.7
Lease liabilities	17	**6.0**	5.7
Trade, contract and other payables	22	**107.5**	105.0
Current tax liabilities		**3.5**	2.6
Derivative financial liabilities	25	**0.5**	1.0
Provisions	18	**3.5**	2.6
		125.3	129.6
Net current assets		**107.3**	108.2

	Note	2024 £m	2023 £m
Non-current liabilities			
Borrowings	23	**102.6**	99.2
Lease liabilities	17	**17.8**	19.4
Trade, contract and other payables	22	**1.2**	4.8
Deferred tax liabilities	19	**13.0**	15.5
Derivative financial liabilities	25	**0.1**	—
Provisions	18	**3.6**	3.7
		138.3	142.6
Total liabilities		**263.6**	272.2
Net assets		**165.2**	176.6
Equity			
Share capital	27	**15.6**	15.6
Share premium	27	**16.8**	16.8
Other reserves	28	**36.2**	37.2
Retained earnings	29	**96.1**	106.6
Equity attributable to owners of the parent		**164.7**	176.2
Non-controlling interests	30	**0.5**	0.4
Total equity		**165.2**	176.6

The notes on pages 153-214 form an integral part of these consolidated financial statements.

Approved by the board of Ricardo plc (registered number 222915) on 10 September 2024 and signed on its behalf by:

Graham Ritchie
Chief Executive Officer

Judith Cottrell
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 30 June

	Note	Attributable to owners of the parent						
	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 July 2022		15.6	16.8	44.5	120.5	197.4	0.2	197.6
Loss for the year		—	—	—	(5.4)	(5.4)	0.2	(5.2)
Other comprehensive expense for the year		—	—	(7.3)	(3.8)	(11.1)	—	(11.1)
Total comprehensive (expense)/income for the year		—	—	(7.3)	(9.2)	(16.5)	0.2	(16.3)
Equity-settled transactions	33	—	—	—	1.4	1.4	—	1.4
Purchases of own shares to settle awards		—	—	—	(0.1)	(0.1)	—	(0.1)
Tax relating to share option schemes	19	—	—	—	0.7	0.7	—	0.7
Ordinary share dividends	8	—	—	—	(6.7)	(6.7)	—	(6.7)
At 30 June 2023		15.6	16.8	37.2	106.6	176.2	0.4	176.6
At 1 July 2023		**15.6**	**16.8**	**37.2**	**106.6**	**176.2**	**0.4**	**176.6**
Profit for the year		**—**	**—**	**—**	**0.7**	**0.7**	**0.1**	**0.8**
Other comprehensive expense for the year		**—**	**—**	**(1.0)**	**(4.6)**	**(5.6)**	**—**	**(5.6)**
Total comprehensive (expense)/income for the year		**—**	**—**	**(1.0)**	**(3.9)**	**(4.9)**	**0.1**	**(4.8)**
Equity-settled transactions	33	**—**	**—**	**—**	**2.2**	**2.2**	**—**	**2.2**
Purchases of own shares to settle awards		**—**	**—**	**—**	**(0.7)**	**(0.7)**	**—**	**(0.7)**
Tax relating to share option schemes		**—**	**—**	**—**	**(0.4)**	**(0.4)**	**—**	**(0.4)**
Ordinary share dividends	8	**—**	**—**	**—**	**(7.7)**	**(7.7)**	**—**	**(7.7)**
At 30 June 2024		**15.6**	**16.8**	**36.2**	**96.1**	**164.7**	**0.5**	**165.2**

The notes on pages 153-214 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 30 June

	Note	2024 £m	2023 (Restated) £m
Cash flows from operating activities			
Profit/(loss) before taxation		**4.3**	(0.1)
Adjustments for:			
– Share-based payments	33	**2.3**	1.3
– Unrealised foreign exchange (gains)/losses	25	**(1.3)**	2.6
– Fair value losses/(gains) on derivatives	25	**1.1**	(5.6)
– Losses on disposal of property, plant and equipment	3	**—**	0.7
– Gains on disposal of discontinued operation	6	**—**	(7.4)
– Net finance costs	9	**8.5**	6.1
– Depreciation, amortisation and impairment	3	**19.9**	37.4
Defined benefit pension scheme payments in excess of past service costs	32	**(0.8)**	(1.8)
Operating cash flows before movements in working capital		**34.0**	33.2
Changes in:			
– Inventories	20	**0.1**	(9.0)
– Trade, contract and other receivables	21	**7.5**	(27.9)
– Trade, contract and other payables	22	**(1.4)**	27.7
– Provisions	18	**0.8**	(2.0)
Cash generated from operations	2	**41.0**	22.0
Net interest paid		**(8.6)**	(7.5)
Income tax paid		**(6.5)**	(4.6)
Net cash generated from operating activities		**25.9**	9.9
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired	13	**—**	(24.5)
Purchases of property, plant and equipment	16	**(4.1)**	(4.9)
Proceeds from disposal of property, plant and equipment	16	**3.3**	—
Proceeds from sale of discontinued operation, net of cash disposed	6	**—**	13.1
Fees in relation to sale of discontinued operation	6	**—**	(0.8)
Purchases of intangible assets and capitalised development costs	15	**(7.2)**	(5.7)
Net cash used in investing activities		**(8.0)**	(22.8)
Cash flows from financing activities			
Purchases of own shares to settle awards		**(0.7)**	(0.2)
Principal element of lease payments	17	**(5.4)**	(5.1)
Proceeds from borrowings	23	**83.0**	128.0
Repayment of borrowings	23	**(80.0)**	(103.0)
Dividends paid to shareholders	8	**(7.7)**	(6.7)
Net cash generated (used in)/from financing activities		**(10.8)**	13.0
Effect of exchange rate changes on cash and cash equivalents		**—**	(2.3)
Net increase/(decrease) in cash and cash equivalents	23	**7.1**	(2.2)
Net cash and cash equivalents at 1 July		**37.2**	39.4
Restricted cash	23	**(1.3)**	—
Net cash and cash equivalents at 30 June		**43.0**	37.2
At 1 July			
Cash and cash equivalents		**49.8**	49.4
Cash included in disposal group held-for-sale		**—**	1.1
Bank overdrafts		**(12.6)**	(11.1)
Net cash and cash equivalents at 1 July		**37.2**	39.4
At 30 June			
Cash and cash equivalents	23	**48.6**	49.8
Restricted cash	23	**(1.3)**	—
Bank overdrafts	23	**(4.3)**	(12.6)
Net cash and cash equivalents at 30 June		**43.0**	37.2

The notes on pages 153-214 form an integral part of these consolidated financial statements.

The prior year cash flow statement has been restated. See Note 37.

Notes to the consolidated financial statements

1. Principal accounting policies

This section describes the critical accounting judgements and estimates that management has identified as having a potentially material impact on the Group's consolidated financial statements and sets out our significant accounting policies. Where an accounting policy is generally applicable to a specific note to the financial statements, the policy is cross-referenced. We have also detailed below the new accounting pronouncements that we will adopt in future years and our current view of the impact they will have on our financial reporting.

Ricardo plc, a public company limited by shares, is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. The address of its registered office is Shoreham Technical Centre, Shoreham-by-Sea, West Sussex, BN43 5FG, England, United Kingdom, and its registered number is 222915.

(a) Basis of preparation

These consolidated financial statements of the Ricardo plc Group (the Group) have been prepared in accordance with UK-adopted international accounting standards. The financial statements have been prepared on a going concern basis under the historical cost convention, except for certain financial assets and liabilities measured at fair value. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to the years ended 30 June 2023 and 30 June 2024.

New or revised standards or interpretations

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Group's financial results or position other than the change discussed below.

IAS 12 does not specifically address the tax effects of right-of-use assets and lease liabilities. However, in May 2021 the IASB made amendments to IAS 12 which narrow the scope of the initial recognition exemption in paragraphs 15 and 24 of IAS 12 and require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

As a consequence, entities are now required to recognise both a deferred tax asset and a deferred tax liability on the initial recognition of a lease. While these would typically qualify for offsetting in the balance sheet, the notes to the financial statements need to disclose the gross amounts.

The amendments apply to annual reporting periods beginning on or after 1 January 2023. The Group was previously recording deferred tax on right-of-use assets and lease liabilities on a net basis. The Group has now grossed up deferred tax liabilities of £0.9m (2023: £1.2m) on right-of-use assets and deferred tax assets of £1.1m (2023: £1.4m) on lease liabilities which are disclosed in Note 19.

Due to the offsetting of these deferred tax assets and liabilities on the basis that they relate to income taxes levied by the same taxation authority on the same taxable entity, there is no material impact on the deferred tax position reported on the Consolidated Balance Sheet.

Going concern

The board of Ricardo plc has undertaken an assessment of the ability of the Group and Company to continue in operation and meet their liabilities as they fall due over the period of its assessment. In doing so, the board considered events throughout the period of their assessment, including the availability and maturity profile of the Group's financing facilities and covenant compliance. These financial statements have been prepared on the going concern basis, which the Directors consider appropriate for the reasons set out below.

The Group funds its operations through cash generated by the Group and has access to a £150m revolving credit facility (RCF) with a £50m accordion which is linked to two covenants: adjusted leverage (defined as net debt divided by underlying EBITDA, adjusted for the impact of acquisitions and disposals, excluding the impact of IFRS 16, for the last 12 months); and interest cover (defined as underlying EBITDA, adjusted for the impact of acquisitions and disposals, excluding the impact of IFRS 16, for the last 12 months divided by net finance costs excluding pension and IFRS 16 interest). Covenant limits are a maximum of 3.0x for adjusted leverage and a minimum of 4.0x for interest cover. These covenants are tested at 30 June and 31 December each year until the debt matures in August 2026.

Net debt at 30 June 2024 was £59.6m, comprising cash and cash equivalents, net of any restricted cash, of £47.3m and borrowings, including hire purchase liabilities, but excluding IFRS 16 lease liabilities, of £106.9m. Adjusted leverage was 1.25x and interest cover was 5.86x. As at the date of approval of these financial statements, the amount of RCF undrawn and available to the Group was £51.0m with total borrowing, including overdrafts, of £114.9m and cash and cash equivalents of £39.1m.

The Directors have prepared a cash flow forecast which covers a period of at least 12 months from the date of approval of the financial statements. In this forecast, the Directors have considered the impact of known risks, including the pace of technological change in the automotive sector, driven by climate change, which continues to rapidly shift away from the traditional internal combustion engine towards more renewable propulsion methods, on the Group's results, operations and financial position in a severe but plausible downside scenario. The scenario includes:

- Limited revenue growth from Automotive and Industrial established transport and emerging solutions, normalising the revenue achieved in Q4 FY 2023/24
- Reduced revenue growth rates in Energy and Environment and Rail
- Decline in key programme volumes in Performance Products
- Continuation of the ABS retrofit programme at FY 2023/24 government funding levels and lower revenue growth in technical services
- Removal of any assumed working capital improvement compared with June 2024
- An increase in the SONIA interest rate compared with external bank forecasts

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

(a) Basis of preparation continued

Going concern continued

The scenario incorporates the appropriate reversal of discretionary bonus payments and setting suitable levels of dividends based on the sensitised results of the operating segments. Under this scenario, the Group's adjusted EBITDA is forecast to reduce by 15% in FY 2024/25 and then increase by 8% in FY 2025/26. The results showed that the Group would be able to continue operating well within its debt covenants and liquidity headroom under the downside scenario.

Following this assessment, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. Further information on the going concern of the Group can be found on pages 81-82 in the viability statement.

(b) Basis of consolidation

The financial statements of the Group consolidate the results of the Company and its subsidiary entities, and include its share of its joint ventures' results accounted for under the equity method. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. Intercompany transactions and balances are eliminated on consolidation.

The Group applies the acquisition method of accounting for business combinations. The consideration transferred for an acquisition is the fair value of the assets acquired and the liabilities assumed. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Changes in fair value of contingent consideration are included within specific adjusting items. Contingent consideration dependent upon the employment or retention of specific individuals is expensed over the specified period and included within specific adjusting items. Identifiable assets acquired, together with liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date. Acquisition-related expenditure is expensed as incurred and recognised within specific adjusting items.

(c) Discontinued operations and assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative income statement or statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(d) Management judgements and key accounting estimates

The preparation of financial statements under IFRS requires the Group's management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. These judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

(d) Management judgements and key accounting estimates continued

Critical judgements in applying the Group's accounting policies continued

Specific adjusting items: Reorganisation costs – Note 2 and Note 6

Reorganisation costs include expenditure incurred as part of fundamental restructuring activities; significant impairments of property, plant and equipment and leased assets; significant losses on disposal of assets; and other items deemed to be one-off in nature. These costs are presented within specific adjusting items in the income statement. The classification and presentation of these items require significant judgement to determine the nature and intention of the transaction. Details of the Group's alternative performance measures and specific adjusting items are included in Note 2 and Note 6.

Revenue recognition on fixed price contracts – Note 5

The identification of and separate accounting for distinct performance obligations within the context of a contract is considered to be a critical judgement. Fixed price contracts often have multiple performance obligations that are indistinct from one another within the context of the contract. This is due to a homogeneous pattern of transfer of control to the customer who is unable to benefit from the performance of less than all of the promises set out in the contract. This is particularly the case where any intellectual property created is stipulated as not being owned by the customer until the full transaction price has been paid. These judgements determine the timing of revenue recognition and recognition of contract assets. If performance obligations were identified on a different basis, revenue and amounts recoverable on contracts may be materially reduced or increased.

Goodwill: allocation to CGUs – Note 14

Significant judgement is applied in order to allocate goodwill to cash-generating units (CGUs), or a group of CGUs, as a change in the allocation of goodwill would impact the result of the impairment review. As set out in Note 1(l), for the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from that business combination, at the lowest level at which goodwill is monitored for internal management purposes. Goodwill is allocated at the operating segment level, and if goodwill were allocated at a lower level, the results of impairment testing may be different. The Rail segment comprises several CGUs which have been grouped for impairment testing purposes as they are expected to benefit from the synergies of the relevant combinations.

Key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Defined benefit obligation – Note 32

The Group operates a defined benefit pension scheme that provides benefits to a number of current and former employees. This scheme is closed to new entrants and the accrual of future benefits for active members ceased at the end of February 2010. The value of the deficit is particularly sensitive to the market value of the discount rates and actuarial assumptions related to mortality. The sensitivity of the defined benefit obligation to changes in the principal assumptions is set out in Note 32.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

(d) Management judgements and key accounting estimates continued

Other sources of estimation uncertainty

Revenue recognition on fixed price contracts – Note 5

The majority of the Group's revenue is earned from contracts for the provision of consultancy services that are typically awarded on a fixed price basis. A small number of similar contracts are also entered into by Performance Products to design and set up production lines and supply chains. Services provided under a fixed price contract generally have a single distinct performance obligation, or a single distinct series of performance obligations, which is satisfied over time. For each distinct performance obligation recognised over time, revenue is recognised using an input method, based on total costs incurred to date as a percentage of total estimated costs to satisfy each performance obligation.

The percentage of completion basis of revenue recognition is determined as actual costs incurred as a proportion of total forecast contract costs to complete. This method places importance on the accuracy of uncertain estimates, including total costs to complete, the outcome of contract and technical risks and agreed variation requests. Changes in these estimates may impact revenue recognised at the reporting date with the revenue recognition in the reporting period appropriately adjusted as required.

The actual outcome of wholly or partially unsatisfied performance obligations may differ to the estimate made at a reporting date and it is reasonably possible that outcomes on these contracts within the next reporting period could differ, adversely or favourably, in aggregate to those estimated. It is not possible to fully quantify the expected impact of this, but the estimated costs to complete reflect management's best estimate at that point in time and no individual estimate is expected to have a materially different outcome.

Management does not consider there to be a major source of estimation uncertainty. As set out further on pages 78 and 99, management undertakes a process to assess the risks on inception of all fixed price contracts, then monitors and reviews the risks and performance of contracts as they progress to completion. The highest value, highest risk, most technically complex and financially challenging contracts to deliver, as measured against a number of quantitative and qualitative factors, are categorised as 'Red Category 4' contracts, which are subject to more frequent and senior levels of management review.

As at 30 June 2024, the number of live consulting contracts within the portfolio was in excess of 2,600 (2023: 2,300), with a total value in excess of £800m (2023: £870m). Of this portfolio of contracts, seven contracts (2023: eight) were categorised as Red Category 4. At 30 June 2024, £1.4m (2023: £1.5m) of revenue had been recognised in respect of work performed on these where outcomes were subject to negotiation with customers. Management has made a specific judgement over the ability to recover each of the amounts under negotiation and has recognised provisions of £1.0m (2023: £0.8m) against this revenue, resulting in a net exposure of £0.4m (2023: £0.7m). The possible financial outcomes from these negotiations range from an upside of £1.0m, if management recovers the full £1.4m of revenue and potential negotiation upside, to a downside of £0.4m, if management is unsuccessful in recovering any of the £1.4m.

(e) Research and development expenditure – Note 3

Research and development expenditure is recognised as an administrative expense in the income statement in the year in which it is incurred. Where the activity is performed for customers the cost is recognised as a cost of sale. Directly attributable development expenditure that meets the criteria for recognition as an intangible asset is described in Note 15.

(f) Government grants – Note 3

The Group receives income-related grants from various national and supranational government agencies, principally for credits in respect of qualifying research and development expenditure, together with funding of research and development and capital projects. A grant is recognised in the income statement when there is reasonable assurance that the Group will comply with its conditions and that the grant will be received. Grants are presented in the income statement as a deduction from the related expenses.

Grants contributing to the cost of an asset are deducted from the cost of the asset and reflected in depreciation throughout its useful life.

Grants are not normally received until after qualification conditions have been met and the related expenditure has been incurred. Where this is not the case, they are recorded within trade, contract and other payables either as payments received in advance on contracts or as deferred revenue.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

(g) Revenue – Note 5

Principle approach

The Group principally earns revenue through the provision of consultancy services and bespoke products and recognises revenue based on the satisfaction of performance obligations in contracts with its customers. The core principle is that revenue is recognised in a manner that depicts the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

A contract with a customer is considered to exist when the Group is in possession of documentation to provide an agreed scope of goods or services on mutually understood terms and conditions that are acceptable to the Group which, subject to the successful execution of the contract, is expected to be invoiced against and paid for by the customer. Each contract with a customer is assessed to identify the promises to transfer distinct goods or services, or a series of distinct goods or services, that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations if they are separately identifiable in the contract and if the customer can benefit from them, either on their own or together with other readily available resources.

The total transaction price for a contract is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding sales taxes. Where multiple distinct performance obligations are identified within a contract with a customer, the total transaction price is allocated to each of the distinct performance obligations in proportion to their relative stand-alone selling prices. Given the bespoke nature of many of the Group's products and services, which are designed or manufactured under contract to the customer's individual scope and specifications, there are typically no observable stand-alone selling prices. Instead, stand-alone selling prices are typically estimated based on expected costs plus contract margin.

Costs of fulfilling performance obligations on existing contracts with customers are expensed as incurred. Costs incurred in advance of obtaining a new contract or an anticipated contract that directly relate to the fulfilment of specific performance obligations are initially recognised as an asset and subsequently expensed once the new contract is obtained or obtaining the contract is no longer anticipated. Incremental costs incurred to obtain new contracts with customers are recognised as an asset and amortised consistently with the recognition of revenue over the contract term, providing: the contract term is greater than one year; the costs are only incurred as a direct result of the new contract being obtained; and the costs do not directly relate to the fulfilment of specific performance obligations.

Costs incurred to obtain new contracts with customers are expensed when those costs are incurred irrespective of whether a contract is obtained from a customer.

Revenue is recognised as distinct performance obligations are satisfied, and as control of the goods or services is transferred to the customer. For each distinct performance obligation within a contract, the Group determines whether they are satisfied over time or at a point in time. Performance obligations are considered to be satisfied over time if the goods or services provided have no alternative use to the Group and there is an enforceable right to payment for performance completed to date, or the customer simultaneously receives and consumes the goods or services as the Group provides them.

Services provided under fixed price contracts

The majority of the Group's revenue is earned from contracts for the provision of consultancy services that are typically awarded on a fixed price basis. A small number of similar contracts are also awarded to Performance Products to design and set up production lines and supply chains. Services provided under a fixed price contract generally have a single distinct performance obligation, or a single distinct series of performance obligations, which is satisfied over time. For each distinct performance obligation recognised over time, revenue is recognised using an input method, based on total costs incurred to date as a percentage of total estimated costs to satisfy each performance obligation.

Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and estimated costs to complete are updated regularly as anticipated risks are mitigated or unanticipated risks materialise. The Group has determined that this method faithfully depicts the Group's performance in transferring control of the services to the customer.

The transaction price generally does not include consideration resulting from contract modifications of distinct performance obligations, such as variation orders, until they have been approved by the customer. Variable consideration, such as for the achievement of performance targets or variation requests under negotiation with the customer at the reporting date, can be included in the transaction price together with the estimated costs to perform the associated obligations. These estimates of the expected value or most likely amount are recognised to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised in a future reporting period.

Changes in transaction price from contract modifications that do not create separate distinct performance obligations are added to the transaction price of pre-existing performance obligations to which the modification relates. Contract modifications for goods or services that do create separate distinct performance obligations are accounted for separately from pre-existing performance obligations, together with the expected costs to satisfy those separate distinct performance obligations.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

(g) Revenue – Note 5 continued

Services provided under fixed price contracts continued

Contract assets arising from the recognition of revenue as and when performance obligations are satisfied are initially recognised as accrued revenue or amounts recoverable on contracts (AROC) within trade, contract and other receivables, and transferred to trade receivables when invoiced. Contract liabilities arising from amounts received from customers for services not yet performed are initially recognised as deferred revenue or payments received in advance on contracts (POA) within trade, contract and other payables, and transferred to revenue as and when performance obligations are satisfied.

A loss on a contract is recognised immediately when it becomes probable that the total estimated directly attributable costs to satisfy the contract will exceed the consideration receivable. Monthly reviews of contracts by local management, in conjunction with reviews by senior management of contracts deemed to be of higher risk, ensure that the Group identifies and immediately recognises expected losses on fixed price performance obligations within a contract.

Services provided under time and materials contracts

Certain contracts for the provision of consultancy services may be awarded on a time and materials basis. Services provided under a time and materials basis typically have a single distinct performance obligation to provide a variable amount of labour to the client at an agreed set of time-based labour rates, which represents the sales value. Revenue is therefore recognised over time based upon the agreed sales value of the time worked and costs incurred to date, as the customer simultaneously receives and consumes these services as the Group provides them.

Services provided under subscription and software support contracts

Other contracts primarily relate to annual subscriptions by customers to emergency response and support services for chemical incidents and crisis management. Subscription services are considered to be a single distinct performance obligation for which revenue is recognised at the agreed transaction price on a straight-line basis over the period of subscription.

Software maintenance and support services revenue is recognised separately from the supply of software products on a straight-line basis over the period of maintenance and support. Revenue derived from the supply of ad hoc software-related services, such as training and application engineering, is recognised at the agreed transaction price on a straight-line basis over a typically short period during which the obligation is performed.

Supply of manufactured or assembled products

The majority of the Group's revenue in Performance Products and Defense is earned from the supply of manufactured or assembled high-performance products, some of which are supplied with assurance-type warranties. Revenue for the supply of these products is measured at the agreed transaction price per unit that is expected to flow to the Group, and is recognised at the point in time that the Group has transferred control of the products to the customer, which is typically on delivery or collection. The point in time at which revenue is recognised can vary based on the specific intercompany terms present in a contract with a customer.

Revenue recognised from bill-and-hold arrangements occurs when all performance obligations have been satisfied and there is a substantive reason for the arrangement, which is typically that the customer has requested the products to be held by the Group until such times as delivery or collection is required by the customer. Revenue is recognised and billed under usual payment terms when the customer formally agrees to accept control of the bespoke products which cannot be sold to another customer and provided that the products have been separately identified and made available for delivery or collection.

Supply of software products

Revenue from the sale of software products is derived from new and renewed licences, for which the client has the right to access the product during the licence period, including rolling releases of the latest functionality. A new or renewed licence is considered to be a single distinct performance obligation for which revenue is recognised at the agreed transaction price on a straight-line basis over the licence period.

Perpetual licence sales provide the client with an indefinite right to use the product, excluding rolling releases of the latest functionality. Rolling releases are provided through the separate provision of maintenance and support services. The transaction price of these two distinct performance obligations are separately identifiable within a contract. Revenue is recognised for perpetual licence sales when the performance obligation is satisfied, being the point of delivery of the licence key to the customer.

(h) Specific adjusting items – Note 6

Specific adjusting items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. These items comprise the amortisation of acquired intangible assets, acquisition-related expenditure, reorganisation costs and other items that are included due to their significance, non-recurring nature or amount. Acquisition-related expenditure includes the costs of acquisitions, deferred and contingent consideration fair value adjustments (including the unwinding of discount factors), transaction-related fees and expenses, and post-deal integration costs. Reorganisation costs include costs arising from major restructuring activities, profits or losses on the disposal of businesses, and significant impairments of property, plant and equipment and right-of-use assets.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

(i) Dividends – Note 8

Dividends are recognised as a liability in the year in which they are fully authorised. Interim dividends are recognised when paid.

(j) Net finance costs – Note 9

Finance income and finance costs are recognised in the income statement in the period in which they are incurred using the effective interest method.

(k) Income tax expense – Note 11

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. The current tax charge is the expected tax payable on taxable income for the year, calculated using the average rate applicable for the year on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates. The current tax charge also includes any adjustment to tax payable in respect of previous years.

Management periodically evaluates uncertain positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the relevant tax authorities. The Group submits annual claims in respect of the UK government's Research and Development Expenditure Credit (RDEC) scheme. RDEC is taxable income and is a form of government grant that effectively gives corporation tax relief on qualifying research and development (R&D) expenditure. In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, credits receivable under the RDEC scheme are offset against the associated qualifying R&D expenditure incurred, both of which are included within operating profit.

The Group has provided for uncertain positions taken in the tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the relevant tax authorities.

Uncertain tax positions relate primarily to risks around transfer pricing and ongoing tax audits. The Group's provision is based on experience of dealing with tax authorities in certain jurisdictions in which it operates and an estimate of the most likely outcomes in each territory.

(l) Goodwill – Note 14

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred and the fair value of contingent consideration, over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill arising on acquisitions denominated in foreign currencies is retranslated using exchange rates prevailing at each reporting date.

Goodwill is recognised as an asset and is carried at cost less accumulated impairment losses. It is not subject to amortisation, but is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or group of CGUs, that is expected to benefit from that business combination. Each CGU, or group of CGUs, to which goodwill is allocated represents the lowest level at which goodwill is monitored for internal management purposes and is not larger than an operating segment before aggregation.

When the Group changes the composition of its CGUs, it reallocates goodwill using a relative value approach at the date of the reorganisation, unless the entity can demonstrate that some other method provides a better allocation of goodwill to the reorganised units.

The Group's impairment review compares the carrying value of the goodwill to the recoverable amount of the CGU, or group of CGUs, to which the goodwill has been allocated. The recoverable amount is the higher of the value-in-use or the fair value less costs of disposal. Estimating the recoverable amount requires the Directors to perform an assessment of the discounted future cash flows that the CGU, or group of CGUs, is able to generate. See Note 1(d) for discussion of the critical estimates involved in this assessment.

An impairment is deemed to have occurred where the recoverable amount of a CGU, or group of CGUs, is less than the carrying value of the allocated goodwill. Any impairment is recognised immediately in the income statement within specific adjusting items and is not subsequently reversed. On disposal of an operation, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

(m) Other intangible assets – see Note 15

Acquired intangible assets

Acquired intangible assets that are either separable or arising from contractual rights are recognised at fair value at the date of acquisition, and subsequently at amortised cost. Such intangible assets include client contracts and relationships, together with acquired software and technology. The fair value of acquired intangible assets is determined by use of appropriate valuation techniques.

Software

Purchased software is capitalised on the basis of the purchase price of the software product plus any external and internal costs subsequently incurred that are directly attributable to bring the software product to the condition necessary for it to be capable of operating in the manner intended.

Development costs

Directly attributable costs which are incurred in the development of certain assets are capitalised and amortised over their finite useful lives once the Group has determined that it has the intention and the necessary resources to complete the relevant project, that it is probable the resulting asset will generate economic benefits for the Group and the attributable expenditure can be reliably measured.

Amortisation

Amortisation is typically calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives, as follows:

- Acquisition-related intangible assets:
  - Customer contracts and relationships — Between 2 and 9 years
  - Software and technology — Between 5 and 10 years
- Software — Between 2 and 10 years
- Development costs — Between 3 and 5 years

For certain assets classified as development costs in the Group's Defense operating segment, amortisation is charged on a units of production basis, as this is considered to more accurately reflect the expected pattern of consumption of the future economic benefits embodied in the assets. Assets under construction are carried at cost less any impairment in value, and are included in the relevant asset category. Amortisation of these assets commences when they are available for their intended use or sale.

(n) Property, plant and equipment – see Note 16

Property, plant and equipment is stated at historical cost less depreciation. The gross cost of an item of property, plant and equipment is the purchase price and any costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended. Grants contributing to the cost of an asset are deducted from the cost of the asset and reflected in depreciation throughout its useful life.

Depreciation is typically calculated using the straight-line method to allocate the cost of items of property, plant and equipment less any residual value, over their estimated useful lives, as follows:

- Freehold land — Not depreciated
- Freehold buildings including improvements — Between 25 and 50 years
- Leasehold property improvements — Over the term of the lease
- Plant and machinery — Between 4 and 25 years
- Fixtures, fittings and equipment — Between 2 and 10 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period. For certain assets classified as plant and machinery in the Group's Defense operating segment, depreciation is charged on a units of production basis, as this is considered to more accurately reflect the expected pattern of consumption of the future economic benefits embodied in the assets.

Assets under construction are carried at cost less any impairment in value and are included in the relevant asset category. Depreciation of these assets commences when they are available for their intended use or sale.

All cash flows relating to the component of a sale-and-leaseback transaction that represents the fair value of the asset are classified as investing activities.

Government grants

Grants contributing to the cost of an asset are deducted from the cost of the asset and reflected in its depreciation throughout its useful life.

(o) Impairment of property, plant and equipment and intangible assets excluding goodwill – Notes 15 and 16

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Recoverable amount is the higher of the value-in-use and fair value less costs of disposal. Estimating the recoverable amount requires the Directors to perform an assessment of the discounted future cash flows that the asset is able to generate. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement within specific adjusting items.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

(p) Leases – see Note 17

The Group's policy for leases is as follows:

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee accounting

At the lease commencement date, a right-of-use asset is recognised for the leased item with a corresponding lease liability for any payments due. The right-of-use asset is initially measured at cost, being the present value of the lease payments paid or payable (net of any incentives received from the lessor), plus any initial direct costs and/or restoration costs.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options. If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

For assets where the lessor transfers ownership of the underlying asset to the Group by the end of the lease term, or where the lease contains a purchase option at a nominal/notional value, then these assets will be initially classified as property, plant and equipment, and subsequently follow the depreciation rules set out in Note 1(n).

The lease liability is initially measured at the value of future lease payments, discounted using the interest rate implicit in the lease. Where this rate is not determinable, the Group's incremental borrowing rate is used, which is then adjusted to reflect an estimate of the interest rate the Group would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment, and with similar terms and conditions.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation-related increase) or if the Group's assessment of the lease term changes. Any change in the lease liability as a result of these changes also results in a corresponding change in the recorded right-of-use asset.

Payments in respect of short-term and/or low-value leases are charged to the income statement on a straight-line basis over the lease term. The Group has classified the principal portion of lease payments within financing activities and the interest portion within operating activities within the consolidated cash flow statement.

Lessor accounting

The Group determines at inception of the lease whether the lease is a finance or an operating lease. When a lease transfers substantially all the risks and rewards of ownership of the underlying asset to the lessee then the lease is classified as a finance lease; otherwise, the lease is classified as an operating lease. Where the Group is an intermediate lessor, the interest in the head lease and the sub-lease is accounted for separately and the lease classification of a sub-lease (finance or operating) is determined by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Other sub-leased assets are all classified as operating leases, where payments received (net of any incentives granted by the Group) are recognised in the income statement on a straight-line basis over the lease term.

(q) Provisions for liabilities and charges – see Note 18

Provisions are required for restructuring costs and employment-related benefits when the Group has a present legal or constructive obligation at the reporting date as a result of a past event and it is probable that settlement will be required of an amount that can be reliably estimated. Provisions for warranty costs are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's probable liability.

Other provisions reflect the Directors' best estimate of future obligations relating to legal claims and litigation, together with dilapidation costs for the maintenance of leasehold properties arising from past events such as lease renewals or terminations. These estimates are reviewed at the reporting date and updated as necessary.

(r) Deferred tax – Note 19

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available in the foreseeable future against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised within the foreseeable future.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

(s) Inventories – Note 20

Inventories are stated at the lower of cost, including attributable overheads allocated on the basis of normal operating capacity, and net realisable value. Cost is calculated using the 'weighted average' method across the Group apart from Performance Products and Defense which are on a 'first-in, first-out' method.

(t) Trade, contract and other receivables – Note 21

Trade receivables are stated net of impairment and for the purposes of impairment testing include non-financial contract assets (amounts recoverable on contracts, AROC) and accrued revenue. These assets are assessed for impairment using the simplified approach to the expected credit loss (ECL) model, which applies a 'default rate' at the point of origination that increases as the unpaid asset ages. The simplified approach of IFRS 9 applies a default rate to trade receivables and contract assets. Although past experience of significant credit losses on these assets has been negligible, the impairment assessment considers both past experience and future expectations of credit losses. As a result of this assessment, the Group considers the risk of expected credit losses on contract assets to be immaterial.

In order to assess the ECL over the lifetime of the asset, a historical provision matrix is used to inform a Group-wide 'default rate' which is adjusted for current and expected future economic conditions. To calculate the Group default rates, a weighted average default rate for each business unit was taken. It is considered appropriate for the Group to use one set of default rates, across the Group, as the customer base across the Group is sufficiently homogenous. Each business unit's customers are primarily comprised of large corporations and historical provision matrices are sufficiently homogenous.

Trade receivables and contract assets are provided in full and subsequently written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery could include, amongst others, evidence that the client has entered administration or liquidation proceedings, or the persistent failure of a client to enter into or adhere to a repayment plan. The 'general approach' is applied to the impairment of other financial assets, the amount of which is based on whether there has been a significant deterioration in the credit risk of a financial asset.

(u) Trade, contract and other payables – Note 22

Trade payables are not interest-bearing and are stated at their nominal value.

(v) Net debt and borrowings – Note 23

Cash and cash equivalents in the consolidated cash flow statement comprise cash balances and bank overdrafts repayable on demand, including cash and cash equivalents included in disposal groups held for sale.

Bank overdrafts are shown within borrowings in current liabilities and bank loans and finance leases are shown within borrowings in either current liabilities or non-current liabilities depending on the maturity date. Any cash balances deemed to be restricted in nature are excluded in the calculation of net debt.

Financial liabilities are classified as either amortised cost or fair value through profit and loss. Borrowings are recognised initially at fair value net of direct issue costs and subsequently at amortised cost. Differences between initial value and redemption value are recorded in the income statement over the period of the loan. The fair value of borrowings due for repayment after more than one year approximates to the carrying value as they are primarily floating rate loans where payments are reset to market rates at regular short-term intervals.

(w) Fair value of financial assets and liabilities – Notes 13 & 25

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: valuations in which all inputs are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: valuations in which one or more inputs that are significant to the resulting value are not based on observable market data

The assumptions made in measuring fair values are included in the following notes:

Acquisitions – Note 13

The fair values of identifiable net assets acquired are measured in accordance with IFRS 3 Business Combinations and the sale and purchase agreement.

The fair value of deferred consideration arising on acquisitions of subsidiaries is considered to be at Level 3 of the fair value hierarchy. The fair value is determined based on financial forecasts for the acquired entity. Significant observable inputs include order intake, pipeline and historical performance.

Where deferred consideration is not linked to future performance or the continuing employment of the vendor, the fair value is assessed at the point of acquisition as part of the business combination. Any subsequent changes to the fair value, including the unwind of discount factors, is recognised in the income statement within specific adjusting items.

Where deferred consideration is dependent on the continuing employment of the vendor, it does not form part of the business combination and is considered to represent post-combination remuneration which is recognised in the income statement within specific adjusting items.

See Note 13 for further information.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

(w) Fair value of financial assets and liabilities – Notes 13 & 25 continued

Financial assets and liabilities – Note 25

Derivative financial instruments are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value on the reporting date. Fair value is estimated by discounting expected future contractual cash flows using prevailing interest rate curves. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the reporting date (Level 2 of the fair value hierarchy within IFRS 13 Fair Value Measurement).

The Group uses the fair value of foreign currency swap, forward and option contracts on intercompany loans for the purposes of economic hedging and does not apply hedge accounting.

Where intercompany loans denominated in a foreign currency are neither planned nor likely to be settled in the foreseeable future, they are considered to form part of the net investment in the borrowing entity, and foreign exchange differences are recognised through other comprehensive income. We do not apply hedge accounting in this regard.

The fair value of short-term deposits, loans and overdrafts approximates to the carrying amount because of the short maturity of these instruments.

The fair value of borrowings approximates to the carrying amount as they are primarily floating rate loans where payments are reset to market rates at regular intervals.

During the year, the Group implemented an interest rate collar to hedge against movements in the interest rate on a portion of its Revolving Credit Facility (RCF). This has been designated as a cash flow hedge as the risk being hedged is the exposure to variability in cash flows attributable to future interest payments on the floating rate debt. Hedge accounting is applied and the difference between the fair value of expected interest payments outside of and the cap or floor rate is recognised through other comprehensive income in the cash flow hedge reserve.

(x) Retirement benefits – Note 32

The Group operates one defined benefit and several defined contribution pension schemes, the assets of which are held in separately administered funds. The defined benefit pension scheme is closed to new entrants and the accrual of future benefit for active members ceased at the end of February 2010. Payments to defined contribution pension schemes are charged as an expense as they fall due. Differences between contributions payable in the year and contributions actually paid are included in either accruals or prepayments. Payments to state-managed pension schemes are dealt with as payments to defined contribution pension schemes as the Group's obligations under the schemes are similar in nature.

For the defined benefit pension scheme, the cost of providing benefit is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date.

Remeasurements are recognised in other comprehensive income except where they result from settlements or curtailments, in which case they are reported in the income statement.

Where necessary, past service costs are recognised immediately in the income statement at the earlier of when the plan amendment or curtailment occurs and when the related restructuring costs or termination benefit are recognised. The defined benefit obligation recognised represents the present value of the pension scheme liabilities net of the fair value of scheme assets. Any asset resulting from the calculation is limited to the future economic benefits available from either refund or reduction in future contributions to the plan.

The interest cost on the net defined benefit obligation for the year is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit obligation at the end of the year and is included in finance costs.

(y) Share-based payments – Note 33

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

Cash-settled share-based payments are measured at fair value at the date of grant and expensed over the vesting period until the vesting date with the recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the income statement for the year. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest. Fair value is measured by using the Monte Carlo model. The expected lives used in the models are adjusted for the effects of exercise restrictions and behavioural considerations.

(z) Foreign currency

Transactions

The functional currency of the Company and the presentation currency of the Group is Pounds Sterling. The functional currency of each subsidiary is the currency of the primary economic. environment in which the entity operates. Transactions in currencies other than the functional currency are recorded at prevailing exchange rates. At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date when the transaction occurred. Gains and losses arising on retranslation and settlements are included in the income statement for the year.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

(z) Foreign currency continued

Consolidation

On consolidation, the assets and liabilities of foreign operations, including goodwill and fair value adjustments, are translated into the presentation currency at exchange rates prevailing on the reporting date. Revenues and costs are translated at the average exchange rates of the year unless exchange rates fluctuate significantly. All resulting exchange differences are recognised in other comprehensive income and the translation reserve within equity. On disposal of an operation the related cumulative translation differences are recognised in the income statement as a component of the gain or loss arising on disposal.

(aa) Recent accounting developments

Except where disclosed otherwise in this note, the accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied when preparing the consolidated financial statements for the year ended 30 June 2023.

New accounting standards, amendments and interpretations adopted by the Group

The following new standards and amendments to existing standards became effective in January 2023 and have been adopted in the consolidated financial statements for the first time during the year ended 30 June 2024. These have been assessed as having no financial or disclosure impact on these consolidated financial statements.

	Effective date (period commencing)	Endorsed by UK
• IFRS 17 Insurance Contracts	1 Jul 2023	Yes
• Amendments to IFRS 17 Insurance Contracts	1 Jul 2023	Yes
• Amendments to IAS 1 Presentation of Financial statements	1 Jul 2023	Yes
• Amendments to IAS 12 Income Taxes	1 Jul 2023	Yes
• Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 Jul 2023	Yes

New standards, amendments and interpretations not yet adopted by the Group

The following standards, amendments and interpretations were in issue, but were not yet effective at the balance sheet date. The below is limited to those standards, amendments and interpretations that have received endorsement from the UK Endorsement Board as at the date of this report. These standards have not been applied when preparing the consolidated financial statements for the year ended 30 June 2024. It is not anticipated that the application of the below will have a significant financial or disclosure impact in future years.

	Effective date (period commencing)	Endorsed by UK
• Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures	1 Jul 2024	Yes
• Amendments to IAS 1 Presentation of Financial Statements	1 Jul 2024	Yes
• Amendments to IFRS 16 Leases	1 Jul 2024	Yes
• Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates	1 Jul 2025	Yes

2. Alternative performance measures

Throughout this document the Group presents various alternative performance measures (APMs) in addition to those reported under IFRS. The measures presented are those adopted by the Chief Operating Decision Maker (CODM, deemed to be the Chief Executive Officer), together with the main board, and analysts who follow us in assessing the performance of the business. Ricardo provides guidance to the investor community based on underlying results. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are set out below.

The underlying results and other APMs may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS.

(a) Group profit and earnings measures

Underlying profit before tax (PBT) and underlying operating profit: These measures are used by the board to monitor and measure the trading performance of the Group. Underlying results include the benefits of the results of acquisitions and major restructuring programmes but exclude significant costs (such as the amortisation of acquired intangibles, acquisition-related expenditure, reorganisation costs and other specific adjusting items). Ricardo believes that the underlying results, when considered together with the reported results, provide investors, analysts and other stakeholders with helpful complementary information to better understand the financial performance and position of the Group.

The Group's strategy includes geographic and sector diversification, including targeted acquisitions and disposals. By excluding acquisition-related expenditure from underlying PBT and underlying operating profit, the board has a clearer view of the performance of the Group and is able to make better operational decisions to support its strategy.

Notes to the consolidated financial statements continued

2. Alternative performance measures continued

(a) Group profit and earnings measures continued

Acquisition-related expenditure includes the costs of acquisitions, deferred and contingent consideration fair value adjustments (including the unwinding of discount factors), transaction-related fees and expenses, and post-deal integration costs.

Reorganisation costs arising from major restructuring activities, profits or losses on the disposal of businesses, and significant impairments of property, plant and equipment, are excluded from underlying PBT and underlying operating profit as they are not reflective of the Group's trading performance in the year, as are any other specific adjusting items deemed to be one-off in nature.

The related tax effects on the above and other tax items which do not form part of the underlying tax rate are also considered. 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. A reconciliation is shown below. Further details of the nature of the specific adjusting items are given in Note 6.

Reconciliation of underlying profit to reported profit/(loss)

	2024			2023		
	Underlying £m	**Specific adjusting items £m**	**Total £m**	Underlying £m	Specific adjusting items £m	Total £m
Revenue	**474.7**	**—**	**474.7**	445.2	—	445.2
Cost of sales	**(340.1)**	**—**	**(340.1)**	(318.9)	—	(318.9)
Gross profit	**134.6**	**—**	**134.6**	126.3	—	126.3
Administrative expenses, impairment losses on trade receivables and contract assets, and other income	**(95.8)**	**—**	**(95.8)**	(92.3)	—	(92.3)
Amortisation of acquired intangibles	**—**	**(4.8)**	**(4.8)**	—	(4.6)	(4.6)
Acquisition-related expenditure	**—**	**(12.0)**	**(12.0)**	—	(6.2)	(6.2)
Impairment of non-financial assets	**—**	**—**	**—**	—	(18.7)	(18.7)
Reorganisation costs	**—**	**(8.4)**	**(8.4)**	—	(6.4)	(6.4)
ERP implementation costs	**—**	**(0.5)**	**(0.5)**	—	—	—
Other	**—**	**(0.3)**	**(0.3)**	—	—	—
Operating profit/(loss) from continuing operations	**38.8**	**(26.0)**	**12.8**	34.0	(35.9)	(1.9)
Net finance costs	**(8.3)**	**(0.2)**	**(8.5)**	(6.1)	—	(6.1)
Profit/(loss) before taxation from continuing operations	**30.5**	**(26.2)**	**4.3**	27.9	(35.9)	(8.0)
Income tax (expense)/credit	**(8.1)**	**4.6**	**(3.5)**	(7.3)	3.3	(4.0)
Profit/(loss) for the year from continuing operations	**22.4**	**(21.6)**	**0.8**	20.6	(32.6)	(12.0)
Profit for the year from discontinued operation, net of tax	**—**	**—**	**—**	0.4	6.4	6.8
Profit/(loss) for the year	**22.4**	**(21.6)**	**0.8**	21.0	(26.2)	(5.2)

Notes to the consolidated financial statements continued

2. Alternative performance measures continued

(a) Group profit and earnings measures continued

Underlying earnings attributable to the owners of the parent/earnings per share: The Group uses underlying earnings attributable to the owners of the parent as the input to its adjusted EPS measure. This profit measure excludes the amortisation of acquired intangibles, acquisition-related expenditure, reorganisation costs and other specific adjusting items, but is an after-tax measure. The board considers underlying EPS to be more reflective of the Group's trading performance in the year. A reconciliation between earnings attributable to the owners of the parent and underlying earnings attributable to the owners of the parent is shown in Note 7.

Organic growth/decline: Organic growth/decline is calculated as the growth/decline in the result for the current year compared to the prior year, after excluding the impact of acquisitions or disposals. See Note 13 for details of acquisitions during the year.

Constant currency growth/decline: 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. Constant currency growth/decline is calculated by translating the result for the prior year using foreign currency exchange rates applicable to the current year. This provides an indication of the growth/decline of the business, excluding the impact of foreign exchange.

Headline trading performance

	Underlying			Reported	
	External revenue £m	Operating profit £m	Profit before tax £m	Operating profit/(loss) £m	(Loss)/profit before tax £m
2024					
Continuing operations	**474.7**	**38.8**	**30.5**	**12.8**	**4.3**
Less: performance of acquisitions	**(12.6)**	**(2.7)**	**(2.3)**	**(0.7)**	**(0.3)**
Continuing operations – organic	**462.1**	**36.1**	**28.2**	**12.1**	**4.0**
2023					
Total	446.0	34.5	28.4	6.0	(0.1)
Less: discontinued operation	(0.8)	(0.5)	(0.5)	(7.9)	(7.9)
Continuing operations	445.2	34.0	27.9	(1.9)	(8.0)
Less: performance of acquisitions	(4.8)	(1.1)	(1.1)	4.4	4.4
Continuing operations – organic	440.4	32.9	26.8	2.5	(3.6)
Continuing operations at current year exchange rates	435.1	33.2	27.1	(1.9)	(8.0)
Growth (%) – Total	6%	12%	7%	113%	4,400%
Growth (%) – Continuing operations	7%	14%	9%	774%	154%
Growth (%) – Continuing organic	5%	10%	5%	384%	211%
Constant currency growth (%) – Continuing operations	9%	17%	13%	774%	154%

Notes to the consolidated financial statements continued

2. Alternative performance measures continued

(a) Group profit and earnings measures continued

Segmental underlying operating profit: This is presented in the Group's segmental disclosures and reflects the underlying trading of each segment, as assessed by the main board. This excludes segment-specific amortisation of acquired intangibles, acquisition-related expenditure and other specific adjusting items, such as reorganisation costs. It also excludes unallocated plc costs, which represent the costs of running the public limited company, and specific adjusting items which are outside of the control of segment management. A reconciliation between segment underlying operating profit, the Group's underlying operating profit and operating profit is presented in Note 4.

(b) Cash flow measures

Cash conversion: A key measure of the Group's cash generation is the conversion of profit into cash. This is the reported cash generated from operations (defined as operating cash flow, less movements in net working capital and defined benefit pension deficit contributions) divided by earnings before interest, tax, depreciation and amortisation (EBITDA), expressed as a percentage.

Underlying cash conversion: This is underlying cash generated from operations (defined as reported cash generated from operations, adjusted for the cash impact of specific adjusting items) divided by underlying EBITDA (defined as reported EBITDA, adjusted for the impact of specific adjusting items). A reconciliation between the two is shown below.

Cash conversion

	2024			2023 (restated)		
	Underlying £m	**Specific adjusting items £m**	**Total £m**	Underlying £m	Specific adjusting items £m	Total £m
Operating profit/(loss) from continuing operations	**38.8**	**(26.0)**	**12.8**	34.0	(35.9)	(1.9)
Operating profit from discontinued operation	**—**	**—**	**—**	0.5	7.4	7.9
Operating profit	**38.8**	**(26.0)**	**12.8**	34.5	(28.5)	6.0
Depreciation, amortisation and impairment	**14.5**	**0.6**	**15.1**	14.1	18.7	32.8
Amortisation of acquired intangibles	**—**	**4.8**	**4.8**	—	4.6	4.6
EBITDA	**53.3**	**(20.6)**	**32.7**	48.6	(5.2)	43.4
Movement in working capital	**8.8**	**(1.8)**	**7.0**	(12.8)	1.6	(11.2)
Pension deficit payments	**(0.8)**	**—**	**(0.8)**	(1.8)	—	(1.8)
Gain on disposal of discontinued operation	**—**	**—**	**—**	—	(7.4)	(7.4)
Losses on disposal of assets	**—**	**—**	**—**	0.1	0.6	0.7
Share-based payments	**2.3**	**—**	**2.3**	1.3	—	1.3
Fair value losses/(gains) on derivatives	**1.1**	**—**	**1.1**	(5.6)	—	(5.6)
Unrealised exchange losses/(gains)	**(1.3)**	**—**	**(1.3)**	2.6	—	2.6
Cash generated from operations	**63.4**	**(22.4)**	**41.0**	32.4	(10.4)	22.0
Cash conversion	**118.9%**		**125.4%**	66.7%		50.7%

The movement in working capital in relation to specific adjusting items for the current year includes trade and other payables of £3.9m and provisions of £1.1m in relation to specific adjusting items recognised as an expense during the current year which had not been paid at 30 June 2024, compared to £6.8m at the prior year end (which included £1.3m which was accrued under the completion mechanism in relation to the acquisition of E3M) (see Note 6). The prior year cash flow statement has been restated. See Note 37.

Notes to the consolidated financial statements continued

2. Alternative performance measures continued

(b) Cash flow measures continued

Net debt: Defined as current and non-current borrowings less cash and cash equivalents, including hire purchase agreements, but excluding any cash deemed to be restricted in nature and any impact of other IFRS 16 lease liabilities. Management believes this definition is the most appropriate for monitoring the indebtedness of the Group and is consistent with the treatment in the Group's banking agreements. Further details are provided in Note 23.

(c) Tax measures

Underlying effective tax rate (ETR): The Group reports one adjusted tax measure, which is the tax rate on underlying profit before tax. This is the tax charge applicable to underlying profit before tax expressed as a percentage of underlying profit before tax.

(d) Other measures

Order book: The value of all unworked purchase orders and contracts received from customers at the reporting date, providing an indication of revenue that has been secured and will be recognised in future accounting periods – see Note 21. Management does not consider there to be a closely equivalent GAAP measure.

Order intake: The value of purchase orders and contracts received from customers during the period. The order intake for the current year was £496.1m (2023: £522.0m), including results of the discontinued operation. Management does not consider there to be a closely equivalent GAAP measure.

Headcount: Headcount is calculated as the number of colleagues on the payroll at the reporting date and includes subcontractors on a full-time equivalent basis. The number of employees disclosed in Note 31 is the average for the year.

Notes to the consolidated financial statements continued

Financial performance

The following disclosures provide further information about the drivers of the Group's financial performance in the year. This includes analysis of the respective contribution of the Group's reportable segments along with information about its operating cost base, net finance costs and tax. In addition, disclosure on earnings per share and the dividend is provided.

3. Operating profit/(loss)

Research and development expenditure accounting policy – Note 1(e)

Government grants accounting policy – Note 1(f)

Operating profit/(loss), including the result of the discontinued operation, is stated after charging/(crediting) the following amounts:

	Note	2024 £m	2023 £m
Depreciation of property, plant and equipment	16	**5.3**	4.8
Impairment of property, plant and equipment	16	**0.2**	11.7
Depreciation of right-of-use assets	17	**5.0**	4.8
Impairment of right-of-use assets	17	**0.4**	—
Amortisation of other intangible assets	15	**9.0**	9.1
Impairment of other intangible assets	15	**—**	1.8
Impairment of goodwill	14	**—**	5.2
Repairs and maintenance on property, plant and equipment		**9.5**	8.9
Net impairment expense on trade receivables	21	**0.2**	1.8
Losses on disposal of property, plant and equipment		**—**	0.7
Research and development expenditure		**5.0**	9.1
Government grant income in respect of research and development expenditure		**(1.8)**	(6.8)

4. Financial performance by segment

The segmental analysis helps explain the business in the way that it is monitored by management.

The Group's operating segments are being reported based on the financial information provided to the Chief Operating Decision Maker, who is the Chief Executive Officer. The information reported includes financial performance but does not include the financial position of assets and liabilities. The operating segments were identified by evaluating the Group's products and services, processes, types of customers and delivery methods.

The following summarises the operations in each of the Group's reportable segments:

- Energy and Environment (EE) – EE generates revenue from the provision of environmental consultancy services to customers across the world. Customers include governments, public agencies and private businesses
- Rail – Rail generates revenue through two separate operations: a consultancy unit that provides technical advice and engineering services; and a separately operated entity, Ricardo Certification, that performs accredited assurance services
- Automotive and Industrial – Established – A&I – Established generates revenue through the provision of engineering, strategic consulting, and design, development and testing services, focused on the design, building and testing of conventional powertrains. Customers include businesses in the automotive, aerospace, defence, off-highway and commercial, marine and rail markets
- Automotive and Industrial – Emerging – A&I – Emerging generates revenue through the provision of engineering, strategic consulting, and design, development and testing services, focused on power electronic systems and propulsion systems, software and digital technologies. Customers include businesses in the automotive, aerospace, defence, energy, off-highway and commercial, marine, motorcycle and light personal transport, and rail markets
- Defense – Defense provides engineering services, software and products to customers in the US defence market, aimed at protecting life and improving the operation, maintenance and support of complex systems
- Performance Products (PP) – PP manufactures, assembles and develops niche, high-quality components, prototypes and complex products, including engines, transmissions and other precision and performance critical products. Its customers manufacture low-volume, high-performance products in markets such as motorsport, automotive, aerospace, defence and rail

The operations of the Group have been categorised into these segments due to the nature of their services, market sectors, client bases and distribution channels and operating across markets requiring adherence to regulatory frameworks that are similar in nature.

Notes to the consolidated financial statements continued

Financial performance continued

4. Financial performance by segment continued

Measurement of performance

Management monitors the financial results of its operating segments separately for the purpose of making decisions about allocating resources and assessing performance. Segmental performance is measured based on underlying operating profit, as this measure provides management with an overall view of how the different operating segments are managing their total cost base against the revenue generated from their portfolio of contracts.

There are varying levels of integration between the segments. The segments use EE for their specialist environmental knowledge. The A&I segments and PP have various shared projects. There are also shared service costs between the segments. Inter-segment transactions are eliminated on consolidation. Inter-segment pricing is determined on an arm's length basis in a manner similar to transactions with third parties.

Included within plc costs in the following tables are costs arising from a central Group function, including the costs of running the public limited company, which are not recharged to the other operating segments. The operating segment section of this Annual Report provides further detail on the segments' performance (see pages 81-82).

	2024					
	Total segment revenue £m	Inter-segment revenue £m	Revenue from external customers £m	Underlying operating profit £m	Specific adjusting items[1] £m	Operating profit £m
Energy and Environment	104.0	(0.7)	103.3	17.6	(10.0)	7.6
Rail	78.0	(0.6)	77.4	8.9	(3.8)	5.1
Automotive and Industrial – Emerging	58.6	—	58.6	3.4	—	3.4
Defense	123.4	—	123.4	23.5	—	23.5
Performance Products	83.5	(0.1)	83.4	6.7	—	6.7
Automotive and Industrial – Established	28.6	—	28.6	(3.3)	(3.4)	(6.7)
Plc	—	—	—	(18.0)	(8.8)	(26.8)
Total	476.1	(1.4)	474.7	38.8	(26.0)	12.8
Net finance costs					(0.2)	(8.5)
Total profit before tax					(26.2)	4.3

Notes to the consolidated financial statements continued

Financial performance continued

4. Financial performance by segment continued

Measurement of performance continued

	2024			
		Capital expenditure		
	Depreciation, amortisation and impairment £m	Other intangible assets £m	Property, plant and equipment £m	Right-of-use assets £m
Energy and Environment	6.0	2.8	0.8	1.1
Rail	4.2	0.1	0.2	0.2
Automotive and Industrial – Emerging	5.6	2.1	2.0	0.8
Defense	2.1	1.3	0.8	—
Performance Products	0.8	0.1	0.3	2.0
Plc	1.2	0.8	—	—
Total	19.9	7.2	4.1	4.1

	2023					
	Total segment revenue £m	Inter-segment revenue £m	Revenue from external customers £m	Underlying operating profit £m	Specific adjusting items[1] £m	Operating profit £m
Energy and Environment	89.6	(1.1)	88.5	16.0	(2.4)	13.6
Rail	74.1	(0.6)	73.5	8.0	(4.1)	3.9
Automotive and Industrial – Emerging	83.0	(0.7)	82.3	10.6	—	10.6
Defense	88.7	(0.1)	88.6	13.4	(0.1)	13.3
Performance Products	85.2	(0.5)	84.7	9.0	—	9.0
Automotive and Industrial – Established	28.6	(1.0)	27.6	(5.8)	(23.4)	(29.2)
Plc	—	—	—	(17.2)	(5.9)	(23.1)
Total continuing operations	449.2	(4.0)	445.2	34.0	(35.9)	(1.9)
Discontinued operation	0.8	—	0.8	0.5	7.4	7.9
Total	450.0	(4.0)	446.0	34.5	(28.5)	6.0
Net finance costs						(6.1)
Total loss before tax						(0.1)

Notes to the consolidated financial statements continued

Financial performance continued

4. Financial performance by segment continued

Measurement of performance continued

	2023			
		Capital expenditure		
	Depreciation, amortisation and impairment £m	Other intangible assets £m	Property, plant and equipment £m	Right-of-use assets £m
Energy and Environment	4.2	0.6	0.6	0.5
Rail	4.5	0.3	0.3	0.7
Automotive and Industrial – Emerging	3.3	2.7	3.1	1.0
Defense	1.8	0.4	0.4	—
Performance Products	0.9	0.6	0.6	—
Automotive and Industrial – Established	21.0	0.7	1.2	1.6
Plc	1.7	—	—	0.1
Total continuing operations	37.4	5.3	6.2	3.9
Discontinued operation	—	0.2	—	—
Total	37.4	5.5	6.2	3.9

Notes to the consolidated financial statements continued

Financial performance continued

5. Revenue

Revenue accounting policy – Note 1(g)

Key sources of estimation uncertainty: Revenue on fixed price contracts – Note 1(d)

	Continuing operations		Discontinued operations		Total	
	2024 £m	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Revenue stream						
Service provided under:						
– Fixed price contracts	**214.0**	216.9	**—**	—	**214.0**	216.9
– Time and materials contracts	**81.6**	81.1	**—**	—	**81.6**	81.1
– Subscription and software support contracts	**5.8**	5.4	**—**	0.1	**5.8**	5.5
Goods supplied:						
– Manufactured and assembled products	**171.6**	140.5	**—**	—	**171.6**	140.5
– Software products	**1.7**	1.3	**—**	0.7	**1.7**	2.0
Total	**474.7**	445.2	**—**	0.8	**474.7**	446.0
Customer location						
United Kingdom	**137.3**	137.4	**—**	0.3	**137.3**	137.7
Europe	**83.2**	78.5	**—**	0.1	**83.2**	78.6
North America	**166.2**	139.4	**—**	0.2	**166.2**	139.6
Rest of Asia	**39.7**	30.1	**—**	0.2	**39.7**	30.3
Australia	**22.7**	23.4	**—**	—	**22.7**	23.4
China	**8.3**	16.4	**—**	—	**8.3**	16.4
Rest of the World	**17.3**	20.0	**—**	—	**17.3**	20.0
Total	**474.7**	445.2	**—**	0.8	**474.7**	446.0
Timing of recognition						
Over time	**302.8**	304.6	**—**	0.8	**302.8**	305.4
At a point in time	**171.9**	140.6	**—**	—	**171.9**	140.6
Total	**474.7**	445.2	**—**	0.8	**474.7**	446.0

Notes to the consolidated financial statements continued

Financial performance continued

6. Specific adjusting items

Specific adjusting items accounting policy – Note 1(h)

Critical judgement on specific adjusting items: Reorganisation costs – Note 1(d)

Specific adjusting items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. These items comprise the amortisation of acquired intangible assets, acquisition-related expenditure, reorganisation costs and other items that are included due to their significance, non-recurring nature or amount. Acquisition-related expenditure is incurred by the Group to effect a business combination, including the costs associated with the integration of acquired businesses. Reorganisation costs relate to non-recurring expenditure incurred as part of fundamental restructuring activities, significant impairments of property, plant and equipment, and other items deemed to be one-off in nature.

	2024 £m	2023 £m
Continuing operations		
Amortisation of acquired intangibles	**4.8**	4.6
Acquisition-related expenditure	**3.0**	6.2
Earn-out and employee retention costs	**9.2**	—
Reorganisation costs		
– Impairment of non-financial assets	**—**	18.7
– Other reorganisation costs	**8.4**	6.4
ERP implementation costs	**0.5**	—
Sale and leaseback costs	**0.3**	—
Total specific adjusting items from continuing operations before tax	**26.2**	35.9
Tax credit on specific adjusting items	**(4.6)**	(3.3)
Total specific adjusting items from continuing operations after tax	**21.6**	32.6
Specific adjusting items from discontinued operations		
Disposal of discontinued operations	**—**	(7.4)
Tax on specific adjusting items from discontinued operations	**—**	1.0
Total specific adjusting items after tax	**21.6**	26.2

Amortisation of acquired intangible assets

On acquisition of a business, the purchase price is allocated to assets such as customer contracts and relationships. Amortisation occurs on a straight-line basis over the asset's useful economic life, which is between two and nine years.

Acquisition-related expenditure, earn-out and employee retention costs

The current year acquisition-related expenditure comprises:

- £nil (2023: £0.4m) of integration costs and £0.1m (2023: £0.4m) of contingent consideration following the acquisition of Inside Infrastructure
- £0.2m (2023: £0.2m) of external fees and integration costs and £4.1m (2023: £0.9m) of contingent consideration following the acquisition of E3M (see Note 13)
- £0.5m (2023: £0.4m) of integration costs and £5.0m (2023: £3.2m) of contingent consideration following the acquisition of Aither (see Note 13)
- £2.3m (2023: £0.7m) of external fees in respect of other strategic projects

Reorganisation costs

Impairment of non-financial assets

In the prior year, £18.7m of impairment costs were recognised (see Note 14), following a re-assessment of the future projections and discounted cash flows of the A&I – Established business as a result of economic uncertainties and the pace of technological change in the sector.

Other reorganisation costs

Reorganisation costs of £8.4m in FY 2023/24 include the following amounts:

- £3.4m in relation to the restructuring and transformation of the A&I businesses, primarily to transform global operations and enabling functions, including:
  - £1.8m of redundancy costs
  - £0.4m for external contractors and fees associated with the process
  - £1.2m in respect of property exits and asset write-downs, including onerous lease provisions and impairment unutilised assets. This activity concluded in the current year
  - In the prior year, £2.4m of redundancy costs were incurred in order to right-size the business in response to prevailing the economic challenges discussed above. In addition, £1.1m of losses on disposal of non-current assets, £0.2m of property exit costs and £1.0m of external fees and contractor costs were incurred

Notes to the consolidated financial statements continued

Financial performance continued

6. Specific adjusting items continued

Reorganisation costs continued

Other reorganisation costs continued

- £3.3m in relation to the Rail and EE businesses. The current year cost includes £3.2m of redundancy costs and £0.1m of external fees arising from the combination of the operational transformation programme and significant multi-year review to support creating a combined Clean Energy and Environmental Solutions business focused on key markets across Rail and EE. Redundancy costs of £1.5m were incurred in the prior year. These activities concluded in the current year
- £1.7m of central costs including redundancies of £1.0m and the cost of external contractors and fees of £0.7m in relation to the operational transformation programme. Redundancy costs of £0.2m were incurred in the prior year. This activity concluded in the current year

These costs have been included within specific adjusting items as they are significant in quantum and would otherwise distort the underlying trading performance of the Group.

ERP implementation costs

During the year, £0.5m of external costs in relation to the planning activities to implement a new ERP system were incurred. These have been classified as a specific adjusting item as they are not reflective of the underlying performance of the business. The ERP system is expected to be utilised by the Group for at least five years.

Sale and leaseback costs

On 28th June 2024, Ricardo plc sold part of the site at the Shoreham Technical Centre used by Ricardo PP Ltd, known as Building 2, Building 19 and car parking, to Berwen Ltd for £3.25m, with no gain or loss on book value. The cost of £0.3m was associated with external fees relating to the sale. These costs have been recognised as specific adjusting items as they do not reflect the underlying trading performance of the business. Cash proceeds received for the sale have been recorded within investing activities in the cash flow statement.

Prior year disposal of discontinued operation

During the prior year, a gain on the disposal of the discontinued Software business of £7.4m was recognised.

Notes to the consolidated financial statements continued

Financial performance continued

7. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year, excluding those held by an employee benefit trust for the Long-Term Incentive Plan (LTIP) and by the Share Incentive Plan (SIP) for the free share scheme, which are treated as cancelled for the purposes of the calculation.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These include potential awards of LTIP shares and options granted to employees. The assumed proceeds from these are regarded as having been received at the average market price of ordinary shares during the year.

Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below. Underlying earnings per share is also shown because the Directors consider that this provides a useful indication of underlying performance and trends over time.

	2024 £m	2023 £m
Earnings/(loss) attributable to owners of the parent	**0.7**	(5.4)
Add back the net-of-tax impact of:		
– Amortisation of acquired intangibles	**3.5**	3.5
– Acquisition-related expenditure	**11.3**	6.2
– Other reorganisation costs and impairment	**6.1**	22.9
– ERP implementation costs	**0.4**	—
– Sale and leaseback costs	**0.3**	—
– Discontinued operation	**—**	(6.4)
Underlying earnings attributable to owners of the parent	**22.3**	20.8

	2024 Number of shares millions	2023 Number of shares millions
Basic weighted average number of shares in issue	**62.2**	62.2
Effect of dilutive potential shares	**0.6**	—
Diluted weighted average number of shares in issue	**62.8**	62.2

Earnings/(loss) per share	2024 pence	2023 pence
Basic	**1.1**	(8.7)
Diluted	**1.1**	(8.7)

Underlying earnings per share	2024 pence	2023 pence
Basic	**35.9**	33.4
Diluted	**35.5**	33.4

Earnings/(loss) per share from continuing operations	2024 pence	2023 pence
Basic	**1.1**	(19.3)
Diluted	**1.1**	(19.3)

Earnings per share from discontinued operation	2024 pence	2023 pence
Basic	**—**	10.9
Diluted	**—**	10.9

Notes to the consolidated financial statements continued

Financial performance continued

8. Dividends

Dividend accounting policy – Note 1(i)

	2024 £m	2023 £m
Final dividend for prior period: 8.61p per share (2023: 7.49p per share)	**5.3**	4.6
Interim dividend for current period: 3.8p per share (2023: 3.35p per share)	**2.4**	2.1
Equity dividends paid	**7.7**	6.7

On 4 September 2024 the Directors declared a final dividend of 8.9p per share, which will be paid gross on 22 November 2024 to holders of ordinary shares on the Company's register of members on 1 November 2024.

9. Net finance costs

Net finance costs accounting policy – Note 1(j)

	2024 £m	2023 £m
Finance income		
Bank interest receivable	**0.3**	0.2
Other interest receivable	**0.1**	0.2
Defined benefit pension financing income	**0.7**	0.6
Total finance income	**1.1**	1.0
Finance costs		
Bank interest payable on borrowings	**(8.3)**	(6.1)
Interest expense on lease liabilities	**(1.0)**	(0.9)
Other interest payable	**(0.3)**	(0.1)
Total finance costs	**(9.6)**	(7.1)
Net finance costs	**(8.5)**	(6.1)

10. Auditor's remuneration

During the year the Group (including its subsidiaries) obtained the following services from the Group auditors and its associates:

Fees payable for services provided by the Company's auditor and its associates	2024 £'000	2023 £'000
Audit fees		
Statutory audit of the Company and its consolidated financial statements	**919**	899
Statutory audit of the Company's subsidiaries and their financial statements	**886**	696
Total audit fees	**1,805**	1,595
Non-audit fees		
Audit-related assurance services provided to the Company	**110**	106
Audit-related assurance services provided to the Company's subsidiaries	**6**	18
Total non-audit fees	**116**	124
Non-audit fees as a percentage of audit fees	**6.4%**	7.8%

Fees payable during the year to the Company's auditor and its associates for audit-related assurance services related to independent reviews, agreed-upon procedures and other services closely related to the audit of the Company and its subsidiaries. Total audit fees have increased by 13% in the current year due to additional regulatory audit requirements.

Non-audit services comprised the Group's interim review and other audit-related assurance services.

Notes to the consolidated financial statements continued

Financial performance continued

11. Tax expense

Tax expense accounting policy – Note 1(k)

	2024 £m	2023 £m
Current income tax		
UK corporation tax	**0.7**	0.5
Adjustments in respect of prior years	**(1.1)**	(0.3)
Total UK tax	**(0.4)**	0.2
Foreign corporation tax	**2.3**	3.6
Overseas withholding tax suffered	**1.2**	0.8
Adjustments in respect of prior years	**(0.1)**	—
Total foreign tax	**3.4**	4.4
Total current tax	**3.0**	4.6
Deferred tax		
Charge/(credit) for the year	**1.8**	(0.3)
Adjustments in respect of prior years	**(1.3)**	0.8
Total deferred tax	**0.5**	0.5
Total taxation	**3.5**	5.1
Tax on items recognised in other comprehensive income	**(1.4)**	(1.2)
Tax on items recognised directly in equity	**—**	(0.7)

Tax on items recognised in other comprehensive income relates to the tax impact of remeasurements of the defined benefit pension scheme. Tax on items recognised directly in equity relates to equity-settled share-based payment transactions.

The main rate of UK corporation tax for the year ended 30 June 2024 is 25%. The Finance Act 2021, which was substantially enacted on 10 June 2021, announced that the main UK corporation tax rate would increase to 25% with effect from 1 April 2023. Deferred taxes in the UK have been measured at the corporation tax rate expected to apply at the time of the reversal of the timing difference. Overseas deferred taxes at the reporting date have been measured and reflected in these financial statements by using the enacted rate within each jurisdiction. The tax charge for the year is higher (2023: higher) than the standard rate of corporation tax in the UK. The differences are set out below:

	2024 £m	2023 £m
Profit/(loss) before taxation	**4.3**	(0.1)
Multiplied by the standard rate of corporation tax in the UK of 25.0% (2023: 20.5%)	**1.1**	—
Effects of:		
Income not taxable	**—**	(1.6)
Expenses not deductible for tax purposes	**1.7**	3.8
Deferred tax recognised in OCI or equity	**1.0**	1.9
Government tax incentives[1]	**(0.5)**	(0.2)
Other overseas taxes[2]	**1.6**	1.2
Adjustment to the IFRIC 23 provision	**—**	(0.1)
Adjustments in respect of prior years	**(2.5)**	0.5
Deferred tax not recognised	**1.8**	(0.7)
Differences in tax rates	**(0.7)**	0.3
Total taxation	**3.5**	5.1

(1) Primarily relates to R&D tax credits.
(2) Primarily relates to withholding taxes.

Notes to the consolidated financial statements continued

Financial performance continued/Capital base

11. Tax expense continued

The Group operates in a number of countries and is subject to taxation in numerous jurisdictions. Legislation related to taxation is complex and management is required to make judgements based on appropriate professional advice, and amounts provided are accrued based on management's interpretation of country-specific tax laws. In particular, management applies judgement in respect of ongoing tax audits around the Group, which can take a significant amount of time to be agreed with tax authorities. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. These estimates include judgements about the position expected to be taken by each tax authority. As at 30 June 2024, the Group's IFRIC 23 provision for uncertain tax positions was £0.3m (2023: £0.2m). The provision relates to potential challenges on tax positions in international territories.

Expenses not deductible relates to a variety of types of costs, but largely relates to acquisition-related expenditure.

Management judgement has also been required to ensure that appropriate transfer pricing is applied on all intra-group transactions, and in determining the amounts that would be undertaken on an arm's length basis. As a result, actual liabilities could differ from the amounts provided, which could have a consequent impact on the results and net position of the Group.

None of the amounts are individually material and therefore there is not a significant risk of material differences in future periods.

12. Non-current assets by geographical location (excluding deferred tax assets and pension surplus)

Asset location	Note	2024 £m	2023 £m
United Kingdom		**69.3**	70.6
Australia		**35.2**	37.9
Greece		**19.0**	—
Netherlands		**17.8**	19.2
North America		**16.9**	17.8
Rest of the World		**23.6**	44.4
Total		**181.8**	189.9
Goodwill	14	**96.0**	96.1
Other intangible assets	15	**33.7**	35.4
Property, plant and equipment	16	**30.4**	35.3
Right-of-use assets	17	**19.2**	20.7
Other receivables	21	**2.5**	2.4
Total		**181.8**	189.9

Notes to the consolidated financial statements continued

Capital base continued

13. Acquisitions

(a) Acquisition in the year to 30 June 2023 – Aither

On 10 March 2023, the Group acquired 90% of the issued share capital of Aither, a leading Australian water and natural resources advisory consultancy. The commitment to purchase the remaining amount gives rise to a financial liability (see below), therefore no non-controlling interest is recognised for the remaining 10% shareholding. Total amounts potentially payable in relation to the acquisition include the following:

- Initial cash consideration of £9.4m (AUD 17.2m), which includes an adjustment for cash and normalised net working capital of £0.1m (AUD 0.1m), paid in March 2023 and June 2023 respectively
- An earn-out agreement based on the earnings before tax, depreciation and amortisation (EBITDA) for the 10 months ended 31 December 2023 comprising two elements:
  - 90% earn-out payment to the vendors of the business, if they remain employed by the business at the earn-out date. EBITDA for the period resulted in a maximum earn-out payment of £6.9m (AUD 13.2m), paid in May 2024
  - 10% earn-out bonus to staff employed by the business from completion date and throughout the earn-out period. An amount of £0.8m (AUS 1.5m) was paid in May 2024

This amount is considered to represent post-combination remuneration, in line with IFRS 3.

An expense of £4.8m has been recognised in the current year in respect of this post-combination remuneration, being the movement between the final payment (£7.7m) and the accrual made as at 30 June 2023 (£2.9m). This expense has been recognised in the income statement within specific adjusting items. See Note 6.

- The purchase of the remaining 10% of share capital is expected to take place on the third anniversary of the acquisition, or the second anniversary by mutual agreement
  - An amount of £0.8m (AUD 1.6m), with a present value of £0.7m (AUD 1.3m), is not linked to the continuing employment of the vendors or other performance conditions and has been treated as deferred consideration. As a result of the unwind in discounting, a charge of £0.1m (AUD 0.2m) was recognised in the year in the income statement within specific adjusting items (interest payable)
  - A further amount is based on the EBITDA of the 12 months ending 31 December 2025. The minimum undiscounted value of this payment is £0.8m (AUD 1.6m) and the maximum is £4.4m (AUD 8.4m). This payment is linked to continuing employment of the vendor, and does not form part of the business combination and is considered to represent post-combination remuneration. An expense of £0.2m has been recognised in the current year in respect of this post-combination remuneration and a discount rate of 12.8%. This expense has been recognised in the income statement within specific adjusting items. See Note 6

(b) Acquisition in the year to 30 June 2023 – E3M

On 24 January 2023, the Group acquired 93% of the issued share capital of E3M, an Energy and Environment consulting company based in Athens. The commitment to purchase the remaining amount gives rise to a financial liability; no non-controlling interest is recognised for the remaining 7% shareholding. Total amounts potentially payable in relation to the acquisition include the following:

- Initial cash consideration of £19.2m (EUR 21.9m), which includes an adjustment for cash and normalised net working capital of £0.2m (EUR 0.2m), paid in January 2023 and June 2023 respectively
- An earn-out agreement based on the earnings before tax, depreciation and amortisation (EBITDA) for the 12 months ended 31 December 2023. This amount is considered to represent post-combination remuneration, in line with IFRS 3. The minimum value of this payment is £nil and the maximum is £4.7m (EUR 5.4m). E3M achieved EBITDA for the period which resulted in the maximum earn-out payment of £4.7m (EUR 5.4m), paid in May 2024. An expense of £3.8m has been recognised in the current year in respect of this post-combination remuneration, being the movement between the maximum amount paid and the accrual as at 30 June 2023 (£0.9m). This expense has been recognised in the income statement within specific adjusting items. See Note 6. In addition, £1.3m (EUR 1.5m) was paid in FY 2023/24 in relation to a deal completion accounts adjustment to consideration. The payment has been recognised in acquisition-related payments in the cash flow statement
- The purchase of the remaining 7% of share capital is expected to take place in January 2026
  - An amount of £0.9m (EUR 1.0m), with a present value of £0.6m (EUR 0.7m), is not linked to the continuing employment of the vendors or other performance conditions and has been treated as deferred consideration. As a result of the unwind in discounting, a charge of £0.1m (EUR 0.1m) was recognised in the year in the income statement within specific adjusting items (interest payable)
  - A further amount is contingent on the EBITDA for the 12 months ending 31 December 2025. The minimum undiscounted value of this payment is £0.9m (EUR 1.0m) and the amount is uncapped. This payment is linked to continuing employment of the vendor, and does not form part of the business combination and is considered to represent post-combination remuneration. An expense of £0.2m has been recognised in the current year in respect of this post-combination remuneration, based on expected EBITDA for the period ending 31 December 2025, and a discount rate of 15.2%. This expense has been recognised in the income statement within specific adjusting items. See Note 6

Notes to the consolidated financial statements continued

Capital base continued

14. Goodwill and impairment of non-financial assets

Goodwill accounting policy – Note 1(l)

Critical judgement on carrying value of goodwill: CGUs – Note 1(d)

Key sources of estimation uncertainty on carrying value of goodwill – Note 1(d)

Movement in goodwill	Note	**2024 £m**	2023 £m
At 1 July		**96.1**	90.6
Acquisition of business[(1)]	13	**—**	13.6
Impairment[(2)]		**—**	(5.2)
Exchange adjustments		**(0.1)**	(2.9)
At 30 June		**96.0**	96.1

The carrying value of goodwill and the key assumptions used in determining the recoverable amount of each CGU, or group of CGUs, are as follows:

		Carrying value		Pre-tax discount rate		Long-term growth rate	
	Basis	**2024 £m**	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Rail	VIU	**44.6**	44.4	**14.3%**	13.5%	**3.6%**	2.9%
Automotive and Industrial – Established[(2)]	VIU	**—**	—	**14.8%**	14.9%	**(10.0%)**	(10.0%)
Automotive and Industrial – Emerging	VIU	**14.2**	14.4	**14.7%**	14.9%	**3.8%**	3.9%
Energy and Environment[(1)]	VIU	**32.6**	32.7	**16.5%**	16.9%	**4.7%**	4.0%
Defense[(3)]	VIU	**3.5**	3.5	**16.1%**	14.0%	**1.7%**	3.3%
Performance Products[(4)]	FVLCD	**1.1**	1.1	**12.4%**	15.9%	**4.7%**	4.4%
At 30 June		**96.0**	96.1				

(1) The Group acquired Aither and E3M during the prior year, adding goodwill of £5.1m and £8.5m respectively to the Energy and Environment CGU.

(2) At 31 December 2022, during the previous financial year, as required by IAS 36, an assessment was carried out to identify whether any indicators existed that the goodwill balances held by the Group may be impaired. Due to a significantly more challenging performance than expected in the Automotive and Industrial – Established Mobility (A&I – Established) segment, an indicator of impairment was considered to exist and the recoverable amount of the CGU was estimated. The recoverable amount of the CGU was based on its value-in-use (VIU), determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. Expected cash flows for the A&I – Established business decreased compared to those expected at 30 June 2022, and the carrying amount of the CGU was therefore determined to be higher than its recoverable value of £nil. As a result, an impairment charge of £17.7m was recognised during the previous financial year to administrative expenses within specific adjusting items for the A&I – Established operating segment. This assessment was updated at 30 June 2023 and a further £1.0m of assets were impaired. At 30 June 2024, the recoverable value of A&I – Established remained £nil and therefore the assets remain fully impaired. No further impairment was added.

(3) The increase in the pre-tax discount rate for this CGU relates to a change in the mix of competitor companies which better reflects the risk profile of the CGU.

(4) In FY 2023/24, the recoverable amount of this CGU was based on fair value less costs of disposal (FVLCD), estimated using discounted cash flows. The fair value measurement was classified as a Level 3 fair value based on the inputs in the valuation technique used. The key assumptions used are set out in the table. The FY 2023/24 discount rate represents a post tax discount rate.

Movements in the carrying value of goodwill in Rail and A&I – Emerging reflect movements in the foreign exchange rate.

Notes to the consolidated financial statements continued

Capital base continued

14. Goodwill and impairment of non-financial assets continued

During the previous financial year, £18.7m of assets were written off including £5.2m of goodwill, £1.8m of intangible assets (primarily development costs, including calibration tools), and £11.7m of property, plant and equipment (including £2.8m of buildings and £5.2m of test assets). After recognising the impairment, the carrying value of non-current assets allocated to this CGU was £nil.

	£m
Goodwill	5.2
Other intangible assets	1.8
Property, plant and equipment	11.7
Total impairment	**18.7**

In addition, an estimate of recoverable value for the combined A&I – Established and A&I – Emerging businesses was calculated in order to assess the carrying value of the assets shared between these CGUs (see Note 1(d)). The carrying value of the shared assets, and the A&I – Emerging assets, were supported by this calculation with significant headroom, and no further impairment was recognised.

Key assumptions

The five-year plan and discounted cash flow calculations thereon are used to calculate a recoverable amount which is compared to the carrying value of the goodwill and other non-financial assets allocated to each CGU, or group of CGUs, at 30 June 2024. No impairment was considered necessary (2023: Impairment was recognised in relation to A&I – Established (see above)).

The five-year cash flow forecasts are based on the budget for the following year (year one) and the business plans for years two to five. The five-year plan is prepared by management, and is reviewed and approved by the board. The five-year plan reflects past experience, management's assessment of the current contract portfolio, contract wins, contract retention, price increases, gross margin, as well as future expected market trends (including the impact of climate change, where relevant), adjusted to meet the requirements of IAS 36 Impairment of Assets.

The risks associated with climate change which have been incorporated into the five-year planning process include the known and expected increased regulation in relation the use of the internal combustion engine (ICE) and the impact that will have on our customers operating in this market. The five-year planning process takes into account the requirement to adapt our product and service portfolios in response to megatrends influenced by climate change. Some risks, such as the risk of sea level rise (see discussion of principal risks on page 77 of the Annual Report), are expected to arise outside of the timeline of the five-year plan and are not considered sufficiently quantifiable to include in the longer-term element of the recoverable amount calculation. The recoverable amounts of the CGUs include consideration of our commitment to carbon reduction based on the Science Based Targets initiative (SBTi).

Due to regulatory and other changes in the market relating to ICE, a long-term decrease of 10% p.a. has been applied to A&I – Established cash flows.

Cash flows beyond year five are projected into perpetuity using a long-term growth rate, which is determined as being the lower of the planned compound annual growth rate in each CGU, or group of CGUs, five-year plan and external third-party forecasts of the prevailing inflation and economic growth rates for each of the territories in which each CGU, or group of CGUs, primarily operates.

For VIU the cash flows are discounted at a pre-tax discount rate, which is derived from externally sourced data and reflects the current market assessment of the Group's time value of money and risks specific to each CGU. For FVLCD a post-tax discount rate was used.

Research and Development Expenditure Credits (RDEC) cash flows are included in the recoverable amount calculations for A&I – Established, A&I – Emerging, Performance Products and Energy and Environment.

Sensitivities

The recoverable amount calculations were assessed for sensitivity to reasonably possible changes to assumptions. The change in pre-tax discount rate, growth rate, operating profit and working capital which would cause the unit's (or group of units') carrying amount to exceed its recoverable amount was identified and an assessment made as to whether that change was considered reasonably possible. In addition, a scenario was modelled for each of a 10% reduction in operating profit, a 10% increase in working capital movement, a 2% increase in the pre-tax discount rate and a 2% decrease in the long-term growth rate, and a scenario with each of these changes combined.

None of these scenarios resulted in any CGUs (or group of units) goodwill exceeding its recoverable amount.

Notes to the consolidated financial statements continued

Capital base continued

15. Other intangible assets

Other intangible assets accounting policy – Note 1(m)

Critical judgement on recoverability of capitalised development costs – Note 1(d)

	Acquired intangible assets				
	Customer contracts and relationships £m	Software and technology £m	Software £m	Development costs £m	Total £m
Cost					
At 1 July 2022	41.1	2.1	23.3	20.5	87.0
Acquisition of business(1)	5.9	12.5	—	—	18.4
Additions	—	—	0.1	5.4	5.5
Disposals	—	—	(0.8)	(0.1)	(0.9)
Exchange rate adjustments	(1.6)	(0.2)	(0.2)	(0.4)	(2.4)
At 30 June 2023	45.4	14.4	22.4	25.4	107.6
At 1 July 2023	**45.4**	**14.4**	**22.4**	**25.4**	**107.6**
Additions	**—**	**—**	**0.9**	**6.3**	**7.2**
Disposals	**—**	**—**	**(3.1)**	**(3.7)**	**(6.8)**
Exchange rate adjustments	**0.1**	**(0.2)**	**0.1**	**—**	**—**
At 30 June 2024	**45.5**	**14.2**	**20.3**	**28.0**	**108.0**
Accumulated amortisation					
At 1 July 2022	33.1	2.1	20.1	8.6	63.9
Charge for the period	4.0	0.5	1.3	3.3	9.1
Impairment charge(2)	—	—	0.3	1.5	1.8
Disposals	—	—	(0.8)	(0.1)	(0.9)
Reclassifications	—	—	—	(0.3)	(0.3)
Exchange rate adjustments	(1.1)	—	(0.2)	(0.1)	(1.4)
At 30 June 2023	36.0	2.6	20.7	12.9	72.2

Notes to the consolidated financial statements continued

Capital base continued

15. Other intangible assets continued

	Acquired intangible assets				
	Customer contracts and relationships £m	Software and technology £m	Software £m	Development costs £m	Total £m
Accumulated amortisation					
At 1 July 2023	36.0	2.6	20.7	12.9	72.2
Charge for the period	3.6	1.2	1.0	3.2	9.0
Disposals	—	—	(3.1)	(3.7)	(6.8)
Exchange rate adjustments	—	—	(0.1)	—	(0.1)
At 30 June 2024	**39.6**	**3.8**	**18.5**	**12.4**	**74.3**
Net book value					
At 1 July 2022	8.0	—	3.2	11.9	23.1
At 30 June 2023	9.4	11.8	1.7	12.5	35.4
At 30 June 2024	**5.9**	**10.4**	**1.8**	**15.6**	**33.7**

(1) See Note 13.
(2) See Note 14.

Customer contracts and relationships were primarily identified as part of the prior year acquisition of Aither, Inside Infrastructure and previous acquisitions LR Rail and Transport Engineering. The assets specific to previous acquisitions have carrying values of £nil (2023: £0.8m) and £nil (2023: £1.7m) and have no remaining amortisation periods (2023: one year). Customer contracts and relationships identified as part of the acquisition of Inside Infrastructure have a carrying value of £1.2m (2023: £1.5m) and a remaining amortisation period of four years. Customer contracts and relationships identified as part of the acquisition of Aither in the prior year have a carrying value of £4.7m (2023: £5.4m) (see Note 13).

Software and technology was identified as part of the prior year acquisition of E3M and includes sophisticated energy and economic modelling tools. These have a carrying value of £10.4m (2023: £11.8m) and a remaining amortisation period of nine years.

Development costs include a patented system that combines anti-lock braking and electronic stability control (ABS brake kits) to mitigate rollover fatalities commonly associated with the High Mobility Multipurpose Wheeled Vehicle (HMMWV or Humvee). This asset has a carrying value of £1.2m (2023: £1.3m).

In addition, development costs include £7.5m (2023: £6.1m) in respect of assets under construction which are not being amortised until the assets are made available for use. Development costs under construction include new technology, tools and processes in the emerging A&I and EE segments.

The amortisation charge of £9.0m (2023: £9.1m) is comprised of £3.1m (2023: £3.5m) included within cost of sales and £5.9m (2023: £5.6m) included within administrative expenses in the income statement, of which £4.8m (2023: £4.6m) relates to acquired intangible assets and is presented within specific adjusting items, as set out in Note 6.

Notes to the consolidated financial statements continued

Capital base continued

16. Property, plant and equipment

Property, plant and equipment accounting policy – Note 1(n)

	Freehold land and buildings £m	Leasehold properties £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost					
At 1 July 2022	33.5	4.4	80.5	21.9	140.3
Acquisition of business	—	—	0.1	—	0.1
Additions	0.2	0.5	3.4	2.1	6.2
Disposals	(0.2)	(0.4)	(3.2)	(1.7)	(5.5)
Reclassifications	0.3	0.1	(0.4)	0.1	0.1
Exchange rate adjustments	(0.5)	0.1	(0.1)	(0.2)	(0.7)
At 30 June 2023	33.3	4.7	80.3	22.2	140.5
At 1 July 2023	**33.3**	**4.7**	**80.3**	**22.2**	**140.5**
Additions	**0.3**	**—**	**2.1**	**1.7**	**4.1**
Disposals	**(3.4)**	**(0.2)**	**(21.6)**	**(2.9)**	**(28.1)**
Reclassifications	**—**	**—**	**0.1**	**(0.4)**	**(0.3)**
Exchange rate adjustments	**0.1**	**—**	**—**	**(0.1)**	**—**
At 30 June 2024	**30.3**	**4.5**	**60.9**	**20.5**	**116.2**
Accumulated depreciation and impairment					
At 1 July 2022	15.0	2.3	60.2	15.8	93.3
Charge for the period	0.6	0.5	2.0	1.7	4.8
Impairment	2.8	0.3	7.8	0.8	11.7
Disposals	(0.2)	(0.3)	(2.5)	(1.6)	(4.6)
Reclassifications	—	—	0.3	—	0.3
Exchange rate adjustments	(0.3)	0.2	(0.1)	(0.1)	(0.3)
At 30 June 2023	17.9	3.0	67.7	16.6	105.2

Notes to the consolidated financial statements continued

Capital base continued

16. Property, plant and equipment continued

	Freehold land and buildings £m	Leasehold properties £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Accumulated depreciation and impairment					
At 1 July 2023	**17.9**	**3.0**	**67.7**	**16.6**	**105.2**
Charge for the period	**0.5**	**0.2**	**2.7**	**1.9**	**5.3**
Impairment	**—**	**0.2**	**—**	**—**	**0.2**
Disposals	**(0.1)**	**(0.2)**	**(21.6)**	**(2.8)**	**(24.7)**
Reclassifications	**—**	**0.1**	**—**	**(0.2)**	**(0.1)**
Exchange rate adjustments	**—**	**—**	**—**	**(0.1)**	**(0.1)**
At 30 June 2024	**18.3**	**3.3**	**48.8**	**15.4**	**85.8**
Net book value					
At 1 July 2022	18.5	2.1	20.3	6.1	47.0
At 30 June 2023	15.4	1.7	12.6	5.6	35.3
At 30 June 2024	**12.0**	**1.2**	**12.1**	**5.1**	**30.4**

Prior year plant and machinery additions are presented net of a £0.7m (2023: £1.5m) government grant.

The carrying value of assets under construction included in property, plant and equipment amounts to £1.8m (2023: £1.1m) including land and buildings of £0.1m (2023: £nil), leasehold property of £0.8m (2023: £0.3m), plant and machinery of £0.5m (2023: £0.5m) and fixtures, fittings and equipment of £0.4m (2023: £0.3m).

At 30 June 2024, the Group had plant and machinery financed through a hire-purchase agreement and secured on the asset (see Note 23) with a carrying value of £nil (2023: £0.3m). As disclosed in Note 25, a guarantee was provided to the Ricardo Group Pension Fund (RGPF) of £2.8m in respect of certain contingent liabilities that may arise, which have been secured on freehold land and buildings with a carrying value of £8.9m (2023: £12.1m).

At 30 June 2024, contracts had been placed for future capital expenditure, which have not been provided for in the financial statements, amounting to £0.2m (2023: £0.6m).

On 28 June 2024, Ricardo plc sold part of the site at the Shoreham Technical Centre used by Ricardo PP Ltd, known as Building 2, Building 19 and car parking, to Berwen Ltd. The sale exchanged and completed for £3.25m, with no gain or loss on book value. See Note 17 for further details.

Notes to the consolidated financial statements continued

Capital base continued

17. Right-of-use assets, lease liabilities and lease receivables

Leases accounting policy – Note 1(p)

(a) Leasing activities as lessee

The Group leases various office premises and technical centres, vehicles and other equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes. Property lease terms range from one to 21 years, with an average of five years, and may have extension or termination options. The impact of exercising these options, where not currently considered reasonably certain, is quantified below. There are several property subleases within the Group – see Note 17(b) below. Other lease terms range from one to five years, with an average of three years. Where leases are short term and/or leases of low-value items, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(i) Right-of-use assets

Information about leases for which the Group is a lessee is presented below.

	Property £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
At 1 July 2022	30.7	0.9	1.0	32.6
Arising on acquisition	0.5	—	—	0.5
Additions	3.5	0.3	0.1	3.9
Disposals	(2.3)	(0.4)	(0.3)	(3.0)
Remeasurements	2.9	0.1	(0.1)	2.9
Exchange rate adjustments	(0.2)	—	—	(0.2)
At 30 June 2023	35.1	0.9	0.7	36.7
At 1 July 2023	**35.1**	**0.9**	**0.7**	**36.7**
Additions	**3.5**	**0.2**	**0.4**	**4.1**
Disposals	**(1.1)**	**(0.4)**	**(0.2)**	**(1.7)**
Remeasurements	**0.3**	**—**	**(0.2)**	**0.1**
Exchange rate adjustments	**(0.4)**	**—**	**—**	**(0.4)**
At 30 June 2024	**37.4**	**0.7**	**0.7**	**38.8**

Notes to the consolidated financial statements continued

Capital base continued

17. Right-of-use assets, lease liabilities and lease receivables continued

(a) Leasing activities as lessee continued

(i) Right-of-use assets continued

	Property £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Accumulated depreciation and impairment				
At 1 July 2022	13.2	0.7	0.4	14.3
Charge for the period	4.3	0.3	0.2	4.8
Disposals	(2.3)	(0.4)	(0.3)	(3.0)
Exchange rate adjustments	(0.1)	—	—	(0.1)
At 30 June 2023	15.1	0.6	0.3	16.0
At 1 July 2023	**15.1**	**0.6**	**0.3**	**16.0**
Charge for the period	**4.7**	**0.1**	**0.2**	**5.0**
Impairment loss	**0.4**	—	—	**0.4**
Disposals	**(1.1)**	**(0.3)**	**(0.2)**	**(1.6)**
Exchange rate adjustments	**(0.2)**	—	—	**(0.2)**
At 30 June 2024	**18.9**	**0.4**	**0.3**	**19.6**
Net book value				
At 1 July 2022	17.5	0.2	0.6	18.3
At 30 June 2023	20.0	0.3	0.4	20.7
At 30 June 2024	**18.5**	**0.3**	**0.4**	**19.2**

In the current period, an impairment charge of £0.4m (2023: £0.6m) was recognised in respect of the decision to vacate the Carlsbad office of £0.3m (2023: £nil) and further reduction of occupancy of the Prague office of £0.1m (2023: £0.6m). The charge reflects a reduction in the carrying value for part of the site to value-in-use based on expected sublease income, which is expected to be higher than the fair value less costs of disposal. These costs are recognised within administrative expenses and included in 'Reorganisation costs: Other reorganisation costs' within specific adjusting items (Note 6).

Other reassessments of lease terms resulted in a remeasurement which increased both right-of-use assets and lease liabilities by £0.1m (2023: £2.9m). In the prior year, these reassessments included a remeasurement related to rent review for Midlands Technical Centre of £1.2m and increase in capacity and extension of lease term for Troy Technical Centre of £1.3m.

The net book value of Property above is shown net of £0.7m (2023: £0.8m) in respect of consideration received as part of a historical sale and leaseback transaction, deemed to be an incentive for extending the lease term.

The lessee's incremental borrowing rates applied to lease liabilities recognised in the statement of financial position at the date of initial application vary due to length and geographical location and are as follows:

- Property – 1.4% to 7.9%
- Plant and machinery – 0.6% to 9.9%
- Fixtures, fittings and equipment – 1.9% to 4.3%

Notes to the consolidated financial statements continued

Capital base continued

17. Right-of-use assets, lease liabilities and lease receivables continued

(a) Leasing activities as lessee continued

(i) Right-of-use assets continued

The following amounts are included in the income statement relating to short-term and low-value leases:

	2024 £m	2023 £m
Short-term leases	**0.2**	0.5

As at 30 June 2024, potential future cash outflows of £4.5m (undiscounted) (2023: £4.4m) have not been included in the lease liability because it is not reasonably certain that the leases will be extended, or not terminated.

(ii) Lease liabilities

Movement in lease liability	Note	2024 £m	2023 £m
At 1 July		**25.1**	23.3
Arising on acquisition		**—**	0.5
New leases		**4.1**	3.8
Interest	9	**1.0**	0.9
Payments		**(6.4)**	(6.0)
Remeasurements		**0.1**	2.9
Exchange rate adjustments		**(0.1)**	(0.3)
At 30 June		**23.8**	25.1

Maturity of lease liability	2024 £m	2023 £m
Current liabilities – maturing within one year	**6.0**	5.7
Non-current liabilities – maturing after one year	**17.8**	19.4
At 30 June	**23.8**	25.1

The maturity analysis of this liability is shown Note 26(c).

(b) Leasing activities as lessor

The Group subleases out several parts of its leased property. All subleases are classified as operating leases from a lessor perspective with the exception of one sublease, which the Group has classified as a finance sublease.

For significant subleases, a dilapidations provision is put in place to minimise the risk related to the value of the residual asset. Information about leases for which the Group is a lessor is presented below.

(i) Finance lease

During the year, the Group recognised finance income of £nil (2023: £0.1m) relating to its lease receivable. The following table sets out the movements in the lease receivable balance during the year.

Movement in lease receivable	Note	2024 £m	2023 £m
At 1 July		**1.9**	2.1
Interest	9	**—**	—
Receipts		**(0.2)**	(0.2)
Exchange rate adjustments		**0.1**	—
At 30 June		**1.8**	1.9

The following table sets out a maturity analysis of lease receivable, showing the undiscounted lease payments to be received after the reporting date:

Maturity of lease receivable	2024 £m	2023 £m
Less than one year	**0.2**	0.2
One to two years	**0.2**	0.2
Two to three years	**0.2**	0.2
Three to four years	**0.2**	0.2
Four to five years	**0.2**	0.2
More than five years	**1.3**	1.5
Undiscounted lease receivable	**2.3**	2.5
Unearned finance income	**(0.5)**	(0.6)
Net investment in the lease	**1.8**	1.9

This is a back-to-back lease with a right-of-use asset. As a finance lease this is included in other receivables. See Note 21.

Notes to the consolidated financial statements continued

Capital base continued

17. Right-of-use assets, lease liabilities and lease receivables continued

(b) Leasing activities as lessor continued

(ii) Operating lease

During the year, the Group recognised rental income of £0.5m (2023: £0.6m) relating to operating leases.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Operating lease income	**2024 £m**	2023 £m
Less than one year	**0.4**	0.5
One to two years	**0.3**	0.4
Two to three years	**—**	0.3
	0.7	1.2

(c) Sale and leaseback

On 28 June 2024, Ricardo plc sold part of the site at the Shoreham Technical Centre used by Ricardo PP Ltd, known as Building 2, Building 19 and car parking to Berwen Ltd and entered into a 12-year lease at £0.2m per annum, with no break clause and options to extend the term by three years.

The sale price £3.25m with no gain or loss on book value. As there was no gain or loss on disposal, there is no additional financing component to be considered as part of the sale.

Cash proceeds received for the sale have been recorded within investing activities in the cash flow statement.

The cost of £0.3m was associated with external fees relating to the sale. This cost was recognised within the income statement as specific adjusting items as they did not reflect the underlying performance of the business.

Notes to the consolidated financial statements continued

Capital base continued

18. Provisions for liabilities and charges

Provisions for liabilities and charges accounting policy – Note 1(q)

	Warranty £m	Restructuring costs £m	Employment-related benefits £m	Other £m	Total £m
At 1 July 2022	3.4	2.5	2.0	0.5	8.4
Charged to the income statement	1.6	3.0	0.3	0.1	5.0
Utilised in the period	(0.6)	(4.5)	(0.1)	(0.4)	(5.6)
Released in the period	(1.2)	(0.2)	—	—	(1.4)
Exchange rate adjustments	—	—	(0.1)	—	(0.1)
At 30 June 2023	3.2	0.8	2.1	0.2	6.3
At 1 July 2023	**3.2**	**0.8**	**2.1**	**0.2**	**6.3**
Charged to the income statement	**2.1**	**2.3**	**0.6**	**0.0**	**5.0**
Utilised in the period	**(0.8)**	**(2.2)**	**(0.2)**	**(0.1)**	**(3.3)**
Released in the period	**(0.8)**	—	—	—	**(0.8)**
Exchange rate adjustments	—	—	**(0.1)**	—	**(0.1)**
At 30 June 2024	**3.7**	**0.9**	**2.4**	**0.1**	**7.1**

	2024 £m	2023 £m
Current	**3.5**	2.6
Non-current	**3.6**	3.7
At 30 June	**7.1**	6.3

The warranty provision reflects the Directors' best estimate of the cost required to fulfil the Group's assurance-type warranty obligations within a number of contracts. Subsequent to their initial recognition, warranty provisions are utilised or released over the periods of the various warranty obligations, which are expected to be less than five years.

The prior provision for restructuring costs included amounts payable to former employees who have been made redundant, primarily as part of the reorganisation of our A&I, EE and Rail segments, as set out in further detail in Note 6. The element of the provision relating to redundancy costs was partially utilised during the year with the remaining balance expected to be utilised in less than one year. A provision for additional work to take test assets out of service is also included above.

Employment-related benefits are statutory provisions which include long-service awards and termination indemnity schemes. The timing of the cash outflows is dependent upon the retirement or attrition of employees, but is predominantly expected to be more than five years.

Other provisions primarily comprise of dilapidation and restoration costs for leasehold property. Dilapidation and restoration costs reflects management's best estimate of future obligations relating to the maintenance and restoration of leasehold properties arising from past contractual commitments to new, extended or terminated lease agreements. Restoration costs expected at the commencement of the lease are included within the right-of-use asset value (see Note 17(a)). The timing of the cash outflows is dependent upon the remaining term of the associated leases and is subject to negotiation.

Notes to the consolidated financial statements continued

Capital base continued

19. Deferred tax

This note explains how our Group deferred tax charge arises and also provides information on our expected future tax charges and sets out the tax assets held across the Group together with our view on whether or not we expect to be able to make use of these in the future.

Deferred tax accounting policy – Note 1(r)

Non-current	**2024 £m**	2023 £m
Assets	**6.4**	8.5
Liabilities	**(13.0)**	(15.5)
At 30 June	**(6.6)**	(7.0)

	Accelerated capital allowances £m	Retirement benefit obligations £m	Tax losses and credits £m	Unrealised capital gains £m	Lease liability £m	Right of use asset £m	Other £m	Total £m
At 1 July 2022	(6.6)	(3.8)	6.2	(0.7)	1.4	(1.2)	1.0	(3.7)
Arising on acquisition	—	—	—	—	—	—	(4.7)	(4.7)
(Charged)/credited to income statement	(0.1)	(0.6)	(4.2)	—	—	—	4.4	(0.5)
Credited to other comprehensive income	—	1.2	—	—	—	—	—	1.2
Credited directly to equity	—	—	—	—	—	—	0.7	0.7
Foreign exchange movements	0.1	—	0.3	—	—	—	(0.4)	—
At 30 June 2023	(6.6)	(3.2)	2.3	(0.7)	1.4	(1.2)	1.0	(7.0)
At 1 July 2023	**(6.6)**	**(3.2)**	**2.3**	**(0.7)**	**1.4**	**(1.2)**	**1.0**	**(7.0)**
(Charged)/credited to income statement	**(0.5)**	**(0.4)**	**(0.2)**	**—**	**(0.3)**	**0.3**	**0.6**	**(0.5)**
Credited to other comprehensive income	**—**	**1.4**	**—**	**—**	**—**	**—**	**—**	**1.4**
Charged directly to equity	**—**	**—**	**—**	**—**	**—**	**—**	**(0.4)**	**(0.4)**
Foreign exchange movements	**—**	**—**	**—**	**—**	**—**	**—**	**(0.1)**	**(0.1)**
At 30 June 2024	**(7.1)**	**(2.2)**	**2.1**	**(0.7)**	**1.1**	**(0.9)**	**1.1**	**(6.6)**

Notes to the consolidated financial statements continued

Capital base continued/Working capital

19. Deferred tax continued

On 30 June 2024, a deferred tax liability of £0.3m (2023: 0.3m) is recognised on temporary differences associated with the undistributed earnings of subsidiaries. The Group controls the timing of payment of these undistributed earnings and would suffer a withholding tax charge on these, when remitted to the United Kingdom.

Other deferred tax contains various other short timing differences with material balances in relation to deferred tax liabilities arising on acquired customer-related intangibles with respect to Greece and Australia (£3.9m), a deferred tax asset with respect to disallowed interest under the UK corporate interest restriction rules (£0.9m) and other short-term timing differences largely in the US and Australia in relation to accrued payable balances resulting in deferred tax asset (£2.4m).

A deferred tax asset continues to be recognised in the US as at 30 June 2024 in respect of historic research and development claims (R&D credits) that can be utilised against future taxable profits. These R&D credits carry a 20-year statute of limitation and must be utilised within that period. The carrying value of the R&D credits recognised at 30 June 2024 is £0.7m (USD 0.9m) (2023: £1.5m (USD 1.9m)). The Directors have performed an assessment and consider that it is probable that future taxable profits will be available in the US against which the carrying value of the recognised deferred tax asset for the R&D credits can be utilised in the foreseeable future. This assessment was based on a review of the projected annual profit before tax of the consolidated tax group in the US, based upon the latest board-approved budgets and business plans for the next three years, together with long-term growth assumptions based on prevailing inflation and economic growth rates. Based on the 'base case' assumptions, the entire deferred tax asset is forecast to be fully utilised by no later than 30 June 2026. The assessment was subject to reverse stress testing, the results of which did not change management's view of the recoverability of the asset.

A deferred tax asset has been recognised of £1.4m (2023: £nil) in respect of local tax losses arising in Australia and Japan that can be utilised against future taxable profits. The Directors have performed an assessment and consider that it is probable that future taxable profits will be available against which the carrying value of the recognised deferred tax asset on losses can be utilised.

In the prior year, a deferred tax asset was recognised in China in respect of local tax losses that can be utilised against future taxable profits. Losses carry a five-year expiry window from the year subsequent to the year in which the loss was incurred. The carrying value of the tax losses recognised as at 30 June 2024 is £6.5m (58m CN¥) . The Directors have performed an assessment and consider that it is probable that no future taxable profits will be available in China against which the carrying value of the recognised deferred tax asset on losses can be utilised.

With respect to Germany, a deferred tax asset has not been recognised on tax losses totalling £31m (EUR 36m) as at 30 June 2024 (2023: £31m (EUR 36m)). Due to restructuring and the reduction in activity in Germany in recent years, the Directors consider it unlikely that sufficient future taxable income will be generated against which the carrying value of the brought-forward losses deferred tax asset can be utilised.

With respect to the UK, a deferred tax asset has not been recognised on capital losses of £1.5m (2023: £0.3m).

20. Inventories

Inventories accounting policy – Note 1(s)

	2024 £m	2023 £m
Raw materials and consumables	**21.4**	21.8
Work in progress	**7.6**	6.2
Finished goods	**0.4**	1.5
At 30 June	**29.4**	29.5

Inventories of £110.4m (2023: £90.8m) were recognised as an expense during the year and included in cost of sales. During the year £0.4m (2023: £1.6m) of inventory was written down and also included in cost of sales.

Notes to the consolidated financial statements continued

Working capital continued

21. Trade, contract and other receivables

Trade, contract and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to our suppliers in advance. The note also includes contract assets, which represent an asset for accrued revenue in respect of goods or services delivered to customers for which a trade receivable does not yet exist.

Trade, contract and other receivables accounting policy – Note 1(t)

Critical judgements – Impairment of financial assets – Note 1(d)

	Note	2024 £m	2023 £m
Trade receivables		**54.7**	74.4
Less: provision for impairment of trade receivables		**(2.4)**	(2.5)
Trade receivables – net		**52.3**	71.9
Contract assets:			
– Amounts recoverable on contracts (AROC)		**65.5**	55.3
– Accrued revenue		**0.8**	1.1
Prepayments		**10.8**	11.4
Lease receivable	17	**1.8**	1.9
Other receivables		**18.0**	14.3
At 30 June		**149.2**	155.9
Current		**146.7**	153.5
Non-current		**2.5**	2.4
At 30 June		**149.2**	155.9

Contract assets arise from the recognition of revenue as and when performance obligations are satisfied, initially recognised as accrued revenue or amounts recoverable on contracts (AROC). The carrying amount of AROC at year end has increased from £55.3m to £65.5m due to a change in the mix of projects of different sizes and at different stages of completion. AROC is presented net of a provision for impairment of contract assets of £nil (2023: £0.3m). Amounts are transferred to trade receivables when the right to consideration becomes unconditional. Typically this is once specified billing milestones are approved by the customer. Payment terms typically range from immediate payment to 90 days after the invoice date, and standard payment terms are 30 days after the invoice date. The revenue recognised in the year from wholly or partially satisfied distinct performance obligations in previous years is £23.0m (2023: £25.9m). This is primarily due to the impact of variation orders and cancellations for changes in scope and transaction price on contracts. Information about the Group's exposure of its trade receivables to credit and market risk is included in Notes 26(d) and 26(e).

Included within prepayments are £1.0m (2023: £1.2m) of assets recognised from the costs to obtain or fulfil an expected contract with a customer. No revenue has been recognised on these costs. An asset has been recognised because the costs directly related to an anticipated contract, they will be used in satisfying performance obligations in the future and the costs are expected to be recoverable.

The £2.5m (2023: £2.4m) non-current asset relates to other receivables. £1.6m (2023: £1.7m) of this relates to the IFRS 16 lease receivable as disclosed in Note 17. £0.9m (2023: £0.7m) relates to other receivables.

The movement on the provision for impairment of trade receivables is as follows. The impairment charge is shown net of the release of impairment charge for items subsequently paid.

Provision for impairment of trade receivables	Note	2024 £m	2023 £m
At 1 July		**2.5**	3.3
Net impairment to the income statement	3	**0.2**	1.8
Amounts utilised		**(0.3)**	(2.5)
Exchange rate adjustments		**—**	(0.1)
At 30 June		**2.4**	2.5

Notes to the consolidated financial statements continued

Working capital continued

21. Trade, contract and other receivables continued

Order book

Order book comprises the value of all unworked purchase orders and contracts received from customers at the reporting date and provides an indication of the amount of revenue that has been secured and will be recognised in future accounting periods. Order book represents the transaction price allocated to wholly and partially unsatisfied distinct performance obligations, as defined by IFRS 15 Revenue from Contracts with Customers. The periods from 30 June in which the distinct performance obligations are expected to be satisfied, excluding the order book of the discontinued operation, are as follows:

	2024 £m	2023 £m
Less than 6 months	**168.2**	165.5
6 to 12 months	**90.6**	83.9
Over 12 months	**137.7**	145.9
At 30 June	**396.5**	395.3

22. Trade, contract and other payables

Trade, contract and other payables mainly consist of amounts owed to suppliers that have been invoiced or are accrued and contract liabilities relating to consideration received from customers in advance. They also include taxes and social security amounts due in relation to the Group's role as an employer.

Trade, contract and other payables accounting policy – **Note 1(t)**

	2024 £m	2023 £m
Trade payables	**25.9**	28.1
Accruals	**33.3**	28.4
Contract liabilities:		
– Payments received in advance on contracts (POA)	**33.1**	34.7
– Deferred revenue	**3.8**	4.0
Tax and social security payable	**8.4**	8.8
Other payables	**4.2**	5.8
At 30 June	**108.7**	109.8
Current	**107.5**	105.0
Non-current	**1.2**	4.8
At 30 June	**108.7**	109.8

Revenue recognised in the year from contract liabilities at the beginning of the year was £24.8m (2023: £24.7m). Contract liabilities primarily relate to the Group's obligation to perform services, which are paid by customers in advance of those services being provided. Contract liabilities have increased due to changes in the mix of contracts containing upfront payment terms.

The Group operates a virtual payment solutions agreement. Under the arrangement, the bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The primary purpose of this arrangement is to facilitate efficient payment processing.

The Group discloses the liabilities due under this arrangement within trade payables because the nature and function of the financial liability remain the same as those of other trade payables by disclosed disaggregated amounts in the notes. All payables under this arrangement are classified as current at 30 June 2024 and 2023.

The payments to the bank are included with operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating, being payments for the purchase of goods and services. At 30 June 2024 the balance on the virtual payment card was £4.7m.

Notes to the consolidated financial statements continued

Net debt and financial risk management

23. Net debt and borrowings

The objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital is monitored on the basis of the gearing ratio, which is calculated as net debt divided by total capital.

The majority of the Group's cash is held in bank deposits. The Group's sources of borrowing for funding and liquidity purposes come from the Group's £150.0m multi-currency revolving credit facility and through short-term overdraft facilities.

Accounting policy – Note 1(u)

The disclosures in this note include certain alternative performance measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to Note 2.

(a) Gearing ratio

	2024 £m	2023 £m
Net debt	59.6	62.1
Total equity	165.2	176.6
Total capital	224.8	238.7
At 30 June	26.5%	26.0%

(b) Net debt

Analysis of net debt	2024 £m	2023 £m
Current assets – cash and cash equivalents		
Cash and cash equivalents	48.6	49.8
Restricted cash	(1.3)	—
Net cash and cash equivalents	47.3	49.8
Current liabilities – borrowings		
Bank overdrafts repayable on demand	(4.3)	(12.6)
Hire purchase liabilities maturing within one year	—	(0.1)
Total current borrowings	(4.3)	(12.7)
Non-current liabilities – borrowings		
Bank loans maturing after one year	(102.6)	(99.2)
Total non-current borrowings	(102.6)	(99.2)
At 30 June	(59.6)	(62.1)
Net cash and cash equivalents at 30 June	47.3	49.8
Total borrowings at 30 June	(106.9)	(111.9)
At 30 June	(59.6)	(62.1)

Movement in net debt	2024 £m	2023 £m
At 1 July	(62.1)	(35.4)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	7.1	(2.2)
Movement in restricted cash	(1.3)	—
Repayments of hire purchase	0.1	0.2
Proceeds from bank loans	(83.0)	(128.0)
Repayments of bank loans	80.0	103.0
Amortisation of bank loan fees	(0.4)	0.3
At 30 June	(59.6)	(62.1)

At the year end, the Group had current hire-purchase liabilities of £nil (2023: £0.1m) and non-current hire-purchase liabilities of £nil. This hire-purchase agreement had an implicit rate of interest of 2.4%.

Notes to the consolidated financial statements continued

Net debt and financial risk management continued

23. Net debt and borrowings continued

(b) Net debt continued

At the year end, the Group held total banking facilities of £166.1m (2023: £166.1m), which included committed facilities of £150.0m (2023: £150.0m). The committed facility consists of a £150.0m multi-currency revolving credit facility (RCF) which provides the Group with committed funding through to July 2026. In addition, the Group has uncommitted facilities including overdrafts of £16.1m (2023: £16.1m), which mature throughout this and the next financial year and are renewable annually.

Non-current bank loans comprise committed facilities of £102.6m (2023: £99.2m), net of direct issue costs, which were drawn primarily to fund acquisitions and general corporate purposes. These are denominated in Pounds Sterling and have variable rates of interest dependent upon the Group's adjusted leverage, which range from 1.65% to 2.45% above SONIA (2023: 1.65% to 2.45% above SONIA).

Adjusted leverage is defined in the Group's banking documents as being the ratio of total net debt to adjusted EBITDA. Adjusted EBITDA is further defined as being earnings before interest, tax, depreciation, impairment and amortisation, excluding the impact of IFRS 16, adjusted for any one-off, non-recurring, exceptional costs and acquisitions or disposals during the relevant period. At the reporting date, the Group has an adjusted leverage of 1.25x, which attracts a rate of interest of SONIA plus 1.85% (2023: SONIA plus 1.85%). The Group has banking facilities for its UK companies which together have a net overdraft limit, but the balances are presented on a gross basis in the financial statements.

24. Reconciliation of movements of liabilities to cash flows arising from financing activities

	Borrowings Note 23 £m	Lease liabilities Note 17 £m	Total £m
At 1 July 2022	85.9	23.3	109.2
Changes from financing cash flows (see cash flow statement)			
– Proceeds from loans and borrowings	128.0	—	128.0
– Repayment of hire purchase liability	(0.2)	—	(0.2)
– Repayment of bank loan	(103.0)	—	(103.0)
– Movement in bank overdraft	1.5	—	1.5
– Repayment of lease liabilities	—	(5.1)	(5.1)
Total changes from financing cash flows	26.3	(5.1)	21.2
Effect of changes in foreign exchange rates	—	(0.3)	(0.3)
Other changes			
Liability related:			
– Arising on acquisition	—	0.5	0.5
– New leases	—	3.8	3.8
– Remeasurements	—	2.9	2.9
– Interest expense	6.1	0.9	7.0
– Interest paid	(6.4)	(0.9)	(7.3)
Total other changes	(0.3)	7.2	6.9
At 30 June 2023	111.9	25.1	137.0
At 1 July 2023	**111.9**	**25.1**	**137.0**
Changes from financing cash flows (see cash flow statement)			
– Proceeds from loans and borrowings	**83.0**	**—**	**83.0**
– Repayment of hire purchase liability	**(0.1)**	**—**	**(0.1)**
– Repayment of bank loan	**(80.0)**	**—**	**(80.0)**
– Movement in bank overdraft	**(8.3)**	**—**	**(8.3)**
– Repayment of lease liabilities	**—**	**(5.4)**	**(5.4)**
Total changes from financing cash flows	**(5.4)**	**(5.4)**	**(10.8)**
Effect of changes in foreign exchange rates	**—**	**(0.1)**	**(0.1)**
Other changes			
Liability related:			
– New leases	**—**	**4.1**	**4.1**
– Remeasurements	**—**	**0.1**	**0.1**
– Interest expense	**8.3**	**1.0**	**9.3**
– Interest paid	**(7.9)**	**(1.0)**	**(8.9)**
Total other changes	**0.4**	**4.2**	**4.6**
At 30 June 2024	**106.9**	**23.8**	**130.7**

Notes to the consolidated financial statements continued

Net debt and financial risk management continued

25. Fair value of financial assets and liabilities

Fair value of financial assets and liabilities accounting policy – Note 1(w)

There are no differences between the fair value of financial assets and liabilities and their carrying value. The Group holds the following financial instruments:

	Note	**2024 £m**	2023 £m
Financial assets			
Amortised cost:			
– Trade receivables – net	21	**52.3**	71.9
– Lease receivable	21	**1.8**	1.9
– Other receivables	21	**18.0**	14.3
– Cash and cash equivalents	23	**48.6**	49.8
Fair value through profit or loss (FVTPL)			
– Fair value of derivatives		**0.8**	2.3
		121.5	140.2
Financial liabilities			
Amortised cost:			
– Borrowings	23	**106.9**	111.9
– Lease payables	17	**23.8**	25.1
– Trade payables	22	**25.9**	28.1
– Other payables	22	**4.2**	5.8
Fair value through profit or loss (FVTPL)			
– Fair value of derivatives		**0.5**	1.0
At 30 June		**161.3**	171.9

Financial guarantee contracts: At 30 June 2024, the Group has the following financial guarantee contracts in place:

- £6.2m in relation projects in the Middle East (2023: £nil)
- A guarantee provided to the Ricardo Group Pension Fund (RGPF) for an amount that shall not exceed the employers' liability were a debt to arise under Section 75 of the Pensions Act 1995. The guarantee will terminate on 5 April 2026. The outcome of this matter is not expected to give rise to any material cost to the Group on the basis that the Group continues as a going concern

These financial guarantees are accounted for under IFRS9, for which no liability has been recognised as they do not have a material impact on the accounts.

Contingent loan commitments: In the ordinary course of business, the Group has £12.6m (2023: £13.4m) of possible obligations for bonds and guarantees placed with the Group's banking and other financial institutions and primarily relating to performance under contracts with customers.

These contingent loan commitments are accounted for under IFRS9, for which no liability has been recognised as they do not have a material impact on the accounts.

A net derivative financial loss of £1.1m (2023: gain £5.6m) was recognised in the year related to foreign exchange contracts (see also Note 26(g)):

	2024 £m	2023 £m
Foreign exchange swap contract assets:		
– Fair value losses	**(2.4)**	(0.7)
– Fair value gains	**1.0**	7.1
Foreign exchange swap contract liabilities:		
– Fair value losses	**(0.4)**	(1.0)
– Fair value gains	**0.7**	0.2
	(1.1)	5.6

26. Financial risk management

The financial risks faced by the Group comprise capital risk, liquidity risk, credit risk and market risk (comprising interest rate risk and foreign exchange risk). The board reviews and agrees policies for managing each of these risks. The Group has no material exposure to commodity price fluctuations and this situation is not expected to change in the foreseeable future.

The financial instruments of the Group comprise floating rate borrowings, the main purpose of which is to raise finance for the Group's operations, and foreign exchange contracts used to manage currency risks.

(a) Objectives, policies and strategies

The objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

(b) Capital risk

Capital is monitored on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents. Total capital is calculated as equity, plus net debt. Please see Note 23.

Notes to the consolidated financial statements continued

Net debt and financial risk management continued

26. Financial risk management continued

(c) Liquidity risk

The Group's policy towards managing its liquidity risks is to maintain a mix of short and medium-term borrowing facilities. Short-term flexibility is provided by bank overdraft facilities. In addition, the Group maintains medium-term borrowing facilities in order to provide the appropriate level of finance to support current and future working capital requirements. As the cash profile on large contracts can vary significantly, the Group seeks committed facilities that provide sufficient headroom against forecast requirements to mitigate its exposure.

The tables below analyse the Group's external non-derivative financial liabilities into relevant maturity groupings, based on the remaining period at the reporting date to the contractual maturity date. All amounts disclosed in the tables below are the contractual undiscounted cash flows.

Not included within the tables below are the following financial liabilities:

- Derivative financial liabilities, as their contractual maturities are not considered to be essential for an understanding of the timing of the cash flows
- Other payables, as the phasing of these liabilities is not contractually defined

Maturity of trade payables	2024 £m	2023 £m
Within one month	21.9	25.1
After one month and within three months	4.0	3.0
At 30 June	**25.9**	**28.1**

Maturity of borrowings	2024 £m	2023 £m
Overdrafts repayable on demand	4.3	12.6
Within one year:		
– Hire purchase liabilities	—	0.1
Between one and five years:		
– Bank loans	120.0	122.3
– Finance portion of liability	(17.4)	(23.1)
At 30 June	**106.9**	**111.9**

The borrowings maturing between one and five years relate to the Group's revolving credit facility (RCF), the balance of which fluctuates as it is used to fund the Group's working capital requirements. The RCF matures in August 2026.

The finance portion of the liability has been calculated based on the interest rate at the year-end of SONIA plus 1.85% (2023: SONIA plus 1.85%) and assumes no change in either the interest rate or the loan balance through to maturity.

Maturity of undiscounted lease liability	2024 £m	2023 £m
Within one year	6.1	5.8
Between one and five years	14.3	15.3
After five years	7.0	7.4
Finance portion of net liability	(3.6)	(3.4)
At 30 June	**23.8**	**25.1**

Notes to the consolidated financial statements continued

Net debt and financial risk management continued

26. Financial risk management continued

(d) Credit risk

The Group is exposed to credit risk in respect of its trade receivables, which are stated net of provision for impairment (see Note 1(t)). Exposure to this risk is mitigated by careful evaluation of the granting of credit and the use of credit insurance where practicable. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated.

Expected credit loss assessment	Weighted – average loss rate %	Gross carrying amount £m	Impairment loss allowance £m
At 30 June 2023			
Not overdue not impaired	0.25%	56.7	(0.1)
Overdue but not impaired:			
Less than 30 days overdue	2.00%	10.3	(0.2)
31–60 days overdue	5.00%	1.9	(0.1)
61–90 days overdue	10.00%	1.3	(0.1)
91–120 days overdue	20.00%	0.7	(0.1)
121–180 days overdue	25.00%	1.4	(0.6)
181–365 days overdue	50.00%	1.1	(0.5)
Over 365 days overdue	75.00%	1.0	(0.8)
		74.4	(2.5)
At 30 June 2024			
Not overdue not impaired	**0.25%**	**45.5**	**(0.1)**
Overdue but not impaired:		**—**	**—**
Less than 30 days overdue	**2.00%**	**4.7**	**(0.2)**
31–60 days overdue	**5.00%**	**0.3**	**—**
61–90 days overdue	**10.00%**	**1.1**	**(0.2)**
91–120 days overdue	**20.00%**	**0.7**	**(0.2)**
121–180 days overdue	**25.00%**	**0.3**	**(0.1)**
181–365 days overdue	**50.00%**	**0.3**	**(0.2)**
Over 365 days overdue	**75.00%**	**1.8**	**(1.4)**
		54.7	**(2.4)**

The Group's customers include the world's major transportation original equipment manufacturers, tier 1 suppliers, energy companies and government agencies. Revenue by customer location is disclosed within Note 5 and trade receivables are derived from these customer groups and locations.

The Group has limited experience of bad debts with any of these customers. Of the total net trade receivables balance as at 30 June 2024, £34.0m was received in July 2024 (2023: £25.3m). Trade receivables and contract assets are provided in full when there is no reasonable expectation of recovery. There were no such balances in the current or prior year.

An analysis of net trade receivables by currency is as follows:

Analysis of net trade receivables by currency	2024 £m	2023 £m
Pounds Sterling	**26.9**	33.7
US Dollars	**8.2**	17.2
Chinese Renminbi	**2.1**	3.1
Euros	**4.7**	6.7
Australian Dollars	**1.9**	1.8
Other currencies	**8.5**	9.4
At 30 June	**52.3**	71.9

The Group is exposed to bank credit risk in respect of money held on deposit and certain derivative transactions entered into with banks. Exposure to this form of risk is mitigated as material transactions are only undertaken with bank counterparties that have high credit ratings assigned by international credit-rating agencies. The Group further limits risk in this area by setting an overall credit limit for all transactions with each bank counterparty in accordance with the institution's credit standing.

Maximum exposure to counterparty risk	2024 £m	2023 £m
Total cash and cash equivalents	**48.6**	49.8
Derivative financial assets	**0.8**	2.3
At 30 June	**49.4**	52.1

Notes to the consolidated financial statements continued

Net debt and financial risk management continued

26. Financial risk management continued

(d) Credit risk continued

Analysis of total cash and cash equivalents by geographic location	2024 £m	2023 £m
United Kingdom	**18.8**	15.2
Asia	**10.0**	11.4
Europe	**7.1**	8.3
Australia	**3.5**	4.4
North America	**3.0**	3.9
Rest of the World	**6.2**	6.6
At 30 June	**48.6**	49.8

(e) Market risk

Interest rate risk

The Group's borrowings and cash balances held at floating interest rates are exposed to cash flow interest rate risk. The exposure to interest rate movements is not currently hedged as the variable rates of interest are largely dependent upon the adjusted leverage of the Group. The effect of any foreseen changes in the underlying reference interest rate remain unhedged, although the policy is reviewed on an ongoing basis. The Group's lease assets and liabilities are held at fixed interest rates.

Financial assets and liabilities by interest type	2024 £m	2023 £m
Financial assets		
Fixed rate	**1.8**	1.9
Floating rate	**30.0**	26.8
Interest-free	**89.7**	111.5
At 30 June	**121.5**	140.2
Financial liabilities		
Fixed rate	**23.8**	25.2
Floating rate	**107.4**	112.5
Interest-free	**30.1**	34.2
At 30 June	**161.3**	171.9

Foreign exchange risk

The Group faces currency exposures on trading transactions undertaken by its subsidiaries in foreign currencies and balances arising therefrom, and on the translation of profits earned in, and net assets of, overseas subsidiaries primarily in the US, Europe, China and Australia. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities are:

	Assets		Liabilities	
Foreign currency denominated assets and liabilities	**2024 £m**	2023 £m	**2024 £m**	2023 £m
US Dollar	**15.1**	29.9	**11.5**	13.5
Euro	**18.1**	16.7	**12.8**	10.8
Chinese Renminbi	**4.7**	8.7	**1.0**	1.3
Australian Dollar	**5.6**	6.7	**2.4**	5.5

The following foreign exchange differences were (charged)/credited to the income statement for the Group:

Foreign exchange gains/(losses) on financial assets and liabilities	Note	2024 £m	2023 £m
Derivative contracts measured at FVTPL			
• Foreign exchange contract assets	25	**(1.4)**	6.4
• Foreign exchange contract liabilities	25	**0.3**	(0.8)
Other financial assets		**1.7**	(6.3)
Other financial liabilities		**(0.2)**	0.8
		0.4	0.1

The Group does not undertake any speculative currency transactions.

The Group use derivative financial instruments primarily to manage currency risk on its US Dollar, Euro, Chinese Renminbi, Japanese Yen, Hong Kong Dollar, Australian Dollar, Singapore Dollar and Canadian Dollar denominated receivables from its subsidiaries, in addition to managing transactional exposures relating to customer contracts denominated in foreign currencies.

Notes to the consolidated financial statements continued

Net debt and financial risk management continued

26. Financial risk management continued

(f) Sensitivity analysis of financial instruments to market risk

Exchange rate sensitivity

The Group has financial assets and liabilities denominated in foreign currencies, principally in US Dollars, Euros, Chinese Renminbi and Australian Dollars, which are not in the functional currency of the entity that holds them. A 20% change in the value of the US Dollar, Euro, Chinese Renminbi or Australian Dollar would have an immaterial impact on the value of these financial instruments at the year end.

Interest rate sensitivity

A reasonably possible change of 2 percentage points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below, based on the value of the Group's floating rate financial instruments at the year end. A 2 percentage points sensitivity is deemed to be appropriate as interest charges on the Group's loans are based on SONIA, and are therefore considered reasonably possible to be subjected to fluctuations in interest rates in the foreseeable future.

Impact of interest rate movements	2024 Decrease in profit before tax £m	2023 Decrease in profit before tax £m
2pp increase in interest rates	**(0.9)**	(0.9)

(g) Cash flow derivatives

The Group employs derivative financial instruments, including foreign exchange contracts, to mitigate currency exposures on trading transactions that could affect the income statement. These are not hedge accounted.

Cash flows expected to occur from derivative financial instruments used by the Group are set out below.

Affecting the income statement	2024 £m	2023 £m
Within three months	**3.3**	22.4
After three months and within twelve months	**8.5**	12.8
After twelve months	**—**	16.5
	11.8	51.7

Notes to the consolidated financial statements continued

Equity

27. Share capital and share premium

Share capital – ordinary shares of 25p each	2024 Number	2023 Number	2024 £m	2023 £m
Allotted, called up and fully paid				
At 1 July	**62,218,280**	62,218,280	**15.6**	15.6
At 30 June	**62,218,280**	62,218,280	**15.6**	15.6

No dividends were paid for interim and final dividends in respect of shares held by an employee benefit trust (EBT) in relation to the LTIP. There were 5,300 such shares at 30 June 2024 (2023: 2,816 shares).

Share premium	2024 £m	2023 £m
At 1 July and 30 June	**16.8**	16.8

28. Other reserves

The merger reserve represents the amount by which the fair value of the shares issued as consideration for historic acquisitions exceeded their nominal value, offset by the goodwill on these acquisitions, and the premium on a placing share issue, net of directly attributable costs. The translation reserve comprises cumulative foreign exchange differences arising from the translation of financial statements of foreign operations on consolidation.

	Merger reserve £m	Translation reserve £m	Cost of hedging reserve £m	Total £m
At 1 July 2022	24.5	20.0	—	44.5
Exchange rate adjustments	—	(6.4)	—	(6.4)
Reclassification on disposal of foreign operation	—	(0.9)	—	(0.9)
At 30 June 2023	24.5	12.7	—	37.2
At 1 July 2023	**24.5**	**12.7**	**—**	**37.2**
Exchange rate adjustments	**—**	**(0.9)**	**—**	**(0.9)**
Movement in fair value of cash flow hedge	**—**	**—**	**(0.1)**	**(0.1)**
At 30 June 2024	**24.5**	**11.8**	**(0.1)**	**36.2**

The movement in the cost of hedging reserve reflects the change in fair value of the Group's interest rate collar. In August 2023, the Group entered into an arrangement to hedge £50m for a duration of two years by way of a combined Interest Rate Cap of 6.250% and Interest Rate Floor of 4.415%.

29. Retained earnings

	Note	2024 £m	2023 £m
At 1 July		**106.6**	120.5
Profit/(loss) for the period		**0.7**	(5.4)
Remeasurements of the defined benefit pension scheme	32	**(6.0)**	(5.0)
Deferred tax on remeasurements of the defined benefit pension scheme	19	**1.4**	1.2
Ordinary share dividends	8	**(7.7)**	(6.7)
Purchases of own shares to settle awards		**(0.7)**	(0.1)
Tax credit relating to share option schemes		**(0.4)**	0.7
Equity-settled transactions	33	**2.2**	1.4
At 30 June		**96.1**	106.6

30. Non-controlling interests

In the opinion of the Directors, the comprehensive income for the year and equity at the reporting date which is attributable to non-controlling interests is not considered to be material. Non-controlling interests are listed in Note 35.

Notes to the consolidated financial statements continued

Employees

31. Employee numbers and costs

Employee numbers and costs, including the discontinued operation, are as follows:

Staff costs	Note	2024 £m	2023 £m
Wages and salaries (including redundancy and termination costs)		**182.9**	173.4
Social security costs		**17.2**	19.2
Pensions costs – defined contribution schemes		**12.4**	12.9
Share-based payments	33	**2.3**	1.3
Total staff costs		**214.8**	206.8

Average monthly number of employees (including Executive Directors)	2024	2023
Energy and Environment	**1,003**	862
Rail	**536**	531
Automotive and Industrial	**743**	902
Defense	**233**	206
Performance Products	**356**	351
Plc and board	**62**	59
Total average number of employees	**2,933**	2,911

Key management compensation	2024 £m	2023 £m
Short-term employee benefits	**5.2**	4.6
Share-based payments	**1.2**	1.0
Post-employment benefits	**0.2**	0.3
Termination benefits	**0.2**	0.6
	6.8	6.5
Key management personnel services provided by a separate management entity	**—**	0.1
Total key management compensation	**6.8**	6.6

Key management personnel are the board of Directors, together with the Managing Directors who have the authority and responsibility for planning, directing and controlling the Group's activities and resources within the market sectors in which the Group operates. The remuneration received by all Executive and Non-Executive Directors during the year is disclosed in the single total figure of remuneration table in the Directors' remuneration report on page 107.

32. Retirement benefits

Retirement benefits accounting policy – Note 1(x)

Key sources of estimation uncertainty on defined benefit obligations – Note 1(d)

The Group operates a defined benefit pension scheme, the Ricardo Group Pension Fund (RGPF), which closed to future accrual on 28 February 2010. Responsibility for the governance of the RGPF – including investment decisions and contribution schedules – lies with the Board of Trustees, with the assets held in the fund governed by local regulations and practice in the United Kingdom. The Board of Trustees must be comprised of representatives of the Group and RGPF participants in accordance with the RGPF's regulations. The last approved triennial valuation of the RGPF was completed with an effective date of 5 April 2023 and was finalised on 21 June 2024. At the effective date, the assets of the RGPF had a market value of £113.5m (2020: £135.8m) and were sufficient to cover 102% (2020: 84%) of the benefit that had accrued to members when assessed on the Trustees' prudent funding basis. The actuarial valuation found the fund to be in surplus as at 5 April 2023, and, as such, the employers shall pay no contributions into the fund. The financial position of the fund and the level of employer contributions to be paid will be reviewed at the next actuarial valuation, which is expected to be carried out at 5 April 2026. In the intervening years the Trustees will obtain annual actuarial reports on the developments affecting the fund's assets and technical provisions. The next such report, which will have an effective date of 5 April 2024, must be completed by 5 April 2025. The IAS 19 Actuarial Valuation Report as at 30 June 2024 was completed on 15 July 2024. The pension costs relating to the RGPF were assessed using the projected unit credit method, in accordance with the advice of Mercer, qualified actuaries.

From June 2016, the Group and the Trustees decided to introduce a 'retirement flexibility' option to the RGPF, which allows members to transfer out their benefit at retirement. The Group continues to make no allowance within the defined benefit obligation as at 30 June 2024 for members who may elect to transfer out their benefits at retirement. This assumption will be reviewed on an ongoing basis and may change in future as experience emerges as to the level of members who elect to transfer out their benefits at retirement.

Notes to the consolidated financial statements continued

Employees continued

32. Retirement benefits continued

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Limited against aspects of the June 2023 decision. This case may have implications for other UK defined benefit plans. The Company and pension trustees are considering the implications of the case for the RGPF. The defined benefit obligation has been calculated on the basis of the pension benefits currently being administered, and at this stage we do not consider it necessary to make any adjustments as a result of the Virgin Media case. We will continue to monitor this position.

The post-retirement mortality assumptions for the current year have been reviewed and use mortality tables known as the SAPS 'Series 3' tables (2023: SAPS 'Series 3'), with an 86% (2023: 85%) multiplier for males and an 85% (2023: 84%) multiplier for females, both applicable to the 'standard' version of the table. The future improvements component has been updated to be in line with the 'Core' version of the Continuous Mortality Investigation (CMI) 2023 projection model with an 'S-kappa' smoothing parameter of 7, an initial addition to mortality improvements of 0.5%, a 15% weighting on 2023 and 2022 data and no weighting on 2021 or 2020 data (2023: CMI 2022 with 'S-kappa' smoothing parameter of 7, an initial addition to mortality improvements of 0.5%, a 25% weighting on 2022 data and no weighting on 2021 or 2020 data). The Company has elected to refine the approach used to set the discount rate for UK plans under IAS 19 in order to expand the bond dataset used to make better use of available data and to improve the stability of the discount rate curve over time. The impact of this change is to reduce the discount rate at 30 June 2024 by approximately 0.1% per annum, resulting in an increase in the defined benefit obligation at 30 June 2024 due to this change of c.£1.1m.

The latest available CMI model will be used at each year end to provide the most accurate representation of the defined benefit obligation. The use of a 1.25% long-term trend is consistent with the prior year. The 'Core' version of the CMI 2023 projection model has been used. Under these principal mortality assumptions, the expected future life expectancy from age 65 is as follows:

	2024		2023	
Age	**Males**	**Females**	Males	Females
65 now	**23.0**	**25.6**	23.1	25.5
65 in 20 years	**24.3**	**26.9**	24.3	26.9

Other principal assumptions	**2024 % p.a.**	2023 % p.a.
Discount rate	**5.15%**	5.40%
RPI inflation rate	**3.25%**	3.30%

Notes to the consolidated financial statements continued

Employees continued

32. Retirement benefits continued

Other assumptions	2024 %	2023 %
Rate of increase in pensions in payment accrued p.a.		
– Pre 1 July 2022 (pensioner/deferred for current year)	**3.70%/3.65%**	3.75%/3.65%
– Post 1 July 2022 (pensioner/deferred for current year)	**3.10%/2.80%**	3.10%/2.85%
– Post 88 GMP (pensioner/deferred for current year)	**2.20%/2.05%**	2.10%/2.05%
Rate of increase in deferred pension revaluation p.a.	**2.75%**	2.70%
Percentage of pension to be commuted for lump sum at retirement	**15.00%**	15.00%

	2024			2023		
Scheme assets	**Quoted £m**	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Equities	**9.6**	**—**	**9.6**	14.3	—	14.3
Debt	**83.5**	**—**	**83.5**	73.0	—	73.0
Cash and other	**0.5**	**0.3**	**0.8**	0.9	0.3	1.2
Property fund	**5.4**	**—**	**5.4**	7.8	—	7.8
Investment funds	**6.1**	**—**	**6.1**	8.3	—	8.3
At 30 June	**105.1**	**0.3**	**105.4**	104.3	0.3	104.6

The pension scheme has not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company. An annuity policy represents the value of an annuity purchased in the name of the Trustee, which provides the pension benefits for one member. The annuity policy has been valued by a qualified actuary based on the related obligations. The portfolio was able to maintain the same long-term objective despite the market moves and collateral calls. Strategic positioning was adjusted during the year as a greater strategic allocation to LDI funds was required to maintain the desired level hedging.

Notes to the consolidated financial statements continued

Employees continued

32. Retirement benefits continued

Movements in the fair value of scheme assets and present value of the defined benefit surplus/(obligation) were as follows:

	2024			2023		
Scheme movements	**Fair value of plan assets £m**	**Present value of obligation £m**	**Net total £m**	Fair value of plan assets £m	Present value of obligation £m	Net total £m
At 1 July	**104.6**	**(92.0)**	**12.6**	127.1	(111.9)	15.2
Finance income/(expense)	**5.4**	**(4.8)**	**0.6**	4.8	(4.2)	0.6
Total credit/(charge) to the income statement	**5.4**	**(4.8)**	**0.6**	4.8	(4.2)	0.6
Return on plan assets excluding finance income	**0.5**	**—**	**0.5**	(22.6)	—	(22.6)
Effect of change in demographic assumptions	**—**	**0.6**	**0.6**	—	1.7	1.7
Effect of change in financial assumptions	**—**	**(2.7)**	**(2.7)**	—	18.9	18.9
Effect of experience adjustments	**—**	**(4.4)**	**(4.4)**	—	(3.0)	(3.0)
Total remeasurements in other comprehensive income	**0.5**	**(6.5)**	**(6.0)**	(22.6)	17.6	(5.0)
Contributions from sponsoring companies	**0.8**	**—**	**0.8**	1.8	—	1.8
Benefit payments from plan assets	**(5.9)**	**5.9**	**—**	(6.5)	6.5	—
Total cash flows	**(5.1)**	**5.9**	**0.8**	(4.7)	6.5	1.8
Total movements	**0.8**	**(5.4)**	**(4.6)**	(22.5)	19.9	(2.6)
At 30 June	**105.4**	**(97.4)**	**8.0**	104.6	(92.0)	12.6

There are no restrictions on the realisability of the defined benefit surplus.

The sensitivity of the defined benefit scheme to changes in principal assumptions:	Change in assumption	**2024 Impact on present value of obligation**	2023 Impact on present value of obligation ([1]restated)
Discount rate	-1.00%	**Increase by £12.1m**	[1]Increase by £11.6m
Inflation rate	+0.25%	**Increase by £1.1m**	Increase by £1.7m
Post-retirement mortality assumptions	-1 year	**Increase by £3.1m**	Increase by £2.8m

At 30 June 2024, new census data as at the census date has been incorporated in the actuarial valuation. The impact on the benefit obligation from the change in assumptions and experience over the year to 30 June 2024 is a £6.6m loss caused by a change in discount rate (£2.7m loss), inflation (£0.1m loss), mortality (£0.6m gain), actual pension increases (£0.3m gain) and impact of new census data (£4.7m loss). The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within non-current liabilities. [1]The methods and types of assumptions used in preparing the sensitivity analysis did not change when compared to the previous year, except for the change in assumption when measuring the discount rate, which has increased from 0.25% to 1% to reflect changes in market conditions. For the purpose of the post-retirement mortality assumption sensitivity shown, members are assumed to have future life expectancy as if they are one year younger than their current age. Exposures to significant risks from the RGPF are as follows:

Notes to the consolidated financial statements continued

Employees continued

32. Retirement benefits continued

Risks	Impact
Asset volatility	The RGPF liabilities are calculated using a discount rate set with reference to corporate bond yields. If the RGPF assets underperform this yield, the deficit will increase. The RGPF holds a significant proportion of equities and a diversified range of growth funds, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. The Directors are of the view that due to the long term nature of the RGPF liabilities and the strength of the supporting Group, this is an appropriate strategy to manage the RGPF efficiently.
Corporate bond yields	A decrease in corporate bond yields will increase RGPF liabilities, although this will be partially offset by an increase in the value of the RGPF's bond holdings. The scheme's assets are predominantly invested in government bonds and corporate bonds in order to reduce the sensitivity of the scheme's funding level to changes in fixed interest yields, resulting in the value of scheme's assets also reducing significantly due to these increases in bond yields.
Inflation	Although there are some caps in place to protect the RGPF against extreme inflation, increases in the level of inflation will lead to higher liabilities.
Post-retirement mortality assumptions	The RGPF provides benefits for the life of the members, therefore improvements in post-retirement mortality assumptions will result in an increase in the RGPF's liabilities.

The weighted average duration of the defined benefit obligation is 12 (2023: 12) years.

Expected maturity of undiscounted pension benefits	**2024 £m**	2023 £m
Less than one year	**6.3**	5.0
Between one and two years	**6.5**	5.1
Between two and five years	**20.6**	16.2
Between five and ten years	**38.5**	30.3

Amounts charged to the income statement in respect of the defined benefit obligation	Note	**2024 £m**	2023 £m
Net financing income	9	**(0.7)**	(0.6)
Total		**(0.7)**	(0.6)

Notes to the consolidated financial statements continued

Employees continued

33. Share-based payments

Accounting policy – Note 1(y)

The Group operates the following share-based payment schemes: an equity-settled and a cash-settled Long-Term Incentive Plan (LTIP); a Deferred Share Bonus Plan (DBP) and an equity-settled all-employee Share Incentive Plan (SIP). The general terms and conditions, including vesting requirements and performance conditions for the equity-settled LTIP, the DBP and the equity-settled SIP, are described in the Directors' remuneration report. The LTIP, DBP and SIP require shareholder approval for the issue of shares. There were no awards outstanding in relation to the SIP at the year end.

30% (2023: one-third) of awards granted under the LTIP and DBP Matching Awards are dependent on a Total Shareholder Return (TSR) performance condition, 60% (2023: two-thirds) dependent on earning per share (EPS), and 10% (2023: nil) dependent on an environmental, social and governance (ESG) measure. As relative TSR is defined as a market condition under IFRS 2 Share-based Payment, this requires the valuation model used to take into account the anticipated performance outcome. The TSR element of the charge to the income statement has been calculated using the Monte Carlo model and EPS elements have been calculated using the share price at grant date. The following assumptions are used for the plan cycles commencing in these years:

	2024	2023
Weighted average share price at date of award (pence)	453p	443p
Expected volatility	30.0%	52.0%
Expected life (years)	3	3
Risk-free rate	4.1%	4.3%
Dividend yield	0.0%	0.0%
Possibility of ceasing employment before vesting	13.0%	13.0%
Weighted average fair value per LTIP as a percentage of a share at date award	77.5%	91.4%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the three financial years preceding the date of award. The share-based payments charge of £2.3m (2023: £1.3m) disclosed in Note 31 was all in respect of equity-settled schemes.

Equity-settled Long-Term Incentive Plan

LTIP awards are forfeited if the employee leaves the Group before the awards vest, unless they are considered 'good leavers'.

Outstanding	2024 Shares allocated(1)	2023 Shares allocated(1)
At 1 July	1,835,827	1,699,535
Awarded	1,380,790	961,963
Lapsed	(405,044)	(802,157)
Vested	(95,504)	(23,514)
At 30 June	2,716,069	1,835,827

(1) Shares allocated excludes dividend roll-up.

The outstanding LTIP awards had a weighted average contractual life of 1.6 years (2023: 1.6 years). The weighted average exercise price during the current year was 465p (2023: 462p). During the year, the Group purchased shares in order to settle vested awards. In the prior year, the Group utilised existing shares held.

Cash-settled Long-Term Incentive Plan

The cash-settled LTIP has the same performance conditions as the equity-settled LTIP but the award is settled in cash rather than by share issue.

Outstanding	2024 Shares allocated(1)	2023 Shares allocated(1)
At 1 July	96,266	56,950
Awarded	68,898	44,515
Vested	(6,026)	—
Lapsed	(9,731)	(5,199)
At 30 June	149,407	96,266

(1) Shares allocated excludes dividend roll-up.

The outstanding LTIP awards had a weighted average contractual life of 1.6 years (2023: 1.8 years). The weighted average exercise price during the current year was 465p (2023: nil).

The total expense recognised in the year was £0.1m and the carrying value of the liability at 30 June 2024 was £0.3m (2023: £0.2m).

Notes to the consolidated financial statements continued

Employees continued/Other

33. Share-based payments continued

Deferred Share Bonus Plan

The Deferred Share Bonus Plan is described in the Directors' remuneration report.

Outstanding	2024 Shares allocated[1]	2023 Shares allocated[1]
At 1 July	**107,716**	60,413
Awarded	**38,064**	112,101
Forfeited	**(673)**	(42,823)
Dividend shares awarded in the year	**2,828**	2,872
Vested	**(38,078)**	(24,847)
At 30 June	**109,857**	107,716

(1) Shares allocated excludes dividend roll-up.

The outstanding DBP awards had a weighted average contractual life of 1.2 years (2023: 1.4 years). The weighted average exercise price during the current year was 459p (2023: 444p). During the year, the Group purchased shares in order to settle vested awards. During the prior year, the Group utilised existing shares held to settle vested awards.

34. Contingent liabilities

In July 2013, a guarantee was provided to the Ricardo Group Pension Fund (RGPF) of £2.8m in respect of certain contingent liabilities that may arise, which have been secured on specific land and buildings. The outcome of this matter is not expected to give rise to any material cost to the Group.

The Group is involved in commercial disputes and litigation with some customers, which is in the normal course of business. Whilst the result of such disputes cannot be predicted with certainty, the ultimate resolution of these disputes is not expected to have a material effect on the Group's financial position or results.

Notes to the consolidated financial statements continued

Other continued

35. Related undertakings of the Group

UK subsidiaries

Subsidiary or related undertaking	Registered office	Company Number	Principal activities
Ricardo Investments Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	02251330	Holding Company and Management Services
Ricardo EMEA Limited∞	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	09461485	Holding Company and Management Services
Ricardo UK Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	02815682	Automotive & Industrial Consulting, Strategic Consulting, Defence Consulting and Performance Products
Ricardo Asia Limited∞	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	03143661	Automotive & Industrial Consulting, Rail Consulting and Business Development
Power Planning Associates Limited∞	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	03419816	Holding Company
Ricardo-AEA Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	08229264	Energy & Environmental Consulting
Cascade Consulting (Environment & Planning) Limited∞	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	04176068	Energy & Environmental Consulting
Ricardo Innovations Limited∞	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	08977105	Energy & Environmental Consulting
Ricardo Rail Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	03226319	Rail Consulting
Ricardo Certification Limited∞	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	09481761	Independent Assurance
Ricardo Software Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	07527490	Dormant
Ricardo Strategic Consulting Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	03696451	Dormant
Ricardo Consulting Engineers Limited∞	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	05891521	Automotive & Industrial Consulting
Ricardo Technology Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	02924157	Dormant
Ricardo Transmissions Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	01498115	Dormant
Ricardo Pension Scheme (Trustees) Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	02376569	Dormant
Ricardo Performance Products Limited∞	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	15072813	Performance Products

Notes to the consolidated financial statements continued

Other continued

35. Related undertakings of the Group continued

Overseas subsidiaries

Subsidiary or related undertaking	Registered office	Country	Principal activities
Ricardo Energy Environment and Planning Pty Ltd	Grant Thornton Australia Limited, Level 17, 383 Kent Street, Sydney, NSW, 2000, Australia	Australia	Energy & Environmental Consulting
Ricardo Australia Pty Ltd	Mills Oakley FAO: Thomas Kannan, Level 7, 151 Clarence Street, Sydney NSW 2000, Australia	Australia	Holding Company and Rail Consulting
Ricardo Rail Australia Pty Ltd	Suite 2.01, Level 2, Tower B, The Zenith, 821 Pacific Highway, Chatswood, New South Wales 2067, Australia	Australia	Rail Consulting
Inside Infrastructure Pty Ltd*	Level 1, 101 Flinders Street, Adelaide, SA 5000, Australia	Australia	Energy & Environmental Consulting
Aither Pty Ltd (90%)(1)	O'Connells OBM Pty Ltd, Level 1, 20 Creek Street, Brisbane QLD 4000	Australia	Energy & Environmental Consulting
Ricardo Canada, Inc	2600-160 Elgin Street, Ottawa, Ontario, Canada, K0A 1C3	Canada	Business Development
Ricardo Shanghai Company Limited*	Unit DEF, 10F, Building H, No. 2337 Gudai Road, Minhang District, Shanghai 201100, PR China	China	Automotive & Industrial Consulting, Rail Consulting and Business Development
Chongqing Transportation Railway Safety Assessment Center Limited (60%)(2)	No. 2 Yangliu Road, Mid Huangshan Street, New North District, Chongqing, 401123, PR China	China	In Liquidation
Ricardo Beijing Company Limited	Room 1215, 11th Floor, No. 63 East 3rd Riding Middle Road, Chaoyang District, Beijing, China	China	Independent Assurance
Ricardo Prague s.r.o.	Palác Karlín, Thámova 11-13, 186 00 Praha 8, Czech Republic	Czechia	Automotive & Industrial Consulting
Ricardo Certification Denmark ApS	Høffdingsvej 34, 2500 Valby, Copenhagen, Denmark	Denmark	Independent Assurance
Ricardo GmbH	Güglingstraße 66, 73529, Schwäbisch Gmünd, Germany	Germany	Automotive & Industrial Consulting and Business Development
Ricardo Strategic Consulting GmbH	Güglingstraße 66, 73529, Schwäbisch Gmünd, Germany	Germany	Strategic Consulting and Environmental Consulting
E3-Modelling SA (93%)(3)	70-72 Panormou st., Athens 115 23, Greece	Greece	Energy and Environmental Consulting
Ricardo Hong Kong Limited	Room 12101, 12/F, YF, Life Tower, 33 Lockhart Road, Wanchai, Hong Kong	Hong Kong	Rail Consulting
Ricardo India Private Limited(4)	306, Corporate One Building, Plot No. 5, Jasola District Centre, New Delhi 110025, India	India	Business Development, Strategic Consulting and Environmental Consulting
Ricardo Italia s.r.l.	Via Giovanni Pascoli 47, 47853, Cerasolo, Coriano, Rimini, Italy	Italy	Automotive & Industrial Consulting
Ricardo Japan K.K.	18th Floor, Shin Yokohama Square Building, 2-3-12 Shin Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa, 222-0033, Japan	Japan	Rail Consulting and Business Development
Ricardo Nederland B.V.	Daalsesingel 51A, 3511 SW, Utrecht, The Netherlands	Netherlands	Rail Consulting
Ricardo Certification B.V.	Daalsesingel 51A, 3511 SW, Utrecht, The Netherlands	Netherlands	Independent Assurance
Ricardo Technical Consultancy LLC (49%)(5)	Palm Tower, Block B, 15th Floor, P.O. Box 26600, West Bay, Doha, Qatar	Qatar	Independent Assurance
Ricardo Environment Arabia LLC(6)	Bahrain Tower, Building Number 8953, 2393, King Fahd Road, Olaya, 12214, Kingdom of Saudi Arabia	Saudi Arabia	Dormant

Notes to the consolidated financial statements continued

Other continued

35. Related undertakings of the Group continued

Overseas subsidiaries continued

Subsidiary or related undertaking	Registered office	Country	Principal activities
Ricardo-AEA Limited Saudi Branch	Bahrain Tower, 2nd Floor, King Fahad Road, PO Box 8953, Riyadh, 12214-2393 Kingdom of Saudi Arabia	Saudi Arabia	Dormant
Ricardo Singapore Pte Limited	141 Middle Road, 5-6 GSM Building, 188976, Singapore	Singapore	Rail Consulting
Ricardo South Africa (Pty) Ltd (formerly PPA Energy (Pty) Ltd)	111 Pretoria Road, Rynfield, Benoni, Johannesburg, 1501, South Africa	South Africa	Energy & Environmental Consulting
Ricardo Consulting SL	Agustín de Foxá 29, 9B, 28036, Madrid, Spain	Spain	Energy & Environmental Consulting and Rail Consulting
Ricardo Certification Iberia SL	Agustín de Foxá 29, 9B, 28036, Madrid, Spain	Spain	Independent Assurance
Ricardo Rail (Taiwan) Ltd	11F-2 (Westside), No.51, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	Taiwan	Independent Assurance
Ricardo (Thailand) Ltd (49%)(7)	140/36 ITF Tower 17th Floor, Silom Road, Kwang Surawong, Khet bangrak, Bangkok, 10500, Thailand	Thailand	In Liquidation
Ricardo Gulf Technical Consultancy LLC (49%)(8)	Abu Dhabi Island, Corniche Street, G5, Block 17, Floor 11, Office 1108, Unit Building/Mesmak Real Estate Company, United Arab Emirates	UAE	Energy & Environmental Consulting
Ricardo Defense Systems LLC	35860 Beattie Dr, Sterling heights, Michigan, 48312, United States	USA	Defence Manufacture
Ricardo Defense, Inc.	175 Cremona Drive, Suite 140, Goleta, California, 93117, United States	USA	Defence Consulting
C2D Joint Venture (33.3%)(9)	175 Cremona Drive, Suite 140, Goleta, California, 93117, United States	USA	Defence Consulting
Ricardo, Inc.	Detroit Technical Campus, 40000 Ricardo Drive, Van Buren Township, Detroit, Michigan, 48111-1641, United States	USA	Automotive & Industrial Consulting, Strategic Consulting and Rail Consulting
Ricardo US Holdings, Inc.	Detroit Technical Campus, 40000 Ricardo Drive, Van Buren Township, Detroit, Michigan, 48111-1641, United States	USA	Holding Company
Ricardo Real Estate LLC	Detroit Technical Campus, 40000 Ricardo Drive, Van Buren Township, Detroit, Michigan, 48111-1641, United States	USA	Property Investment Company
Ricardo Software, Inc.	Detroit Technical Campus, 40000 Ricardo Drive, Van Buren Township, Detroit, Michigan, 48111-1641, United States	USA	Dormant
CDQ Joint Venture (50%)(10)	175 Cremona Drive, Suite 140, Goleta, California, 93117, United States	USA	Dormant

Notes to the consolidated financial statements continued

Other continued

35. Related undertakings of the Group continued

Overseas subsidiaries continued

- * Wholly owned direct subsidiary of Ricardo plc.
- † Registered in England and Wales.
- ∞ These companies have claimed exemption from audit per s.479A of the Companies Act 2006.

(1) While 93% of the share capital of E3-Modelling SA is owned by Ricardo Investments Limited, the commitment to purchase the remaining 7% shareholding is considered to give rise to a financial liability and therefore no non-controlling interest is recognised in respect of this investment – see Note 13.
(2) 60% owned by Ricardo Beijing Company Limited; 40% owned by Chongqing Science & Technology Testing Center Limited.
(3) While 90% of the share capital of Aither Pty Ltd is owned by Ricardo Australia Pty Ltd, the commitment to purchase the remaining 10% shareholding is considered to give rise to a financial liability and therefore no non-controlling interest is recognised in respect of this investment – see Note 13.
(4) 99% owned by Ricardo plc; 1% owned by Ricardo UK Limited.
(5) 49% of share capital and 97% of retained earnings owned by Ricardo Rail Limited; 51% of share capital and 3% of retained earnings owned by Pro-Partnership LLC.
(6) 15% owned by Ricardo plc; 85% owned by Ricardo-AEA Limited.
(7) 49% of share capital and 92.5% of retained earnings owned by Ricardo Hong Kong Limited; 51% of share capital and 7.5% of retained earning owned by First Asia Industries Limited.
(8) 49% of share capital and 80% of retained earnings owned by Ricardo-AEA Limited; 51% of share capital and 20% of retained earnings owned by SSD Commercial Investment.
(9) 33.3% owned by Ricardo Defense, Inc.; 33.3% owned by DG Technologies; 33.3% owned by Claxton Logistics Services LLC.
(10) 50% owned by Ricardo Defense, Inc.; 50% owned by DG Technologies.

In the opinion of the Directors, the comprehensive income for the year and equity at the reporting date which is attributable to non-controlling interests is not considered to be material. Non-controlling interests are set out above in footnotes (1) to (10).

36. Related party transactions

Key management personnel are the board of Directors, together with the Managing Directors who have the authority and responsibility for planning, directing and controlling the Group's activities and resources within the market sectors in which the Group operates. This is set out in Note 31.

The remuneration received by all Executive and Non-Executive Directors during the year is disclosed in the single total figure of remuneration table in the Directors' remuneration report on page 107.

The Ricardo Pension Scheme (Trustees) Limited is a related party to the Group. Amounts paid to the Group's retirement payments are set out in Note 32.

37. Prior year restatement

The cash flow statement has been restated in the prior year as follows:

	2023 reported £m	2023 change £m	2023 restated £m
Unrealised foreign currency exchange losses	1.2	1.4	2.6
Fair value gains on derivatives	—	(5.6)	(5.6)
Operating cash flows before movements in working capital	**37.4**	**(4.2)**	**33.2**
Cash generated from operations	**26.2**	**(4.2)**	**22.0**
Net cash generated from operating activities	**14.1**	**(4.2)**	**9.9**
Payments to settle derivatives	(4.2)	4.2	—
Net cash generated from financing activities	**8.8**	**4.2**	**13.0**

In the prior year, a non-cash movement of £4.2m relating to derivatives was included as a financing cash outflow. This should have been presented as a reconciling item between profit and operating cash flows. Comparatives have been restated accordingly. The impact of the adjustment was to increase net cash flows from financing by £4.2m to £13.0m and decrease net cash flows from operating activities by £4.2m to £9.9m (by increasing the reconciling item for unrealised exchange losses by £1.4m to £2.6m and including a reconciling item for a fair value gains on derivatives of £5.6m).

38. Events after the reporting date

There were no events to report after the reporting date.

Company statement of financial position of Ricardo plc

as at 30 June

	Note	2024 £m	2023 £m
Assets			
Non-current assets			
Intangible assets	2	**1.0**	0.4
Property, plant and equipment	3	**3.6**	3.9
Right-of-use assets	4	**5.2**	5.8
Retirement benefit surplus	11c	**8.0**	12.6
Investments	5	**103.1**	103.1
Other receivables	7	**115.7**	116.4
Deferred tax assets	6	**1.7**	1.6
		238.3	243.8
Current assets			
Other receivables	7	**60.3**	24.1
Derivative financial assets	11f	**0.8**	2.3
Current tax assets		**1.7**	0.3
Cash and cash equivalents		**7.7**	1.9
		70.5	28.6
Total assets		**308.8**	272.4
Liabilities			
Current liabilities			
Borrowings	8	**2.8**	4.2
Lease liabilities	9	**0.9**	0.9
Trade and other payables	10	**119.8**	114.3
Current tax liabilities		**1.0**	—
Derivative financial liabilities	11f	**0.5**	1.0
		125.0	120.4
Net current liabilities		**(54.5)**	(91.8)

	Note	2024 £m	2023 £m
Non-current liabilities			
Borrowings	8	**50.0**	—
Lease liabilities	9	**5.4**	6.1
Derivative financial liabilities	11f	**0.1**	—
Deferred tax liabilities	6	**2.8**	4.1
		58.3	10.2
Total liabilities		**183.3**	130.6
Net assets		**125.5**	141.8
Equity			
Share capital		**15.6**	15.6
Share premium		**16.8**	16.8
Other reserves		**23.5**	23.5
Retained earnings		**69.6**	85.9
Total equity		**125.5**	141.8

The Ricardo plc Company statement of financial position has been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The notes on pages 217-222 form an integral part of these financial statements.

The Company has not presented its own income statement and statement of comprehensive income as permitted by Section 408 of the Companies Act 2006. The Company's loss for the year was £5.2m (2023: profit of £1.9m).

The financial statements of Ricardo plc (registered number 222915) on pages 215-222 were approved by the board of Directors on 10 September 2024 and signed on its behalf by:

Graham Ritchie
Chief Executive Officer

Judith Cottrell
Chief Financial Officer

Company statement of changes in equity of Ricardo plc

for the year ended 30 June

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 July 2022	15.6	16.8	23.5	92.5	148.4
Profit for the year	—	—	—	1.9	1.9
Other comprehensive expense for the year	—	—	—	(3.8)	(3.8)
Total comprehensive expense for the year	—	—	—	(1.9)	(1.9)
Equity-settled transactions	—	—	—	1.4	1.4
Purchases of own shares to settle awards	—	—	—	(0.1)	(0.1)
Tax relating to share option schemes	—	—	—	0.7	0.7
Ordinary share dividends	—	—	—	(6.7)	(6.7)
At 30 June 2023	15.6	16.8	23.5	85.9	141.8
At 1 July 2023	**15.6**	**16.8**	**23.5**	**85.9**	**141.8**
Loss for the year	**—**	**—**	**—**	**(5.2)**	**(5.2)**
Other comprehensive expense for the year	**—**	**—**	**—**	**(4.5)**	**(4.6)**
Total comprehensive expense for the year	**—**	**—**	**—**	**(9.7)**	**(9.8)**
Equity-settled transactions	**—**	**—**	**—**	**2.2**	**2.2**
Purchases of own shares to settle awards	**—**	**—**	**—**	**(0.7)**	**(0.7)**
Tax relating to share option schemes	**—**	**—**	**—**	**(0.4)**	**(0.4)**
Ordinary share dividends	**—**	**—**	**—**	**(7.7)**	**(7.7)**
At 30 June 2024	**15.6**	**16.8**	**23.5**	**69.6**	**125.5**

The accompanying notes form part of these financial statements.

Company notes to the financial statements of Ricardo plc

1. Principal accounting policies

Basis of preparation

Notwithstanding net current liabilities of £54.5m (2023: liabilities of £91.8m) the financial statements of Ricardo plc have been prepared on a going concern basis, as discussed in the viability statement on page 81. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The accounting policies set out below have been applied consistently to all years presented in these financial statements. The following exemptions available under FRS 101 have been applied:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment (details of the number and weighted average exercise prices of share options and how the fair value of goods and services received was determined)
- IFRS 7 Financial Instruments: Disclosures
- Paragraphs 91 to 99 of IFRS 13 Fair Value Measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment
  - paragraph 118(e) of IAS 38 Intangible Assets
- The following paragraphs of IAS 1 Presentation of Financial Statements:
  - 10(d) (statement of cash flows)
  - 16 (statement of compliance with all IFRS)
  - 38(a) (requirement for minimum of two primary statements, including cash flow statements)
  - 38(b)-(d) (additional comparative information)
  - 111 (cash flow statement information)
  - 134–136 (capital management disclosures)
- IAS 7 Statement of Cash Flows (the Company has not published its individual cash flow statement as its liquidity, solvency and financial adaptability are dependent on the Group rather than its own cash flows)
- Paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued and is not yet effective)
- Paragraph 17 of IAS 24 Related Party Disclosures (key management compensation) and the requirements of IAS 24 to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member

Significant accounting policies

The significant accounting policies applied in the preparation of these individual financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Investments

Investments in subsidiaries are stated at cost less any impairment in value. The Company evaluates the carrying value of investments at the end of each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to comprehensive income.

Amounts owed by subsidiary undertakings

The majority of the Company's financial assets are amounts owed by subsidiary undertakings. These are measured initially at fair value, and subsequently at amortised cost. The general approach is applied to the impairment of financial assets, recognising a loss allowance for expected credit losses (ECL). Where the credit risk has not increased significantly since initial recognition the loss allowance are measured as 12-month ECL. For balances repayable on demand, or where the credit risk has increased significantly since initial recognition, a lifetime ECL is measured. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive, therefore considering future expectations). ECLs are discounted at the effective interest rate of the financial asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers the available cash and cash equivalents within the subsidiary, the net current assets of the undertaking and future cash generation.

Assets are provided in full and subsequently written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery could include, amongst others, evidence that the subsidiary has entered liquidation proceedings, or no reasonable expectation that sufficient future cash generation to repay the loan will occur in the subsidiary undertaking.

Company notes to the financial statements of Ricardo plc continued

1. Principal accounting policies continued

Other significant accounting policies

Other significant accounting policies are consistent with the Group financial statements.

Judgements in applying accounting policies and key sources of estimation uncertainties

The preparation of financial statements under FRS 101 requires the Company's management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. These judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key area of judgement that has the most significant effect on the amounts recognised in the financial statements is the review of financial assets for impairment. Management has applied judgement to when determining the credit risk of fellow Group undertakings and their ability to repay loans.

The area involving significant risk of a material adjustment to the carrying amounts of assets and liabilities due to estimation uncertainty within the next financial year is the Company's defined benefit obligation. This risk is the same as that of the Group and is explained in Note 1(d) to the Group financial statements. Another area of estimation uncertainty is management's assessment of the Company's investments to determine whether an indicator of impairment exists. Where applicable, management then evaluates the carrying value of investments against their value-in-use to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. The value-in-use is estimated using a discounted cash flow methodology. A pre-tax discount rate is used to discount the cash flows, which are derived from externally sourced data reflecting the current market assessment of these investments.

The basis for the projected cash flows is the Group's five-year plan, which is prepared by management and reviewed and approved by the board. The plan reflects past experience and management's assessment of the current contract portfolio, contract wins, contract retention, price increases, and gross margin, as well as future expected market trends. Cash flows after the five-year plan are projected into perpetuity using a growth rate based on inflation and an average long-term economic growth rate for the territory.

Changes in accounting policies

Several other standards, interpretations and amendments to existing standards became effective on 1 July 2021 as detailed in Note 1(aa) to the Group financial statements; none of these had a material impact on the Company.

2. Intangible assets

	Software £m
Cost	
At 1 July 2022	9.5
Disposals	(0.8)
At 30 June 2023	8.7
At 1 July 2023	**8.7**
Additions	**0.8**
At 30 June 2024	**9.5**
Accumulated amortisation	
At 1 July 2022	8.8
Charge for the period	0.3
Disposals	(0.8)
At 30 June 2023	8.3
At 1 July 2023	**8.3**
Charge for the period	**0.2**
At 30 June 2024	**8.5**
Net book value	
At 1 July 2022	0.7
At 30 June 2023	0.4
At 30 June 2024	**1.0**

Company notes to the financial statements of Ricardo plc continued

3. Property, plant and equipment

	Land and property £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 1 July 2022	6.7	1.4	8.1
At 30 June 2023	6.7	1.4	8.1
At 1 July 2023	**6.7**	**1.4**	**8.1**
Additions	**3.3**	**—**	**3.3**
Disposals	**(3.3)**	**(0.5)**	**(3.8)**
At 30 June 2024	**6.7**	**0.9**	**7.6**
Accumulated depreciation and impairment			
At 1 July 2022	3.1	0.9	4.0
Charge for the period	0.1	0.1	0.2
At 30 June 2023	3.2	1.0	4.2
At 1 July 2023	**3.2**	**1.0**	**4.2**
Disposals	**0.1**	**0.2**	**0.3**
Charge for the period	**—**	**(0.5)**	**(0.5)**
At 30 June 2024	**3.3**	**0.7**	**4.0**
Net book value			
At 1 July 2022	3.6	0.5	4.1
At 30 June 2023	3.5	0.4	3.9
At 30 June 2024	**3.4**	**0.2**	**3.6**

A contingent liability of up to £2.8m which is associated with a guarantee provided to the Ricardo Group Pension Fund in July 2013 is secured on specific land and buildings. Further detail is given in Note 25 to the Group financial statements.

Part of the site at the Shoreham Technical Centre used by Ricardo PP Ltd, known as Building 2, Building 19 and car parking, was transferred to Ricardo plc and sold to Berwen Ltd in the year. The sale exchanged and completed on 28 June 2024 for £3.25m, with no gain or loss on book value. The cost of £0.3m was associated with external fees relating to the sale. Cash proceeds received for the sale have been recorded within investing activities in the cash flow statement.

4. Leases

a) As a lessee

The Company leases one office premises and technical centre, with a remaining lease term of two years. The lease agreement does not impose any covenants. The leased asset may not be used as security for borrowing purposes.

Right-of-use assets

	Property £m	Motor vehicles £m	Total £m
Cost			
At 1 July 2022	7.6	0.1	7.7
Additions	—	0.1	0.1
Remeasurements	1.1	—	1.1
At 30 June 2023	8.7	0.2	8.9
At 1 July 2023	**8.7**	**0.2**	**8.9**
At 30 June 2024	**8.7**	**0.2**	**8.9**
Accumulated depreciation and impairment			
At 1 July 2022	2.5	—	2.5
Charge for the period	0.6	—	0.6
At 30 June 2023	3.1	—	3.1
At 1 July 2023	**3.1**	**—**	**3.1**
Charge for the period	**0.6**	**—**	**0.6**
At 30 June 2024	**3.7**	**—**	**3.7**
Net book value			
At 1 July 2022	5.1	0.1	5.2
At 30 June 2023	5.6	0.2	5.8
At 30 June 2024	**5.0**	**0.2**	**5.2**

See Note 9 Lease liabilities for details of the associated lease liabilities.

Company notes to the financial statements of Ricardo plc continued

4. Leases continued

b) As a lessor

The Company subleases part of its right-of-use property with a remaining term of two years. This lease is classified as an operating lease.

During the year the Company recognised rental income of £0.5m (2023: £0.4m) on these subleases.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Operating lease	2024 £m	2023 £m
Less than one year	**0.4**	0.4
One to five years	**0.3**	1.6
Total	**0.7**	2.0

5. Investments

	Shares in subsidiaries £m
Cost and net book value	
At 1 July 2022	103.1
At 30 June 2023	103.1
At 1 July 2023	**103.1**
At 30 June 2024	**103.1**

The Directors consider that the fair value of investments is not less than the carrying value. Details of the Company's subsidiaries and related undertakings are shown in Note 35 to the Group financial statements.

6. Deferred tax

Movement in deferred tax balance	2024 £m	2023 £m
At 1 July	**(2.5)**	(3.4)
Credited/(charged) to income statement	**0.1**	(1.0)
Credited to other comprehensive income	**1.7**	1.2
(Charged)/credited directly to equity	**(0.4)**	0.7
At 30 June	**(1.1)**	(2.5)

Balance comprised of:	2024 £m	2023 £m
Accelerated capital allowances	**(0.2)**	(0.3)
Defined benefit obligation	**(2.1)**	(3.3)
Tax losses and credits	—	(0.3)
Unrealised capital gains	**(0.6)**	(0.6)
Other	**1.8**	2.0
At 30 June	**(1.1)**	(2.5)

Non-current:	2024 £m	2023 £m
Assets	**1.7**	1.6
Liabilities	**(2.8)**	(4.1)
At 30 June	**(1.1)**	(2.5)

Company notes to the financial statements of Ricardo plc continued

7. Other receivables

	2024 £m	2023 £m
Amounts owed by subsidiaries	**172.8**	137.2
Prepayments	**1.4**	1.8
Other receivables	**1.8**	1.5
At 30 June	**176.0**	140.5
Current	**60.3**	24.1
Non-current	**115.7**	116.4
At 30 June	**176.0**	140.5

£57.1m (2023: £17.4m) of the amounts owed by subsidiaries are due for repayment and are expected to be repaid within the next 12 months and the remaining £115.7m (2023: £119.8m) have no fixed repayment date.

Non-current trade and other receivables consist of amounts owed by subsidiaries being repayable on demand, with no fixed repayment date and are not expected to be repaid within the next 12 months. £104.7m (2023: £105.4m) of the amounts owed by subsidiaries carry interest between 6.0% and 8.0% (2023: 2.0% and 5.0%) with the remaining £11.0m (2023: £11.0m) being interest free. All amounts owed by subsidiaries are unsecured and expected credit losses are considered to be material.

8. Borrowings

	2024 £m	2023 £m
Current liabilities – borrowings		
Bank overdrafts repayable on demand	**2.8**	4.2
Non-current liabilities – borrowings		
Bank loans maturing after one year	**50.0**	—
At 30 June	**52.8**	4.2

The Group's borrowings are split between the Company and another subsidiary entity. The terms of the borrowings in the Company and the subsidiary are the same. The facilities are denominated in Pounds Sterling and have variable rates of interest dependent upon the Group's adjusted leverage, which range from 1.65% to 2.45% above SONIA (2023: 1.65% to 2.45% above SONIA). See Note 23 in the Group Financial Statements for further details.

9. Lease liabilities

Movement in lease liability	2024 £m	2023 £m
At 1 July	**7.0**	6.5
Additions	**—**	0.1
Remeasurement	**—**	1.1
Interest	**0.3**	0.3
Payments	**(1.0)**	(1.0)
At 30 June	**6.3**	7.0

	2024 £m	2023 £m
Current liabilities – maturing within one year	**0.9**	0.9
Non-current liabilities – maturing after one year	**5.4**	6.1
At 30 June	**6.3**	7.0

Maturity of undiscounted lease liability	2024 £m	2023 £m
Within one year	**1.0**	1.0
Between one and five years	**3.8**	3.8
After five years	**2.7**	3.7
Finance portion of net liability	**(1.2)**	(1.5)
At 30 June	**6.3**	7.0

Company notes to the financial statements of Ricardo plc continued

10. Trade and other payables

	2024 £m	2023 £m
Trade payables	**2.2**	0.8
Tax and social security payable	**1.9**	0.9
Amounts owed to subsidiaries	**109.7**	108.8
Accruals	**5.7**	3.6
Other payables	**0.3**	0.2
At 30 June	**119.8**	114.3

All amounts owed to subsidiaries are unsecured. £105.0m (2023: £104.1m) of the amounts owed to subsidiaries carry interest at rates between 2.0% and 8% (2023: 2.0% and 5.0%) and have no fixed repayment date. £4.7m (2023: £4.7m) of the amounts owed to subsidiaries are interest-free and due for repayment within the next 12 months.

11. Other information

(a) Company audit fee

Fees payable to the Company's auditor for the audit of the Company's annual financial statements totalled £0.9m (2023: £0.9m). Fees payable to KPMG LLP and its associates for non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis (see Note 11 to the Group financial statements).

(b) Directors' emoluments

The remuneration received by all Executive and Non-Executive Directors during the year is disclosed in the single total figure of remuneration table in the Directors' remuneration report on page 107.

(c) Employees and defined benefit obligation

During the year the Company employed an average of 54 (2023: 51) employees.

The Company operates a defined benefit pension scheme, the Ricardo Group Pension Fund (RGPF). This is disclosed in Note 32 to the Group financial statements together with the accounting policy and key accounting estimates.

(d) Share capital, share premium and other reserves

See Notes 27 and 28 to the Group financial statements.

(e) Fair value of assets and liabilities

Financial guarantee contracts: At 30 June 2024, the Company has a financial guarantee contract in the form of a guarantee provided to the Ricardo Group Pension Fund (RGPF) for an amount that shall not exceed the employers' liability were a debt to arise under Section 75 of the Pensions Act 1995. The guarantee will terminate on 5 April 2026. The outcome of this matter is not expected to give rise to any material cost to the Group on the basis that the Group continues as a going concern.

In addition, the Company provides guarantees in the ordinary course of business to certain subsidiaries to give assurance of their contractual and financial commitments. None of these arrangements is expected to give rise to any material cost to the Company.

These financial guarantees are accounted for under IFRS9, for which no liability has been recognised as they do not have a material impact on the accounts.

(f) Contingent liabilities

In July 2013, a guarantee was provided to the Ricardo Group Pension Fund (RGPF) of £2.8m in respect of certain contingent liabilities that may arise, which have been secured on specific land and buildings. The outcome of this matter is not expected to give rise to any material cost to the Group.

(g) Derivative financial assets and liabilities

The Company has the same derivative financial assets and liabilities as the Group. These are disclosed in Note 25 to the Group financial statements. These guarantees are considered to be financial guarantees. The Group has elected to apply IFRS 9 to these financial guarantees.

(h) Related party transactions

The Company has taken the exception under FRS 101 not to disclose related party transactions entered into between two or more members of the Group, nor to disclose key management compensation. Directors' emoluments are referenced in Note 11(b).

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A PDF version of this Annual Report and Accounts can be downloaded from the Investors page of our website.

Key dates
Annual General Meeting: 14 November 2024

Shareholder services
Link Asset Services provide a share portal service, which allows shareholders to access a variety of services online, including: viewing shareholdings; buying and selling shares online; registering change of address details; and bank mandates to have dividends paid directly into your bank account. Any shareholder who wishes to register with Link Asset Services to take advantage of this service should visit **www.ricardo-shares.com/welcome**

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Glossary

Term	Definition
Cash conversion	Statutory cash conversion is calculated as cash generated from operations divided by earnings before interest, tax, depreciation and amortisation (EBITDA).
Constant currency organic growth/ decline	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. Constant currency organic growth/decline is calculated by translating the result for the current year using foreign currency exchange rates applicable to the prior year. This provides an indication of the growth/decline of the business, excluding the impact of foreign exchange.
EBITDA	Earnings before interest, tax, depreciation, impairment and amortisation
ESG	Environmental, social and governance
FY	Financial year
GHG	Greenhouse gases
Headcount	Headcount is calculated as the number of colleagues on the payroll at the reporting date and includes subcontractors on a full-time equivalent basis.
ISO 9001	International standard for Quality Management Systems
ISO 14001	International standard for Environmental Management Systems
ISO 27001	International standard for Information Security Management Systems
ISO 45001	International standard for Occupational Health and Safety Management Systems

Term	Definition
Net debt	Net debt is defined as current and non-current borrowings less cash and cash equivalents, excluding any cash deemed to be restricted in nature, including hire purchase agreements, but excluding IFRS 16 lease liabilities. Management believes this definition is the most appropriate for monitoring the indebtedness of the Group and is consistent with the treatment in the Group's banking agreements.
Order book	The value of all unworked purchase orders and contracts received from clients at the reporting date, providing an indication of revenue that has been secured and will be recognised in future accounting periods.
Order intake	The value of purchase orders and contracts received from clients during the period.
Organic growth/ decline	Organic growth/decline is calculated as the growth/decline in the result for the current year compared to the prior year, after excluding the performance of acquisitions or disposals in both periods.
SBTi	Science Based Targets initiative.
Scope 1 emissions	Direct emissions from owned or controlled sources.
Scope 2 emissions	Indirect emissions from the generation of purchased energy.
Scope 3 emissions	All indirect emissions (not included in Scope 2) that occur in the value chain, including both upstream and downstream emissions.
TCFD	Task Force on Climate-Related Financial Disclosures: An organisation of 31 members aiming to develop guidelines for voluntary climate-centred financial disclosures across industries.
Underlying	Underlying measures exclude the impact on statutory measures of specific adjusting items. Underlying measures are considered to provide a more useful indication of underlying performance and trends over time.

Disclaimer – forward-looking statement

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