Financial statements

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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

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).

The risk

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 response

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.

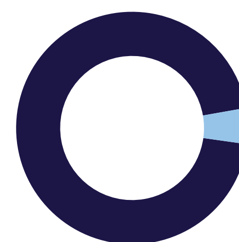
Performance materiality was set at 65% (2023: 65%) of materiality for the financial statements as a whole, which equates to £0.85m (2023: £0.8m) for the group and £0.5m (2023: £0.4m) for the parent company. We applied this percentage in our determination of performance materiality based on the level 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.

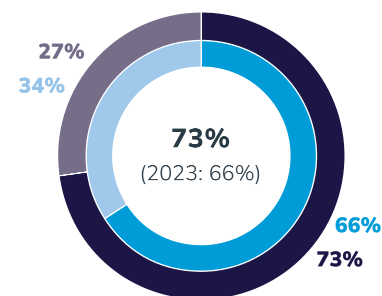
The components within the scope of our work accounted for the percentages illustrated opposite. The remaining 28% (2023: 34%) of total group revenue, 29% (2023: 31%) of group’s total profits and losses that made up group profit before tax and 28% (2023:37%) of total group assets is represented by 60 (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.

Normalised Group profit before tax
£25.7m (2023: £23.6m)

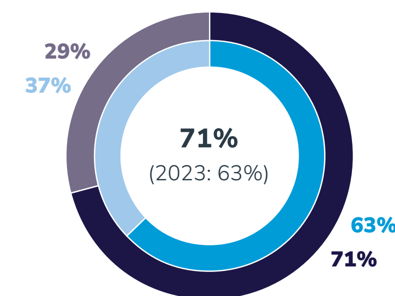


■ Normalised PBT
■ Group materiality

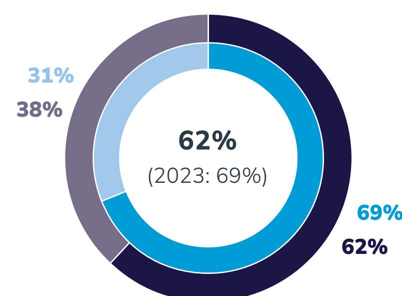
Group revenue



Group total assets



Total profits and losses that made up Group profit before tax



■ Full scope for Group audit purposes 2024
■ Full scope for Group audit purposes 2023
■ Residual components 2024
■ Residual components 2023

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

		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:

Scheme movements	2024 Fair value of plan assets £m	2024 Present value of obligation £m	2024 Net total £m	2023 Fair value of plan assets £m	2023 Present value of obligation £m	2023 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)
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).

Corporate information

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Harpreet Sagoo

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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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Financial advisors

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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.