RICARDO

28 February 2019

Ricardo plc
Interim results for the six months ended 31 December 2018

Ricardo plc is a global engineering, technical, environmental and strategic consultancy business, which also manufactures and assembles low-volume, high-quality and high-performance products.

HIGHLIGHTS

- Order intake good at £202m, compared to £238m in HY 2017/18;
- Order book increased to £302m, up £7m on June 2018;
- Revenue up 4% to £188m on HY 2017/18;
- Underlying PBT up 1% to £15.3m on HY 2017/18;
- Strong order intake in High-Performance Vehicles and Defence, with a well-diversified order mix overall;
- Good performance in Rail, Energy & Environment, Defence, Performance Products and Software have fully offset weaknesses in our European and US Automotive businesses, demonstrating the importance of diversification across sectors and geographies;
- Strong cash performance with neutral working capital and net debt at £27.5m, compared to £26.1m at June 2018;
- Interim dividend increased by 4% to 6.00p from 5.75p; and
- Acknowledging the uncertain economic climate, we remain positive due to a good order book and diverse pipeline, the recently signed long-term McLaren programme, and deliveries of ABS kits now underway.

			% Change	
	HY 2018/19	HY 2017/18(3)	Reported	Organic(4)
Order intake (£m)	**202**	238	-15	n/a
Order book (£m)	**302**	308	-2	n/a
Revenue (£m)	**188.1**	181.4	+4	+2
Underlying(1)				
Profit before tax (£m)	**15.3**	15.1	+1	-
Basic earnings per share(2) (p)	**22.1**	21.7	+2	-
Statutory				
Profit before tax (£m)	**10.3**	11.3	-9	-10
Basic earnings per share (p)	**14.6**	14.8	-1	-4
Dividend per share (p)	**6.00**	5.75	+4	n/a
Net debt (£m)	**(27.5)**	(31.5)	+13	n/a

(1) Underlying measures exclude the impact on statutory measures of specific adjusting items as set out in Note 3, comprised of amortisation of acquired intangible assets of £2.0m (HY 2017/18: £2.2m), acquisition-related expenditure of £0.5m (HY 2017/18: £0.5m), reorganisation costs of £1.3m (HY 2017/18: £1.1m), and the non-recurring impact of the equalisation of Guaranteed Minimum Pensions ('GMPs') of £1.2m (HY 2017/18: £Nil). Underlying measures are considered to provide a more useful indication of underlying performance and trends over time.

(2) Underlying earnings also exclude a tax credit to statutory earnings of £1.0m (HY 2017/18: £0.1m) for the specific adjusting items in Footnote 1 and as set out in Note 3.

(3) Comparative financial information has been restated for the transitional impact of adopting IFRS 15 *Revenue from Contracts with Customers* from 1 July 2018 and is presented on a like-for-like basis with HY 2018/19. The impact of the restatement is a reduction in revenue and profit before tax of £1.2m and earnings per share of 1.9p, as set out in Note 8, together with a £6m cumulative increase in order book.

(4) Includes the performance of acquisitions (Control Point Corporation) in HY 2017/18 on a like-for-like basis with HY 2018/19.

Commenting on the results, Dave Shemmans, Chief Executive Officer said:

"Our strategy of developing the business across a diverse mix of geographies, sectors and clients has delivered a good set of results and in line with our expectations. Good performance in Rail, Energy & Environment, Defence, Performance Products and Software has mitigated the impact of the ever-changing geopolitical and technological backdrop on our European and US Automotive businesses.

"Acknowledging the uncertain economic climate, we remain positive due to a good order book and diverse pipeline, the recently signed long-term McLaren programme, and deliveries of ABS kits now underway."

Further enquiries:

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MANAGEMENT REVIEW

Group results

The Group has delivered an underlying operating result for the period in line with the Board's expectations. Performance Products has performed strongly, driven by increased engine and transmission volumes. Within Technical Consulting, our Automotive businesses in Europe and the US have continued to be impacted by a challenging macro environment and volatile market conditions, which have led to significantly reduced investment across the sector. This has been mitigated by good performance in Rail, Energy & Environment, and Defence, together with Performance Products. This demonstrates the success of our strategy of market sector and geographic diversification in developing the Group.

Order intake was £202m, a reduction of 15% on the prior period, reflecting the impact of large, multi-year programmes received in the prior period, together with lower orders in European Automotive in the current period. This was partially offset by strong order intake in Performance Products, due to increased McLaren engine volumes and the ramp-up of orders on the ABS kit programme for the US Army. The closing order book was up 2% on the prior year-end to £302m (FY 2017/18: £295m, restated for the impact of IFRS 15).

		Underlying		
Headline Group performance	**Reported revenue**	**Operating profit**	**Profit before tax**	**Reported profit before tax**
HY 2018/19 (£m)	**188.1**	**16.6**	**15.3**	**10.3**
HY 2017/18[1] (£m)	181.4	16.2	15.1	11.3
Add performance of acquisitions:				
Control Point Corporation[2] (£m)	2.2	0.2	0.2	0.2
Organic HY 2017/18[2] (£m)	183.6	16.4	15.3	11.5
Growth (%)	**4**	**2**	**1**	**(9)**
Organic growth[3] (%)	**2**	**1**	**-**	**(10)**
Constant currency organic growth[4] (%)	**2**	**1**	**-**	**(10)**

(1) Comparative financial information has been restated for the transitional impact of adopting IFRS 15 *Revenue from Contracts with Customers* from 1 July 2018 and is presented on a like-for-like basis with HY 2018/19. The impact of the restatement is set out in Note 8.

(2) The organic result for the prior period includes the performance of acquisitions on a like-for-like basis with HY 2018/19. Control Point Corporation ('CPC') was acquired on 8 September 2017. Had CPC been acquired and consolidated from 1 July 2017 such that results for HY 2017/18 were on a like-for-like basis with HY 2018/19, revenue for HY 2017/18 would have been £2.2m higher. Underlying operating profit and profit before tax for HY 2017/18 would both have been £0.2m higher.

(3) Organic growth is calculated as the growth in the result for the current period compared to the organic result for the prior period and provides an indication of the growth of the business on a like-for-like basis with the prior period.

(4) Constant currency organic growth is calculated by reference to a result for the current period that is retranslated using foreign currency exchange rates applicable to the prior period and provides an indication of the growth of the business on a like-for-like basis with the prior period, excluding the impact of foreign exchange.

Reported Group revenues grew to £188.1m, a 4% increase on the prior period (HY 2017/18: £181.4m[1]). Organic revenue was 2% higher, after normalising the prior period result for the impact of the Control Point Corporation ('CPC') acquisition on 8 September 2017.

Underlying operating profit, which excludes specific adjusting items as set out in more detail in Note 3, increased by 2% to £16.6m (HY 2017/18: £16.2m[1]), with the margin remaining broadly stable at 8.8% (HY 2017/18: 8.9%). Underlying profit before tax increased by 1% to £15.3m (HY 2017/18: £15.1m[1]). On an organic underlying basis, operating profit increased by 1% and profit before tax was the same as the prior period. These organic underlying growth measures were unchanged on a constant currency basis.

Reported profit before tax decreased by 9% to £10.3m (HY 2017/18: £11.3m[1]), which included £5.0m of specific adjusting items. These comprised the equalisation of Guaranteed Minimum Pensions ('GMPs') (£1.2m), amortisation of acquired intangible assets (£2.0m), acquisition-related expenditure (£0.5m) and reorganisation costs (£1.3m), due to the continued restructuring of the European Automotive business. The £1.2m increase in specific adjusting items to £5.0m (HY 2017/18: £3.8m) was partially offset by a £0.2m increase in underlying performance to £15.3m (HY 2017/18: £15.1m[1]).

Brexit

Across the Group, we have been preparing for a range of possibilities for Brexit and any disruption that may arise around the transition date. For example, where possible we are now contracting with customers directly through our European-based subsidiaries and we have secured a European accreditation route for our Rail business to supplement our existing UKAS accreditation, which will allow us to continue to offer our services across Europe. We have also assessed inventory holding patterns for our McLaren production line to prepare for the possibility of a 'no-deal Brexit' and have appropriate plans in place to mitigate any short-term disruption to the supply chain should it arise.

Outlook

Our strategy of developing the business across a diverse mix of geographies, sectors and clients has delivered a good set of results and in line with our expectations. Good performance in Rail, Energy & Environment, Defence, Performance Products and Software has mitigated the impact of the ever-changing geopolitical and technological backdrop on our European and US Automotive businesses.

Acknowledging the uncertain economic climate, we remain positive due to a good order book and diverse pipeline, the recently signed long-term McLaren programme, and deliveries of ABS kits now underway.

TECHNICAL CONSULTING

Performance

	Reported revenue	Underlying operating profit
HY 2018/19 (£m)	**137.1**	**11.7**
HY 2017/18[1] (£m)	140.8	12.3
Add performance of acquisitions:		
Control Point Corporation[2] (£m)	2.2	0.2
Organic HY 2017/18[2] (£m)	143.0	12.5
Growth (%)	**(3)**	**(5)**
Organic growth[3] (%)	**(4)**	**(6)**

(1) Comparative financial information has been restated for the transitional impact of adopting IFRS 15 *Revenue from Contracts with Customers* from 1 July 2018 and is presented on a like-for-like basis with HY 2018/19. The impact of the restatement is set out in Note 8.

(2) The organic result for the prior period includes the performance of acquisitions on a like-for-like basis with HY 2018/19. Control Point Corporation ('CPC') was acquired on 8 September 2017. Had CPC been acquired and consolidated from 1 July 2017 such that results for HY 2017/18 were on a like-for-like basis with HY 2018/19, revenue for HY 2017/18 would have been £2.2m higher. Underlying operating profit and profit before tax for HY 2017/18 would both have been £0.2m higher.

(3) Organic growth is calculated as the growth in the result for the current period compared to the organic result for the prior period and provides an indication of the growth of the business on a like-for-like basis with the prior period.

Technical Consulting revenues and underlying operating profit declined by 3% and 5% to £137.1m and £11.7m, respectively. On an organic basis, revenues and underlying operating profit declined by 4% and 6%, respectively.

Our European Automotive business experienced lower order intake and profitability compared to the first half of FY 2017/18, due to continuing uncertainty in the sector across the region. Actions taken to restructure the cost base, including the downsizing of our operations in Germany at the end of FY 2017/18 and headcount reductions in the UK during the first half of FY 2018/19 have helped to limit the impact. Further headcount reductions will take place in the second half of the year as part of a continuation of these restructuring activities.

The automotive market in the US continues to be challenging and our US Automotive business ended the half with a loss similar to the prior period. The business did increase its order intake compared to the first half of last year, as it continues to focus on new energy vehicles to improve results.

In contrast, our Automotive business in China performed well with good levels of order intake and profitability.

The Rail business has performed ahead of the prior period and in line with expectations. Order intake declined compared to the prior period, which is due to a large, multi-year order secured in HY 2017/18, not repeated in this period.

The Energy & Environment business has seen improved profitability due to increased utilisation, with order intake in line with the prior period.

Our Strategic Consulting and Defence engineering businesses continue to perform well.

Market sector highlights

Automotive

In the first half of the year, we have seen good levels of activity in China, but order intake in the UK and continental Europe has been impacted by the continuing uncertainty in the industry. This has also affected our business in the US, which made a similar loss to the prior period. The US business continues to place greater emphasis on its activities in electric and hybrid vehicles, as well as functional safety, in order to speed its recovery.

Demand from our clients within the electric, hybrid and autonomous vehicles space continues to grow, driven by a broadening vehicle set ranging from small off-road vehicles to passenger cars, up to Class 8 trucks and buses. Ricardo has been engaged by clients to support them in the areas of functional safety; battery pack design, assembly and testing; high voltage systems; silicon carbide ('SiC') and gallium nitride ('GaN') inverters; DC-to-DC converters; vehicle chargers; and autonomous vehicle systems. This broad mix of opportunities is representative of the growth in this area, especially in the western United States.

Off-Highway & Commercial Vehicles

Our activities in this sector have focused on engine, transmission and vehicle integration projects for both medium- and heavy-duty vehicles. We saw continued demand for Ricardo's capabilities in the agricultural vehicles sector across Europe and Asia.

The order book and pipeline include a broad mix of opportunities in electrification, alternative fuels, emissions improvement and transmissions automation. In the US, strict regulation of greenhouse gas and nitrogen oxide ('NOx') emissions are driving interest in powertrain efficiency.

Platooning opportunities in this sector remain strong, with several OEMs looking to develop demonstrations of this technology, which Ricardo is well placed to deliver based upon our self-developed IP. We are engaged in specialist complex system integration programmes for niche applications in the Class 8 heavy truck market in the US, following the highly successful demonstration of the Toyota fuel cell drayage truck.

For marine vessels, we see continued demand for failure analysis, investigations, and specialist design and development services for high-speed diesel generator sets and main propulsion systems, as well as for the conversion of engines to gas or dual fuel operation.

Rail

Our Rail business has seen good levels of activity across its assurance and technical consultancy service offerings.

We helped bring Amsterdam's new North-South metro line into operation in the period – the culmination of more than eight years of support throughout the project's development – from infrastructure and traction power supply through to the replacement of aspects of the metro vehicles' safety systems with automatic train control.

In Denmark, we worked on the extension of the Aarhus light rail system, having acted as the project's Independent Safety Assessor. In Taiwan, we have commenced work on Taipei's new 27 kilometre 'Green Line' – one of the largest ever assignments that our Rail business has taken on – with a team of around 40 engineers and assessors required during the initial stages, which will call upon the knowledge and experience of colleagues from across Asia and Europe.

Energy & Environment

Ricardo Energy & Environment is underpinned by a variety of multi-year contracts for clients that include major corporate customers, governments and their agencies.

Key themes for the business are air quality and emissions; climate change and sustainability; energy networks and smart grids; resource efficiency and waste management; sustainable transport; water resource management; and chemical risk.

Our services to government clients range from managing large strategic programmes of work, such as the UK's emissions inventory, to key pieces of policy consultancy. We continue to develop a variety of services for our infrastructure and utility sector clients, from environmental impact assessments for infrastructure assets to detailed appraisals of new technology solutions.

Our international services have developed in several areas, from climate change policy to setting up measurement and verification systems, and more recently in 'green finance' – a growing business which calls for our skills in facilitating private and public partnerships for investments in assets that are climate-beneficial.

Our energy practice is continuing to win work in renewable electricity and heat, along with smart grid and energy storage solutions needed to integrate these into the wider energy system.

Defence
The Ricardo Defense business is focused on providing a safer working environment for defence forces worldwide.

In the US, we deliver high-value system engineering, mission critical software, and niche products to the US Department of Defense and other defence organisations.

Our offer includes facilitating network communications in environments where the electromagnetic spectrum is denied or degraded, together with specialised products and software that improves safety and increases readiness of the world's defence forces.

We are a recognised leader in the integration of complex systems. We have expanded our acquisition planning and system support services for major defence programmes around the globe and we maintain deep subject matter expertise in combat and tactical vehicles.

Outside of the US, we primarily provide solutions in the land and marine domains in the UK. Our services include developing electrical systems to replace existing hydraulic systems, providing connected autonomy solutions to unmanned surface vessels and alternate propulsion technologies to unmanned underwater vessels. In the land domain, our focus is on hybridisation and electrification of land systems and technical support for protected wheeled and tracked vehicles.

PERFORMANCE PRODUCTS

Performance

	Reported revenue	**Underlying operating profit**
HY 2018/19 (£m)	**51.0**	**4.9**
HY 2017/18 (£m)	40.6	3.9
Growth (%)	**26**	**26**

Performance Products has seen strong performance in the first half of the year. Revenues and underlying operating profits both increased by 26% compared to the prior period, to £51.0m and £4.9m, respectively. McLaren engine volumes have continued to increase significantly in the period, supplemented by higher Porsche and Bugatti transmission volumes, although motorsport sales reduced in the half due to the timing of programme cycles.

Deliveries of Anti-lock Braking System ('ABS') kits are now underway, and as a result the Defence business has seen a much-improved level of profitability compared to the prior period.

We continue to see good growth in order intake and operating profit in our Software business, driven by perpetual licence sales in China.

Market sector highlights

High-Performance Vehicles & Motorsport
We are proud to be the established supplier of engines for McLaren and of the success that the numerous vehicle variants have achieved over the many years of the programme. The production of engines for the McLaren 540C, 570GT, 570S, 720S and the Senna edition continued during the period in line with expectations, and we have passed a significant milestone of 20,000 engines delivered.

We also continued the production of Bugatti transmissions and work is in progress on the transmission for the new Aston Martin Valkyrie.

After the end of the period, we signed the third and latest engine supply agreement with McLaren, and the largest contract in Ricardo's history. This confirms our supply of engines into its second decade to 2025 and beyond, which includes 18 new models or derivatives, many of which will feature hybrid technology.

Ricardo remains a key supplier to the motorsport sector, continuing to manufacture for Formula One and the Porsche Cup, together with providing design and development services as well as manufactured products to GT3, Le Mans, the World Rally Championship, R5 Rally and specification Formula Series, such as Japanese Super Formula 14, Indy Lights and the Formula V8 3.5.

Defence
We are proud to continue to support the US and UK defence services with work on ensuring that their vehicles are fit for current service and for the future. Ricardo Defense in the US has secured production orders for our Anti-lock Braking System ('ABS') and Electronic Stability Control ('ESC') system which improves braking performance and reduces fatal rollovers in Light Tactical Vehicles ('LTVs') and commercial off-road vehicles.

In the UK, we have secured a programme for the refurbishment and remanufacture of the final driveline system for a core UK defence tracked vehicle platform.

Software
Ricardo Software develops leading-edge simulation software and computer-aided engineering ('CAE') tools for use in the automotive, rail, motorcycle, off-highway, defence, and energy industries.

We are particularly excited about the application of our complex system modelling software for the first time with Southern Water, to model the water network of the Brighton region in the UK. This has the potential to be used for asset allocation decisions and network investment planning against changes in demographics, climate change and population growth.

We are also looking at how we can apply this software to solve the challenges of where to place electric vehicle charging infrastructure, in order to reduce investment requirements by maximising the capacity of existing transformers in local areas.

OTHER FINANCIAL MATTERS

Specific adjusting items
Underlying profit before tax for the period excludes £5.0m of specific adjusting items. These include £1.3m (HY 2017/18: £1.1m) of reorganisation costs as a result of the ongoing restructuring of our Automotive businesses, and comprised severance costs in the UK of £0.7m, dual-running costs of £0.3m arising from the establishment of a shared service centre in the Czech Republic and contractor and other costs of £0.3m in relation to the scaling down of operations in Germany.

Following a court ruling in October 2018, companies are now required to equalise pension benefits to address inequalities in the calculations of Guaranteed Minimum Pensions ('GMPs') between men and women. This has resulted in a £1.2m increase in the Group's pension liabilities and a corresponding charge in specific adjusting items, given the non-recurring nature and significance of the amount.

The Group incurred acquisition-related expenditure in the period of £0.5m (HY 2017/18: £0.5m), £0.3m of which related to the remaining cost incurred on a pro-rated basis for the retention of specific individuals as part of the Control Point Corporation ('CPC') acquisition, completed on 8 September 2017. The subsequent integration of CPC into the Group is now complete. Also included in specific adjusting items is £2.0m (HY 2017/18: £2.2m) of amortisation of acquired intangible assets arising from acquisitions in prior years.

New accounting standards
The Group adopted both IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* as of 1 July 2018. The full retrospective method of transition was adopted for IFRS 15, resulting in a restatement of comparative financial information. The net of tax reduction to retained earnings as of 1 July 2017 was £4.5m, with a further reduction in FY 2017/18 of £1.2m, £1.0m of which was in respect of HY 2017/18. The net of tax reduction to retained earnings due to IFRS 9 as of 1 July 2018 was £2.6m. Further detail is set out in Note 8.

Research and Development
The Group continues to invest in Research and Development ('R&D') and spent £5.3m (HY 2017/18: £4.0m) before government grant income of £0.9m (HY 2017/18: £0.9m). This includes costs capitalised in accordance with IAS 38 *Intangible Assets* of £2.6m (HY 2017/18: £1.5m) for the ongoing development of a range of products around the Group and reflects our sustained focus on development activity, primarily in our Software business within Performance Products, together with our Automotive and Energy & Environment businesses within Technical Consulting.

Net finance costs
Finance income was £0.3m (HY 2017/18: £0.2m) and finance costs were £1.6m (HY 2017/18: £1.3m) for the period, giving a net finance cost of £1.3m (HY 2017/18: £1.1m). The increase was primarily due to a higher non-utilisation fee charged on the £150m borrowing facility in place throughout the current period, compared to the £75m facility that was in place throughout the prior period.

Taxation
The total tax charge for the period was £2.4m and the total effective rate of tax was 23.3% (HY 2017/18: tax charge of £3.4m and effective tax rate of 30.1%, both restated for the impact of IFRS 15). The reduction in the reported rate is due to a non-recurring tax charge of £1.1m in the prior period for an expected reduction in the carrying value of deferred tax assets (primarily R&D tax credits) due to a change in US tax legislation. Before the prior year-end, the US Government clarified that the change in legislation did not impact the carrying value of the assets, and the expected tax charge was reversed.

Deferred tax assets of £7.7m (FY 2017/18: £8.9m, as restated for the impact of IFRS 15) include £5.6m ($7.2m) of R&D tax credits in the US which continue to be recognised as at HY 2018/19. The Directors have considered the recoverability of these assets and remain satisfied that it is probable that sufficient taxable profits will be generated in the foreseeable future, against which the recognised assets can be utilised.

The underlying effective tax rate was 22.2% (HY 2017/18: 23.2%, restated for the impact of IFRS 15), with the decrease on the prior period primarily driven by the absence of any losses in Germany, which were not recognised for tax purposes in the prior period.

Earnings per share
Basic earnings per share decreased by 1% to 14.6p (HY 2017/18: 14.8p, restated for the impact of IFRS 15). The Directors consider that an underlying earnings per share provides a more useful indication of underlying performance and trends over time. Underlying basic earnings per share for the period increased by 2% to 22.1p (HY 2017/18: 21.7p, restated for the impact of IFRS 15).

Basic earnings per share, with a reconciliation to an underlying basic earnings per share, which excludes the net of tax impact of specific adjusting items, is disclosed in Note 4.

Dividend
As set out in more detail in Note 5, the Board has declared a 4% increase in the interim dividend to 6.00p per share (HY 2017/18: 5.75p), reflecting the Board's confidence in the prospects of the Group. The dividend will be paid on 8 April 2019 to shareholders on the register at the close of business on 15 March 2019.

Capital investment
Cash expenditure on property, plant and equipment was £3.0m (HY 2017/18: £3.2m) as we continue to invest in our business operations. This expenditure included new and upgraded test cell equipment, machinery and IT hardware.

Net debt
Closing net debt was £27.5m (FY 2017/18: £26.1m). The Group had a net cash outflow for the period of £1.4m, after £1.7m of earn-out consideration paid in respect of the CPC acquisition, £0.5m of acquisition-related payments and a £0.2m net cash outflow from restructuring activities. The composition of net debt is defined in Note 7.

The Group has remained broadly working capital neutral for the period.

Banking facilities
At the end of the period, the Group held total facilities of £166.3m (FY 2017/18: £90.9m), which included committed facilities of £150.0m (FY 2017/18: £75.0m). The committed facility consists of a £150m multi-currency Revolving Credit Facility ('RCF') which provides the Group with committed funding through to July 2023. In addition, the Group has uncommitted facilities including overdrafts of £16.3m (FY 2017/18: £15.9m), which mature throughout this and the next financial year and are renewable annually.

Committed facilities of £59.1m (FY 2017/18: £49.8m), net of direct issue costs, were drawn primarily to fund previous acquisitions. These are denominated in Pounds Sterling and have variable rates of interest dependent upon the Group's adjusted leverage, which range from 1.4% to 2.2% above LIBOR and are repayable in the year ending 30 June 2024.

Foreign exchange
On consolidation, income and expense items are translated at the average exchange rates for the period. The Group is exposed to movements in the Pound Sterling exchange rate, principally from work carried out with customers that transact in Euros, US Dollars and Chinese Renminbi. Compared to the prior period, the average value of the Pound Sterling weakened by 1.8% against the US Dollar, but strengthened by 0.2% against the Euro, and 1.4% against the Chinese Renminbi.

Had the results for the period been stated at exchange rates consistent with those of the prior period, revenue would have been £0.3m lower and underlying profit before tax would have remained unchanged. Reported profit before tax would have been £0.1m higher.

Pensions
The Group's defined benefit pension scheme operates within the UK. The fair value of the scheme's assets at the end of the period was £126.9m (FY 2017/18: £131.0m). The accounting deficit measured in accordance with IAS 19 *Employee Benefits* was £7.6m before tax (FY 2017/18: £4.6m), or £6.2m after tax (FY 2017/18: £3.8m).

The £3.0m increase in the pre-tax pension accounting deficit during the period was primarily due to an adverse return on plan assets (excluding interest income) of £4.3m and £1.2m of non-recurring past service costs as a result of the High Court's ruling on GMP equalisation. These adverse movements were partially offset by £2.2m of cash contributions paid to the scheme and a £0.3m favourable movement from the use of demographic assumptions consistent with those used in the most recent triennial valuation, which was approved in September 2018.

Ricardo has committed to continue paying £4.3m throughout FY 2018/19 to fund the pension deficit, increasing to £4.6m per annum from 1 July 2019 until 31 July 2022.

Dave Shemmans
Chief Executive Officer

Ian Gibson
Chief Financial Officer

27 February 2019

Note: Certain statements in this press release are forward-looking. Although these forward-looking statements are made in good faith based on the information available to the Directors at the time of their approval of the press release, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Condensed consolidated income statement

for the six months ended 31 December (unaudited)

		2018			2017 Restated[1]		
	Note	**Underlying £m**	**Specific adjusting items[2] £m**	**Total £m**	Underlying £m	Specific adjusting items[2] £m	Total £m
Revenue	*2*	**188.1**	**-**	**188.1**	181.4	-	181.4
Cost of sales		**(123.8)**	**-**	**(123.8)**	(112.9)	-	(112.9)
Gross profit		**64.3**	**-**	**64.3**	68.5	-	68.5
Administrative expenses		**(48.1)**	**(5.0)**	**(53.1)**	(52.6)	(3.8)	(56.4)
Other income		**0.4**	**-**	**0.4**	0.3	-	0.3
Operating profit	*2*	**16.6**	**(5.0)**	**11.6**	16.2	(3.8)	12.4
Finance income		**0.3**	**-**	**0.3**	0.2	-	0.2
Finance costs		**(1.6)**	**-**	**(1.6)**	(1.3)	-	(1.3)
Net finance costs		**(1.3)**	**-**	**(1.3)**	(1.1)	-	(1.1)
Profit before taxation		**15.3**	**(5.0)**	**10.3**	15.1	(3.8)	11.3
Taxation		**(3.4)**	**1.0**	**(2.4)**	(3.5)	0.1	(3.4)
Profit for the period		**11.9**	**(4.0)**	**7.9**	11.6	(3.7)	7.9
Profit attributable to:							
- Owners of the parent		**11.8**	**(4.0)**	**7.8**	11.6	(3.7)	7.9
- Non-controlling interests		**0.1**	**-**	**0.1**	-	-	-
		11.9	**(4.0)**	**7.9**	11.6	(3.7)	7.9

Earnings per ordinary share attributable to owners of the parent during the period			
Basic	*4*	**14.6p**	14.8p
Diluted	*4*	**14.6p**	14.7p

(1) Comparative information has been restated in accordance with IFRS 15 *Revenue from Contracts with Customers* as set out in Note 8. The Group has initially applied IFRS 15 and IFRS 9 *Financial Instruments* at 1 July 2018. Under the respective transition methods chosen, comparative information is restated for IFRS 15 as at 1 July 2017, but not for IFRS 9. Comparative information has also been represented to reclassify certain indirect payroll expenses (£2.4m) and depreciation charges (£0.5m) from cost of sales to administrative expenses in a manner that is consistent with their classification in the current period.

(2) Specific adjusting items comprise amortisation of acquired intangible assets, acquisition-related expenditure, reorganisation costs and non-recurring items that are disclosed separately due to the significance of their nature or amount. Further details are given in Note 3.

Condensed consolidated statement of comprehensive income

for the six months ended 31 December (unaudited)

	2018	2017 Restated[(1)]
	£m	£m
Profit for the period	**7.9**	7.9
Items that will not be reclassified to profit or loss:		
Remeasurements of the defined benefit pension scheme	**(3.9)**	7.9
Deferred tax on remeasurements of the defined benefit pension scheme	**0.7**	(1.4)
Total items that will not be reclassified to profit or loss	**(3.2)**	6.5
Items that may be subsequently reclassified to profit or loss:		
Currency translation on foreign currency net investments	**1.1**	(0.5)
Fair value gains on foreign currency cash flow hedges	**0.2**	-
Total items that may be subsequently reclassified to profit or loss	**1.3**	(0.5)
Total other comprehensive (loss)/income for the period (net of tax)	**(1.9)**	6.0
Total comprehensive income for the period	**6.0**	13.9
Attributable to:		
- Owners of the parent	**5.9**	13.9
- Non-controlling interests	**0.1**	-
	6.0	13.9

(1) Comparative information has been restated in accordance with IFRS 15 *Revenue from Contracts with Customers* as set out in Note 8. The Group has initially applied IFRS 15 and IFRS 9 *Financial Instruments* at 1 July 2018. Under the respective transition methods chosen, comparative information is restated for IFRS 15 as at 1 July 2017, but not for IFRS 9.

Condensed consolidated statement of financial position

	Note	**31 December 2018 (Unaudited) £m**	30 June 2018 Restated[1] (Audited) £m
Assets			
Non-current assets			
Goodwill		**66.2**	65.5
Other intangible assets		**30.6**	31.7
Property, plant and equipment		**45.4**	45.3
Deferred tax assets		**7.7**	8.9
		149.9	151.4
Current assets			
Inventories		**12.1**	13.3
Trade, contract and other receivables		**144.8**	135.3
Derivative financial assets		**-**	0.1
Current tax assets		**1.2**	1.3
Cash and cash equivalents	*7*	**38.2**	33.1
		196.3	183.1
Total assets		**346.2**	334.5
Liabilities			
Current liabilities			
Borrowings	*7*	**(6.6)**	(9.4)
Trade, contract and other payables		**(92.6)**	(83.0)
Current tax liabilities		**(4.1)**	(6.3)
Derivative financial liabilities		**(1.1)**	(1.0)
Provisions		**(2.0)**	(2.8)
		(106.4)	(102.5)
Net current assets		**89.9**	80.6
Non-current liabilities			
Borrowings	*7*	**(59.1)**	(49.8)
Retirement benefit obligations		**(7.6)**	(4.6)
Deferred tax liabilities		**(3.9)**	(3.9)
Provisions		**(3.3)**	(2.9)
		(73.9)	(61.2)
Total liabilities		**(180.3)**	(163.7)
Net assets		**165.9**	170.8
Equity			
Share capital		**13.4**	13.4
Share premium		**14.3**	14.3
Other reserves		**16.8**	15.7
Retained earnings		**120.9**	127.0
Equity attributable to owners of the parent		**165.4**	170.4
Non-controlling interests		**0.5**	0.4
Total equity		**165.9**	170.8

(1) Comparative information has been restated in accordance with IFRS 15 *Revenue from Contracts with Customers* as set out in Note 8. The Group has initially applied IFRS 15 and IFRS 9 *Financial Instruments* at 1 July 2018. Under the respective transition methods chosen, comparative information is restated for IFRS 15 as at 1 July 2017, but not for IFRS 9.

Condensed consolidated statement of changes in equity
for the six months ended 31 December (unaudited)

	Attributable to owners of the parent						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 30 June 2018 (previously reported)	13.4	14.3	15.7	132.7	176.1	0.4	176.5
Adjustment on retrospective application of IFRS 15 (net of tax)[(1)]	-	-	-	(5.7)	(5.7)	-	(5.7)
At 30 June 2018 (restated)	13.4	14.3	15.7	127.0	170.4	0.4	170.8
Adjustment on initial application of IFRS 9 (net of tax)[(1)]	-	-	-	(2.6)	(2.6)	-	(2.6)
At 1 July 2018 (adjusted)	13.4	14.3	15.7	124.4	167.8	0.4	168.2
Profit for the period	-	-	-	7.8	7.8	0.1	7.9
Other comprehensive income/(loss) for the period	-	-	1.1	(3.0)	(1.9)	-	(1.9)
Total comprehensive income for the period	-	-	1.1	4.8	5.9	0.1	6.0
Equity-settled transactions	-	-	-	0.6	0.6	-	0.6
Purchases of own shares to settle awards	-	-	-	(1.0)	(1.0)	-	(1.0)
Ordinary share dividends	-	-	-	(7.9)	(7.9)	-	(7.9)
At 31 December 2018 (unaudited)	**13.4**	**14.3**	**16.8**	**120.9**	**165.4**	**0.5**	**165.9**

	Attributable to owners of the parent						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 30 June 2017 (previously reported)	13.3	14.3	15.6	112.2	155.4	0.3	155.7
Adjustment on retrospective application of IFRS 15 (net of tax)[(1)]	-	-	-	(4.5)	(4.5)	-	(4.5)
At 1 July 2017 (restated)	13.3	14.3	15.6	107.7	150.9	0.3	151.2
Profit for the period (restated)[(1)]	-	-	-	7.9	7.9	-	7.9
Other comprehensive (loss)/income for the period	-	-	(0.5)	6.5	6.0	-	6.0
Total comprehensive (loss)/income for the period (restated)[(1)]	-	-	(0.5)	14.4	13.9	-	13.9
Equity-settled transactions	-	-	-	1.0	1.0	-	1.0
Proceeds from shares issued	0.1	-	-	-	0.1	-	0.1
Ordinary share dividends	-	-	-	(7.4)	(7.4)	-	(7.4)
At 31 December 2017 (restated) (unaudited)	13.4	14.3	15.1	115.7	158.5	0.3	158.8

(1) See Note 8 for details of the adjustments to equity arising from the initial application of IFRS 9 *Financial Instruments* and the restatements arising from the retrospective application of IFRS 15 *Revenue from Contracts with Customers*. The Group has initially applied IFRS 15 and IFRS 9 at 1 July 2018. Under the respective transition methods chosen, comparative information is restated for IFRS 15 as at 1 July 2017, but not for IFRS 9.

Condensed consolidated statement of cash flows
for the six months ended 31 December (unaudited)

	Note	**2018** **£m**	2017 £m
Cash flows from operating activities			
Cash generated from operations	*6*	**15.9**	30.3
Net finance costs		**(1.1)**	(1.3)
Tax paid		**(2.6)**	(4.7)
Net cash generated from operating activities		**12.2**	24.3
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired		**(1.7)**	(5.7)
Purchases of property, plant and equipment		**(3.0)**	(3.2)
Proceeds from sale of property, plant and equipment		**3.0**	0.3
Purchases of intangible assets		**(3.2)**	(1.9)
Net cash used in investing activities		**(4.9)**	(10.5)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**-**	0.1
Purchases of own shares to settle awards		**(1.0)**	-
Proceeds from borrowings		**15.0**	15.0
Repayments of borrowings		**(5.8)**	(13.0)
Dividends paid to shareholders	*5*	**(7.9)**	(7.4)
Net cash generated from/(used in) financing activities		**0.3**	(5.3)
Effect of exchange rate changes on cash and cash equivalents		**0.2**	(0.1)
Net increase in cash and cash equivalents		**7.8**	8.4
Net cash and cash equivalents at beginning of period		**23.8**	22.0
Net cash and cash equivalents at end of period		**31.6**	30.4

Notes to the financial statements
for the six months ended 31 December 2018 (unaudited)

1. General information

Ricardo plc (the ‘Company’) is a public limited company, limited by shares, which 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.

This interim announcement is based on the *Interim Report 2018/19* of Ricardo plc for the six months ended 31 December 2018, which was approved for issue by the Board of Directors on 27 February 2019.

Following changes in legislation requiring a mandatory change by 17 June 2020 of the external auditors of the Group, PricewaterhouseCoopers LLP, an audit tender process was undertaken and KPMG LLP (‘KPMG’) were appointed as the Group’s external auditors for the year ending 30 June 2019, subsequent to shareholder approval at the AGM on 15 November 2018.

The interim financial information herein does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006 and nor has it been audited, but it has been subject to an independent review by KPMG.

The interim financial information herein has been prepared in accordance with the *Disclosure Guidance and Transparency Rules* of the United Kingdom Financial Conduct Authority and IAS 34 *Interim Financial Reporting*, as adopted by the European Union.

Management does not consider the Group’s business to be highly seasonal but based upon its experience, higher levels of revenue and profit are expected in the second half of each financial year. This is typically due to lower levels of annual leave and a greater number of chargeable hours, which equates to higher revenues on a predominantly fixed cost base, and therefore higher profits.

2. Operating segments

For the six months ended 31 December 2018	**Technical Consulting £m**	**Performance Products £m**	**Head Office £m**	**Total £m**
Total segment revenue	**138.3**	**53.7**	**-**	**192.0**
Inter-segment revenue	**(1.2)**	**(2.7)**	**-**	**(3.9)**
Revenue from external customers	**137.1**	**51.0**	**-**	**188.1**
Underlying operating profit	**11.7**	**4.9**	**-**	**16.6**
Specific adjusting items	**(3.3)**	**-**	**(1.7)**	**(5.0)**
Operating profit	**8.4**	**4.9**	**(1.7)**	**11.6**
Net finance costs	**-**	**-**	**(1.3)**	**(1.3)**
Profit before taxation	**8.4**	**4.9**	**(3.0)**	**10.3**

For the six months ended 31 December 2017 (restated)[(1)]	Technical Consulting £m	Performance Products £m	Head Office £m	Total £m
Total segment revenue	140.8	42.4	-	183.2
Inter-segment revenue	-	(1.8)	-	(1.8)
Revenue from external customers	140.8	40.6	-	181.4
Underlying operating profit	12.3	3.9	-	16.2
Specific adjusting items	(3.3)	-	(0.5)	(3.8)
Operating profit	9.0	3.9	(0.5)	12.4
Net finance costs	-	-	(1.1)	(1.1)
Profit before taxation	9.0	3.9	(1.6)	11.3

(1) The prior period has been restated for IFRS 15 *Revenue from Contracts with Customers*, all of which relates to the Technical Consulting operating segment. See Note 8 for more details.

3. Specific adjusting items

For the six months ended 31 December	**2018**	2017
	£m	£m
Amortisation of acquired intangible assets	**2.0**	2.2
Acquisition-related expenditure[(1)]	**0.5**	0.5
Reorganisation costs[(2)]	**1.3**	1.1
Guaranteed Minimum Pensions (‘GMPs’) equalisation[(3)]	**1.2**	-
Total before tax	**5.0**	3.8
Tax impact of specific adjusting items	**(1.0)**	(1.2)
Non-recurring impact of changes in US federal tax rate[(4)]	**-**	1.1
Total after tax	**4.0**	3.7

(1) Acquisition-related expenditure primarily comprised costs incurred in the current and prior period for services rendered to, and consumed by, the Group to effect acquisitions, together with the final proportion on a pro-rated basis of the cost incurred to retain specific individuals as part of the Control Point Corporation acquisition.

(2) Reorganisation costs in the current and prior period relate to non-recurring expenditure incurred as part of the continuing fundamental restructuring of the Group’s Automotive businesses across Europe and the US. These costs comprised redundancy costs and dual-running costs arising from the establishment of a shared services centre in the Czech Republic, together with contractor and other costs associated with asset disposals in the prior year and the subsequent scaling down of operations in Germany.

(3) In October 2018, the High Court issued a judgement confirming that pension schemes are required to equalise male and female members' benefits for the effect of Guaranteed Minimum Pensions ('GMPs'). The past service cost due to GMP equalisation in the current period is considered to be non-recurring in nature and significant in its amount.

(4) Following tax reform legislation enacted in the United States on 22 December 2017, a £1.1m ($1.5m) non-recurring deferred tax charge was estimated to account for an expected reduction in the carrying value of deferred tax assets (primarily R&D tax credits) due to the reduction in the federal rate. Before the prior year-end, the US Government clarified that deferred tax assets are held at a ‘tax dollar’ value and are therefore unimpacted by the change in legislation. The tax charge was subsequently reversed to reflect this clarification of the change in legislation.

4. Earnings per share

For the six months ended 31 December	**2018**	2017 Restated[(1)]
	£m	£m
Earnings attributable to owners of the parent	**7.8**	7.9
Add back the net of tax impact of:		
- Amortisation of acquired intangible assets	**1.6**	1.6
- Acquisition-related expenditure	**0.4**	0.3
- Reorganisation costs	**1.0**	0.7
- Guaranteed Minimum Pensions (‘GMPs’) equalisation	**1.0**	-
- Non-recurring impact of change in US federal tax rate	**-**	1.1
Underlying earnings attributable to owners of the parent	**11.8**	11.6

(1) The prior period has been restated for IFRS 15 *Revenue from Contracts with Customers*. See Note 8 for more detail.

Number of shares	**2018 millions**	2017 millions
Basic weighted average number of shares in issue	**53.4**	53.4
Effect of dilutive potential shares	**0.2**	0.2
Diluted weighted average number of shares in issue	**53.6**	53.6

Earnings per share	**2018 pence**	2017 Restated[(1)] pence
Basic	**14.6**	14.8
Diluted	**14.6**	14.7
Underlying earnings per share		
Basic	**22.1**	21.7
Diluted	**22.0**	21.6

Underlying earnings per share is shown because the Directors consider that this provides a more useful indication of underlying performance and trends over time.

5. Dividends

For the six months ended 31 December	**2018**	2017	**2018**	2017
	pence/share	pence/share	**£m**	£m
Amounts distributed in the period	**14.71**	13.88	**7.9**	7.4
Interim dividend	**6.00**	5.75	**3.2**	3.1

The Directors have declared an interim dividend of 6.00p per share, which will be paid on 8 April 2019 to shareholders who are on the register of members at the close of business on 15 March 2019.

6. Cash generated from operations

For the six months ended 31 December	**2018**	2017 Restated[1]
	£m	£m
Profit before tax	**10.3**	11.3
Adjustments for:		
Share-based payments	**0.6**	1.0
Fair value (losses)/gains on derivative financial instruments	**(1.3)**	0.4
Profit on disposal of property, plant and equipment	**(0.5)**	(0.1)
Net finance costs	**1.3**	1.1
Depreciation and amortisation	**7.7**	8.2
Operating cash flows before movements in working capital	**18.1**	21.9
Decrease in inventories	**1.2**	-
Increase in trade, contract and other receivables	**(14.5)**	(2.0)
Increase in trade, contract and other payables	**12.6**	12.1
(Decrease)/increase in provisions	**(0.5)**	0.5
Defined benefit pension scheme payments in excess of past service costs	**(1.0)**	(2.2)
Cash generated from operations	**15.9**	30.3

(1) The prior period has been restated for IFRS 15 *Revenue from Contracts with Customers*. See Note 8 for more detail.

7. Net debt

Net debt is defined by the Group as net cash and cash equivalents less borrowings.

Analysis of net debt	**31 December 2018 £m**	30 June 2018 £m
Cash and cash equivalents (current assets)	**38.2**	33.1
Bank overdrafts (current liabilities - borrowings)[1]	**(6.6)**	(9.3)
Net cash and cash equivalents	**31.6**	23.8
Loans maturing within one year (current liabilities - borrowings)[1]	**-**	(0.1)
Loans maturing after one year (non-current liabilities - borrowings)	**(59.1)**	(49.8)
At period end	**(27.5)**	(26.1)

(1) Bank overdrafts and loans maturing within one year are combined within the Condensed Consolidated Statement of Financial Position and classified as borrowings within current liabilities.

Movement in net debt	**31 December 2018 £m**	30 June 2018 £m
At beginning of period	**(26.1)**	(37.9)
Net increase in cash and cash equivalents	**7.8**	1.8
Proceeds from borrowings	**(15.0)**	(15.0)
Repayments of borrowings	**5.8**	25.0
At period end	**(27.5)**	(26.1)

8. Changes in significant accounting policies

IFRS 15 *Revenue from Contracts with Customers* – restatement of comparative financial statements

Condensed consolidated income statement and statement of comprehensive income (extract)
for the six months ended 31 December 2017

		Performance obligations		
	Previously reported	Distinct - separation(1)	Indistinct - separation(2)	Restated
	£m	£m	£m	£m
Revenue	182.6	(0.3)	(0.9)	181.4
Gross profit	66.8	(0.3)	(0.9)	65.6
Operating profit:				
- Underlying	17.4	(0.3)	(0.9)	16.2
- Total	13.6	(0.3)	(0.9)	12.4
Profit before taxation:				
- Underlying	**16.3**	**(0.3)**	**(0.9)**	**15.1**
- Total	**12.5**	**(0.3)**	**(0.9)**	**11.3**
Taxation	(3.6)	-	0.2	(3.4)
Profit for the period attributable to owners of the parent:				
- Underlying	**12.6**	**(0.3)**	**(0.7)**	**11.6**
- Total	**8.9**	**(0.3)**	**(0.7)**	**7.9**
Total comprehensive income for the period attributable to:				
- Owners of the parent	14.9	(0.3)	(0.7)	13.9
Earnings per ordinary share attributable to owners of the parent during the period:				
- Basic	16.7p	(0.6)p	(1.3)p	14.8p
- Diluted	16.6p	(0.6)p	(1.3)p	14.7p

Condensed consolidated statement of financial position (extract)
as at 30 June 2018

		On transition		Year ended 30 June 2018		
		Performance obligations		Performance obligations		
	Previously reported	Distinct - separation(1)	Indistinct - combination(2)	Distinct - separation(1)	Indistinct - combination(2)	Restated
	£m	£m	£m	£m	£m	£m
Assets						
Non-current assets						
Deferred tax assets	7.6	0.4	0.6	-	0.3	8.9
	150.1	0.4	0.6	-	0.3	151.4
Current assets						
Trade, contract and other receivables	141.8	(2.0)	(2.5)	(0.3)	(1.7)	135.3
	189.6	(2.0)	(2.5)	(0.3)	(1.7)	183.1
Total assets	339.7	(1.6)	(1.9)	(0.3)	(1.4)	334.5
Liabilities						
Current liabilities						
Trade, contract and other payables	(82.5)	(0.3)	(0.7)	0.1	0.4	(83.0)
	(102.0)	(0.3)	(0.7)	0.1	0.4	(102.5)
Net current assets	87.6	(2.3)	(3.2)	(0.2)	(1.3)	80.6
Net assets	**176.5**	**(1.9)**	**(2.6)**	**(0.2)**	**(1.0)**	**170.8**
Equity						
Retained earnings	132.7	(1.9)	(2.6)	(0.2)	(1.0)	127.0
Equity attributable to owners of the parent	176.1	(1.9)	(2.6)	(0.2)	(1.0)	170.4
Total equity	**176.5**	**(1.9)**	**(2.6)**	**(0.2)**	**(1.0)**	**170.8**

(1) Separation of distinct performance obligations
Under IAS 11, the Group recognised revenue over time on certain Technical Consulting contracts for a similar programme of annual services to be performed over a number of years. The total programme of services for the duration of each contract were proposed as a package and were not subject to separate negotiation. Under IFRS 15, these annual services are deemed to be separate performance obligations that are distinct from one another within the context of the contract. Revenue continues to be recognised on a percentage of completion basis but based upon these separate and distinct performance obligations.

(2) Combination of indistinct performance obligations
On a number of Technical Consulting contracts, revenue was recognised separately for services such as sales commission and up-front fees to compensate for costs incurred in obtaining and setting up a contract or other administrative costs. Under IFRS 15, these activities are not deemed to be costs of the contract as they do not depict the transfer of services to a customer and therefore do not satisfy distinct performance obligations in the contract upon which revenue can be recognised separately. Revenue is recognised over time and is measured through the consistent use of a reliable input method based on total contract costs incurred to date as a percentage of total estimated contract costs to satisfy each distinct performance obligation.

IFRS 9 *Financial Instruments*

Impairment of financial assets

The provision for impairment of trade receivables as at 30 June 2018 reconcile to the opening impairment provision on 1 July 2018 as follows:

	£m
At 30 June 2018 - under IAS 39	1.1
Transitional adjustment to opening retained earnings	2.4
At 1 July 2018 - under IFRS 9	**3.5**

	£m
IFRS 9 transitional adjustment	2.4
Deferred tax impact on transition	0.2
Adjustment to retained earnings as at 1 July 2018	**2.6**

The provision for impairment under IFRS 9 was £3.5m as at 31 December 2018. The provision for impairment under IAS 39 would have been £1.2m as at 31 December 2018.

Adjustment to financial statements

Condensed consolidated statement of financial position (extract)
as at 1 July 2018

	Restated under IFRS 15 £m	IFRS 9 transitional adjustment £m	Restated under IFRS 9 and IFRS 15 £m
Assets			
Non-current assets			
Deferred tax assets	8.9	0.1	9.0
	151.4	0.1	151.5
Current assets			
Trade, contract and other receivables	135.3	(2.4)	132.9
	183.1	(2.4)	180.7
Total assets	334.5	(2.3)	332.2
Net current assets	80.6	(2.4)	78.2
Liabilities			
Non-current liabilities			
Deferred tax liabilities	(3.9)	(0.3)	(4.2)
	(61.2)	(0.3)	(61.5)
Net assets	**170.8**	**(2.6)**	**168.2**
Equity			
Retained earnings	127.0	(2.6)	124.4
Equity attributable to owners of the parent	170.4	(2.6)	167.8
Total equity	**170.8**	**(2.6)**	**168.2**