20 September 2012

Ricardo plc
Preliminary results for the full year ended 30 June 2012

Ricardo plc is a global world-class, multi-industry consultancy for engineering, technology, product innovation and strategy. We employ over 1,700 professional consultants, engineers, scientists and support staff world-wide. Our client list includes the world's major transportation Original Equipment Manufacturers (OEM'S), supply chain organisations, energy companies, financial institutions and governments.

Highlights

Continuing operations:

- A solid operating performance
- Revenue £197.4m (June 2011: £196.5m)
- Profit before tax increased by 14% to £17.6m (June 2011: £15.4m)
- Basic earnings per share 29.3p, tax 14% (June 2011: 30.0p, tax nil)
- Net cash of £7.9m (June 2011: £1.5m)
- Full year dividend up 8% to 12.4p per share (June 2011: 11.5p)
- Strong order book maintained at £107m (June 2011: £107m)
- Strategic partnerships yielding multi-year visibility
- Outlook remains positive, strong platform for further growth

Ricardo has again delivered a solid result against an uncertain economic backdrop, with order inflows from multiple geographies and business segments. Repeat business has been in the form of high quality core multi-year automotive, commercial and off-highway vehicle programmes across both engineering and assembly. Ricardo has also won additional business from new sectors including rail and clean energy.

A strong performance within the UK business both for Technical Consulting and Performance Products (with high levels of delivery for Foxhound and McLaren engines) has been offset by weaker situations within the US and Germany businesses. A robust balance sheet has been maintained with another year of strong cash inflow.

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

"With profit before tax up 14%, a strong order book and a robust balance sheet, the platform for the future of the business remains very healthy. There is a good balance in both our product and service portfolio and our customer base, which provides for risk mitigation as well as offering continued growth potential.

Our work in leading-edge emissions control and fuel efficiency continues to be in high demand as global industries face ever tightening legislation and toughening demands for increased fuel efficiency. Despite an unpredictable world economy, we remain confident for the future. Our

continued investment in the very best of talent and technology, a robust flexible model and a strong business offering of in-demand solutions to an increasing client base provides a good forward business platform."

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Review of the year

Trading performance summary

A solid operating performance resulted in further profit growth in the year. Our strategic client partnerships continue to flourish and the broadening of our sectors into neighbouring markets is starting to show growth, with particular interest forming in the areas of rail and clean energy. Our investment in Asia with the formation of a new leadership and business development team is expected to capture potential from one of the current key global growth areas. This provides further resilience against a currently challenging economic backdrop. We are pleased to have maintained a strong balance sheet with another year of strong cash inflow, closing with a positive net cash balance.

The closing order book remains strong at £107m (2011: £107m) and continues to contain good diversification across the traditional automotive and new market sectors. Revenue from continuing operations was £197.4m for the financial year to 30 June 2012, compared to £196.5m in the prior year. Gross profit improved by £8.8m to £82.3m in the year largely due to improved project delivery in the UK Technical Consulting division. Increases in administration expenses include costs to strengthen the business development teams as well as bonus and award incentives for a wider group of employees as part of our talent retention programme. In addition, we have carried out planned maintenance to some facilities. Operating profit grew by 3% to £18.6m (2011: £18.0m), resulting in an improved operating margin of 9.4% (2011: 9.2%).

After financing costs, profit before tax from continuing operations grew by 14% to £17.6m compared to £15.4m in the prior year. The tax charge for the year was £2.5m (2011: £nil). The Group profit for the year was £15.1m compared to £15.2m in the prior year. The prior year included a loss of £0.2m in relation to discontinued activities.

Strong working capital management led to a closing positive net funds balance of £7.9m (2011: £1.5m). We continued to invest in R&D. The net expenditure after deducting government grant income was £6.1m (2011: £7.8m).

Technical Consulting results

The Technical Consulting results now include the strategic consulting business which was previously presented separately. The combined reporting better reflects the size of the business and is consistent with how the business is reviewed internally by the Chief Executive Officer. The 2011 segmental analysis has been restated for this change.

We continue to manage our Technical Consulting business as a global portfolio. Technical Consulting revenues were £149.6m compared to £155.6m in the prior year, mainly as a result of the challenging US environment, whilst operating profit improved to £14.7m from £14.3m in the prior year. The 2012 operating margin improved to 9.8% (2011: 9.2%). Operating margin improvements have been achieved through a strong mix of orders and improved project delivery and efficiency primarily in the UK division. The US business experienced a challenging year; however a large defence order received in June has boosted the year end order book providing improved momentum as we start the new financial year. Market challenges remain in Germany where we have experienced tight controls around client external spend, delays in order placement and reduced levels of test bed activity. During the year, we agreed the sale and leaseback of our offices in Germany.

Performance Products results

The Performance Products business produced a strong performance in the year, with revenues of £47.8m compared to £40.9m in 2011. Operating profit increased to £5.8m (2011: £5.2m), with a margin of 12.1% (2011: 12.7%). Performance was driven by ongoing motorsport activity, the production of supercar engines and the production and delivery of defence vehicles.

Discontinued operations
In July 2010 an agreement was reached to sell the non-core German exhaust business to J. Eberspächer GmbH & Co. KG. The current year results have not been affected by this transaction, whereas the prior year included a charge of £0.2m.

Net finance costs
There has been a net finance cost in the year of £1.0m, compared to £2.6m in 2011. The charge includes the net finance charge for the defined benefit pension scheme of £0.9m (2011: £1.9m). The prior year charge includes interest charges resulting from the close-out of a cross-currency interest rate swap of £0.2m.

Tax
The tax charge for the year was £2.5m (2011: £nil). We continue to benefit from R&D tax credits in both the UK and the US and following a review in the prior year a further £1.6m of R&D tax credits were recognised in 2011.

Earnings per share
The growth in profit before tax was offset by the tax charge at 14% resulting in basic earnings per share from continuing operations of 29.3p. This compared to 30.0p in 2011 which included a £nil tax charge.

Dividend
The total (paid and proposed) dividend for the year has increased to 12.4p per ordinary share (2011: 11.5p). The proposed final dividend of 8.7p (2011: 8.1p) will be paid on 20 November 2012 to all shareholders on the register at the close of business on 19 October 2012, subject to approval at the Annual General Meeting on 15 November 2012.

Net assets
The 30 June 2012 net asset position remained consistent with the prior year at £89.8m (2011: £89.6m). At the end of the year our capital commitments were £0.5m (2011: £0.7m).

Net funds
The Group has continued to drive a number of working capital initiatives which have again helped to deliver strong operating cash inflows. The Group had closing net funds of £7.9m (2011: £1.5m) resulting from a net cash inflow in the year of £6.4m (2011: £9.3m). At the end of the financial year the Group had £30m of committed borrowing facilities, of which £15m is committed until December 2012 and a further £15m until November 2015. A process is underway for renewing the December 2012 facility. In addition the Group had uncommitted facilities including overdrafts of £18.5m at the year end.

Exchange rates
The average value of sterling was 0.4% lower against the dollar and 1.4% higher against the euro during the year ended 30 June 2012 compared to the previous financial year. This volatility in exchange rates has not led to any significant overall impact on the profit before tax for the year. We have an exposure to the euro/sterling exchange rate arising from some of the work carried out in the UK for European customers, which is contracted in euros. The receivables arising on these contracts are hedged accordingly and hedge accounting is applied.

Pensions
The IAS 19 pension deficit at 30 June 2012 was £20.4m (2011: £13.4m). The increase in the deficit is principally a result of a decrease in the net discount rate from 5.65% in 2011 to 4.60% in 2012, offset by additional Company contributions of £3.3m. The last full actuarial valuation was carried out as at 5 April 2011 and completed in August 2012. Following this valuation a revised schedule of contributions was agreed, increasing annual payments from £3.3m to £4.3m commencing July 2012, which aims to eliminate the funding deficit by 2016.

Technical Consulting Business Summary

Technical Consulting remains at the very core of Ricardo's business model. It ranges from collaborations with customers on advanced engineering, technology evaluations and market studies, through to large-scale commercial programmes encompassing multiple products and international markets. Using the breadth of our skills base we are able to take on work at the cutting edge of technology development and application. We are able to provide the technologically informed insights of our strategic consulting teams to customers requiring support in the optimisation of business processes as well as in product development and manufacturing strategy.

Increasingly, the imperatives of our customers are expressed in terms of the common themes of energy efficiency, reduced carbon emissions, regulatory controls, and the need to achieve ever higher value in terms of product performance, durability and reliability.

Passenger Car

Passenger cars remain one of the most significant market sectors for Ricardo's Technical Consulting business, with significant activity in the major automotive markets of India, China, Korea and Japan as well as in Europe, the UK and US. While recovery is modest within certain manufacturers focused primarily on western markets, Ricardo's passenger car business has benefited in particular from demand related to growth markets in the developing economies. As a strategic supplier we continue to support the global rise of Jaguar Land Rover and have been able to announce, for example, the results of successful product programmes with leading manufacturers including Chery of China and Mahindra of India.

Against a backdrop of increasing competition amongst global automakers, both the range and diversity of new product programmes is growing and providing further opportunities for Ricardo to take on outsourcing work. With fuel economy and CO_2 reduction taking precedence as both a global industry priority as well as in the minds of the car-buying public, and as hard-pressed consumers face further real-terms increases in the pump price of fuel, the foresight provided by Ricardo's R&D programme provides a tangible competitive advantage that is crucial to us in winning new business.

Our ability to demonstrate the results of our endeavours in vehicle efficiency – ranging from smart hybrid systems, to intelligent electrification, full battery-electric vehicles and the very latest concepts in clean and efficient production – is crucial in securing business relationships with those requiring deep technological content and solutions. Most of all, our global reach and our ability to provide the full range of the Ricardo organisation's capabilities – as well as training, technology transfer and best practice engineering, quality and manufacturing processes – offers a compelling proposition for customers in the passenger car sector in all parts of the world.

High Performance Vehicles, Motorsport and Motorcycles

Hybridisation is becoming a clear trend in premium car markets as automakers strive to offer flagship products delivering uncompromised performance coupled with significant CO_2 reductions. In this growing and high-value niche market we are already assisting a number of manufacturers in both Europe and the US in the design and development of new hybrid supercars.

In motorsport we continue to work with teams, manufacturers and governing bodies at the highest level. This year the engine and new bespoke transmission for the McLaren MP4-12C GT3 were successfully raced by customers. We continue to supply all the leading manufacturers in the Japanese Super-GT championship and many one-make race series such as World Series by Renault, Formula Nippon and Indy Lights.

We are also actively engaged in consultancy to the sport's regulating bodies, providing technical advice on advanced powertrain technologies mainly related to the new 2014 regulations. To support this and other activities, Ricardo has also developed a motorsport technology roadmap in conjunction with the UK's Motorsport Industry Association (MIA) in order to provide its members and

the industry with the high-level strategic direction necessary to influence future investments in products and services. Ricardo's outstanding position within the motorsport sector was further underscored at the Business Excellence Awards dinner hosted by the MIA in January, at which the Company was announced as winner in the category 'Business of the Year' against strong competition from across the motorsports industry.

In the motorcycle sector the past year has seen the launch of the all-new BMW K1600 with a brand-new in-line six-cylinder engine and all-helical transmission designed, developed and validated in collaboration with Ricardo. The model has enjoyed great success and marks another milestone in the ongoing BMW Motorrad relationship. We have also seen project successes in the Far East and the US that confirm our unique position in this very dynamic market sector.

Agricultural and Industrial Vehicles & Commercial Vehicles
The Agricultural and Industrial Vehicles & Commercial Vehicles sectors continue to develop and have performed strongly across most of the regions in which we are engaged. The scope of our activity continues to grow across almost all product groups, but with particular focus on engine-related business. This arises as a result of the universal driver of ever-increasing regulatory and emissions compliance; we are currently engaged with both existing and new clients in this sphere of activity.

Business growth in developing markets continues, with China being the dominant territory both in terms of end user sales and local manufacture. This market presents unique challenges and opportunities and we are well positioned to take advantage of these.

The continuing drivers of efficiency, productivity and lifetime vehicle and machine costs are at the forefront of most manufacturers' plans, and most new and updated next-generation products follow this theme. To address these needs we are working on specific opportunities relating to urban duty type vehicles and machines on repetitive cyclic duty applications. These lend themselves to opportunities to employ hybrid systems and energy storage – technologies in which Ricardo has proven expertise – and our vehicle systems team is heavily engaged to address these elements on a whole vehicle basis.

Defence
Efforts to deepen our penetration within the defence markets have continued in the UK, US and in designated export markets. In the UK we have broadened our contact with the military customer base and have begun to exploit niche opportunities that are relevant to the market, particularly where we are able to offer intelligent solutions that can reduce costs and accelerate front-line benefits.

Our activities have been mainly focused on technical engineering services, strategic consulting and vehicle integration. We have expanded our strategic relationships with a number of the key prime contractors for programmes with relevance to the UK and international markets and, working with General Dynamics Land Systems – Force Protection, our vehicle engineering capabilities have taken the Foxhound vehicle into the production phase for the first 300 vehicles for the UK Ministry of Defence.

In the US we have continued to provide technical services for the defence research sector and have made substantial progress in this effort. Most recently, this was evidenced by the announcement that Ricardo has been selected by the United States Defense Advanced Research Projects Agency (DARPA) to stage the FANG Challenge, a series of three competitions designed to produce the Fast, Adaptable, Next-Generation Ground (FANG) vehicle – a new heavy, amphibious infantry fighting vehicle with functional requirements intended to mirror the U.S. Marine Corps' Amphibious Combat Vehicle. Demand for engineering support services has continued to be strong, and other international market activities have also increased. Although market conditions are challenging, the global prospects continue to be robust as we continue our efforts to develop our presence in the defence sector.

Rail
Ricardo's rail business continues to grow as the railway industry comes to recognise the broad capability and technology that we can offer through our ability to work across transport modes and related sectors such as defence and power generation.

Reduction of both costs and CO_2 emissions are rail industry priorities. Ricardo has been able to help with both of these imperatives through our comprehensive study of the technologies available to reduce diesel rail vehicle fuel consumption on behalf of the UK Department for Transport, and through applying some of these technologies by working with key industry players. For example, we are working with the UK's leading rail powertrain overhaul provider, LH Group, to develop fuel consumption reduction initiatives. Separately we are also working with Artemis Intelligent Power Ltd and Bombardier Transportation under a UK Technology Strategy Board funded project to develop a waste energy capture system for Diesel Multiple Units, based on Ricardo's Kinergy high-speed flywheel system.

The popularity of monorail systems is increasing, particularly in the developing world, as they offer the possibility of incorporating a mass transit system into an existing city at modest cost and with minimal disruption. Ricardo is participating in this expanding market through collaboration with Scomi Rail, a leading system provider, to develop driveline technology.

Clean Energy and Power Generation
Despite the challenging global economic climate, clean energy remains high on the international agenda as a growth sector, which underscores its potential for Ricardo. Our Power Systems capability is expanding and covers not only conventional and renewable energy generation, but also enabling technologies such as energy storage to achieve optimised systems integration.

Wind power remains a major focus of our clean energy strategy and over the past year Ricardo has successfully secured new orders for the system analysis, design and development of drivetrains in Europe and the US, across a wide range of both geared and gearless drivetrain systems. In particular, our major offshore wind contract – with David Brown Gear Systems for support to the drivetrain development of Samsung's 7MW offshore wind turbine – confirms our position as a leader in the delivery of reliable, low-cost-of-energy offshore renewable solutions. This expertise extends to marine energy where we are also progressing activity in wave and tidal stream systems.

Power generation, and in particular the market for larger-scale generator sets, continues to be subject to pressure to achieve lower emissions levels defined by local legislation, as well as for cost optimisation and alternative fuels. Ricardo continues to collaborate successfully with a major generator set manufacturer and has secured further work this year. Additional business has also been secured with another major generator set manufacturer and assistance in the development of new and improved core technologies will be among the projects.

With respect to enabling technologies, Ricardo has also supported a range of clients across the electrical energy storage, fuel cell and hydrogen areas. The Company sees potential in the need for so-called Smart Energy Systems across electricity and heat networks and is well placed to target opportunities, given our wide expertise across conventional, renewables and energy storage technologies as well as in electrical vehicles and future transportation infrastructure requirements.

Marine
The marine industry – ranging from navies and merchant fleets to the rapidly expanding leisure cruising industry – is increasingly focused on the optimisation of operating costs and the reduction of emissions. Ricardo's business in this sector continues to expand, based upon a steadily increasing number of programmes featuring a high level of engineering content. As with our off-highway business, most of this activity is associated with propulsion engines. We have secured contracts with many European, North American and Asian manufacturers of large engines and we are exploring opportunities with further engine builders as well as with shipyards and fleet operators.

The overarching interest of our customers in this sector, as in so many others, is in innovative engineering that significantly reduces life-cycle running costs in areas including combustion, new common rail technology, engine management and exhaust aftertreatment. The results of Ricardo R&D efforts in areas such as cylinder-based combustion control and in intelligent transport systems are also providing us with interesting prospects for satellite communication systems linked to global engine database management of propulsion engine service and monitoring.

Government
The government sector in all parts of the world continues to provide demand for services related to the technological issues associated with future policy formation.

Ricardo provides high quality strategic advice to governments related to our key business drivers of fuel economy and carbon dioxide emissions across a number of our market sectors. These include a sophisticated model to predict the impact of new technologies on passenger car and light truck fuel consumption for the US Environmental Protection Agency and a comprehensive study on retrofit technologies to improve the fuel economy of existing rolling stock of passenger diesel multiple units (DMUs) and freight locomotives for the UK Department for Transport.

Strategic consulting
In response to the prevailing uncertain market environment, the strategic consulting business has focused in particular upon the further development of 'recession proof' value propositions including operations consulting, which is typically in higher demand in times of economic uncertainty. These operational offerings include our very successful Integrated Cost Reduction, Warranty and Quality Problem Resolution, and Critical Programme Recovery services, all of which provide very tangible value to our clients.

In addition to these service offerings, market, product and technology insight projects also continued to be in demand through the year. Key topical areas of interest for these included urban and e-mobility, vehicle connectivity and light weight technology, for all of which Ricardo is ideally placed to offer strategic insights backed with a deep knowledge of the underlying technologies.

With customers responding to the need to seek growth in new markets, we also supported the development of globalisation strategies of companies from the developed and developing markets alike. We also conducted a wide range of commercial due diligence assignments, mostly of mid-size companies active in the automotive space. Typically the clients for these assignments are renowned private equity firms, further underscoring the success of our diversification strategy.

Traditionally, we have a strong position with both passenger car and commercial vehicle clients; adding motorcycle and scooter manufacturers, automotive suppliers, off-highway manufacturers, energy companies, in addition to private equity firms and government agencies, has both complemented our client portfolio and reduced the risk of over-reliance on any sector or client.

Performance Products Business Summary

A core aspect of the Ricardo business model is the low-volume production and delivery of high-quality, extreme performance products based on our own advanced designs. We have an enviable record in successfully delivering a range of products from motorsport transmissions and driveline systems through to defence vehicles and high-end supercar engines.

Our Performance Products business is proving to be very successful. The past delivery of high-quality products – and their satisfied repeat customers – provides the ultimate proof of the quality of our service, and we will continue to seek new opportunities to deploy our advanced manufacturing skills to help clients with the production of the high-performance products.

High Performance Vehicles
Our McLaren engine assembly facility is now fully operational with more than 1,500 engines delivered in less than a year since the formal dedication of the new building. The advanced nature of the manufacturing processes applied in this class-leading Ricardo facility, which draws upon the highest quality principles and practices of high volume production and implements them in a niche manufacturing context, were recognised in the facility's shortlisting for the prestigious Manufacturer of the Year awards 2011 in the innovation and design category. In addition to those engines for the original version of the car, production of the MP4-12C Spider engine has now commenced at this facility.

A strong reputation in motorsport, based on a long history of successful partnerships in the sector, ensures we are well placed to continue to grow our business and capabilities. Ricardo is extremely proud of its heritage and association with some of the leading brands across the industry, supporting teams such as Honda, Nissan and Toyota within the Japanese GT series. We continue to supply leading Formula 1 teams with transmission components as well as providing complete gearbox solutions to many other motorsport formulae. Our long-standing collaboration with Bugatti continues to bring success, with an extension of the contract for the production of the transmission build of the Veyron driveline system received during the past year.

Defence Vehicles
Following on from the success of WMIK Land Rovers designed and built by Ricardo for the British Army, our defence business has gone from strength to strength. Production is in full flow for the initial order of the 200 new Foxhound vehicles, with a follow-on order placed earlier in the new year for an additional 100 vehicles to be delivered by March 2013. The Foxhound is an agile and versatile vehicle that will be a mainstay of the British Army fleet for years to come. It has been specifically designed and built in the United Kingdom to protect against the threats military personnel face in conditions of asymmetric warfare such as those currently found in Afghanistan, and the vehicle is already being deployed to support British forces in this theatre. We continue to contribute to our highly successful WMIK programme in the provision of spares, whilst maintaining and developing our already strong relationships with the UK Ministry of Defence, and building new ties with leading defence industry organisations utilising our skills and expertise in this sector.

Research & Development Summary

Regulation continues to be the key driver for new technologies in our core business areas. Although new targets for fuel efficiency and greenhouse gas reductions have attracted the most publicity, this has not been at the expense of air quality targets, effectively driving demand for new technologies across all combustion engines and associated systems. Ricardo has therefore focused on developing cost-effective solutions to meet new fuel efficiency regulations whilst also meeting the demands for cleaner air.

An important part of our research strategy is a very good understanding of the most likely timing and severity of new regulations. This enables us to define appropriate targets and potential solutions well in advance of our customers' needs. Ricardo continues to engage with government and regulatory agencies around the world, providing roadmaps and assessments of technology capabilities; this helps us to promote our strength in thought leadership. We are also actively engaged in developing collaborative programmes with our customers that attract R&D grants from government funding agencies. During the last year we have received funding from a range of agencies including the UK Technology Strategy Board, the European Commission and the Advanced Research Project Agency in the United States.

Engine downsizing

Whilst a great deal of publicity has been generated by electric vehicles, downsized advanced combustion engines and lower-carbon fuels are likely to provide the majority of reductions in

greenhouse gas emissions for the next 10 to 20 years. When combined with varying levels of electrification, advanced combustion engines are likely to dominate the market for passenger cars and a range of on and off-road commercial vehicles during this period.

This year, we have successfully completed a research project that combines a downsized gasoline engine with what we term intelligent electrification, achieving a level of fuel efficiency that is competitive with much more expensive hybrid systems. The project, called HyBoost, combines a turbocharged 1-litre three-cylinder engine producing 140 hp with an electrically assisted boost system and a micro-hybrid energy recovery system. This combination, fitted to a donor Ford Focus vehicle, achieves the same level of performance as a conventional 2-litre variant but with drive cycle emissions of less than 99 g/km CO_2 or 66 mpg. The system engineering expertise we have developed for this demonstrator has proved exceptionally attractive to our customers and we expect to see a range of derivatives in production in the next five years.

The downsizing approach is equally applicable to high performance diesel engines and we have applied this approach to a premium vehicle. The programme target was to achieve the torque and driveability delivered by a current 3-litre diesel Jaguar XF vehicle but reduce CO_2 emissions by 30%. The project, named SynerD, embraces a range of cost-effective technologies, including the downsizing of the standard 3-litre V6 diesel to a 2.2 litre turbocharged and supercharged four-cylinder engine, with similar levels of performance.

Next generation combustion systems

The need for cost-effective fuel economy improvements is also driving further optimisation of gasoline engines. This year we completed a three year programme, in collaboration with Petronas, to design and develop a next-generation turbocharged spray-guided gasoline combustion system. This project has delivered some exceptionally good results, matching the efficiencies achievable with a best-in-class diesel engine but at significantly lower system cost. This has been an extensive programme based on a concept created by Ricardo coupled with a sophisticated optimisation process that we have also developed.

Flywheel energy storage

Energy recovery during vehicle deceleration or in other applications such as off-road machinery or lifting is a key focus area to improve efficiency. The conventional approach to achieve this is through electric machines, working as a motor or generator and an electrical energy store such as a battery or capacitor. Another approach is to recover energy via a mechanical variable speed transmission into a high-speed flywheel. Ricardo has been developing an innovative high-speed flywheel energy storage system with a non-contacting magnetic transmission that allows the flywheel to be permanently sealed in a vacuum to minimise heating and drag losses. In the year we achieved a breakthrough in the efficiency of the magnetic gear, which now offers around half of the loss associated with a conventional mechanical gear operating at the same speed.

Battery management

A common need for all hybrid, plug-in hybrid and battery electric systems is a battery management system that maximises the performance, use and life of the battery. For this reason we have invested in the development of the Ricardo Universal Battery Management System (RU-BMS) to provide real-time electrical and thermal management of the cells that comprise electric and hybrid vehicle battery packs. RU-BMS manages individual cell parameters and performance while maintaining cells within safe and warranty-bounded operating limits and provides battery status information to the vehicle in terms of available capacity, power, battery health and a host of diagnostic capabilities. The system is adaptable to customer specific requirements and is protected for future applications with its scalable architecture and adaptability to different cell chemistries. The system is especially suited to the demands of niche high-performance automotive applications.

Outlook

Our work in leading-edge emissions control and fuel efficiency continues to be in high demand as global industries face ever tightening legislation and toughening demands for increased fuel efficiency. Despite an unpredictable world economy, we remain confident for the future. Our continued investment in the very best of talent and technology, a robust flexible model and a strong business offering of in-demand solutions to an increasing client base provides a good forward business platform.

Dave Shemmans
Chief Executive Officer
19 September 2012

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.

Consolidated income statement
for the year ended 30 June 2012

	Notes	**2012 £m**	2011 £m
Revenue	2	**197.4**	196.5
Cost of sales		**(115.1)**	(123.0)
Gross profit		**82.3**	73.5
Administration expenses		**(64.2)**	(55.7)
Other income		**0.5**	0.2
Operating profit	2	**18.6**	18.0
Finance income		**0.3**	0.2
Finance costs		**(1.3)**	(2.8)
Profit before taxation		**17.6**	15.4
Taxation		**(2.5)**	-
Profit for the year from continuing operations		**15.1**	15.4
Loss for the year from discontinued operations	3	**-**	(0.2)
Profit for the year		**15.1**	15.2
Earnings per ordinary share			
From continuing operations			
Basic	4	**29.3p**	30.0p
Diluted	4	**29.0p**	29.7p
From continuing and discontinued operations			
Basic	4	**29.3p**	29.6p
Diluted	4	**29.0p**	29.3p

Consolidated statement of comprehensive income
for the year ended 30 June 2012

	2012 £m	2011 £m
Profit for the year	**15.1**	15.2
Other comprehensive income		
Currency translation on foreign currency net investments	**(2.0)**	1.2
Fair value gain on foreign currency net investment hedges	**-**	0.3
Fair value loss on foreign currency cash flow hedges	**-**	(0.1)
Actuarial (losses)/gains on defined benefit scheme	**(10.0)**	19.1
Tax on items taken directly to equity	**2.6**	(5.5)
Total other comprehensive (loss)/income for the year (net of tax)	**(9.4)**	15.0
Total comprehensive income for the year	**5.7**	30.2

Consolidated statement of changes in equity
for the year ended 30 June 2012

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 July 2011	12.9	13.8	6.4	56.5	89.6
Total comprehensive income for the year	-	-	(1.7)	7.4	5.7
Share-based payments	-	-	-	0.4	0.4
Proceeds from shares issued	0.1	0.1	-	-	0.2
Ordinary share dividends	-	-	-	(6.1)	(6.1)
At 30 June 2012	**13.0**	**13.9**	**4.7**	**58.2**	**89.8**
At 1 July 2010	12.9	13.8	5.2	32.9	64.8
Total comprehensive income for the year	-	-	1.2	29.0	30.2
Share-based payments	-	-	-	0.2	0.2
Ordinary share dividends	-	-	-	(5.6)	(5.6)
At 30 June 2011	12.9	13.8	6.4	56.5	89.6

Consolidated statement of financial position
as at 30 June 2012

	2012 £m	2011 £m
Assets		
Non-current assets		
Goodwill	**15.3**	16.7
Other intangible assets	**6.8**	5.6
Property, plant and equipment	**45.6**	45.8
Investment property	**-**	1.9
Trade and other receivables	**0.1**	1.2
Deferred tax assets	**15.4**	15.6
	83.2	86.8
Current assets		
Inventories	**8.0**	5.2
Trade and other receivables	**62.9**	61.9
Derivative financial assets	**-**	0.2
Current tax assets	**1.7**	0.7
Cash and cash equivalents	**10.2**	9.9
	82.8	77.9
Total assets	**166.0**	164.7
Liabilities		
Current liabilities		
Bank loans and overdrafts	**(2.3)**	(8.2)
Trade and other payables	**(48.2)**	(48.8)
Derivative financial liabilities	**(0.2)**	-
Current tax liabilities	**(2.7)**	(2.8)
Provisions	**(1.7)**	(1.0)
	(55.1)	(60.8)
Net current assets	**27.7**	17.1
Non-current liabilities		
Bank loans	**-**	(0.2)
Retirement benefit obligations	**(20.4)**	(13.4)
Deferred tax liabilities	**(0.7)**	(0.7)
	(21.1)	(14.3)
Total liabilities	**(76.2)**	(75.1)
Net assets	**89.8**	89.6
Shareholders' equity		
Share capital	**13.0**	12.9
Share premium	**13.9**	13.8
Other reserves	**4.7**	6.4
Retained earnings	**58.2**	56.5
Total equity	**89.8**	89.6

Consolidated statement of cash flow

for the year ended 30 June 2012

	2012 £m	2011 £m
Cash flows from operating activities		
Cash generated by operations (note 5)	**24.3**	28.3
Interest received	**0.3**	0.2
Interest paid	**(0.4)**	(0.9)
Defined benefit pension scheme financing costs	**(0.9)**	(1.9)
Tax paid	**(0.9)**	(2.1)
Net cash generated by operating activities	**22.4**	23.6
Cash flows from investing activities		
Net proceeds on disposal of discontinued operations	**-**	1.4
Purchase of intangible assets	**(2.5)**	(2.6)
Purchase of property, plant and equipment	**(8.5)**	(6.5)
Net cash used by investing activities	**(11.0)**	(7.7)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	**0.2**	-
Net proceeds from issue of new bank loan	**-**	16.1
Repayment of borrowings	**(0.8)**	(25.9)
Dividends paid to shareholders	**(6.1)**	(5.6)
Net cash used by financing activities	**(6.7)**	(15.4)
Effect of exchange rate changes	**0.7**	(0.8)
Net increase/(decrease) in cash and cash equivalents	**5.4**	(0.3)
Cash and cash equivalents at 1 July	**4.4**	4.7
Cash and cash equivalents at 30 June	**9.8**	4.4

Notes to the financial statements
for the year ended 30 June 2012

1. General information

Ricardo plc is a limited liability company incorporated in the UK with a primary listing on the London Stock Exchange. The company's registered office is at the Shoreham Technical Centre, Shoreham-by-Sea, West Sussex, BN43 5FG, and its registered number is 222915.

This preliminary announcement is based on the audited Annual Report and Accounts 2012, which was approved for issue on 19 September 2012, and which has been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations adopted by the European Union ("EU") and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial information herein does not amount to full statutory accounts within the meaning of section 434 of the Companies Act 2006.

2. Segmental reporting

2012	**Technical Consulting £m**	**Performance Products £m**	**Head Office & consolidation adjustments £m**	**Total £m**
Revenue from external customers	**149.2**	**48.2**	**-**	**197.4**
Inter-segment revenues	**0.5**	**0.1**	**-**	**0.6**
Total revenues	**149.7**	**48.3**	**-**	**198.0**
Revenues carried out by other segments	**(0.1)**	**(0.5)**	**-**	**(0.6)**
Revenue earned	**149.6**	**47.8**	**-**	**197.4**
Operating profit	**14.7**	**5.8**	**(1.9)**	**18.6**
Finance income	**0.2**	**-**	**0.1**	**0.3**
Finance costs	**(0.2)**	**-**	**(1.1)**	**(1.3)**
Profit before tax	**14.7**	**5.8**	**(2.9)**	**17.6**

2011	Technical Consulting £m	Performance Products £m	Head Office & consolidation adjustments £m	Total £m
Revenue from external customers	155.5	41.0	-	196.5
Inter-segment revenues	0.2	0.1	-	0.3
Total revenues	155.7	41.1	-	196.8
Revenues carried out by other segments	(0.1)	(0.2)	-	(0.3)
Revenue earned	155.6	40.9	-	196.5
Operating profit	14.3	5.2	(1.5)	18.0
Finance income	-	-	0.2	0.2
Finance costs	(2.3)	-	(0.5)	(2.8)
Profit before tax	12.0	5.2	(1.8)	15.4

3. Discontinued operations

At 30 June 2010, the Group's exhaust business in Germany was classified as held for sale, and as a discontinued business.

The sale agreement for the transfer of the business, plant and equipment and inventories for cash consideration of €2.0 million was signed on the 28 July 2010.

Results of discontinued operations	**2012 £m**	2011 £m
Revenue	**-**	0.9
Operating costs	**-**	(1.1)
Loss before tax	**-**	(0.2)
Attributable tax credit	**-**	-
Net loss attributable to discontinued operations	**-**	(0.2)

There were no assets or liabilities classified as held for sale at 30 June 2012 or 30 June 2011 and there is no net expense recognised directly in equity contained in the consolidated statement of comprehensive income relating to discontinued operations (2011: £nil).

4. 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 LTIP and by the Share Incentive Plan 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 where the exercise price is less than the market price of the Company's ordinary shares at year end.

Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below.

	2012 £m	2011 £m
Earnings attributable to equity shareholders	**15.1**	15.2
Adjustments to exclude loss for the year from discontinued operations	**-**	0.2
Earnings from continuing operations	**15.1**	15.4

	Number of shares millions	Number of shares millions
Basic average number of shares in issue	**51.5**	51.4
Effect of dilutive potential shares	**0.6**	0.4
Diluted average number of shares in issue	**52.1**	51.8

Earnings per share	**pence**	pence
From continuing operations		
Basic	**29.3**	30.0
Diluted	**29.0**	29.7
From continuing and discontinued operations		
Basic	**29.3**	29.6
Diluted	**29.0**	29.3
From discontinued operations		
Basic	**-**	(0.4)
Diluted	**-**	(0.4)

5. Cash generated by operations

	2012 £m	2011 £m
Continuing operations		
Operating profit	**18.6**	18.0
Adjustments for:		
Share-based payments	**0.4**	0.2
Cash flow hedges	**0.3**	0.2
(Profit)/loss on disposal of property, plant and equipment	**(0.3)**	0.1
Depreciation and amortisation	**7.8**	7.9
Operating cash flows before movements in working capital	**26.8**	26.4
(Increase)/decrease in inventories	**(2.8)**	2.5
Decrease/(increase) in trade and other receivables	**3.3**	(9.2)
(Decrease)/increase in payables	**(0.7)**	10.3
Increase in provisions	**0.7**	0.5
Pension payments in excess of pension costs	**(3.0)**	(1.9)
Cash generated by continuing operations	**24.3**	28.6
Discontinued operations		
Loss from operations	**-**	(0.2)
Operating cash flows before movements in working capital	**-**	(0.2)
Decrease in trade and other receivables	**-**	1.5
Increase in payables	**-**	(1.6)
Cash used by discontinued operations	**-**	(0.3)
Cash generated by operations	**24.3**	28.3

6. Net funds (non-GAAP measure)

Net funds are defined by the Group as net cash and cash equivalents less bank loans.

	2012 £m	2011 £m
Cash and cash equivalents (current assets)	**10.2**	9.9
Bank overdrafts (current liabilities)	**(0.4)**	(5.5)
Net cash and cash equivalents	**9.8**	4.4
Bank loans maturing within one year	**(1.9)**	(2.7)
Bank loans maturing after one year	**-**	(0.2)
Net funds	**7.9**	1.5