Ricardo Investments Limited

Annual report and financial statements

for the year ended 30 June 2022

Registered number: 02251330

Ricardo Investments Limited
Contents

Ricardo Investments Limited
Directors and advisors

Directors

I J Gibson
P M Ryan
G Ritchie

Registered company number

02251330

Registered office

Shoreham Technical Centre
Shoreham-by-Sea
West Sussex
BN43 5FG

Independent auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Principal bankers

Lloyds Bank plc
3rd Floor
10 Gresham Street
London
EC2V 7AE

HSBC Bank plc
First Point
Buckingham Gate
London Gatwick Airport
West Sussex
RH16 0NT

Ricardo Investments Limited
Strategic report

The Directors present their Strategic report on Ricardo Investments Limited (the 'Company') for the year ended 30 June 2022.

Review of the business

The Company is an intermediate holding company to several subsidiaries, which provide engineering, technical, environmental and strategic consultancy services, together with accreditation and independent assurance services. These subsidiaries also manufacture and assemble high-quality prototypes and niche volumes of complex engine, transmission and vehicle products, together with advanced virtual engineering tools, such as computer-aided engineering and simulation software for conventional and electrified powertrains, as well as complex physical systems such as water networks. These subsidiaries sell their products and services to customers in the UK, the rest of Europe, the Middle East, Asia, Australia and North America. The immediate and ultimate parent of the Company is Ricardo plc (the 'Group').

Total comprehensive loss for the financial year was £14,286,000 (2021: profit £44,482,000). The primary reason for the loss was the impairment of the carrying value of investments.

The net book value of investments at the end of the financial year was £310,769,000 (2021: £320,163,000). As set out in more detail in Note 11, the movement in the year was primarily due to a £16,483,000 impairment charge (2021: £44,807,000 impairment reversal) to the various investments, offset by additions to investments of £7,002,000 in Ricardo Australia Pty Ltd and £87,000 in Ricardo Canada Inc.

Note 11 provides details of the investments impaired. In the current year the value in use of Ricardo UK Limited has decreased and its carrying value impaired by £20,417,000 (2021: £25,961,000 increase in carrying value), primarily as a result of an increased discount rate. Offsetting this impairment charge, a previous impairment of £3,275,000 relating to Ricardo Rail Limited has been reversed due to an increase in its value-in-use, arising from an increase in the value of its subsidiaries operating in Asia.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with those of its fellow subsidiaries that are ultimately controlled by Ricardo plc (the Group) and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company and the potential risk and impact of COVID-19 and climate change, are disclosed on pages 58 to 61 of Ricardo plc's *Annual Report & Accounts 2021/22,* and do not form part of this Annual Report.

At the reporting date the Company had net assets of £249,688,000 (2021: £278,976,000) and net current liabilities of £58,130,000 (2021: £57,212,000), of which £570,000 (2021: £306,000) is comprised of cash and cash equivalents, as well as access to the Group's £200,000,000 committed multi-currency Revolving Credit Facility ('RCF'). As set out in more detail in Note 20 to the financial statements, on 2 August 2022 the Group replaced its RCF with a new £150,000,000 committed multi-currency RCF with an additional £50,000,000 accordion facility, of which £75,000,000 was undrawn and available at the date of approval of these financial statements. On this basis the Directors are satisfied that the Company has sufficient net assets and cash reserves in order to continue to trade for a period of at least 12 months from the date of approval of these financial statements.

Key performance indicators

- Total comprehensive loss for the year was £14,286,000 (2021: profit £44,482,000), as explained above;
- Underlying profit before taxation was £1,628,000 (2021: loss £444,000), mainly due to income from subsidiaries;
- Net book value of investments at the end of the financial year was £310,769,000 (2021: £320,163,000), as explained above; and
- Net assets at the end of the financial year were £249,688,000 (2021: £278,976,000).

Ricardo Investments Limited
Strategic report *(continued)*

Future developments

As a holding company, the future developments of the Company are connected to that of its subsidiaries and the Group. As the Group enters FY 2022/23, it continues to see strong momentum in its priority markets underpinned by environmental and energy transition trends, with a strong order book and a number of high value contracts, it is well positioned to deliver sustainable growth through the shift in our service portfolio, aligned to the megatrends, in the longer term.

Directors' duty under section 172 of Companies Act 2006

In discharging our section 172 duties, Directors are required to have regard, among other matters, to the: likely consequences of any decisions in the long-term; interests of the Company's employees; need to foster the Company's business relationships with suppliers, customers and others; impact of the Company's operations on the community and environment; desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company. In addition to the above, we also have regard to other factors which we consider relevant to the decision being made. Those factors include the interests and views of Ricardo's pensioners and our relationship with regulators. The Directors acknowledge that every decision it makes will not necessarily result in a positive outcome for all of the Company's stakeholders. By considering the Company's purpose and values, together with its strategic priorities and having a process in place for decision-making the Directors do, however, aim to make sure that its decisions are consistent and predictable.

The key stakeholders' considerations were central to the Directors' decisions and the way in which they engaged with stakeholders. The Company is an immediate subsidiary of Ricardo plc and is the holding company for the majority of the Ricardo plc Group (the 'Group'). The Company operates within the Group and Ricardo plc's section 172 statement applies to the Company to the extent it relates to the Company's activities.

Stakeholder engagement

The Group's culture, underpinned by the Group's values, plays a fundamental role in the way that the Group do business and deliver its strategic goals and performance. The Directors recognise that having robust governance structures in place is vital to decision-making. The Directors spend a lot of time listening to, and understanding the views of, its key stakeholders. When discussing matters at the board meetings, these views form an integral part of its decision-making.

The Directors of this Company have ensured that the Group's policies regarding the consideration of Stakeholders have been implemented.

In support of the requirements of section 172 of the Companies Act 2006, the way in which the Group's Directors have considered the key issues of the stakeholders and engaged with these stakeholders on these issues has been disclosed within the Engagement with stakeholders section on page 101 to 103 of the Ricardo plc *Annual Report & Accounts 2021/22* (available at: https://ricardo.com/investors/financial-reporting/annual-reports/2021-en/annual-report-2021-22)

As both Ricardo plc and this Company are holding companies, the disclosures within the Ricardo plc demonstrate how the Directors of this Company have engaged with the same stakeholders across their respective subsidiaries. The Company has no customers other than Group companies. Specific stakeholders of this Company are listed below:

Ricardo Investments Limited
Strategic report *(continued)*

Stakeholder group	Key areas of interest	How we have engaged
Parent company		
Delivery of long-term and sustainable growth for the ultimate parent company of the Group creates value for its shareholders.	• Dividends • Going concern	• Ensuring that distributions of profits are affordable • Providing input into the parent company's going concern assessment • The Chief Executive Officer and Chief Financial Officer of Ricardo plc are also directors of the Company and therefore ensure strategic alignment between the activities of the Group and of the Company
Colleagues		
The experience and expertise of our colleagues is essential for the delivery of our strategy. We ensure that, as a business, we promote an open culture that is diverse and inclusive, and which fosters good engagement that allows us to deliver value to the Group's customers.	• Safety systems of work to ensure the health and safety (including mental health and wellbeing) • Systems to enable speaking up and solving problems • Business has future capabilities in its people that it needs to grow • Employee value proposition is appealing and attracts talent • Talent acquisition is effective • Culture and ways of working encourage high levels of engagement and commitment • DEI practices to encourage further diversity in recruitment and inclusion within the organisation	As part of Ricardo plc Group: • Review the insights and findings of Workforce engagement Non-Executive Director activities • Annual refresh of Ricardo people strategy endorsed by the Board • Board reporting of people-based KPIs
Suppliers		
Ricardo has a global network of suppliers that provide us with services and products that are needed for us to deliver according to customer requirements. For this reason, we actively engage with our suppliers to build trusted relationships to ensure our operational success across our operating segments.	• Sustainable procurement • Uphold ethical standards • Competitiveness • Potential disruption of the supply chain • Single-sourcing decisions made with our customers	• The Chief Executive Officer reports to the Group board periodically on significant supplier contracts and arrangements, including those of the Company where relevant.

Communities

As a global company with operations in over 20 countries, we play an active role in helping our local communities thrive by contributing both socially and economically. We are duty bound to operate in a responsible and sustainable way and we do so by always aligning our decisions and actions according to our values and our ESG commitments.

- Protecting society
- Environmental impacts through indirect and direct actions
- Clear ESG policies that commit to making our operations more energy efficient
- Support local initiatives and charitable causes

As part of Ricardo plc Group:

- The Group board regularly reviews ESG-related matters and supports all related initiatives to realise the Group's net zero 2030 ambitions
- Periodic reports providing updates on key community and sustainability matters are also prepared by the Group Chief Executive Officer and submitted to the Group board for review

Approval

Approved by the Board and signed on its behalf by:

Ian Gibson

Director

20 December 2022

Ricardo Investments Limited
Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 30 June 2022.

Directors

The Directors who held office between 1 July 2021 and the date of signing this report are shown below:

D J Shemmans (resigned 30 September 2021)
I J Gibson
P M Ryan
G Ritchie (appointed 1 October 2021)

Directors' indemnities

The Company has purchased and maintained throughout the year and up until approval of these financial statements Directors' and Officers' liability insurance in respect of itself and its Directors. The Directors also have the benefit of the indemnity provisions in the Company's Articles of Association. The Company has entered into letter agreements for the benefit of the Directors of the Company in respect of liabilities which may attach to them in their capacity as Directors of the Company or associated companies. These provisions are qualifying third party indemnity provisions as defined in section 234 of the Companies Act 2006.

Results and dividends

The Company's loss for the financial year was £14,286,000 (2021: profit £44,482,000). Interim dividends of £15,001,500 (2021: £nil) were paid during the financial year and no final dividend is proposed (2021: £nil).

Required information provided in the Strategic Report

The Strategic Report on pages 2 to 5 provides a review of the business and the likely future developments of the Company, all of which form part of this report by cross-reference.

Financial risk management cycle

The Company has risk management processes in place for projects and other business risks. Non-contract risks are owned by Group functions and the Managing Directors of the Group's operating segments. These non-contract risks are analysed and reviewed regularly and are recorded in the Group's risk register in liaison with the Group's Risk Manager, who has an independent reporting line to the Chairman of the Group's Audit Committee. The approach to risk management is to identify key risks early and to remove, control or minimise the impact of them before they occur.

Risk transfer is managed through insurances by the Group's Risk Manager under the direction of the Group's Chief Financial Officer. The insurance programme is reviewed annually by the Group's Board of Directors to ensure that it continues to meet business needs as the risk profile changes.

Risk appetite is managed through a number of internal controls, authority limits and insurance excesses. The Group's risk appetite was reviewed during the year as part of the Group's Board of Directors' review of risks and is stated as an internal policy document to ensure that:

- risks are either classified as strategic or operational and as either internally or externally driven;
- risks are evaluated on a gross and net risk basis;
- emergent risks are considered; and
- the Group's Chief Executive Officer reviews the higher-rated risks on the Group's risk register with the Group's Audit Committee twice each year, in the presence of the Group's other Executive Directors and the Group's Chairman.

Financial risk management cycle *(continued)*

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

Financial risks faced by the Company comprise credit risk and foreign exchange risk. Capital, liquidity and interest rate risks are managed by the ultimate parent company.

The Company is exposed to credit risk in respect of its balances due from related Group undertakings, which are stated net of provision for impairment. All of the Company's receivables are with fellow Group undertakings and therefore this risk is deemed to be low, with the exception of Ricardo GmbH group where the intercompany receivable has been partially provided for.

The Company is exposed to bank credit risk in respect of money held on deposit and certain derivative transactions entered into with banks. Exposure to this form of risk is mitigated as material transactions are only undertaken with bank counterparties that have high credit ratings assigned by international credit-rating agencies. The Company further limits risk in this area by setting an overall credit limit for all transactions with each bank counterparty in accordance with the institution's credit standing.

The Company faces currency exposures on trading transactions undertaken in foreign currencies and balances arising therefrom, primarily in the US, Europe and China. The ultimate parent company uses derivative financial instruments to manage these transactional exposures relating to customer contracts denominated in foreign currencies on consolidation.

Statement of Directors' responsibilities in respect of the strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditor

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approval

Approved by the Board and signed on its behalf by:

Ian Gibson
Director

20 December 2022

Shoreham Technical Centre,
Shoreham By Sea,
West Sussex,
BN435FG

Independent auditor’s report to the members of Ricardo Investments Limited

Opinion

We have audited the financial statements of Ricardo Investments Limited (‘the Company’) for the year ended 30th June 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 30th June 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

In our evaluation of the directors’ conclusions, we considered the inherent risks to the company’s business model and analysed how those risks might affect the company’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors’ assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Ricardo Investments Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of and inspection of policy documentation as to the Ricardo Plc's policies and procedures to prevent and detect fraud, that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no external revenue transactions. We did not identify any additional fraud risks.

We performed procedures including: Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to cash, to check for unexpected journal pairings.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report to the members of Ricardo Investments Limited *(continued)*

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Ricardo Investments Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jeremy Hall (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

22 December 2022

Ricardo Investments Limited
Statement of comprehensive income
for the year ended 30 June 2022

	Note	2022 £'000	2021 £'000
Revenue	*2*	**680**	1,075
Gross profit		**680**	1,075
Administrative expenses		**(1,536)**	(1,454)
Specific adjusting items[1]	*3*	**(16,147)**	44,779
Operating (loss)/profit	*4*	**(17,003)**	44,400
Income from subsidiaries		**2,983**	-
(Loss)/profit before interest and taxation		**(14,020)**	44,400
Finance income		**2,425**	2,896
Finance costs		**(2,924)**	(2,961)
Net finance income	*7*	**(499)**	(65)
(Loss)/profit before taxation		**(14,519)**	44,335
Comprising:			
Underlying profit/(loss) before taxation		**1,628**	(444)
Specific adjusting items[1]	*3*	**(16,147)**	44,779
Income tax credit	*8*	**233**	147
(Loss)/profit for the year and total comprehensive income for the year		**(14,286)**	44,482

The notes on pages 16 to 38 form an integral part of these financial statements.

(1) Specific adjusting items comprise impairment charges and reversals in respect of fixed asset investments and impairment charges and reversals of amounts owed by fellow Group undertakings. Further details are given in Note 3.

Ricardo Investments Limited
Statement of financial position
as at 30 June 2022

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Intangible assets	*10*	**280**	488
Investments	*11*	**310,769**	320,163
Deferred tax assets	*12*	**200**	164
Other receivables	*13*	**71,669**	92,473
		382,918	413,288
Current assets			
Other receivables	*13*	**4,034**	4,263
Current tax assets		**228**	49
Cash and cash equivalents		**570**	306
		4,832	4,618
Total assets		**387,750**	417,906
Liabilities			
Current liabilities			
Borrowings	*14*	**-**	20
Other payables	*15*	**62,962**	61,810
		62,962	61,830
Net current liabilities		**(58,130)**	(57,212)
Non-current liabilities			
Borrowings	*14*	**75,100**	77,100
		75,100	77,100
Total liabilities		**138,062**	138,930
Net assets		**249,688**	278,976
Equity			
Share capital	*16*	**1,000**	1,000
Share premium		**19,487**	19,487
Capital contribution reserve		**29,286**	29,286
Retained earnings		**199,915**	229,203
Total equity		**249,688**	278,976

The notes on pages 16 to 38 form an integral part of these financial statements.

The financial statements of Ricardo Investments Limited, registered number 02251330, on pages 13 to 38 were approved by the Board of Directors on 20 December 2022 and were signed on its behalf by:

Ian Gibson
Director

Ricardo Investments Limited
Statement of changes in equity
for the year ended 30 June 2022

	Note	Share capital £'000	Share premium £'000	Capital contribution reserve £'000	Retained earnings £'000	Total £'000
At 1 July 2020		1,000	19,487	29,286	184,721	234,494
Profit and total comprehensive income for the year		-	-	-	44,482	44,482
At 30 June 2021		1,000	19,487	29,286	229,203	278,976
At 1 July 2021		**1,000**	**19,487**	**29,286**	**229,203**	**278,976**
Loss and total comprehensive expense for the year		**-**	**-**	**-**	**(14,286)**	**(14,286)**
Ordinary share dividends	*9*	**-**	**-**	**-**	**(15,002)**	**(15,002)**
At 30 June 2022		**1,000**	**19,487**	**29,286**	**199,915**	**249,688**

The notes on pages 16 to 38 form an integral part of these financial statements.

Ricardo Investments Limited
Notes to the financial statements
for the year ended 30 June 2022

1. Accounting policies

This section describes the critical accounting judgements and estimates that have been identified as having a potentially material impact on the Company's financial statements and sets out our principal accounting policies. Where an accounting policy is applicable to a specific note to the financial statements, the policy is cross-referenced.

Ricardo Investments Limited (the 'Company'), a private limited company, limited by shares, which is incorporated and domiciled in the United Kingdom, and registered in England and Wales. 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 02251330.

The Company is an intermediate holding company to several subsidiaries, which provide engineering, technical, environmental and strategic consultancy services, together with accreditation and independent assurance services. These subsidiaries also manufacture and assemble high-quality prototypes and niche volumes of complex engine, transmission and vehicle products, together with advanced virtual engineering tools, such as computer-aided engineering and simulation software for conventional and electrified powertrains, as well as complex physical systems such as water networks. These subsidiaries sell their products and services to customers in the UK, the rest of Europe, the Middle East, Asia, South Africa, Australia and North America.

(a) Basis of preparation

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The principal accounting policies have been applied consistently in the preparation of these financial statements for the years ended 30 June 2021 and 30 June 2022.

The following exemptions available under FRS 101 have been applied:

- IFRS 7 *Financial Instruments: Disclosures*;
- Paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement* (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraphs 110 (second sentence), 113(a), 114, 115, 118, 119(a)-(c), 120-127 and 129 of IFRS 15 *Revenue from Contracts with Customers* (disclosure of the recognition, timing and disaggregation of revenue, detail and changes in significant judgements made, and assets recognised from the costs to obtain or fulfil a contract);
- Paragraph 38 of IAS 1 *Presentation of Financial Statements* (reconciliation of carrying amount at the beginning and end of the period) in respect of:
  - paragraph 79(a)(iv) of IAS 1; and
  - paragraph 118(e) of IAS 38 *Intangible Assets*;

Ricardo Investments Limited
Notes to the financial statements
for the year ended 30 June 2022

1. Accounting policies *(continued)*

(a) Basis of preparation *(continued)*

- The following paragraphs of IAS 1 *Presentation of Financial Statements*:
  - Paragraph 10(d) (presentation of a statement of cash flows);
  - Paragraph 16 (statement of compliance with IFRS);
  - Paragraph 38(a) (requirement for a minimum of two primary statements, including statement of cash flows);
  - Paragraph 38(b)-(d) (additional comparative information);
  - Paragraph 40(a)-(d) (change in accounting policy, retrospective restatement or reclassification);
  - Paragraph 111 (information on the statement of cash flows); and
  - Paragraph 134-136 (disclosure of objectives, policies and processes for managing capital);
- IAS 7 *Statement of Cash Flows*;
- Paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- Paragraph 17 (key management compensation)
- Paragraph18(a) (key management compensation provided by a management entity) and the requirements of IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of the Group ultimately controlled by Ricardo plc; and
- The following paragraphs of IAS 36 *Impairment of Assets*:
  - Paragraphs 130(f)(ii)-(iii) (disclosure of basis for fair value less costs to sell for intangible assets);
  - Paragraphs 134(d)-(e) (disclosure of basis for cash flow projections or fair value less costs to sell for goodwill); and
  - Paragraphs 135(c)-(e) (disclosure of key assumptions when goodwill is allocated to multiple cash-generating units

(b) Exemption from consolidation

The financial statements contain information about Ricardo Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by way of full consolidation in the financial statements of its ultimate parent company, Ricardo plc, a company registered in England and Wales.

1. Accounting policies *(continued)*

(c) Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company, as part of the Ricardo plc Group ('the Group'), is a participant in a Group banking arrangement and meets its day to day working capital requirement from its own cash balances and the availability of the Group banking arrangements.

The Directors have prepared base and sensitised cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its existing cash balances and funding from its ultimate parent company, Ricardo plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's ultimate parent company, Ricardo plc, providing additional financial support during that period and not seeking repayment of the amounts currently due to the group, which at balance sheet date amounted to £62,437,000. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

(d) Management judgements and key accounting estimates

The preparation of financial statements under FRS 101 requires the Company's management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. These judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Investments – Note 11

A key source of estimation uncertainty is management's assessment of the Company's investments to determine whether an indicator of impairment exists. Where applicable, management then evaluates the carrying value of investments against their value in use to determine whether an impairment to the carrying value is requirement. The value in use is estimated using a discounted cash flow valuation. A pre-tax discount rate is used to discount the cash flows, which are derived from externally sourced data reflecting the current market assessment of these investments.

1. Accounting policies *(continued)*

(d) Management judgements and key accounting estimates *(continued)*

In performing the impairment assessment of the carrying amount of goodwill, the recoverable amount of certain subsidiaries, to which goodwill has been allocated is determined by reference to its value-in-use ('VIU'), which is assessed by performing discounted future pre-tax cash flow calculations for three years and projected into perpetuity. Significant judgements are used to estimate the operating cash flows, growth rates and pre-tax discount rates applied in computing the recoverable amount of each subsidiary. The sensitivity of carrying amounts to these assumptions is disclosed.

The basis for the projected cash flows is the Group's five-year plan, which is prepared by management and reviewed and approved by the Board. The plan reflects past experience and management's assessment of the current contract portfolio, contract wins, contract retention, price increases, and gross margin, as well as future expected market trends. Cash flows are projected into perpetuity using a growth rate based on inflation and an average long-term economic growth rate for the territory.

Inclusion of Research and Development Expenditure Credits – Investments Note 11

Certain UK-based subsidiaries benefit from Research and Development Expenditure Credits ('RDEC'), which are an enhanced tax relief on qualifying research and development expenditure. These cashflows are material to certain A&I subsidiaries and have been included in the value-in-use calculations, taking into account known changes to legislation, on the basis that there is no indication that the UK government will withdraw the benefit.

(e) Revenue – *Note 2*

The Company principally earns revenue through the supply of services to fellow Group companies. Revenue is stated net of value added and other sales taxes on a straight-line basis over a typically short period during which the obligation is performed.

(f) Specific adjusting items – *Note 3*

Specific adjusting items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. These items comprise the impairment of fixed asset investments and impairment of amounts owed by fellow group undertakings and other items that may be included due to their significance, non-recurring nature or amount.

(g) Pension costs – *Note 6*

The Company contributes to a defined contribution scheme, with the scheme operated by the ultimate parent company, Ricardo plc. Pension costs are accounted for on the basis of charging the expected cost of providing retirement benefits over the year during which the Company benefits from the employees' services.

Payments to defined contribution pension schemes are charged as an expense as they fall due. Differences between contributions payable in the year and contributions actually paid are included in either accruals or prepayments. The Company has no further payment obligations once the contributions have been paid.

1. Accounting policies *(continued)*

(h) Foreign currencies

The functional and presentational currency of the Company is Pounds Sterling. The functional currency is the currency of the primary economic environment in which the Company operates. Transactions in currencies other than the functional currency are recorded at prevailing exchange rates.

At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date when the transaction occurred. Gains and losses arising on retranslation and settlements are included in comprehensive income for the year.

(i) Net finance costs – *Note 7*

Finance income and costs are recognised in comprehensive income in the period incurred using the effective interest method.

(j) Income tax credit – *Note 8*

The tax credit for the year comprises current and deferred tax. Tax is recognised in comprehensive income, except to the extent that it relates to items recognised directly in equity. The current tax charge is the expected tax payable on taxable income for the year, calculated using the average rate applicable on the basis of the tax laws enacted or substantively enacted at the reporting date, adjusted for any tax payable in respect of previous years. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

(k) Dividends – *Note 9*

Dividends are recognised as a liability in the year in which they are fully authorised. Interim dividends are recognised when paid.

(l) Other intangible assets – Software – *Note 10*

Purchased software is capitalised on the basis of the purchase price of the software product plus any external and internal costs subsequently incurred that are directly attributable to bring the software product to the condition necessary for it to be capable of operating in the manner intended. Amortisation is typically calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives, which for software is 5 years. Assets under construction are carried at cost less any impairment in value and are included in the software asset category. Amortisation of these assets commences when they are available for their intended use.

Intangible assets that are not available for use are not subject to amortisation and are tested annually for impairment. Intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

1. Accounting policies *(continued)*

(m) Investments – *Note 11*

Investments in subsidiaries are stated at cost less any impairment in value. The Company evaluates the carrying value of investments at the end of each financial year. When it is determined that the carrying value exceeds the recoverable amount, the excess is provided for as an impairment in comprehensive income. Where independent cash flows are considered to be generated by a group of subsidiaries, the impairment review is carried out at that level.

(n) Impairment of non-financial assets

An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell of the asset and its value in use. In assessing value in use. In calculating a value-in-use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

(o) Financial instruments

The Company's financial instruments comprise trade payables, amounts owed by and to fellow Group undertakings (for standalone subsidiaries within the Group), cash and cash equivalents and borrowings. Cash and cash equivalents comprise cash balances and bank overdrafts repayable on demand. Bank overdrafts are shown within borrowings in current liabilities, with long term bank loans and preference shares shown within borrowings in non-current liabilities.

Financial assets and liabilities are measured initially at fair value, and subsequently at amortised cost. The general approach is applied to the impairment of financial assets, recognising a loss allowance for expected credit losses ('ECL'). Where the credit risk has not increased significantly since initial recognition the loss allowance are measured as 12-month ECL. For balance repayable on demand, or where the credit risk has increased significantly since initial recognition, a lifetime ECL is measured. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive, therefore considering future expectations). ECLs are discounted at the effective interest rate of the financial asset.

The majority of the Company's financial assets are amounts owed by fellow Group undertakings. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers the available cash and cash equivalents within the fellow undertaking, the net current assets of the undertaking and future cash generation. Assets are provided in full and subsequently written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery could include, amongst others, evidence that the fellow undertaking has entered liquidation proceedings, or no reasonable expectation that sufficient future cash generation to repay the loan will occur in the fellow Group undertaking.

1. Accounting policies *(continued)*

(p) Deferred tax – *Note 12*

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available in the foreseeable future against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised within the foreseeable future.

(q) Other receivables – *Note 13*

The 'general approach' is applied to the impairment financial assets, the amount of which is based on whether there has been a significant deterioration in the credit risk of a financial asset.

(r) Borrowings – *Note 14*

Bank overdrafts are shown within borrowings in current liabilities and bank loans are shown within borrowings in either current liabilities or non-current liabilities depending on the maturity date.

Financial liabilities are classified as either amortised cost or fair value through profit and loss. Borrowings are recognised initially at fair value net of direct issue costs and subsequently at amortised cost. Differences between initial value and redemption value are recorded in the income statement over the period of the loan. The fair value of borrowings due for repayment after more than one year approximates to the carrying value as they are primarily floating rate loans where payments are reset to market rates at regular short-term intervals.

(s) Other payables – *Note 15*

Trade payables are not interest-bearing and are stated at their nominal value.

(t) Recent accounting developments

Adopted by the Company

The following standards, interpretations and amendments to existing standards became effective for periods commencing on or after 1 January 2021 and were adopted by the Company from 1 July 2021 and have not had a material impact on the Company:

	Effective date (period commencing)	Adopted by the UK
Amendments and Interpretations to IFRS		
- IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments*, IAS 7 *Statement of Cash Flows*, IFRS 4 *Insurance Contracts*, IFRS 16 *Property, Plant and Equipment:* Interest Rate Benchmark Reform phase 2	1 Jan 2021	Yes
- IFRS 4 Insurance *Contracts: Deferral if IFRS 9*	1 Jan 2021	Yes
- IFRS 3 *Business Combinations;* IAS 16 *Property, Plant and Equipment;* IAS 37 *Provisions, Contingent* Liabilities *and Contingent Assets:* Annual Improvements 2018-2022	1 Jan 2021	Yes
- IFRS 16 *Leases*: COVID-19 Related Rent Concessions beyond 30 June 2021.	1 Apr 2021	Yes

1. Accounting policies *(continued)*

(t) Recent accounting developments *(continued)*

Issued standards, amendments and interpretations not yet effective

The following standards, interpretations and amendments to existing standards have been issued but were not yet mandatory for the Group for the accounting period commencing on 1 July 2021 and are not expected to have a material impact on the Company:

	Effective date (period commencing)	Adopted by the UK
Issued IFRS		
- IFRS 17 *Insurance Contracts;* including amendments to *IFRS* 17	1 Jan 2023	Yes
Amendments and Interpretations to IFRS		
- IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2, Disclosure of Accounting policies	1 Jan 2023	Yes
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 Jan 2023	Yes
- IAS 1(2) Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current – Deferral of Effective Date	1 Jan 2023	No
- IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023	No
- IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative Information	1 Jan 2023	No

2. Revenue

Accounting policy – Note 1(e)

Customer location	2022 £'000	2021 £'000
United Kingdom	**385**	587
Mainland Europe	**135**	114
North America	**66**	200
Australia	**38**	78
Rest of the World	**56**	96
Total	**680**	1,075

Revenue stream	2022 £'000	2021 £'000
Services provided	**680**	1,075

3. Specific adjusting items

Accounting policy – Note 1(f)

Amounts (charged)/credited to the statement of comprehensive income:

	Note	2022 £'000	2021 £'000
Impairment (charge)/reversal on fixed asset investments	*(1)*	**(16,483)**	44,807
Impairment reversal/(charge) on amounts owed by fellow Group undertakings	*(2)*	**336**	(28)
Total specific adjusting items after tax		**(16,147)**	44,779

(1) Impairment of fixed asset investments was charged (2021: reversal of impairment was credited) to specific adjusting items within comprehensive income. Further details are provided in Note 11.

(2) The required provision on the Company's loans due from its subsidiary Ricardo GmbH was decreased by £336,000 (2021: increased by £28,000). Further details are provided in Note 13.

4. Operating profit/(loss)

Operating profit/(loss) is stated after (charging)/crediting:

	Note	2022 £'000	2021 £'000
Amortisation of intangible assets	*10*	**(208)**	(233)
Impairment (charge)/reversal on fixed asset investments	*11*	**(16,483)**	44,807
Impairment reversal/(charge) on amounts owed by fellow Group undertakings	*13*	**336**	(28)
Auditor's remuneration		**(21)**	(24)

5. Directors' remuneration

No emoluments were paid by the Company to any Director (2021: £nil). The Directors were paid by the ultimate parent company. Their services to this Company are considered incidental to their duties in respect of the Group.

6. Employee information

Accounting policy – Note 1(g)

Staff costs	2022 £'000	2021 £'000
Wages and salaries	**997**	909
Social security costs	**119**	98
Pensions costs - defined contribution schemes	**54**	52
Total staff costs	**1,170**	1,059

Average monthly number of employees	2022	2021
Management and administration	**9**	8

7. Net finance costs

Accounting policy – Note 1(i)

	2022 £'000	2021 £'000
Finance income		
Interest receivable from fellow Group undertakings	**2,425**	2,896
Total finance income	**2,425**	2,896
Finance costs		
Interest payable on bank borrowings	**1,468**	1,616
Interest payable to fellow Group undertakings	**1,452**	1,341
Dividend payable on preference shares: 4p (2021: 4p) per share	**4**	4
Total finance costs	**2,924**	2,961
Net finance costs	**(499)**	(65)

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8. Income tax credit on profit/(loss)

Accounting policies – Notes 1(j) and 1(p)

	Note	2022 £'000	2021 £'000
Current income tax			
UK corporation tax		**(228)**	(49)
Adjustments in respect of prior years		**-**	(24)
Total UK tax		**(228)**	(73)
Foreign corporation tax		**31**	-
Total current tax		**(197)**	(73)
Deferred tax			
Credit for the year	*12*	**(36)**	(45)
Impact of change in UK tax rate	*12*	**-**	(29)
Total deferred tax		**(36)**	(74)
Total taxation credit		**(233)**	(147)

The main rate of UK corporation tax for the year ending 30 June 2022 is 19% (2021: 19%).

Changes to the UK corporation tax rates were enacted on 24 May 2021 as part of the Finance Bill 2021, which will increase the main rate from 19% to 25% from 1 April 2023. The main rate will remain at 19% until 1 April 2023. Deferred taxes at the reporting date have been measured and reflected in these financial statements by using the applicable tax rate of 25%. Overseas deferred taxes at the reporting date have been measured and reflected in these financial statements by using the enacted rate within each jurisdiction.

The income tax credit for the financial year is lower than (2021: lower than) the standard effective rate of corporation tax in the UK. The differences are explained below:

	2022 £'000	2021 £'000
(Loss)/profit before taxation	**(14,519)**	44,335
Multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**(2,759)**	8,424
Effects of:		
Expenses not deductible for tax purposes	**3,069**	(8,508)
Non-taxable income for tax purposes	**(566)**	-
Group relief	**235**	-
Payment/(receipt) for group relief	**(228)**	-
Remeasurement of deferred tax for changes in tax rates	**(9)**	(39)
Adjustments in respect of prior years	**-**	(24)
Foreign taxation	**31**	-
Withholding tax relief	**(6)**	-
Total taxation credit	**(233)**	(147)

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9. Dividends

Accounting policy – Note 1(k)

	2022	2021
	£'000	£'000
Interim dividend for the year ended 30 June 2022 of 15p (2021: 0p) per share	**15,002**	-
Equity dividends paid	**15,002**	**-**

The Directors have not proposed a final dividend for the year ended 30 June 2022 (2021: £nil).

10.Intangible assets

Accounting policy – Note 1(l)

	Software
	£'000
Cost	
At 1 July 2021	1,366
At 30 June 2022	**1,366**
Accumulated amortisation	
At 1 July 2021	878
Charge for the period	208
At 30 June 2022	**1,086**
Net book value	
At 1 July 2021	488
At 30 June 2022	**280**

The amortisation charge of £208,000 (2021: £233,000) is included within administrative expenses in comprehensive income.

11.Investments

Accounting policy – Note 1(m)

	Note	Shares in Group undertakings £'000
Cost		
At 1 July 2020		555,227
Additions	*(1)*	275
At 30 June 2021		555,502
At 1 July 2021		**555,502**
Additions	*(2)*	**7,089**
At 30 June 2022		**562,591**
Accumulated depreciation and impairment		
At 1 July 2020		280,146
Impairment reversal	*(3)*	(44,807)
At 30 June 2021		235,339
At 1 July 2021		**235,339**
Impairment charge	*(3)*	**16,483**
At 30 June 2022		**251,822**
Net book value		
At 1 July 2020		275,081
At 30 June 2021		320,163
At 30 June 2022		**310,769**

(1) During the prior year, the Company acquired 100% of the issued share capital of the newly incorporated Ricardo Rail (Taiwan) Ltd, the principal activity of which is that of rail consulting.

(2) During the current year, the Company increased its investment in Ricardo Australia Pty Ltd, a direct subsidiary of the Company by £7,002,000. The principal activity of Ricardo Australia Pty Ltd is that of an intermediate holding company, with its subsidiaries being; Inside Infrastructure Pty Ltd (acquired in the current year on 21 March 2022), Ricardo Rail Australia Pty Ltd and Ricardo Energy Environment and Planning Pty Ltd. Also during the current year, the Company acquired 100% of the issued share capital of the newly incorporated Ricardo Canada Inc at a cost of £87,000. The principal activity of this company is rail consulting and business development.

(3) Where an indicator of impairment, or an indicator that an impairment loss recognised in prior periods may have decreased exists, the Directors have performed an impairment review to compare the value in use with the carrying value of investments. The value in use was estimated using a discounted cash flow valuation. The five-year cash flow forecasts are based on the budget for the following year (year one) and the business plans for years two to five. The five-year plan is prepared by management, and is reviewed and approved by the Group's Board. The five-year plan reflects past experience, management's assessment of the current contract portfolio, contract wins, contract retention, price increases, gross margin, as well as future expected market trends (including the impact of climate change, where relevant), adjusted to meet the requirements of IAS 36 *Impairment of Assets*.

11. Investments (continued)

Cash flows beyond year five are projected into perpetuity using a long-term growth rate, which is determined as being the lower of the planned compound annual growth rate in each subsidiary, or group of subsidiaries five-year plan and external third party forecasts of the prevailing inflation and economic growth rates for each of the territories in which each subsidiary, or group of subsidiaries, primarily operates. Global Automotive and Industrial cashflows were analysed into cashflows expected to arise directly from revenues related to established mobility, such as fossil fuel internal combustion engines, and those related to emerging technologies, such as electrification. Due to regulatory and other changes in the market relating to internal combustion engines (ICE), a long-term decrease of 10% p.a. has been applied to established mobility cashflows, and a long-term growth rate of 3% p.a., based on prevailing inflation and economic growth by territory, has been applied to the emerging technologies cashflows.

The cash flows are discounted at a pre-tax discount rate, which is derived from externally sourced data and reflects the current market assessment of the Group's time value of money and risks specific to each subsidiary. Research and Development Expenditure Credits ('RDEC') cashflows are included in the value-in-use calculations for A&I – Established, A&I – Emerging, Performance Products and Energy and Environment. These cashflows are material to Ricardo UK Limited and have been included on the basis that there is no indication that the UK government will withdraw this benefit.

The risks associated with climate change which have been incorporated into the five-year planning process include the known and expected increased regulation in relation the use of the internal combustion engine (ICE) and the impact that will have on our customers operating in this market. The five-year planning process takes into account the requirement to adapt our product and service portfolios in response to megatrends influenced by climate change. Some risks, such as the risk of sea level rise (see discussion of Principal Risks on page 58 of the Group Annual Report) are expected to arise outside of the timeline of the five-year plan and are not considered sufficiently quantifiable to include in the longer-term element of the value-in-use calculation. No other individually significant key financial risks or expenditures have been identified and any additional costs of meeting our net zero objective are not expected to be significant. These value in use calculation are also used to support the carrying value of intercompany loan receivables. The cashflows of the business are preferentially allocated to support the intercompany loan receivables over the investment asset (see Note 13).

The results of the impairment review show that the carrying value of the following investments was (less than)/in excess of its value in use, resulting in an (impairment charge)/ impairment reversal:

Impairment (charge)/reversal to investments	**2022 £'000**	2021 £'000
Ricardo UK Limited	**(20,417)**	25,961
Ricardo-AEA Limited	**-**	7,584
Ricardo Prague s.r.o.	-	2,082
Ricardo Italia srl	**-**	1,405
Ricardo Nederland BV	**-**	550
Ricardo Innovations Limited	**-**	22
Ricardo Software Limited	**-**	1
Ricardo Asia Limited	**252**	(252)
Ricardo Japan K.K.	**407**	(702)
Ricardo Rail Limited	**3,275**	8,156
At 30 June	**(16,483)**	44,807

11. Investments (continued)

The A&I segment of the Group has faced challenging trading conditions in the current and prior financial years. The A&I five-year plan projects growth in revenue and operating profit, which is to be delivered through a combination of diversification into new innovative green technologies and markets, together with improving efficiency as a result of restructuring actions, including those which were implemented during FY 2021/22. Therefore, it was considered appropriate to carry out additional sensitivity analysis on operating profit for these entities.

The sensitivities assessed include a 10% reduction in planned operating profit (20% for A&I), a 10% increase in working capital movement, a 2% increase in the pre-tax discount rate and a 2% decrease in the long-term growth rate. If any of these scenarios were realised individually, the Company would have a range of additional impairment charge to its investments from £1,903,000 to £28,490,000. There would also be an impact on the intercompany loan receivable balance of between nil and £297,000 (see Note 13). Excluding RDEC from the Ricardo UK Limited value-in-use calculation would result in an impairment charge of £33,443,000.

Further details on the Company's investments, including their registered office and principal activity is given in Note 19. An explanation for the impairment charge/reversals is provided in the strategic report.

12.Deferred tax

Accounting policy – Note 1(p)

Recognised deferred tax assets	*Note*	**2022 £'000**	2021 £'000
At 1 July		**164**	90
Credit for the year	*8*	**36**	45
Impact of change in UK tax rate	*8*	**-**	29
At 30 June		**200**	164

Recognised deferred tax assets	**2022 £'000**	2021 £'000
Other timing differences	**200**	164
At 30 June	**200**	164

13.Other receivables

Accounting policy – Note 1(o) and 1(q)

	2022 £'000	2021 £'000
Current other receivables		
Amounts owed by fellow Group undertakings	**4,007**	4,234
Prepayments and accrued income	**27**	29
Total current other receivables	**4,034**	4,263
Non-current other receivables		
Amounts owed by fellow Group undertakings	**91,404**	112,544
Less: provision for impairment of receivables	**(19,735)**	(20,071)
Amounts owed by fellow Group undertakings - net	**71,669**	92,473
Total non-current other receivables	**71,669**	92,473
At 30 June	**75,703**	96,736

The required provision on the Company's loans due from its subsidiary Ricardo GmbH was reduced by £336,000 (2021: increased by £28,000). The estimates relevant to this provision are discussed in Note 11.

Non-current amounts owed by fellow Group undertakings of £91,404,000 (2021: £112,544,000) are unsecured and repayable on demand, with no fixed repayment date and with interest rates between 0.5% and 3.5% (2021: 0.5% and 3.5%). Current amounts owed by fellow Group undertakings of £4,007,000 (2021: £4,234,000) are due within the next financial year and are interest-free.

14.Borrowings

Accounting policy – Note 1(r)

	2022 £'000	2021 £'000
Current borrowings		
Bank overdraft	**-**	20
Total current borrowings	**-**	20
Non-current other receivables		
Bank loans	**75,000**	77,000
Preference share capital (100,000 shares at £1 each)	**100**	100
Total non-current borrowings	**75,100**	77,100
At 30 June	**75,100**	77,120

Bank overdraft

The Company shares its banking facilities with fellow UK subsidiaries of the Group which together have a net overdraft limit, but the balances are presented on a gross basis in the financial statements. Bank balances are presented as cash and cash equivalents, whereas bank overdrafts are presented as borrowings within current liabilities.

14.Borrowings *(continued)*

Bank loans

At the year-end, the Group held total banking facilities of £216,805,000 (2021: £215,511,000), which included committed facilities of £200,000,000 (2021: £200,000,000). The committed facility consists of a £200.0m multi-currency Revolving Credit Facility ('RCF') which provides the Group with committed funding through to July 2023. As set out in Note 20 the Group completed a refinance of its banking facilities on 2 August 2022. In addition, the Group has uncommitted facilities including overdrafts of £16,805,000 (2021: £15,511,000), which mature throughout this and the next financial year and are renewable annually.

At the year-end, the Group held non-current bank loans comprised of committed facilities of £74,499,000 (2021: £75,804,000), net of direct issue costs, which were drawn primarily to fund acquisitions and for general corporate purposes. These are denominated in Pounds Sterling and have variable rates of interest dependent upon the Group's adjusted leverage, which range from 1.4% to 2.2% above SONIA (2021: 1.4% to 2.2% above LIBOR).

Adjusted leverage is defined in the Group's banking documents as being the ratio of total net debt to adjusted EBITDA. Adjusted EBITDA is further defined as being operating profit before interest, tax, depreciation and amortisation, adjusted for any one-off, non-recurring, exceptional costs and acquisitions or disposals during the relevant period. At the reporting date, the Group has an adjusted leverage of 0.8x which attracts a rate of interest of SONIA plus 1.4% (2021: LIBOR plus 1.8%).

Preference share capital

The fixed rate preference shareholders have the right to vote at a general meeting of the Company and each share carries one vote. The fixed rate preference shares have the right to receive a fixed rate cumulative dividend equal to 4% of their nominal value per annum, in preference to dividends paid on the non-voting ordinary shares. On a return of capital on winding up or repayment of capital by any other means, the fixed rate preference shareholders are entitled to receive an amount equal to the amount paid up on these shares, in preference to any return of capital to the holders of the non-voting ordinary shares. The holders of the fixed rate preference shares have no rights to any further participation in the profits or other assets of the Company.

15.Other payables

Accounting policy – Note 1(s)

	Note	**2022** **£'000**	2021 £'000
Taxation and social security payable		**42**	35
Amounts owed to fellow Group undertakings		**62,437**	61,282
Accruals and deferred income		**483**	493
At 30 June		**62,962**	61,810

Amounts owed to fellow Group undertakings are unsecured and include £61,519,000 (2021: £60,297,000) being repayable on demand, with no fixed repayment date, with the remaining £918,000 (2021: £985,000) due within the next financial year. Of the amounts owed to fellow Group undertakings, £61,519,000 (2021: £49,275,000) bears interest at rates between 2.5% and 3.0% (2021: 2.5% and 3.0%), with the remaining £918,000 (2021: £12,007,000) being interest-free.

16. Share capital

Allotted, called-up and fully paid	2022 £'000	2021 £'000
1,000,100 (2021:1,000,100) ordinary shares of £1 each	**1,000**	1,000
At 1 July and 30 June	**1,000**	1,000

These ordinary shares do not have any voting rights, except where a resolution is proposed at a general meeting of the Company that cancels, varies or modifies any of the rights or privileges of the holders of these shares, in which case they shall only be entitled to vote on such resolution.

17. Contingent liabilities

The Company is a participant in a Group banking arrangement that is ultimately controlled by Ricardo plc. Under the terms of this arrangement, the Company is named as a guarantor of, and has access to, these facilities through its ultimate parent company, together with a number of other material fellow subsidiaries of the Group. Please see Note 14 for further details.

18. Controlling party

The ultimate parent company and the controlling party is Ricardo plc, which is the parent of the smallest and largest group to consolidate these financial statements. Copies of the Ricardo plc consolidated financial statements can be obtained from www.ricardo.com or from the Group's Company Secretary, Ricardo plc, Shoreham Technical Centre, Shoreham-by-Sea, West Sussex, BN43 5FG, England, United Kingdom.

19. Subsidiaries and related undertakings

The Company owns, directly(*) or indirectly, 100% of the issued share capital, unless otherwise noted, of the following subsidiaries and related undertakings as at 30 June 2022:

UK subsidiaries

All UK subsidiaries are registered in England and Wales.

Subsidiary or related undertaking	Registered office	Company Number	Principal activities
Ricardo EMEA Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	09461485	Holding Company and Management Services
Power Planning Associates Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	03419816	Holding Company
Ricardo Certification Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	09481761	Independent Assurance
Ricardo UK Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	02815682	Automotive & Industrial Consulting, Strategic Consulting, Defence Consulting &

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19. Subsidiaries and related undertakings *(continued)*

Subsidiary or related undertaking	Registered office	Company Number	Principal activities
			Performance Products
Ricardo Asia Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	03143661	Automotive & Industrial Consulting, Rail Consulting and Business Development
Ricardo-AEA Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	08229264	Energy & Environmental Consulting
Cascade Consulting (Environment & Planning) Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	04176068	Energy & Environmental Consulting
Ricardo Innovations Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	08977105	Energy & Environmental Consulting
Ricardo Rail Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	03226319	Rail Consulting
Ricardo Simulation Ltd* (1)	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	13648431	Software Solutions
Ricardo Consulting Engineers Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	05891521	Non-trading
Ricardo Software Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	07527490	Dormant
Ricardo Strategic Consulting Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	03696451	Dormant
Ricardo Technology Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	02924157	Dormant
Ricardo Transmissions Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	01498115	Dormant
Ricardo Pension Scheme (Trustees) Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom	02376569	Dormant

19. Subsidiaries and related undertakings *(continued)*

Overseas subsidiaries

Subsidiary or related undertaking	Registered office	Country of registration	Principal activities
Ricardo Energy Environment and Planning Pty Ltd	Grant Thornton Australia Limited, Level 17, 383 Kent Street, Sydney, NSW, 2000, Australia	Australia	Energy & Environmental Consulting
Ricardo Australia Pty Ltd*	Level 7, 151 Clarence Street, Sydney, New South Wales, 2000, Australia	Australia	Energy & Environmental Consulting and Rail Consulting
Ricardo Rail Australia Pty Ltd	Suite 2.01, Level 2, Tower B, The Zenith, 821 Pacific Highway, Chatswood, New South Wales, 2067, Australia	Australia	Rail Consulting
Wamarragu Transport Services Pty Ltd (45%) (2)	Suite 2.01, Level 2, Tower B, The Zenith, 821 Pacific Highway, Chatswood, New South Wales, 2067, Australia	Australia	Rail Consulting
Inside Infrastructure Pty Ltd*	Level 1, 101 Flinders Street, Adelaide, SA 5000, Australia	Australia	Energy & Environmental Consulting
Ricardo Canada, Inc *	2600-160 Elgin Street, Ottawa, Ontario, Canada, K0A 3PO	Canada	Business Development
Chongqing Transportation Railway Safety Assessment Center Limited (60%) (3)	No. 2 Yangliu Road, Mid Huangshan Street, New North District, Chongqing, 401123, PR China	China	In Liquidation
Ricardo Beijing Company Limited	Room 1302, Building 11, No.1 Xiangheyuan Street, Dongcheng District, Beijing P.R. of China	China	Independent Assurance
Ricardo Prague s.r.o. *	Palác Karlín, Thámova 11-13, 186 00 Praha 8, Czech Republic	Czech Republic	Automotive & Industrial Consulting and Software
Ricardo Simulation s.r.o * (1)	Palác Karlín, Thámova 11-13, 186 00 Praha 8, Czech Republic	Czech Republic	Software Solutions
Ricardo Certification Denmark ApS	Høffdingsvej 34, 2500 Valby, Copenhagen, Denmark	Denmark	Independent Assurance
Ricardo GmbH *	Güglingstraße 66, 73529, Schwäbisch Gmünd, Germany	Germany	Automotive & Industrial Consulting and Business Development
Ricardo Strategic Consulting GmbH	Güglingstraße 66, 73529, Schwäbisch Gmünd, Germany	Germany	Strategic Consulting
Ricardo Hong Kong Limited	Units No.18, 11/F., Shui On Centre, 6-8 Harbour Road, Hong Kong	Hong Kong	Rail Consulting
Ricardo India Private Limited (4)	6th Floor, M6 Plaza, Jasola District Centre, New Delhi 110076, India	India	Business Development
Ricardo Italia s.r.l.*	Via Giovanni Pascoli 47, 47853, Cerasolo, Coriano, Rimini, Italy	Italy	Automotive & Industrial Consulting

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19. Subsidiaries and related undertakings *(continued)*

Subsidiary or related undertaking	Registered office	Country of registration	Principal activities
			and Business Development
Ricardo Japan K.K.*	18th Floor, Shin Yokohama Square Building, 2-3-12 Shin Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa, 222-0033, Japan	Japan	Automotive & Industrial Consulting, Rail Consulting and Business Development
Ricardo Nederland B.V.*	Daalsesingel 51, 3511SW Utrecht	Netherlands	Rail Consulting
Ricardo Certification B.V.	Daalsesingel 51, 3511SW Utrecht	Netherlands	Independent Assurance
Ricardo Technical Consultancy LLC (49%) (5)	Palm Tower, Block B, 15th Floor, P.O. Box 26600, West Bay, Doha, Qatar	Qatar	Independent Assurance
Ricardo Environment Arabia LLC (6)	Bahrain Tower, Building Number 8953, 2393, King Fahd Road, Olaya, 12214, Kingdom of Saudi Arabia	Saudi Arabia	Dormant
Ricardo Singapore Pte Limited	141 Middle Road, 5-6 GSM Building, 188976, Singapore	Singapore	Rail Consulting
Ricardo South Africa (Pty) Ltd	111 Pretoria Road, Rynfield, Benoni, Johannesburg, 1501, South Africa	South Africa	Energy & Environmental Consulting
Ricardo Consulting SL	Agustín de Foxá 29, 9B, 28036, Madrid, Spain	Spain	Energy & Environmental Consulting and Rail Consulting
Ricardo Certification Iberia SL	Agustín de Foxá 29, 9B, 28036, Madrid, Spain	Spain	Independent Assurance
Ricardo Rail (Taiwan) Ltd	11F-2 (Westside), No.51, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	Taiwan	Independent Assurance
Ricardo (Thailand) Ltd (49%) (7)	140/36 ITF Tower 17th Floor, Silom Road, Kwang Surawong, Khet bangrak, Bangkok, 10500, Thailand	Thailand	In Liquidation
Ricardo Gulf Technical Consultancy LLC (49%) (8)	Abu Dhabi Island, Corniche Street, G5, Block 17, Floor 11, Office 1108, Unit Building / Mesmak Real Estate Company, United Arab Emirates	UAE	Energy & Environmental Consulting
Ricardo Defense Systems LLC	35860 Beattie Dr, Sterling heights, Michigan, 48312, United States	USA	Defence Manufacture
Ricardo Defense, Inc.	175 Cremona Drive, Suite 140, Goleta, California, 93117, United States	USA	Defence Consulting
C2D Joint Venture (33.3%) (9)	175 Cremona Drive, Suite 140, Goleta, California, 93117, United States	USA	Defence Consulting
Ricardo, Inc.	Detroit Technical Campus, 40000 Ricardo Drive, Van Buren Township, Detroit, Michigan, 48111-1641, United States	USA	Automotive & Industrial Consulting, Strategic Consulting and Software and Rail Consulting

19. Subsidiaries and related undertakings *(continued)*

Subsidiary or related undertaking	Registered office	Country of registration	Principal activities
Ricardo Simulation Inc (1)	c/o Agent - The Corporation Company, 40600 Ann Arbor Rd East, Suite 201, Plymouth MI, 48170	USA	Software Solutions
Ricardo US Holdings Inc. *	Detroit Technical Campus, 40000 Ricardo Drive, Van Buren Township, Detroit, Michigan, 48111-1641, United States	USA	Holding Company
Ricardo Real Estate LLC	Detroit Technical Campus, 40000 Ricardo Drive, Van Buren Township, Detroit, Michigan, 48111-1641, United States	USA	Property Investment Company
Ricardo Software, Inc.	Detroit Technical Campus, 40000 Ricardo Drive, Van Buren Township, Detroit, Michigan, 48111-1641, United States	USA	Dormant
AR1 Joint Venture (50%) (10)	C/O - 175 Cremona Drive, Suite 140, Goleta, California, 93117, United States	USA	Dormant

(1) Disposed of 1 August 2022 (see Note 20).
(2) 45% owned by Ricardo Rail Australia Pty Ltd; 55% owned by Justin Brooker Nominees Pty Ltd.
(3) 60% owned by Ricardo Beijing Company Limited and 40% owned by Chongqing Science & Technology Testing Center Limited.
(4) 1 share owned by Ricardo UK Limited, with remaining 56,707 shares owned by Ricardo plc.
(5) 49% of share capital and 97% of retained earnings owned by Ricardo Rail Limited and 51% of share capital and 3% of retained earnings owned by Pro-Partnership LLC.
(6) 15% owned by Ricardo plc and 85% owned by Ricardo-AEA Limited.
(7) 49% of share capital and 100% of retained earnings is owned by Ricardo Hong Kong Limited, with 51% of the share capital and none of retained earning owned by First Asia Industries Limited.
(8) 49% of share capital and 80% of retained earnings owned by Ricardo Rail Limited and 51% of share capital and 20% of retained earnings owned by SSD Commercial Investment.
(9) 33% of share capital and 98% of retained earnings owned by Ricardo Defense, Inc., 33% of share capital and 1% of retained earnings owned by DG Technologies, and 3% of share capital and 1% of retained earnings owned by Claxton Logistics Services, LLC.
(10) 50% owned by Ricardo Defense, Inc. and 50% owned by ACE Electronics

20. Events after the reporting date

On 2 August 2022, the Group completed a refinance of its banking facilities and entered into a new £150,000,000 committed multi-currency Revolving Credit Facility ('RCF'). The banking facilities were used to repay and cancel the previous committed RCF of £200,000,000 that was in place at the reporting date, as set out in Note 14. The RCF is committed for four years to August 2026 with an uncommitted option to extend for a further year and with an additional uncommitted £50,000,000 accordion. The interest rate of the facility ranges from 1.65% to 2.45% above SONIA and is dependent upon the Group's adjusted leverage. All other terms of the facility remain materially the same.

On 1 August 2022, the Group completed the sale of its Software business. The Company received £8.7m (USD 10.6m) consideration for its investment in the associated subsidiaries (see Note 19 (1)) which had a carrying value of £nil.