



Premium Brand

World Class Infrastructure

World Class Technology & Products

Right Team, Right Culture

Global

One Firm

Contents

- 3** Highlights
- 4** Interim Management Report
- 13** Consolidated Income Statement
- 14** Consolidated Statement of Recognised Income and Expense
- 15** Consolidated Balance Sheet
- 16** Consolidated Cash Flow Statement
- 17** Notes to the Interim Financial Statements
- 21** Statement of Directors' Responsibilities
- 22** Independent Review Report

Corporate Statement

Ricardo plc is a market leading engineering, management and automotive consultancy, employing over 1700 people worldwide. The company has centres in the UK, USA, Germany, Czech Republic, India, Japan and China and a global client list including the world's major automotive OEMs, Tier I suppliers to OEMs, energy companies and governments.

Highlights

Revenue up 14% to £95.2m (H1 2006: £83.8m)

Profit before tax up 22% to £5.6m (H1 2006: £4.6m)

Order book up 26% to £98m (H1 2006: £78m)

Net debt reduced to £8.2m (H1 2006: £18.7m)

Interim dividend increased by 6.9% to 3.1p (H1 2006: 2.9p)

Results underpinned by good performance in the UK business with strong order intake from its Asian customers, successful restructuring in the US, further development in Germany and growth in Ricardo Strategic Consulting

A good start to the second half with good order intake from the key major markets of Europe, US and Asia



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

“We are pleased with the Group’s performance in the first half, with profit before tax up 22%. The strategy to expand the technical, sector and geographical spread of Ricardo’s business is gathering real momentum and delivering tangible results in terms of revenue, profit, order book and increased client base. Our CO₂ reducing technologies and engineering expertise continue to be in strong demand.

Trading in the second half has started well and order prospects continue to build across the business. We are confident that the full year for 2007/8 will be a year of continued progress.”

Interim Management Report

SUMMARY OF RESULTS

The first half performance has delivered both business and profit growth with revenue up 14% to £95.2m, profit before tax up 22% to £5.6m and operating margin improving to 6.4% from 6.1% in the same period last year. The order book closed at £98m compared to £78m twelve months ago and to £92m in June 2007.

Technical Consulting

Growth in the Technical Consulting business has been underpinned by the increase in orders won from Asia, mostly delivered by our UK division and the implementation of a restructuring programme in the US. Following the appointment of a new President for the US business in 2007, we have reduced the base business cost and reinvigorated business development activities. We have also continued to increase margins for our engineering expertise and improve the delivery across the Group. Overall the Technical Consulting business has demonstrated continued growth both in terms of revenue and operating profit compared to the first half last year.

Strategic Consulting

Strategic Consulting performed to plan in the first half and has successfully continued to build a strong pipeline of work. This has led to increased revenue compared to the first half last year, as the client base develops globally.

Continued focus on cash management resulted in net debt (cash, cash equivalents and bank loans) of £8.2m compared to £18.7m in the same period last year. In particular, we have benefitted from advance payments from clients, increasing the trade and other payables within working capital.

The net pension deficit at £17.4m compared to £22.7m in December 2006 and £16.7m in June 2007. A cash contribution plan to substantially reduce the deficit over a nine-year period commenced in 2005/6. In 2008 we are reviewing the investment and funding strategy of the defined benefit pension scheme as part of the triennial valuation.



Basic earnings per share for the first half increased to 9.3p from 8.9p in the same period last year. In the last financial year we enjoyed the significant benefit from retrospective R&D tax credits in both the UK and the USA, which boosted the full year earnings per share and which we do not expect to repeat this financial year.

We are declaring an interim dividend of 3.1p, an increase of 6.9% on the prior year interim dividend of 2.9p. Our dividend policy is to maintain a 2x to 2.5x cover ratio. The dividend will be paid on 18 April 2008 to all shareholders on the register at close of business on 25 March 2008.

We are required to report on any seasonality or cyclicalities affecting half year compared to full year performance. The second half of the financial year is normally subject to less annual leave, both at clients and amongst the Ricardo team, and is therefore normally more profitable. This financial year is expected to show a similar pattern.

We are required to report on the principal risks and uncertainties for the remaining six months of the financial year. Delivery of increased profits in the second half depends principally on customers holding to their plans, the conversion of a good pipeline of prospects into orders, and the effective delivery of all our business to our customers.

The AFS Trinity Extreme Hybrid SUV is just one example of Ricardo's extensive CO₂ reduction programmes



STRATEGY UPDATE

The strategy of broadening the technical and strategic offering, together with an expansion in client, sector and geographical base continues. Our focus on solving global, industry and environmental issues through investment in and deployment of cost effective environmentally responsible transport solutions is delivering results for clients, Ricardo and society in general. Our CO₂ reducing technologies and deep engineering expertise continue to be in strong demand world-wide, penetrating beyond our traditional automotive clients.

The technical drivers in our industry continue to be those of fuel economy improvement, emissions reduction and automotive safety enhancement. The most significant industry business issues remain OEM profit generation in competitive markets, often disrupted by new entrants, and the exploitation of emerging market development. These are driven by legislation, increasing in profile and time critical. We continue to invest to develop technology and expertise to provide solutions to these global drivers.

In terms of new market development, we were pleased to open our office in India in response to demand from the expanding Indian automotive industry. We also continued our focus on the Russian market, and as a result we were awarded new contracts and additional opportunities. It is clear that these markets will increase in importance on the automotive stage both domestically and internationally.

The order book is increasing across the business, with growing order intake and opportunities from new and traditional clients. The business is running with a higher heart beat, with improved utilisation levels and a more aggressive business development focus.

TECHNICAL CONSULTING

UK

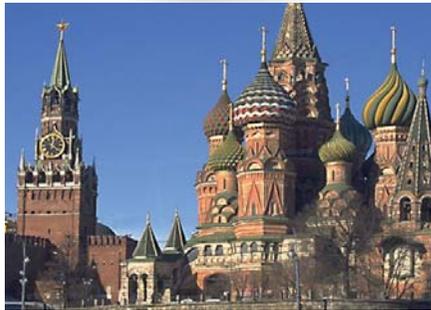
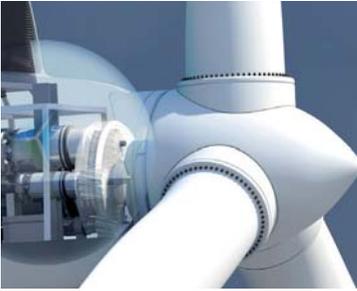
The UK business had a good first half with increased order book, order intake, revenue and operating profit compared to the same period in the prior year. The new orders reflect our continued focus on Asian markets, with Japan delivering particularly strong growth together with an increased level of business from European clients, including pass through work from our busy German business and programmes from other parts of mainland Europe including Russia.

Recent project wins have provided a good technical spread and we are actively recruiting in the areas of transmissions, engines and electronics to service the demand. Our test beds continue to be well utilised.

The engines business has continued to be underpinned by diesel projects in both the commercial vehicle and passenger car sectors. Emissions legislation, competitive pressure on fuel economy and growth of demand for diesels in the US market continue to be major drivers. Our diesel expertise is being deployed on programmes for European, American, Chinese, Indian and Japanese clients. However we have also seen a good increase in the level of gasoline engine business covering sectors from small city cars to high profile super cars for European and Asian clients.

The transmissions and driveline business continues to benefit from investment in R&D, specifically in the areas of electronic dual clutch technology, electronic automated manual transmission and torque vectoring, all of which are generating new programmes with our global client base. New programmes are being won from Asian customers, which are enhancing our penetration of this growing market. The high performance transmissions business has had a strong period with solid order intake, particularly from F1 teams as well as GT programmes in Europe and Japan. Once again Ford were successful in winning the World Rally Car Championship with the support of Ricardo driveline systems.





Clockwise from top: New energy sector, defence systems and technology, Russian growth and high performance transmissions

The vehicle business has been re-energised and increased its efforts in the military sector through the establishment of a defence systems and technologies business where the high value automotive technologies are being offered to the defence sector. Sector contacts are increasing as are the opportunities we are bidding for and winning, including a number of hybrid and clean technology programmes. The vehicle business has also secured good levels of order intake from commercial vehicle manufacturers in Asia for powertrain integration and chassis engineering.

The electronics business continued its strong performance, with activity focused in the areas of hybrids, on-board diagnostics, systems integration and emissions control. We continue to recruit in this strategic area to support our developments within the clean technology, safety and intelligent vehicle related areas of automotive engineering. In the period we signed an agreement with the global electronics manufacturer Delta Electronics Inc, whereby we can offer the industry a new Tier 1 route while protecting intellectual property. Our role is to design the electronic modules to automotive standard, which Delta Electronics Inc will then manufacture from their global base.

Our Prague engineering facility continues to develop and expand with a team of approximately 130 and growing towards a target of 160. The high quality eastern European centre covers disciplines including software, design, simulation, analysis and electronic design, supporting global customer programmes covering transmissions, engines and hybrids for passenger car and commercial vehicle sectors. Increasingly the Prague centre is being used for other office business services as well.

USA

Following the change of leadership in May 2007, the US business has undertaken a restructuring programme to improve its performance. After full absorption of the restructuring costs it has demonstrated an increase in operating profit in the first half and is running with more momentum and good levels of utilisation. Order intake in the period was strong with commercially better terms obtained from a more diverse customer base. With a strong pipeline of opportunities and a more commercial focus, the business is well positioned to exploit the increasing focus on, and governmental backing for, CO₂ reduction and new technology. This performance will enable additional investment into locally generated technology, which will continue the positive trend of value added engineering and brand enhancement.

Key programmes include US diesel engine developments, gasoline engine upgrades for US and Asian clients, hybrid powertrains including plug-in hybrid demonstrators, safety and intelligent-vehicle related electronics and total vehicle fuel economy programmes. Clients range from US to Asia and from passenger car OEMs, oil companies and Tier 1s to US Government and military. An interesting addition to our US business is that of the energy sector where we are supporting developments in the wind farm arena.

Our software product business stream, managed by the US division, continued to perform strongly and had a solid first half. Business was generated by increasing our global marketing and introducing new products, which improve the robustness of powertrain design whilst also reducing time to market.

Germany

The German automotive industry is also driven by the challenges of meeting exhaust legislation. This has created a large demand for engineering and development support within Germany, with engineers being in short supply. Our strategy and actions to invest in high quality, locally based, native language speaking staff with the necessary engineering talent, tools and facilities is resulting in an increase in brand awareness, client base, order book and prospects.

Our client base now includes the major automotive passenger car OEMs in Germany, together with Tier 1s and premium players in other sectors such as motorcycle, off highway, marine and power generation. In the period we completed a number of programmes and have received repeat business from customers who are amongst the most demanding in the world both technically and for quality. We are working in partnership with these clients and are increasingly being seen as part of their strategic solution to meet their product development needs.

We and our customers are in competition for the best engineers, and recruitment, while successful, has not allowed us to keep up with the increasing demand, thereby limiting our growth potential. We are building links with universities for the long term, looking at acquisition solutions and continue to pass business to other divisions. However the real focus is on seeking out and attracting the best of talent wherever we can to serve the needs of today. The increasing client profile and brand strength in Germany, the portfolio of leading edge programmes and the new leadership are all helping us to achieve this aim and we are now finding that we can compete for talent with the very best of the premium automotive companies in Germany.



Above, US Diesel engine development and right, continued growth in Asia



Our niche high performance exhaust business has become a USP with the increasing focus on aftertreatment solutions for passenger car and commercial vehicles. The business has performed better than planned with good demand for prototype systems and the continued delivery of a low volume production programme for a premium automotive manufacturer. We are in the process of bringing on stream low cost suppliers to improve the performance of the business.

STRATEGIC CONSULTING

The strategic consulting business has returned to high levels of utilisation and is actively recruiting to support further demand. It has secured a strong position on a number of large programmes, which for the client are strategic in nature and last for more than a year. The client base is well spread geographically and by name, with the order book increasing to strong levels with a good level of risk mitigation. In the first half we have improved the robustness of the business in terms of recruitment, systems, business development and retention of core staff. The business is building inherent strength and a reputation in the market as a core player which delivers. This naturally helps with recruitment of both new clients and talent, much of which comes from other leading consulting companies with people who can see the benefit of deep content management consulting. A number of the core programmes are being delivered in conjunction with technical consulting.

Business continues to be secured around new technology forecasting and implementation, process improvements, organisational performance enhancements, due diligence and corporate strategy, warranty improvement and cost down.

ASIA

Ricardo's orders from Asia are primarily executed in the UK, and therefore reflected in the results of the UK part of Technical Consulting. The following paragraphs give further explanation by key country within Asia of where the business has come from and the drivers in those territories.

Japan

In the period we have received record level of order intake from Japanese clients with a balance of repeat business and new client turnkey outsource programmes. The Japanese automotive industry has continued to increase in strength world-wide with stronger market positions, product portfolios and engineering demands. The industry is adopting an outsource model for the first time and is therefore selecting partners carefully. We are delighted to be receiving repeat business from such high quality clients as we deliver our existing commitments. 2006/7 was a record year for Ricardo in Japan, in terms of engineering order intake, with 2007/8 doubling that pace in the first half from a broader portfolio of customers and product sectors covering almost all of our offerings. We continue to develop and deepen relationships with major Japanese OEMs, and Japan is bringing strong opportunities into the pipeline from the passenger car, commercial vehicle, marine and motorcycle sectors.

China

Ricardo's Chinese operation had a natural change of leadership in the period. Our global head of transmissions took up the post and is leading the Chinese operation through its transition to an engineering and business development operation. The Chinese automotive market has also turned its attention to the next challenge - transmissions.

The development of the engineering operation in China continues with successful recruitment, training and deployment of local engineers. Utilisation is increasing, serving both domestic clients as well as international clients. The current facilities are being outgrown and a move into an engineering facility is planned in the second half of the current year, which will better support our growth aspirations over the coming years. Client activity, relationships and engagement remain high with opportunities and programmes in the area of hybrids, gasoline engines, transmissions and electronics for the passenger car and commercial vehicle sectors.

India

The Indian automotive industry continues to grow, with the leading companies developing both their domestic product portfolios whilst also focusing on export. To compete on the world stage, Indian companies are seeking out companies with technology, quality and engineering processes who can assist with their strategic development. To develop closer relationships with these emerging world players and to access the Indian market, Ricardo opened an office in Delhi in the period and has continued to develop the pipeline of opportunities.

India is keen to demonstrate environmentally responsible industrial growth and is taking the emissions legislation seriously. It was with great honour that our launch event was attended by Nobel Laureate Dr Rajendra K Pachauri, who is the Chairman of the United Nations Intergovernmental Panel on Climate Change, and other leaders from the Indian automotive industry.

South Korea

The South Korean office was busy in the period with leads developed and secured in the passenger car, commercial vehicle and military sectors. The work secured from South Korea is delivered mainly from the UK. The leading South Korean client is also very active itself in the US with a US based development centre, with core decisions normally being referred back to their South Korean head office.

RESEARCH

Ricardo continues to research new technologies and innovative solutions to address its dominant technology drivers of energy security, the reduction of carbon dioxide emissions and automotive safety enhancement. Our major technology activities include a collaborative programme to deliver a commercially viable diesel engine that can meet the most severe emission legislation in the United States market, a unique premium gasoline engine that delivers dramatic improvement through downsizing but with the torque of a diesel engine enabled through seamless switching between 2 and 4 stroke operation, low cost and low energy actuation systems for automatic transmissions and a new approach to engine control using a complete model of the engine to predict parameter settings, substantially reducing the time required for calibration. We also continue to research advanced telematics systems that enhance vehicle fuel economy and safety through information-enabled control.

In the last six months, all of these programmes have made remarkable progress. Our diesel vehicle is now very close to the engine out emission requirements for the US market. Our gasoline concept has achieved seamless switching between 2 stroke and 4 stroke operation. Our new actuation system has been demonstrated at the key transmissions conference in Europe. We have successfully demonstrated real time operation of our model-based engine control system. We are now also active in a range of advanced safety and telematics programmes including the integration of our highly successful torque vectoring vehicle with a steer-by-wire system.



Surjit Singh Kalra, chairman of Ricardo India, addressing attendees of the successful launch event

PEOPLE

The strength of the Group recruitment over the past nine months is being demonstrated in the increased commercial acumen, results and talent management rigour within Ricardo. In the period we have welcomed as Group HR Director Sarah Murphy from Microsoft, we have appointed Dave Pickett to the newly created Group Procurement Director position and we have appointed Dr Peter Heuser to the Managing Director position in Germany. The divisions have continued to strengthen their management teams with recruitment of notable and industry respected non-executive appointments in Germany and the US.

OUTLOOK

We are pleased with the Group's performance in the first half, with profit before tax up 22%. The strategy to expand the technical, sector and geographical spread of Ricardo's business is gathering real momentum and delivering tangible results in terms of revenue, profit, order book and increased client base. Our CO₂ reducing technologies and engineering expertise continue to be in strong demand.

Trading in the second half has started well and order prospects continue to build across the business. We are confident that the full year for 2007/8 will be a year of continued progress.



Dave Shemmans
Chief Executive, 26 February 2008



Notes:

- (a) Related-party transactions are disclosed in Note 9.
- (b) Forward-looking statements: Certain statements in this interim management report 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 report, 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.



Commenting on the results,
Paula Bell, Group Finance Director said:

“As we continue to deliver our strategy of broadening our technical offering with an expanding client, sector and geographical base, the first half performance has delivered both business and profit growth compared to the same period last year, with revenue up 14% to £95.2m and profit before tax up 22% to £5.6m. As the business gathers momentum, the order book closed at £98m compared to £78m twelve months ago and, despite an exciting period of business growth, continued working capital focus has more than halved net debt to £8.2m.”

Consolidated Income Statement

for the six months ended 31 December 2007 (unaudited)

	Notes	Six months ended 31 December 2007 £m	Six months ended 31 December 2006 £m	Year ended 30 June 2007 £m
Revenue	4	95.2	83.8	171.5
Cost of sales		(63.9)	(57.6)	(114.0)
Gross profit		31.3	26.2	57.5
Administration expenses		(25.2)	(21.1)	(44.3)
Operating profit	4	6.1	5.1	13.2
Finance income		0.8	0.9	2.0
Finance costs		(1.3)	(1.4)	(3.0)
Profit before taxation		5.6	4.6	12.2
Taxation	6	(0.9)	(0.1)	2.9
Profit for the period		4.7	4.5	15.1
Profit attributable to minority interest		-	-	0.1
Profit attributable to equity shareholders		4.7	4.5	15.0
Earnings per share	7			
Basic		9.3p	8.9p	29.6p
Diluted		9.2p	8.9p	29.5p

Consolidated Statement of Recognised Income and Expense

for the six months ended 31 December 2007 (unaudited)

	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
	£m	£m	£m
Currency translation differences on net investment in foreign operations	2.1	(1.0)	(1.5)
Fair value gain/(loss) on net investment hedge	(1.1)	0.4	0.4
Cash flow hedges:			
- net fair value losses	(0.3)	-	-
- recycled and reported in net profit	0.1	-	-
Actuarial gains/(losses) on the defined benefit pension scheme	(2.1)	(0.4)	4.2
Tax on items recognised directly in equity	0.9	-	(1.7)
Net income and expense recognised directly in equity	(0.4)	(1.0)	1.4
Profit for the period	4.7	4.5	15.1
Total recognised income and expense for the period	4.3	3.5	16.5
Attributable to minority interest	-	-	0.1
Attributable to equity shareholders	4.3	3.5	16.4

Consolidated Balance Sheet

as at 31 December 2007 (unaudited)

	31 December 2007	31 December 2006	30 June 2007
	£m	£m	£m
Assets			
Non current assets			
Goodwill	16.8	15.6	15.6
Other intangible assets	2.0	1.7	1.9
Property, plant and equipment	45.8	44.0	44.5
Deferred tax assets	10.4	9.3	9.9
	75.0	70.6	71.9
Current assets			
Inventories	9.5	8.3	7.5
Trade and other receivables	63.8	53.6	55.6
Current tax assets	0.9	0.3	0.5
Deferred tax assets	1.8	0.6	1.7
Cash and cash equivalents	16.2	18.0	15.4
Assets classified as held for sale	-	6.7	-
	92.2	87.5	80.7
Total assets	167.2	158.1	152.6
Liabilities			
Current liabilities			
Bank loans and overdrafts	(12.1)	(25.1)	(9.1)
Trade and other payables	(55.4)	(33.8)	(43.9)
Current tax liabilities	(1.9)	(2.2)	(2.1)
Deferred tax liabilities	(0.4)	(0.6)	(0.4)
Provisions	(0.6)	(0.4)	(0.5)
Liabilities directly associated with assets classified as held for sale	-	(6.7)	-
	(70.4)	(68.8)	(56.0)
Net current assets	21.8	18.7	24.7
Non current liabilities			
Bank loans	(12.3)	(11.6)	(13.5)
Retirement benefit obligations	(17.4)	(22.7)	(16.7)
Deferred tax liabilities	(4.8)	(4.6)	(4.7)
	(34.5)	(38.9)	(34.9)
Total liabilities	(104.9)	(107.7)	(90.9)
Net assets	62.3	50.4	61.7
Shareholders' equity			
Share capital	12.7	12.7	12.7
Share premium	13.5	13.3	13.3
Other reserves	0.6	-	(0.5)
Retained earnings	35.1	23.8	35.7
Total shareholders' equity	61.9	49.8	61.2
Minority interest in equity	0.4	0.6	0.5
Total equity	62.3	50.4	61.7

Consolidated Cash Flow Statement

for the six months ended 31 December 2007 (unaudited)

	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
	£m	£m	£m
Cash flows from operating activities			
Cash generated/(used) by operations (note 8)	11.0	(4.4)	15.6
Interest received	0.8	0.9	2.0
Interest paid	(1.3)	(1.4)	(3.0)
Tax paid	(1.0)	(0.8)	(1.6)
Net cash generated/(used) by operating activities	9.5	(5.7)	13.0
Cash flows from investing activities			
Purchases of intangible assets	(0.5)	(0.4)	(1.0)
Purchases of property, plant and equipment	(4.3)	(3.7)	(8.5)
Net cash used by investing activities	(4.8)	(4.1)	(9.5)
Cash flows from financing activities			
Net proceeds from issue of new share capital	0.2	-	-
Net proceeds from issue of new bank loan	0.8	9.0	3.9
Repayment of borrowings	(2.1)	(2.8)	(2.1)
Dividends paid to shareholders	(3.6)	(3.4)	(4.9)
Dividends paid to minority interests	(0.1)	-	(0.1)
Net cash (used)/generated by financing activities	(4.8)	2.8	(3.2)
Effect of exchange rate changes	(0.4)	(0.1)	(0.3)
Net decrease in cash and cash equivalents	(0.5)	(7.1)	-
Cash and cash equivalents at beginning of period	12.7	12.7	12.7
Cash and cash equivalents at end of period	12.2	5.6	12.7

Notes to the Interim Financial Statements

for the six months ended 31 December 2007 (unaudited)

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 Ricardo Shoreham Technical Centre, Shoreham-by-Sea, West Sussex, BN43 5FG, and its registered number is 222915.

This interim report was approved for issue on 27 February 2008.

This interim report does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the year to 30 June 2007 have been extracted from the 2007 Annual Report and Accounts, which was approved by the Board of directors on 17 September 2007 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

2 Basis of preparation

This interim report for the six months ended 31 December 2007 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS 34, 'Interim Financial Reporting' as adopted by the European Union. This interim report should be read in conjunction with the Annual Report and Accounts for the year ended 30 June 2007, which has been prepared in accordance with IFRSs as adopted by the European Union.

3 Accounting policies

The accounting policies adopted are consistent with those of the financial statements for the year ended 30 June 2007, as described in those financial statements.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 30 June 2008.

- IFRIC 10, 'Interim Financial Reporting and Impairment', effective for annual periods beginning on or after 1 November 2006. This interpretation has not had any impact on the timing or recognition of impairment losses.
- IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions', effective for annual periods beginning on or after 1 March 2007. This interpretation is not expected to be relevant for the group.
- IFRS 7, 'Financial Instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007; 'Amendments to IAS 1 Presentation of Financial Statements Capital Disclosures', effective for annual periods beginning on or after 1 January 2007; and IFRS 4, 'Insurance contracts', revised implementation guidance, effective when an entity adopts IFRS 7: as this interim report contains only condensed financial statements, and as there are no material financial instrument related transactions in the period, full IFRS 7 disclosures are not required at this stage. Disclosures required for compliance with these standards will be given in the annual financial statements.

4 Segmental reporting

(a) by business segment, with revenue reflecting sales to external customers

	Revenue			Operating profit		
	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
	£m	£m	£m	£m	£m	£m
Technical Consulting	88.7	80.0	163.0	5.5	4.6	11.9
Strategic Consulting	6.5	3.8	8.5	0.6	0.5	1.3
	95.2	83.8	171.5	6.1	5.1	13.2

(b) reflecting the revenue and profit generated by the staff in the business units (non-GAAP measure)

	Revenue			Operating profit		
	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
	£m	£m	£m	£m	£m	£m
Technical Consulting						
UK	54.3	49.3	102.0	4.4	3.7	9.8
US	20.5	18.1	37.4	0.7	0.5	1.2
Germany	15.3	12.8	24.2	0.4	0.4	0.9
	90.1	80.2	163.6	5.5	4.6	11.9
Strategic Consulting	5.1	3.6	7.9	0.6	0.5	1.3
	95.2	83.8	171.5	6.1	5.1	13.2

For this non-GAAP measure, the part of the work invoiced to third parties by Strategic Consulting that is subcontracted to Technical Consulting is included within Technical Consulting revenue.

5 Ordinary dividends

	Six months ended 31 December 2007	Six months ended 31 December 2006	Six months ended 31 December 2007	Six months ended 31 December 2006
	pence/share	pence/share	£m	£m
Amounts distributed in the period	7.1p	6.7p	3.6	3.4
Proposed interim dividend	3.1p	2.9p	1.6	1.5

6 Taxation

	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
	£m	£m	£m
UK	0.1	(0.5)	3.9
Overseas	0.8	0.6	(1.0)
Tax charge/(credit) on profit	0.9	0.1	(2.9)

7 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of £4.7m (31 December 2006: £4.5m; 30 June 2007: £15.0m) by the weighted average number of shares in issue of 50,766,297 (31 December 2006: 50,694,167; 30 June 2007: 50,694,534), after deducting the shares held by the Long Term Incentive Plan ("LTIP") Trustee. For diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of dilutive options and LTIP awards, and is accordingly 51,023,688 (31 December 2006: 50,795,901; 30 June 2007: 50,833,331).

8. Cash generated by operations

	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
	£m	£m	£m
Continuing operations			
Profit from operations	6.1	5.1	13.2
Adjustments for:			
Share-based payments	(0.2)	0.1	0.2
Depreciation and amortisation	4.3	4.4	8.8
Operating cash flows before movements in working capital	10.2	9.6	22.2
Increase in inventory	(1.7)	(1.4)	(0.5)
Increase in trade and other receivables	(7.1)	(6.9)	(9.3)
Increase/(decrease) in payables	10.9	(4.3)	5.9
Increase/(decrease) in provisions	0.1	(0.1)	-
Pension payments in excess of pension costs	(1.4)	(1.3)	(2.7)
Cash generated/(used) by operations	11.0	(4.4)	15.6

9. Related-party transactions

	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
	£m	£m	£m
Compensation for key management personnel			
Salaries and other short-term employee benefits	1.3	1.1	2.3
Post-employment benefits	0.2	0.3	0.5
Termination benefits	-	-	0.3
Share based payments	0.2	0.2	0.4
	1.7	1.6	3.5

The key management personnel are the board of directors, the Managing Directors of the UK, US and German businesses and the Global Product and Engineering Director.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge this interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency Rules of the Financial Services Authority.

The directors of Ricardo plc are listed in the Ricardo plc 2007 Annual Report and Accounts for the year ended 30 June 2007, and have remained the same in the six months to 31 December 2007.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



Dave Shemmans
Chief Executive Officer



Paula Bell
Group Finance Director
26 February 2008



Independent Review Report

to Ricardo plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the interim report for the six months ended 31 December 2007, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

26 February 2008

Southampton

Ricardo plc

Interim Report 2007

www.ricardo.com

