11 September 2024

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

Ricardo plc

Report for the year ended 30 June 2024 ("FY 2023/24")

Good growth and excellent cash performance

HIGHLIGHTS

- A year of continued good growth and excellent cash performance, delivering in line with the board's expectations
- Order intake down 5% (3% constant currency) on the back of record order intake in FY 2022/23
- Continued variability of order timing and order volatility in some end markets
- Revenue from continuing operations up 7% (9% constant currency) owing to good sales momentum
- Strong recovery in H2 profit performance, with Automotive and Industrial returning to profit
- Actions to accelerate the operating model transformation underpinned H2 profit recovery and delivered improving margins
- Underlying operating profit from continuing operations increased by £4.8m (£5.6m constant currency)
- On track to double underlying operating profit in the five years to FY27
- A rigorous focus on working capital management delivered 119% underlying cash conversion and reduced net debt to £59.6m
- Group leverage on target at 1.25x
- Final dividend of 8.9p proposed giving total dividend for FY 2023/24 of 12.7p (FY 2022/23 11.96p)
- Robust year end order book and good pipeline visibility gives confidence for FY 2024/25

		2024	2023	**Growth/ (decline)%**	**Constant Currency Growth/ (decline)%(6)**
Continuing operations					
Order intake	£m	**496.1**	521.5	**(4.9)**	**(3.0)**
Order book	£m	**396.5**	395.3	**0.3**	**0.5**
Revenue	£m	**474.7**	445.2	**6.6**	**9.1**
Underlying(1)					
- Operating profit	£m	**38.8**	34.0	**14.1**	**16.9**
- Operating profit margin	%	**8.2**	7.6	**0.6pp**	**0.6pp**
- Profit before tax	£m	**30.5**	27.9	**9.3**	**12.5**
Statutory					
- Operating profit/(loss)	£m	**12.8**	(1.9)	**773.7**	**740.0**
- Operating profit/(loss) margin	%	**2.7**	(0.4)	**3.1pp**	**3.2pp**
- Profit/(loss) before tax	£m	**4.3**	(8.0)	**153.8**	**153.8**
Total					
Underlying(1) cash conversion(2)	%	**118.9**	66.7	**52.2pp**	
Cash conversion(2)	%	**125.4**	50.7	**74.7pp**	
Basic underlying earnings per share(3)	p	**35.9**	33.4	**7.5**	
Basic reported profit/(loss) earnings per share	p	**1.1**	(8.7)	**112.6**	
Closing					
Net debt(4)	£m	**59.6**	62.1	**(4.0)**	
Headcount(5)	no.	**2,872**	2,919	**(1.6)**	
Dividend per share (paid and proposed)	p	**12.70**	11.96	**6.2**	

Continuing operations exclude the results of Ricardo Software, which was sold on 1 August 2022.
References are defined in the glossary of terms below.

Commenting on the results, Graham Ritchie, Chief Executive Officer, said:

"This was a year of material change for Ricardo, whilst still delivering consistent financial performance in line with commitments. This was achieved with strong momentum in H2.

During the year, we have continued to refine and reposition our portfolio from services to solutions, which allows us to increase our strategic consulting expertise while also investing significantly in our digital applications. We are seeing variability in some end markets but continue to focus on consistency in organic order growth.

Strong progress has been made with the restructuring programme to deliver One Ricardo and drive further efficiency across the business. All enabling functions are now fully centralised and right sized to deliver our future business, while we have further optimised our flexible resourcing model to support effective programme delivery and manage order fluctuations in A&I.

At Ricardo, we are more conscious than ever of the importance of the work that we do, demonstrating the commitment to being purpose-led in the projects that we work on. Our record order book for the next twelve months provides confidence in delivering further good growth in the year ahead."

About Ricardo plc

Ricardo plc is a global strategic, environmental, and engineering consulting company, listed on the London Stock Exchange. With over 100 years of engineering excellence and circa 3,000 employees in more than 20 countries, we provide exceptional levels of expertise in delivering innovative cross-sector sustainable outcomes to support energy transition and environmental services, together with safe and smart mobility. Our global team of consultants, environmental specialists, engineers, and scientists support our clients to solve the most complex and dynamic challenges to help achieve a safe and sustainable world. Visit www.ricardo.com

Analyst and Retail Investor presentation

There will be a presentation for analysts and investors relating to the Group's results for the year ended 30 June 2024 at 9:30am on Wednesday 11 September. A recording of the presentation will be available online to all investors from Thursday 12 September at https://ricardo.com/investors/financial-reporting/results-presentations.

In addition, a live presentation session hosted by Ricardo's CEO, Graham Ritchie and CFO, Judith Cottrell, will be held via 'Investor Meet Company' for existing and potential investors at 16:00 on Tuesday 17 September.

Questions can be submitted pre-event via your Investor Meet Company dashboard up until Monday 16 September 2024, 09:00, or at any time during the live presentation.

Investors can sign up to Investor Meet Company and add to meet Ricardo plc via:
https://www.investormeetcompany.com/ricardo-plc/register-investor

Further enquiries

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Cautionary Statement

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

Glossary of terms

Cross-referenced to superscript in the financial tables and commentary

(1) Underlying measures exclude the impact on statutory measures of specific adjusting items as set out in Note 4. Underlying measures are considered to provide a more useful indication of underlying performance and trends over time.

(2) Cash conversion is a key measure of the Group's cash generation and measures the conversion of profit into cash. This is the reported cash generated from operations (defined as operating cash flow, less movements in net working capital and defined benefit pension deficit contributions) divided by earnings before interest, tax, depreciation and amortisation (EBITDA), expressed as a percentage.

(3) Underlying earnings also exclude a tax credit to statutory earnings of £4.6m (FY 2022/23: £2.3m) for the specific adjusting items in Note 4.

(4) Net debt, as set out in Note 8, is defined as current and non-current borrowings less cash and cash equivalents, including hire purchase agreements, but excluding any impact of IFRS 16 lease liabilities and restricted cash. Management believes this definition is the most appropriate for monitoring the indebtedness of the Group and is consistent with the treatment in the Group's banking agreements.

(5) Headcount is calculated as the number of employees on the payroll at the reporting date and includes subcontractors on a full-time equivalent basis.

(6) Constant currency growth/decline is calculated by translating the result for the prior period using foreign currency exchange rates applicable to the current period. This provides an indication of the growth/decline of the business, excluding the impact of foreign exchange.

Trading summary

Overall, Ricardo has performed in line with the board's expectations in FY 2023/24, with a strong improvement in underlying operating profit in the second half. Revenue was £474.7m, an increase of 7% on the prior period on a continuing basis, excluding the results of Ricardo Software which was sold in the prior year (9% on a constant-currency basis). Underlying operating profit was £38.8m and underlying profit before tax was £30.5m, representing growth of 14% and 9% on the prior period respectively on a continuing basis (17% and 13% on a constant-currency basis).

FY 2023/24 saw a strong recovery in profit in the second half, with improved operational efficiencies following the acceleration of our operating model transformation, which saw us centralise enabling functions and increase our use of flexible resources. Order intake for the Group was £496.1m, down 5% on the prior year's record order intake (down 3% on a constant currency basis). This primarily reflects the new programme wins in the prior year in Performance Products and the delay of large orders in our Automotive & Industrial (A&I) businesses.

Reported operating profit from continuing operations, after taking specific adjusting items into consideration, was £12.8m (FY 2022/23: loss £1.9m) and reported profit before tax from continuing operations was £4.3m (FY 2022/23: loss £8.0m). FY 2023/24 reported operating profit included £26.0m of specific adjusting items (profit before tax: £26.2m) predominately related to the implementation of our strategic priorities of portfolio transition and operational efficiency (FY 2022/23: £35.9m). As a result of the Group's persistent and rigorous focus on working capital management, cash generation for the full year continues to deliver strong returns, delivering net debt at 30 June 2024 of £59.6m, a reduction of £2.5m on the 30 June 2023 position of £62.1m. This was after £15.4m of acquisition-related payments, including earn outs relating to the acquisitions of E3 Modelling SA (E3M) and Aither Pty (Aither), and £6.4m of restructuring costs, including costs incurred in accelerating our operating model transformation, partially offset by a £3.2m cash receipt from the sale and leaseback of a building at the Shoreham Technical Centre, excluding fees.

Underlying cash conversion improved from 66.7% (restated) in FY 2022/23 to 118.9%. Reported cash conversion was 125.4%, (FY 2022/23: 50.7% (restated)) after taking into account the cash impact of specific adjusting items.

Headline trading performance

		Underlying[1]		Reported	
	External revenue	**Operating profit**	**Profit before tax**	**Operating profit/(loss)**	**(Loss)/ profit before tax**
	£m	**£m**	**£m**	**£m**	**£m**
2024					
Continuing operations (a)	**474.7**	**38.8**	**30.5**	**12.8**	**4.3**
Less: performance of acquisitions	**(12.6)**	**(2.7)**	**(2.3)**	**(0.7)**	**(0.3)**
Continuing operations - organic (b)	**462.1**	**36.1**	**28.2**	**12.1**	**4.0**
2023					
Total	446.0	34.5	28.4	6.0	(0.1)
Less: discontinued operation	(0.8)	(0.5)	(0.5)	(7.9)	(7.9)
Continuing operations (a)	445.2	34.0	27.9	(1.9)	(8.0)
Less performance of acquisitions	(4.8)	(1.1)	(1.1)	4.4	4.4
Continuing operations - organic	440.4	32.9	26.8	2.5	(3.6)
Growth (%) - Total	6%	12%	7%	113%	4,400%
Growth (%) - Continuing operations	7%	14%	9%	774%	154%
Growth (%) - Continuing organic	5%	10%	5%	384%	211%
Constant currency growth[6] (%) – Continuing operations	9%	17%	13%	774%	154%

References in superscript are defined in the glossary of terms.

(a) Growth from continuing operations excludes the results of the Software operating segment which was sold on 1 August 2022

(b) Organic growth is calculated as the growth in the result for the current year compared to the prior year, after excluding the impact of acquisitions or disposals.

FY 2023/24 and FY 2022/23 include the results of E3M and Aither, which were acquired in January 2023 and March 2023 respectively. In the current year, these acquisitions contributed £12.6m of revenue and £2.7m of underlying operating profit. In the prior year, they contributed £4.8m of revenue and £1.1m of underlying operating profit. In the prior year, Ricardo divested its Software business unit, Ricardo Software, which contributed £0.8m of revenue and £0.5m of underlying operating profit in that year.

Operating segments summary: Order intake and revenue

	2024		2023 Reported		2023 At constant currency(6)	
	Order intake	**Revenue**	Order intake	Revenue	Order intake	Revenue
	£m	**£m**	£m	£m	£m	£m
EE	**116.9**	**103.3**	111.5	88.5	110.1	87.4
Rail	**95.1**	**77.4**	89.2	73.5	86.0	70.8
A&I - Emerging	**52.4**	**58.6**	84.3	82.3	83.0	80.4
Environmental & Energy Transition	**264.4**	**239.3**	285.0	244.3	279.1	238.6
Defense	**125.4**	**123.4**	85.0	88.6	81.3	84.8
PP	**77.1**	**83.4**	115.3	84.7	115.3	84.7
A&I - Established	**29.2**	**28.6**	36.2	27.6	35.6	27.0
Established Mobility	**231.7**	**235.4**	236.5	200.9	232.2	196.5
Total - continuing operations	**496.1**	**474.7**	521.5	445.2	511.3	435.1
Discontinued operation	**-**	**-**	0.5	0.8	0.5	0.8
Total	**496.1**	**474.7**	522.0	446.0	511.8	435.9

References in superscript are defined in the glossary of terms.

Operating segments summary: Underlaying operating profit

	2024		2023		2023 at constant currency(6)	
	Underlying(1) operating profit/(loss)	**Underlying(1) operating profit/(loss)**	Underlying(1) operating profit/(loss)	Underlying(1) operating profit/(loss)	Underlying(1) operating profit/(loss)	Underlying(1) operating profit/(loss)
	£m	**margin %**	£m	margin %	£m	margin %
EE	**17.6**	**17.0**	16.0	18.1	15.8	18.1
Rail	**8.9**	**11.5**	8.0	10.9	7.8	11.0
A&I - Emerging	**3.4**	**5.8**	10.6	12.9	10.6	13.2
Environmental & Energy Transition	**29.9**	**12.5**	34.6	14.2	34.2	14.3
Defense	**23.5**	**19.0**	13.4	15.1	12.9	15.2
PP	**6.7**	**8.0**	9.0	10.6	9.0	10.6
A&I - Established	**(3.3)**	**(11.5)**	(5.8)	(21.0)	(5.7)	(21.1)
Established Mobility	**26.9**	**11.4**	16.6	8.3	16.2	8.2
Operating segments - continuing operations	**56.8**	**12.0**	51.2	11.5	50.4	11.6
Plc costs	**(18.0)**		(17.2)		(17.2)	
Total - continuing operations	**38.8**	**8.2**	34.0	7.6	33.2	7.6
Discontinued operation	**-**	**-**	0.5	62.5	0.5	62.5
Total	**38.8**	**8.2**	34.5	7.7	33.7	7.7

References in superscript are defined in the glossary of terms.

Environmental and Energy Transition portfolio

- Order intake: down 7% (constant currency: down 5%)
- Revenue: down 2% (constant currency: flat)
- Underlying operating profit: down 14% (constant currency: down 13%)
- Underlying operating profit margin: 12.5% (FY 2022/23: 14.3% at constant currency)

Energy and Environment (EE) continued to show good momentum, with overall growth in order intake, revenue and operating profit, boosted by the performance of the acquisitions made in FY 2022/23 and strong demand in policy, strategy and economics and air quality and environment. Performance was tempered in water advisory services, which was impacted by project disruptions in end markets.

Rail delivered good growth in orders and executed consistently against its order book to deliver strong revenue growth. With increased revenue from recent contracts wins in Australia, Asia and North America and improved operational leverage, underlying operating profit margins improved from 11.0% to 11.5% and underlying operating profit grew by 14% (constant currency).

Order intake, revenue and operating profit declined year-on-year in Emerging A&I due to delays and volatility in order intake as our diversified client base manages the complexities of energy transition. However, we saw profit recovery in the second half of the year, driven by the restructuring initiatives and cost actions which took place. These were focused on accelerating the implementation of its flexible resourcing model, allowing for the business to be more resilient going forward in responding to changes within its end markets. The Emerging A&I order book remains healthy at £43.3m, albeit lower than in June 2023 (£55.0m). Whilst the business will experience short-term volatility, we remain confident about the long-term growth prospects.

Established Mobility portfolio

- Order intake: down 2% (constant currency: flat)
- Revenue: up 17% (constant currency: up 20%)
- Underlying operating profit: up 62% (constant currency: up 66%)
- Underlying operating profit margin: 11.4% (FY 2022/23: 8.2% at constant currency)

Defense performed very strongly in the period, with significant growth in order intake (up 54% on a constant currency basis), revenue (up 46%) and underlying operating profit (up 82%). Defense delivered 13,100 anti-lock braking systems/electronic stability control (ABS/ESC) kits in FY 2023/24 (FY 2022/23: 8,707 kits). In addition, there was good growth in the Technical Solutions consultancy business, including Field Support Services (the sustainment of ABS/ESC kits in the field).

Performance Products (PP) benefited from £40m of multi-year transmission programme orders in FY 2022/23 and were working these orders in FY 2023/24. As expected, this resulted in lower order intake in FY 2023/24. With lower volumes in powertrain, due to revised client requirements and reduced activity in the transmission business, with two major programmes ramping down and one new programme in ramp up phase, revenue was down by 2% on prior year. This resulted in lower underlying operating profit overall, but with a strong profit in the second half, benefiting from a ramp up to complete client transmission projects.

Order intake in Established A&I was down 18% on prior year on a constant currency basis. Although there were delays in the timing of orders, order intake improved in the second half of the year which drove overall growth in revenue in the year of 6% on a constant currency basis. Actions taken to accelerate the move to flexible resources and reduce the fixed cost base resulted in the business returning to a small profit position in the second half of the year. The overall underlying operating loss for the year was £3.3m compared to an underlying loss of £5.7m in FY 2022/23, on a constant currency basis.

Cash performance

Net debt: decreased £2.5m to £59.6m (FY 2022/23: £62.1m). Underlying cash from operations was an inflow of £63.4m for the year. Within this, underlying net working capital reduced by £8.8m. In FY 2023/24, the Group paid £15.4m in respect of acquisition and strategic project related costs, including a total of £13.7m of acquisition-related and earn out payments to the former owners of E3M and Aither; £6.4m of cash costs in relation to restructuring activities to accelerate our operating model transformation through centralising enabling functions and increasing our use of flexible resources; and £0.5m for external costs incurred for planning activities to implement a new ERP system. Partially offsetting these, the Group received £3.2m for the sale and leaseback of a property at the Shoreham Technical Centre.

Basis of preparation

These consolidated financial statements of the Ricardo plc Group (Group) have been prepared in accordance with UK adopted international accounting standards. The Group's principal accounting policies are detailed in Note 1 to the Group financial statements. Those accounting policies that have been identified as being particularly sensitive to complex or subjective judgements or estimates are disclosed in Note 1(d) to the Group financial statements. Reported results represent the Group's overall performance in accordance with IFRS. The Group also uses a number of alternative performance measures (APMs) in addition to those reported under IFRS. Ricardo provides guidance to the investor community based on underlying results.

The underlying results and other APMs may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are provided in Note 1. Underlying results include the benefits of the results of acquisitions and major restructuring programmes but exclude significant costs (such as the amortisation of acquired intangibles, acquisition-related expenditure, reorganisation costs and other specific adjusting items).

Ricardo believes that the underlying results, when considered together with the reported results, provide investors, analysts and other stakeholders with helpful complementary information to better understand the financial performance and position of the Group.

Specific adjusting items

As set out in more detail in Note 4, the Group's total underlying profit before tax excludes £26.2m of costs incurred during the period that have been charged to the income statement as specific adjusting items (FY 2022/23: £35.9m). In line with the Group's policy, these items have been recognised as specific adjusting items, due to their nature or significance of their amount, so as to provide further clarity over the financial performance.

	2024	2023
	£m	£m
Underlying[1] profit before tax from continuing operations	**30.5**	27.9
Amortisation of acquired intangibles	**(4.8)**	(4.6)
Acquisition and strategic project-related costs	**(12.2)**	(6.2)
Restructuring costs:		
- A&I - impairment of non-financial assets	**-**	(18.7)
- A&I - restructuring costs	**(3.4)**	(4.7)
- Rail & EE - restructuring costs	**(3.3)**	(1.5)
- Group - restructuring costs	**(1.7)**	(0.2)
ERP implementation costs	**(0.5)**	-
Sale and leaseback costs	**(0.3)**	-
Total specific adjusting items from continuing operations	**(26.2)**	(35.9)
Reported profit/(loss) before tax from continuing operations	**4.3**	(8.0)
Specific adjusting items from discontinued operation		
Disposal of discontinued operation	**-**	7.4

Amortisation of acquired intangibles was £4.8m in the current year, compared to £4.6m in FY 2022/23.

Acquisition and strategic project-related costs of £12.2m were incurred in the year (FY 2022/23: £6.2m). These included: £5.0m for deferred consideration and £0.5m of integration costs in relation to the acquisition of Aither, acquired in March 2023 (cash cost: £8.3m); £4.1m for deferred consideration and £0.2m of integration costs in respect of the acquisition of E3M, acquired in January 2023 (cash cost: £6.1m, which included £1.3m of payments in relation to items which were accrued for at completion under the completion adjustment mechanism); £0.1m of deferred consideration in relation to the acquisition of Inside Infrastructure Pty (Inside Infrastructure), acquired March 2022 (cash cost: £0.6m); and £2.3m of external fees in relation to other M&A and strategic projects (cash cost: £0.4m).

The prior year included: £3.2m for deferred consideration and £0.4m of external fees and integration costs for Aither (cash cost: £0.2m); £0.9m for deferred consideration and £0.2m of external fees and integration costs for E3M (cash cost: £0.1m); £0.4m of deferred consideration and £0.4m of integration costs for Inside Infrastructure (cash cost: £0.5m); and £0.7m of other M&A and strategic projects (cash cost: £0.8m).

Restructuring costs:

A&I Impairment of non-financial assets: Non-cash goodwill and asset impairment charges of £18.7m were recognised in the prior year within the Established A&I operating segment. As a result of the performance of this segment in the year to 30 June 2023, the impact of economic uncertainty and the continuing technological change in the automotive sector, the future projections and discounted cash flows for the operating segment were reassessed.

The resulting value-in-use did not support the carrying value of the associated assets, resulting in an impairment of all of the goodwill associated with Established A&I segment (£5.2m), together with £1.8m of intangible assets and £11.7m of property, plant and equipment.

Other restructuring costs: As part of the Group's actions to accelerate its operating model transformation, £8.4m of restructuring costs were incurred. The total cash cost of restructuring in the year was £6.4m. These costs have been included within specific adjusting items as they are significant in quantum and would otherwise distort the underlying trading performance of the Group, and included:

- **A&I**: £3.4m, including £1.8m of redundancy costs, £0.4m of external contractor and legal fees directly related to the process, and £1.2m of property exit and asset write down costs. The prior year cost included £2.4m of redundancy costs to right-size the business in response to the impact of the economic uncertainty above, £1.1m of losses on disposal of non-current assets, £0.2m of property exit costs and £1.0m of external fees and contractor costs incurred directly in relation to the transformation activities.
- **Rail and EE**: £3.2m of redundancy costs, plus £0.1m of external legal and other fees incurred directly as a result of the process. A charge of £1.5m was recognised in Rail and EE in respect of the restructuring of the senior management structure in the prior year.
- **Group**: £1.0m of redundancy costs, together with £0.7m of external legal and other fees incurred directly as a result of the process. A charge of £0.2m was recognised in Group in the prior year in relation to restructuring of the Group functions.

ERP implementation: Costs of £0.5m were incurred in the year in relation to planning activities to implement a new ERP system. These were classified as a specific adjusting item as they are not reflective of the underlying performance of the business in the period.

Sale and leaseback costs: External fees of £0.3m were incurred in the year in relation to the sale and leaseback of part of the Shoreham Technical Centre. These costs were classified as a specific adjusting item as they are not reflective of the underlying performance of the Group.

Gain on sale of Ricardo Software (recognised within the discontinued operation): In the prior year, net gain of £7.4m was recognised in relation to the disposal of Ricardo Software, completed on 1 August 2022 (the net cash impact was an inflow of £11.9m). Per the terms of the sale, up to a further £2.4m (USD 3.0m) was receivable based on Ricardo Software achieving certain revenue targets in the 12-month period post-sale. These targets were not achieved and no further monies were paid.

Research and Development (R&D) and capital investment

The Group continues to invest in R&D and spent £11.3m (FY 2022/23: £14.6m) before government grant income of £1.8m (FY 2022/23: £6.8m). Development costs capitalised in this year were £6.3m (FY 2022/23: £5.4m), reflecting continued investment in electrification, hydrogen and carbon capture (BIOCCUS) solutions within the Emerging A&I segment, together with digital and air quality models and solutions within EE and R&D projects within Defense.

Capital expenditure on property, plant and equipment, excluding right-of-use assets, was £4.1m (FY 2022/23: £6.2m), reflecting targeted investment in our business operations, including hydrogen and electrical capability in the Emerging A&I segment.

Net finance costs

Finance income was £1.1m (FY 2022/23: £1.0m) and finance costs were £9.6m (FY 2022/23: £7.1m) for the year, giving net finance costs of £8.5m (FY 2022/23: £6.1m). The increase in costs reflects an increase in the SONIA interest rate during the current year.

Taxation

The underlying effective tax rate for the year was 26.6% for the year (FY 2022/23: 26.1%). The reported effective tax rate was 81.4% (FY 2022/23: 5,100%). This unusually high reported effective rate in the current and prior year reflected a number of non-deductible or non-taxable specific adjusting items, including impairments and the disposal of the Software business in FY 2022/23.

Earnings per share

Basic earnings per share was 1.1p (FY 2022/23: loss of 8.7p). The Directors consider that underlying earnings per share provides a useful indication of underlying performance and trends over time. Underlying basic earnings per share for the year was 35.9p (FY 2022/23: 33.4p). The calculation of basic earnings per share, with a reconciliation to an underlying basic earnings per share, which excludes the impact (net of tax) of specific adjusting items, is disclosed in Note 5.

Dividend

As set out in more detail in Note 6, the board has declared a final dividend of 8.9p per share (FY 2022/23: 8.61p). The dividend will be paid gross on 22 November 2024 to holders of ordinary shares on the Company's register of members on 1 November 2024.

Goodwill

At 30 June 2024, the Group had total goodwill of £96.0m (FY 2022/23: £96.1m). The carrying value of goodwill is fully supported by the recoverable amounts for all cash-generating units.

Net debt and banking facilities

Net debt at 30 June 2024 comprised cash and cash equivalents, net of any restricted cash, of £47.3m (FY 2022/23: £49.8m), and borrowing and overdrafts, including hire purchase liabilities and net of capitalised debt issuance costs, of £106.9m (FY 2022/23: £111.9m).

The Group funds its operations via a Revolving Credit Facility (RCF) of £150m, with a £50m uncommitted accordion, which provides funding through to August 2026, alongside the Group's uncommitted overdraft facilities of £16.1m. At 30 June 2024, the amount undrawn on the RCF was £47.0m. This, together with the net cash held (net of utilised overdraft) of £43.0m, and £16.1m of unutilised overdraft facilities, provided the Group with total cash and liquidity of £106.1m.

The Group's Adjusted Leverage ratio (defined as net debt over EBITDA for the last 12 months, excluding the impact of specific adjusting items and IFRS 16 Leases) was 1.25 x as at 30 June 2024. The Adjusted Leverage covenant is a maximum of 3.0x.

The Interest Cover ratio (defined as EBITDA for the last 12 months, excluding the impact of specific adjusting items and IFRS 16, over net finance costs), was 5.86x at 30 June 2024. The Interest Cover covenant limit is a minimum of 4.0x. Further details are provided in Note 8.

Foreign exchange

On consolidation, revenue and costs are translated at the average exchange rates for the year. The Group is exposed to movements in the Pound Sterling exchange rate, principally from work carried out with clients that transact in Euros, US Dollars, Australian Dollars and Chinese Renminbi. Had the prior year results been translated at current year exchange rates, revenue from continuing operations would have been £10.1m (2.3%) lower, underlying operating profit would have been £0.8m (2.3%) lower and underlying profit before tax would have been £0.8m (2.9%) lower.

Pensions

The Group's defined benefit pension scheme operates within the UK. The fair value of the scheme's assets at the end of the year was £105.4m (FY 2022/23: £104.6m) and the present value of the scheme's obligations was £97.4m (FY 2022/23: £92.0m). The pre-tax surplus, measured in accordance with IAS 19, at 30 June 2024 was £8.0m (FY 2022/23: £12.6m). This is predominantly due to the experience loss from incorporating the census data from the 5 April 2023 statutory funding valuation into the IAS19 liability calculations compared to the roll forward of the IAS19 liabilities from the Prior Year End, which were themselves rolled forward from the 5 April 2020 census data. The discount rate also reduced during the year, partly due to the impact of moving to the expanded dataset version of the Mercer Yield Curve, which resulted in an increase in the liabilities. Ricardo paid £0.8m of cash contributions into the scheme during the year (FY 2022/23: £1.8m), with the final payment of £0.2m made on 1 November 2023.

Looking forward

Ricardo is gaining good momentum to deliver its five-year strategic plan communicated in May 2022. We enter the new fiscal year with a similar order book level to the record one we achieved last year, and, through our solid pipeline visibility, we have good confidence in performance as we enter FY 2024/25.

With our expertise in environmental and energy transition, there is a real opportunity for us to do even more in supporting governments and the private sector in delivering a net zero pathway for future generations.

We also know that for us to be a pivotal part of change, we have to continue to grow and improve our business. By doing so, we can extend our reach, supporting even more clients and ensuring that our teams across the world continue to deliver meaningful work, knowing that the projects are delivering maximum impact.

The more we can do to accelerate our transformation, the more value we can create for all our stakeholders.

By order of the board:

Graham Ritchie Chief Executive Officer	Judith Cottrell Chief Financial Officer

10 September 2024

Environmental and Energy Transition portfolio

ENERGY AND ENVIRONMENT

Energy and Environment (EE) works with clients across a wide range of sectors and geographies to deliver robust data-driven solutions to solve complex energy-transition and environmental challenges. Ricardo's depth of environmental and energy expertise supports our clients across the value chain, from policy and strategy to implementing impactful solutions. We have focused our portfolio on market-facing solutions that include policy, strategy and economics; air, land and water management; corporate sustainability; and energy infrastructure transition including economic modelling tools.

Growth drivers

- Increasing focus on sustainability in the corporate sector driven by the ESG agenda.
- Amplified interest in climate and carbon following COP26.
- Innovation in electricity and heat as well as in key technology areas such as hydrogen.

Financial and operational highlights

		Historical rates		Constant currency[6]	
	2024	2023	Change	2023	Change
	£m	£m	%	£m	%
Order intake (£m)	**116.9**	111.5	4.8	110.1	6.2
Order book (£m)	**99.1**	87.6	13.1	87.5	13.3
Revenue (£m)	**103.3**	88.5	16.7	87.4	18.2
Underlying[1] operating profit (£m)	**17.6**	16.0	10.0	15.8	11.4
Underlying[1] operating profit margin (%)	**17.0**	18.1	(1.1pp)	18.1	(1.1pp)
Headcount[5] (no.)	**984**	971	1.3	971	1.3

References in superscript are defined in the glossary of terms above.

Performance

Overall demand for our solutions resulted in growth in order intake of 6% from £110.1m in FY 2022/23 to £116.9m in FY 2023/24, on a constant-currency basis. Headline EE revenue increased by 18 % on a constant currency basis, from £87.4m to £103.3m. Excluding Aither and E3M, Ricardo's most recent acquisitions, revenue increased by 10% on an organic basis. The growth has been driven by strong demand across our policy, strategy and economics (PSE), air quality and environment (AQE) and our economic and environmental modelling capabilities.

In PSE we have secured both long-term renewals and new large-scale policy contracts with the European Commission and international governments, delivering advisory services to support major policy development to reduce the impacts of climate change. The AQE practice secured significant long-term contracts in the Middle East, which included a new contract that represented EE's largest order value to date. In addition to international growth, the AQE team continues to see strong performance in its established markets, with renewals of high-value projects for the UK government and regional authorities.

Since its acquisition in January 2023, there has also been strong demand for the energy, economic and environmental modelling capabilities of E3M. As with PSE, we have seen the renewal of important existing contracts and the winning of new contracts that are helping to expand our service delivery into new areas. We have started to realise our acquisition ambitions, with E3M's modelling capabilities being combined with our PSE, energy decarbonisation and sustainable transport expertise, providing governments with enhanced solutions to their complex environmental challenges. For example, E3M's models were combined with our technical energy consultancy experts to support a national renewable energy programme. One of E3M's macroeconomic models has recently been named as the leading tool for analysing industrial transformation in a new study published in Renewable and Sustainable Energy Reviews, a peer-reviewed scientific journal.

During the year we consolidated our global water capabilities into a single practice area, which includes Aither, acquired in March 2023. The new combined water practice had a positive first half, securing large-scale orders with new clients in the Middle East and Asia-Pacific. Performance was tempered in the second half because of project disruptions in end-markets, specifically the Middle East, impacting EE's overall margins.

Headline underlying operating profit increased from £15.8m in FY 2022/23 to £ 17.6m in FY 2023/24, growth of 11% on a constant currency basis. Organic underlying operating profit grew by 1%. Aither and E3M contributed £2.7m of underlying operating profit in FY 2023/24 (FY 2022/23: £1.1m). Headline underlying operating profit margin was 17.0% in FY 2023/24, 1.1pp down on the prior year on a constant currency basis due to investment in organic growth and lower utilisation in the second half in our global water practice due to the project disruptions.

Outlook

Looking ahead, policy insights, economic analysis, strategy development and environmental modelling will continue to be in high demand, which will also lead to follow-on work in our other environmental practices. In addition, investment in our capabilities in energy decarbonisation will open further opportunities to support new and existing clients with the critical needs of the energy infrastructure transition.

RAIL

Ricardo's rail experts provide specialist engineering and assurance services to help clients navigate the industry's complex operational, commercial and regulatory demands. Our experts work across a rail project's life cycle to provide rail operators, infrastructure managers and original equipment manufacturers with the highest safety, operational and environmental standards.

Our rail expertise includes railway systems engineering, which supports our clients in realising the intended performance of a complete and integrated system; operations and maintenance, which support operators in optimising day-to-day operations to deliver long-term efficiencies; and rail design and engineering.

We support our clients in navigating the rail industry's developmental, operational, commercial and regulatory demands.

Growth drivers

- Greater demand from governments and industry stakeholders for the rail sector to exploit cleaner energy sources and adopt more sustainable practices.
- Increasing demand for digital technologies to maximise capacity and deliver efficiencies.
- A complex and evolving regulatory landscape that underpins increased quality and safety requirements, where independent/objective expertise and assurance is critical.
- Whole-system engineering and integration demands to realise the full system performance.

Financial and operational highlights

		Historical rates		Constant currency[6]	
	2024	2023	Change	2023	Change
	£m	£m	%	£m	%
Order intake (£m)	**95.1**	89.2	6.6	86.0	10.6
Order book (£m)	**115.6**	108.7	6.3	107.8	7.2
Revenue (£m)	**77.4**	73.5	5.3	70.8	9.3
Underlying[1] operating profit (£m)	**8.9**	8.0	11.3	7.8	14.1
Underlying[1] operating profit margin (%)	**11.5**	10.9	0.6pp	11.0	0.5pp
Headcount[5] (no.)	**544**	514	5.8	514	5.8

References in superscript are defined in the glossary of terms above.

Performance

FY 2023/24 was a strong year for Rail with order intake of £95.1m, 11% up on the previous year on a constant currency basis. Revenue was £77.4m, a 9% increase on the prior year on a constant currency basis, and operating profit was £8.9m, a 14% increase on a constant currency basis. Revenue increased across all our major operating regions, except for the Middle East. The growth during the year has been driven by successfully securing significant contracts across our key operating regions. In Australia we secured wide range of projects, which include a key long-term high-value contract to provide safety oversight of the new fleet for Southeast Queensland as part of the Cross River Rail infrastructure project, in anticipation of the 2032 Olympic Games.

In Asia, we won large-scale projects with Colas Rail, an international leader in rail infrastructure, and Woojin Industrial Systems, both of which are key projects that are supporting us in winning new work in new markets. The positive trajectory in the Asia-Pacific region reflects positive returns on the investment in business development capability made in the previous year. We saw a decline in the Middle East resulting from the successful completion of largescale projects during the year. This included our safety-assurance support on the Doha Metro, which came to an end following the completion of the 2022 FIFA World Cup. Our North American business has continued to grow at pace. In Canada, we secured a combination of high-value project renewals with key clients, demonstrating the value being delivered to Ricardo's clients, as well as winning projects with new clients. In the USA we secured our first large-scale project, providing key expertise to the California High Speed Rail project, which in turn has opened additional opportunities in the region. In the UK and Europe, we successfully grew our partnership with Irish Rail, and we continue to work closely with our long-term national-level rail infrastructure partner, NS, in the Netherlands.

Underlying operating profit margin was 11.5% compared to 11.0% in the prior year on a constant currency basis, with the improvement reflecting the combination of good revenue growth, focus on cost control and operational efficiency within the business. Improvements in operational efficiency included actions in the UK, which delivered increased employee project utilisation for the second half of the year, and actions in other territories as part of the Group's operating model transformation programme.

Outlook

Strong demand for Ricardo’s core engineering and safety expertise across the global rail sector is complemented by increased demand to support the industry in its adoption of advanced digital technologies and to continue the acceleration of rail sector decarbonisation. The demand for the safe implementation of digital tooling enables Ricardo to utilise its advanced digital development capability and assurance experience to usher in the implementation of new robust tooling. As a result of the need for accelerated decarbonisation, we see growing demand to support industry and operational management through our advisory, sustainability, energy, engineering and modelling expertise to provide robust strategies.

EMERGING AUTOMOTIVE AND INDUSTRIAL

From strategic planning and policy, concept to manufacture, Emerging Automotive and Industrial is a trusted partner for the next generation of sustainable transport and infrastructure solutions. Leveraging expertise in electrification, hybrid technologies and fuel cells, we deliver clean, efficient, and integrated propulsion and energy solutions to support our clients in their energy transitions.

Our expertise supports the solution delivery across the value chain from policy, strategy and advisory services to design, engineering, testing and niche production and product launch. We develop strategies for the transport sector which address the biggest challenges of reducing greenhouse gas emissions and we strive to deliver a better world through solutions that take a whole life cycle carbon neutral approach.

Growth drivers

- A rapid shift to decarbonised, sustainable transport technology.
- Bridge solutions to fill the technology gap between internal combustion engines and electric vehicles.
- Geo-political pressures for zero emission across the transport sector.
- Global acceleration to reduce time and cost of new product development.
- Digital transformation through industry 4.0, connected intelligence and software development capabilities to unlock new revenue streams.

Financial and operational highlights

		Historical rates		Constant currency[6]	
	2024	2023	Change	2023	Change
	£m	£m	%	£m	%
Order intake (£m)	**52.4**	84.3	(37.8)	83.0	(36.9)
Order book (£m)	**43.3**	55.0	(21.3)	55.0	(21.3)
Revenue (£m)	**58.6**	82.3	(28.8)	80.4	(27.1)
Underlying[1] operating profit (£m)	**3.4**	10.6	(67.9)	10.6	(67.9)
Underlying[1] operating profit margin (%)	**5.8**	12.9	(7.1pp)	13.2	(7.4pp)
Headcount[5] (no.)	**349**	435	(19.8)	435	(19.8)

References in superscript are defined in the glossary of terms above.

Performance

Emerging Automotive and Industrial (A&I) order intake declined by 37% to £52.4m (FY 2022/23: £83m) on a constant currency basis, and revenue decreased by 27% to £58.6 m (FY 2022/23 £80.4m) reflecting global market challenges across the transport sector generally, in respect to timing delays to move to clean energy solutions that has resulted in short-term fluctuations.

Although we are expecting continued market challenges in the near term, we are increasingly well positioned to support the green transitions as regulatory and infrastructure requirements are expedited. Meanwhile, we are securing contracts from other transport industries including marine, aerospace and rail, ensuring confidence in building a robust sales pipeline, driving further growth and diversification. Key contracts awarded in FY 2023/24 include an extension contract to support continued work with the sustainable Hydrogen powered Shipping consortium (sHYpS), to complete the design of a modular, containerised fuel cell-based energy conversion system, intended to accelerate the adoption of hydrogen as a renewable fuel in the maritime industry. Additionally, we have secured a significant contract win, to design an engine variant running on sustainable fuels for a European industrial and marine OEM.

Underlying operating profit at £3.4m was lower than the prior year £10.6m, due to the delays in orders as reported above. As part of Ricardo's operating model transformation programme, we took proactive actions throughout the year to restructure Automotive and Industrial in both its Emerging and Established businesses. Actions included refocusing the service portfolio and accelerating our move to increase our flexible resourcing pool. This has resulted in ensuring that we better manage future order fluctuations as well as delivering improved profitability in the second half of FY 2023/24.

Outlook

Our global focus within Emerging A&I will be to deliver innovative, sustainable technical and engineering solutions to clients across the world and build resilience through continued expansion across all transport sectors.

Established Mobility portfolio

DEFENSE

Defense provides solutions to address the challenges our clients face in the integration of logistics and field support for complex and diverse systems. We specialise in designing vehicle engineering solutions that improve safety, and we have a deep legacy in partnering with the US military to take innovative technologies from science to application.

We also provide niche product and assembly services, adapting commercial industry products to deliver innovative sector applications that protect people and infrastructure.

Growth drivers

- Decarbonisation and net zero planning focus within the US defence sector.
- Demand for greater connectivity, communications and mobility within the field.
- Software-driven solutions to provide functionality and systems integration.
- Continued focus on cybersecurity to protect against potential and ever-evolving threats.

Financial and operational highlights

		Historical rates		Constant currency[6]	
	2024	2023	Change	2023	Change
	£m	£m	%	£m	%
Order intake (£m)	**125.4**	85.0	47.5	81.3	54.2
Order book (£m)	**37.3**	35.2	6.0	35.4	5.4
Revenue (£m)	**123.4**	88.6	39.3	84.8	45.5
Underlying[1] operating profit (£m)	**23.5**	13.4	75.4	12.9	82.2
Underlying[1] operating profit margin (%)	**19.0**	15.1	3.9pp	15.2	3.8pp
Headcount[5] (no.)	**236**	223	5.8	223	5.8

References in superscript are defined in the glossary of terms above.

Performance

Defense's strong growth in orders, revenue and profit and its margin improvement underpinned its full-year performance. Order intake in FY 2023/24 grew by 54% to £125.4m (FY 2022/23: £81.3m). Revenue significantly increased by 46% to £123.4m (FY 2022/23: £84.8m). Growth was primarily driven by an extension contract awarded by the United States Army, valued at over $385m, to continue production and delivery of Anti-lock Braking System/Electronic Stability Control (ABS/ESC) retrofit kits, with an order completion of March 2026 and delivery completion of September 2027. This contract extends the previous three-year base contract by two years and increases the ceiling from $89m to $474m. Funding is determined with each delivery order (DO), with the first DO received in September 2023, under the terms of the extended contract, for $92m (£73m).

In total, we delivered 13,100 ABS/ESC kits in FY 2023/24 compared to 8,707 the previous year. We also received orders for the new HMMWV production and continue to expand our ABS/ESC service parts, while recording several framework purchase agreements with the US Army to support fleet maintenance of the ABS/ESC system. Additionally, Defense has secured several new and extension projects, including an extension agreement to continue ongoing efforts to expand the development of data management software tools for the US Navy fleet communications systems. Additional funding was secured for the testing and evaluation of wireless communications for the US Army and a contract award for model-based systems engineering to support the US Army with its digital acquisition framework, covering the entire procurement life cycle for their vehicle platforms from concept design and development to production and sustainment through life support.

Underlying operating profit of £23.5m represented a considerable increase of 82% compared to FY 2022/23 of £12.9m, and contributed to the Group's overall profit performance.

Outlook

Defense is expected to make further progress in its digital solutions to enable cross-domain operations between advanced platforms in the air, on land and at sea and its predictive maintenance data management software for naval fleet management.

We anticipate continued demand for our broad portfolio of engineering services, products such as ABS/ESC and field support solutions to fulfil the needs of future force design and spans the entire military vehicle life cycle. Nevertheless, in FY 2024/25, we expect revenues for the ABS/ESC programme to decline as volumes becomes more proportional for the duration of the contract period.

PERFORMANCE PRODUCTS

Performance Products specialises in the design, low-volume manufacture and series supply of powertrain and driveline products for high performance and complex established and emerging transport applications. Best known for our worldclass engine and transmission products for traditional propulsion systems, our capability has extended to cover the next generation of decarbonised propulsion systems.

We also provide industrialisation consultancy services from concept through to series production. Our customers draw on Ricardo's expertise in low-volume production and in developing low volume/prototype production to series production and apply it to their own facilities and programmes to successfully introduce new products and improve existing production processes.

Growth drivers

- Performance road vehicles and motorsport remain as relevant as ever for manufacturers and consumers, demonstrating continually increasing power and efficiency in ICE and decarbonised powertrains.
- Shorter and leaner development programmes using innovative technologies are driving demand for proven off-the-shelf components, and for industrialisation services.
- Transport is decarbonising, but differing vehicle and marine-vessel types plus geographic markets are favouring a multitude of powertrain solutions including electrification, fuel cells and carbon neutral combustion.
- The defence vehicle sector continues to grow due to overseas material supply issues, and increased expenditure on arms procurement and military R&D.

Financial and operational highlights

		Historical rates		Constant currency[6]	
	2024	2023	Change	2023	Change
	£m	£m	%	£m	%
Order intake (£m)	**77.1**	115.3	(33.1)	115.3	(33.1)
Order book (£m)	**74.4**	81.3	(8.5)	81.3	(8.5)
Revenue (£m)	**83.4**	84.7	(1.5)	84.7	(1.5)
Underlying[1] operating profit (£m)	**6.7**	9.0	(25.6)	9.0	(25.6)
Underlying[1] operating profit margin (%)	**8.0**	10.6	(2.6pp)	10.6	(2.6pp)
Headcount[5] (no.)	**367**	355	3.4	355	3.4

References in superscript are defined in the glossary of terms above.

Performance

Order intake in FY 2023/24 was £77.1m, a reduction of 33% on the prior period. The FY 2023/24 order intake included a multi-year contract extension from Bugatti as well as a new multi-year transmission supply programme to Singer, the California-based luxury vehicle design specialist.

Performance Products has seen an effective diversification of its order book during the year, including several new contracts in new market sectors and a major key contract win for multi-year assembly and production framework agreement in the marine propulsion segment, which will commence production in FY 2027/28. This year saw the commencement of production of the Singer transmission programme for the newly launched DLS-T and CTS platforms and continued deliveries of powertrains to McLaren and drivetrain product to Bugatti, Porsche and Aston Martin.

Revenue in FY 2023/24 was £83.4m, which was 2% lower than the prior year (FY 2022/23: £84.7m), due largely to two key transmission programmes ending. Nevertheless, revenue continues to generate from the programmes detailed above, ongoing supply agreements in defence and aerospace and a strong underlying performance in motorsport, including a presence in Formula 1, World Rally, Formula E and endurance motorsport.

Underlying profit was £6.7m, a reduction of 26% compared to the prior period, due to the lower revenue, mix of transmissions sold and inflationary pressures on input and operating costs. Underlying operating profit margin was 8.0%, compared to 10.6% in the prior period. Significant market sector and geographic expansion has been initiated within FY 2023/24, including the establishment of a Japanese office and the development of Ricardo's Detroit facility to support future manufacturing programmes.

Outlook

In FY 2024/25 Performance Products will continue to develop its portfolio of existing powertrain (engine) and driveline (transmission) products. Additionally, we are seeing demand in programmes that support the transition to net-zero propulsion, including electric drive units, industrial engineering services focussed on niche volume production, and concept work around fuel cells, battery systems and electric machines. Whilst the new opportunities are creating good growth for the future, we expect a reduction in revenue in FY 2024/25 as we conclude several existing programmes and commence development to allow for the launch of new programmes.

ESTABLISHED AUTOMOTIVE AND INDUSTRIAL

With over a century of propulsion design and development, we are a trusted global engineering-services partner for clean and efficient integrated propulsion and energy systems. Established Automotive and Industrial (A&I) is a trusted partner for original equipment manufacturers (OEMs) and tier-one suppliers across the transportation industry, including land, air and sea. We work across key transportation industries to bring solutions to market more quickly, while also enhancing performance. Established Automotive and Industrial is working to decarbonise current technologies through efficiency improvements, while helping global clients with bridging technologies to support the shift to fully decarbonised transport solutions and the achievement of a cleaner and greener future.

Growth drivers

- A rapid shift to decarbonised, sustainable transport technology.
- Bridge solutions to fill the technology gap between internal combustion engines and battery electric vehicles.
- Global acceleration to reduce time and cost of new product development.

Financial and operational highlights

		Historical rates		Constant currency(6)	
	2024	2023	Change	2023	Change
	£m	£m	%	£m	%
Order intake (£m)	**29.2**	36.2	(19.3)	35.6	(18.0)
Order book (£m)	**26.8**	27.5	(2.5)	27.6	(2.9)
Revenue (£m)	**28.6**	27.6	3.6	27.0	5.9
Underlying(1) operating loss (£m)	**(3.3)**	(5.8)	43.1	(5.7)	42.1
Underlying(1) operating profit margin (%)	**(11.5)**	(21.0)	9.5pp	(21.1)	9.6pp
Headcount(5) (no.)	**321**	339	(5.3)	339	(5.3)

References in superscript are defined in the glossary of terms above.

Performance

Established Automotive and Industrial order intake was £29.2m in FY 2023/24, a decrease of 18% on a constant currency basis,, because of project delays, which created some variability in the timing of deliveries. Revenue at £28.6m was up 6% (FY 2022/23: £27m) on a constant currency basis, driven by increased orders in the second half which were driven by the increased demand for the hybridisation of engines and improved efficiency of current propulsion engines, while demand for full electrification continues to evolve and market demand catches up with development. Recent wins include the design of a high-efficiency aviation powertrain, which includes the engine design and the development and hybridisation of the powertrain for a world-leading aerospace manufacturer. We also secured a contract to complete the initial phase of a large marine outboard-motor design and development programme for a major marine OEM.

Underlying operating loss was £3.3m, an improvement of 42% compared to FY 2022/23 on a constant currency basis. Despite the loss for the FY 2023/24, we saw good profit recovery in the second half as a result of improved revenue and the Group's accelerated transformation programme. As part of the restructuring programme, we have been constantly vigilant in controlling expenditure, implementing measures that support improved working capital and the short to mid-term business through further optimisation of the flexible resourcing model.

Through our simplified leadership structure, our flexible resourcing model and the execution of further efficiencies to our operating model, we are able to respond more rapidly to our clients' changing requirements and ensure persistent future financial performance in line with our strategic ambition.

Outlook

We are seeing further programmes in key industries including defence, aerospace and marine for clean propulsion integrated systems that will support our clients in their transition to a cleaner and greener future.

Condensed financial statements

Condensed consolidated income statement
for the year ended 30 June

		2024			2023		
		Underlying	**Specific adjusting items***	**Total**	Underlying	Specific adjusting items*	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Continuing operations							
Revenue	*3*	**474.7**	**-**	**474.7**	445.2	-	445.2
Cost of sales		**(340.1)**	**-**	**(340.1)**	(318.9)	-	(318.9)
Gross profit		**134.6**	**-**	**134.6**	126.3	-	126.3
Administrative expenses		**(96.8)**	**(26.0)**	**(122.8)**	(91.7)	(35.9)	(127.6)
Impairment losses on trade receivables and contract assets		**(0.2)**	**-**	**(0.2)**	(1.8)	-	(1.8)
Other income		**1.2**	**-**	**1.2**	1.2	-	1.2
Operating profit/(loss)		**38.8**	**(26.0)**	**12.8**	34.0	(35.9)	(1.9)
Finance income		**1.1**	**-**	**1.1**	1.0	-	1.0
Finance costs		**(9.4)**	**(0.2)**	**(9.6)**	(7.1)	-	(7.1)
Net finance costs		**(8.3)**	**(0.2)**	**(8.5)**	(6.1)	-	(6.1)
Profit/(loss) before taxation		**30.5**	**(26.2)**	**4.3**	27.9	(35.9)	(8.0)
Income tax (expense)/credit		**(8.1)**	**4.6**	**(3.5)**	(7.3)	3.3	(4.0)
Profit/(loss) from continuing operations		**22.4**	**(21.6)**	**0.8**	20.6	(32.6)	(12.0)
Discontinued operation							
Profit from discontinued operation, net of tax		**-**	**-**	**-**	0.4	6.4	6.8
Profit/(loss) for the year		**22.4**	**(21.6)**	**0.8**	21.0	(26.2)	(5.2)
Profit/(loss) attributable to:							
Continuing operations							
- Owners of the parent		**22.3**	**(21.6)**	**0.7**	20.4	(32.6)	(12.2)
- Non-controlling interests		**0.1**	**-**	**0.1**	0.2	-	0.2
		22.4	**(21.6)**	**0.8**	20.6	(32.6)	(12.0)
Discontinued operation							
- Owners of the parent		**-**	**-**	**-**	0.4	6.4	6.8
Total							
- Owners of the parent		**22.3**	**(21.6)**	**0.7**	20.8	(26.2)	(5.4)
- Non-controlling interests		**0.1**	**-**	**0.1**	0.2	-	0.2
		22.4	**(21.6)**	**0.8**	21.0	(26.2)	(5.2)

Earnings per share - basic and diluted (Note 5)	**2024** **pence**	2023 pence
Basic		
Earnings/(loss) per share	**1.1**	(8.7)
Underlying earnings per share	**35.9**	33.4
Earnings/(loss) per share from continuing operations	**1.1**	(19.3)
Earnings per share from discontinued operation	**-**	10.9
Diluted		
Earnings/(loss) per share	**1.1**	(8.7)
Underlying earnings per share	**35.5**	33.4
Earnings/(loss) per share from continuing operations	**1.1**	(19.3)
Earnings per share from discontinued operation	**-**	**10.9**

The accompanying notes are an integral part of these condensed financial statements.

* Specific adjusting items are disclosed separately in the condensed financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. Further details are given in Note 1 and Note 4.

Condensed consolidated statement of comprehensive income

for the year ended 30 June

	2024	2023
	£m	£m
Profit/(loss) for the year	**0.8**	(5.2)
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss:		
Remeasurements of the defined benefit pension scheme	**(6.0)**	(5.0)
Deferred tax on remeasurements of the defined benefit pension scheme	**1.4**	1.2
Total items that will not be reclassified to profit or loss	**(4.6)**	(3.8)
Items that are, or may be, subsequently reclassified to profit or loss:		
Currency translation on foreign currency net investments	**(0.9)**	(6.4)
Reclassification of foreign currency differences on disposal of foreign operation	**-**	(0.9)
Movement in fair value of cash flow hedge	**(0.1)**	-
Total items that may be subsequently reclassified to profit or loss	**(1.0)**	(7.3)
Total other comprehensive expense for the year (net of tax)	**(5.6)**	(11.1)
Total comprehensive expense for the year	**(4.8)**	(16.3)
Comprehensive expense attributable to:		
- Owners of the parent	**(4.9)**	(16.5)
- Non-controlling interests	**0.1**	0.2
	(4.8)	(16.3)

The accompanying notes are an integral part of these condensed financial statements.

Condensed consolidated statement of financial position
As at 30 June

	Note	2024 £m	2023 £m
Assets			
Non-current assets			
Goodwill	*7*	**96.0**	96.1
Other intangible assets		**33.7**	35.4
Property, plant and equipment		**30.4**	35.3
Right-of-use assets		**19.2**	20.7
Retirement benefit surplus		**8.0**	12.6
Other receivables		**2.5**	2.4
Deferred tax assets		**6.4**	8.5
		196.2	211.0
Current assets			
Inventories		**29.4**	29.5
Trade, contract and other receivables		**146.7**	153.5
Derivative financial assets		**0.8**	2.3
Current tax assets		**7.1**	2.7
Cash and cash equivalents	*8*	**48.6**	49.8
		232.6	237.8
Total assets		**428.8**	448.8
Liabilities			
Current liabilities			
Borrowings	*8*	**4.3**	12.7
Lease liabilities		**6.0**	5.7
Trade, contract and other payables		**107.5**	105.0
Current tax liabilities		**3.5**	2.6
Derivative financial liabilities		**0.5**	1.0
Provisions		**3.5**	2.6
		125.3	129.6
Net current assets		**107.3**	108.2
Non-current liabilities			
Borrowings	*8*	**102.6**	99.2
Lease liabilities		**17.8**	19.4
Trade, contract and other payables		**1.2**	4.8
Deferred tax liabilities		**13.0**	15.5
Derivative financial liabilities		**0.1**	-
Provisions		**3.6**	3.7
		138.3	142.6
Total liabilities		**263.6**	272.2
Net assets		**165.2**	176.6
Equity			
Share capital		**15.6**	15.6
Share premium		**16.8**	16.8
Other reserves		**36.2**	37.2
Retained earnings		**96.1**	106.6
Equity attributable to owners of the parent		**164.7**	176.2
Non-controlling interests		**0.5**	0.4
Total equity		**165.2**	176.6

The accompanying notes form an integral part of these condensed financial statements.

Condensed consolidated statement of changes in equity
for the year ended 30 June

		Attributable to owners of the parent						
		Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	Note	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 July 2022		15.6	16.8	44.5	120.5	197.4	0.2	197.6
Loss for the year		-	-	-	(5.4)	(5.4)	0.2	(5.2)
Other comprehensive expense for the year		-	-	(7.3)	(3.8)	(11.1)	-	(11.1)
Total comprehensive (expense)/income for the year		-	-	(7.3)	(9.2)	(16.5)	0.2	(16.3)
Equity-settled transactions		-	-	-	1.4	1.4	-	1.4
Purchases of own shares to settle awards		-	-	-	(0.1)	(0.1)	-	(0.1)
Tax relating to share option schemes		-	-	-	0.7	0.7	-	0.7
Ordinary share dividends	*6*	-	-	-	(6.7)	(6.7)	-	(6.7)
At 30 June 2023		15.6	16.8	37.2	106.6	176.2	0.4	176.6
At 1 July 2023		**15.6**	**16.8**	**37.2**	**106.6**	**176.2**	**0.4**	**176.6**
Profit for the year		**-**	**-**	**-**	**0.7**	**0.7**	**0.1**	**0.8**
Other comprehensive expense for the year		**-**	**-**	**(1.0)**	**(4.6)**	**(5.6)**	**-**	**(5.6)**
Total comprehensive (expense)/income for the year		**-**	**-**	**(1.0)**	**(3.9)**	**(4.9)**	**0.1**	**(4.8)**
Equity-settled transactions		**-**	**-**	**-**	**2.2**	**2.2**	**-**	**2.2**
Purchases of own shares to settle awards		**-**	**-**	**-**	**(0.7)**	**(0.7)**	**-**	**(0.7)**
Tax relating to share option schemes		**-**	**-**	**-**	**(0.4)**	**(0.4)**	**-**	**(0.4)**
Ordinary share dividends	*6*	**-**	**-**	**-**	**(7.7)**	**(7.7)**	**-**	**(7.7)**
At 30 June 2024		**15.6**	**16.8**	**36.2**	**96.1**	**164.7**	**0.5**	**165.2**

The accompanying notes form an integral part of these condensed financial statements.

Condensed consolidated statement of cash flows
for the year ended 30 June

	Note	2024 £m	2023 (Restated)[a] £m
Cash flows from operating activities			
Profit/(loss) before taxation		**4.3**	(0.1)
Adjustments for:			
- Share-based payments		**2.3**	1.3
- Unrealised foreign exchange (gains)/losses		**(1.3)**	2.6
- Fair value losses/(gains) on derivatives		**1.1**	(5.6)
- Gains on disposal of discontinued operation		**-**	(7.4)
- Losses on disposal of property, plant and equipment		**-**	0.7
- Net finance costs		**8.5**	6.1
- Depreciation, amortisation and impairment		**19.9**	37.4
Defined benefit pension scheme payments in excess of past service costs		**(0.8)**	(1.8)
Operating cash flows before movements in working capital		**34.0**	33.2
Changes in:			
- Inventories		**0.1**	(9.0)
- Trade, contract and other receivables		**7.5**	(27.9)
- Trade, contract and other payables		**(1.4)**	27.7
- Provisions		**0.8**	(2.0)
Cash generated from operations		**41.0**	22.0
Net interest paid		**(8.6)**	(7.5)
Income tax paid		**(6.5)**	(4.6)
Net cash generated from operating activities		**25.9**	9.9
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired		**-**	(24.5)
Purchases of property, plant and equipment		**(4.1)**	(4.9)
Proceeds from disposal of property, plant and equipment		**3.3**	-
Proceeds from sale of discontinued operation, net of cash disposed		**-**	13.1
Fees in relation to sale of discontinued operation		**-**	(0.8)
Purchases of intangible assets and capitalised development costs		**(7.2)**	(5.7)
Net cash used in investing activities		**(8.0)**	(22.8)
Cash flows from financing activities			
Purchases of own shares to settle awards		**(0.7)**	(0.2)
Principal element of lease payments		**(5.4)**	(5.1)
Proceeds from borrowings	*8*	**83.0**	128.0
Repayment of borrowings	*8*	**(80.0)**	(103.0)
Dividends paid to shareholders	*6*	**(7.7)**	(6.7)
Net cash (used in)/generated from financing activities		**(10.8)**	13.0
Effect of exchange rate changes on cash and cash equivalents		**-**	(2.3)
Net increase/(decrease) in cash and cash equivalents		**7.1**	(2.2)
Net cash and cash equivalents at 1 July		**37.2**	39.4
Restricted cash		**(1.3)**	-
Net cash and cash equivalents at 30 June		**43.0**	37.2

At 1 July			
Cash and cash equivalents		**49.8**	49.4
Cash included in disposal group held-for-sale		**-**	1.1
Bank overdrafts		**(12.6)**	(11.1)
Net cash and cash equivalents at 1 July		**37.2**	39.4
At 30 June			
Cash and cash equivalents	*8*	**48.6**	49.8
Restricted cash	*8*	**(1.3)**	-
Bank overdrafts	*8*	**(4.3)**	(12.6)
Net cash and cash equivalents at 30 June		**43.0**	37.2

The accompanying notes form an integral part of these condensed financial statements.

a) The prior year cash flow statement has been restated. Cash payments to settle derivatives of £4.2m have been reclassified as a gain on the fair value of derivatives of £5.6m and an unrealised foreign exchange loss of £1.4m relating to these derivative foreign currency swaps.

General information

Ricardo plc (the 'Company'), a public company limited by shares, is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. The address of its registered office is Shoreham Technical Centre, Shoreham-by-Sea, West Sussex, BN43 5FG, England, United Kingdom, and its registered number is 222915.

This preliminary announcement is based on the audited Annual Report & Accounts 2024, which was approved for issue on 10 September 2024, and which has been prepared in accordance with UK-adopted international accounting standards and applicable law. The financial information herein does not amount to full statutory accounts within the meaning of Section 434 of the Companies Act 2006.

1. Alternative performance measures

Throughout this document the Group presents various alternative performance measures (APMs) in addition to those reported under IFRS. The measures presented are those adopted by the Chief Operating Decision Maker (CODM, deemed to be the Chief Executive Officer), together with the main board, and analysts who follow us in assessing the performance of the business. Ricardo provides guidance to the investor community based on underlying results. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are set out below.

The underlying results and other APMs may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS.

a) Group profit and earnings measures

Underlying profit before tax (PBT) and underlying operating profit: These measures are used by the board to monitor and measure the trading performance of the Group. Underlying results include the benefits of the results of acquisitions and major restructuring programmes but exclude significant costs (such as the amortisation of acquired intangibles, acquisition-related expenditure, reorganisation costs and other specific adjusting items). Ricardo believes that the underlying results, when considered together with the reported results, provide investors, analysts and other stakeholders with helpful complementary information to better understand the financial performance and position of the Group.

The Group’s strategy includes geographic and sector diversification, including targeted acquisitions and disposals. By excluding acquisition-related expenditure from underlying PBT and underlying operating profit, the board has a clearer view of the performance of the Group and is able to make better operational decisions to support its strategy.

Acquisition-related expenditure includes the costs of acquisitions, deferred and contingent consideration fair value adjustments (including the unwinding of discount factors), transaction-related fees and expenses, and post-deal integration costs.

Reorganisation costs arising from major restructuring activities, profits or losses on the disposal of businesses, and significant impairments of property, plant and equipment, are excluded from underlying PBT and underlying operating profit as they are not reflective of the Group's trading performance in the year, as are any other specific adjusting items deemed to be one-off in nature.

The related tax effects on the above and other tax items which do not form part of the underlying tax rate are considered. Items are treated consistently year-on-year, and these adjustments are also consistent with the way that performance is measured under the Group’s incentive plans and its banking covenants. A reconciliation is shown below. Further details of the nature of the specific adjusting items are given in Note 4.

Reconciliation of underlying profit to reported profit/(loss)

	2024			2023		
	Underlying	**Specific adjusting items**	**Total**	Underlying	Specific adjusting items	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**474.7**	**-**	**474.7**	445.2	-	445.2
Cost of sales	**(340.1)**	**-**	**(340.1)**	(318.9)	-	(318.9)
Gross profit	**134.6**	**-**	**134.6**	126.3	-	126.3
Administrative expenses, impairment losses on trade receivables and contract assets, and other income	**(95.8)**	**-**	**(95.8)**	(92.3)	-	(92.3)
Amortisation of acquired intangibles	**-**	**(4.8)**	**(4.8)**	-	(4.6)	(4.6)
Acquisition-related expenditure	**-**	**(12.0)**	**(12.0)**	-	(6.2)	(6.2)
Impairment of non-financial assets	**-**	**-**	**-**	-	(18.7)	(18.7)
Reorganisation costs	**-**	**(8.4)**	**(8.4)**	-	(6.4)	(6.4)
ERP implementation costs	**-**	**(0.5)**	**(0.5)**	-	-	-
Other	**-**	**(0.3)**	**(0.3)**	-	-	-
Operating profit/(loss) from continuing operations	**38.8**	**(26.0)**	**12.8**	34.0	(35.9)	(1.9)
Net finance costs	**(8.3)**	**(0.2)**	**(8.5)**	(6.1)	-	(6.1)
Profit/(loss) before taxation from continuing operations	**30.5**	**(26.2)**	**4.3**	27.9	(35.9)	(8.0)
Income tax (expense)/credit	**(8.1)**	**4.6**	**(3.5)**	(7.3)	3.3	(4.0)
Profit/(loss) for the year from continuing operations	**22.4**	**(21.6)**	**0.8**	20.6	(32.6)	(12.0)
Profit for the year from discontinued operation, net of tax	**-**	**-**	**-**	0.4	6.4	6.8
Profit/(loss) for the year	**22.4**	**(21.6)**	**0.8**	21.0	(26.2)	(5.2)

Underlying earnings attributable to the owners of the parent/earnings per share: The Group uses underlying earnings attributable to the owners of the parent as the input to its adjusted EPS measure. This profit measure excludes the amortisation of acquired intangibles, acquisition-related expenditure, reorganisation costs and other specific adjusting items, but is an after-tax measure. The board considers underlying EPS to be more reflective of the Group's trading performance in the year. A reconciliation between earnings attributable to the owners of the parent and underlying earnings attributable to the owners of the parent is shown in Note 5.

Organic growth/decline: Organic growth/decline is calculated as the growth/decline in the result for the current year compared to the prior year, after excluding the impact of acquisitions or disposals.

Constant currency growth/decline: The Group generates revenues and profits in various territories and currencies because of its international footprint. Those results are translated on consolidation at the foreign exchange rates prevailing at the time. Constant currency growth/decline is calculated by translating the result for the prior year using foreign currency exchange rates applicable to the current year. This provides an indication of the growth/decline of the business, excluding the impact of foreign exchange.

Headline trading performance

	External revenue	Underlying Operating profit	Underlying Profit before tax	Reported Operating profit/(loss)	Reported Profit/(loss) before tax
	£m	£m	£m	£m	£m
2024					
Continuing operations	**474.7**	**38.8**	**30.5**	**12.8**	**4.3**
Less: performance of acquisitions	**(12.6)**	**(2.7)**	**(2.3)**	**(0.7)**	**(0.3)**
Continuing operations - organic	**462.1**	**36.1**	**28.2**	**12.1**	**4.0**
2023					
Total	446.0	34.5	28.4	6.0	(0.1)
Less: discontinued operation	(0.8)	(0.5)	(0.5)	(7.9)	(7.9)
Continuing operations	445.2	34.0	27.9	(1.9)	(8.0)
Less: performance of acquisitions	(4.8)	(1.1)	(1.1)	4.4	4.4
Continuing operations - organic	440.4	32.9	26.8	2.5	(3.6)
Continuing operations at prior year exchange rates	435.1	33.2	27.1	(1.9)	(8.0)
Growth (%) - Total	6%	12%	7%	113%	4,400%
Growth (%) - Continuing operations	7%	14%	9%	774%	154%
Growth (%) - Continuing organic	5%	10%	5%	384%	211%
Constant currency growth (%) – Continuing operations	9%	17%	13%	774%	154%

Segmental underlying operating profit: This is presented in the Group's segmental disclosures and reflects the underlying trading of each segment, as assessed by the main board. This excludes segment-specific amortisation of acquired intangibles, acquisition-related expenditure and other specific adjusting items, such as reorganisation costs. It also excludes unallocated plc costs, which represent the costs of running the public limited company and specific adjusting items which are outside of the control of segment management. A reconciliation between segment underlying operating profit, the Group's underlying operating profit and operating profit is presented in Note 2.

b) Cash flow measures

Cash conversion: A key measure of the Group's cash generation is the conversion of profit into cash. This is the reported cash generated from operations (defined as operating cash flow, less movements in net working capital and defined benefit pension deficit contributions) divided by earnings before interest, tax, depreciation and amortisation (EBITDA), expressed as a percentage.

Underlying cash conversion: This is underlying cash generated from operations (defined as reported cash generated from operations, adjusted for the cash impact of specific adjusting items) divided by underlying EBITDA (defined as reported EBITDA, adjusted for the impact of specific adjusting items). A reconciliation between the two is shown below.

Cash conversion

	2024			2023		
	Underlying	**Specific adjusting items**	**Total**	Underlying	Specific adjusting items	Total
	£m	**£m**	**£m**	£m	£m	£m
Operating profit/(loss) from continuing operations	**38.8**	**(26.0)**	**12.8**	34.0	(35.9)	(1.9)
Operating profit from discontinued operation	**-**	**-**	**-**	0.5	7.4	7.9
Operating profit	**38.8**	**(26.0)**	**12.8**	34.5	(28.5)	6.0
Depreciation, amortisation and impairment	**14.5**	**0.6**	**15.1**	14.1	18.7	32.8
Amortisation of acquired intangibles	**-**	**4.8**	**4.8**	-	4.6	4.6
EBITDA	**53.3**	**(20.6)**	**32.7**	48.6	(5.2)	43.4
Movement in working capital	**8.8**	**(1.8)**	**7.0**	(12.8)	1.6	(11.2)
Pension deficit payments	**(0.8)**	**-**	**(0.8)**	(1.8)	-	(1.8)
Gain on disposal of discontinued operation	**-**	**-**	**-**	-	(7.4)	(7.4)
Losses on disposal of assets	**-**	**-**	**-**	0.1	0.6	0.7
Share based payments	**2.3**	**-**	**2.3**	1.3	-	1.3
Fair value losses/(gains) on derivatives	**1.1**	**-**	**1.1**	(5.6)	-	(5.6)
Unrealised exchange (gains)/losses	**(1.3)**	**-**	**(1.3)**	2.6	-	2.6
Cash generated from operations	**63.4**	**(22.4)**	**41.0**	32.4	(10.4)	22.0
Cash conversion	**118.9%**		**125.4%**	66.7%		50.7%

The movement in working capital in relation to specific adjusting items for the current year includes trade and other payables of £3.9m and provisions of £1.1m in relation to specific adjusting items recognised as an expense during the current year which had not been paid at 30 June 2024, compared to £6.8m at the prior year end (which included £1.3m which was accrued under the completion mechanism in relation to the acquisition of E3M). The prior year cash flow statement has been restated. Cash payments to settle derivatives of £4.2m have been reclassified as a gain on the fair value of derivatives of £5.6m and an unrealised foreign exchange loss of £1.4m relating to these derivative foreign currency swaps.

Net debt: Defined as current and non-current borrowings less cash and cash equivalents, including hire purchase agreements, but excluding any cash deemed to be restricted in nature and any impact of other IFRS 16 lease liabilities. Management believes this definition is the most appropriate for monitoring the indebtedness of the Group and is consistent with the treatment in the Group's banking agreements. Further details are provided in Note 8.

c) Tax measures

Underlying effective tax rate (ETR): The Group reports one adjusted tax measure, which is the tax rate on underlying profit before tax. This is the tax charge applicable to underlying profit before tax expressed as a percentage of underlying profit before tax.

d) Other measures

Order book: The value of all unworked purchase orders and contracts received from customers at the reporting date, providing an indication of revenue that has been secured and will be recognised in future accounting periods. Management does not consider there to be a closely equivalent GAAP measure.

Order intake: The value of purchase orders and contracts received from customers during the period. The order intake for the current year was £496.1m (2023: £522.0m, including results of the discontinued operation). Management does not consider there to be a closely equivalent GAAP measure.

Headcount: Headcount is calculated as the number of colleagues on the payroll at the reporting date and includes subcontractors on a full-time equivalent basis. The number of employees disclosed in Note 31 to the Group Financial Statements is the average for the year.

2. Financial performance by segment

The segmental analysis helps explain the business in the way that it is monitored by management.

The Group's operating segments are being reported based on the financial information provided to the Chief Operating Decision Maker, who is the Chief Executive Officer. The information reported includes financial performance but does not include the financial position of assets and liabilities. The operating segments were identified by evaluating the Group's products and services, processes, types of customers and delivery methods. The following summarises the operations in each of the Group's reportable segments:

- **Energy and Environment (EE)** – EE generates revenue from the provision of environmental consultancy services to customers across the world. Customers include governments, public agencies and private businesses;

- **Rail** – Rail generates revenue from through two separate operations: a consultancy unit that provides technical advice and engineering services; and a separately operated entity, Ricardo Certification, that performs accredited assurance services;

- **Automotive and Industrial – Established** – A&I Established generates revenue through the provision of engineering, strategic consulting, and design, development and testing services, focused on the design, building and testing of conventional powertrains. Customers include businesses in the automotive, aerospace, defence, off-highway and commercial, marine and rail markets;

- **Automotive and Industrial – Emerging** – A&I Emerging generates revenue through the provision of engineering, strategic consulting, and design, development and testing services, focused on power electronic systems and propulsion systems, software and digital technologies. Customers include businesses in the automotive, aerospace, defence, energy, off-highway and commercial, marine, motorcycle and light personal transport, and rail markets;

- **Defense** – Defense provides engineering services, software and products to customers in the US defence market, aimed and protecting life and improving the operation, maintenance and support of complex systems; and

- **Performance Products (PP)** – PP manufactures, assembles and develops niche high-quality components, prototypes and complex products, including engines, transmissions and other precision and performance critical products. Its customers manufacture low-volume, high-performance products in markets such as motorsport, automotive, aerospace, defence and rail.

The operations of the Group have been categorised into these segments due to the nature of their services, market sectors, client bases and distribution channels and operating across markets requiring adherence to regulatory frameworks that are similar in nature.

Measurement of performance

Management monitors the financial results of its operating segments separately for the purpose of making decisions about allocating resources and assessing performance. Segmental performance is measured based on underlying operating profit, as this measure provides management with an overall view of how the different operating segments are managing their total cost base against the revenue generated from their portfolio of contracts.

There are varying levels of integration between the segments. The segments use EE for their specialist environmental knowledge. The A&I segments and PP have various shared projects. There are also shared service costs between the segments. Inter-segment transactions are eliminated on consolidation. Inter-segment pricing is determined on an arm's length basis in a manner similar to transactions with third parties.

Included within plc costs in the following tables are costs arising from a central Group function, including the costs of running the public limited company, which are not recharged to the other operating segments. The operating segment section above provides further detail on the segments' performance.

	2024					
	Total segment revenue	Inter-segment revenue	Revenue from external customers	Underlying operating profit	Specific adjusting items (*)	Operating profit
	£m	£m	£m	£m	£m	£m
Energy & Environment	104.0	(0.7)	103.3	17.6	(10.0)	7.6
Rail	78.0	(0.6)	77.4	8.9	(3.8)	5.1
A&I - Emerging	58.6	-	58.6	3.4	-	3.4
Defense	123.4	-	123.4	23.5	-	23.5
Performance Products	83.5	(0.1)	83.4	6.7	-	6.7
A&I - Established	28.6	-	28.6	(3.3)	(3.4)	(6.7)
Plc	-	-	-	(18.0)	(8.8)	(26.8)
Total	476.1	(1.4)	474.7	38.8	(26.0)	12.8
Net finance costs					(0.2)	(8.5)
Total profit before tax					(26.2)	4.3

	2024			
		Capital expenditure		
	Depreciation, amortisation and impairment	Other intangible assets	Property, plant and equipment	Right-of-use assets
	£m	£m	£m	£m
Energy & Environment	6.0	2.8	0.8	1.1
Rail	4.2	0.1	0.2	0.2
A&I - Emerging	5.6	2.1	2.0	0.8
Defense	2.1	1.3	0.8	-
Performance Products	0.8	0.1	0.3	2.0
Plc	1.2	0.8	-	-
Total	19.9	7.2	4.1	4.1

	2023					
	Total segment revenue	Inter-segment revenue	Revenue from external customers	Underlying operating profit	Specific adjusting items (*)	Operating profit
	£m	£m	£m	£m	£m	£m
Energy & Environment	89.6	(1.1)	88.5	16.0	(2.4)	13.6
Rail	74.1	(0.6)	73.5	8.0	(4.1)	3.9
A&I - Emerging	83.0	(0.7)	82.3	10.6	-	10.6
Defense	88.7	(0.1)	88.6	13.4	(0.1)	13.3
Performance Products	85.2	(0.5)	84.7	9.0	-	9.0
A&I - Established	28.6	(1.0)	27.6	(5.8)	(23.4)	(29.2)
Plc	-	-	-	(17.2)	(5.9)	(23.1)
Total continuing operations	449.2	(4.0)	445.2	34.0	(35.9)	(1.9)
Discontinued operation	0.8	-	0.8	0.5	7.4	7.9
Total	450.0	(4.0)	446.0	34.5	(28.5)	6.0
Net finance costs						(6.1)
Total loss before tax						(0.1)

	2023			
	Depreciation, amortisation and impairment	Capital expenditure		
		Other intangible assets	Property, plant and equipment	Right-of-use assets
	£m	£m	£m	£m
Energy & Environment	**4.2**	**0.6**	**0.6**	**0.5**
Rail	**4.5**	**0.3**	**0.3**	**0.7**
A&I - Emerging	**3.3**	**2.7**	**3.1**	**1.0**
Defense	**1.8**	**0.4**	**0.4**	**-**
Performance Products	**0.9**	**0.6**	**0.6**	**-**
A&I - Established	**21.0**	**0.7**	**1.2**	**1.6**
Plc	**1.7**	**-**	**-**	**0.1**
Total continuing operations	**37.4**	**5.3**	**6.2**	**3.9**
Discontinued operation	**-**	**0.2**	**-**	**-**
Total	**37.4**	**5.5**	**6.2**	**3.9**

3. Revenue

	Continuing operations		Discontinued operations		Total	
	2024	2023	**2024**	2023	**2024**	2023
	£m	£m	**£m**	£m	**£m**	£m
Revenue stream						
Service provided under:						
- fixed price contracts	**214.0**	216.9	**-**	-	**214.0**	216.9
- time and materials contracts	**81.6**	81.1	**-**	-	**81.6**	81.1
- subscription and software support contracts	**5.8**	5.4	**-**	0.1	**5.8**	5.5
Goods supplied:						
- manufactured and assembled products	**171.6**	140.5	**-**	-	**171.6**	140.5
- software products	**1.7**	1.3	**-**	0.7	**1.7**	2.0
Total	**474.7**	445.2	**-**	0.8	**474.7**	446.0
Customer location						
United Kingdom	**137.3**	137.4	**-**	0.3	**137.3**	137.7
Europe	**83.2**	78.5	**-**	0.1	**83.2**	78.6
North America	**166.2**	139.4	**-**	0.2	**166.2**	139.6
Rest of Asia	**39.7**	30.1	**-**	0.2	**39.7**	30.3
Australia	**22.7**	23.4	**-**	-	**22.7**	23.4
China	**8.3**	16.4	**-**	-	**8.3**	16.4
Rest of the World	**17.3**	20.0	**-**	-	**17.3**	20.0
Total	**474.7**	445.2	**-**	0.8	**474.7**	446.0
Timing of recognition						
Over time	**302.8**	304.6	**-**	0.8	**302.8**	305.4
At a point in time	**171.9**	140.6	**-**	-	**171.9**	140.6
Total	**474.7**	445.2	**-**	0.8	**474.7**	446.0

4. Specific adjusting items

Specific adjusting items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. These items comprise the amortisation of acquired intangible assets, acquisition-related expenditure, reorganisation costs and other items that are included due to their significance, non-recurring nature or amount. Acquisition-related expenditure is incurred by the Group to effect a business combination, including the costs associated with the integration of acquired businesses. Reorganisation costs relate to non-recurring expenditure incurred as part of fundamental restructuring activities, significant impairments of property, plant and equipment, and other items deemed to be one-off in nature.

	2024	2023
	£m	£m
Continuing operations		
Amortisation of acquired intangibles	**4.8**	4.6
Acquisition-related expenditure	**3.0**	6.2
Earn-out and employee retention costs	**9.2**	-
Reorganisation costs		
- Impairment of non-financial assets		18.7
- Other reorganisation costs	**8.4**	6.4
ERP implementation costs	**0.5**	-
Sale and leaseback costs	**0.3**	-
Total specific adjusting items from continuing operations before tax	**26.2**	35.9
Tax credit on specific adjusting items	**(4.6)**	(3.3)
Total specific adjusting items from continuing operations after tax	**21.6**	32.6
Specific adjusting items from discontinued operations		
Disposal of discontinued operation	**-**	(7.4)
Tax on specific adjusting items from discontinued operation	**-**	1.0
Total specific adjusting items after tax	**21.6**	26.2

Amortisation of acquired intangible assets

On acquisition of a business, the purchase price is allocated to assets such as customer contracts and relationships. Amortisation occurs on a straight-line basis over the asset's useful economic life, which is between two to nine years.

Acquisition-related expenditure, earn-out and employee retention costs

The current year acquisition-related expenditure comprises:

- £nil (2023: £0.4m) of integration costs and £0.1m (2023: £0.4m) of contingent consideration following the acquisition of Inside Infrastructure;
- £0.2m (2023: £0.2m) of external fees and integration costs and £4.1m (2023: £0.9m) of contingent consideration following the acquisition of E3M;
- £0.5m (2023: £0.4m) of integration costs and £5.0m (2023: £3.2m) of contingent consideration following the acquisition of Aither; and
- £2.3m (2023: £0.7m) of external fees in respect of other strategic projects.

Reorganisation costs

Impairment of non-financial assets

In the prior year, £18.7m of impairment costs were recognised, following a reassessment of the future projections and discounted cash flows of the A&I Established business as a result of economic uncertainties and the pace of technological change in the sector.

Other reorganisation costs

Reorganisation costs of £8.4m in FY 2023/24 include the following amounts:

- £3.4m in relation to the restructuring and transformation of the A&I businesses, primarily to transform global operations and enabling functions, including:
  - £1.8m of redundancy costs;
  - £0.4m for external contractors and fees associated with the process; and
  - £1.2m of cost in respect of property exits and asset write downs, including onerous lease provisions and impairment unutilised assets. This activity concluded in the current year.
  - In the prior year, £2.4m of redundancy costs were incurred in order to right-size the business in response to prevailing the economic challenges discussed above. In addition, £1.1m of losses on disposal of non-current assets, £0.2m of property exit costs and £1.0m of external fees and contractor costs were incurred.
- £3.3m in relation to the Rail and EE businesses. The current year cost includes £3.2m of redundancy costs and £0.1m of external fees arising from the combination of the operational transformation program and significant multi-year review to support creating a combined Clean Energy and Environmental Solutions business focused on key markets across Rail and EE. Redundancy costs of £1.5m were incurred in the prior year. These activities concluded in the current year.
- £1.7m of central costs including redundancies of £1.0m and the cost of external contractors and fees of £0.7m in relation to the operational transformation program. Redundancy costs of £0.2m were incurred in the prior year. This activity concluded in the current year.

These costs have been included within specific adjusting items as they are significant in quantum and would otherwise distort the underlying trading performance of the Group.

ERP implementation costs

During the year, £0.5m of external costs in relation to the planning activities to implement a new ERP system were incurred. These have been classified as a specific adjusting item as they are not reflective of the underlying performance of the business. The ERP system is expected to be utilised by the Group for at least five years.

Sale and leaseback costs

On 28th June 2024, Ricardo plc sold part of the site at the Shoreham Technical Centre used by Ricardo PP Ltd, known as Building 2, Building 19 and car parking to Berwen Ltd for £3.25m, with no gain or loss on book value. The cost of £0.3m was associated with external fees relating to the sale. This cost has been recognised as a specific adjusting item as they do not reflect the underlying trading of the business. Cash proceeds received for the sale have been recorded within investing activities in the cash flow statement.

Prior year disposal of discontinued operation

During the prior year, a gain on the disposal of the discontinued Software business of £7.4m was recognised.

5. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year, excluding those held by an employee benefit trust for the Long-Term Incentive Plan (LTIP) and by the Share Incentive Plan (SIP) for the free share scheme which are treated as cancelled for the purposes of the calculation. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These include potential awards of LTIP shares and options granted to employees. The assumed proceeds from these are regarded as having been received at the average market price of ordinary shares during the year.

Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below. Underlying earnings per share is also shown because the Directors consider that this provides a useful indication of underlying performance and trends over time.

	2024	2023
	£m	£m
Earnings/(loss) attributable to owners of the parent	**0.7**	(5.4)
Add back the net-of-tax impact of:		
- Amortisation of acquired intangibles	**3.5**	3.5
- Acquisition-related expenditure	**11.3**	6.2
- Other reorganisation costs and impairment	**6.1**	22.9
- ERP implementation costs	**0.4**	-
- Sale and leaseback costs	**0.3**	-
- Discontinued operations	**-**	(6.4)
Underlying earnings attributable to owners of the parent	**22.3**	20.8

	2024	2023
	Number of shares millions	Number of shares millions
Basic weighted average number of shares in issue	**62.2**	62.2
Effect of dilutive potential shares	**0.6**	-
Diluted weighted average number of shares in issue	**62.8**	62.2

	2024	2023
Earnings/(loss) per share	**pence**	pence
Basic	**1.1**	(8.7)
Diluted	**1.1**	(8.7)

	2024	2023
Underlying earnings per share	**pence**	pence
Basic	**35.9**	33.4
Diluted	**35.5**	33.4

	2024	2023
Earnings/(loss) per share from continuing operations	**pence**	pence
Basic	**1.1**	(19.3)
Diluted	**1.1**	(19.3)

	2024	2023
Earnings per share from discontinued operation	**pence**	pence
Basic	**-**	10.9
Diluted	**-**	10.9

6. Dividends

	2024	2023
	£m	£m
Final dividend for prior period: 8.61p per share (2023: 7.49p) per share	**5.3**	4.6
Interim dividend for current period: 3.80p per share (2023: 3.35p) per share	**2.4**	2.1
Equity dividends paid	**7.7**	6.7

On 4 September 2024 the Directors declared a final dividend of 8.9p per share, which will be paid gross on 22 November 2024 to holders of ordinary shares on the Company's register of members on 1 November 2024.

7. Goodwill and impairment of non-financial assets

	2024	2023
Movement in goodwill	**£m**	£m
At 1 July	**96.1**	90.6
Acquisition of business(1)	**-**	13.6
Impairment(2)	**-**	(5.2)
Exchange adjustments	**(0.1)**	(2.9)
At 30 June	**96.0**	96.1

The carrying value of goodwill and the key assumptions used in determining the recoverable amount of each CGU, or group of CGUs, are as follows:

	Basis	Carrying value		Pre-tax discount rate		Long-term growth rate	
		2024	2023	**2024**	2023	**2024**	2023
		£m	£m	**£m**	£m	**£m**	£m
Rail	VIU	**44.6**	44.4	**14.3%**	13.5%	**3.6%**	2.9%
Automotive and Industrial - Established(2)	VIU	**-**	-	**14.8%**	14.9%	**(10.0%)**	(10.0%)
Automotive and Industrial - Emerging	VIU	**14.2**	14.4	**14.7%**	14.9%	**3.8%**	3.9%
Energy and Environment(1)	VIU	**32.6**	32.7	**16.5%**	16.9%	**4.7%**	4.0%
Defense(3)	VIU	**3.5**	3.5	**16.1%**	14.0%	**1.7%**	3.3%
Performance Products(4)	FVLCD	**1.1**	1.1	**12.4%**	15.9%	**4.7%**	4.4%
At 30 June		**96.0**	96.1				

(1) The Group acquired Aither and E3M during the prior year, adding goodwill of £5.1m and £8.5m respectively to the Energy and Environment CGU.

(2) At 31 December 2022, during the previous financial year, as required by IAS 36, an assessment was carried out to identify whether any indicators existed that the Goodwill balance es held by the Group may be impaired. Due to a significantly more challenging performance than expected in the Automotive and Industrial – Established Mobility (A&I Established) segment, an indicator of impairment was considered to exist, and the recoverable amount of the CGU was estimated. The recoverable amount of the CGU was based on its value in use (VIU), determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. Expected cash flows for the A&I Established business decreased compared to those expected at 30 June 2022, and the carrying amount of the CGU was therefore determined to be higher than its recoverable value of nil. As a result, an impairment charge of £17.7m was recognised during the previous financial year to administrative expenses within specific adjusting items for the A&I Established operating segment. This assessment was updated at 30 June 2023 and a further £1.0m of assets were impaired. At 30 June 2024 the recoverable value of A&I Established remained nil and therefore the assets remain fully impaired. No further impairment was added.

(3) The increase in the pre-tax discount rate for this CGU relates to a change in the mix of competitor companies which better reflects the risk profile of this CGU.

(4) The recoverable amount of this CGU was based on fair value less costs of disposal (FVLCD), estimated using discounted cash flows. The fair value measurement was classified as a Level 3 fair value based on the inputs in the valuation technique used. The key assumptions used are set out in the table. The FY 2023/24 discount rate reflects a post-tax discount rate.

Movements in the carrying value of goodwill in Rail and A&I – Emerging reflect movements in foreign exchange rates.

During the previous financial year, £18.7m of assets were written off include £5.2m of goodwill, £1.8m of intangible assets (primarily development costs, including calibration tools), and £11.7m of property, plant and equipment (including £2.8m of buildings and £5.2m of test assets). After recognising the impairment, the carrying value of non-current assets allocated to this CGU was £nil.

	£m
Goodwill	**5.2**
Other intangible assets	**1.8**
Property, plant and equipment	**11.7**
Total impairment	**18.7**

In addition, an estimate of recoverable value for the combined A&I Established and A&I Emerging businesses was calculated in order to assess the carrying value of the assets shared between these CGUs. The carrying value of the shared assets, and the A&I Emerging assets were supported by this calculation with significant headroom, and no further impairment was recognised.

Key assumptions

The five-year plan and discounted cash flow calculations thereon are used to calculate a recoverable amount which is compared to the carrying value of the goodwill and other non-financial assets allocated to each CGU, or group of CGUs at 30 June 2024. No impairment was considered necessary (2023: Impairment was recognised in relation to A&I Established (see above).

The five-year cashflow forecasts are based on the budget for the following year (year one) and the business plans for years two to five. The five-year plan is prepared by management and is reviewed and approved by the board. The five-year plan reflects past experience, management's assessment of the current contract portfolio, contract wins, contract retention, price increases, gross margin, as well as future expected market trends (including the impact of climate change, where relevant), adjusted to meet the requirements of IAS 36 Impairment of Assets.

The risks associated with climate change which have been incorporated into the five-year planning process include the known and expected increased regulation in relation the use of the internal combustion engine (ICE) and the impact that will have on our customers operating in this market. The five-year planning process takes into account the requirement to adapt our product and service portfolios in response to megatrends influenced by climate change. Some risks, such as the risk of sea level rise (see discussion of Principal Risks in the Annual Report) are expected to arise outside of the timeline of the five-year plan and are not considered sufficiently quantifiable to include in the longer-term element of the recoverable amount calculation. The recoverable amounts of the CGUs include consideration of our commitment to carbon reduction based on the Science Based Targets initiative (SBTi).

Due to regulatory and other changes in the market relating to ICE, a long-term decrease of 10% p.a. has been applied to A&I - Established cashflows.

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 CGUs, or group of CGUs, five-year plan and external third party forecasts of the prevailing inflation and economic growth rates for each of the territories in which each CGU, or group of CGUs, primarily operates.

For VIU, the cash flows are discounted at a pre-tax discount rate, which is derived from externally sourced data and reflects the current market assessment of the Group's time value of money and risks specific to each CGU. For FVLCD, a post-tax discount rate was used.

Research and Development Expenditure Credits (RDEC) cash flows are included in the value-in-use calculations for A&I – Established, A&I – Emerging, Performance Products and Energy and Environment.

Sensitivities

The recoverable amount calculations were assessed for sensitivity to reasonably possible changes to assumptions. The change in pre-tax discount rate, growth rate, operating profit and working capital which would cause the unit's (or group of units') carrying amount to exceed its recoverable amount was identified and an assessment made as to whether that change was considered reasonably possible. In addition, a scenario was modelled for each of a 10% reduction in operating profit, a 10% increase in working capital movement, a 2% increase in the pre-tax discount rate and a 2% decrease in the long-term growth rate, and a scenario with each of these changes combined.

None of these scenarios resulted in any CGU's (or group of units') goodwill exceeding its recoverable amount.

8. Net debt and borrowings

The objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital is monitored on the basis of the gearing ratio, which is calculated as net debt divided by total capital.

The majority of the Group's cash is held in bank deposits. The Group's sources of borrowing for funding and liquidity purposes come from the Group's £150.0m multi-currency revolving credit facility and through short-term overdraft facilities.

The disclosures in this Note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to Note 1.

a) Gearing ratio

	2024	2023
	£m	£m
Net debt	**59.6**	62.1
Total equity	**165.2**	176.6
Total capital	**224.8**	238.7
At 30 June	**26.5%**	26.0%

b) Net debt

	2024	2023
Analysis of net debt	**£m**	£m
Current assets - cash and cash equivalents		
Cash and cash equivalents	**48.6**	49.8
Restricted cash	**(1.3)**	-
Net cash and cash equivalents	**47.3**	49.8
Current liabilities - borrowings		
Bank overdrafts repayable on demand	**(4.3)**	(12.6)
Hire purchase liabilities maturing within one year	**-**	(0.1)
Total current borrowings	**(4.3)**	(12.7)
Non-current liabilities - borrowings		
Hire purchase liabilities maturing after one year	**-**	-
Bank loans maturing after one year	**(102.6)**	(99.2)
Total non-current borrowings	**(102.6)**	(99.2)
At 30 June	**(59.6)**	(62.1)

Net cash and cash equivalents at 30 June	**47.3**	49.8
Total borrowings at 30 June	**(106.9)**	(111.9)
At 30 June	**(59.6)**	(62.1)

	2024	2023
Movement in net debt	**£m**	£m
At 1 July	**(62.1)**	(35.4)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	**7.1**	(2.2)
Movement in restricted cash	**(1.3)**	-
Repayments of hire purchase	**0.1**	0.2
Proceeds from bank loans	**(83.0)**	(128.0)
Repayments of bank loans	**80.0**	103.0
Amortisation of bank loan fees	**(0.4)**	0.3
At 30 June	**(59.6)**	(62.1)

At the year-end, the Group had current hire purchase liabilities of nil (2023: £0.1m) and non-current hire-purchase liabilities of £nil. This hire-purchase agreement had an implicit rate of interest of 2.4%.

At the year-end, the Group held total banking facilities of £166.1m (2023: £166.1m), which included committed facilities of £150.0m (2023: £150.0m). The committed facility consists of a £150.0m multi-currency Revolving Credit Facility (RCF) which provides the Group with committed funding through to July 2026. In addition, the Group has uncommitted facilities including overdrafts of £16.1m (2023: £16.1m), which mature throughout this and the next financial year and are renewable annually.

Non-current bank loans comprise committed facilities of £102.6m (2023: £99.2m), net of direct issue costs, which were drawn primarily to fund acquisitions and general corporate purposes. These are denominated in Pounds Sterling and have variable rates of interest dependent upon the Group's adjusted leverage, which range from 1.65% to 2.45% above SONIA (2023: 1.65% to 2.45% above SONIA).

Adjusted leverage is defined in the Group's banking documents as being the ratio of total net debt to adjusted EBITDA. Adjusted EBITDA is further defined as being earnings before interest, tax, depreciation, impairment and amortisation, excluding the impact of IFRS 16, adjusted for any one-off, non-recurring, exceptional costs and acquisitions or disposals during the relevant period. At the reporting date, the Group has an adjusted leverage of 1.25x, which attracts a rate of interest of SONIA plus 1.85% (2023: SONIA plus 1.85%). The Group has banking facilities for its UK companies which together have a net overdraft limit, but the balances are presented on a gross basis in the financial statements.