10 September 2015

Ricardo plc
Preliminary results for the full year ended 30 June 2015

Ricardo marks 100th anniversary since formation of the Company

Ricardo plc is a global engineering and strategic, technical and environmental consultancy business with a value chain that includes the niche manufacture and assembly of high-performance products. We employ over 2,700 professional engineers, consultants, scientists and support staff to deliver class-leading and innovative products and services for the benefit of our customers, which include the world's major transportation original equipment manufacturers and operators, supply chain organisations, energy companies, financial institutions and government agencies.

HIGHLIGHTS

- Good year-end order book at £140m (2014: £142m);
- Revenue up 9% to £258m (2014: £236m);
- Order intake of £252m (2014: £259m);
- Underlying(1) profit before tax up 9% to £26.8m (2014: £24.6m);
- Underlying(1) basic earnings per share up 10% to 42.4p (2014: 38.7p);
- Net funds up £1.7m to £14.3m after £3.6m of acquisition-related payments (2014: £12.6m);
- Full year dividend up 9% to 16.6p per share (2014: 15.2p);
- Year of strategic acquisitions and business reorganisation; Vepro and Power Planning Associates acquired in the year; Lloyd's Register Rail and Cascade Consulting completed post year-end; and
- Positive outlook; order book and financial position provides good platform for future growth.

(1) Excluding specific adjusting items of £3.9m (2014: £1.1m), which comprise amortisation of acquired intangible assets and acquisition-related costs (see Note 3). Including specific adjusting items, reported profit before tax was £22.9m (2014: £23.5m) and reported basic earnings per share was 35.6p (2014: 36.9p).

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

"As we celebrate our centenary year we have delivered a good set of financial results with revenue and profit growth, cash generation and a diverse portfolio of projects. Our strategy is focused on global engineering and environmental consulting and the development of longer-term, multi-year contracts and relationships, underpinned by global macro trends.

"This has been an important year for the business, highlighted by our acquisitions and reorganisation around key growth business units. In addition to the four completed acquisitions, we have established Ricardo Defense Systems in the US, which will enable us to access higher level security programmes from the US Defense Administration and we have also established Ricardo Innovations, which enables us to develop technology more quickly.

"Our vision is to become a world-leading global engineering and environmental consultancy business. Our order book and financial position provide a good platform for future growth and the delivery of this vision."

Further enquiries:
Ricardo plc
Dave Shemmans, Chief Executive Officer — Tel: 01273 455611
Ian Gibson, Chief Financial Officer — Website: www.ricardo.com

Newgate Communications LLP — Tel: 020 7680 6550
Fergus Wylie, Madeleine Palmstierna, Edward Treadwell — E-mail: ricardo@newgatecomms.com

REVIEW OF THE YEAR

Trading performance

The Group has delivered a good operating result for the year ended 30 June 2015, most notably within the Technical Consulting segment. Total Group revenue increased by 9% to £257.5m and excluding the results generated by acquisitions during the year, like-for-like revenues are at £256.0m.

Underlying profit before tax increased by 9% to £26.8m, up from £24.6m in the prior year. Reported profit before tax for the year is £22.9m compared to £23.5m in the prior year. The decrease is due to amortisation of acquired intangible assets and acquisition-related costs of £3.9m, of which £2.1m related to the materially completed acquisition of Lloyd's Register Rail on 1 July 2015. Accordingly, the trading results from the Rail acquisition have not been included within the results for the year ended 30 June 2015. Organic growth in profit before tax, which excludes £0.2m of underlying profit from completed acquisitions during the year ended 30 June 2015, increased by 8%. The Group's underlying profit before tax margin remained at 10.4%, consistent with the prior year.

The financial year ended with another good closing order book of £140m, compared to a record year-end order book of £142m in the prior year, with a significant pipeline of further opportunities beyond that. The order book remains well diversified, with no single market sector, customer or geography being responsible for more than half of the closing order book. Our order book comprises the value of all unworked purchase orders received.

Segmental operating results for Technical Consulting and Performance Products are discussed in the relevant sections below. Within Technical Consulting, the Group benefited from strong order intake from our business in Asia, along with the efficiencies gained during the year from the creation of our European Technical Consulting division. The Technical Consulting segment generated underlying operating profit of £20.0m (2014: £17.8m). Performance Products has had a good year in terms of its top-line performance, with further growth in revenue of 10% to £60.9m (2014: £55.2m), but as expected operating profit and order intake have fallen to £7.7m (2014: £7.9m) and £43m (2014: £67m), respectively, as a successful contract came to a close. The prior year benefited from our strong engineering performance and rigorous process control, which resulted in lower warranty claims than expected and this has been factored into our experience-based provision assessment in the current year.

TECHNICAL CONSULTING

Performance

At the centre of Ricardo's business model lies its Technical Consulting activity, which accounts for around three quarters of Group revenue and underlying operating profit. We deliver projects focused on class-leading innovation in our core product areas of engines, transmissions, vehicles, hybrid and electric vehicles, environmental and strategic consulting. Our activities range from detailed collaborations with customers on strategy, advanced engineering work, technology evaluations and market studies to large-scale turnkey commercial programmes, encompassing multiple products and international markets.

Revenue has grown at 9% to £196.6m (2014: £181.0m). The growth in revenue can be attributed to the record opening order book and the continued strength of order intake as we moved through the year. Underlying operating profit increased by 12% to £20.0m (2014: £17.8m). Underlying operating margins have increased to 10.2%, up from 9.8% in 2014. Order intake in the year stood at £209m (2014: £192m). There has been a good balance of Technical Consulting order intake across the regions and we have continued to see good levels of diversification across different market sectors. Highlights can be found in the 'Market Sector Highlights – Technical Consulting' section, below.

During the year, the UK and German Technical Consulting businesses have been integrated to form a European Technical Consulting division, along with a separate global Motorcycle division, which includes the recently acquired Vepro business. The European reorganisation will improve coordination and delivery to our clients, as well as achieving cost efficiencies, whilst the new Ricardo Motorcycle division creates a critical mass of capability, expertise and global reach in motorcycle, scooter and urban mobility engineering.

The European Technical Consulting (‘EUTC’) division has secured a range of large multi-year programmes in the passenger car, commercial vehicle and power generation sectors in particular. Activity levels have been particularly high in the engine and vehicle groups. The EUTC division continues to be the main business in terms of profit generation.

In Ricardo Motorcycle the focus has been on the delivery of existing large multi-year powertrain programmes and the global roll-out of an expanded product and service offering to existing and new clients. As a result we have secured a new multi-year vehicle programme from an international client in the motorcycle and scooter sector of the market.

In the US, the business has maintained its commercial performance in the passenger car and commercial vehicle sectors, whilst positioning the business for growth in other areas. Ricardo’s US business mix has seen increasing engine testing activity across both light and heavy duty applications and increased interest in Rail and Energy sectors. Our defence activity continues to diversify and during the year we launched Ricardo Defense Systems to enable us to access higher-level security programmes from the US Defense Administration. Our California business is growing and we will continue to see expansion of our activities in this area.

Asia, including China and Japan, remains a key region and our Shanghai-based business has secured and started to deliver a number of large locally won contracts. This has included a mixture of hybrid vehicle, engine, transmission and attribute development activities. In Japan we have seen good levels of performance in the passenger car and commercial vehicle sectors.

Ricardo Energy & Environment has had a good year and has seen growth in both international and private-sector clients. The five historic practice areas of Energy and Climate Change, Air Quality, Resource Efficiency and Waste Management, Sustainable Transport, and Chemical Emergency and Risk Management have performed to expectation, alongside PPA which was acquired during the year and integrated as a sixth practice area.

Our strategic consulting activities continue to operate well across all geographies and performance has been good in all operating regions. The combination of management consulting skills and deep industry insight offers a unique proposition to our customers. These include companies in the passenger car, energy and commercial vehicle sectors, plus numerous government bodies and private equity firms.

Market Sector Highlights – Technical Consulting

Passenger Cars
The passenger car sector remains the most significant for Ricardo. Projects continue to be driven by emissions legislation, CO_2 reduction and global competition. During the year demand remained high, with large multi-year contract orders from automakers and suppliers in the UK, EU and Asia. New orders were secured across the vehicle systems and core powertrain areas of our business, focused on both new products and upgrades to existing products.

One of the key drivers of the strong demand is the requirement to deliver lower CO_2 solutions at lower cost whilst still maintaining high levels of functional performance. This is driving increased interest in our vehicle lightweighting, advanced combustion and intelligent vehicle and driveline technologies. Autonomous vehicle technology in particular is attracting significant interest in North America. Interest in hybrid and electric vehicle architectures, battery pack and battery management system design and vehicle attribute development also feature strongly.

The Vehicle Emissions Research Centre ('VERC') was commissioned at the Shoreham Technical Centre during the year and we continue to invest in advanced combustion and other key technologies in areas related to improvements in overall vehicle efficiency, such as intelligent driveline, lightweight materials and electrification.

Government and Environmental

Ricardo's activities in the government and environmental sector have been driven largely by the long-standing relationships that Ricardo Energy & Environment has with various government bodies in the UK, the EU and globally. Activity in the government sector continues to focus around issues such as urban air quality, flood prediction and prevention, sustainable transport solutions to overcome congestion, emissions compliance, waste and resource efficiency and future energy mix.

Despite UK Government pressure on budgets, Ricardo Energy & Environment has secured a number of major contract wins with departments such as the Department for Environment, Food & Rural Affairs ('Defra') and the Department for Business, Innovation & Skills ('BIS'). In the US, we continue to build relationships with the Department of Energy ('DoE'), the Environmental Protection Agency ('EPA'), the National Highway Traffic Safety Administration ('NHTSA') and the California Air Resources Board ('CARB'). In the EU, we are working with the EU Commission and international donor organisations on a range of new projects and initiatives. Future growth is focused on the private sector and international expansion outside of the UK.

The acquisition of PPA to the Ricardo Energy & Environment business in November 2014 has enabled the business to strengthen its activities in the energy sector, especially in Africa and Asia.

Motorcycles, High-Performance Vehicles & Motorsport

During the past year, we launched Ricardo Motorcycle as a global business unit and added UK-based consultancy Vepro into the Group. We are now able to offer a complete turnkey motorcycle/urban mobility solution covering powertrain and vehicle systems. We have also continued a partnership relationship with Exnovo, a motorcycle vehicle engineering business based in Italy.

Growth in this sector is being driven by the need for a reduction in CO_2 emissions, the increasing focus on urban mobility solutions and a growing interest in e-bikes together with the increased demand for high-quality motorcycles in developing markets. We also recognise the strong market differences between the value-driven brands of south-east Asia and the technology-focused luxury marques of Europe, North America and Japan.

During the year the team remained focused on the delivery of existing large multi-year powertrain programmes for clients in Japan, China and Germany. The business mix covers a number of major subsystems including engines and driveline and transmission systems. We have also secured a new multi-year vehicle programme from an international client in the motorcycle and scooter sector of the market.

The high-performance vehicles and motorsport team is pursuing a range of new opportunities.

Commercial Vehicles

We have seen strong growth in the commercial vehicle sector, especially from the Asian markets. We have secured a number of large engine and transmission projects across the medium and heavy duty sectors. Activity levels are being driven by legislation and new product development for global applications. Strong engagement in this sector has driven increasing engine test activity in this sector, especially in North America. We have also seen growing interest in our aftertreatment and fuel cell capabilities at our technical facility in California. Facilities include a catalyst hydrothermal ageing test lab, a synthetic gas reactor test lab for rapid evaluation and modelling of aftertreatment components and systems under both steady-state and transient conditions, and fuel cell testing capabilities for solid oxide and proton exchange membrane fuel cells. Ricardo is uniquely positioned to offer design, development and delivery of powertrain systems from fuel delivery to tailpipe.

In addition to our core powertrain offering we have also focused on developing our product offering in the areas of fuel economy improvement, system optimisation and hybridisation: we see all these as areas of significant future growth.

Agricultural and Industrial Vehicles
Activity in the off-highway sector continues to remain at a relatively low level following the recent implementation of Stage IV emissions standards in Europe. Our focus in the coming years will be in assisting clients with EU, US and China legislation for 2020.

Our product offering in this sector is focused on new powertrain and engine development, complete machine optimisation, cost-effective aftertreatment solutions and hybridisation options, all of which are attracting increasing levels of interest. We also continue to invest in energy recovery technology.

Defence
Ricardo's defence-related activity has seen an important number of new customer wins. We have seen increasing activity in mainland European, Middle Eastern and Asian markets as a result of focused business growth activities outside of the UK market. In the UK we have seen increasing demand for our Total Systems Optimisation approach; a programme which is focused on optimising vehicle architecture selection to minimise lifecycle costs and maximise fuel economy.

In the US, we have launched Ricardo Defense Systems LLC as a platform for growth and expansion by enabling us to access higher level security programmes from the US Defense Administration.

Our focus remains in the land domain and we are actively engaged in a range of future opportunities in international markets.

Rail
Ricardo's rail sector business has continued to grow, with a focus on Technical Consulting activities in the rolling stock area in both the EU and North America. We are also at an advanced stage with the DDFlyTrain research and development project conducted by Ricardo, Artemis Intelligent Power and Bombardier Transportation (see the 'Research and Development' section below). This project has used Ricardo's innovative high-speed flywheel-based brake energy recovery system concept to deliver a projected fuel saving of around 10 per cent on Diesel Multiple Unit ('DMU') rolling stock.

Our activity has continued to develop a broad geographic spread with a variety of programmes taking in Tier 1 equipment manufacturers, rail operators, rail equipment manufacturers and governments, with a focus on the imperatives of increasing fuel efficiency and reliability. In the US, Ricardo is developing a Maglev rail system for low-cost urban connection between Orlando Airport and the nearby convention centre.

On 1 July 2015, we launched Ricardo Rail following the completion of the acquisition of Lloyd's Register Rail. This new business, with its footprint in the UK, Europe, Asia and the Middle East will now enable us to benefit from the significant global growth in high-speed and metro-based railways. The business will have three core product offerings: Independent Assurance; Technical Consulting; and Performance Engineering. With major clients such as Network Rail, Dutch Railways, MTR, Crossrail, Etihad Rail and Qatar Rail, it will spearhead our future growth in the rail industry.

Clean Energy & Power Generation and Marine
The clean energy and power generation sector has seen the majority of its activity in the large engine area for power generation. We are engaged in a number of large projects covering genset development, gas engine conversions, heavy fuel oil engines and CHP (Combined Heat and Power) solutions. The customer base is broad and globally diverse.

We have seen proportionally less activity this year in the renewable energy sector, although we continue to deliver offshore and onshore wind energy projects. We have also seen good levels of activity in fracking applications for the oil and gas market and seen significant growth in our management consulting activities across the energy sector.

The marine sector is driven by increasing demands for high-speed diesel generator sets and main propulsion systems, and also for the conversion of engines for gas or dual fuel operation. The majority of our activities in this sector have been based around failure analysis, investigations, specialist design and development activities.

PERFORMANCE PRODUCTS

Performance

The Performance Products segment accounts for around one quarter of Group revenue and underlying operating profit. Approximately half of the revenue generated by the segment is in respect of products and services provided to a single customer.

Performance Products continues to deliver to expectations. Revenue grew by 10% to £60.9m (2014: £55.2m), with underlying operating profit at £7.7m (2014: £7.9m). Order intake in the year stood at £43m (2014: £67m).

The Performance Products business continues to focus on the development of long-term strategic relationships, the development of its people, and using a growing track record of product quality and on-time delivery to win new, large contracts.

Further details of activity within the year can be found within the 'Market Sector Highlights – Performance Products' section, below.

Market Sector Highlights – Performance Products

Defence
Activities in the defence sector have focused on the supply of ongoing post-design services for the UK Ministry of Defence. This has included the supply of infra-red lighting and axle upgrade kits.

High-Performance Vehicles & Motorsport
Demand for engines from McLaren for its supercars continues, and we now supply power units for the new 650S and the highly sophisticated P1 hybrid models. The McLaren engine assembly facility is currently being expanded to enable us to satisfy McLaren's product expansion plans.

Production of the Porsche Cup and advanced dual clutch transmissions to Bugatti continued in line with the long-term supply agreements.

In the area of motorsport, Ricardo has remained busy during the year with manufacturing orders from Formula 1 customers, and products such as the Ricardo-designed transmissions for the Japanese Super Formula, Indy Lights and World Series by Renault. Work has also been ongoing to design and manufacture a GT3 racing transmission for two new premium clients.

Rail
Rail activity continues to perform to plan through the continuing manufacture and supply of monorail transmissions for applications in both Malaysia and Brazil. We continue to seek out similar future opportunities which exploit the market presence developed through our Technical Consulting activities and the newly created Ricardo Rail business.

RESEARCH AND DEVELOPMENT

Investment in research and development is now under one reporting structure at Ricardo. The delivery and adoption of Ricardo's research and development and the performance of the investments are key to achieve our business and shareholder objectives.

Three research and development streams align with our R&D investments: Technical Consulting R&D, New Business Growth, and Concept Development and Monetisation. To consolidate the streams, Ricardo has an established pipeline of opportunities and innovations supported by a long-range road map. The opportunities are prioritised and funded based on our customer needs, strategic goals and shareholder value. Our programme is shaped around a balanced portfolio of self-funded and collaborative projects supported by our industry partners and government funding organisations.

This year Ricardo completed five major R&D programmes and was awarded five new R&D projects. Ricardo has actively engaged with the new European R&D framework programme ‘Horizon 2020’ through the European Green Vehicle Initiative. The five new programmes awarded are European Horizon 2020 projects and align well with our business research targets. Key programmes under each of our three research and development streams are outlined below.

Technical Consulting R&D

DDFlyTrain: flywheel bench demonstrator for Rail
The DDFlyTrain programme delivered a proof-of-concept flywheel demonstrator for the rail industry using the Ricardo TorqStor flywheel and test rig. Collaborative partners were Ricardo, Bombardier and Artemis. The research project was co-funded by Innovate UK and the Rail Safety and Standards Board and started in 2013. Bombardier’s Turbostar Diesel Motor Unit (‘DMU’) was used to project fuel saving, based on high-speed flywheel brake recovery technology retrofitted to DMU rolling stock. Simulation and rig testing were used to demonstrate the practical feasibility, operational fuel and energy savings, and the economic investment case for high-speed flywheel energy storage technology on DMU trains. The DDFlyTrain project received the Rail Exec award in the safety and sustainability category. The Ricardo TorqStor flywheel technology also received the 2014 SAE Tech Award as one of the top five technologies on display at the SAE World Congress.

Offshore wind drivetrain innovation
Ricardo has now delivered and commissioned the Ricardo MultiLife™ wind turbine bearing system on a 600 kW turbine. The location is the Barnesmore wind farm operated by ScottishPower Renewables in County Donegal, Ireland, and is known to experience aggressive wind conditions. The MultiLife™ system reduces the need to remove and repair the wind turbine gearbox, which increases the time that the turbine is generating revenue. This is achieved by rotating the race of standard bearings over time. This ensures that the fatigue damage or wear never reaches a critical localised condition during the turbine’s life. The Ricardo system has the potential to extend bearing life in excess of 500 per cent based on rig tests. The research project is partially funded by the UK Government’s Department of Energy and Climate Change. Ricardo is collaborating with ScottishPower Renewables and the Universities of Sheffield and Strathclyde.

Climate change challenges requires innovation
The need to improve air quality, particularly in urban areas, is a global challenge which Ricardo is meeting through investment in research and development programmes. Research into future emission systems and developing strategies to address real-world drive cycle regulations are priorities. A new engine research programme called Magma looks at optimised approaches for gasoline engines, including adoption of the Miller cycle. In the transmission area, the ULTRAN project is yielding impressive results with innovative lightweight transmission designs that reduce the weight of a rear-wheel drive unit by 25%. In the hybrid area, a project to investigate Switched Reluctance Machines for future e-Machine applications is yielding industry-leading FEA tools for e-Machine design. The project delivered an innovative prototype high-speed synchronous reluctance machine. ECOCHAMPS, a new Horizon 2020 project, is targeting the next-generation light- and heavy-duty hybrid electric vehicles.

New business growth

Safety and stability systems for the defence sector
The US Department of Defense (‘DoD’) continues to emphasise rapid acquisition of proven innovations that can save soldiers’ lives. Ricardo is investing in a collaborative programme with a Tier 1 supplier to provide a world-class stability system for a tactical vehicle. The Ricardo solution mitigates the problem of rollover for on- and off-road vehicle situations and provides improved vehicle performance and reliability whilst offering significant operational cost savings to the DoD. Development and testing are

complete and the Ricardo product is well-aligned to DoD acquisition objectives targeted to save soldiers' lives.

Concept development and monetisation

The identification and incubation of innovative products and the development of ways to support new disruptive ideas are small, but important attributes of research and development investment programmes. Ricardo collaborates with universities around the world to investigate and validate opportunities before significant investments are made. At the University of Brighton, the Sir Harry Ricardo Combustion Research Centre is expanding to provide a dedicated joint research facility where university staff will work alongside Ricardo engineers. The objective is to undertake fundamental research to assist with the design of the next generation of internal combustion engines while developing our staff to learn new skills and capabilities. This aligns well with the UK Automotive Council's strategic priority to support the development of the next generation of automotive design engineers.

OTHER FINANCIAL MATTERS

Acquisitions and acquisition-related intangible assets

On 8 October 2014 the Group acquired 100% of the issued share capital of Vepro Limited ('Vepro'), and on 13 November 2014 the Group also acquired 100% of the issued share capital of Power Planning Associates Limited ('PPA') for a combined consideration of £3.6m. This investment generated goodwill of £2.3m and acquisition-related intangible assets of £0.7m.

Amortisation of acquisition-related intangible assets amounted to £1.3m (2014: £1.1m). The Group also incurred acquisition-related costs of £2.6m (2014: £Nil) during the year, which were primarily incurred in respect of the Lloyd's Register Rail acquisition which materially completed on 1 July 2015.

The acquisition costs and the amortisation of acquisition-related intangible assets have been charged to the Consolidated Income Statement as specific adjusting items and disclosed in Note 3.

The Group holds a further £23.7m of goodwill on the Consolidated Statement of Financial Position. The Group's acquisition, integration and reorganisation activities have resulted in a change in the cash-generating units against which the carrying value of goodwill has been allocated. This comprises £1.1m in relation to a legacy Performance Products business, £12.7m in relation to the integrated European Technical Consulting business and £9.9m in relation to the Energy & Environment business (previously Ricardo-AEA) which has been integrated with the newly acquired PPA business and aggregated with its associated goodwill of £0.9m, totalling £10.8m. Total goodwill at 30 June 2015 is therefore £26.0m (2014: £25.1m). The Directors review goodwill for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment and following this year's review, we consider it appropriate that no impairment is required.

Research and Development

The Group continues to invest in Research and Development ('R&D'), and spent £9.8m (2014: £8.5m) before government grant income of £1.1m (2014: £1.3m). This amount includes costs capitalised in accordance with IFRS of £4.2m (2013: £3.0m) in respect of development expenditure on a range of product developments around the Group. The amounts capitalised reflect our continued focus on development activity and include a number of projects within the UK and US.

Net finance costs

Finance income was £0.2m and finance costs were £1.1m, giving a net finance cost of £0.9m which is similar to that of the prior year (2014: £1.0m). Included within the finance costs is £0.8m (2014: £1.0m) in respect of the net finance charge for the defined benefit pension scheme.

Taxation

The total tax charge for the year was £4.3m (2014: £4.3m), representing an effective rate of 18.8% (2014: 18.3%). The Group continues to benefit from R&D tax credits in both the UK and US. The new

Research and Development Expenditure Credit ('RDEC') becomes mandatory from 1 April 2016. Applications under the new RDEC regime will be made and accounted for from 1 July 2015. Under the new regime, the R&D credit will no longer be a tax incentive that benefits the corporation tax line in the Consolidated Income Statement, but will instead be treated as grant income to offset R&D expenditure within operating profit, increasing profit before tax, its associated tax charge and the effective tax rate.

Consistent with prior year, a deferred tax asset has not been recognised for the current year tax losses within the Ricardo Deutschland GmbH statutory entity. The Directors remain of the view that it is probable that future taxable profits will be available within the Ricardo Deutschland GmbH statutory entity in the foreseeable future, against which the recognised asset of £3.1m can be utilised.

Earnings per share
Basic earnings per share was 35.6p compared to 36.9p in 2014. An underlying basic earnings per share, which excludes the net-of-tax impact of the amortisation of acquired intangible assets and acquisition-related costs, is disclosed in Note 5. The Directors consider that an underlying earnings per share provides a more useful indication of underlying performance and trends over time. Underlying basic earnings per share increased to 42.4p, from 38.7p in the prior year.

Dividend
The total (paid and proposed) dividend for the year has increased to 16.6p per ordinary share (2014: 15.2p) and amounts to £8.7m (2014: £8.0m). The proposed final dividend of 11.95p (2014: 10.9p) will be paid on 13 November 2015 to shareholders who are on the register of members at the close of business on 23 October 2015, subject to approval at the Annual General Meeting on 4 November 2015.

Capital investment
Capital expenditure on property, plant and equipment increased from £6.3m in the prior year, to £10.4m in the year ended 30 June 2015. The increase was largely a result of planned cash expenditure at our Shoreham Technical Centre in the UK on both the expansion of the engine assembly facility as part of the supply agreement with McLaren Automotive and on the Vehicle Emissions Research Centre ('VERC').

The VERC facility was completed and made available for use during this financial year and has provided the latest technology in vehicle emission measurement facilities, allowing a range of tests to be performed across all geographic regulatory requirements. The development of the VERC was selected for part-funding under the UK Government's Regional Growth Fund. Gross capital expenditure as at the year-end on the VERC was £8.5m, offset by total grant income of £3.2m.

Net funds
The Group generated net cash of £1.7m (2014: £6.5m), after £3.6m of acquisition-related payments and excluding net proceeds from borrowings of £45.4m, leading to closing net funds of £14.3m (2014: £12.6m). The composition of net funds is defined in Note 8.

The Group's borrowings at the year-end were drawn down to fund the acquisition of Lloyd's Register Rail, which materially completed on 1 July 2015.

Banking facilities
At the end of the financial year, the Group held total facilities of £89.4m (2014: £49.2m). This included committed facilities of £75.0m (2014: £35.0m). Of the committed facilities, a £35.0m facility is available for the period to September 2019 and £40.0m is available until April 2020. In addition, the Group has uncommitted facilities including overdrafts of £14.4m at 30 June 2015 (2014: £14.2m), which mature throughout the year to June 2016 and are renewable annually.

Committed facilities of £45.4m, net of direct issue costs, were drawn at 30 June 2015 (2014: £Nil), which are denominated in Pounds Sterling and have variable rates of interest dependent upon the Group's adjusted leverage, which range from 1.6% to 2.35% above LIBOR and are repayable in the year ending 30 June 2020.

Exchange rates
On consolidation, income and expense items are translated at the average exchange rates of the year. The Group is exposed to movements in the Pound Sterling exchange rate, principally from work carried out with customers that transact in Euros, US Dollars and Chinese Renminbi. The average value of Pound Sterling was 9.6% higher against the Euro and 3.1% lower against the US Dollar and Chinese Renminbi during the year ended 30 June 2015 compared to the previous financial year. Had the current year results been stated at constant exchange rates, reported revenue and profit before tax for the year ended 30 June 2015 would have been £0.2m and £0.3m lower, respectively. Significant resulting exposures are hedged through foreign currency contracts. The exchange loss for the year ended 30 June 2015 was £0.2m (2014: £0.5m).

Pensions
The Group's defined benefit pension scheme operates within the UK. At 30 June 2015, the accounting deficit measured in accordance with IAS 19 'Employee Benefits' was £20.7m before tax, or £16.6m after tax (2014: £19.5m and £15.6m, respectively). The £1.2m increase in the net pension deficit was primarily due to a reduction in the discount rate assumption to 3.8% (2014: 4.35%) in addition to other changes to financial and demographic assumptions, partially offset by the return on plan assets and company contributions. The additional cash contributions of £4.3m per annum were agreed with the Pension Trustees following the last full actuarial valuation to 5 April 2014, which completed in the year ended 30 June 2015.

OUTLOOK
Market conditions remain positive in the UK and Asia, with a good pipeline of defence vehicle activity in the US and recent secured wins in the motorcycle sector in Germany. We enter the new financial year with a good order book and pipeline across the Group, together with large, long-term assembly contracts and the addition of four new businesses, which all provide confidence in the further development of the Group.

As we celebrate our centenary year, our order book and financial position provide a good platform for future growth and we continue to actively look for opportunities to expand and enhance our business.

Dave Shemmans
Chief Executive Officer

Ian Gibson
Chief Financial Officer

9 September 2015

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

Consolidated income statement
for the year ended 30 June 2015

	Notes	**2015** Underlying £m	**2015** Specific adjusting items (1) £m	**2015** Total £m	2014 Underlying £m	2014 Specific adjusting items (1) £m	2014 Total £m
Revenue	2	**257.5**	**-**	**257.5**	236.2	-	236.2
Cost of sales		**(155.7)**	**-**	**(155.7)**	(142.6)	-	(142.6)
Gross profit		**101.8**	**-**	**101.8**	93.6	-	93.6
Administrative expenses		**(74.8)**	**(3.9)**	**(78.7)**	(68.5)	(1.1)	(69.6)
Other income		**0.7**	**-**	**0.7**	0.5	-	0.5
Operating profit		**27.7**	**(3.9)**	**23.8**	25.6	(1.1)	24.5
Net finance costs		**(0.9)**	**-**	**(0.9)**	(1.0)	-	(1.0)
Profit before taxation		**26.8**	**(3.9)**	**22.9**	24.6	(1.1)	23.5
Taxation		**(4.6)**	**0.3**	**(4.3)**	(4.5)	0.2	(4.3)
Profit for the year		**22.2**	**(3.6)**	**18.6**	20.1	(0.9)	19.2
Earnings per ordinary share							
Basic	5			**35.6p**			36.9p
Diluted	5			**35.2p**			36.4p

(1) Specific adjusting items comprise amortisation of acquired intangible assets and acquisition-related costs. Further details are given in Note 3.

Consolidated statement of comprehensive income
for the year ended 30 June 2015

	2015 **£m**	2014 £m
Profit for the year	**18.6**	19.2
Items that will not be reclassified to profit or loss:		
Remeasurements on the defined benefit scheme	**(4.7)**	(3.2)
Deferred tax on items taken directly to equity	**1.5**	0.7
Total items that will not be reclassified to profit or loss	**(3.2)**	(2.5)
Items that may be reclassified subsequently to profit or loss:		
Currency translation on foreign currency net investments	**0.5**	(3.0)
Total items that may be reclassified subsequently to profit or loss	**0.5**	(3.0)
Total other comprehensive loss for the year (net of tax)	**(2.7)**	(5.5)
Total comprehensive income for the year	**15.9**	13.7

Consolidated statement of changes in equity
for the year ended 30 June 2015

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 July 2014	13.1	14.2	3.4	76.9	107.6
Profit for the year	-	-	-	18.6	18.6
Other comprehensive income/(loss) for the year	-	-	0.5	(3.2)	(2.7)
Equity-settled transactions	-	-	-	1.4	1.4
Proceeds from shares issued	-	0.1	-	-	0.1
Purchases of own shares to settle awards	-	-	-	(0.9)	(0.9)
Ordinary share dividends	-	-	-	(8.1)	(8.1)
At 30 June 2015	**13.1**	**14.3**	**3.9**	**84.7**	**116.0**
At 1 July 2013	13.0	14.0	6.4	66.5	99.9
Profit for the year	-	-	-	19.2	19.2
Other comprehensive loss for the year	-	-	(3.0)	(2.5)	(5.5)
Equity-settled transactions	-	-	-	1.2	1.2
Proceeds from shares issued	0.1	0.2	-	-	0.3
Ordinary share dividends	-	-	-	(7.5)	(7.5)
At 30 June 2014	13.1	14.2	3.4	76.9	107.6

Consolidated statement of financial position

as at 30 June 2015

	2015 £m	2014 £m
Assets		
Non-current assets		
Goodwill	**26.0**	25.1
Other intangible assets	**18.9**	16.7
Property, plant and equipment	**49.6**	48.3
Deferred tax assets	**13.7**	10.9
	108.2	101.0
Current assets		
Inventories	**7.8**	7.9
Trade and other receivables	**78.6**	66.6
Derivative financial assets	**0.2**	-
Current tax assets	**2.1**	1.1
Cash and cash equivalents	**59.7**	12.6
	148.4	88.2
Total assets	**256.6**	189.2
Liabilities		
Current liabilities		
Trade and other payables	**(63.8)**	(56.3)
Current tax liabilities	**(5.8)**	(3.2)
Derivative financial liabilities	**(0.1)**	-
Provisions	**(0.4)**	(0.7)
	(70.1)	(60.2)
Net current assets	**78.3**	28.0
Non-current liabilities		
Borrowings	**(45.4)**	-
Retirement benefit obligations	**(20.7)**	(19.5)
Deferred tax liabilities	**(3.1)**	(0.5)
Provisions	**(1.3)**	(1.4)
	(70.5)	(21.4)
Total liabilities	**(140.6)**	(81.6)
Net assets	**116.0**	107.6
Shareholders' equity		
Share capital	**13.1**	13.1
Share premium	**14.3**	14.2
Other reserves	**3.9**	3.4
Retained earnings	**84.7**	76.9
Total equity	**116.0**	107.6

Consolidated statement of cash flow
for the year ended 30 June 2015

	2015 **£m**	2014 £m
Cash flows from operating activities		
Cash generated from operations (Note 7)	**28.4**	23.3
Net finance costs	**(0.1)**	-
Tax paid	**(1.3)**	(1.7)
Net cash generated from operating activities	**27.0**	21.6
Cash flows from investing activities		
Acquisitions of subsidiaries, net of cash acquired	**(2.4)**	-
Purchases of property, plant and equipment	**(10.4)**	(6.3)
Government grants received in respect of property, plant and equipment	**0.1**	1.5
Proceeds from sale of property, plant and equipment	**0.1**	0.1
Purchases of intangible assets	**(5.5)**	(4.2)
Net cash used in investing activities	**(18.1)**	(8.9)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**0.1**	0.3
Purchases of own shares to settle awards	**(0.9)**	-
Net proceeds from borrowings	**48.4**	-
Repayments of borrowings	**(3.0)**	-
Dividends paid to shareholders	**(8.1)**	(7.5)
Net cash generated from/(used in) financing activities	**36.5**	(7.2)
Effect of exchange rate changes on cash and cash equivalents	**1.7**	1.0
Net increase in cash and cash equivalents	**47.1**	6.5
Cash and cash equivalents at 1 July	**12.6**	6.1
Net cash and cash equivalents at 30 June	**59.7**	12.6

Notes to the financial statements
for the year ended 30 June 2015

1. General information

Ricardo plc is a public limited company, incorporated and domiciled in the United Kingdom and with a premium listing on the London Stock Exchange. The address of its registered office is Shoreham Technical Centre, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom, and its registered number is 222915.

This preliminary announcement is based on the audited Annual Report and Accounts 2015, which was approved for issue on 9 September 2015, and which has been prepared in accordance with International Financial Reporting Standards ('IFRS'), IFRS Interpretations Committee ('IFRS-IC') interpretations adopted by the European Union ('EU') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial information herein does not amount to full statutory accounts within the meaning of Section 434 of the Companies Act 2006.

2. Operating segments

2015	**Technical Consulting**	**Performance Products**	**Head Office & consolidation adjustments**	**Total**
	£m	**£m**	**£m**	**£m**
Total segment revenue	**199.2**	**62.5**	**-**	**261.7**
Inter-segment revenue	**(2.6)**	**(1.6)**	**-**	**(4.2)**
Revenue from external customers	**196.6**	**60.9**	**-**	**257.5**
Underlying operating profit	**20.0**	**7.7**	**-**	**27.7**
Specific adjusting items (Note 3)	**(1.2)**	**-**	**(2.7)**	**(3.9)**
Operating profit	**18.8**	**7.7**	**(2.7)**	**23.8**
Net finance costs	**(0.1)**	**-**	**(0.8)**	**(0.9)**
Profit before taxation	**18.7**	**7.7**	**(3.5)**	**22.9**

2014	Technical Consulting	Performance Products	Head Office & consolidation adjustments	Total
	£m	£m	£m	£m
Total segment revenue	182.3	56.7	-	239.0
Inter-segment revenue	(1.3)	(1.5)	-	(2.8)
Revenue from external customers	181.0	55.2	-	236.2
Underlying operating profit	17.8	7.9	(0.1)	25.6
Specific adjusting items (Note 3)	(1.1)	-	-	(1.1)
Operating profit	16.7	7.9	(0.1)	24.5
Net finance costs	-	-	(1.0)	(1.0)
Profit before taxation	16.7	7.9	(1.1)	23.5

3. Specific adjusting items

	2015	2014
	£m	£m
Amortisation of acquisition-related intangible assets	**1.3**	1.1
Acquisition-related costs associated with LR Rail (Note 9(a))	**2.1**	-
Other acquisition-related costs	**0.5**	-
Total	**3.9**	1.1

The costs associated with the Lloyd's Register ('LR') Rail acquisition comprise costs incurred in the year ended 30 June 2015 for services rendered to, and consumed by, the Group to effect the LR Rail acquisition which materially completed on 1 July 2015, in addition to related integration activities. Other acquisition-related costs primarily comprise costs incurred in the year ended 30 June 2015 for services rendered to, and consumed by, the Group to effect the Vepro and Power Planning Associates ('PPA') acquisitions (see Note 6), in addition to the costs of the associated earn-out arrangements.

4. Dividends

	2015	2014
	£m	£m
Final dividend for the year ended 30 June 2014 of 10.9p (2013: 10.0p) per share	**5.7**	5.2
Interim dividend for the year ended 30 June 2015 of 4.65p (2014: 4.3p) per share	**2.4**	2.3
Total	**8.1**	7.5

The Directors are proposing a final dividend in respect of the financial year ended 30 June 2015 of 11.95p per share which will absorb £6.3m of retained earnings. It will be paid on 13 November 2015 to shareholders who are on the register of members at the close of business on 23 October 2015, subject to approval at the Annual General Meeting on 4 November 2015.

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 where the exercise price is less than the market price of the Company's ordinary shares at year-end.

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

	2015 £m	2014 £m
Earnings	**18.6**	19.2
Add back amortisation of acquisition-related intangible assets (net of tax)	**1.1**	0.9
Add back other acquisition-related costs (net of tax)	**2.5**	-
Underlying earnings	**22.2**	20.1

	Number of shares millions	Number of shares millions
Basic weighted average number of shares in issue	**52.3**	52.0
Effect of dilutive potential shares	**0.6**	0.8
Diluted weighted average number of shares in issue	**52.9**	52.8

Earnings per share	**pence**	pence
Basic	**35.6**	36.9
Diluted	**35.2**	36.4

Underlying earnings per share	**pence**	pence
Basic	**42.4**	38.7
Diluted	**42.0**	38.1

6. Acquisitions

On 8 October 2014 the Group acquired 100% of the issued share capital of Vepro Limited ('Vepro'), and on 13 November 2014 the Group also acquired 100% of the issued share capital of Power Planning Associates Limited ('PPA') for a combined consideration of £3.6m.

Vepro brings specialist motorcycle chassis, powertrain integration and prototype build expertise to the Ricardo Motorcycle business. It also brings complementary customer relationships with key accounts in India and the United States.

PPA provides a valuable extension to the Group’s energy sector capability, ranging from conventional small scale and distributed power systems, to renewable power and smart grid technologies. With a particular emphasis on innovation within the power industry, PPA also specialises in techno-economic and management consultancy services for the energy sector.

The following table sets out the total consideration paid for both Vepro and PPA, together with the provisionally determined fair value of assets acquired and liabilities assumed.

	£m
Initial cash consideration	3.0
Contingent consideration	0.6
Total consideration	**3.6**
Fair value of identifiable assets acquired and liabilities assumed	
Customer contracts and relationships (included in intangibles)	0.7
Property, plant and equipment	0.1
Trade and other receivables	0.5
Cash	0.6
Trade and other payables	(0.6)
Total identifiable net assets	**1.3**
Goodwill	2.3
Total	**3.6**

All of the initial cash consideration was paid before the year-end.

The contingent consideration arrangements requires the Group to pay, in cash, to the former owners of Vepro and PPA, up to a maximum undiscounted total amount of £0.9m based on profit and revenue targets being met, respectively. The fair value of the contingent consideration of £0.6m was estimated by applying the income approach. The fair value estimates are based on a discount rate of 10% and assumed probability-adjusted results in Vepro and PPA. This is a Level 3 fair value measurement under the IFRS 13 fair value hierarchy.

Adjustments were made to identifiable assets and liabilities on acquisition to reflect their fair value. These included the recognition of customer-related intangible assets amounting to £0.7m. The goodwill arising on acquisition can be ascribed to the existence of a skilled, active workforce, developed expertise and processes and the opportunities to obtain new contracts and develop the business. None of these meet the criteria for recognition as intangible assets separable from goodwill. None of the goodwill recognised is expected to be deductible for tax purposes. These estimates of fair value may be adjusted in future in accordance with the requirements of IFRS 3 'Business Combinations'.

The fair value of trade and other receivables of £0.5m includes trade receivables of £0.3m and amounts recoverable on contracts of £0.2m, all of which is expected to be collectible.

Acquisition-related costs incurred to complete the transactions of £0.1m have been charged to the Consolidated Income Statement for the year ended 30 June 2015 and are disclosed within other acquisition-related costs as specific adjusting items in Note 3.

The revenue included in the Consolidated Income Statement in relation to these acquired businesses was £1.5m. The underlying operating profit over the same period was £0.2m. This is reported in the Technical Consulting segment. Had the acquired businesses been consolidated from 1 July 2014, the Consolidated Income Statement would show revenue of £259.0m and underlying operating profit of £27.9m based on the management accounts plus the reported results for the post-acquisition period.

7. Cash generated from operations

	2015 £m	2014 £m
Profit before tax	**22.9**	23.5
Adjustments for:		
Share-based payments	**1.4**	1.2
Cash flow hedges	**(0.1)**	-
Net finance costs	**0.9**	1.0
Depreciation and amortisation	**10.5**	9.5
Operating cash flows before movements in working capital	**35.6**	35.2
Decrease/(increase) in inventories	**0.2**	(0.3)
Increase in trade and other receivables	**(10.6)**	(13.5)
Increase in payables	**8.0**	6.9
Decrease in provisions	**(0.4)**	(0.5)
Defined benefit payments	**(4.4)**	(4.5)
Cash generated from operations	**28.4**	23.3

8. Net funds

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

Analysis of net funds	2015 £m	2014 £m
Net cash and cash equivalents	**59.7**	12.6
Borrowings maturing after one year	**(45.4)**	-
At 30 June	**14.3**	12.6

9. Events after the reporting period

a) Lloyd’s Register Rail acquisition

On 1 July 2015 the Group materially completed the acquisition of the Lloyd’s Register Rail (‘LR Rail’) business, operating assets and employees of Lloyd’s Register Rail Limited and Lloyd's Register Rail Europe B.V. together with various other assets relating to the rail business of Lloyd's Register Group Limited and the group of companies of which it is the ultimate holding company. LR Rail is a rail consultancy and assurance business and is a trusted partner to a wide range of international clients. LR Rail uses its understanding of critical and complex technologies and its independent expert advice to provide services ranging from rolling stock design, signalling and train control, intelligent rail systems, operational efficiency improvement, training and independent assurance services.

The following table sets out the consideration paid for LR Rail, together with the provisional assessment of the net assets acquired.

	£m
Initial cash consideration	**40.6**
Provisional assessment of identifiable net assets acquired	12.6
Provisional goodwill and other acquisition-related intangible assets	28.0
Total	**40.6**

All of the initial cash consideration of £40.6m was paid after the year-end in July 2015. The acquisition was completed on a cash-free and debt-free basis, subject to normal levels of working capital.

Adjustments have not yet been made to identifiable net assets on acquisition to reflect their fair value, including the recognition of customer-related intangible assets separable from the goodwill arising on acquisition. It is expected that the remaining value of goodwill will be ascribed to the existence of a skilled, active workforce, developed expertise and processes and the opportunities to obtain new contracts and develop the business.

The provisional assessment of net assets acquired is based upon available aggregated financial information which does not show each major class of asset acquired and liability assumed. In accordance with the sale and purchase agreement, Lloyd's Register is not required to prepare and deliver completion accounts until after the date of approval of these financial statements.

The provisional value for initial consideration and provisional assessment of net assets acquired may be adjusted in future in accordance with the requirements of IFRS 3 'Business Combinations' and the sale and purchase agreement.

The provisional assessment of net assets of £12.6m includes net trade receivables of £12.8m, all of which is expected to be collectible. In the ordinary course of business, LR Rail also has £3.4m of guarantees and counter-indemnities in respect of bonds relating to performance under contracts. These are not recognised in the provisional assessment of identified net assets.

Acquisition-related costs of £2.1m have been charged to the Consolidated Income Statement for the year ended 30 June 2015 and are disclosed as a specific adjusting item in Note 3.

b) Cascade Consulting acquisition

On 18 August 2015 the Group acquired 100% of the issued share capital of Cascade Consulting Holdings Limited, and its subsidiary, Cascade Consulting (Environment & Planning) Limited (together, ‘Cascade Consulting’) for total consideration of £3.2m. Cascade Consulting provides additional capability and reach in the areas of water resource and water quality management, ecosystem services and environmental impact assessment.

The following table sets out the consideration paid for Cascade Consulting, together with the provisional assessment of the net assets acquired.

	£m
Initial cash consideration	**3.2**
Provisional assessment of identifiable net assets acquired	0.6
Provisional goodwill and other acquisition-related intangible assets	2.6
Total	**3.2**

All of the initial cash consideration of £3.2m was paid after the year-end in August 2015. The acquisition was completed on a cash-free and debt-free basis, subject to normal levels of working capital.

Adjustments have not yet been made to identifiable net assets on acquisition to reflect their fair value, including the recognition of customer-related intangible assets separable from the goodwill arising on acquisition. It is expected that the remaining value of goodwill will be ascribed to the existence of a skilled, active workforce, developed expertise and processes and the opportunities to obtain new contracts and develop the business. None of the goodwill recognised is expected to be deductible for tax purposes.

Given the proximity of the completed acquisition of Cascade Consulting to the date of approval of these financial statements, the provisional assessment of net assets acquired is based upon available aggregated financial information, which does not show each major class of asset acquired and liability assumed.

The provisional value for initial consideration and provisional assessment of net assets acquired may be adjusted in future in accordance with the requirements of IFRS 3 'Business Combinations' and the sale and purchase agreement.

The provisional assessment of net assets of £0.6m includes net trade receivables of £0.7m, all of which is expected to be collectible.

No acquisition-related costs have been charged to the Consolidated Income Statement for the year ended 30 June 2015.