Ricardo Investments Limited
Annual report and financial statements
for the year ended 30 June 2020

Registered number: 02251330

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Ricardo Investments Limited

Contents

Ricardo Investments Limited

Directors and advisors

Directors

D J Shemmans
I J Gibson
P M Ryan

Registered company number

02251330

Registered office

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

Independent auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Principal bankers

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

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

Ricardo Investments Limited

Strategic report

The Directors present their Strategic Report on Ricardo Investments Limited (the 'Company') for the year ended 30 June 2020.

Review of the business

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

Total comprehensive loss for the financial year was £119,709,000 (2019: £94,039,000). The primary reasons for the loss were the impairment of the investments, less the part reversal of the provision for the amount due from Ricardo GmbH, less dividend income from subsidiaries.

The net book value of investments at the end of the financial year was £275,081,000 (2019: £406,297,000). As set out in more detail in Note 11, the movement in the year was mainly due to an £135,179,000 (2019: £113,893,000) impairment to the various investment, together with the increased investment of £3,963,000 in Ricardo Australia Pty Ltd.

The principal activity of Ricardo Australia Pty Ltd is that of an intermediate holding company, with its subsidiaries being the Ricardo plc ('Group') acquired business, Ricardo Rail Australia Pty Ltd (formally Transport Engineering Pty Ltd) on 31 May 2019 and Ricardo Energy Environment and Planning Pty Ltd (formally PLC Consulting Pty Ltd) on 31 July 2019.

The value of investments has been impaired by £135,179,000 following an impairment review. Note 11 provides deals on the companies impaired. The most significant part of this impairment was to Ricardo UK Limited, which was impaired by £98,831,000 (2019: 123,997,000). Ricardo UK Limited provides engineering, technical and strategic consultancy services, together with manufacturing and assembling high-quality prototypes and niche volumes of complex engine, transmission and vehicle products. During FY 2016/17 following a restructuring of the Group, Ricardo UK Limited together with several other Group subsidiaries were added as investments to this Company at fair value. Since then changes in the automotive marketplace have led to sustained uncertainty in outsourcing trends and Ricardo UK Limited has received a lower level of orders from the automotive sector as a result. This reduced order intake has had a significantly adverse impact on Ricardo UK Limited's revenue, profitability and margins. The impact of the COVID-19 pandemic has further impacted order intake and operational efficiency increasing the impairment.

Other significant impairments were in Ricardo GmbH (£10,104,000), Ricardo Rail Limited (£11,431,000) and Ricardo-AEA Limited (£7,584,000). Investment values were impacted by an increased weighted average cost of capital, an increased size premium and a lower expected growth rate due to the pandemic.

The amount due from Ricardo GmbH group were historically impaired. During the current financial year £2,883,000 (2019: £7,270,000) was recovered, or deemed recoverable, which reduced the provision required.

Considerations of the risk and impact of Brexit

The risk and impact of Brexit on the Company is through the Company's UK subsidiaries. With both customers and suppliers in the EU, the Group have prepared for a range of possibilities for Brexit and any disruption that may arise around the intended transition date. The Group have established processes and procedures to address a variety of potential Brexit scenarios. These capabilities were successfully deployed in both 2018 and 2019 in readiness for possible hard exits from the European Union and remain in place for 2020 onwards. The Group have ensured all documentation is in place to continue to export to key clients in the EU. The Group have considered the potential impact of tariffs, exchange rate movements and logistics disruption on our EU supply chains. Arrangements are in place to increase inventory levels, if required. The Group are also monitoring the potential impact of Brexit on employee mobility and its ability to recruit EU nationals for UK roles and vice versa, to ensure the Group have a robust supply chain for any overseas resources required. The Group believe that our range of geographic locations across Europe will continue to make it an employer of choice.

Considerations of the risk and impact of pandemic diseases (COVID-19)

Being a holding company, the risk and impact of COVID-19 on the Company is through its subsidiaries. Although the potential impacts of the perceived risks of pandemic diseases such as COVID-19 are inherently uncertain and the full range of identifiable risks and possible outcomes cannot be known, severe but plausible downside scenarios to reflect the impact of a continuation of low levels of trading have been factored into the going concern assessment. While no business can fully prepare for, or mitigate against, the potential impacts of pandemic diseases, the Directors are satisfied that appropriate considerations of the perceived risks associated with them have been made, together with reasonable actions taken to mitigate those risks, where possible.

A series of actions from the Group's crisis management plan were activated in early February 2020 and a command structure was quickly put in place. When lockdown in Europe was inevitable, the Group increased its remote IT capability without affecting IT security or other internal controls, and transitioned all required employees to home-based working in less than a week.

When the COVID-19 pandemic began to escalate, the Group felt that it could apply its engineering, design and manufacturing capability to help alleviate one of the biggest technical challenges being faced, which was the urgent need for the production and supply of Personal Protective Equipment ('PPE') to frontline National Health Services ('NHS') and healthcare workers.

The result of this was that approximately 15,000 protective face shields were purpose-designed, tooled, assembled and delivered by Ricardo – 10,000 for front line NHS and healthcare workers in just over 100 NHS hospital trusts, care homes, nursing homes, Doctors' surgeries and hospices across the Midlands and south of England, and 5,000 for Michigan residents in the United States.

As we move to a 'new normal' which is likely to last until the pandemic is under control, the Group have evolved its operating model to be less dependent on fixed office locations. The Group have become more agile in the way its office-based staff work and will need less space in some locations over time. The approach has been focused on the employees – 'healthy people, healthy business', and the Group's customer- and supplier-facing employees have successfully adopted a 'digital first' approach. The Group have reduced its cost base to make the business more resilient.

Ricardo Investments Limited

Strategic report (continued)

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with those of its fellow subsidiaries that are ultimately controlled by the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company and the potential risk and impact of COVID-19 and Brexit, are disclosed on pages 37 to 39 of Ricardo plc's *Annual Report & Accounts 2019/20*, and do not form part of this Annual Report.

The Company had net assets of £234,494,000 (2019: £365,205,000) and net current assets of £39,762,000 (2019: £23,278,000), of which £375,000 (2019: £179,000) is comprised of cash and cash equivalents. The Company also has access to the Group's £200,000,000 committed multi-currency Revolving Credit Facility ('RCF'), of which £70,000,000 was undrawn and available to the Group at the date of approval of the Group's financial statements. On this basis the Directors are satisfied that the Company has sufficient net assets and cash reserves in order to continue to trade for a period of at least a year from the date of approval of these financial statements.

Key performance indicators

- Total comprehensive loss for the financial year was £119,709,000 (2019: £94,039,000), as explained above;
- Underlying profit before taxation was £13,179,000 (2019: £12,873,000), mainly due to income from subsidiaries;
- Net book value of investments at the end of the financial year was £275,081,000 (2019: £406,297,000), as explained above; and
- Net assets at the end of the financial year were £234,494,000 (2019: £365,205,000).

Future developments

As a holding company, the future developments of the Company are connected to that of its subsidiaries and the Group. Ricardo's diversified business creates and delivers cross-sector solutions, tools and products which help the Group's clients address some of the most pressing issues in the areas of decarbonised and secure transport, clean air and the sustainability of scarce resources. The Group enter the new financial year with a good order book. The Group have an agile business that has proven its resilience in a highly uncertain environment. The Group continue to see good opportunities for Ricardo in the markets that it serves, and through the execution of the strategy it is well positioned to continue to grow as a sustainable business that delivers value for all of its stakeholders.

Approval

Approved by the Board and signed on its behalf by:

D J Shemmans
Director

30 November 2020

Ricardo Investments Limited

Directors' report (continued)

The Directors present their report and the audited financial statements of the Company for the year ended 30 June 2020.

Directors

The Directors who held office between 1 July 2019 and the date of signing this report are shown below:

D J Shemmans
I J Gibson
P M Ryan
M W Garrett (resigned 31 July 2020)

Directors' indemnities

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

Results and dividends

The Company's loss for the financial year was £119,709,000 (2019: £94,039,000). Interim dividends of £11,001,000 (2019: £11,801,000) were paid during the financial year and no final dividend is proposed (2019: £Nil).

Required information provided in the Strategic Report

The Strategic Report on pages 2 to 4 provides a review of the business and the likely future developments of the Company, all of which form part of this report by cross-reference.

Financial risk management cycle

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

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

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

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

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

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

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

Ricardo Investments Limited

Directors' report (continued)

Financial risk management cycle (continued)

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

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

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

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

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

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

Disclosure of information to auditor

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

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

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

Independent auditor

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

Approval

Approved by the Board and signed on its behalf by:

D J Shemmans

Director

30 November 2020

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

Opinion

We have audited the financial statements of Ricardo Investments Limited (the 'Company') for the year ended 30 June 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and related notes, including the accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and Directors' report

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Michael Harper

Michael Harper (Senior Statutory Auditor)
for and on behalf KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

30 November 2020

Ricardo Investments Limited

Statement of comprehensive income
for the year ended 30 June 2020

	Note	2020 £'000	2019 £'000
Revenue	2	**752**	634
Gross profit		**752**	634
Administrative expenses		**(1,026)**	(560)
Specific adjusting items(1)	3	**(132,983)**	(107,009)
Operating loss	4	**(133,257)**	(106,935)
Income from subsidiaries		**13,642**	12,890
Loss before interest and taxation		**(119,615)**	(94,045)
Finance income	7	**2,679**	1,862
Finance costs	7	**(2,868)**	(1,953)
Net finance costs	7	**(189)**	(91)
Loss before taxation		**(119,804)**	(94,136)
Comprising:			
Underlying profit before taxation		**13,179**	12,873
Specific adjusting items(1)	3	**(132,983)**	(107,009)
Income tax credit on loss	8	**95**	97
Loss and total comprehensive loss for the financial year		**(119,709)**	(94,039)

(1) Specific adjusting items comprise acquisition-related expenditure, impairment charges in respect of fixed asset investments and the reversal of past impairment of amounts owed by fellow Group undertakings. Further details are given in Note 3.

Ricardo Investments Limited

Statement of financial position
as at 30 June 2020

	Note	**2020** **£'000**	2019 £'000
Assets			
Non-current assets			
Intangible assets	10	**661**	675
Investments	11	**275,081**	406,297
Deferred tax assets	12	**90**	55
		275,832	407,027
Current assets			
Other receivables	13	**100,003**	67,657
Current tax assets		**321**	261
Cash and cash equivalents		**375**	179
		100,699	68,097
Total assets		**376,531**	475,124
Liabilities			
Current liabilities			
Borrowings	14	**(1,278)**	(238)
Other payables	15	**(59,659)**	(44,581)
		(60,937)	(44,819)
Net current assets		**39,762**	23,278
Non-current liabilities			
Borrowings	14	**(81,100)**	(65,100)
		(81,100)	(65,100)
Total liabilities		**(142,037)**	(109,919)
Net assets		**234,494**	365,205
Equity			
Share capital	16	**1,000**	1,000
Share premium	17	**19,487**	19,487
Capital contribution reserve		**29,286**	29,286
Retained earnings		**184,721**	315,432
Total equity		**234,494**	365,205

The notes on pages 12 to 28 are an integral part of these financial statements.

The financial statements of Ricardo Investments Limited, registered number 02251330, on pages 9 to 28 were approved by the Board of Directors on 30 November 2020 and were signed on its behalf by:

D J Shemmans
Director

Ricardo Investments Limited

Statement of changes in equity
for the year ended 30 June 2020

	Share capital £'000	Share premium £'000	Capital contribution reserve £'000	Retained earnings £'000	Total equity £'000
At 1 July 2019	1,000	19,487	29,286	421,272	471,045
Loss and total comprehensive loss for the year	-	-	-	(94,039)	(94,039)
Dividends paid (Note 9)	-	-	-	(11,801)	(11,801)
At 30 June 2019	1,000	19,487	29,286	315,432	365,205
Loss and total comprehensive loss for the year	-	-	-	(119,709)	(119,709)
Dividends paid (Note 9)	-	-	-	(11,002)	(11,002)
At 30 June 2020	**1,000**	**19,487**	**29,286**	**184,721**	**234,494**

Notes to the financial statements
for the year ended 30 June 2020

1 Accounting policies

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

Ricardo Investments Limited (the 'Company'), a private limited company, limited by shares, which is incorporated and domiciled in the United Kingdom, and registered in England and Wales. The address of its registered office is Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, England, United Kingdom and its registered number is 02251330.

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

(a) Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with the UK Companies Act 2006 and FRS 101. The principal accounting policies have been applied consistently in the preparation of these financial statements for the years ended 30 June 2019 and 30 June 2020.

The following exemptions available under FRS 101 have been applied:

- IFRS 7 *Financial Instruments: Disclosures*;
- paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement* (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- paragraphs 110 (second sentence), 113(a), 114, 115, 118, 119(a)-(c), 120-127 and 129 of IFRS 15 *Revenue from Contracts with Customers* (disclosure of the recognition, timing and disaggregation of revenue, detail and changes in significant judgements made, and assets recognised from the costs to obtain or fulfil a contract);
- paragraph 38 of IAS 1 *Presentation of Financial Statements* (reconciliation of carrying amount at the beginning and end of the period) in respect of:
    - paragraph 79(a)(iv) of IAS 1; and
    - paragraph 118(e) of IAS 38 *Intangible Assets*;
- The following paragraphs of IAS 1 *Presentation of Financial Statements*:
    - Paragraph 10(d) (presentation of a statement of cash flows);
    - Paragraph 16 (statement of compliance with IFRS);
    - Paragraph 38(a) (requirement for a minimum of two primary statements, including statement of cash flows);
    - Paragraph 38(b)-(d) (additional comparative information);
    - Paragraph 40(a)-(d) (change in accounting policy, retrospective restatement or reclassification);
    - Paragraph 111 (information on the statement of cash flows); and
    - Paragraph 134-136 (disclosure of objectives, policies and processes for managing capital);
- IAS 7 *Statement of Cash Flows*;
- paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- paragraph 17 (key management compensation)
- paragraph18(a) (key management compensation provided by a management entity) and the requirements of IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of the Group ultimately controlled by Ricardo plc; and
- The following paragraphs of IAS 36 *Impairment of Assets*:
    - Paragraphs 130(f)(ii)-(iii) (disclosure of basis for fair value less costs to sell for intangible assets);
    - Paragraphs 134(d)-(e) (disclosure of basis for cash flow projections or fair value less costs to sell for goodwill); and
    - Paragraphs 135(c)-(e) (disclosure of key assumptions when goodwill is allocated to multiple cash-generating units.

Notes to the financial statements (continued)
for the year ended 30 June 2020

1 Accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policies

The changes in accounting standards shown below are mandatory for the first time for the financial year ended 30 June 2020:

Issued standards, amendments and interpretations effective for this financial year	Effective date (period commencing)	Endorsed by EU
Issued International Financial Reporting Standards		
IFRS 16 *Leases*	1 Jan 2019	Yes
Amendments to International Financial Reporting Standards		
IFRS 9 *Prepayment Features with Negative Compensation*	1 Jan 2019	Yes
IAS 19 *Plan Amendment, Curtailment or Settlement*	1 Jan 2019	Yes
IAS 28 *Long-term Interests in Associates and Joint Ventures*	1 Jan 2019	Yes
Annual Improvements to IFRS Standards 2015-2017 Cycle:		
IFRS 3 *Business Combinations*, IAS 12 *Income* Taxes and IAS 23 *Borrowing Costs*	1 Jan 2019	Yes
Interpretations of International Financial Reporting Standards		
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 Jan 2019	Yes

None of these changes have had, or are expected to have, any significant impact on these financial statements. Changes in accounting standards that are not yet effective have not been early adopted.

(b) Exemption from consolidation

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

(c) Going concern

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

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

The Directors have prepared base and sensitised cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19, the company will have sufficient funds, through its existing cash balances and funding from its ultimate parent company, Ricardo plc, to meet its liabilities as they fall due for that period.

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

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

Notes to the financial statements (continued)
for the year ended 30 June 2020

1 Accounting policies (continued)

(d) Management judgements and key accounting estimates

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

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those that involve estimations (see below), that the Directors have made in applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Impairment of financial assets – Note 13

Management has applied judgement to rebut the presumption of IFRS 9 *Financial Instruments* that default occurs no later than when a financial asset is 90 days overdue. This is based upon our customer profile and limited experience of bad debts, which demonstrates that although debts can become significantly overdue, they are rarely irrecoverable. The default rates used for each overdue period are based upon our historic ageing profile, adjusted for forward-looking information, and reassessed annually.

Key sources of estimation uncertainty

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

Investments – Note 11

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

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

(e) Revenue – *Note 2*

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

(f) Specific adjusting items – *Note 3*

Specific adjusting items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company.

(g) Pension costs – *Note 6*

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

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

Notes to the financial statements (continued)
for the year ended 30 June 2020

1 Accounting policies (continued)

(h) Foreign currencies

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

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

(i) Income tax credit – *Note 12*

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

(j) Net finance costs – Note 7

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

(k) Dividends – Note 9

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

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

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

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

(m) Investments – *Note 11*

Investments in subsidiaries are stated at cost less any impairment in value. The Company evaluates the carrying value of investments at the end of each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is provided for in comprehensive income.

(n) Impairment of non-financial assets

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

Notes to the financial statements (continued)
for the year ended 30 June 2020

1 Accounting policies (continued)

(o) Financial instruments

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

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

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

(p) Deferred tax – *Note 12*

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

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

(q) Other receivables – *Note 13*

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

(r) Borrowings – *Note 14*

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

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

(s) Other payables – *Note 15*

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

Notes to the financial statements (continued)
for the year ended 30 June 2020

2 Revenue
Accounting policy – Note 1(e)

Analysis by customer location:	2020 £'000	2019 £'000
United Kingdom	**439**	420
Mainland Europe	**85**	68
North America	**122**	102
Australia	**44**	-
Rest of the World	**62**	44
Total	**752**	634

Analysis by revenue stream:	2020 £'000	2019 £'000
Services provided	**752**	634
Total	**752**	634

3 Specific adjusting items
Accounting policy – Note 1(f)

Amounts charged/(credited) to the Statement of Comprehensive Income:	2020 £'000	2019 £'000
Acquisition-related expenditure(1)	**687**	345
Impairment charge of fixed asset investments(2)	**135,179**	113,893
Net impairment reversal on amounts owed by fellow Group undertakings(3)	**(2,883)**	(7,229)
Total	**132,983**	107,009

(1) Acquisition-related expenditure in the current and prior year mainly comprised the costs of maintaining an internal acquisitions department which primarily incurred professional fees to effect acquisition processes that were either successful or unsuccessful.

(2) An impairment of fixed asset investments was charged to specific adjusting items within comprehensive income. Further details are provided in Note 11.

(3) The required provision on the Company's loans due from its subsidiary Ricardo GmbH was reduced by £2,883,000 (2019: £7,229,000). Further details are provided in Note 13.

Notes to the financial statements (continued)
for the year ended 30 June 2020

4 Operating loss

Operating loss is stated after (charging)/crediting:	Note	2020 £'000	2019 £'000
Amortisation of intangible assets	10	**(193)**	(185)
Net impairment charges of fixed asset investments	11	**(135,179)**	(113,893)
Net impairment reversal on amounts owed by fellow Group undertakings	3	**2,883**	7,229

The auditor's remuneration was £20,000. In the prior year the auditor's remuneration was paid by the ultimate parent company, Ricardo plc. No allocation was made in respect of the Company in respect of the prior year.

5 Directors' remuneration

No emoluments were paid by the Company to any Director (2019: £Nil). The Directors were paid by the ultimate parent company. Their services to this Company are considered incidental to their duties in respect of the Group.

6 Employee information

Accounting policy – Note 1(g)

Staff costs	2020 £'000	2019 £'000
Wages and salaries	**904**	920
Social security costs	**95**	116
Pension costs	**58**	81
Total	**1,057**	1,117

Average monthly number of employees	2020 No.	2019 No.
Management and administration	**7**	7
Executive Directors	**4**	4
Total	**11**	11

7 Net finance costs

Accounting policy – Note 1(j)

Finance income	2020 £'000	2019 £'000
Interest receivable from fellow Group undertakings	**2,679**	1,862
Total finance income	**2,679**	1,862

Finance costs	2020 £'000	2019 £'000
Interest payable on bank borrowings	**(1,617)**	(959)
Interest payable to fellow Group undertakings	**(1,247)**	(990)
Dividend payable on preference shares: 4p (2019: 4p) per share	**(4)**	(4)
Total finance costs	**(2,868)**	(1,953)

Net finance costs	2020 £'000	2019 £'000
Finance income	**2,679**	1,862
Finance costs	**(2,868)**	(1,953)
Net finance costs	**(189)**	(91)

Notes to the financial statements (continued)
for the year ended 30 June 2020

8 Income tax credit on loss
Accounting policies – Notes 1(i) and 1(p)

	2020 £'000	2019 £'000
Current income tax:		
- UK corporation tax	**(60)**	(37)
- Adjustments in respect of prior years	**-**	(36)
- Total UK corporation tax	**(60)**	(73)
Total current income tax	**(60)**	(73)
Deferred tax:		
- Charge for the year	**(35)**	(24)
Total deferred tax (Note 12)	**(35)**	(24)
Total income tax credit	**(95)**	(97)

Changes to the UK corporation tax rates were enacted on 22 July 2020 as part of the Finance Act 2020, which reversed the decision to reduce the main rate from 19% to 17% from 1 April 2020. The main rate will remain at 19% until 1 April 2022. Deferred taxes at the reporting date have been measured and reflected in these financial statements by using the applicable tax rate of 19%, which will still be applicable in the next financial year.

The income tax credit for the financial year is lower (2019: lower) than the standard effective rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2020 £'000
Loss before taxation	**(119,804)**	(94,136)
Loss multiplied by the standard rate of tax in the UK of 19% (2019: 19%)	**(22,763)**	(17,886)
Effects of:		
Expenses not deductible for tax purposes	**25,267**	20,321
Non-taxable income for tax purposes	**(2,592)**	(2,499)
Adjustments in respect of prior years	**-**	(36)
Other	**(7)**	3
Total income tax credit	**(95)**	(97)

9 Dividends
Accounting policy – Note 1(k)

	2020 £'000	2019 £'000
Interim dividend for the year ended 30 June 2020 of £11.00 (2019: £11.80) per share	**11,001**	11,801
Equity dividends paid	**11,001**	11,801

The Directors have not proposed a final dividend for the year ended 30 June 2020 (2019: £Nil).

Notes to the financial statements (continued)
for the year ended 30 June 2020

10 Intangible assets
Accounting policy – Note 1(l)

	Software £'000
Cost	
At 1 July 2019	1,126
Additions	179
At 30 June 2020	**1,305**
Accumulated amortisation	
At 1 July 2019	(451)
Charge for the year	(193)
At 30 June 2020	**(644)**
Net book value	
At 30 June 2020	**661**
At 30 June 2019	675

The amortisation charge of £193,000 (2019: £185,000) is included within administrative expenses in comprehensive income.

The carrying value of assets under construction included in software amounts to £338,000 (2019: £159,000), which are not being amortised until the assets are made available for use or sale.

11 Investments
Accounting policy – Note 1(m)

	Shares in Group undertakings £'000
Cost	
At 1 July 2018	529,946
Additions(1)(2)	21,344
Disposals(3)	(26)
At 30 June 2019	551,264
Additions(1)(4)	58,051
Disposals(4)	(54,088)
At 30 June 2020	**555,227**
Provision for impairment	
At 1 July 2018	(31,074)
Impairment charge(5)	(113,893)
At 30 June 2019	(144,967)
Impairment charge(5)	(135,179)
At 30 June 2020	**(280,146)**
Net book value	
At 30 June 2020	**275,081**
At 30 June 2019	406,297
At 30 June 2018	498,872

Notes to the financial statements (continued)
for the year ended 30 June 2020

11 Investments (continued)

(1) During the current year, the Company increased by £3,963,000 (AUD 7,000,000) (2019: £21,164,000 (AUD 38,614,000)) its investment in Ricardo Australia Pty Ltd, a direct subsidiary of the Company. The principal activity of Ricardo Australia Pty Ltd is the intermediate holding company, with its subsidiaries being the Group's acquired business, Ricardo Rail Australia Pty Ltd (formally Transport Engineering Pty Ltd) on 31 May 2019 and Ricardo Energy Environment and Planning Pty Ltd (formally PLC Consulting Pty Ltd) on 31 July 2019.

(2) During the prior year, the Company increased its share capital in Ricardo Motorcycle Italia SRL by £133,000, and incorporated Ricardo US Holdings, Inc. on 20 June 2019 for £47,248 ($60,000).

(3) During the prior year, Ricardo Italia s.r.l. was liquidated, resulting in the disposal of the £26,000 investment.

(4) During the current year the Group's US businesses restructured. This resulted the Company's direct investment, Ricardo, Inc., ownership being transferred to the Company's other direct investment, Ricardo US Holdings, Inc. This resulted in a simultaneous £54,088,000 disposal and addition due to the investment value transfer.

(5) Where an indicator of impairment exists, the Directors have performed an impairment review to compare the value-in-use with the carrying value of investments. The value-in-use was estimated using a discounted cash flow valuation. The three-year cashflow forecasts are based on the budget for the following year (year one) and the business plans for years two and three (the three-year plan), with a 75% operating cashflow conversion rate. The three-year plan is prepared by management, and is reviewed and approved by the Group's Board. The three-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 COVID-19).

Cash flows beyond year three 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 CGU, or group of CGU,'s three-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. Apart from operating cash flows and long-term growth rates, the other key assumption is the 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. These value in use calculation are also used to support the carrying value of intercompany loan receivables. The cashflows of the business are preferably allocated to support the intercompany loan receivables over the investment asset.

The results of the impairment review show that the carrying value of the below investments was in excess of its value in use, resulting in an impairment:

Impairment charge/(impairment reversal) to investments	**2020 £'000**	2019 £'000
Ricardo GmbH	**10,104**	(10,104)
Ricardo Innovations Limited	**3,185**	-
Ricardo Motorcycle Italia SRL	**1,405**	-
Ricardo Nederland BV	**550**	-
Ricardo Prague s.r.o.	**2,082**	-
Ricardo Rail Limited	**11,431**	-
Ricardo Software Limited	**1**	-
Ricardo Strategic Consulting Limited	**6**	-
Ricardo UK Limited	**98,831**	123,997
Ricardo-AEA Limited	**7,584**	-
At 30 June	**135,179**	113,893

Ricardo Investments Limited

Notes to the financial statements (continued)

for the year ended 30 June 2020

11 Investments (continued)

The value-in-use calculations were assessed for sensitivity to reasonably possible changes to these estimates. The sensitivities assessed include a 10% reduction in planned operating profit, a 10% reduction in the planned operating cash flow conversion rate, a 1% increase in the pre-tax discount rate and a 1% decrease in the long-term growth rate. If any of these scenarios were realised individually, the Company would have a range of additional impairment charge to its investments from £20,440,00 to £36,570,000. There would also be an impact on the intercompany loan receivable balance from £400,000 to £1,090,000. See Note 13 for the intercompany receivable.

Further details on the Company's investments, including their registered office and principal activity is given in Note 21. An explanation for the impairments is provided in the strategic report.

12 Deferred tax

Recognised deferred tax assets/(liabilities)	2020 £'000	2019 £'000
At 1 July	**55**	31
Current year tax credit	**35**	24
At 30 June	**90**	55

Deferred tax assets comprise	2020 £'000	2019 £'000
Other timing differences	**90**	55
At 30 June	**90**	55

13 Other receivables

	2020 £'000	2019 £'000
Amounts owed by fellow Group undertakings	**120,016**	90,553
Less provision for impairment of receivables(1)	**(20,043)**	(22,926)
Amounts owed by fellow Group undertakings - net	**99,973**	67,627
Prepayments and accrued income	**30**	30
At 30 June	**100,003**	67,657

(1) During the current financial year £2,883,000 (2019: £7,270,000) was recovered, or deemed recoverable, on the impaired Ricardo GmbH which reduced the provision required. The estimates relevant to this provision is discussed in Note 11.

All amounts are due within one year.

Amounts owed by fellow Group undertakings are unsecured and include £116,418,000 (2019: £87,972,000) being repayable on demand, with no fixed repayment date and bearing interest at rates between 0.01% and 3.5% (2019: 0.01% and 3.0%), with the remaining £3,598,000 (2019: £2,612,000) due within the next financial year and being interest-free.

Notes to the financial statements (continued)
for the year ended 30 June 2020

14 Borrowings

	2020	2019
	£'000	£'000
Current borrowings:		
- Bank overdraft	**1,278**	238
Total non-current borrowings	**1,278**	238
Non-current borrowings:		
- Bank loans	**81,000**	65,000
- Preference share capital (100,000 shares at £1 each each)	**100**	100
Total non-current borrowings	**81,100**	65,100
At 30 June	**82,378**	65,338

Bank overdraft

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

Bank loans

At the year-end, the Group held total banking facilities of £216,600,000 (2019: £166,355,000), which included committed facilities of £200,000,000 (2019: £150,000,000) comprised of a multi-currency Revolving Credit Facility ('RCF') that provides the Group with committed funding through to July 2023. In addition, the Group has uncommitted facilities including overdrafts of £16,621,000 (2019: £16,355,000), which mature throughout this and the next financial year and are renewable annually..

At the year-end, the Group held non-current bank loans comprised of committed facilities of £128,747,000 (2019: £79,140,000), net of direct issue costs, which were drawn primarily to fund acquisitions and for general corporate purposes. These are denominated in Pounds Sterling and have variable rates of interest dependent upon the Group's adjusted leverage, which range from 1.4% to 2.2% (2019: 1.4% to 2.2%) above LIBOR. Adjusted leverage is defined in the Group's banking documents as being the ratio of total net debt to adjusted EBITDA. Adjusted EBITDA is further defined as being operating profit before interest, tax, depreciation and amortisation, adjusted for any one-off, non-recurring, exceptional costs and acquisitions or disposals during the relevant period.

At the reporting date, the Group has an adjusted leverage which attracts the lowest rate of interest, being LIBOR plus 1.4% (2019: LIBOR plus 1.4%). 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.

After the reporting date, the Group completed an amendment of its banking facilities. Further detail is given in Note 22.

Preference share capital

The fixed rate preference shareholders have the right to vote at a general meeting of the Company and each share carries one vote.

The fixed rate preference shares have the right to receive a fixed rate cumulative dividend equal to 4% of their nominal value per annum, in preference to dividends paid on the non-voting ordinary shares.

On a return of capital on winding up or repayment of capital by any other means, the fixed rate preference shareholders are entitled to receive an amount equal to the amount paid up on these shares, in preference to any return of capital to the holders of the non-voting ordinary shares.

The holders of the fixed rate preference shares have no rights to any further participation in the profits or other assets of the Company.

Ricardo Investments Limited

Notes to the financial statements (continued)

for the year ended 30 June 2020

15 Other payables

	2020	2019
	£'000	£'000
Taxation and social security payable	**29**	21
Amounts owed to fellow Group undertakings	**59,503**	44,498
Accruals and deferred income	**127**	62
At 30 June	**59,659**	44,581

Amounts owed to fellow Group undertakings are unsecured and include £58,140,000 (2019: £43,730,000) being repayable on demand, with no fixed repayment date, with the remaining £1,363,000 (2019: £768,000) due within the next financial year. Of the amounts owed to fellow Group undertakings, £47,118,000 (2019: £32,708;000) bears interest at rates between 2.5% and 3.0% (2019: 2.5% and 3.0%), with the remaining £12,385,000 (2019: £11,790,000) being interest-free.

16 Share capital

	2020	2019
Allotted, called-up and fully paid	**£'000**	£'000
1,000,100 (2019: 1,001,000) ordinary shares of £1 each	**1,000**	1,000
At 30 June	**1,000**	1,000

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

17 Share Premium

	2020	2019
	£'000	£'000
At 1 July and 30 June	**19,487**	19,487

18 Contingent liabilities

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

19 Controlling party

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

Ricardo Investments Limited

Notes to the financial statements (continued)
for the year ended 30 June 2020

20 Subsidiaries and related undertakings

Company owns, directly(*) or indirectly, 100% of the issued share capital, unless otherwise noted, of the following subsidiaries and related undertakings as at 30 June 2020:

Subsidiary	Registered office	Principal activities
Ricardo UK Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Automotive & Industrial Consulting, Strategic Consulting, Defence Consulting and Performance Products
Ricardo Asia Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Automotive & Industrial Consulting, Rail Consulting and Business Development
Ricardo Japan K.K.*	18th Floor, Shin Yokohama Square Building, 2-3-12 Shin Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa, 222-0033, Japan	Automotive & Industrial Consulting, Rail Consulting and Business Development
Ricardo Prague s.r.o.*	Palác Karlín, Thámova 11-13, 186 00 Praha 8, Czech Republic	Automotive & Industrial Consulting and Software
Ricardo GmbH*	Güglingstraße 66, 73529, Schwäbisch Gmünd, Germany	Automotive & Industrial Consulting and Business Development
Ricardo Motorcycle Italia s.r.l.*	Via Giovanni Pascoli 47, 47853, Cerasolo, Coriano, Rimini, Italy	Automotive & Industrial Consulting
Ricardo, Inc.	Detroit Technical Campus, 40000 Ricardo Drive, Van Buren Township, Detroit, Michigan, 48111-1641, United States	Automotive & Industrial Consulting, Strategic Consulting and Software
Ricardo India Private Limited(1)	6th Floor, M6 Plaza, Jasola District Centre, New Delhi 110076, India	Business Development
Ricardo Strategic Consulting GmbH	4th Floor, Kreuzstraße 16, 80331, Munich, Germany	Strategic Consulting
Ricardo Defense Systems LLC	Detroit Technical Campus, 40000 Ricardo Drive, Van Buren Township, Detroit, Michigan, 48111-1641, United States	Performance Products
Ricardo Defense, Inc.	175 Cremona Drive, Suite 140, Goleta, California, 93117, United States	Defence Consulting
C2D Joint Venture (33.3%)(2)	175 Cremona Drive, Suite 140, Goleta, California, 93117, United States	Defence Consulting
Ricardo-AEA Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Energy & Environmental Consulting
Cascade Consulting (Environment & Planning) Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Energy & Environmental Consulting

Ricardo Investments Limited

Notes to the financial statements (continued)
for the year ended 30 June 2020

21 Subsidiaries and related undertakings (continued)

Subsidiary	Registered office	Principal activities
Ricardo South Africa (Pty) Ltd (formerly PPA Energy (Pty) Ltd)	111 Pretoria Road, Rynfield, Benoni, 1501, South Africa	Energy & Environmental Consulting
Ricardo Gulf Technical Consultancy LLC (49%)[(3)]	11th Floor, Office 8, MSMAK Building, Corniche Street, Abu Dhabi, United Arab Emirates	Energy & Environmental Consulting
Ricardo Energy Environment and Planning Pty Ltd	Level 20, 181 William Street, Melbourne, Victoria, 3000, Australia	Energy & Environmental Consulting
Ricardo Australia Pty Ltd*	Level 7, 151 Clarence Street, Sydney, New South Wales, 2000, Australia	Energy & Environmental Consulting and Rail Consulting
Ricardo Rail Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Rail Consulting
Ricardo Nederland B.V.*	Catharijnesingel 33 J, 3511 GC, Utrecht, Netherlands	Rail Consulting
Ricardo Rail Australia Pty Ltd	Suite 2.01, Level 2, Tower B, The Zenith, 821 Pacific Highway, Chatswood, New South Wales, 2067, Australia	Rail Consulting
Wamarragu Transport Services Pty Ltd (45%)[(4)]	Suite 2.01, Level 2, Tower B, The Zenith, 821 Pacific Highway, Chatswood, New South Wales, 2067, Australia	Rail Consulting
Ricardo Singapore Pte Limited	141 Middle Road, 5-6 GSM Building, 188976, Singapore	Rail Consulting
Ricardo (Thailand) Ltd (49%)[(5)]	140/36 ITF Tower 17th Floor, Silom Road, Kwang Surawong, Khet bangrak, Bangkok, 10500, Thailand	Rail Consulting
Ricardo Hong Kong Limited	Units 3210-18, 32/F Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong	Rail Consulting
Ricardo Technical Consultancy LLC (49%)[(6)]	Palm Tower, Block B, 15th Floor, P.O. Box 26600, West Bay, Doha, Qatar	Rail Consulting
Chongqing Transportation Railway Safety Assessment Center Limited (60%)[(7)]	No. 2 Yangliu Road, Mid Huangshan Street, New North District, Chongqing, 401123, PR China	Rail Consulting
Ricardo Beijing Company Limited	1301-1302, Shun Tak Centre, No.1 Xiangheyuan Road, Dongcheng District, Beijing, 100004, PR China	Independent Assurance
Ricardo Certification Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Independent Assurance
Ricardo Certification B.V.	Catharijnesingel 33 J, 3511 GC, Utrecht, Netherlands	Independent Assurance
Ricardo Certification Denmark ApS	Nørre Farimagsgade 11, 1364 Copenhagen K, Copenhagen, Denmark	Independent Assurance
Ricardo Certification Iberia SL	Agustín de Foxá 29, 9th Floor, 28036, Madrid, Spain	Independent Assurance
Ricardo US Holdings, Inc.*	40600 Ann Arbor Road East, Suite 201, Plymouth, Michigan, 48170, United States	Holdings company

Notes to the financial statements (continued)
for the year ended 30 June 2020

21 Subsidiaries and related undertakings (continued)

Subsidiary	Registered office	Principal activities
Ricardo Real Estate LLC	40600 Ann Arbor Road East, Suite 201, Plymouth, Michigan, 48170, United States	Property investment company
Power Planning Associates Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Holding Company
Ricardo EMEA Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Holding Company and Management Services
Ricardo Innovations Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Dormant
CDQ Joint Venture (50%)[8]	175 Cremona Drive, Suite 140, Goleta, California, 93117, United States	Dormant
Ricardo Software Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Dormant
Ricardo Certificación SL	Avenida Aragon 30, Edificio Europa, 13th Floor, 46021, Valencia, Spain	Dormant
Ricardo Environment Arabia LLC[9]	Bahrain Tower, Building Number 8953, 2393, King Fahd Road, Olaya, 12214, Kingdom of Saudi Arabia	Dormant
Ricardo Strategic Consulting Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Dormant
Ricardo Consulting Engineers Limited	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Dormant
Ricardo Technology Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Dormant
Ricardo Transmissions Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Dormant
Ricardo Pension Scheme (Trustees) Limited*	Shoreham Technical Centre, Old Shoreham Road, Shoreham-by-Sea, West Sussex, BN43 5FG, United Kingdom†	Dormant
Ricardo Software, Inc. (formerly Xogeny, Inc.)	Detroit Technical Center, 40000 Ricardo Drive, Van Buren Township, Detroit, Michigan, 48111-1641, United States	Dormant
Ricardo Deutschland GmbH	Güglingstraße 66-70, 73529, Schwäbisch Gmünd, Germany	Liquidation
Nanjing Delta Win Transportation Technical Services Limited (65%)[10]	Room 1101, No. 301, Zhongmen Street, Gulou District, Nanjing, Jiangsu Province, PR China	Liquidated

21 Subsidiaries and related undertakings (continued)

† Registered in England and Wales.

(1) 1% owned by Ricardo UK Limited and 99% owned by Ricardo plc.

(2) 33% of share capital and 98% of retained earnings owned by Ricardo Defense, Inc., 33% of share capital and 1% of retained earnings owned by DG Technologies, and 3% of share capital and 1% of retained earnings owned by Claxton Logistics Services, LLC.

(3) 49% of share capital and 100% of retained earnings is owned by Ricardo Hong Kong Limited, with 51% of the share capital and none of retained earning owned by First Asia Industries Limited.

(4) 45% owned by Ricardo Rail Australia Pty Ltd; 55% owned by Justin Brooker Nominees Pty Ltd. This associate undertaking.

(5) 49% of share capital and 97% of retained earnings owned by Ricardo Rail Limited and 51% of share capital and 3% of retained earnings owned by Pro-Partnership LLC.

(6) 49% of share capital and 80% of retained earnings owned by Ricardo Rail Limited and 51% of share capital and 20% of retained earnings owned by SSD Commercial Investment.

(7) 60% owned by Ricardo Beijing Company Limited and 40% owned by Chongqing Science & Technology Testing Center Limited.

(8) 50% of share capital and 50% of retained earnings owned by Ricardo Defense, Inc. and 50% of share capital and 50% of retained earnings owned by DG Technologies.

(9) 15% owned by Ricardo plc and 85% owned by Ricardo-AEA Limited.

(10) 40% owned by Ricardo Beijing Company Limited, 25% owned by Ricardo Hong Kong Limited and 35% owned by Jiangsu Urban Mass Transit Research & Design Institute Company Limited.

22 Events after the reporting date

On 5th May 2020, the Group exercised £50,000,000 of the accordion option of its banking facilities, thereby increasing the Revolving Credit Facility to £200,000,000 and increasing the amount undrawn and available to £70,000,000. This provides the Group with increased committed funding available for the remaining term through to July 2023. In addition to the increased committed funding available, the Adjusted Leverage (defined as net debt over underlying EBITDA) covenant was increased from 3.0x to 3.75x for the next two test dates of 30 June 2020 and 31 December 2020. Following the year end, on 9 September 2020, the definition of the Adjusted Leverage covenant for the December 2020 covenant test date was amended to be based on two times the six months' EBITDA to December 2020. In addition, the June 2021 covenant was increased to 3.75. The only other financial covenant is Interest Cover. This remains at 4.0x for each test date, but with the December 2020 test based on two times the six months' EBITDA to December 2020. For further details on the Group's current banking facilities please see Note 14.