

ARUP

# Financial Statements and Reports 2018

*Arup Group Limited*

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## Chairman's foreword

As a firm, we aim to shape a better world. This drives everyone at Arup to find new ways to make it a practical reality and not merely a worthy aspiration.

I am pleased to report good progress on this front over the past year. We can always go further and do more, but across the firm there is clear evidence of our determination to expand the positive impact we make – for our clients and for society as a whole. It is this determination that makes our work distinctive and continues to bind us together as an organisation.

In the first quarter we launched our refreshed Group strategy to the firm, which explicitly responds to a changing world. Drivers including population growth, urbanisation, globalisation, climate change, resource scarcity and digital transformation present us with new challenges and opportunities.

As an independent firm that combines deep technical knowledge with sharp strategic thinking and a creative mindset, we are well placed to address these issues.

### Global reach

Our refreshed strategy identified certain regions of the world in which we see opportunities to develop our practice to better meet the challenges of shaping a better world.

Our work in China and with outbound Chinese clients has continued to flourish. Building on relationships stretching back over 40 years, we are helping the country continue its remarkable evolution. The pace, scale and quality of innovation involved is often breathtaking, emblematic of the ambition we are responding to.

Our operations in North America have continued to prosper, with demand for our services high. Our mix of work in the region is evolving towards ever higher value services and we are continuing to establish a strong presence beyond our hubs on the East and West coasts of the US. Canada is also a growth market and our work on the new Champlain Bridge in Montreal and the Toronto Metro are good examples of our expansion there.

### Combining technology and domain expertise

Another strand of development this year has been a concerted focus on digital transformation.

We have always been a firm that is eager to embrace new technology, with iconic projects like the Sydney Opera House utilising the most advanced computers of their day. It is clear that we are now entering a period where the impact of digital technology will increase exponentially. This has been driven by a rapid rise in computing power, richer and more widely available data, and fast emerging advances in machine learning and artificial intelligence.

We have made significant progress in five important areas: automation, data, digital services, digital products and technology.

Projects like our work on 3D Printing in Steel and Concrete and Driverless Cars demonstrate the impact we are already making.

### A membership of quality

Ove Arup spoke about an organisation that is “always human, always living, always learning, always changing”. These principles remain highly relevant today and shape much of what we do to support the development of our colleagues broadly across the firm and specifically through the work of Arup University.

This work goes beyond the confines of professional development and offers insights developed with external thought-leaders, firm-wide skills networks, and cutting-edge collaborative and research tools.

### Reasonable prosperity of members

I am pleased to report that we have again achieved a reasonable financial performance that is well aligned to our strategic objectives. Our revenue grew to £1.56bn, an increase of 3.6%. Our operating profit margin, before staff profit-sharing was 12.2%. Our forward order book is robust, a clear measure of the faith and support our clients continue to place in us.

### Risks and risk mitigation

In recent years our industry and our professions within it have seen a shift in risk allocation to a position that is far from ideal. As an independent trust-owned firm we are under no external pressure to take undue risk in pursuit of profit, yet we remain vigilant and continue to carefully manage threats to our strength and stability, including avoiding assignments where we consider the allocation of risk to be unacceptable.

It would be remiss of me not to address geopolitical risk including Brexit. As a firm with significant revenue from our UK operations, we are mindful of the potential macro-economic effects of major policy changes, including our ability to attract the highly skilled people we continue to need. We will respond as appropriate to developments as they unfold.

More broadly, it is clear that the world is becoming less predictable, shaped by a changing political, social and economic climate. It is also true that the need for collaboration to address critical global issues is greater than ever. On that front, as our alignment with the United Nations Sustainable Development Goals shows, we are eager to play our part as a firm and as a group of talented, committed professional people. It is this sense of enthusiasm and purpose from our members that gives me most hope for the future. It shines through in every Arup office I visit. It reflects a deep and shared desire to make ‘we shape a better world’ more than a catchphrase as we expand the impact we make around the world.



Gregory Hodkinson  
Chairman, Arup Group

## Strategic report

The directors present their strategic report for Arup Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 March 2018 which was approved by the board of directors.

### Review of the business

These are the results for the Group for the financial year ended 31 March 2018. The results show a profit for the financial year of £86.2m (2017: £47.7m).

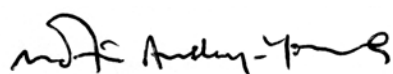
The net assets as at 31 March 2018 are £230.6m (2017: £125.6m).

The performance and development of the Group is in line with the expectations of the directors.

The principal area of risk and operating uncertainty for the business is its ability to continue to secure new projects and deliver the performance of existing projects in line with management's objectives. To monitor these, the directors use the following key performance indicators ("KPIs"):

- Revenue and profit per person are financial KPIs used to monitor the continued contribution to the Group. In calculating profit per person, profit is stated before income tax, dividends and staff profit-sharing. For the year ended 31 March 2018, revenue per person was £113k (2017: £113k) and profit per person was £13k (2017: £13k).
- Staff turnover is a key non-financial measure of business performance. For the year ended 31 March 2018, staff turnover was 11.3% (2017: 10.6%).

By order of the Board



M J Ansley-Young  
Company Secretary

31 October 2018

Registered Office: 13 Fitzroy Street, London, W1T 4BQ, UK

## Directors' report

The directors present their report together with the audited consolidated financial statements of the Group and the audited financial statements of the Company for the year ended 31 March 2018 which were approved by the board of directors.

The capital of the Company is divided into equity shares, which are held in trust for the benefit of the employees (past and present) of the Group, and voting shares that are held by Ove Arup Partnership Charitable Trust.

### Principal activities

The Group practices in the field of design and consulting engineering services, in architecture and in other related professional skills.

### Future developments

The Group will continue to operate in similar markets. The Group has a solid, diversified portfolio and a breadth of quality employees that will help to exploit opportunities.

### Dividends

The directors do not recommend a dividend payment for the year ended 31 March 2018 (2017: nil).

### Directors

The directors of the Company during the year and up to the date of signing these financial statements were as follows:

P A Bailey  
 A J Belfield  
 T G A Carfrae  
 P J Chamley  
 F M Cousins (Appointed 1 April 2017)  
 J A Frost (Appointed 1 April 2017)  
 G S Hodkinson  
 M K Y Kwok  
 D M Mitchell  
 G Shore  
 T J Stone  
 M S Tweedie (Appointed 1 April 2017)  
 T J F Whyte (Appointed 1 April 2017)

### Directors' remuneration

Directors' remuneration has been disclosed in note 6 to the financial statements.

### Directors' indemnities

As permitted by the Company's Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' Liability Insurance in respect of itself, its directors and officers.

### Independent auditors

The Company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office for another financial year.

### Financial risk management

The Group's financial assets and liabilities comprise cash at bank, trade and other receivables and trade and other payables, whose main purpose is to maintain adequate finance for the Group's operations.

The Group is exposed to a number of financial risks and actively mitigates the risk of financial loss. The key aspects are:

- Foreign exchange risk: where possible the Group matches its currency earnings with currency costs. Where this is not possible, appropriate derivative contracts may be used. There is no speculative use of financial instruments;
- Interest rate risk: the Group currently does not hedge interest rate risk, however the need to do so is regularly reviewed;
- Credit risk: the main exposure to credit risk is on amounts due from customers. Controls and procedures are in place to mitigate this risk. Cash investments are held with banks with a minimum credit rating of A-3 / P2; and
- Liquidity risk: cash flow forecasts are prepared to ensure that sufficient funds are available to meet the Group's liabilities as and when they fall due.

Note 1 in the notes to the financial statements provides further information on accounting for exchange rate differences.

### Research and development

The Group engages in research and development on an ad hoc basis as required to complete projects during the normal course of business. Costs incurred in research are immediately expensed to the income statement, whilst development costs are assessed for capitalisation against the criteria of International Accounting Standard ("IAS") 38 'Intangible Assets'.

### Employees

The maintenance of a highly skilled workforce is key to the future of the Group. Health and Safety matters are regularly reviewed by the directors and it is their policy to ensure that:

- full and fair consideration is given to all applications for employment made by disabled persons, having regard to their capabilities;
- when existing employees become disabled (whether from illness or accident) every reasonable effort is made to continue to provide suitable employment either in the same, or by training, in an alternative job; and
- disabled persons are given equal consideration for training, career development and opportunities for promotion within the Group.

The Group communicates actively with its employees who are encouraged to express their views on major policy issues. 'Working at Arup' surveys are conducted to obtain feedback from employees. This survey is confidential and is used alongside consultation with employees where appropriate.

Twice a year, employees are provided with a performance report containing financial information. Employees are informed of significant business issues via the use of email, discussions with senior management, the Group's intranet and in-house publications.

Employee involvement in the Group's performance is encouraged and maintained via participation in a staff profit-sharing scheme.

## Directors' report (continued)

### Statement of directors' responsibilities

The directors are responsible for preparing the Financial Statements and Reports in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and applicable law).

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 Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

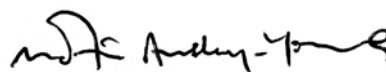
The directors are responsible for keeping adequate accounting records that: are sufficient to show and explain the Group's and the Company's transactions; and disclose with reasonable accuracy at any time the financial position of the Group and the Company; and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have 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 auditors are aware of that information.

By order of the Board



M J Ansley-Young  
Company Secretary

31 October 2018

Registered Office: 13 Fitzroy Street, London, W1T 4BQ, UK

# Independent auditors' report to the members of Arup Group Limited

## Report on the financial statements

### Opinion

In our opinion:

- Arup Group Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101, and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements and Reports, which comprise:

- the Consolidated balance sheet as at 31 March 2018;
- the Company balance sheet as at 31 March 2018;
- the Consolidated income statement and the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of changes in equity for the year then ended;
- the Company statement of changes in equity for the year then ended;
- the Consolidated statement of cash flows for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group and the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Financial Statements and Reports other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## Independent auditors' report to the members of Arup Group Limited (continued)

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Craig Skelton (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

London

31 October 2018



## Consolidated income statement

For the year ended 31 March 2018

	Note	2018 £m	2017 £m
Revenue	4	1,564.3	1,509.5
Employee benefit expense	5	(904.5)	(872.7)
Charges from sub-consultants and other direct project expenses		(370.0)	(367.0)
Depreciation and amortisation expense	10 & 11	(28.5)	(23.0)
Accommodation		(62.8)	(61.6)
Communications and other overheads		(131.1)	(113.0)
Profit on sale of properties	18	45.8	-
		<u>(1,451.1)</u>	<u>(1,437.3)</u>
<b>Operating profit</b>	7	113.2	72.2
Finance income	8	2.0	1.2
Finance costs	8	(6.0)	(6.9)
<b>Profit before income tax</b>		109.2	66.5
Income tax charge	9	(23.0)	(18.8)
<b>Profit for the financial year</b>		<u>86.2</u>	<u>47.7</u>

All activities of the Group are derived from continuing operations in both the current and prior years.

## Consolidated statement of comprehensive income

For the year ended 31 March 2018

		2018 £m	2017 £m
<b>Profit for the financial year</b>		86.2	47.7
<b>Other comprehensive income / (expense)</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement gains of post-employment benefit obligations	30	27.5	0.0
		<u>27.5</u>	<u>0.0</u>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation differences - (losses)		(8.7)	(5.6)
<b>Other comprehensive income / (expense) for the year, net of tax</b>		<u>18.8</u>	<u>(5.6)</u>
<b>Total comprehensive income for the year</b>		<u>105.0</u>	<u>42.1</u>

The notes on pages 14 to 47 are an integral part of these financial statements.

## Consolidated balance sheet

As at 31 March 2018

	Note	2018 £m	2017 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	289.8	80.4
Intangible assets	11	3.6	4.4
Deferred income tax assets	23	45.3	55.2
Available-for-sale financial assets	13	0.0	0.0
		<b>338.7</b>	<b>140.0</b>
<b>Current assets</b>			
Trade and other receivables	16	459.6	456.9
Derivative financial instruments	15	0.0	0.0
Cash and cash equivalents	17	118.4	107.5
		<b>578.0</b>	<b>564.4</b>
Assets classified as held for sale	18	-	57.6
<b>Total assets</b>		<b>916.7</b>	<b>762.0</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	447.0	440.7
Current income tax liabilities		12.2	12.0
Derivative financial instruments	15	0.2	0.6
Provisions for other liabilities and charges	21	1.6	0.5
		<b>461.0</b>	<b>453.8</b>
<b>Non-current liabilities</b>			
Borrowings	19	90.0	-
Derivative financial instruments	15	-	0.1
Deferred income tax liabilities	23	10.0	8.3
Post-employment benefit liabilities	30	110.9	160.2
Provisions for other liabilities and charges	21	7.9	7.0
Other non-current liabilities	22	6.3	7.0
		<b>225.1</b>	<b>182.6</b>
<b>Total liabilities</b>		<b>686.1</b>	<b>636.4</b>
<b>Net assets</b>		<b>230.6</b>	<b>125.6</b>
<b>Equity</b>			
Share capital	24	0.1	0.1
Retained earnings		230.5	125.5
<b>Total equity</b>		<b>230.6</b>	<b>125.6</b>

The notes on pages 14 to 47 are an integral part of these financial statements.

The financial statements on pages 9 to 47 were approved and authorised for issue by the board of directors and signed on its behalf by:



G S Hodkinson  
Chairman

31 October 2018

## Company balance sheet

As at 31 March 2018

	Note	2018 £m	2017 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	2.1	2.1
Investments in subsidiaries	12	133.8	183.0
Available-for-sale financial assets	13	0.0	0.0
		<b>135.9</b>	<b>185.1</b>
<b>Current assets</b>			
Trade and other receivables	16	196.4	9.1
Cash and cash equivalents	17	1.1	0.4
		<b>197.5</b>	<b>9.5</b>
<b>Total assets</b>		<b>333.4</b>	<b>194.6</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	178.1	187.8
Current income tax liabilities		0.7	0.7
		<b>178.8</b>	<b>188.5</b>
<b>Non-current liabilities</b>			
Borrowings	19	90.0	-
<b>Total liabilities</b>		<b>268.8</b>	<b>188.5</b>
<b>Net assets</b>		<b>64.6</b>	<b>6.1</b>
<b>Equity</b>			
Share capital	24	0.1	0.1
Retained earnings		64.5	6.0
<b>Total equity</b>		<b>64.6</b>	<b>6.1</b>

The notes on pages 14 to 47 are an integral part of these financial statements.

The financial statements on pages 9 to 47 were approved and authorised for issue by the board of directors and signed on its behalf by:



G S Hodkinson  
Chairman

31 October 2018

## Consolidated statement of changes in equity

For the year ended 31 March 2018

	Share capital £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2016	0.1	83.4	83.5
Profit for the financial year	-	47.7	47.7
Remeasurement gains of post-employment obligations	-	1.0	1.0
Remeasurement of post-employment obligations - tax	-	(1.0)	(1.0)
Currency translation differences - (losses)	-	(5.6)	(5.6)
Other comprehensive expense for the year	-	(5.6)	(5.6)
<b>Total comprehensive income for the year</b>	-	42.1	42.1
Balance as at 31 March 2017	0.1	125.5	125.6
Profit for the financial year	-	86.2	86.2
Remeasurement gains of post-employment obligations	-	33.3	33.3
Remeasurement of post-employment obligations - tax	-	(5.8)	(5.8)
Currency translation differences - (losses)	-	(8.7)	(8.7)
Other comprehensive income for the year	-	18.8	18.8
<b>Total comprehensive income for the year</b>	-	105.0	105.0
<b>Balance as at 31 March 2018</b>	<b>0.1</b>	<b>230.5</b>	<b>230.6</b>

## Company statement of changes in equity

For the year ended 31 March 2018

	Share capital £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2016	0.1	25.5	25.6
Loss for the financial year	-	(19.5)	(19.5)
Balance as at 31 March 2017	0.1	6.0	6.1
Profit for the financial year	-	58.5	58.5
<b>Balance as at 31 March 2018</b>	<b>0.1</b>	<b>64.5</b>	<b>64.6</b>

## Consolidated statement of cash flows

For the year ended 31 March 2018

	Note	2018 £m	2017 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	25	75.1	4.6
Interest paid		(2.1)	(1.0)
Income tax paid		(12.7)	(14.5)
<b>Net cash generated from / (used in) operating activities</b>		<b>60.3</b>	<b>(10.9)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(242.1)	(26.1)
Proceeds from sale of property, plant and equipment		103.8	0.0
Purchases of intangible assets		(1.5)	(2.4)
Interest received		1.5	1.2
<b>Net cash used in investing activities</b>		<b>(138.3)</b>	<b>(27.3)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		90.0	-
<b>Net cash generated from financing activities</b>		<b>90.0</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>12.0</b>	<b>(38.2)</b>
Cash and cash equivalents at beginning of year		107.5	137.0
Exchange (losses) / gains on cash and cash equivalents		(1.1)	8.7
<b>Cash and cash equivalents at end of year</b>		<b>118.4</b>	<b>107.5</b>

# Notes to the financial statements

For the year ended 31 March 2018

## 1 Basis of preparation

Arup Group Limited is a private limited company which is incorporated in England and Wales. The address of the registered office is 13 Fitzroy Street, London, W1T 4BQ, UK.

Accounting policies that relate to the financial statements as a whole are set out below, while those that relate to specific areas of the financial statements are shown in the corresponding note. All accounting policies have been consistently applied to all the years presented, unless otherwise stated.

### Group

The Group's consolidated financial statements have been prepared in accordance with IFRSs and IFRS Interpretations Committee ("IFRS IC" or "IFRIC") interpretations as adopted by the European Union and the Companies Act 2006 as applicable to companies reporting under IFRSs. These financial statements have been prepared under the historical cost convention as modified by the revaluation of the available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRSs require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the preparation of the consolidated financial statements are disclosed in note 3.

### Company

The Company's financial statements have been prepared in accordance with FRS 101. These financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The Company has not presented an income statement or statement of comprehensive income as permitted by Section 408(3) of the Companies Act 2006.

The profit and total comprehensive income for the year was £58.5m (2017: loss £19.5m).

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, 'Business Combinations';
- Paragraph 33(c) of IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations';
- 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);

- Paragraph 38 of IAS 1, 'Presentation of Financial Statements' comparative information requirements in respect of:
  - 79(a)(iv) of IAS 1, 'Presentation of Financial Statements' (reconciliation of the number of shares outstanding at the beginning and end of the period);
  - 73(e) of IAS 16, 'Property, Plant and Equipment' (reconciliation of the carrying amount at the beginning and end of the period);
  - 118(e) of IAS 38, 'Intangible Assets' (reconciliation of the carrying amount at the beginning and end of the period); and
  - 76 and 79(d) of IAS 40, 'Investment Property' (reconciliation of the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1:
  - 10(d) (statement of cash flows);
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with IFRSs);
  - 38A (requirement for minimum of two primary statements including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- IAS 24 (disclosure of related parties entered into between two or more members of a group providing that the parties are wholly owned by the group).

### Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1 Basis of preparation (continued)

#### Changes in accounting policy and disclosures

##### New standards, amendments and interpretations

No new standards, amendments or interpretations, effective for the first time for financial years beginning on or after 1 April 2017 have had a material impact on the Group.

##### New standards, amendments and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for the year ended 31 March 2018 and have not been early adopted by the Group:

- IFRS 9, 'Financial Instruments' is a new standard which enhances the ability of investors and other users of financial information to understand the accounting for financial assets and reduces complexity. The standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the various rules in IAS 39. This standard is effective for accounting periods commencing on or after 1 January 2018.
- IFRS 15, 'Revenue from Contracts with Customers' is a new standard based on a five-step model framework, which replaces all existing revenue recognition standards. The standard requires revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. This standard is effective for accounting periods commencing on or after 1 January 2018.
- IFRS 16, 'Leases' is a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard eliminates the classification of leases as either operating leases or finance leases as required by IAS 17, and instead, introduces a single lessee accounting model. A lessee will be required to recognise assets and liabilities for all leases with a term of more than 12 months and depreciate lease assets separately from interest on lease liabilities in the income statement. This standard is effective for accounting periods commencing on or after 1 January 2019.

Management is currently assessing the impact of the new standards, amendments and interpretations that are not yet effective. Based on the assessments undertaken to date:

- IFRS 15: Management is still working through the impact this will have but estimate the impact on the income statement not to be significantly material.
- IFRS 16: In the year ended 31 March 2018, the Group had 209 operating leases with £45m recognised in the income statement. Under IFRS 16 the amount recognised in the income statement would be different, with the balance sheet reflecting the lease assets and future liabilities. Management are in the process of quantifying the impact.

#### Foreign currency translation

##### Functional and presentation currency

The Company's functional currency is pound sterling (£). The financial statements are presented in pound sterling, which is the Group's presentation currency.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### Impairment of non-financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that an asset or group of assets is impaired. 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 and value in use.

#### Financial assets

##### Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss; loans and receivables; and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where the maturity is greater than 12 months after the balance sheet date, in which case they are included as non-current assets. The Group's loans and receivables comprise 'Trade and other receivables' and 'Cash and cash equivalents' in the balance sheet.

##### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date (the date on which the Group commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1 Basis of preparation (continued)

#### Recognition and measurement (continued)

profit and loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

#### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### Impairment of financial assets

##### Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments; the probability that they will enter bankruptcy or other financial reorganisation; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

##### Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value

of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

### 2 Financial risk management

#### 2.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage certain risk exposures.

Risk management is carried out by a central treasury department ("Group Treasury") under policies approved by the board of directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

##### a) Market risk

###### i) Foreign exchange risk

The Group operates in a number of international territories. Each business undertakes a large proportion of its commercial transactions within its local market and in its local functional currency. Foreign exchange risk arises from commercial transactions undertaken in currencies other than the local functional currency, from financial assets and liabilities denominated in currencies other than the local functional currency and on the Group's investments in foreign operations.

Group policy is for each business to undertake commercial transactions in its own functional currency whenever possible. When this is not possible, the Group manages its foreign currency exchange risk from future commercial transactions using appropriate derivative contracts arranged by Group Treasury. Cash flows are reviewed on a monthly basis throughout the duration of projects and the future cover is amended as appropriate.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. A proportion of the currency exposure arising from the net assets of the Group's foreign operations is managed through borrowings denominated in the relevant foreign currencies.

The Group's primary exposure to foreign exchange risk on unhedged financial assets and liabilities arises mainly in respect of movements between the euro and pound sterling, the Hong Kong dollar and pound sterling and between the US dollar and pound sterling.



## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 2 Financial risk management (continued)

#### 2.1 Financial risk factors (continued)

##### a) Market risk (continued)

##### i) Foreign exchange risk (continued)

At 31 March 2018, if pound sterling had strengthened / weakened by a reasonably possible change of 10% against euro, Hong Kong dollar and US dollar, the profit after tax and total equity would be higher / lower (2017: higher / lower) as follows:

	Profit after tax		Total equity	
	2018	2017	2018	2017
	£m	£m	£m	£m
Euro	1.0	1.3	4.9	4.9
Hong Kong dollar	1.0	0.5	0.7	1.4
US dollar	4.7	5.9	3.6	2.7

##### ii) Interest rate risk

There is no material exposure to interest rate risk. Therefore, no interest hedging is currently undertaken by the Group.

##### b) Credit risk

Credit risk is the risk that the Group will suffer financial loss as a result of counterparties defaulting on their contractual obligations.

For trade and other receivables, concentration of credit risk is very limited due to the Group's broad customer base. An assessment of credit quality of the customer is made where appropriate using a combination of external rating agencies, past experience and other factors.

In circumstances where credit information is unavailable or poor, the risk is mitigated primarily by the use of advance payments resulting in positive cash flows. Exposure and payment performance are monitored closely both at individual project and client level, with a series of escalating debt recovery actions taken where necessary. In view of current economic circumstances, additional management attention is focused on the recovery of debtors.

##### c) Liquidity risk

The Group funds its activities primarily through cash generated from its operations and also maintains committed bank facilities. The liquidity risk is managed with reference to short- and long-term cash flow forecasts and the maturity of the bank facilities. These facilities contain financial covenants. Throughout the year the Group maintained robust headroom against its covenants and is expected to do so into the foreseeable future.

Surplus cash is invested by Group Treasury in interest bearing current accounts, term deposits and money market deposits through instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period between the balance sheet date and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£m	£m	£m	£m
As at 31 March 2018				
Bank loan	10.0	10.0	70.0	-
Derivative financial instruments	0.2	-	-	-
Trade and other payables excluding non-financial liabilities	200.0	-	2.1	-
	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£m	£m	£m	£m
As at 31 March 2017				
Bank loan	-	-	-	-
Derivative financial instruments	0.1	0.6	-	-
Trade and other payables excluding non-financial liabilities	208.5	-	-	-

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 2 Financial risk management (continued)

#### 2.2 Capital risk management

The Group is a long-term business, held in trust for the principal benefit of its employees. This ownership model means that it is not able to raise equity externally. The Group's objectives when managing capital (defined as net debt plus equity) are to safeguard its ability to continue as a going concern, provide returns for its employees and to avoid debt funding.

The Group manages capital to ensure an appropriate balance between investing in employees, clients and profit.

#### 2.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at the balance sheet date. There were no items classified as Level 1 or Level 3 at the balance sheet dates.

	2018 Level 2 £m	2017 Level 2 £m
<b>Assets</b>		
<b>Financial assets at fair value through profit or loss</b>		
Trading derivatives:		
- Foreign exchange contracts	0.0	0.0
<b>Total assets</b>	<b>0.0</b>	<b>0.0</b>

	2018 Level 2 £m	2017 Level 2 £m
<b>Liabilities</b>		
<b>Financial liabilities at fair value through profit or loss</b>		
Trading derivatives:		
- Foreign exchange contracts	0.2	0.7
<b>Total liabilities</b>	<b>0.2</b>	<b>0.7</b>

#### Level 1 financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date and yield curves derived from quoted interest rates matching the maturities of the foreign exchange contracts.

#### Level 3 financial instruments

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to the present value; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 2 Financial risk management (continued)

#### 2.4 Offsetting financial assets and financial liabilities

##### Financial assets

	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m
As at 31 March 2018			
Cash and cash equivalents	192.2	(73.8)	118.4
Credit balance	(73.8)	73.8	-
	118.4	-	118.4

	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m
As at 31 March 2017			
Cash and cash equivalents	204.7	(97.2)	107.5
Trade receivables	(97.2)	97.2	-
	107.5	-	107.5

The Group has a cash pooling arrangement with its principal bank. The arrangement allows for cash to be pooled together across certain entities within the Group. A consequence of this arrangement is that any cash balance within the pooling group that is showing as overdrawn is offset against those with positive cash balances. At the balance sheet date, this results in a net positive cash balance being presented in the Group financial statements.

### 3 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### Contract accounting

The Group's revenue accounting policy is central to how the Group values the work it has carried out in each financial year. This policy requires forecasts to be made on the current percentage complete and the projected outcomes of projects. These forecasts require assessments and judgements to be made on changes in, for example, percentage completion, work scope and costs to completion. While the assumptions made are based on professional judgements, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reported result.

#### Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group provides for potential liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures.

#### Defined benefit pension schemes

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

An estimate of the sensitivity to changes in key assumptions is disclosed in note 30.

#### Professional indemnity insurance

From time to time the Group receives claims from clients with regards to work performed on projects. The Group has professional indemnity insurance in place for such situations. Significant judgement is required to determine whether a provision should be put in place for these claims. Accounting estimates are made to value these claims utilising both internal and external sources as well as the result of past experience. Assumptions are used in making these estimates and as such, subsequent events may mean that they prove to be inaccurate, with an adjustment made in a future year.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 4 Revenue

The Group mainly operates in the business of design and consultancy engineering.

Revenue represents the value of work performed on contracts in the year. For contracts on which revenue exceeds fees rendered, the excess is included as amounts recoverable on contracts within trade and other receivables. For contracts on which fees rendered exceed revenue, the excess is included as deferred income within trade and other payables. The value of long term contracts is based on recoverable costs plus attributable profit. Cost is defined as staff costs and related overheads plus project expenses.

As projects reach stages where it is considered that their outcome can be reasonably foreseen, proportions of the expected total profit are brought into the financial statements. Provision is made for all known and anticipated losses.

### 5 Employee benefit expense

Group	2018 £m	2017 £m
Wages and salaries	659.5	614.6
Staff profit-sharing	77.3	102.8
Social security costs	64.3	60.6
Pension contributions	52.3	46.0
Redundancy costs	1.9	4.6
Other staff costs	49.2	44.1
	<b>904.5</b>	<b>872.7</b>

Average monthly number of people employed	2018 Number	2017 Number
Engineering and technical staff	11,101	10,566
Administrative staff	2,097	1,990
Government site staff	643	790
	<b>13,841</b>	<b>13,346</b>

The Company has no employees (2017: nil).

#### Staff profit-sharing

The Group recognises a liability and an expense for staff profit-sharing, based on a formula that takes into consideration the employees' salary, length of service and grade.

#### Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using various methods (see note 30 for the methods used).

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

6 Directors' remuneration	2018	2017
Group	£m	£m
Aggregate remuneration:		
Aggregate emoluments	7.3	7.6
Aggregate contributions paid to defined contribution schemes	0.2	0.2
<hr/>		
Number of directors accruing pension benefits under:		
	2018	2017
	Number	Number
Defined benefit schemes	4	6
<hr/>		
Highest paid director:		
	2018	2017
	£m	£m
Emoluments	0.7	0.7
Assignment related benefits	0.2	0.2
Assignment related tax and social security costs	0.2	0.1
Contributions paid to defined contribution scheme	0.1	0.1
	1.2	1.1

No directors are remunerated through the Company itself, the expense is borne by other Group companies.

7 Operating profit	2018	2017
Group	£m	£m
This is stated after charging / (crediting):		
During the year, the Group obtained the following services from the Company's auditors:		
Audit of Company and consolidated financial statements	0.2	0.2
Fees payable for other services:		
- Audit of the Company's subsidiaries, pursuant to legislation	0.6	0.6
- Other audit related assurance services	0.1	-
- Tax compliance services	0.1	0.2
- Tax advisory services	0.1	0.1
- Other advisory services	0.2	0.3
(Profit) / loss on disposal of property, plant and equipment	(43.0)	1.4
Profit on disposal of intangible assets	(0.0)	-
Profit on exchange from trading activities	(3.2)	(17.6)
Research and development costs	23.1	23.3
Operating leases - land and buildings	43.7	42.5
Operating leases - plant and machinery	1.3	1.2
Impairment of trade receivables	(1.4)	2.7
Amortisation of intangible assets	2.0	1.7
Depreciation of property, plant and equipment	26.5	21.3

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 8 Net finance costs

Group	2018 £m	2017 £m
Interest expense on borrowings	1.5	0.9
Fair value losses on financial instruments	-	0.6
Net finance costs on net post-employment benefit liabilities	3.8	5.3
Other finance costs	0.7	0.1
<b>Total finance costs</b>	<b>6.0</b>	<b>6.9</b>
Interest receivable on short term bank deposits	(1.4)	(1.1)
Fair value gains on financial instruments	(0.5)	-
Other interest receivables	(0.1)	(0.1)
<b>Total finance income</b>	<b>(2.0)</b>	<b>(1.2)</b>
<b>Net finance costs</b>	<b>4.0</b>	<b>5.7</b>

### 9 Income tax charge

#### Group

Current and deferred income tax is recognised in the income statement for the year except where the taxation arises as a result of a transaction or event that is recognised in other comprehensive income or directly in equity. Income tax arising on transactions or events recognised in other comprehensive income or directly in equity is charged or credited to other comprehensive income or directly to equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

	2018 £m	2017 £m
<b>(a) Analysis of total tax charge</b>		
Current income tax		
- current income tax on profits for the year	14.9	12.3
- adjustment in respect of prior years	4.2	0.7
<b>Total current income tax</b>	<b>19.1</b>	<b>13.0</b>
Deferred income tax (note 23)		
- origination and reversal of temporary differences	5.9	5.2
- effect of changes in tax rates	0.6	(1.0)
- (over) / under provision of deferred income tax in respect of prior years	(2.6)	1.6
<b>Total deferred income tax</b>	<b>3.9</b>	<b>5.8</b>
<b>Total tax charge</b>	<b>23.0</b>	<b>18.8</b>

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 9 Income tax charge (continued)

Group (continued)

(b) Factors affecting the total tax charge for the year

The tax assessed for the year is higher (2017: higher) than the amount computed at the standard rate of corporation tax in the UK 19% (2017: 20%). The differences are explained below:

	2018 £m	2017 £m
Profit before income tax	109.2	66.5
Profit multiplied by the standard rate of corporation tax in the UK	20.7	13.3
Effects of:		
Rollover relief	5.2	-
Income not subject to tax	(35.2)	(16.3)
Expenses not deductible for tax purposes	26.3	15.1
Research and development tax credits	(4.3)	(1.4)
Impact of non-UK tax	6.0	4.2
Tax decrease arising from non-UK tax suffered	(0.3)	(0.3)
Utilisation of tax losses for which no deferred income tax asset was recognised	(0.3)	0.0
Remeasurement of deferred income tax - change in tax rates	0.6	(1.0)
Adjustment in respect of prior years	1.6	2.3
Unrelieved losses carried forward on which no deferred income tax is recognised	2.0	3.0
Other	0.7	(0.1)
<b>Total tax charge</b>	<b>23.0</b>	<b>18.8</b>

(c) Factors affecting current and future tax charges

The rate of UK corporation tax reduced from 20% to 19% on 1 April 2017 and this is therefore the rate which has been reflected in the financial statements.

A planned further reduction to 17%, effective 1 April 2020 was substantively enacted in 2016. As deferred income tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal, deferred income tax balances at 31 March 2018 have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

For the year ending 31 March 2018 local tax rates have been used to calculate deferred income tax assets and liabilities.

### 10 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost comprises the purchase price after discounts plus all directly attributable costs of bringing the asset to working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 10 Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Freehold property	50 years
Leasehold property	Duration of the lease
Furniture, fittings & IT hardware	3 - 10 years
Motor vehicles	3 - 10 years

Investment properties are accounted for using the cost model. The accounting treatment is in line with that of freehold and leasehold property shown above.

Group	Freehold land & property £m	Leasehold property £m	Furniture, fittings & IT hardware £m	Motor vehicles £m	Total £m
<b>Cost</b>					
Balance at 1 April 2016	83.5	58.6	104.1	1.3	247.5
Additions	-	5.6	20.0	0.5	26.1
Disposals	(0.9)	(1.7)	(8.0)	(0.2)	(10.8)
Transferred to assets classified as held for sale	(65.8)	-	-	-	(65.8)
Adjustment for exchange differences	1.4	3.4	9.6	0.1	14.5
Balance at 31 March 2017	18.2	65.9	125.7	1.7	211.5
Additions	206.9	28.6	6.4	0.2	242.1
Disposals	-	(1.9)	(10.8)	(0.4)	(13.1)
Transferred to assets classified as held for sale	-	-	-	-	-
Adjustment for exchange differences	0.2	(4.3)	(6.8)	(0.1)	(11.0)
<b>Balance at 31 March 2018</b>	<b>225.3</b>	<b>88.3</b>	<b>114.5</b>	<b>1.4</b>	<b>429.5</b>
<b>Accumulated depreciation</b>					
Balance at 1 April 2016	10.6	31.1	75.3	0.9	117.9
Charge for the year	1.5	5.3	14.4	0.1	21.3
Disposals	-	(1.7)	(7.4)	(0.2)	(9.3)
Transferred to assets classified as held for sale	(8.2)	-	-	-	(8.2)
Adjustment for exchange differences	0.1	2.0	7.3	0.0	9.4
Balance at 31 March 2017	4.0	36.7	89.6	0.8	131.1
Charge for the year	3.4	16.5	6.5	0.1	26.5
Disposals	-	(1.4)	(8.6)	(0.4)	(10.4)
Transferred to assets classified as held for sale	-	-	-	-	-
Adjustment for exchange differences	0.1	(2.3)	(5.2)	(0.1)	(7.5)
<b>Balance at 31 March 2018</b>	<b>7.5</b>	<b>49.5</b>	<b>82.3</b>	<b>0.4</b>	<b>139.7</b>
<b>Net book value at 31 March 2018</b>	<b>217.8</b>	<b>38.8</b>	<b>32.2</b>	<b>1.0</b>	<b>289.8</b>
Net book value at 31 March 2017	14.2	29.2	36.1	0.9	80.4

Included within freehold land & property are investment properties that have a net book value at 31 March 2018 of £2.8m (2017: £2.8m).



## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 10 Property, plant and equipment (continued)

Company

	Leasehold property £m
<b>Cost</b>	
Balance at 31 March 2017 and 2018	3.6
<b>Accumulated depreciation</b>	
Balance at 1 April 2017	1.5
Charge for the year	0.0
<b>Balance at 31 March 2018</b>	<b>1.5</b>
<b>Net book value at 31 March 2018</b>	<b>2.1</b>
Net book value at 31 March 2017	2.1

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 11 Intangible assets

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight-line method to allocate the cost of the software over its useful economic life of between 2 and 5 years. Computer software is stated at cost less accumulated amortisation.

Group	Computer software £m
<b>Cost</b>	
Balance at 1 April 2016	14.4
Additions	2.4
Disposals	(1.0)
Adjustment for exchange differences	1.2
Balance at 31 March 2017	17.0
Additions	1.5
Disposals	(0.3)
Adjustment for exchange differences	(1.0)
<b>Balance at 31 March 2018</b>	<b>17.2</b>
<b>Accumulated amortisation</b>	
Balance at 1 April 2016	11.0
Charge for the year	1.7
Disposals	(1.0)
Adjustment for exchange differences	0.9
Balance at 31 March 2017	12.6
Charge for the year	2.0
Disposals	(0.3)
Adjustment for exchange differences	(0.7)
<b>Balance at 31 March 2018</b>	<b>13.6</b>
<b>Net book value at 31 March 2018</b>	<b>3.6</b>
Net book value at 31 March 2017	4.4

The Company has no intangible assets (2017: nil).

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 12 Investments in subsidiaries

The Company owns ordinary and preference shares in the companies noted below. These companies were all wholly owned subsidiary undertakings of the Company at 31 March 2018 (unless otherwise stated), and their results are consolidated into the Group financial statements. A listing of registered addresses can be found in note 31.

Direct holdings:	Country of incorporation	Indirect holdings (continued):	Country of incorporation
Arup Americas Inc.	USA	Arup Projects 'A' Ltd	England & Wales
Arup International Consultants (Shanghai) Co., Limited	China	Arup Projects 'A' Limited	Hong Kong
Arup Partner Pty Limited	Australia	Arup Projects A Pty Ltd	Australia
Arup (Pty) Limited (70% holding)	South Africa	Arup Pty Limited	Australia
Arup Ventures Limited	England & Wales	Arup Riyadh Metro Limited	England & Wales
Broomco (141) GmbH*	Germany	Arup Services B.V.	Netherlands
Broomco (92854) Limited	Ireland	Arup Services New York Limited	England & Wales
(previously Arup Ireland Limited)		Arup - S.I.G.M.A. Ltd	Mauritius
Ove Arup Limited	England & Wales	Arup Singapore Private Limited	Singapore
Ove Arup Holdings B.V.	Netherlands	Arup Texas Inc.	USA
Ove Arup Holdings Limited	England & Wales	Arup Treasury Limited	England & Wales
Ove Arup Holdings Private Limited	Singapore	Arup USA Inc.	USA
Ove Arup International (Holdings) Limited	Hong Kong	Arup Vietnam Limited	Vietnam
<b>Indirect holdings:</b>		Babylon Investment Company Unlimited Company	Ireland
AAC, Inc.	Canada	Broomco (2108793) Limited*	England & Wales
Arup Advisory Inc.	USA	eFleet Integrated Service Limited	England & Wales
Arup Associates Limited	England & Wales	Fitzroy Insurance Services Limited	Guernsey
Arup Brasil Consultoria Ltda	Brazil	Fitzroy Property Limited	England & Wales
Arup B.V.	Netherlands	Fitzroy Property Guernsey Limited	Guernsey
Arup (Cambodia) Limited	Cambodia	Fitzroy Street Limited	England & Wales
Arup Canada Inc.	Canada	MailManager Limited (80% holding)	England & Wales
Arup China Limited	Hong Kong	Networked Electricity Storage Technology Limited (60% holding)	England & Wales
Arup Colombia S.A.S.	Colombia	OASYS Limited	England & Wales
Arup Consultores Internacionales Mexico, S. de R.L. de C.V.	Mexico	Ovarpart Nominee Limited	England & Wales
Arup Corporate Finance Limited	England & Wales	Ove Arup & Partners Danmark A/S	Denmark
Arup Deutschland GmbH	Germany	Ove Arup & Partners Hong Kong Limited	England & Wales
Arup d.o.o.	Serbia	Ove Arup & Partners International Limited	England & Wales
Arup East Africa Limited	Kenya	Ove Arup & Partners Ireland Limited	Ireland
Arup Gulf Limited	England & Wales	Ove Arup & Partners Japan Limited	England & Wales
Arup India Private Limited	India	Ove Arup & Partners Korea Limited	South Korea
Arup Ingeniería y Consultoría Mexico, S. de R.L. de C.V.	Mexico	Ove Arup & Partners Limited	England & Wales
Arup International Limited	England & Wales	Ove Arup & Partners P.C.	USA
Arup Ireland Partner Limited	Ireland	Ove Arup & Partners S.A.U.	Spain
Arup Ireland Properties Limited	Ireland	Ove Arup & Partners Scotland Limited	Scotland
Arup Italia S.r.l.	Italy	Ove Arup (Thailand) Limited	Thailand
Arup Latin America S.A.U.	Spain	PT Arup Indonesia	Indonesia
Arup Limited	England & Wales	Redcliffe Wharf Limited	England & Wales
Arup (Luxembourg) S.a.r.l.	Luxembourg	Scotstoun Property Limited	England & Wales
Arup Muhendislik ve Musavirlik Limited Sirketi	Turkey	Shelbourne Plaza (Block C) Management Company Limited (78% holding)	Ireland
Arup New Zealand Limited	New Zealand	Williamsburg Investment Company Unlimited Company	Ireland
Arup North America Limited	England & Wales		
Arup Pacific Pty Limited*	Australia		
Arup Polska sp. z o.o.(previously Ove Arup & Partners Poland Sp. z o. o.)	Poland		

\*Companies in the process of being liquidated

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 12 Investments in subsidiaries (continued)

The operating companies were all engaged in the same principal activities as the Group, except for:

Company	Principal activity
Arup Americas Inc.	Intermediate holding company
Ove Arup Holdings Limited	Intermediate holding company
Ove Arup Holdings B.V.	Intermediate holding company
Ove Arup Holdings Private Limited	Intermediate holding company
Ove Arup International (Holdings) Limited	Intermediate holding company
Ove Arup Limited	Intermediate holding company
Arup Associates	Agent
OASYS Limited	Agent
Ove Arup & Partners Scotland Limited	Agent
Arup Ireland Properties Limited	Property holdings
Arup (Luxembourg) S.a.r.l.	Property holdings
Fitzroy Property Guernsey Limited	Property holdings
Fitzroy Property Limited	Property holdings
Fitzroy Street Limited	Property holdings
Redcliffe Wharf Limited	Property holdings
Scotstoun Property Limited	Property holdings
Fitzroy Insurance Services Limited	Insurance services
eFleet Integrated Service Limited	Lessor of electric buses
MailManager Limited	Provider of computer software
Arup Treasury Limited	Group treasury
Networked Electricity Storage Technology Limited	Electricity storage technology

	Cost £m	Investment impairment £m	Net value £m
Movement of investment			
Balance as at 1 April 2017	264.7	(81.7)	183.0
Additions / recapitalisations	12.6	-	12.6
Investment impairments	-	(61.8)	(61.8)
<b>Balance as at 31 March 2018</b>	<b>277.3</b>	<b>(143.5)</b>	<b>133.8</b>

The directors believe that the carrying values of the investments are supported by their underlying net assets.

### 13 Available-for-sale financial assets

Movement of unlisted investments at cost	2018		2017	
	Group £m	Company £m	Group £m	Company £m
<b>Balance as at 31 March</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

The directors believe that the carrying values of the Group's unlisted investments, valued at £4k (2017: £4k), and the Company's unlisted investments, valued at £5k (2017: £5k) are supported by their underlying net assets.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 14 Financial instruments

Financial instruments by category		2018		
Group		Loans and receivables	Available- for-sale	Total
Assets as per balance sheet		£m	£m	£m
Available-for-sale financial assets		-	0.0	0.0
Derivative financial instruments		-	-	0.0
Trade and other receivables excluding prepayments and corporation tax		416.2	-	416.2
Cash and cash equivalents		118.4	-	118.4
		<u>534.6</u>	<u>0.0</u>	<u>534.6</u>

		2018		
Group			Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			£m	£m
Borrowings (excluding finance lease liabilities)			(90.0)	(90.0)
Derivative financial instruments			-	(0.2)
Trade and other payables excluding non-financial liabilities			(202.1)	(202.1)
			<u>(292.1)</u>	<u>(292.3)</u>

		2017		
Group		Loans and receivables	Available- for-sale	Total
Assets as per balance sheet		£m	£m	£m
Available for sale financial assets		-	0.0	0.0
Derivative financial instruments		-	-	0.0
Trade and other receivables excluding prepayments and corporation tax		400.2	-	400.2
Cash and cash equivalents		107.5	-	107.5
		<u>507.7</u>	<u>0.0</u>	<u>507.7</u>

		2017		
Group			Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			£m	£m
Borrowings (excluding finance lease liabilities)			-	-
Derivative financial instruments			-	(0.7)
Trade and other payables excluding non-financial liabilities			(208.5)	(208.5)
			<u>(208.5)</u>	<u>(209.2)</u>

The directors consider that the carrying values of the financial instruments approximates to their fair value.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 15 Derivative financial instruments

#### Group

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Group does not apply hedge accounting and therefore fair value gains or losses are credited / charged to the income statement.

	2018		2017	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Forward foreign exchange contracts - held for trading	0.0	0.2	0.0	0.7
Less non-current portion:				
Forward foreign exchange contracts - held for trading	-	-	-	(0.1)
<b>Current portion</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.6</b>

The notional principal amounts of the outstanding foreign exchange contracts at 31 March 2018 and 2017 are as follows:

	2018		2017	
	Sell £m	Buy £m	Sell £m	Buy £m
Forward contracts to purchase GBP, sell AUD	6.5	(6.6)	1.9	(1.9)
Forward contracts to purchase USD, sell HKD	4.5	(4.5)	-	-
Forward contracts to purchase GBP, sell SGD	1.9	(1.9)	-	-
Forward contracts to purchase GBP, sell NZD	0.8	(0.8)	0.3	(0.3)
Forward contracts to purchase USD, sell MXN	0.7	(0.8)	8.1	(6.3)
Forward contracts to purchase GBP, sell OMR	0.2	(0.2)	-	-
Forward contracts to purchase USD, sell CAD	-	-	5.6	(4.9)
Forward contracts to purchase GBP, sell PLN	-	-	3.8	(3.8)
Forward contracts to purchase GBP, sell CAD	-	-	0.3	(0.3)
Forward contracts to purchase SGD, sell MYR	-	-	0.1	(0.5)

Derivatives are classified as assets or liabilities. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the item is more than 12 months or as a current asset or liability if the maturity of the items is less than 12 months.

The Group used derivative instruments to hedge foreign currency receipts and payments on current contracts, as described in note 2.

All of the Group's financial instruments are classified as Level 2 under amendments to IFRS 7, 'Financial instruments: disclosures'. A definition of Level 2 financial instruments is included in note 2. The fair value of derivative financial instruments is calculated based on quoted forward currency rates at the balance sheet date.

The Group has reviewed all contracts for embedded derivatives and does not have any such instruments that are closely related to the host contract.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 16 Trade and other receivables

	2018		2017	
	Group £m	Company £m	Group £m	Company £m
Trade receivables	267.7	-	260.4	-
Less: Provision for impairment of trade receivables	(21.0)	-	(24.0)	-
<b>Trade receivables - net</b>	<b>246.7</b>	<b>-</b>	<b>236.4</b>	<b>-</b>
Amounts recoverable on contracts	143.3	-	140.6	-
Amounts due from Group undertakings	-	195.7	-	8.3
Non-UK corporation tax recoverable	8.9	-	12.4	-
UK Corporation tax recoverable	3.8	-	5.6	-
Other receivables	26.2	0.7	23.2	0.8
Prepayments and accrued income	30.7	-	38.7	-
	<b>459.6</b>	<b>196.4</b>	<b>456.9</b>	<b>9.1</b>

The directors consider that the carrying value of trade and other receivables approximates to their fair value.

#### Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised at fair value. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

#### Amounts due from Group undertakings

Amounts due from Group undertakings are unsecured, have no date of repayment and are repayable on demand.

#### Pre-contract costs

The Group accounts for all pre-contract costs in accordance with IAS 11 'Construction contracts'. Costs incurred before it becomes probable that a contract will be obtained are charged to expenses. Directly attributable costs incurred after that point are recognised in the balance sheet and charged to the income statement over the duration of the contract.

#### Group

At 31 March 2018 £125.5m (2017: £130.8m) of trade receivables were within normal payment terms and considered to be fully performing with £142.2m (2017: £129.6m) past due. The ageing analysis of trade receivables and the provision for impairment is as follows:

	Gross trade receivables		Provision for impairment of trade receivables	
	2018 £m	2017 £m	2018 £m	2017 £m
Not past due	125.5	130.8	(0.0)	(0.8)
Past due - 3 months	106.9	86.4	(2.8)	(1.0)
3 - 6 months	14.5	20.4	(1.6)	(3.9)
Over 6 months	20.8	22.8	(16.6)	(18.3)
	<b>267.7</b>	<b>260.4</b>	<b>(21.0)</b>	<b>(24.0)</b>

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 16 Trade and other receivables (continued)

#### Group (continued)

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2018 £m	2017 £m
British pound sterling	119.3	130.7
US dollar	92.4	76.5
Euro	55.3	49.8
Hong Kong dollar	41.8	50.7
Australian dollar	40.3	44.1
Chinese renminbi	22.4	23.7
Singaporean dollar	16.3	13.1
Canadian dollar	16.0	12.0
Mexican peso	7.4	6.4
Turkish new lira	6.1	2.7
Indian rupee	5.9	5.8
Other	36.4	41.4
	459.6	456.9

Movements on the provision for impairment of trade receivables are as follows:

	2018 £m	2017 £m
At 1 April	24.0	19.2
Increase in provisions	9.5	15.1
Release of provisions	(9.0)	(11.8)
Receivables written off as uncollectible	(1.9)	(0.6)
Adjustment for exchange differences	(1.6)	2.1
At 31 March	21.0	24.0

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.



## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	2018		2017	
	Group £m	Company £m	Group £m	Company £m
Cash at bank and in hand	64.2	1.1	34.2	0.4
Short-term bank deposits	54.2	-	73.3	-
	118.4	1.1	107.5	0.4

### 18 Non-current assets held for sale and discontinued operations

#### Group

The Group owned a property known as 13-17 Fitzroy Street and 36 Howland Street, London, W1T 4BY, UK. At 31 March 2017 this was presented as held for sale following approval of the directors on 23 February 2017 to enter into a put and call option agreement with Workspace 14 Limited. The call option conferred the right on Workspace 14 Limited to require the Company to sell the property. The call option was exercised on 28 March 2017. The sale of the property was completed on 6 April 2017.

Separately the Group owned two properties in Ireland, 8 Wellington Road and 10 Wellington Road. On 25 August 2017 these properties were sold to private individuals.

The Group's proceeds from the sale of these assets was £103.4m, generating a profit on sale of properties of £45.8m.

Assets classified as held for sale	2018 £m	2017 £m
Property, plant and equipment	-	57.6
	-	57.6

In accordance with IFRS 5, the values of assets held for sale were measured at the lower of carrying amount and fair value less costs to sell.

### 19 Borrowings

Group and Company	2018 £m	2017 £m
<b>Non-current</b>		
Bank loan	90.0	-
	90.0	-

#### Bank borrowings

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The Group has the following undrawn borrowing facilities:

	2018 £m	2017 £m
<b>Floating rate:</b>		
Expiring beyond one year	-	50.0
	-	50.0

The Group had adequate funding facilities in place at 31 March 2018 to finance the business going forward. The available funding is in the form of a committed secured 5 year revolving credit facility entered into on 10 March 2017. It bears a market floating rate of interest based on LIBOR.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 20 Trade and other payables

	2018		2017	
	Group £m	Company £m	Group £m	Company £m
Trade payables	24.3	-	18.8	-
Deferred income	230.1	-	220.4	-
Amounts owed to Group undertakings	-	177.9	-	187.6
Accrued expenses	148.3	0.2	159.6	0.2
Other payables	29.5	-	30.1	-
Taxation and social security costs	13.9	-	10.9	-
Lease incentives	0.9	-	0.9	-
	<b>447.0</b>	<b>178.1</b>	<b>440.7</b>	<b>187.8</b>

The directors consider that the carrying value of trade and other payables approximates to their fair value.

#### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

#### Amounts owed to Group undertakings

Amounts owed to Group undertakings are unsecured, have no date of repayment and are repayable on demand.

#### Group

The carrying amounts of trade and other payables are denominated in the following currencies:

	2018 £m	2017 £m
British pound sterling	181.9	167.2
US dollar	73.3	65.0
Australian dollar	47.0	45.3
Hong Kong dollar	41.0	54.0
Euro	35.5	37.8
Chinese renminbi	16.2	13.7
Singaporean dollar	8.0	8.1
Canadian dollar	7.9	9.8
Emirati dirham	4.7	4.8
South African rand	4.2	5.4
Indian rupee	4.1	3.6
Turkish new lira	3.6	4.2
Japanese yen	3.2	2.6
Other	16.4	19.2
	<b>447.0</b>	<b>440.7</b>

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 21 Provisions for other liabilities and charges

Group	2018 Property provision £m	2017 Property provision £m
<b>Current</b>	1.6	0.5
Later than one year and no later than two years	0.3	1.6
Later than two years and no later than five years	2.2	0.7
Later than five years	5.4	4.7
<b>Non-current</b>	7.9	7.0
<b>Reconciliation of movement:</b>		
Balance as at 1 April	7.5	6.3
Provisions charged to the income statement	3.2	1.1
Provisions released to the income statement	(0.5)	(0.7)
Adjustment for exchange differences	(0.7)	0.8
<b>Balance as at 31 March</b>	<b>9.5</b>	<b>7.5</b>

The Company has no provisions for other liabilities and charges (2017: nil).

#### Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Group is required to perform dilapidation repairs on leased properties prior to the properties being vacated at the end of their lease term. Provision for such costs is made where a legal obligation is identified and the liability can be reasonably quantified.

### 22 Other non-current liabilities

Group	2018 Lease incentives £m	2017 Lease incentives £m
Later than one year and no later than two years	0.9	0.8
Later than two years and no later than five years	2.9	2.4
Later than five years	2.5	3.8
	6.3	7.0

The Company has no provisions for other non-current liabilities (2017: nil).

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 23 Deferred income tax

#### Group

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxed assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The offset amounts are as follows:

	2018	2017
	£m	£m
Deferred income tax assets		
- deferred income tax assets to be recovered after more than 12 months	42.4	53.0
- deferred income tax assets to be recovered within 12 months	2.9	2.2
	<u>45.3</u>	<u>55.2</u>
Deferred income tax liabilities		
- deferred income tax liabilities to be recovered after more than 12 months	(9.8)	(8.2)
- deferred income tax liabilities to be recovered within 12 months	(0.2)	(0.1)
	<u>(10.0)</u>	<u>(8.3)</u>
<b>Deferred income tax assets (net)</b>	<b>35.3</b>	<b>46.9</b>

The gross movement on the deferred income tax account is as follows:

	2018	2017
	£m	£m
At 1 April	46.9	51.3
Over / (under) provision of deferred income tax in respect of prior years	2.6	(1.6)
Deferred income tax charged to the income statement	(6.5)	(4.2)
Deferred income tax charge relating to components of other comprehensive income	(5.8)	(1.0)
Adjustment for exchange differences	(1.9)	2.4
At 31 March	<u>35.3</u>	<u>46.9</u>

Deferred income tax liabilities	Rollover relief	Accelerated tax depreciation	Other	Total
	£m	£m	£m	£m
At 1 April 2016	-	2.3	5.3	7.6
Charged / (credited) to the income statement	-	0.1	(0.6)	(0.5)
Charged to other comprehensive income	-	-	0.4	0.4
Adjustment for exchange differences	-	0.3	0.5	0.8
At 31 March 2017	-	2.7	5.6	8.3
Charged / (credited) to the income statement	5.2	(0.7)	(1.1)	3.4
(Credited) to other comprehensive income	-	-	(0.3)	(0.3)
Adjustment for exchange differences	-	(0.9)	(0.5)	(1.4)
<b>At 31 March 2018</b>	<b>5.2</b>	<b>1.1</b>	<b>3.7</b>	<b>10.0</b>

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 23 Deferred income tax (continued)

Group (continued)

Deferred income tax assets	Unutilised tax depreciation £m	Retirement benefit obligations £m	Provisions £m	Tax losses £m	Other £m	Total £m
At 1 April 2016	6.0	30.5	11.3	4.8	6.3	58.9
(Charged) / credited to the income statement	(1.3)	(1.9)	1.5	(4.0)	(0.6)	(6.3)
(Charged) to other comprehensive income	-	(0.6)	-	-	-	(0.6)
Adjustment for exchange differences	(0.1)	0.7	1.6	0.4	0.6	3.2
At 31 March 2017	4.6	28.7	14.4	1.2	6.3	55.2
Credited / (charged) to the income statement	0.2	(2.1)	(1.2)	0.8	1.8	(0.5)
(Charged) to other comprehensive income	-	(6.1)	-	-	-	(6.1)
Adjustment for exchange differences	(0.6)	(0.5)	(1.2)	(0.1)	(0.9)	(3.3)
At 31 March 2018	4.2	20.0	12.0	1.9	7.2	45.3

The Company has not recognised any deferred income tax assets or liabilities (2017: nil).

### 24 Share capital

Group and Company	2018 £m	2017 £m
Issued, called up and fully paid:		
65 (2017: 65) voting shares of £1 each	0.0	0.0
120,000 (2017: 120,000) equity shares of £1 each	0.1	0.1
	0.1	0.1

### 25 Cash generated from operations

Group	2018 £m	2017 £m
Profit before income tax	109.2	66.5
Adjustments for:		
- Depreciation of property, plant and equipment	26.5	21.3
- Amortisation of intangible assets	2.0	1.7
- (Profit) / loss on disposal of property, plant and equipment	(43.0)	1.4
- Profit on disposal of intangible assets	(0.0)	-
- Finance costs (net)	4.0	5.7
- Foreign exchange	(4.3)	(16.2)
Changes in working capital		
- Trade and other receivables	(31.4)	(38.1)
- Trade and other payables	27.4	(19.1)
- Provisions	2.0	-
- Pension deficit funding	(17.3)	(18.6)
	75.1	4.6

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 26 Contingent liabilities

The Group has recorded a liability in its balance sheet for the best estimate of certain claims that have been brought against it. A Professional Indemnity Insurance policy has been taken out to substantially cover any such claims that may arise from time to time. At this time, it is not possible to reliably measure the potential liability from any other issue that may have occurred but where a claim has yet to be raised. The Group monitors all claims and takes appropriate insurance to mitigate its risk.

The Company has a bank bond facility for the issuance of performance and contractual related bonds for subsidiary undertakings. The facility is supported by a corporate guarantee.

### 27 Commitments

#### Operating lease commitments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

At the end of the financial year, the future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

Group	2018		2017	
	Property £m	Vehicles, plant and equipment £m	Property £m	Vehicles, plant and equipment £m
No later than one year	43.0	1.1	43.0	1.2
Later than one year and no later than five years	125.1	2.2	174.1	3.2
Later than five years	55.6	-	-	-

The Company had no operating lease commitments as at 31 March 2018 (2017: nil).

### 28 Related parties

Neither the Group nor the Company had transactions with related parties (2017: nil).

#### Key management compensation

Key management includes the Company directors, the Company Secretary and the officers to the board. The compensation paid or payable to key management for employee services is shown below:

	2018 £m	2017 £m
Aggregate emoluments	8.8	9.7
Aggregate contributions paid to defined contribution schemes	0.3	0.4
	9.1	10.1

### 29 Controlling party

The Company is owned by Ove Arup Partnership Employee Trust, Ove Arup Partnership Charitable Trust and The Arup Service Trust. The controlling party is Ove Arup Partnership Charitable Trust.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 30 Post-employment benefit liabilities

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements.

	2018 £m	2017 £m
<b>Balance sheet obligations for:</b>		
- Defined pension benefits	(110.9)	(160.2)
<b>Liability in the balance sheet</b>	<b>(110.9)</b>	<b>(160.2)</b>
<b>Income statement charge for:</b>		
- Defined pension benefits	(4.8)	(6.4)
<b>Remeasurement gains for:</b>		
- Defined pension benefits	33.3	1.0

The income statement charge includes administration expenses and interest costs.

#### 30.1 Defined benefit pension plans

The Group operates a number of defined benefit retirement schemes that are managed by Trustees. These are registered in the UK, Hong Kong and Ireland (the "Schemes"). The valuation position of the Schemes was assessed at 31 March 2018 by qualified independent actuaries for the purposes of IAS 19r, 'Employee Benefits'.

The Group also has unfunded schemes in Japan, Philippines, Mauritius and India. As the unfunded schemes are not material to the Group apart from the summaries below no additional disclosures are included within these consolidated financial statements.

##### Defined benefit retirement schemes

###### UK registered scheme

Ove Arup & Partners International Limited ("OAPIL") operated a UK registered contributory pension scheme, which had a defined benefit and a defined contribution section, for employees. The scheme was closed to new members on 31 March 2010, and the future accrual of benefits for existing members ceased with effect from 30 June 2010. OAPIL replaced this scheme with a personal pension plan for employees with effect from 1 July 2010. All contributions for the new plan are held and managed by Scottish Equitable plc (a subsidiary of Aegon). OAPIL has no ongoing liability to the funds held by Aegon in respect of the employees.

For the pension scheme, which closed on 30 June 2010, contributions were made in accordance with the rules of the scheme and the advice of independent qualified actuaries on the basis of triennial valuations. The most recent valuation was at 31 March 2016 using the projected unit method. The actuarial valuation at 31 March 2016 showed a funding level of 74% on an ongoing basis based on a market value of assets of £675m at that date. The most significant assumptions made by the actuary in carrying out this valuation were the assumptions of 2.9% and 0.6% above the gilt curve for the pre retirement and post retirement discount rates. A special employer's contribution of £16.6m was made during the year to 31 March 2018 (2017: £17.3m). OAPIL is expected to make a contribution of £18.6m by 31 March 2019. The next actuarial valuation is being carried out no later than 31 March 2019.

The valuation position of this scheme was reassessed at 31 March 2018 by a qualified independent actuary for the purposes of IAS 19r.

During the financial year, OAPIL management has taken actuarial advice and decided to change the model used for deriving the discount rate assumption for valuing the scheme's liabilities under IAS 19r.

The standard requires the discount rate to be determined by reference to market yields of high quality corporate bonds of suitable currency and term to the scheme cash flows. The standard does not specify the approach that should be taken to extrapolate current market rates along the yield curve when there are no suitable corporate bonds of sufficient duration. OAPIL management decided to amend the model used to determine the discount rate by excluding university corporate bond rates. OAPIL management consider that amending the extrapolation method more appropriately reflects the yield on long-dated corporate bonds. As a result of this change, the net pension balance sheet position improved by c.£16.0m as at 31 March 2018.

The scheme holds no assets that are issued or owned by OAPIL.

OAPIL management assessed the expected return on scheme assets based on a review of past returns and professional advice on the level of future returns.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 30 Post-employment benefit liabilities (continued)

#### 30.1 Defined benefit pension plans (continued)

##### Defined benefit retirement schemes (continued)

###### Hong Kong registered scheme

Ove Arup & Partners Hong Kong Limited ("OAPHK") operates a Hong Kong registered retirement scheme that has a defined benefit section. The defined benefit section was closed to new entrants with effect from 1 January 2011 and was frozen for service accruals for existing members with effect from 1 January 2012. Actuarial funding valuations are performed by an independent qualified actuary. The law requires an actuarial funding valuation to be conducted annually if the scheme is insolvent and tri-annually if the scheme is solvent. The latest actuarial funding valuation of the scheme was performed as at 31 March 2018. The scheme's asset as at 31 March 2018 valued on an ongoing basis represented 95% of the actuarially calculated liabilities for benefits that had accrued to members. The scheme's asset had a market value of £33.3m as at that date. The key financial assumptions made by the actuary in carrying out this valuation include a discount rate of 5.5% p.a. (2017: 5.5% p.a.) and a salary inflation of 4.5% p.a. (2017: 4.0% for the first year and 4.5% p.a. thereafter). OAPHK made a contribution of £0.7m to the defined benefit section during the year (2017: £1.3m), and is expected to make a contribution of £0.5m by 31 March 2019. The next actuarial funding valuation is scheduled to be carried out no later than 31 March 2021.

###### Ireland registered scheme

Ove Arup & Partners Ireland Limited ("OAPI") operates an Ireland registered defined benefit pension scheme and a defined contribution scheme.

The assets of the defined benefit scheme are held in separate trustee administered funds. The OAPI pension cost, in respect of the defined benefit scheme, has been assessed in accordance with the advice of an independent qualified actuary using the attained age method of funding which provides for benefits over the working lifetime of the membership. Formal actuarial valuations are carried out every three years. The latest full valuation was at 1 April 2016. The results of that valuation confirmed that the scheme had a past service surplus of £1.2 million and a funding ratio of 103%. This report is not available for public inspection. The weighted average duration of the defined benefit obligation is 23.9 years. A special employer's contribution of £0.040m was made during the year to 31 March 2018 (2017: £0.036m). OAPI does not expect to make a contribution in the year ending 31 March 2019 inline with the recommendation from the 2016 triennial actuarial valuation.

##### Unfunded schemes

###### Japan unfunded scheme

Ove Arup & Partners Japan Limited provides a retirement allowance to employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent valuation was at 31 March 2018 using the projected unit method. The most significant assumptions made by the actuary in carrying out this valuation were that the discount rate would be 0.5% (2017: 0.6%) per annum and that salary inflation would be 4.0% (2017: 4.0%) per annum. There was a benefit payment for the year to 31 March 2018 of £21,950 (2017: £29,073). The pension liability recognised in the financial statements was £2.7m (2017: £2.5m).

###### Philippines unfunded scheme

Ove Arup & Partners Hong Kong Limited - Philippines branch operates a retirement benefit scheme in the Philippines which requires an actuarial valuation yearly. As at 31 March 2018 the scheme was valued at £0.05m (2017: £0.11m) which is held within post-employment benefit liabilities. The actuarial gain for the year on this scheme was £0.03m (2017: £0.05m) which has been recorded in the statement of comprehensive income.

###### Mauritius unfunded scheme

Arup - S.I.G.M.A. Ltd provides a retirement allowance to its employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 31 December 2013. The pension liability recognised in the financial statements was £0.2m (2017: £0.1m).

###### India unfunded scheme

Arup India Private Limited ("AIPL") provides a retirement allowance 'gratuity' to its employees. Gratuity is payable to all eligible employees of AIPL in terms of provisions of the payment of Gratuity Act. Valuations in respect of gratuity have been carried out by an independent actuary, as at the balance sheet date under the projected Unit Credit Method. The pension liability recognised in the financial statements was £0.1m (2017: £0.2m).



## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 30 Post-employment benefit liabilities (continued)

#### 30.1 Defined benefit pension plans (continued)

##### Further disclosures on the Schemes

The amounts recognised in the balance sheet are determined as follows:

	2018 £m	2017 £m
Present value of funded obligations	(984.6)	(1,032.3)
Fair value of plan assets	876.7	875.0
Deficit of funded plans	(107.9)	(157.3)

The movement in the defined benefit liability is as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1 April 2016	(923.8)	756.2	(167.6)
Administration expenses	-	(0.8)	(0.8)
Interest (expense) / income	(30.9)	25.6	(5.3)
	(954.7)	781.0	(173.7)
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	-	105.2	105.2
- Gains from change in demographic assumptions	82.6	-	82.6
- Losses from change in financial assumptions	(193.9)	-	(193.9)
- Experience gains	6.8	-	6.8
	(104.5)	105.2	0.7
Contributions: employers	-	18.6	18.6
Payments from plans: benefit payments	38.2	(38.2)	-
Adjustment for exchange differences	(11.3)	8.4	(2.9)
At 31 March 2017	(1,032.3)	875.0	(157.3)
Administration expenses	-	(0.9)	(0.9)
Interest (expense) / income	(25.3)	21.5	(3.8)
	(1,057.6)	895.6	(162.0)
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	-	13.7	13.7
- Gains from change in demographic assumptions	7.5	-	7.5
- Gains from change in financial assumptions	21.1	-	21.1
- Experience losses	(8.4)	-	(8.4)
	20.2	13.7	33.9
Contributions: employers	-	17.3	17.3
Payments from plans: benefit payments	46.9	(46.9)	-
Adjustment for exchange differences	5.9	(3.0)	2.9
At 31 March 2018	(984.6)	876.7	(107.9)

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 30 Post-employment benefit liabilities (continued)

#### 30.1 Defined benefit pension plans (continued)

##### Further disclosures on the Schemes (continued)

The defined benefit obligations and plan assets are composed by country as follows:

	2018			2017		
	UK £m	Hong Kong £m	Ireland £m	UK £m	Hong Kong £m	Ireland £m
Present value of obligations	(879.5)	(49.5)	(55.6)	(917.0)	(62.9)	(52.4)
Fair value of plan assets	782.3	33.3	61.1	779.1	36.1	59.8
	(97.2)	(16.2)	5.5	(137.9)	(26.8)	7.4

The significant actuarial assumptions were as follows:

	2018			2017		
	UK	Hong Kong	Ireland	UK	Hong Kong	Ireland
Discount rate	2.7%	2.0%	1.7%	2.6%	1.7%	1.9%
Salary growth rate	N/A	4.5%	N/A	N/A	4.0% / 4.5%*	N/A
Retail Price Index inflation	3.1%	2.5%	1.7%	3.2%	2.5%	1.6%
Consumer Price Index inflation	1.9%	N/A	N/A	1.9%	N/A	N/A
Pension growth rate:						
- Pre 88 Guaranteed Minimum Pension	0.0%	N/A	N/A	0.0%	N/A	N/A
- Post 88 Guaranteed Minimum Pension	1.7%	N/A	N/A	1.7%	N/A	N/A
- NGMP accrued before 1 October 2006 (5% LPI)	2.9%	N/A	N/A	3.0%	N/A	N/A
- Pension accrued after 30 September 2006 (2.5% LPI)	1.9%	N/A	N/A	1.9%	N/A	N/A

\* 4.0% for the first year, 4.5% p.a. thereafter.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 30 Post-employment benefit liabilities (continued)

#### 30.1 Defined benefit pension plans (continued)

Further disclosures on the Schemes (continued)

##### Mortality %

##### UK

113% S2 tables (2017: 113% S2 tables) for males and 114% S2 tables (2017: 114% S2 tables) for females using the CMI 2017 (2017: CMI 2016) projections, allowing for LTR of 1% per annum.

##### Hong Kong

Attained age	2018 Hong Kong Life Table 2016 (p.a.)		2017 Hong Kong Life Table 2015 (p.a.)	
	Male	Female	Male	Female
25	0.040	0.018	0.035	0.015
30	0.055	0.022	0.042	0.022
35	0.073	0.031	0.063	0.033
40	0.104	0.059	0.119	0.060
45	0.163	0.092	0.170	0.100
50	0.253	0.142	0.253	0.153
55	0.426	0.216	0.420	0.229
60	0.700	0.335	0.669	0.334
65	1.055	0.499	1.039	0.509

##### Ireland

88% of ILT15 tables (males) and 91% of ILT15 tables (females) with CSO improvements from 2011 onwards (2017: no change).

##### Cash commutation for 2018 and 2017

For the UK, 25% of members' pensions are assumed to be taken as cash on current terms, for Hong Kong a 100% lump sum is taken on retirement and for Ireland no cash commutations are assumed to be taken.

##### Assumed life expectations on retirement

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65 for the UK and age 62 for Ireland. Assumed life expectation is not shown for Hong Kong as 100% of their pension scheme benefit is paid on retirement.

	2018			2017		
	UK Years	Hong Kong Years	Ireland Years	UK Years	Hong Kong Years	Ireland Years
Retiring at the end of the reporting period:						
- Male	20.9	N/A	24.2	21.0	N/A	24.1
- Female	22.7	N/A	26.8	22.8	N/A	26.7
Retiring 20 years after the end of the reporting period:						
- Male	21.9	N/A	26.3	22.1	N/A	26.2
- Female	23.9	N/A	28.6	24.0	N/A	28.5

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 30 Post-employment benefit liabilities (continued)

#### 30.1 Defined benefit pension plans (continued)

##### Further disclosures on the Schemes (continued)

Considering the key assumptions of each scheme, the sensitivity of the defined benefit obligations to changes in the weighted principal assumptions are:

	UK		Hong Kong		Ireland	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
2018						
Impact on defined benefit obligations of a 50 basis points change:						
Discount rate	(7.7%)	9.1%	(5.5%)	6.0%	(8.9%)	10.2%
Salary growth rate	N/A	N/A	5.5%	(5.1%)	N/A	N/A
Inflation rate	6.0%	(5.6%)	N/A	N/A	3.3%	(3.1%)
2017						
Impact on defined benefit obligations of a 50 basis points change:						
Discount rate	(8.4%)	9.7%	(5.6%)	6.1%	(8.9%)	10.3%
Salary growth rate	N/A	N/A	5.6%	(5.2%)	N/A	N/A
Inflation rate	6.4%	(6.6%)	N/A	N/A	3.5%	(3.3%)

The above sensitivity analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The assets in the Schemes at 31 March were:

	2018			2017		
	UK £m	Hong Kong £m	Ireland £m	UK £m	Hong Kong £m	Ireland £m
Synthetic equities	169.1	-	-	172.1	-	-
Equities	-	26.3	30.9	-	27.8	31.2
DGF / hedge funds	159.4	-	-	204.6	-	-
Gilts and corporate bonds	101.1	-	25.7	102.9	-	23.4
Alternate credit	65.3	-	-	65.1	-	-
Liability driven investment	238.4	-	-	191.2	-	-
Property investments	40.3	-	4.3	37.7	-	3.8
Cash and net current assets	8.7	1.3	0.2	5.5	1.1	1.4
Debt instruments	-	5.7	-	-	7.2	-
	782.3	33.3	61.1	779.1	36.1	59.8

#### Defined benefit membership data

	2018			2017		
	UK Number	Hong Kong Number	Ireland Number	UK Number	Hong Kong Number	Ireland Number
Deferred pensioners	3,660	375	88	3,765	418	89
Pensioners	1,412	-	36	1,368	-	34
	5,072	375	124	5,133	418	123

IFRIC 14 is not applicable to the Schemes and there are no minimum funding levels.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 30 Post-employment benefit liabilities (continued)

#### 30.2 Post-employment benefit liabilities – risks

Through its defined benefit pension Schemes the Group is exposed to a number of risks, the most significant of which are detailed below:

##### Asset volatility

The retirement benefit liabilities of the Schemes are calculated using a discount rate set with reference to corporate bond yields. If the Schemes' assets underperform this yield, this will create a deficit. The Schemes hold a significant proportion of synthetic equities and equities, which are expected to outperform corporate bonds in the long term while exposing the Group to greater volatility and valuation risk in the short term.

##### Changes in bond yields

A decrease in corporate bond yields will increase the Schemes' liabilities. This would be partially offset by an increase in the value of the Schemes' bond holdings.

##### Inflation risk

Some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the Schemes against extreme inflation). Whilst some of the Schemes' assets are real in nature and so loosely correlated with inflation (e.g. synthetic equities, equities, index-linked gilts), some of the Schemes' assets are not expected to move in line with inflation (e.g. corporate bonds) and therefore an increase in inflation is likely to also increase the deficit.

##### Life expectancy

The majority of the Schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Schemes' liabilities.

##### Credit risk

The Schemes invest in pooled investment vehicles and are therefore exposed to direct credit risk in relation to the solvency of the investment manager and custodian of those funds.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operate and diversification of the Schemes' investments across a number of pooled funds. The Schemes' Trustees, with the help of their advisers, carry out due diligence checks prior to the appointment of any new investment manager or fund, and monitor for changes to the operating environment of the existing investments either through reports from the investment consultants or questioning in meetings with the managers. Due to their nature pooled funds are unrated.

##### Currency risk

The Schemes are also subject to currency risk indirectly because they invest in overseas investments. This is particularly the case in the UK's synthetic equity funds. The UK scheme holds overseas synthetic equities funds of £169.1m (2017: £172.1m) of which 50% of the currency risk is hedged. If the hedged / unhedged allocation for any of the overseas synthetic equity region lies more than 5% away from the 50% / 50% split, on a weekly basis the investment manager will be required to rebalance the split for that region.

The bonds and the diversified growth and hedge fund managers will vary the degree to which they hedge currency risk. Currency risk is accepted where this facilitates overseas investments, taking into account the risks and expected reward.

##### Counterparty risk

The Schemes are exposed to collateral management and counterparty risk in relation to the derivative instruments used within its investment arrangements. The collateral requirement and counterparty exposure will be managed by the Scheme's investment manager and regularly monitored by the relevant Trustees.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 31 Registered addresses of investments in subsidiaries

The registered addresses of the investments in subsidiaries in note 12 is 13 Fitzroy Street, London, W1T 4BQ, UK unless listed below:

Name of investment	Registered address
AAC, Inc.	2 Bloor Street East, Toronto, Ontario, M4W 1B9, Canada
Arup - S.I.G.M.A Limited	Bagatelle Office Park, Bagatelle Moka 1808-14, Mauritius
Arup (Cambodia) Limited	Office No. 301, Level 3, Tower 1, Vattanac Capital, No. 66, Preah Monivong Boulevard, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Cambodia
Arup (Luxembourg) S.a.r.l.	7, Avenue Gaston Diderich, L-1420 Luxembourg, Grand Duche de Luxembourg
Arup (Pty) Limited	10 High Street, Melrose Arch, Gauteng 2076, Johannesburg, South Africa
Arup Advisory Inc.	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, County of New Castle DE, 19801, USA
Arup Americas Inc.	77 Water Street, New York, 10005, USA
Arup B.V.	Naritaweg 118 Beta Building / 1043 CA, Amsterdam, Netherlands
Arup Brasil Consultoria Ltda	Alameda Vicente Pinzon, No. 173, 7th floor, Vila Olímpia, São Paulo, Estado de São Paulo, 04547-130, Brazil
Arup Canada Inc.	2 Bloor Street East, Toronto, Ontario, M4W 1B9, Canada
Arup China Limited	Level 5 Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong
Arup Colombia S.A.S.	Calle 72, No 10-07 Oficina, 1106, Bogota, Colombia
Arup Consultores Internacionales Mexico, S. de R.L. de C.V.	Calle Presidente Masarik 111, Piso 1, Col. Polanco V Sección Miguel Hidalgo, Distrito Federal C.P.11560, Mexico
Arup d.o.o.	Kneginje Zorke 77/4, 11000 Belgrade, Serbia
Arup Deutschland GmbH	Joachimstaler Straße 41, 10623 Berlin, Germany
Arup East Africa Limited	LR. No. 209/6921, 5th Floor, ICEA Lion Centre West Wing, Riverside Park, Chiromo Road, Westlands, P.O Box 10643-00100, Nairobi, Kenya
Arup India Private Limited	Jet Prime, 5th Floor, Suren Road, Off Western Express Highway, Andheri (East), Mumbai, 400093, India
Arup Ingeniería y Consultoría Mexico, S. de R.L. de C.V.	Calle Presidente Masarik 111 Piso 1, Col. Polanco V Sección Miguel Hidalgo, Distrito Federal C.P. 11560, Mexico
Arup International Consultants (Shanghai) Co. Limited	39/F, Huai Hai Plaza, No. 1045 Huai Hai Road (M) Shanghai, 200031, China
Arup Ireland Partner Limited	50 Ringsend Road, Dublin 4, Ireland
Arup Ireland Properties Limited	50 Ringsend Road, Dublin 4, Ireland
Arup Italia S.r.l.	Corso Italia 1, Milano, 20122, Italy
Arup Latin America S.A.U.	C/Alcalá, 54, Madrid, 28014, Spain
Arup Muhendislik ve Musavirlik Limited Sirketi	Nispetiye Mah. Başlık Sok. MM Plaza Apt. No. 3/4 Beşiktaş Istanbul, Turkey
Arup New Zealand Limited	PricewaterhouseCoopers, Level 8, Pwc Tower, 188 Quay Street, Auckland, 1010, New Zealand
Arup Pacific Pty Limited	C/- Boroughs Australia Pty Ltd, Level 6, 77 Castlereagh Street, Sydney, New South Wales, 2000, Australia
Arup Partner Pty Limited	C/- Boroughs Australia Pty Ltd, Level 6, 77 Castlereagh Street, Sydney, New South Wales, 2000, Australia

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 31 Registered addresses of investments in subsidiaries (continued)

Name of investment	Registered address
Arup Polska sp. z o.o. (Previously Ove Arup & Partners Poland Sp. z o.o.)	ul. Inflancka 4, 00-189 Warszawa, Poland
Arup Projects 'A' Limited	Level 5, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong
Arup Projects A Pty Ltd	Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia
Arup Pty Limited	C/- Borough Mazars, Level 6, 77 Castlereagh Street, Sydney, New South Wales, 2000, Australia
Arup Services B.V.	Naritaweg 118 Beta Building / 1043 CA, Amsterdam, Netherlands
Arup Singapore Private Limited	10 Hoe Chiang Road, #26-01 Keppel Towers, 089315, Singapore
Arup Texas Inc.	c/o United Corporate Services Inc, 612 Brazos Street, Suite 110, Austin, Texas, 78701, USA
Arup USA Inc.	CT Corporation System, 2 Oliver Street, Boston, Massachusetts, MA 02109, USA
Arup Vietnam Limited	8/F, Star Building, 33 ter-33 bis Mac Dinh Chi Street, District 1, Ho Chi Minh City, Vietnam
Babylon Investment Company Unlimited Company	50 Ringsend Road, Dublin 4, Ireland
Broomco (141) GmbH	Joachimstaler Straße 41, 10623 Berlin, Germany
Broomco (92854) Limited	50 Ringsend Road, Dublin 4, Ireland
Fitzroy Insurance Services Limited	Heritage Group, Heritage Hall, Le Merchant Street, St Peter Port, Guernsey, Channel Islands
Fitzroy Property Guernsey Limited	Heritage Hall, Le Merchant Street, St Peter Port, Guernsey, GY1 4HY
Ove Arup & Partners Danmark A/S	Frederiksborggade 15, 7. th., København K, Denmark
Ove Arup & Partners Ireland Limited	50 Ringsend Road, Dublin 4, Ireland
Ove Arup & Partners Korea Limited	Room 602, Rodeo Plaza Building 772, Samseong-ro Gangnam-gu Seoul 06070 South Korea
Ove Arup & Partners P.C.	3631 North Front Street, Harrisburg, Pennsylvania, PA 17101, USA
Ove Arup & Partners S.A.U.	C/Alcalá, 54, Madrid, 28014, Spain
Ove Arup & Partners Scotland Limited	Scotstoun House, South Queensferry, West Lothian, EH30 9SE, Scotland
Ove Arup (Thailand) Limited	31/F Italthai Building, 2034/134 New Petchburi Road, Bangkok, Huay Kwang, Bangkok 10320 Thailand
Ove Arup Holdings B.V.	Naritaweg 118 Beta Building / 1043 CA, Amsterdam, Netherlands
Ove Arup Holdings Private Limited	38 Beach Road, #29-11 South Beach Tower, 189767, Singapore
Ove Arup International (Holdings) Limited	Level 5 Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong
PT Arup Indonesia	Sahid Sudirman Centre, 56th Floor Jalan Jenderal Sudirman Kav. 86, Jakarta 10220, Indonesia Jalan Jenderal Sudirman Kav. 86 Jakarta 10220, Indonesia
Shelbourne Plaza (Block C) Management Company Limited	50 Ringsend Road, Dublin 4, Ireland
Williamsburg Investment Company Unlimited Company	50 Ringsend Road, Dublin 4, Ireland

**REGISTERED OFFICE**

**Arup Group**

13 Fitzroy Street  
London, W1T 4BQ  
United Kingdom