# Financial Statements 2012

## Arup Group Limited (Consolidated)

ARUP

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# Directors' report

The directors present their report together with the audited consolidated financial statements of Arup Group Limited for the year ended 31 March 2012 which were approved by the board of directors on 18 October 2012.

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

## Principal activities

The Company and its subsidiaries practice in the field of consulting engineering services, in architecture and in other related professional skills.

## Review of the business and future developments

The Group turnover for the year increased by 2.6% (2011: 8.7%) and the Group made a total profit before tax, dividends and staff profit share of £56m (2011: £46m).

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

The directors draw attention to the following matters that have had an impact on the reported performance in the current year:

- The results include Arup Ireland Limited and Arup Ireland Partner Limited which were acquired on the 31 December 2011; consolidated profit before tax, dividends and staff profit share were £4.6m in the year to 31 March 2012. This included an exceptional discount on the mortgage acquired as this was paid in full.
- Despite challenging economic conditions, the Group's market has stabilised. Noticeable changes in geographical turnover were increases in the Australasia and Asia regions of 13.4% and decreases in the Middle East and Africa region of 18.2%.

The principal risks and uncertainties facing the business include foreign exchange risk and risk resulting from the diverse geographical spread of the business and its ability to continue to secure new projects and deliver the performance of existing projects in line with management's objectives. To monitor and manage these, the directors use the following key performance indicators (KPIs):

- Turnover and profit per person is a financial KPI used to monitor the continued contribution to the Group. In calculating this measure, profit is stated before tax, dividends and staff profit share. For the year ended 31 March 2012, Group turnover per person was £98k (2011: £97k) and profit per person was £6k (2011: £5k).
- Staff turnover is a key non-financial measure of business performance. For the year ended 31 March 2012, staff turnover for the Group was 13.0% (2011: 14.9%).

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

## Dividends

The directors do not recommend a dividend payment (2011: nil).

## Directors

The directors of the Company during the year and up to the date of signing this report, were as follows:

P A Bailey (Appointed 01/04/2012)
J Baster
M D Bear
A J Belfield
R F Care
T G A Carfrae
A K C Chan
P G Dilley
G S Hodkinson
K Y Kwok (Appointed 01/04/2011)
L M Lui
M Raman
D A Whittleton
N T Woods

No director has an interest in the shares of the Company (or any other member of the Group) other than through their interest as an employee of the Group (where applicable) in the employee trusts which own the equity shares of the ultimate parent of the Company.

# Directors' report (continued)

## 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 and its directors.

## 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/liabilities comprise cash at bank, overdraft, trade and other payables and receivables and bank loans, whose main purpose is to maintain adequate finance for the Group's operations.

It is the Group's policy to finance its operations through a mixture of cash and borrowings and to review periodically the mix of these with regard to the projected cash flow requirements of the Group and an acceptable level of risk exposure.

The Group has overseas subsidiaries where transactions, assets and liabilities are denominated in foreign currencies and is therefore exposed to currency fluctuations arising from these sources. Note 1(h) in the notes to the financial statements provides further information on accounting for exchange differences.

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

- 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.
- 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 does not currently 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-1/P1.

## 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 and development are immediately expensed to the profit and loss account. The Group obtains enhanced tax relief for these costs from HMRC.

## Charitable donations

During the year, the Group made donations to charities and for charitable purposes of £884k (2011: £688k) of which £267k (2011: £219k) went to beneficiaries in the UK.

The majority of the donations to beneficiaries in the UK were made through the Ove Arup Partnership Charitable Trust, whose financial statements are publicly available at the Charities Commission. In addition, the Group provided approximately 12,500 hours of pro bono work to various charities, at a cost of approximately £600k.

## 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 job, 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.

# Directors' report (continued)

The Group is active in the field of employee communications and employees 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.

Each year, employees are provided with a Chairman's report and 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 initiative.

## Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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.

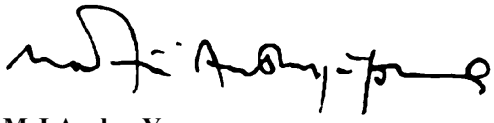
## Post balance sheet events

There have been no post balance sheet events.

## Disclosure of audit information

The directors confirm that, as at the date this report was approved, so far as each director is aware there is no relevant audit information of which the Company's and Group's auditors are unaware and that he or she has taken all the steps he or she ought to have been taken as a director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's and Group's auditors are aware of that information.

By Order of the Board



**M J Ansley-Young**
**Company Secretary**
18 October 2012
Registered Office: 13 Fitzroy Street, London W1T 4BQ

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

We have audited the financial statements of Arup Group Limited for the year ended 31 March 2012 which comprise the Group profit and loss account, the Group and parent company balance sheet, the Group cash flow statement, the Group statement of total recognised gains and losses and the related notes numbered 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Group's and parent 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.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all financial and non-financial information to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2012 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

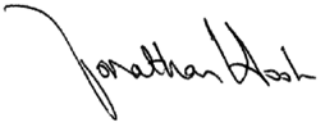
## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



**Jonathan Hook (Senior Statutory Auditor)**
**For and on behalf of PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
London
22 October 2012

## Consolidated profit and loss account

| | Note | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Turnover** | 1d & 2 | **991,804** | 966,427 |
| **Staff costs** | 3 | | |
| Wages and salaries | | **(442,496)** | (441,758) |
| Social security costs | | **(36,304)** | (34,427) |
| Pension contributions | | **(32,173)** | (31,059) |
| Other staff costs | | **(38,790)** | (41,491) |
| | | **(549,763)** | (548,735) |
| Depreciation | 1e & 9 | **(24,058)** | (23,753) |
| Goodwill write back on acquisition | 11a | **4,277** | 1,646 |
| **Other operating charges** | | | |
| Charges from sub-consultants and other direct project costs | | **(219,081)** | (217,319) |
| Accommodation | | **(56,219)** | (56,174) |
| Communications and other overheads | | **(118,298)** | (97,477) |
| | | **(393,598)** | (370,970) |
| **Operating profit** | 5 | **28,662** | 24,615 |
| Dividend received | 14 | **4,073** | - |
| Other finance income | | **5,485** | 382 |
| Interest receivable and similar income | 6 | **1,344** | 1,046 |
| Interest payable and similar charges | 7 | **(1,326)** | (1,535) |
| **Profit on ordinary activities before taxation** | 2 | **38,238** | 24,508 |
| Tax on profit on ordinary activities | 1f & 8 | **(7,159)** | (10,075) |
| **Profit for the financial year** | 22 & 23 | **31,079** | 14,433 |

All activities of the Group are derived from continuing operations.

## Consolidated statement of total recognised gains and losses

| | | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Profit for the financial year** | 22 & 23 | **31,079** | 14,433 |
| Exchange translation gain/(loss) | 22 & 23 | **2,791** | (58) |
| Actuarial (loss)/gain recognised in the pension schemes | 30 | **(33,362)** | 966 |
| Deferred tax asset movement related to the actuarial loss/(gain) | | **4,760** | (3,470) |
| **Total gains recognised since last annual report** | | **5,268** | 11,871 |

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents.

## Consolidated balance sheet – Arup Group Ltd and its subsidiary undertakings

| | Note | 2012 £'000 | 2011 £'000 Restated |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 9 | **144,092** | 132,312 |
| Financial assets | 12 | **124** | 4 |
| | | **144,216** | 132,316 |
| **Current assets** | | | |
| Debtors | 13 | **307,093** | 269,372 |
| Investments | 14 | **685** | 957 |
| Cash at bank and in hand | 20 | **96,123** | 121,407 |
| | | **403,901** | 391,736 |
| **Creditors: amounts falling due within one year** | 15 | **(343,556)** | (337,226) |
| **Net current assets** | | **60,345** | 54,510 |
| **Total assets less current liabilities** | | **204,561** | 186,826 |
| **Creditors: amounts falling due after more than one year** | 16 | **(34,045)** | (37,077) |
| **Provisions for liabilities** | 17 | **(6,331)** | (5,654) |
| **Net assets excluding pensions** | | **164,185** | 144,095 |
| Pension assets | 30 | **6,321** | - |
| Pension liabilities | 30 | **(100,335)** | (79,192) |
| **Net assets after pensions** | | **70,171** | 64,903 |
| **Capital and reserves** | | | |
| Called up share capital | 21 | **120** | 120 |
| Capital reserve | 22 | **3** | 3 |
| Profit and loss account | 22 | **70,048** | 64,780 |
| **Shareholders' funds** | 23 | **70,171** | 64,903 |

The financial statements on pages 5 to 27 were approved and authorised by the board of directors on 18 October 2012 and signed on its behalf by:

**P G Dilley**
**Chairman**

## Company balance sheet – Arup Group Ltd excluding its subsidiary undertakings

| | Notes | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 9 | **2,369** | 2,432 |
| Investment in subsidiary undertakings | 10 | **114,233** | 114,182 |
| Financial assets | | **4** | 4 |
| | | **116,606** | 116,618 |
| **Current assets** | | | |
| Debtors | 13 | **20,342** | 18,309 |
| Cash at bank and in hand | | **-** | 55 |
| | | **20,342** | 18,364 |
| **Creditors: amounts falling due within one year** | 15 | **(87,208)** | (75,795) |
| **Net current liabilities** | | **(66,866)** | (57,431) |
| **Total assets less current liabilities** | | **49,740** | 59,187 |
| **Creditors: amounts falling due after more than one year** | 16 | **(32,885)** | (36,346) |
| **Net assets** | | **16,855** | 22,841 |
| **Capital and reserves** | | | |
| Called up share capital | 21 | **120** | 120 |
| Profit and loss account | 22 | **16,735** | 22,721 |
| **Shareholders' funds** | | **16,855** | 22,841 |

The financial statements on pages 5 to 27 were approved and authorised by the board of directors on 18 October 2012 and signed on its behalf by:

**P G Dilley**
**Chairman**

# Consolidated cash flow statement

| | Notes | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 19 | **13,190** | 40,860 |
| **Returns on investment and servicing of finance** | | | |
| Interest received | | **1,344** | 1,046 |
| Interest paid | | **(1,269)** | (1,535) |
| Dividends received | | **4,073** | - |
| **Net cash inflow/(outflow) on investment and servicing of finance** | | **4,148** | (489) |
| **Taxation** | | | |
| Corporation tax paid | | **(9,676)** | (3,868) |
| **Capital expenditure and financial investment** | | | |
| Payments to acquire fixed assets | | **(23,474)** | (18,711) |
| Receipts from sales of fixed assets | | **686** | 114 |
| Payments for acquisition of subsidiaries net of cash acquired | | **1,060** | 5,072 |
| Receipts from disposal of/(payment to acquire) current asset investments | | **272** | (535) |
| **Net cash outflow on capital expenditure and financial investment** | | **(21,456)** | (14,060) |
| **Financing** | | | |
| Payments of finance leases | | **(20)** | - |
| Repayments of long term loan | | **(7,199)** | - |
| Repayment of mortgage | | **(3,462)** | (3,473) |
| **Net cash outflow from financing** | | **(10,681)** | (3,473) |
| **(Decrease)/increase in cash** | | **(24,475)** | 18,970 |
| **Reconciliation of net cash flow to movement in net funds** | 20 | | |
| Net funds at 1 April | | **81,165** | 58,770 |
| (Decrease)/increase in cash | | **(24,475)** | 18,970 |
| Foreign exchange on cash | | **(489)** | (48) |
| Cash inflow from debt financing | | **3,462** | 3,473 |
| Cash inflow from finance lease | | **20** | - |
| Movement in net funds in the year | | **(21,482)** | 22,395 |
| **Net funds at 31 March** | | **59,683** | 81,165 |

# 1 Accounting policies

## a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and applicable UK accounting standards.

Having considered post year end trading and forecasts and the cash resources available to the Group, the directors are satisfied that it is appropriate to continue to use the going concern assumption.

The principal accounting policies, which have been applied consistently and uniformly throughout the Group during the year, are set out below unless otherwise stated.

## b) Change in accounting policy

During the year the Directors have changed the accounting policy in respect of the carrying value of freehold property. In prior years the freehold properties have been carried at their revalued amount; from 1 April 2011, freehold properties are carried at cost less depreciation. The Directors believe that there is no material difference between cost and valuation, and thus the accounting policy is the most appropriate for the Group. The impact on prior year is a reversal of the £824k revaluation reserve.

## c) Basis of consolidation

The consolidated financial statements include the Company and all its subsidiary undertakings. Intragroup trading is eliminated within charges from sub-consultants and other direct project costs and communications and other overheads.

## d) Turnover

Turnover represents the value of work performed on contracts in the year.

For contracts on which turnover exceeds fees rendered, the excess is included as amounts recoverable on contracts within debtors. For contracts on which fees rendered exceed turnover, the excess is included as deferred income within creditors.

## e) Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost less accumulated depreciation and impairment. Cost comprises purchase price after discounts and rebates plus all directly attributable costs of bringing the asset to working condition for its intended use. Freehold property (buildings) are depreciated over 50 years, expenditure on leasehold properties is depreciated over the period of the lease and all other tangible fixed assets are depreciated over a 4 to 10 year period.

Fixed assets and investments are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

## f) Taxation

Current and deferred income tax are recognised in the profit and loss account for the period except where the taxation arises as a result of a transaction or event that is recognised in the statement of total recognised gains and losses or directly in equity. Income tax arising on transactions or events recognised in the statement of total recognised gains and losses or directly in equity is charged or credited to the statement of total recognised gains and losses or directly to equity respectively.

## g) Deferred taxation

Full provision is made for timing differences at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date, in respect of timing differences which have arisen but not reversed at the balance sheet date. Timing differences are differences between the Groups's taxable profits and its results as stated in the financial statements, which are not permanent. Deferred tax is measured on a non-discounted basis.

No deferred tax has been provided for on any gain arising from the sales of any assets where the taxable gain has been, or will be, rolled over to replacement assets.

Deferred tax assets are only recognised where they arise from timing differences where the recoverability is foreseen with reasonable certainty.

## h) Exchange rates

Monetary assets and liabilities in foreign currency have been translated into sterling at year end exchange rates. The trading results of overseas operations have been translated using an average rate for the year.

Exchange differences on the translation of the results of overseas operations together with those on assets and liabilities in foreign currency are taken directly to reserves. All other exchange differences are included in the profit and loss account.

## i) Long term contracts

The value of long term contracts is based on recoverable costs plus attributable profit. Cost is defined as engineering and technical 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.

For contracts on which turnover exceeds fees rendered, the excess is included as amounts recoverable on

## 1 Accounting policies (continued)

contracts (lump sum projects), and as accrued income (time basis projects), within debtors. For contracts on which fees rendered exceeds turnover, the excess is included as deferred income, within creditors.

### j) Research and development

All research and development cost is expensed in the year incurred.

### k) Pension costs

Contributions to the Group's defined contribution schemes are charged to the profit and loss account when they fall due.

The Group also operated three defined benefit schemes during the year as described in note 30. The assets from the scheme are held separately from those of the company in an independently administered fund. Under FRS 17, the assets of the defined benefit pension schemes are measured at their fair (market) value at the balance sheet date and compared to the liabilities of the schemes, at the same date, measured on an actuarial basis using the projected unit method. The discount rate used is the rate of return at the balance sheet date on a high quality corporate bond of equivalent currency and term to the schemes' liabilities. The extent to which the schemes' assets exceed/fall short of their liabilities is shown as a surplus/deficit in the balance sheet. The surplus/deficit is shown net of deferred taxation.

The increase in the present value of the pension schemes' liabilities arising as a result of employee service in the current period is charged to operating profit. Any increase in the present value of the pension schemes' liabilities arising in the current period, but as a result of employee service in prior periods, is charged to operating profit on a straight line basis over the period in which the increases in benefit vest.

The amount of expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from scheme liabilities being one year closer to payment are included as other finance income/(costs) in the profit and loss account.

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

Actuarial gains and losses are reported in the statement of total recognised gains and losses.

### l) Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Benefits received and receivable as an incentive to sign an operating lease are spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

### m) Investment in subsidiaries

Investments in subsidiaries are stated at cost less impairments.

### n) Investments

Investments are stated at cost in accordance with FRS 23. Investments are tested for impairment when an event that might affect asset value has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future cash flows from the investment. Investments denominated in foreign currencies are translated at the rates prevailing on the balance sheet date, only to the extent that they are hedged by foreign currency borrowings. All such exchange differences are offset directly in reserves.

### o) Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

### p) Goodwill

The consolidated financial statements adopt the provisions of FRS 10 Goodwill and Intangible Assets.

The Companies Act 2006 requires that capitalised goodwill be subject, normally, to systematic amortisation. In the case of goodwill which is regarded as having a limited useful economic life, the Group's accounting policy is to amortise the goodwill through the consolidated profit and loss account over the directors' estimate of the useful life, being 20 years for the goodwill that has arisen to date. The directors' assessment of the useful life of this goodwill is based on the nature of the business acquired, the durability of the products to which the goodwill attaches and the expected future impact of competition on the business.

Where goodwill is regarded as having an indefinite useful life, it is not amortised. The useful economic life

## 1 Accounting policies (continued)

is regarded as indefinite life where goodwill is capable of continued measurement and the durability of the acquired business can be demonstrated. Where goodwill is not amortised, the directors perform an annual impairment review and any impairment is charged to the profit and loss account.

As described in note 11, the directors consider the purchased negative goodwill to have a one year life and hence this has been written off in the period.

### q) Trade debtors

Trade debtors are recognised at the original invoice amount. A provision for impairment of trade debtors is established when there is reason to believe that the Group will not be able to collect all amounts due according to the original terms of the debtor. A provision for exchange differences is also recognised on debts raised in currencies other than the Company's functional currency.

### r) Cash

Cash comprises cash in hand, demand deposits and 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.

### s) Dilapidation provision

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 are made where a legal obligation is identified and the liability can be reasonably quantified. The provision is discounted to net present value at the balance sheet date using an appropriate discount rate.

### t) Company profit and loss account

In accordance with the concession quoted under Section 408(3) of the Companies Act 2006, the Company profit and loss account has not been separately presented in these financial statements.

## 2 Segmental report

| | **2012 £'000** | **2012 £'000** | **2012 £'000** | 2011 £'000 | 2011 £'000 | 2011 £'000 |
|---|---|---|---|---|---|---|
| **Turnover by destination** | | | | | | |
| United Kingdom | | | **273,062** | | | 271,886 |
| Australasia | | | **195,338** | | | 178,383 |
| Asia | | | **178,010** | | | 150,772 |
| Middle East & Africa | | | **150,995** | | | 184,645 |
| Americas | | | **112,131** | | | 101,128 |
| Europe | | | **82,268** | | | 79,613 |
| | | | **991,804** | | | 966,427 |
| **Turnover by origin** | **Total** | **Internal** | **Total less internal** | Total | Internal | Total less internal |
| United Kingdom | **414,095** | **85,816** | **328,279** | 437,800 | 99,965 | 337,835 |
| Australasia | **219,357** | **16,385** | **202,972** | 194,231 | 10,701 | 183,530 |
| Asia | **189,016** | **30,613** | **158,403** | 167,504 | 25,794 | 141,710 |
| Americas | **216,408** | **82,343** | **134,065** | 215,242 | 90,747 | 124,495 |
| Middle East & Africa | **119,783** | **6,595** | **113,188** | 154,193 | 7,747 | 146,446 |
| Europe | **67,091** | **12,194** | **54,897** | 40,067 | 7,656 | 32,411 |
| | **1,225,750** | **233,946** | **991,804** | 1,209,037 | 242,610 | 966,427 |
| **Profit before taxation by destination** | | | | | | |
| United Kingdom | | | **7,891** | | | 6,925 |
| Australasia | | | **5,645** | | | 4,543 |
| Asia | | | **5,144** | | | 3,840 |
| Middle East & Africa | | | **4,364** | | | 4,703 |
| Americas | | | **3,241** | | | 2,576 |
| Europe | | | **2,377** | | | 2,028 |
| | | | **28,662** | | | 24,615 |
| Net interest and other financing income/(costs) | | | **9,576** | | | (107) |
| Group profit before taxation | | | **38,238** | | | 24,508 |

## 2 Segmental report (continued)

| | 2012 £'000 | 2012 £'000 | 2012 £'000 | 2011 £'000 | 2011 £'000 | 2011 £'000 |
|---|---|---|---|---|---|---|
| **Profit before taxation by origin** | | | | | | |
| United Kingdom | | | **5,549** | | | 6,175 |
| Australasia | | | **5,998** | | | 13,752 |
| Asia | | | **11,469** | | | 12,043 |
| Middle East & Africa | | | **5,185** | | | (2,577) |
| Americas | | | **3,602** | | | 4,437 |
| Europe | | | **6,435** | | | (9,322) |
| Group profit before taxation | | | **38,238** | | | 24,508 |
| **Net assets by destination** | **Excluding net pensions** | | | Excluding net pensions | | |
| United Kingdom | | **126,933** | **30,901** | | 150,208 | 72,878 |
| Asia | | **15,277** | **10,973** | | 2,272 | 410 |
| Americas | | **10,378** | **10,378** | | 4,127 | 4,127 |
| Europe | | **3,150** | **9,472** | | (8,148) | (8,148) |
| Middle East & Africa | | **4,298** | **4,298** | | (5,341) | (5,341) |
| Australasia | | **4,149** | **4,149** | | 1,801 | 1,801 |
| | | **164,185** | **70,171** | | 144,919 | 65,727 |
| Restated for change in accounting policy on revaluations | | | | | (824) | (824) |
| Restated net assets | | | | | 144,095 | 64,903 |

The method for allocating the consolidation adjustment is based on the subsidiaries' net asset value.

The Group only operates materially in the business of consulting engineering.

## 3 Staff costs

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| **Ordinary staff costs** | | |
| Salaries | **420,331** | 399,744 |
| Staff profit sharing | **22,165** | 21,503 |
| Social security | **36,304** | 34,427 |
| Pension contributions | **32,173** | 31,059 |
| Redundancy costs | **3,821** | 9,438 |
| Other staff costs | **34,969** | 32,053 |
| **Total staff costs** | **549,763** | 528,224 |
| Prior year adjustment for non-payroll staff costs | | 20,511 |
| **Total staff costs prior year** | | 548,735 |
| Prior year included non employed staff costs | | |
| **Average number of persons employed by the Group** | **Number** | Number |
| Engineering and technical staff | **7,845** | 7,598 |
| Administrative staff | **1,640** | 1,616 |
| Government site staff | **515** | 430 |
| Company directors | **135** | 126 |
| **Total staff numbers** | **10,135** | 9,770 |
| Prior year adjustment for non-payroll staff numbers | | 164 |
| **Total staff numbers prior year** | | 9,934 |
| Prior year included non employed staff numbers | | |

Year end staff numbers include 102 for Arup Ireland Partner Ltd.

## 4 Directors' remuneration

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| **Aggregate remuneration:** | | |
| Aggregate emoluments paid | **4,598** | 4,224 |
| Aggregate contributions paid to money purchase schemes | **174** | 117 |
| **Number of directors accruing pension benefits under:** | **Number** | Number |
| Money purchase schemes | **8** | 6 |
| Defined benefit schemes | **9** | 9 |

Some directors are included under both money purchase and defined benefit due to the closure of the defined benefit scheme.

| | | |
|---|---|---|
| **Highest paid director:** | **£'000** | £'000 |
| Total emoluments excluding contributions paid to pension schemes | **564** | 405 |

Emoluments paid to the highest paid Director include costs of £131k related to relocation. This includes a provision for tax equalisation costs.

## 5 Group operating profit

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| **This is stated after charging:** | | |
| During the year, the Group obtained the following services from the Company's auditor: | | |
| Audit of parent company and consolidated financial statements | **165** | 100 |
| Fees payable for other services: | | |
| - Audit of the Company's subsidiaries, pursuant to legislation | **465** | 470 |
| - Tax services | **50** | 50 |
| Loss on disposal of fixed assets | **60** | 76 |
| Loss on foreign exchange from trading activities | **1,582** | 538 |
| Research and development costs | **12,480** | 13,824 |
| Operating leases - land & buildings | **43,877** | 40,637 |
| Operating leases - plant & machinery | **922** | 985 |
| Depreciation | **24,058** | 23,753 |

## 6 Interest receivable and similar income

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Bank interest | **1,344** | 1,043 |
| Finance lease interest | **-** | 3 |
| | **1,344** | 1,046 |

## 7 Interest payable and similar charges

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Bank interest | **1,138** | 1,148 |
| Finance lease interest | **-** | 199 |
| Other interest | **188** | 188 |
| | **1,326** | 1,535 |

## 8 Taxation

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| **a) Analysis of tax charge** | | |
| The charge for taxation comprises: | | |
| UK corporation tax for the year at 26% (2011: 28%) | **7,073** | 8,311 |
| Less: double tax relief | **(6,786)** | (8,311) |
| | **287** | - |
| Over/(under) provision in respect of prior years | **508** | (1,949) |
| | **795** | (1,949) |
| Non-UK tax for the current year | **7,220** | 12,830 |
| Under provision of non-UK tax in respect of prior years | **1,237** | 1,605 |
| Current tax charge | **9,252** | 12,486 |
| UK deferred taxation for the current year | **(1,750)** | (2,431) |
| (Over)/under provision in respect of prior years | **(343)** | 20 |
| **Total tax charge** | **7,159** | 10,075 |

**b) Factors affecting the tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax of 26% (2011: 28%).
The differences are explained below:

| | | |
|---|---|---|
| Profit on ordinary activities before taxation | **38,238** | 24,508 |
| Profit on ordinary activities at the standard rate of corporation tax of 26% (2011: 28%) | **9,942** | 6,862 |
| Effects of: | | |
| Permanent differences | **(5,321)** | (328) |
| Timing adjustments | **3,763** | 1,594 |
| Adjustments to tax charge in respect of prior years including non-UK tax charge | **1,747** | (345) |
| Utilised brought forward losses | **(1,025)** | - |
| Unrelieved losses carried forward | **340** | 2,650 |
| Non-UK tax in (shortfall)/excess of UK tax | **(194)** | 2,053 |
| **Current tax charge** | **9,252** | 12,486 |

**c) Factors affecting current and future tax charges**

Effective from 1 April 2011 the UK main corporation tax rate was 26%. Following the March 2012 Budget Statement, the main rate of corporation tax was further reduced from 26% to 24% from 1 April 2012, and the relevant deferred tax assets have been re-measured. Further reductions to the main rate are proposed to reduce the rate to 23% by 1 April 2014 but these later reductions had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The proposed reduction of the main rate of corporation tax by 1% per annum to 23% by 1 April 2014 are expected to be enacted separately each year.

The Group has elected into the Branch Exemption Regime for the majority of branches. This takes effect for the accounting period commencing from 1 April 2012. It is expected that the effect of this election will be to reduce the group's long term effective tax rate.

For the year ending 31 March 2012 local tax rates have been used to calculate deferred tax assets or liabilities.

## 9 Tangible fixed assets - Group

£'000

| | Freehold land & property | Leasehold property | Furniture, fittings & IT | Motor vehicles | Leased motor vehicles | Total |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| Balance at 1 April 2011 | 68,613 | 46,119 | 111,445 | 1,499 | 387 | 228,063 |
| Accounting policy change | (824) | - | - | - | - | (824) |
| Restated balance at 1 April 2011 | 67,789 | 46,119 | 111,445 | 1,499 | 387 | 227,239 |
| Additions during the year | 247 | 10,048 | 15,312 | 177 | 156 | 25,940 |
| Acquisitions (note 11) | 9,731 | - | 807 | 1 | - | 10,539 |
| Disposals during the year | - | (2,351) | (8,001) | (143) | (193) | (10,688) |
| Adjustment for exchange differences | 85 | 69 | (118) | (53) | (4) | (21) |
| **Balance at 31 March 2012** | **77,852** | **53,885** | **119,445** | **1,481** | **346** | **253,009** |
| **Accumulated depreciation** | | | | | | |
| Balance at 1 April 2011 | 2,418 | 18,569 | 72,754 | 970 | 216 | 94,927 |
| Charge for the year | 2,063 | 5,769 | 15,996 | 153 | 77 | 24,058 |
| Eliminated in respect of disposals | - | (1,814) | (7,842) | (117) | (169) | (9,942) |
| Adjustment for exchange differences | - | 38 | (109) | (54) | (1) | (126) |
| **Balance at 31 March 2012** | **4,481** | **22,562** | **80,799** | **952** | **123** | **108,917** |
| **Net book value at 31 March 2012** | **73,371** | **31,323** | **38,646** | **529** | **223** | **144,092** |
| Net book value at 31 March 2011 | 66,195 | 27,550 | 38,691 | 529 | 171 | 133,136 |
| Prior year adjustment | (824) | - | - | - | - | (824) |
| Revised net book value at 31 March 2011 | 65,371 | 27,550 | 38,691 | 529 | 171 | 132,312 |

**Revalued assets**

Prior to 1 April 2011 freehold property was revalued by an independent chartered surveyor to market value, since then we have increased the number of freehold properties owned and it has been decided to change the accounting policy to value all freehold land and property at cost. Due to this policy change we have removed the revaluation reserve and restated the prior year values.

## 9 Tangible fixed assets - Company

£'000

| | Leasehold property |
|---|---|
| **Cost or valuation** | |
| Balance at 1 April 2011 | **3,790** |
| **Balance at 31 March 2012** | **3,790** |
| **Accumulated depreciation** | |
| Balance at 1 April 2011 | **1,359** |
| Charge for the year | **62** |
| **Balance at 31 March 2012** | **1,421** |
| **Net book value at 31 March 2012** | **2,369** |
| Net book value at 31 March 2011 | **2,432** |

## 10 Subsidiary undertakings

Arup Group Limited owns ordinary shares in the companies noted below. These companies were all wholly owned subsidiary undertakings of Arup Group Limited at 31 March 2012 (unless otherwise stated), and their results are consolidated into the accounts of Arup Group Limited. The operating companies were all engaged in the same principal activities as the parent company, except for Arup (Luxembourg) Sarl, Arup Property Guernsey Limited and Arup Ireland Limited whose principal activity is property holdings; Fitzroy Insurance Services Limited whose principal activity is insurance services; Arup Treasury Limited whose principal activity is group treasury and Arup Pensions Administration Limited whose principal activity is pensions administration.

| **Direct holdings:** | **Country of incorporation** |
|---|---|
| Arup Africa (70% holding) | Mauritius |
| Arup Americas Inc | USA |
| Arup Botswana Limited | England & Wales |
| Arup BV | Netherlands |
| Arup China Limited | Hong Kong |
| Arup Consulting Engineers EPE | Greece |
| Arup GmbH | Germany |
| Arup International Consultants (Shanghai) Co Limited | China |
| Arup Ireland Limited ≤ | Ireland |
| Arup Ireland Partner Limited ≤ | Ireland |
| Arup Italia Srl | Italy |
| Arup (Luxembourg) Sar1 | Luxembourg |
| Arup Latin America SAU | Spain |
| Arup Limited | Mauritius |
| Arup Muhendislik ve Musavirlik LS | Turkey |
| Arup Partner Pty Limited | Australia |
| Arup Pty Limited | Australia |
| Arup (Pty) Limited | South Africa |
| Arup Services BV | Netherlands |
| Arup SIGMA Limited | Mauritius |
| Arup Singapore Pte Limited | Singapore |
| Fitzroy Insurance Services Limited | Guernsey |
| Ove Arup Holdings BV | Netherlands |
| Ove Arup Holdings Limited | England & Wales |
| Ove Arup International (Holdings) Limited | Hong Kong |
| Ove Arup & Partners Danmark A/S | Denmark |
| Ove Arup & Partners Isle of Man Limited ≥ | Isle of Man |
| Ove Arup & Partners Korea Limited | Republic of Korea |
| Ove Arup & Partners Poland Sp z o o | Poland |
| Ove Arup & Partners SAU | Spain |
| Ove Arup Partnership Limited | England & Wales |
| Ove Arup (Thailand) Limited | Thailand |
| **Indirect holdings:** | |
| APGL Services Limited | England & Wales |
| Arup Advisory Inc | USA |
| Arup Associates Limited | England & Wales |
| Arup Brasil Consultoria e Engenharia Limiteda | Brazil |
| Arup (Cambodia) Limited | Cambodia |
| Arup Canada Inc | Canada |
| Arup Corporate Finance Limited | England & Wales |
| Arup Deutschland GmbH | Germany |
| Arup doo | Serbia |
| Arup Environmental Consultants Pty Limited | Australia |
| Arup ESH Limited ≤ | Ireland |
| Arup Government Projects Inc | USA |
| Arup Gulf Limited | England & Wales |
| Arup India Private Limited | India |
| Arup International Limited | England & Wales |
| Arup International Limited ≤ | Ireland |
| Arup Ireland Incorporated ≤ | Ireland |
| Arup Ireland International Limited ≤ | Ireland |
| Arup Limited | England & Wales |
| Arup New Zealand Limited | New Zealand |
| Arup North America Limited | England & Wales |
| Arup Pacific Pty Limited | Australia |
| Arup Pensions Administration Limited | England & Wales |
| Arup Property Guernsey Limited | Guernsey |
| Arup Services New York Limited | England & Wales |
| Arup Texas Inc | USA |
| Arup Treasury Limited | England & Wales |
| Arup USA Inc | USA |
| Arup Vietnam Limited | Vietnam |
| Babylon Investment Company ≤ | Ireland |
| Broomco (02703654) Limited ^ | England & Wales |
| Broomco (02987098) Limited ^ | England & Wales |
| Broomco (03266900) Limited | England & Wales |
| Broomco (03452299) Limited * | England & Wales |
| Broomco (04239013) Limited ^ | England & Wales |
| Broomco (05435467) Limited ± | England & Wales |
| Broomco (1469) Limited ^ | England & Wales |
| Feldcross and Co Limited ≤ | Ireland |
| Fortlyster Limited ≤ | Ireland |
| Oasys (Ireland) Limited ≤ | Ireland |
| OASYS Limited | England & Wales |
| Ovarpart Nominee Limited | England & Wales |
| Ove Arup Incorporated | England & Wales |
| Ove Arup & Partners Hong Kong Limited | England & Wales |
| Ove Arup & Partners International Limited | England & Wales |
| Ove Arup & Partners Ireland ≤ | Ireland |
| Ove Arup & Partners Japan Limited | England & Wales |
| Ove Arup & Partners Limited | England & Wales |
| Ove Arup & Partners PC | USA |
| Ove Arup & Partners Scotland Limited | Scotland |
| Ove Arup & Partners Thailand Limited | England & Wales |
| Shelbourne Plaza (Block C) Management Co. Limited (78% holding) ≤ | Ireland |
| The Shelbourne Property Trust ≤ | Ireland |
| Wellington Printing Limited ≤ | Ireland |
| Williamsburg Investment Limited ≤ | Ireland |

^ Companies were dissolved from the company register on 22 May 2012.

± Company was dissolved from the company register on 14 August 2012.

* Company was dissolved from the company register on 2 October 2012.

≥ Company is in the process of being liquidated.

≤ On 31st December 2011 Arup Group Limited acquired Arup Ireland Partner Limited, Arup Ireland Limited and their subsidiaries.

## 10 Subsidiary undertakings (continued)

£'000

| | Cost | Investment Impairment | Net Value |
|---|---|---|---|
| **Movement of investment** | | | |
| Opening balance at 1 April 2011 | **131,510** | **(17,328)** | **114,182** |
| Additions | 4,461 | - | 4,461 |
| Investment impairments | - | (4,410) | (4,410) |
| **Balance at 31 March 2012** | **135,971** | **(21,738)** | **114,233** |

The directors believe that the carrying value of the investments is supported by their underlying net assets.

## 11 Acquisitions and disposals

£'000

**a) Acquisition of Arup Ireland Limited and Arup Ireland Partner Limited (and their subsidiaries)**

On 31 December 2011, Arup Group Limited acquired a 100% holding in Arup Ireland Limited and Arup Ireland Partner Limited, legal entities registered in Ireland. Although Arup Ireland Limited and Arup Ireland Partner Limited were independent from the Group, close historical links and commercial relationships existed between these entities.

The net assets of the acquired entities were £6,277k; this has resulted in negative goodwill of £4,277k. As the net assets of these companies are immediately distributable to the beneficiaries of the trusts which own the Companies, the directors believe that the negative goodwill should be written off to distributable reserves on acquisition. All major contracts in the companies are either complete or nearly complete. Details of the provisional fair value of assets and liabilities are set out below.

| | **Book value** | **Fair value adjustment** | **Fair value** |
|---|---|---|---|
| Tangible assets | 16,795 | (6,256) | **10,539** |
| Debtors | 4,915 | - | **4,915** |
| Cash at bank and in hand | 3,060 | - | **3,060** |
| Creditors due within one year | (4,153) | - | **(4,153)** |
| Deferred tax liability | (306) | - | **(306)** |
| Mortgage | (13,828) | - | **(13,828)** |
| Pension | 6,050 | - | **6,050** |
| **Net assets acquired** | 12,533 | (6,256) | **6,277** |
| Negative goodwill | | | **(4,277)** |
| **Consideration** | | | **2,000** |
| **Consideration satisfied by:** | | | |
| Cash consideration | | | **2,000** |
| | | | **2,000** |

In the 3 months to 31 March 2012, these companies contributed a profit after tax of £4,566k which includes an exceptional discount on a mortgage of £6,629k due to early repayment of the loan. The exceptional discount on the mortgage is included in other finance income in the consolidated profit and loss account. The fair value figures contain provisional amounts which will be finalised in the year ended 31 March 2013.

**b) Acquisition of Arup (Pty) Limited**

In the financial statements for year ended 31 March 2011 the acquisition of Arup (Pty) Limited was included. The net assets acquired were £1,928k which resulted in negative goodwill of £1,885k which was written off in the year acquired.

**c) Acquisition of Broomco (05435467) Limited**

In the financial statements for year ended 31 March 2011 the acquisition of Broomco (05435467) Limited was included. The net assets acquired were £111k which resulted in positive goodwill of £239k which was written off in the year acquired.

## 12 Financial assets

£'000

| | Country of incorporation |
|---|---|
| 2 (2011: 2) ordinary shares of £1 each in The Arup Partnerships Trustees Limited | England & Wales |
| 4 (2011: 3) ordinary shares of US$1 each in Arup Africa Inc | Mauritius |
| 50 (2011: 50) ordinary shares of 10,000 Riyals each in Arup Iran SSK | Iran |
| 30,000 (2011: 30,000) ordinary shares of 1p each in St Helena Leisure Corporation Limited | England & Wales |
| 1 (2011: 1) ordinary share of AU$1 in The Ove Arup Unit Trust | Australia |
| 120 (2011: nil) ordinary shares of £1,000 each in MBK Arup Sustainable Projects Limited | England & Wales |

| Movement of unlisted investments at cost | **2012** | 2011 |
|---|---|---|
| Opening balance at 1 April 2011 | **4** | 4 |
| Additions | **120** | - |
| Balance at 31 March 2012 | **124** | 4 |

The directors believe that the carrying value of the investments is supported by their underlying net assets.

## 13 Debtors

£'000

| | **2012** | | 2011 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| Amounts recoverable on contracts | **56,066** | **-** | 50,607 | 39 |
| Trade debtors | **178,126** | **-** | 153,043 | - |
| Amounts owed by Group undertakings | **-** | **19,501** | - | 18,006 |
| Foreign tax recoverable | **6,828** | **-** | 7,013 | - |
| Deferred tax asset | **13,741** | **-** | 9,016 | - |
| Corporation tax | **2,000** | **-** | 4,861 | - |
| Other debtors | **15,247** | **841** | 11,150 | 264 |
| Prepayments and accrued income | **35,085** | **-** | 33,682 | - |
| | **307,093** | **20,342** | 269,372 | 18,309 |

## 14 Current asset investments

£'000

| | **2012** | | 2011 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| Unlisted investment | **685** | **-** | 957 | - |

The unlisted investment is made up of 685,000 preference shares of £1 each in Halo Inductive Power Technologies Limited. Halo Inductive Power Technologies paid a dividend to Arup Group Limited of £3,859k, which relates to the majority of the dividend received by the Group.

## 15 Creditors: amounts falling due within one year

£'000

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| **Amounts falling due within one year** | | | | |
| Deferred income | **172,330** | **-** | 181,123 | - |
| Bank overdraft | **19** | **-** | 340 | - |
| Trade creditors | **35,761** | **-** | 21,840 | - |
| Amounts owed to Group undertakings | **-** | **82,613** | - | 70,887 |
| Amounts due on finance leases within one year | **9** | **-** | 52 | - |
| Provision for foreign tax | **4,268** | **-** | 5,894 | - |
| Corporation tax | **950** | **950** | 1,216 | 1,138 |
| Taxation and social security costs | **8,471** | **-** | 12,135 | - |
| Other creditors | **25,501** | **-** | 17,802 | - |
| Accruals | **92,785** | **183** | 93,133 | 308 |
| Bank loan | **3,462** | **3,462** | 3,691 | 3,462 |
| | **343,556** | **87,208** | 337,226 | 75,795 |

## 16 Creditors: amounts falling due after more than one year

£'000

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| | **Bank loan** | **Lease incentives** | **Finance leases** | **Total** | Total |
| In more than one year but no more than two years | **3,462** | **302** | **65** | **3,829** | 3,462 |
| In more than two years but no more than five years | **10,385** | **749** | **-** | **11,134** | 11,040 |
| In more than five years | **19,038** | **44** | **-** | **19,082** | 22,575 |
| | **32,885** | **1,095** | **65** | **34,045** | 37,077 |
| **Company** | | | | | |
| In more than one year but no more than two years | **3,462** | **-** | **-** | **3,462** | 3,462 |
| In more than two years but no more than five years | **10,385** | **-** | **-** | **10,385** | 10,384 |
| In more than five years | **19,038** | **-** | **-** | **19,038** | 22,500 |
| | **32,885** | **-** | **-** | **32,885** | 36,346 |

Neither the Group nor the Company have any non-instalment debt.

The Company holds a Sterling Term Loan which funded the acquisition of Group's head office building in London in 2009. The Term Loan amortises fully over the period to September 2022 and bears a market floating rate of interest based on 3 months libor.

## 17 Provision for liabilities

£'000

| | |
|---|---|
| Opening balance at 1 April 2011 | 5,654 |
| Additional provision in the year | 677 |
| **Balance at 31 March 2012** | **6,331** |

This provision relates to dilapidations on buildings leased by the Group, in accordance with our lease contracts.

## 18 Deferred taxation - Group

£'000

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | **Provided** | **Unprovided** | Provided | Unprovided |
| Timing differences due to accelerated taxation depreciation allowances | **3,813** | **-** | 5,271 | 256 |
| Short term timing differences | **9,928** | **-** | 3,745 | 137 |
| | **13,741** | **-** | 9,016 | 393 |
| Movement of deferred tax asset: | | | | |
| Balance at 1 April | **9,016** | | 5,306 | |
| Reclassification of opening balance | **1,244** | | - | |
| Under/(over) provision of deferred tax in respect of previous years | **343** | | (20) | |
| **Restated opening balance** | **10,603** | | 5,286 | |
| Charge for the year | **1,750** | | 2,431 | |
| Less: deferred tax on pension scheme deficit | **2,437** | | (746) | |
| Adjustment for changes in corporation tax | **(1,057)** | | 2,115 | |
| Exchange rate difference | **8** | | (70) | |
| **At 31 March** | **13,741** | | 9,016 | |
| Deferred tax asset | **13,741** | | 9,016 | |
| Deferred tax liability | **-** | | - | |
| **Deferred tax asset as at 31 March** | **13,741** | | 9,016 | |

## 19 Cash flow from operating activities

| | **2012 £'000** | 2011 £'000 |
|---|---|---|
| **Reconciliation of operating profit to net cash flow from operating activities** | | |
| Operating profit | **28,662** | 24,614 |
| Depreciation charges | **24,058** | 23,753 |
| Write off negative goodwill | **(4,277)** | (1,646) |
| Loss on disposal of fixed assets | **60** | 76 |
| Difference between pension charge and cash contributions | **(10,359)** | (8,596) |
| (Increase)/decrease in debtors | **(32,058)** | 7,625 |
| Increase/(decrease) in creditors | **6,427** | (8,160) |
| Movement in provision for liabilities | **677** | 3,194 |
| **Net cash inflow from operating activities** | **13,190** | 40,860 |

## 20 Analysis of changes in net funds

£'000

| | At 1 April 2011 | **Cash flow** | **At 31 March 2012** |
|---|---|---|---|
| Cash at bank and in hand | 121,407 | **(25,284)** | **96,123** |
| Overdrafts | (340) | **321** | **(19)** |
| Bank loan due within one year | (3,691) | **229** | **(3,462)** |
| Bank loan due after more than one year | (36,117) | **3,232** | **(32,885)** |
| | 81,259 | **(21,502)** | **59,757** |
| Finance leases | (94) | **20** | **(74)** |
| | 81,165 | **(21,482)** | **59,683** |

## 21 Called up share capital – Group and Company

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| **Issued, called up and fully paid:** | | |
| 65 (2011: 65) voting shares of £1 each | - | - |
| 120,000 (2011: 120,000) equity shares of £1 each | 120 | 120 |
| | 120 | 120 |

## 22 Reserves

£'000

| | Group | | | Company |
|---|---|---|---|---|
| | Capital reserve | Property revaluation | Profit and loss account | Profit and loss account |
| Balance at 1 April 2011 | 3 | 824 | 64,780 | 22,721 |
| Accounting policy change (note 9) | - | (824) | - | - |
| Restated balance at 1 April 2011 | 3 | - | 64,780 | 22,721 |
| Profit/(loss) for the financial year | - | - | 31,079 | (5,986) |
| Actuarial loss recognised in the pension schemes | - | - | (33,362) | - |
| Deferred tax liability movement related to the actuarial loss | - | - | 4,760 | - |
| Exchange translation differences | - | - | 2,791 | - |
| **Balance at 31 March 2012** | 3 | - | 70,048 | 16,735 |
| Profit and loss reserve excluding net pension | | | 164,062 | |
| Net pensions (note 30) | | | (94,014) | |
| Profit and loss reserve | | | 70,048 | |

## 23 Reconciliation of movements in shareholders' funds - Group

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| **Balance at 1 April** | 64,903 | 53,856 |
| Accounting policy change (note 9) | - | (824) |
| Profit for the financial year | 31,079 | 14,433 |
| Exchange translation difference | 2,791 | (58) |
| Actuarial (loss)/gain recognised in the pension scheme | (33,362) | 966 |
| Deferred tax (liability)/asset movement related to the actuarial (loss)/gain | 4,760 | (3,470) |
| **Closing shareholders' funds** | 70,171 | 64,903 |
| Shareholders' funds excluding net pension scheme | 164,185 | 144,095 |
| Net pension scheme (note 30) | (94,014) | (79,192) |
| **Closing shareholders' funds** | 70,171 | 64,903 |

## 24 Contingent liabilities

The Group has recorded a liability for the best estimate of certain claims that have been brought against it. At this time, it is not possible to measure reliably any other items that may have been incurred but have yet to raise a claim in respect of it. The Group monitors all claims and takes appropriate insurance procedures to mitigate its risk.

The Company has guaranteed bond support facilities granted to other companies in the Group. The guarantee is supported by a secured debenture dated 28 September 2009. No borrowings were outstanding as at 31 March 2012.

## 25 Trust monies

The Group operates a number of bank accounts which are maintained in the name of Group companies in Australia on behalf of third party clients. These accounts are not available to meet any liabilities of the Group and are therefore excluded from the consolidated balance sheet. The total of such accounts at 31 March 2012 was £5.9m (2011: £5.8m).

## 26 Capital commitments

£'000

| | **2012** | | 2011 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| Authorised and contracted for | **998** | **-** | 421 | - |

## 27 Other financial commitments

£'000

The Group and Company have the following annual property, plant and machinery leasing commitments at the year end in respect of leases expiring as follows:

| | **2012** | | 2011 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| Within one year | **5,843** | **-** | 2,589 | - |
| In two to five years | **14,881** | **-** | 12,007 | - |
| After five years | **18,123** | **-** | 24,375 | - |

## 28 Ultimate controlling party

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

## 29 Related party transactions

The Company and its wholly owned subsidiaries transact with each other in the normal course of business. These transactions are not disclosed, in accordance with FRS 8 paragraph 3, as the transactions and balances between Group entities have been eliminated on consolidation. There are no other related party transactions.

## 30 Pension commitments

The Group operates three defined benefit retirement schemes for employees, one UK registered, one Hong Kong registered and one Ireland registered. The Group also has an unfunded scheme in Japan.

### UK registered scheme

The Group operated a UK registered, contributory pension scheme, which had a defined benefit and a defined contribution section, for employees. On 31 March 2010, the scheme was closed to new members.

With effect from 30 June 2010, the future accrual of benefits for existing members ceased. The Group replaced this scheme with a group personal pension plan for employees who were able to join it with effect from 1 July 2010. All contributions for the new plan are held and managed by BlackRock Pensions Limited. The Group has no ongoing liability to the funds held by BlackRock 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 2010 using the projected unit method. The actuarial valuation of the scheme's assets at 31 March 2010 (which took into account the closure of the scheme to come on 30 June 2010) on an ongoing basis represented 74% of the actuarially calculated liabilities for benefits that had accrued to members and the scheme's assets had a market value of £494m at that date. The most significant assumptions made by the actuary in carrying out this valuation were the discount rate of 7.3% pre retirement and 5.0% post retirement and the consumer price inflation of 2.5% p.a. Allowance was made for the closure of the scheme and no assumption was made for future salary inflation. There were no employer's contribution for the year to 31 March 2012 (2011: £4.0m). A special employer's contribution was made during the year to 31 March 2012 of £10.5m (2011: £8.8m). The next actuarial valuation is being carried out no later than 31 March 2013.

### Hong Kong registered scheme

The Group operates a Hong Kong registered, contributory, defined benefit retirement scheme for employees. Contributions to the scheme are made in accordance with the advice of independent qualified actuaries on the basis of triennial valuations. The most recent valuation was at 31 March 2011 using the projected unit method. The actuarial valuation of the scheme's assets at 31 March 2011 on an ongoing basis represented 109% of the actuarially calculated liabilities for benefits that had accrued to members and the scheme's assets had a market value of £29.7m at that date. The most significant assumptions made by the actuary in carrying out this valuation were that the investment return would be 6% pre-retirement and that salary inflation would be 4.5% p.a. There was an employer's contribution for the year to 31 March 2012 of £1.4m (2011: £2.2m). The next actuarial valuation is being carried out no later than 31 March 2014.

### Ireland registered scheme

The Group operates a defined benefit pension scheme and a defined contribution pension scheme.

The defined contribution pension charge for the year was £0.3m. The assets of the defined contribution scheme are held in separate trustee administered funds.

The assets of the defined benefit scheme are held in separate trustee administered funds. The Group 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 2010. This report is not available for public inspection.

At the date of the last full valuation the discounted value of the pension fund assets was £38.7m which represented 79.4% of past service benefits to normal pension date before taking account of future distributions. The discontinuance position was that the liabilities emerging in the event of a winding-up of the plan would not be fully covered by the plan's assets.

As a result of the scheme's inability to satisfy the funding standard as at 31 March 2011, the Scheme's Trustees made an application under Section 50 of the Pensions Act 1990 which was approved by the Pensions Board. Under the Section 50 application the guaranteed annual pension increase of 3% was removed, and pension accrual ceased for active members from the 31 December 2011 and member contributions ceased from that date.

In the opinion of the Actuary, the scheme now satisfies the funding standard as at 31 March 2012.

The valuation of the defined benefit scheme used for the purposes of FRS17 disclosures was based on the valuation at 1 April 2010. It has been updated by an independent actuary to take account of the requirements of FRS17 in order to assess the liabilities at the balance sheet date. Scheme assets are stated at their market value at the balance sheet date.

### Japan unfunded scheme

The Group 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 2012 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 1.6% p.a. and that salary inflation would be 1% p.a. There was an employer contribution for the year to 31 March 2012 of £0.2m (2011: £0.4m). There was no actuarial loss in the year (2011: £0.3m). The pension liability recognised in the financial statements was £0.8m (2011: £0.9m).

## 30 Pension commitments (continued)

**Assets in the scheme and the expected rates of return at 31 March:**

| | Long term rate of return expected | | | | | |
|---|---|---|---|---|---|---|
| | UK | | Hong Kong | | Ireland | Japan |
| | **2012** | 2011 | **2012** | 2011 | **2012** | **2012** |
| Equities and property | **7.8%** | 8.4% | **8.2%** | 7.0% | **6.5%** | **N/A** |
| Bonds and cash including net current assets | **4.0%** | 4.5% | **1.6%** | 3.0% | **4.0%** | **N/A** |

| | Value of assets in the schemes | | | | | |
|---|---|---|---|---|---|---|
| | UK | | Hong Kong | | Ireland | Japan |
| | **2012** | 2011 | **2012** | 2011 | **2012** | **2012** |
| | **£'m** | £'m | **£'m** | £'m | **£'m** | **£'m** |
| Equities and property | **371.1** | 320.9 | **21.9** | 21.6 | **24.9** | **-** |
| Bonds and cash including net current assets | **179.4** | 203.7 | **6.9** | 8.1 | **14.5** | **-** |
| Total market value of assets | **550.5** | 524.6 | **28.8** | 29.7 | **39.4** | **-** |
| Present value of defined benefit obligation | **(676.9)** | (629.2) | **(33.0)** | (31.0) | **(32.7)** | **(0.8)** |
| (Deficit)/surplus in the scheme | **(126.4)** | (104.6) | **(4.2)** | (1.3) | **6.7** | **(0.8)** |
| Less: related deferred tax asset/(liability) at 24% (2011: 26%) | **30.3** | 27.2 | **0.7** | 0.3 | **(0.4)** | **-** |
| **Net scheme (liability)/asset** | **(96.1)** | (77.4) | **(3.5)** | (1.0) | **6.3** | **(0.8)** |

**Major categories of scheme assets as a percentage of total scheme assets:**

| | UK | | Hong Kong | | Ireland | Japan |
|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | **2012** |
| Equities and property | **68%** | 61% | **76%** | 73% | **63%** | **N/A** |
| Bonds and cash including net current assets | **32%** | 39% | **24%** | 27% | **37%** | **N/A** |
| | **100%** | 100% | **100%** | 100% | **100%** | **N/A** |

**Amounts recognised in the profit and loss account:**

| | UK | | Hong Kong | | Ireland | Japan |
|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | **2012** |
| | **£'m** | £'m | **£'m** | £'m | **£'m** | **£'m** |
| Current service cost | **-** | (4.2) | **(1.6)** | (2.4) | **-** | **(0.1)** |
| Interest on obligation | **(35.9)** | (34.8) | **(1.4)** | (1.5) | **-** | **-** |
| Expected return on scheme assets | **34.6** | 34.3 | **1.8** | 2.2 | **-** | **-** |
| Employer contributions | **-** | - | **1.4** | - | **-** | **-** |
| Net (charge)/income | **(1.3)** | (4.7) | **0.2** | (1.7) | **-** | **(0.1)** |
| Actual return on scheme assets | **36.5** | 38.4 | **(0.6)** | 0.3 | **2.6** | - |

## 30 Pension commitments (continued)

**Movement of deficit during the year**

| | UK | | Hong Kong | | Ireland | Japan |
|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | **2012** |
| | **£'m** | £'m | **£'m** | £'m | **£'m** | **£'m** |
| Deficit in scheme at 1 April | **(104.6)** | (113.7) | **(1.3)** | (2.2) | **-** | **(0.9)** |
| Pension asset acquired (note 11a) | **-** | - | **-** | - | **6.1** | **-** |
| Movement in the year: | | | | | | |
| Current service cost | **-** | (4.2) | **(1.6)** | (2.4) | **-** | **(0.1)** |
| Employer contributions | **10.5** | 12.8 | **1.4** | 2.2 | **-** | **0.2** |
| Past service income | **-** | - | **-** | - | **(0.2)** | **-** |
| Interest cost | **(35.9)** | (34.8) | **(1.4)** | (1.5) | **(0.6)** | **-** |
| Expected return on scheme assets | **34.6** | 34.3 | **1.8** | 2.2 | **0.6** | **-** |
| Actuarial (loss)/gain | **(31.0)** | 1.0 | **(3.0)** | 0.2 | **0.7** | **-** |
| Adjustment for exchange differences | **-** | - | **(0.1)** | 0.2 | **-** | **-** |
| (Deficit)/surplus in scheme at 31 March | **(126.4)** | (104.6) | **(4.2)** | (1.3) | **6.6** | **(0.8)** |

In the UK scheme one of the main factors contributing to the increase in the schemes' deficit was that the actual return earned on the assets was below the expected return for the year.

| | UK | | Hong Kong | | Ireland | Japan |
|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | **2012** |
| | **£'m** | £'m | **£'m** | £'m | **£'m** | **£'m** |
| **Reconciliation of the present value of the defined benefit obligation:** | | | | | | |
| Present value of defined benefit obligation at 1 April | **629.2** | 608.5 | **31.0** | 31.0 | **-** | **0.9** |
| Pension asset acquired (note 11a) | **-** | - | **-** | - | **31.0** | **-** |
| Current service cost | **-** | 4.2 | **1.6** | 2.4 | **-** | **0.1** |
| Interest cost | **35.9** | 34.8 | **1.4** | 1.5 | **0.6** | **-** |
| Members' contributions | **-** | 2.0 | **-** | - | **-** | **-** |
| Actuarial loss on scheme liabilities | **32.9** | 3.1 | **0.2** | 0.2 | **1.3** | **-** |
| Benefits paid | **(21.1)** | (23.4) | **(1.7)** | (1.6) | **(0.2)** | **(0.2)** |
| Adjustment for exchange differences | **-** | - | **0.5** | (2.5) | **0.1** | **-** |
| Present value of defined benefit obligation at 31 March | **676.9** | 629.2 | **33.0** | 31.0 | **32.8** | **0.8** |
| **Reconciliation of fair value of scheme assets:** | | | | | | |
| Fair value of scheme assets at 1 April | **524.6** | 494.8 | **29.7** | 28.8 | **-** | **-** |
| Pension asset acquired (note 11a) | - | - | - | - | **37.1** | - |
| Expected return on scheme assets | **34.6** | 34.3 | **1.8** | 2.2 | **0.6** | **-** |
| Actuarial gain/(loss) on scheme assets | **1.9** | 4.1 | **(2.8)** | 0.4 | **2.0** | **-** |
| Adjustment for exchange differences | **-** | - | **0.4** | (2.3) | **-** | **-** |
| **Actual return on scheme assets** | **36.5** | 38.4 | **(0.6)** | 0.3 | **2.6** | **-** |
| Employer contributions | **10.5** | 12.8 | **1.4** | 2.2 | **-** | **0.2** |
| Members' contributions | **-** | 2.0 | **-** | - | **-** | **-** |
| Benefits paid | **(21.1)** | (23.4) | **(1.7)** | (1.6) | **(0.2)** | **(0.2)** |
| **Fair value of scheme assets at 31 March** | **550.5** | 524.6 | **28.8** | 29.7 | **39.5** | **-** |

## 30 Pension commitments (continued)

**Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):**

| | UK | | Hong Kong | | Ireland | Japan |
|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | **2012** |
| **At 31 March** | | | | | | |
| Future average rate of increase in salaries | **N/A** | N/A | **4.5%** | 4.5% | **2.0%** | **1.0%** |
| Future average rate of increase for pensions in payment and deferred pensions | **1.8%** | 2.5% | **N/A** | N/A | **2.0%** | **N/A** |
| Future average rate used to discount liabilities | **5.2%** | 5.8% | **4.4%** | 4.5% | **5.0%** | **1.6%** |
| Retail price inflation | **3.2%** | 3.5% | **2.7%** | 2.7% | **2.0%** | **1.0%** |
| Consumer price inflation | **1.8%** | 2.5% | **N/A** | N/A | **N/A** | **N/A** |
| Pension increases: | | | | | | |
| - Pre 88 Guaranteed Minimum Pension | **0.0%** | 0.0% | **N/A** | N/A | **N/A** | **N/A** |
| - Post 88 Guaranteed Minimum Pension | **1.7%** | 2.3% | **N/A** | N/A | **N/A** | **N/A** |
| - NGMP accrued before 01/10/2006 (5% LPI) | **3.0%** | 3.3% | **N/A** | N/A | **N/A** | **N/A** |
| - Pension accrued after 31/09/2006 (2.5% LPI) | **2.0%** | 2.3% | **N/A** | N/A | **N/A** | **N/A** |

NGMP – Non Guaranteed Minimum Pension
LPI – Limited Price Indexation

Mortality 2012 & 2011

**UK**

PNA00 birth year mortality tables using the 92 series medium cohort projections, allowing for minimum improvements in mortality of 1% pa.

**Hong Kong**

| **Age** | **Mortality (%) Hong Kong Life Table 2001** | |
|---|---|---|
| | **Male %** | **Female %** |
| 25 | 0.041 | 0.015 |
| 30 | 0.052 | 0.016 |
| 35 | 0.075 | 0.037 |
| 40 | 0.102 | 0.063 |
| 45 | 0.162 | 0.094 |
| 50 | 0.277 | 0.152 |
| 55 | 0.445 | 0.219 |

Cash commutation 2012 & 2011

**UK**

30% of members' pensions assumed to be taken as cash.

**Hong Kong**

N/A

**Assumed life expectations on retirement at age 65 for the UK, age 60 for Hong Kong, age 62 for Ireland and age 62 for Japan:**

| | UK | | Hong Kong | | Ireland | Japan |
|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | **2012** |
| | **Number of Years** | | **Number of Years** | | **Number of Years** | **Number of Years** |
| Retiring today | | | | | | |
| Males | **22.6** | 22.5 | **22.6** | 22.2 | **25.3** | **22.8** |
| Females | **25.0** | 24.9 | **27.7** | 27.4 | **26.7** | **28.8** |
| Retiring in 20 years | | | | | | |
| Males | **24.5** | 24.4 | **22.6** | 22.2 | **27.8** | **22.8** |
| Females | **26.9** | 26.8 | **27.7** | 27.4 | **28.9** | **28.8** |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions.

## 30 Pension commitments (continued)

**UK registered Scheme**
**History of experience gains and losses**

| | **2012** | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| | **£'m** | £'m | £'m | £'m | £'m |
| Defined benefit obligation | **(676.9)** | (629.2) | (608.5) | (492.0) | (511.8) |
| Scheme assets | **550.5** | 524.6 | 494.8 | 359.9 | 453.7 |
| Scheme deficit | **(126.4)** | (104.6) | (113.7) | (132.1) | (58.1) |
| | | | | | |
| Experience adjustments on scheme liabilities | **(14.0)** | (23.7) | 12.4 | 11.9 | (5.0) |
| Experience adjustments on scheme assets | **1.9** | 4.1 | 101.8 | (138.2) | (54.3) |

**Hong Kong registered Scheme**
**History of experience gains and losses**

| | **2012** | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| | **£'m** | £'m | £'m | £'m | £'m |
| Defined benefit obligation | **(33.0)** | (31.0) | (31.0) | (24.0) | (16.4) |
| Scheme assets | **28.8** | 29.7 | 28.8 | 20.5 | 22.1 |
| Scheme (deficit)/surplus | **(4.2)** | (1.3) | (2.2) | (3.5) | 5.7 |
| | | | | | |
| Experience adjustments on scheme liabilities | **-** | - | - | - | - |
| Experience adjustments on scheme assets | **(2.8)** | 0.4 | 6.2 | (10.8) | (0.5) |

**Ireland registered scheme**
**History of experience gains and losses**

| | **2012** |
|---|---|
| | **£'m** |
| Defined benefit obligation | **(32.8)** |
| Scheme assets | **39.5** |
| Scheme surplus | **6.7** |
| | |
| Experience adjustments on scheme liabilities | **0.3** |
| Experience adjustments on scheme assets | **(0.6)** |

**Japan registered scheme**
**History of experience gains and losses**

| | **2012** |
|---|---|
| | **£'m** |
| Defined benefit obligation | **(0.8)** |
| Scheme assets | **-** |
| Scheme deficit | **(0.8)** |
| | |
| Experience adjustments on scheme liabilities | **-** |
| Experience adjustments on scheme assets | **-** |

**Estimated contributions**

The employer's best estimate of contributions to be paid to the defined benefit schemes next year are:

| | **UK** | **Hong Kong** | **Ireland** | **Japan** |
|---|---|---|---|---|
| | **£'m** | **£'m** | **£'m** | **£'m** |
| Employer | **9.5** | **1.6** | **-** | **-** |
| Employees | **-** | **-** | **-** | **-** |
| | | | | |
| | **9.5** | **1.6** | **-** | **-** |

**Defined contribution schemes**

The Group has also made payments to defined contribution schemes of £19.1m (2011: £14.1m).

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