

ARUP NORTH AMERICA LIMITED
FINANCIAL STATEMENTS AND REPORTS
FOR THE YEAR ENDED 31 MARCH 2020

ARUP NORTH AMERICA LIMITED
FINANCIAL STATEMENTS AND REPORTS
FOR THE YEAR ENDED 31 MARCH 2020

Contents	Pages
Strategic report	1 - 3
Directors' report	4 - 6
Independent auditors' report	7 - 8
Income statement	9
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12 - 28

ARUP NORTH AMERICA LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2020

The directors present their strategic report for Arup North America Limited (the "Company") for the year ended 31 March 2020 which has been approved by the board of directors.

The Company is an indirect subsidiary of Arup Group Limited (the "Group").

Review of the business

These are the results for the Company for the financial year ended 31 March 2020. The results show a profit for the financial year of £2,635,912 (2019: £566,151).

The net assets as at 31 March 2020 are £7,624,066 (2019: £16,017,793).

The performance and development of the Company is in line with the expectations of the directors, despite the disruption and uncertainties in the local market during the latter part of the financial year. Both the size of operation and business have grown during the year, and the confirmed work for the Company at the end of the year is consistent with the size and the diversity of the business.

Risk Management

Formal risk reporting and management is embedded within the Group's management bodies so that emerging risks can be identified, escalated and addressed as appropriate. Further details are provided within the 'Opportunities and risks' section within the Arup Group Limited Governance Report.

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 Company. In calculating profit per person, profit is stated before income tax, dividends and staff profit-sharing. For the year ended 31 March 2020, revenue per person was £255,334 (2019: £237,616) and profit per person was £20,342 (2019: £11,819).
- Staff turnover is a key non-financial measure of business performance. For the year ended 31 March 2020, staff turnover was 14.0% (2019: 15.5%).

The ability to continue to secure new projects, particularly in light of COVID-19 and geo-political tensions, remains a key risk going forward. There are uncertainties as to the volume of new work that can be secured as well as in relation to the continuation of existing projects, and new trade barriers may increase the challenges of international trade and mobility of members. The situation is being monitored closely and actions taken as needed to balance costs, staffing and revenue. Current workload remains strong, and the directors expect the business to remain resilient for the foreseeable future.

The Group has recently undertaken a further review of risk themes, current and emerging, that will be priorities for the 2020/2021 financial year. These will be cascaded down and adopted by the Company as applicable.

Section 172(1) Statement

Arup's strong culture is values driven and these values are derived from the beliefs and convictions of our founder, Sir Ove Arup, which were identified in his Key Speech in 1970. The Key Speech still guides us to this day and is required reading for everyone joining Arup. For more information on the Key Speech, please refer to our website:

www.arup.com/perspectives/publications/speeches-and-lectures/section/ove-arup-key-speech

We believe our aims and values identified in the Key Speech align with S.172 of the Companies Act 2006 and the board of directors ("Board") consider collectively and individually that they have made decisions during the financial year to 31 March 2020 that they consider would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole, having regard to the matters set out in S.172 (1) (a) to (f).

The Board, via a delegated authority policy, delegate day to day authority to a Management Executive who make the operational decisions and engage with the key stakeholders on behalf of the Board. Members of the Board are part of the Management Executive. The Board receives operational reports from the Management Executive twice a year and compliance updates from business functions. Matters reserved for the Board are in place. No principal decisions were made by the Board in the year.

ARUP NORTH AMERICA LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2020

Stakeholder Engagement

Our commitment to shaping a better world shapes the choices that we make at all levels in the firm: in the work that we do and the way that we do it; in our investment into our membership; in the quality of our relationships with clients and collaborators; and in the decisions of all the bodies tasked with managing the firm.

As detailed above, the Board delegates the day to day operational management within the Company to a Management Team who have overall responsibility for business operations and performance, the delivery of operating plans, the success and wellbeing of members and delivering value and a high quality of service to clients. The Management Team share the commitment outlined above and adherence to Arup Group policies that have been adopted by the Company. The Management Team reports to the Board at quarterly board meetings on performance and key business decisions that have been taken in relation to the Company's stakeholders.

Details of the Company's key stakeholders how they have been engaged with during the year and how the key stakeholders' interests have been taken into account are given below.

Stakeholder	Who are they?	Why are they important to	Board engagement
Members	Everyone employed by the Company	Maintaining a highly skilled workforce is key to the future of the Company and the Group. We aim to keep our workforce fully engaged to attract and retain the best people.	<ul style="list-style-type: none"> - A 'Working at Arup' survey is conducted every three years with the purpose to measure members' levels of satisfaction and engagement. - A Bi-annual Arup Performance Report is sent to all members with regular events, online meetings and news which keeps our members informed of the business. - Monthly newsletters are emailed to all members with leadership updates, including people matters, health and safety updates and the Company's financial performance. Employees are encouraged to share their stories in this newsletter that they would like the business to hear. - Our members are encouraged to raise any matters of concern with the Region Ethics Champion, Group Ethics Director, Group Legal Director or emailed to the ethics mailbox. - The Board and management conduct visits to offices and sites.
Clients	Everyone who contracts Arup's services; public and private sector	They provide the opportunities to use our skills to deliver solutions they will value.	<ul style="list-style-type: none"> - Professional engagement on projects by attending important client meetings, obtaining feedback and carrying out project reviews as necessary. - Issues of concern raised by clients are escalated to the Chair or Chief Operating Officer of the Region who ensure that matters are satisfactorily closed out including personal involvement as necessary. - The directors regularly attend industry events and host seminars and workshops to share their experience and skills. - Membership of the World Economic Forum. - In order to support our clients through COVID-19, webinars were organised to share knowledge and insights relating to reshaping business strategy for the post COVID-19 world.
Collaborators and Suppliers	Everyone we have a direct working relationship with including joint-venture partners, suppliers and industry organisations	To deliver excellence, we recognise that we may need to supplement capacity or introduce niche expertise.	<ul style="list-style-type: none"> - Board members hold senior positions in industry organisations; including the Chief Operating Officer and Chair of Management as well as many other organisations relevant to the wide spectrum of the Company's activities. - We aim to treat our suppliers fairly and with respect, and to pay for services promptly in line with reasonable contractual terms.

ARUP NORTH AMERICA LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2020

Stakeholder Engagement (continued)

Stakeholder	Who are they?	Why are they important to	Board engagement
Society	Those who are impacted or influenced by our work including end-users, communities local to our projects, charities.	Our vision to shape a better world is all encompassing; social usefulness and sustainable development are key outcomes.	<ul style="list-style-type: none"> - The Company has partnerships with influencers The US Green Building Council, Partnership for New York, Ellen MacArthur Foundation's Network and the board engages with government and regulators to influence policy forming processes by submitting responses and opinions. - The Group as a whole has committed to net-zero carbon emissions by 2030. The Company is already working with government, infrastructure, property and corporate clients to help them set and achieve significant reductions in their carbon emissions. - Community Engagement Programme - the Group has a Community Engagement Committee which manages community projects. During this financial year, the focus was on diversity and inclusion, underserved communities and education. - The Company's tax strategy aligns with being an ethical corporate citizen and we pay the right amount of tax when it becomes payable.

On behalf of the Board



 P A Coughlan
 Director

30 October 2020

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

ARUP NORTH AMERICA LIMITED**DIRECTORS' REPORT****FOR THE YEAR ENDED 31 MARCH 2020**

The directors present their report together with the audited financial statements of the Company for the year ended 31 March 2020 which were approved by the board of directors.

Principal activities

The Company practices in the field of design and consulting engineering services, in architecture and in other related professional skills, principally in the United States of America.

The Company operates a branch in the United States of America.

General information

The Company is a private limited company registered in England and Wales under company number 02094896 at registered address 13 Fitzroy Street, London W1T 4BQ, UK. The Company's parent company is Arup Americas Inc registered in New York, United States under incorporation number 20-2947258 and the Company's ultimate parent company is Arup Group Limited registered in England and Wales under company number 01312454.

Future developments

The Company will continue to operate in similar markets and has a solid, diversified portfolio. To ensure that the firm is positioned for long term success the Group takes into account a broad range of factors including: the level of committed work and future work prospects; Arup's reputation and our ability to attract good quality projects and clients; the diversification of the business by service, business sector and geography; actual and projected cashflow and the sufficiency of access to financial resources and our ability to attract highly talented members.

For the year ended 31 March 2020, the Company was not materially impacted by the COVID-19 pandemic. Actions have been taken by the Group to preserve cash and reduce operational costs owing to the uncertain impact on the business and to build in future resilience. At the time of signing the financial statements, the pipeline of work is being proactively monitored.

Dividends

The directors do not recommend a dividend for the year ended 31 March 2020 (2019: £12,000,000). A final dividend of £12,000,000 was paid in the year ended 31 March 2020 and is reflected in these financial statements (2019: nil).

Directors

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

L E Argiris
P A Coughlan (Appointed 16 September 2019)
A S Howard
J R Quiter
M S Tweedie (Resigned 30 August 2019)

Directors' remuneration

Directors' remuneration has been disclosed in note 5 to the financial statements.

Only directors employed by the Company receive remuneration from the Company.

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 independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office for another financial year.

ARUP NORTH AMERICA LIMITED**DIRECTORS' REPORT (continued)****FOR THE YEAR ENDED 31 MARCH 2020****Financial risk management**

The Company'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 Company's operations.

The Company 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 Company 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 Company 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 Company'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.

Employees

The maintenance of a diverse and highly skilled workforce is key to the future of the Group. Health, safety and wellbeing matters are regularly reviewed by the directors in accordance with the Group's Health, Safety and Wellbeing policy via a number of associated policies, procedures and roles to enable all parts of the Group to comply with that policy and to fulfil all relevant statutory duties and other legal requirements.

It is the Group's 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 bonus plan.

Engagement with other stakeholders is further detailed in the Strategic Report 'Stakeholder Engagement'.

Going concern

These financial statements have been prepared on the going concern basis. Note 1 in the notes to the financial statements provides further information.

ARUP NORTH AMERICA LIMITED**DIRECTORS' REPORT (continued)****FOR THE YEAR ENDED 31 MARCH 2020****Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, 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 Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

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.

On behalf of the Board



P A Coughlan
Director

30 October 2020

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**ARUP NORTH AMERICA LIMITED****FOR THE YEAR ENDED 31 MARCH 2020****Report on the audit of the financial statements*****Opinion***

In our opinion, Arup North America Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS101 "Reduced Disclosure Framework", and applicable law); and
- 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 Balance sheet as at 31 March 2020; the Income statement and Statement of comprehensive income, and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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 company 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 where:

- 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 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

ARUP NORTH AMERICA LIMITED (continued)

FOR THE YEAR ENDED 31 MARCH 2020

Strategic 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 2020 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.

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 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 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. 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 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
 30 October 2020

ARUP NORTH AMERICA LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> £	<u>Restated*</u> <u>2019</u> £
Revenue	3	174,648,687	157,539,721
Employee benefit expense	4	(77,433,486)	(72,421,382)
Charges from sub-consultants and other direct project expenses		(35,088,747)	(33,514,952)
Depreciation and amortisation expense	9, 10 & 15	(3,130,940)	(1,296,424)
Accommodation		(332,837)	(1,910,389)
Communications and other overheads		(51,017,041)	(48,597,487)
		<u>(167,003,051)</u>	<u>(157,740,634)</u>
Operating profit / (loss)	6	7,645,636	(200,913)
Finance costs	7	(43,358)	-
Profit / (loss) before income tax		7,602,278	(200,913)
Income tax (charge) / credit	8	(4,966,366)	767,064
Profit for the financial year		<u>2,635,912</u>	<u>566,151</u>

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	<u>2020</u> £	<u>2019</u> £
Profit for the financial year	2,635,912	566,151
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation gains	970,361	1,080,542
Other comprehensive income for the year, net of tax	970,361	1,080,542
Total comprehensive income for the year	<u>3,606,273</u>	<u>1,646,693</u>

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

*The prior year financial statements were restated. The impact of this is explained in note 16.

ARUP NORTH AMERICA LIMITED

BALANCE SHEET

AS AT 31 MARCH 2020

	<u>Note</u>	<u>31 March</u> <u>2020</u> £	<u>Restated*</u> <u>31 March</u> <u>2019</u> £
Assets			
Non-current assets			
Property, plant and equipment	9	3,299,761	2,539,283
Right-of-use assets	15	1,128,820	-
Intangible assets	10	74,695	80,081
Deferred income tax assets	17	2,637,723	2,476,540
Financial assets at fair value through profit or loss	11	-	918
		<u>7,140,999</u>	<u>5,096,822</u>
Current assets			
Trade and other receivables	12	58,280,255	57,097,561
		<u>58,280,255</u>	<u>57,097,561</u>
Total assets		<u>65,421,254</u>	<u>62,194,383</u>
Liabilities			
Current liabilities			
Trade and other payables	13	52,149,590	45,448,668
		<u>52,149,590</u>	<u>45,448,668</u>
Non-current liabilities			
Deferred income tax liabilities	17	5,647,598	658,082
Other non-current liabilities	14	-	69,840
		<u>5,647,598</u>	<u>727,922</u>
Total liabilities		<u>57,797,188</u>	<u>46,176,590</u>
Net assets		<u>7,624,066</u>	<u>16,017,793</u>
Equity			
Share capital	18	1,000,000	1,000,000
Retained earnings		<u>6,624,066</u>	<u>15,017,793</u>
Total equity		<u>7,624,066</u>	<u>16,017,793</u>

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

*The prior year financial statements were restated. The impact of this is explained in note 16.

The financial statements on pages 9 to 28 were approved and authorised for issue by the board of directors and signed on its behalf by:



P A Coughlan
Director
30 October 2020

ARUP NORTH AMERICA LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	<u>Share capital</u> £	<u>Retained earnings</u>	<u>Total equity</u> £
Balance as at 1 April 2018	1,000,000	13,371,100	14,371,100
Profit for the financial year	-	566,151	566,151
Currency translation differences - gains	-	1,080,542	1,080,542
Other comprehensive income for the year	-	1,080,542	1,080,542
Total comprehensive income for the year	-	1,646,693	1,646,693
Dividends	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-
Balance as at 31 March 2019	<u>1,000,000</u>	<u>15,017,793</u>	<u>16,017,793</u>
Profit for the financial year	-	2,635,912	2,635,912
Currency translation differences - gains	-	970,361	970,361
Other comprehensive income for the year	-	970,361	970,361
Total comprehensive income for the year	-	3,606,273	3,606,273
Dividends	-	(12,000,000)	(12,000,000)
Total transactions with owners, recognised directly in equity	-	(12,000,000)	(12,000,000)
Balance as at 31 March 2020	<u><u>1,000,000</u></u>	<u><u>6,624,066</u></u>	<u><u>7,624,066</u></u>

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 BASIS OF PREPARATION

Arup North America 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.

These financial statements have been prepared in accordance with FRS 101 and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

The preparation of financial statements in conformity with FRS 101 requires 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 financial statements are disclosed in note 2.

The following exemptions from the requirements of International Financial Reporting Standards ("IFRS or IFRSs") 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);
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers';
- The requirements of paragraph 52, paragraph 58, the second sentence of paragraph 89 and paragraphs 90, 91 and 93 of IFRS 16, 'Leases';
- Paragraph 38 of International Accounting Standards ("IAS") 1, 'Presentation of Financial Statements' comparative
 - 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);
 - 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 IFRS);
 - 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 party transactions entered into between two or more members of a group providing that the parties are wholly owned by the group).

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

1 BASIS OF PREPARATION (continued)**Going concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have obtained assurance of financial support from its parent company and other relevant entities within the Group, for a period of at least 12 months from the reporting date. The Group has performed analysis on future projections including a potential scenario that may result from the negative impact of COVID-19 on future trading. The Group are satisfied it has sufficient financial resources and, as such, the Company's financial statements have been prepared on the going concern basis.

Changes in accounting policy and disclosures***New standards, amendments and interpretations***

The Company adopted IFRS 16 on 1 April 2019. The impact of the new standard on the Company is explained in note 23. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 March 2020, that have had a material impact on the Company.

New standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

Foreign currency translation***Functional and presentation currency***

The Company's functional currency is the US dollar. The financial statements are presented in pound sterling (£), which is the Company'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 Company 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 Company classifies its financial assets in the following categories:

- those to be measured subsequently at fair value through profit or loss ("FVPL");
- those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

1 BASIS OF PREPARATION (continued)**Financial assets (continued)*****Recognition and derecognition***

Purchases and sales of financial assets are recognised on trade date being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in communications and other overheads together with foreign exchange gains and losses and impairment losses.

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***

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

The Company applies the simplified approach for IFRS 9, 'Financial Instruments', when measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on payment profiles of sales over a period of 36 months for the three preceding financial years (excluding the current financial year) and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on the customers' ability to settle the receivables.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may not, by definition, equal the related actual results. The significant estimates and assumptions over the carrying amounts of assets and liabilities are addressed below.

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Contract accounting (estimates and judgements)

The Company's revenue accounting policy (note 3) is central to how the Company 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 estimates and judgements to be made on changes in, for example, percentage completion, work scope and costs to completion. While the estimates 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.

Measuring the outcome of the performance obligations can take time due to the multi-year lifespan of the Company's contracts. Assuming the project is forecasted to make a profit, the Company recognises revenue only to the extent of the costs incurred until the project reaches 50% complete on a standard risk project and 95% on a high risk project.

Impairment of trade receivables and contract assets (estimates and judgements)

The Company makes an estimate of the recoverable value of contract assets. When assessing impairment, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the simplified approach for IFRS 9 when measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See note 12 for the net carrying amount of the receivables and associated impairment provision.

Impairment of trade and other receivables (judgements)

Due to the nature of the Company, it has a significant receivable due from Group undertakings. When assessing impairment, management have considered inter-group agreements and historical experience. As a result of this the expected credit loss is deemed to be immaterial.

Lease accounting (judgements)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). In light of the impact COVID-19 has had on Arup employees working from home, where a lease has the option to extend management have made the judgement that it will not be extended unless there is evidence otherwise.

3 REVENUE

The Company 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 contract assets within trade and other receivables. For contracts on which fees rendered exceed revenue, the excess is included as contract liabilities 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.

The total revenue recognised in the year that was included in contract liabilities at the beginning of the year was £24,869,756 (2019: £26,516,299).

The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £120,835,492 (2019: £105,458,612).

	<u>2020</u>	<u>2019</u>
	£	£
Revenue by destination		
Americas	157,675,279	149,521,366
Middle East & Africa	7,691,797	807,563
United Kingdom	5,100,557	4,449,224
Asia	3,101,685	1,589,252
Australasia	592,712	687,033
Europe	486,657	485,283
	<u>174,648,687</u>	<u>157,539,721</u>

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

4 EMPLOYEE BENEFIT EXPENSE	<u>2020</u> £	<u>2019</u> £
Wages and salaries	59,236,496	54,120,494
Staff bonus	6,311,687	8,037,101
Social security costs	4,315,137	4,154,676
Pension contributions	5,022,161	4,769,588
Redundancy costs	651,497	6,623
Other staff costs	1,896,508	1,332,900
	<u>77,433,486</u>	<u>72,421,382</u>
Average monthly number of people employed	<u>2020</u> Number	<u>2019</u> Number
Engineering and technical staff	569	543
Administrative staff	115	120
	<u>684</u>	<u>663</u>

Staff bonus

The Company recognises a liability and expense for staff bonus, which is the staff profit-sharing, based on a formula that takes into consideration the employee's salary, length of service and grade.

Pension obligations

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company 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.

For defined contribution plans, the Company pays contributions to publicly or privately administrated pension insurance plans on a mandatory contractual or voluntary basis. The Company 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.

5 DIRECTORS' REMUNERATION

The directors' remuneration was as follows:

	<u>2020</u> £	<u>2019</u> £
Aggregate remuneration	1,132,026	1,086,862
Aggregate contributions paid to defined contribution schemes	73,623	68,178
	<u>1,205,649</u>	<u>1,155,040</u>

The highest paid director's remuneration was as follows:

	<u>2020</u> £	<u>2019</u> £
Remuneration	688,094	657,739
Contributions paid to defined contribution schemes	44,631	40,307
	<u>732,725</u>	<u>698,046</u>

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

6 OPERATING PROFIT / (LOSS)	<u>2020</u>	<u>Restated</u>
	£	£
This is stated after charging / (crediting):		
During the year, the Company obtained the following services from the Company's auditors:		
Audit of Company financial statements	34,643	32,000
Loss on disposal of property, plant and equipment	9,305	360,977
Profit on exchange from trading activities	(275,757)	(105,739)
Operating leases - land and buildings	-	819,107
Loss allowance on trade receivables	969,810	(34,229)
Loss allowance on contract assets	8,418	(3,266)
Impairment of trade receivables	45,602	349,637
Amortisation of intangible assets	65,085	60,977
Depreciation of property, plant and equipment	1,848,050	1,235,447
Depreciation of right-of-use assets	<u>1,217,805</u>	<u>-</u>

For the year ended 31 March 2019 depreciation of property, plant and equipment was overstated by £1,239,865, operating leases - land and buildings was overstated by £5,450,053, and communications and other overheads was understated by £6,000,006. Further information is set out in note 16.

7 NET FINANCE COSTS	<u>2020</u>	<u>2019</u>
	£	£
Lease liabilities	43,310	-
Other finance costs	48	-
Total finance costs	<u>43,358</u>	<u>-</u>
Net finance costs	<u>43,358</u>	<u>-</u>

8 INCOME TAX CHARGE / (CREDIT)

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 operates and generates taxable income.

(a) Analysis of total tax charge / (credit)	<u>2020</u>	<u>2019</u>
	£	£
Current income tax		
- Non-UK: current income tax on profits for the year	166,611	12,275
- Non-UK: adjustment in respect of prior years	5,400	156,444
Total current income tax	<u>172,011</u>	<u>168,719</u>
Deferred income tax (note 17)		
- origination and reversal of temporary differences	3,759,014	(582,373)
- under / (over) provision of deferred income tax in respect of prior years	1,035,341	(353,410)
Total deferred income tax	<u>4,794,355</u>	<u>(935,783)</u>
Total tax charge / (credit)	<u>4,966,366</u>	<u>(767,064)</u>

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

8 INCOME TAX CHARGE / (CREDIT) (continued)

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

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

	<u>2020</u> £	<u>2019</u> £
Profit / (loss) before income tax	<u>7,602,278</u>	<u>(200,913)</u>
Profit / (loss) multiplied by the standard rate of corporation tax in the UK	1,444,433	(38,174)
Effects of:		
Group relief	1,562,784	-
Impact of change in accounting standards	-	(12,786)
Expenses not deductible for tax purposes	298,996	36,224
Research and development tax credits	-	(607,408)
Impact of non-UK tax	619,412	52,046
Adjustment in respect of prior years	<u>1,040,741</u>	<u>(196,967)</u>
Total tax charge / (credit)	<u><u>4,966,366</u></u>	<u><u>(767,064)</u></u>

(c) Factors affecting current and future tax charges

The rate of UK corporation tax reflected in these financial statements is 19% (2019: 19%). In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted in September 2016). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had been substantively enacted at the balance sheet date, its effects are included in these financial statements for deferred tax purposes.

For the year ending 31 March 2020 a local tax rate of 28% (2019: 27%) has been used to calculate deferred income tax assets and liabilities.

9 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

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:

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

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Leasehold property</u>	<u>Furniture, fittings & IT hardware</u>	<u>Total</u>
	£	£	£
Cost			
Balance at 1 April 2019 (restated)	3,435,968	7,085,623	10,521,591
Additions	-	2,458,806	2,458,806
Disposals	(1,394,851)	(2,449,633)	(3,844,484)
Adjustment for exchange differences	98,322	450,869	549,191
Balance at 31 March 2020	<u>2,139,439</u>	<u>7,545,665</u>	<u>9,685,104</u>
Accumulated depreciation			
Balance at 1 April 2019 (restated)	3,300,504	4,681,804	7,982,308
Charge for the year	46,906	1,801,144	1,848,050
Disposals	(1,394,852)	(2,440,328)	(3,835,180)
Adjustment for exchange differences	146,431	243,734	390,165
Balance at 31 March 2020	<u>2,098,989</u>	<u>4,286,354</u>	<u>6,385,343</u>
Net book value at 31 March 2020	<u>40,450</u>	<u>3,259,311</u>	<u>3,299,761</u>
Net book value at 31 March 2019 (restated)	135,464	2,403,819	2,539,283

As at 31 March 2019 leasehold property cost was overstated by £25,703,237, leasehold property accumulated depreciation was overstated by £3,912,948 and leasehold property net book value was overstated by £21,790,289. Further information is set out in note 16.

10 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.

	<u>Computer software</u>
	£
Cost	
Balance at 1 April 2019	700,019
Additions	55,492
Disposals	(4,988)
Adjustment for exchange differences	40,577
Balance at 31 March 2020	<u>791,100</u>
Accumulated amortisation	
Balance at 1 April 2019	619,938
Charge for the year	65,085
Disposals	(4,988)
Adjustment for exchange differences	36,370
Balance at 31 March 2020	<u>716,405</u>
Net book value at 31 March 2020	<u>74,695</u>
Net book value at 31 March 2019	80,081

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2020</u>	<u>2019</u>
	£	£
Balance at 1 April	918	851
Disposals	(942)	-
Adjustment for exchange differences	24	67
Balance at 31 March	<u>-</u>	<u>918</u>

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

12 TRADE AND OTHER RECEIVABLES	<u>2020</u> £	<u>Restated</u> <u>2019</u> £
Trade receivables - net	28,640,382	19,263,568
Contract assets - net	10,793,894	7,014,597
Amounts due from Group undertakings	17,440,389	25,141,586
Non-UK corporation tax receivable	324,284	304,385
Other receivables	832,157	1,201,224
Prepayments and accrued income	249,149	4,172,201
	<u>58,280,255</u>	<u>57,097,561</u>

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

As at 31 March 2019 amounts due from Group undertakings were understated by £12,995,226, other receivables were overstated by £3,690,325 and prepayments and accrued income were overstated by £614,250. Further information is set out in note 16.

Trade receivables

	<u>2020</u> £	<u>2019</u> £
Trade receivables	31,165,820	20,710,815
Loss allowance	<u>(2,525,438)</u>	<u>(1,447,247)</u>
	<u>28,640,382</u>	<u>19,263,568</u>

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.

Contract assets

	<u>2020</u> £	<u>2019</u> £
Contract assets	10,838,714	7,048,846
Loss allowance	<u>(44,820)</u>	<u>(34,249)</u>
	<u>10,793,894</u>	<u>7,014,597</u>

Contract assets represent unbilled revenue on contracts. Generally, at the balance sheet date the unbilled revenue has not been invoiced due to a payment schedule being in place.

Amounts due from Group undertakings

Amounts due from Group undertakings are unsecured, have no date of repayment and are repayable on demand. Interest is accrued on inter-group loans with a rate in the range of 1-10.25% (2019: 0-10%).

The Company has assessed the ability of Group companies to meet their inter-group liabilities. Based on this review we deem the expected credit losses of amounts due from Group undertakings to be nil.

Pre-contract costs

The Company accounts for all pre-contract costs in accordance with IFRS 15. Costs incurred before it becomes probable that a contract will be obtained are charged to expenses, unless they meet the definition of a fulfilment cost.

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

13 TRADE AND OTHER PAYABLES	<u>2020</u>	<u>Restated</u> <u>2019</u>
	£	£
Contract liabilities	22,489,052	24,869,756
Amounts owed to Group undertakings	14,067,028	11,795,202
Accrued expenses	13,686,874	7,943,295
Other payables	556,060	519,706
Taxation and social security costs	-	246,147
Lease liabilities	1,350,576	-
Lease incentives	-	74,562
	<u>52,149,590</u>	<u>45,448,668</u>

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

As at 31 March 2019 accrued expenses were overstated by £2,153,730 and other payables were overstated by £67,174. Further information on this is set out in note 16.

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.

Contract liabilities

Contract liabilities represents revenue on contracts billed in advance of performing the related services.

Amounts owed to Group undertakings

Amounts owed to Group undertakings are unsecured, have no date of repayment and are repayable on demand. Interest is accrued on inter-group loans with a rate in the range of 1-10.25% (2019: 0-10%).

14 OTHER NON-CURRENT LIABILITIES

	<u>2020*</u> <u>Lease</u> <u>incentives</u>	<u>Restated</u> <u>2019</u> <u>Lease</u> <u>incentives</u>
	£	£
Later than one year and no later than two years	-	69,840
Later than two years and no later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>69,840</u>

As at 31 March 2019 other non-current liabilities were overstated by £10,878,734. Further information is set out in note 16.

*The Company adopted IFRS 16 from 1 April 2019 using the modified transition approach. Lease incentives have been incorporated into the IFRS 16 calculation.

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

15 LEASES

This note provides information for leases where the Company is the lessee.

(i) Amounts recognised in the balance sheet

	<u>31 March 2020</u>	<u>1 April 2019*</u>
	£	£
Right-of-use assets		
Buildings	1,128,820	2,254,980
	<u>1,128,820</u>	<u>2,254,980</u>
Lease liabilities		
Current	1,350,576	1,104,407
Non-current	-	1,279,047
	<u>1,350,576</u>	<u>2,383,454</u>

*For adjustments recognised on adoption of IFRS 16 on 1 April 2019, please refer to note 23.

Additions to the right-of-use assets during the 2020 financial year was nil.

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	<u>2020</u>	<u>2019**</u>
	£	£
Depreciation charge of right-of-use assets		
Buildings	1,217,805	-
	<u>1,217,805</u>	<u>-</u>
Interest expense (included in finance costs)	43,310	-
Expense relating to short-term leases (included in communications and other overheads)	472,206	-

**The Company initially applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated.

The total cash outflow for leases in the year ended 31 March 2020 was £1,177,388.

(iii) The Company's leasing activities and how these are accounted for

The Company leases one office. Rental contracts are typically made for fixed periods of 1 year to 15 years, but may have extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of property for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the year ended 31 March 2019, leases were classified as either finance leases or operating leases. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

15 LEASES (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

If the Company is exposed to potential future increases in variable lease payments based on an index or rate, they are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use buildings are not revalued.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

(iv) Extension and termination options

Extension and termination options are included in the Company's office lease. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

(v) Variable lease payments

The Company has not entered into leases with variable payment or payments tied to the performance of the business.

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

16 COMMITMENTS

Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases (under IAS 17) are as follows:

	<u>2020*</u> <u>Property</u> £	<u>Restated</u> <u>2019</u> <u>Property</u> £
No later than one year	-	1,146,584
Later than one year and no later than five years	-	1,279,047
Later than five years	-	-
	<u> </u>	<u> </u>

*From 1 April 2019, the Company has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 15 and note 23 for further information.

During the year ended 31 March 2020, an error was discovered in the allocation of certain lease related payments and receipts and certain leasehold property assets between the Company and Arup Services New York Limited. Whilst this impact was nil for the Group as a whole, for the Company the error resulted in an overstatement of leasehold property assets and accumulated depreciation recognised for the 2019 and prior financial years. The error has been corrected by restating each of the affected financial statement line items for the prior year.

As at 31 March 2019 operating lease commitments were overstated by £65,211,108.

The correction also affected some of the amounts disclosed in notes 6, 9, 12, 13 and 14.

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

17 DEFERRED INCOME TAX

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:

	<u>2020</u>	<u>2019</u>
	£	£
Deferred income tax assets		
- deferred income tax assets to be recovered after more than 12 months	2,637,723	2,476,540
- deferred income tax assets to be recovered within 12 months	-	-
	<u>2,637,723</u>	<u>2,476,540</u>
Deferred income tax liabilities		
- deferred income tax liabilities to be recovered after more than 12 months	(5,647,598)	(658,082)
- deferred income tax liabilities to be recovered within 12 months	-	-
	<u>(5,647,598)</u>	<u>(658,082)</u>
Deferred income tax (liabilities) / assets (net)	<u><u>(3,009,875)</u></u>	<u><u>1,818,458</u></u>

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

	<u>2020</u>	<u>2019</u>
	£	£
At 1 April 2019 / 2018	1,818,458	815,315
(Under) / over provision of deferred income tax in respect of prior years	(1,035,341)	353,410
Deferred income tax (charged) / credited to the income statement	(3,759,014)	582,373
Adjustment for exchange differences	(33,978)	67,360
Deferred income tax at 31 March 2020 / 2019	<u><u>(3,009,875)</u></u>	<u><u>1,818,458</u></u>

Deferred income tax liabilities

	<u>Impact of change in accounting standards</u>	<u>Accelerated tax depreciation</u>	<u>Temporary differences on leases</u>	<u>Other</u>	<u>Total</u>
	£	£	£	£	£
At 1 April 2018	137,491	25,360	-	560,248	723,099
(Credited) / charged to the income statement	(147,609)	(25,360)	-	92,953	(80,016)
Adjustment for exchange differences	10,118	-	-	4,881	14,999
At 31 March 2019	-	-	-	658,082	658,082
Charged to the income statement	-	3,930,184	306,968	595,477	4,832,629
Adjustment for exchange differences	-	105,463	9,101	42,323	156,887
At 31 March 2020	-	4,035,647	316,069	1,295,882	5,647,598

Deferred income tax assets

	<u>Unutilised tax depreciation</u>	<u>Provisions</u>	<u>Temporary differences on leases</u>	<u>Other</u>	<u>Total</u>
	£	£	£	£	£
At 1 April 2018	-	1,205,214	-	333,200	1,538,414
Credited / (charged) to the income statement	209,290	(87,463)	-	733,940	855,767
Adjustment for exchange differences	(1,021)	93,591	-	(10,211)	82,359
At 31 March 2019	208,269	1,211,342	-	1,056,929	2,476,540
(Charged) / credited to the income statement	(208,269)	509,885	346,301	(609,643)	38,274
Adjustment for exchange differences	-	71,353	31,860	19,696	122,909
At 31 March 2020	-	1,792,580	378,161	466,982	2,637,723

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

18 SHARE CAPITAL	<u>2020</u>	<u>2019</u>
	£	£
Issued, called up and fully paid:		
1,000,000 (2019: 1,000,000) ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

19 CONTINGENT LIABILITIES

As a part of the ordinary business activities of the Company, claims may arise in relation to work undertaken by the Company. A Professional Indemnity Insurance policy has been taken to substantially cover any such claims that may arise from time to time. In addition, the Company is party to insurance club arrangements organised by Arup Group Limited. Under these arrangements all liabilities from individual claims exceeding a certain threshold and up to the limit provided by external insurers are incurred by a related entity of the Company.

The Company is one of several Group companies that act as a guarantor for the Group's banking facility. The Company does not expect this to be called upon.

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

20 RELATED PARTIES

The following transactions were carried out with related parties that are not 100% owned by the Group:

Company	2020			2019		
	Revenue £	Expenses £	Receivable / (payable) £	Revenue £	Expenses £	Receivable / (payable) £
AAC, Inc.	-	9,968	-	-	-	-
Arup (Pty) Ltd	-	-	5,213	423	5,748	3,181
Ove Arup & Partners P.C.	2,337,526	5,120,567	(12,990,052)	1,705,536	5,075,482	(10,599,422)

21 CONTROLLING PARTY

The immediate parent undertaking of the Company is Arup Americas Inc., a company incorporated in the United States of America.

Arup Group Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements at 31 March 2020. The consolidated financial statements of Arup Group Limited are publicly available at 13 Fitzroy Street, London, W1T 4BQ, UK.

The ultimate parent undertakings and controlling parties are Ove Arup Partnership Employee Trust, Ove Arup Partnership Charitable Trust and The Arup Service Trust. These are the owners of Arup Group Limited. The controlling party is Ove Arup Partnership Charitable Trust.

The capital of Arup Group Limited 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.

22 DIVIDENDS

As at the date of the financial statements the directors do not recommend a dividend for the year ended 31 March 2020 (2019: £12,000,000). A dividend payment of £12 per ordinary share, amounting to a total dividend of £12,000,000 was paid in the year ended 31 March 2020 (2019: nil).

ARUP NORTH AMERICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

23 CHANGES IN ACCOUNTING STANDARDS

This note explains the impact of the adoptions of IFRS 16, 'Leases', on the Company's financial statements.

(i) Transition approach

The Company adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.4%.

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and interpretation 4, 'Determining whether an Arrangement contains a Lease'.

(iii) Measurement of lease liabilities

	£
Operating lease commitments disclosed as at 31 March 2019 (restated)	2,425,631
Discounted using the lessee's incremental borrowing rate of at the date of initial application	<u>(42,177)</u>
Lease liability recognised as at 1 April 2019	<u>2,383,454</u>
of which are:	
Current lease liabilities	1,104,407
Non-current lease liabilities	<u>1,279,047</u>
	<u>2,383,454</u>