

OVE ARUP HOLDINGS LIMITED
FINANCIAL STATEMENTS AND REPORTS
FOR THE YEAR ENDED 31 MARCH 2020

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FOR THE YEAR ENDED 31 MARCH 2020

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OVE ARUP HOLDINGS LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2020

The directors present their strategic report for Ove Arup Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 March 2020 which was approved by the board of directors (the "Board").

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

Review of the business

These are the results for the Group for the financial year ended 31 March 2020. The results show a profit for the financial year of £39.7m (2019: £25.6m).

The net assets as at 31 March 2020 are £223.7m (2019: £156.1m).

The performance and development of the Group 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 Group 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 Arup 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 member profit-sharing. For the year ended 31 March 2020, revenue per person was £142k (2019: £144k) and profit per person was £13k (2019: £13k).
- Staff turnover is a key non-financial measure of business performance. For the year ended 31 March 2020, staff turnover was 8.7% (2019: 8.5%).

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 Arup 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 Group as applicable.

Section 172(1) Statement

Arup Group'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 Section 172 ("S.172") of the Companies Act 2006 and the 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 Company is an intermediate holding company, the Group's operating subsidiaries, act within a governance framework with the day to day operational management, including employee and stakeholder engagement delegated to and carried out by management teams on behalf of the subsidiary companies. No principal decisions were made by the Board in the year. For further detail on the Company's governance arrangements, please refer to the Governance Statement in the Directors' Report.

OVE ARUP HOLDINGS LIMITED
STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2020

Section 172(1) Statement (continued)

Employee and other 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 noted, the Group's operating subsidiaries delegate the day to day operational management 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 teams share the commitment outlined above and adherence to Arup Group policies that have been adopted by the Company. The management teams report to the boards of the operating subsidiaries at either quarterly or half yearly board meetings on performance and key business decisions that have been taken in relation to the key stakeholders.

Details of the Group'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 us?	Board engagement
Members	Everyone employed by the Group.	Maintaining a highly skilled workforce is key to the future of the Group. We aim to keep our workforce fully engaged to attract and retain the best people.	<ul style="list-style-type: none"> - '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. - Periodically, determined by events, "town hall talks" are held either in person or via VC with members. Many other meetings with smaller groups of members are held each year. - Monthly newsletters are emailed to all members with leadership updates, including people matters, health and safety updates and financial performance. Employees are encouraged to share their stories in this newsletter that they would like the business to hear. There were no matters of material concern raised by the members in the Group. - 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. - Management conducted visits to offices and sites up until the impact of COVID-19. - November 2019, Ove Arup & Partners International Limited reported on the Gender Pay Gap data for the third year running to reaffirm the Arup Group's commitment to a diverse and inclusive workforce. - The Management team sets targets for achieving an acceptable gender balance in its recruitment including graduates and apprentices as part of its wider commitment to inclusion and diversity.

OVE ARUP HOLDINGS LIMITED
STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2020

Employee and other Stakeholder Engagement (continued)

Stakeholder	Who are they?	Why are they important to us?	Board engagement
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 of the UKIMEA or Chief Operating Officer (COO) of the Region who ensure that matters are satisfactorily closed out including personal involvement as necessary. During 2019-2020 there were a small number of instances where the Chair or COO had to react to a client concern in addition to normal proactive engagement with clients at a senior level. All concerns were closed out to the satisfaction of both parties and we have continued to work on projects for these clients. - Management 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.

OVE ARUP HOLDINGS LIMITED
STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2020

Employee and other Stakeholder Engagement (continued)

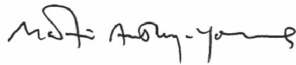
Stakeholder	Who are they?	Why are they important to us?	Board engagement
Collaborators and Suppliers	Everyone we have a direct working relationship with including joint-venture partners, suppliers and industry organisations.	To deliver excellence, we recognise that we may need to supplement capacity or introduce niche expertise.	<ul style="list-style-type: none"> - Members of the Management Team hold senior positions in industry organisations; including the Royal Academy of Engineering the Association for Consultancy and Engineering, Institution of Civil Engineering, Institution of Structural Engineers and many other organisations relevant to the wide spectrum of the Company's activities. - Where the Group engages sub-consultants, and suppliers of services and equipment to our offices, we seek to agree contractual terms which require compliance with Modern Slavery and Human Trafficking legislation. During the year the Group adopted an updated Business Integrity Code of Practice and Modern Slavery and Human Trafficking statement. - We aim to treat our suppliers fairly and with respect, and to pay for services promptly in line with reasonable contractual terms. - Changes to Ove Arup & Partners International Limited's payment terms and practices were agreed to ensure suppliers are paid within agreed contractual terms and that procedures for resolving disputed invoices are dealt with promptly and efficiently. - The Arup Group are signed up to the Prompt Payment Code and are committed to paying 95% of supplier invoices within 60 days. - Ove Arup & Partners International Limited also reports to the government on its payment practices, processes and performance every 6 months under the Reporting on Payment Practices and Performance Regulations. The board has actively reviewed payment statistics during the year. - In the longer term, work is underway to move vendors to 30 day payment terms as standard and to improve the Group's payment on time statistics.

OVE ARUP HOLDINGS LIMITED
STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2020

Employee and other Stakeholder Engagement (continued)

Stakeholder	Who are they?	Why are they important to us?	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"> - Community Engagement Programme the Arup Group has a Community Engagement Committee which manages community projects. During this financial year, the focus was on partnership support to homelessness and social mobility charities, including major fundraising events, community walks, school visits and talks. - The Group has partnerships with influencers e.g. The Carbon Trust and The Green Building Council and the Group engages with government and regulators to influence policy forming processes by submitting responses and opinions. - The Arup Group as a whole has committed to net-zero carbon emissions by 2030. The Management is already working with government, infrastructure, property and corporate clients to help them set and achieve significant reductions in their carbon emissions. - The Arup Group'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



M J Ansley-Young
Director

17 December 2020
Registered Office: 13 Fitzroy Street, London, W1T 4BQ, UK

OVE ARUP HOLDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2020

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

Principal activities

The Company is an intermediate holding company within the Arup Group. The Group practices in the field of design and consulting engineering services, architecture, project management and advisory services and other related professional skills.

Branches

The Group has registered branches in the United Kingdom, Abu Dhabi, Dubai, France, Peru and Oman. The branches in Doha, Poland and Moscow have ceased to trade and will de-register in due course.

General information

The Company is a private limited company registered in England and Wales under company number 07804146 at registered address 13 Fitzroy Street, London W1T 4BQ, United Kingdom. The Company's parent company is Arup Group Limited registered in England and Wales under company number 01312454.

Future developments

The Group will continue to operate in similar markets. To ensure that the firm is positioned for long term success the Board 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 cash flow and the sufficiency of access to financial resources and our ability to attract and retain highly talented members.

For the year ended 31 March 2020, the Group was not materially impacted by the Covid-19 pandemic. Actions have been taken by the Arup 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

As at the date of the financial statements the directors do not recommend a dividend for the year ended 31 March 2020 (2019: £2.4m). A dividend of £2.4m 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:

M J Ansley-Young
T G A Carfrae
P A Coughlan (Appointed 1 April 2019)

Directors' remuneration

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

Directors' indemnities

As permitted by the Company's Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Arup Group 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.

OVE ARUP HOLDINGS LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2020

Financial risk management

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

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

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

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

Research and development

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

Employees and projects

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

It is the Arup 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 Arup Group.

Engagement with employees and other stakeholder relationships is further detailed in the Strategic Report 'Employee and other Stakeholder Engagement'.

Streamlined Energy and Carbon Reporting ("SECR")

In October 2019 the Arup Group committed to be a net zero carbon organisation by 2030, for which we need to reduce absolute scope 1 and 2 greenhouse gas "GHG" emissions by 30% by 2025 from a 2018 base year. The Arup Group also commits to reduce absolute scope 3 GHG emissions by 20% by 2025 from a 2018 base year. The Arup Net Zero GHG Emissions Statement is publicly available under the policies section on Arup.com.

	2019/20	2018/19
UK energy use kWh ^[1]	17,593,665	18,925,532
Associated GHG emissions ^[2] tonnes CO ₂ equivalent (tCO ₂ e)	4,150	4,779
Intensity ratio tCO ₂ e per m ² Net Lettable Area	0.08	0.09

[1] Energy use associated with combustion of gas, combustion of fuel used for fleet vehicles and grey fleet (hire vehicles and personal mileage), electricity consumption and district heating.

[2] Associated greenhouse gases have been calculated using the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and UK Government Greenhouse Gas Conversion Factors for Company Reporting 2019.

During the year, the following energy efficiency actions were taken for the UK operating subsidiary Ove Arup & Partners International Limited:

- LED and PIR lights were installed at a number of office locations as part of an ongoing portfolio-wide programme of upgrades.
- Office Building Management System (BMS) controls have also been reviewed and optimised to more closely manage energy requirements and reduce office related consumption.

OVE ARUP HOLDINGS 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 Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing the financial statements, the directors are required to:

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

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

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

Directors' confirmations

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

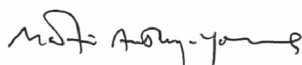
- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the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

Governance

As a subsidiary operating within the Arup Group, the Company adopts and applies the Arup Group's corporate governance framework. For further details, please refer to Arup.com where the Arup Group Limited Governance Report (the Company's ultimate parent company) are publicly available. Arup Group Limited applies their own corporate governance framework, that is based upon the same principles of good governance and long term sustainable success as those reflected in the UK Corporate Governance Code 2018. The Arup Group have chosen to report against the Principles and Provisions of the Code in order to fully explain our governance framework against a recognised benchmark while also highlighting our unique trust ownership structure with no external shareholders.

This governance framework is in place for all companies within the Group, to ensure that our values, policies and processes are adhered to, with the aim of ensuring that our members and businesses act in a clear, accountable and consistent manner. In addition to the formal adoption each year by all Group companies of Arup Group's six core Group policies and statements, all individual subsidiary companies operate within a set of established standards (e.g. in relation to ethical conduct). It is intended that these are brought together as part of a formal subsidiary governance framework over the course of the next financial year.

On behalf of the Board



M J Ansley-Young
 Director

17 December 2020

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

OVE ARUP HOLDINGS LIMITED

FOR THE YEAR ENDED 31 MARCH 2020

Report on the audit of the financial statements

Opinion

In our opinion:

- Ove Arup Holdings Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2020 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the "Financial Statements and Reports", which comprise: the Consolidated and Company balance sheets as at 31 March 2020; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you 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 group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and 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
OVE ARUP HOLDINGS LIMITED (continued)
FOR THE YEAR ENDED 31 MARCH 2020

Reporting on other information (continued)

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 group and company and their 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 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

London
 17 December 2020

OVE ARUP HOLDINGS LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> £m	<u>2019</u> £m
Revenue	4	875.5	839.6
Employee benefit expense	5	(412.4)	(406.2)
Charges from sub-consultants and other direct project expenses		(255.8)	(246.5)
Depreciation and amortisation expense	10, 11 & 20	(30.5)	(10.7)
Accommodation		(14.7)	(31.2)
Communications and other overheads		(109.4)	(109.7)
		<u>(822.8)</u>	<u>(804.3)</u>
Operating profit	7	52.7	35.3
Finance income	8	2.4	1.8
Finance costs	8	(7.9)	(2.7)
Profit before income tax		47.2	34.4
Income tax charge	9	(7.5)	(8.8)
Profit for the financial year		<u>39.7</u>	<u>25.6</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	<u>2020</u> £m	<u>2019</u> £m
Profit for the financial year	39.7	25.6
Other comprehensive income / (expense)		
Items that will not be reclassified to profit or loss		
Remeasurement gains / (losses) of post-employment benefit obligations	6.1	(1.0)
	<u>6.1</u>	<u>(1.0)</u>
Items that may be reclassified subsequently to profit or loss		
Currency translation gains	4.6	3.4
	<u>4.6</u>	<u>3.4</u>
Other comprehensive income for the year, net of tax	10.7	2.4
Total comprehensive income for the year	<u>50.4</u>	<u>28.0</u>

The notes on pages 16 to 49 are an integral part of these financial statements.

OVE ARUP HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2020

	<u>Note</u>	<u>31 March</u> <u>2020</u> £m	<u>31 March</u> <u>2019</u> £m
Assets			
Non-current assets			
Property, plant and equipment	10	26.2	31.8
Right-of-use assets	20	127.5	-
Intangible assets	11	0.7	1.1
Deferred income tax assets	22	17.8	19.4
Financial assets at fair value through profit or loss	13	-	0.0
		<u>172.2</u>	<u>52.3</u>
Current assets			
Trade and other receivables	15	440.7	374.2
Cash and cash equivalents	16	28.1	34.7
		<u>468.8</u>	<u>408.9</u>
Total assets		<u>641.0</u>	<u>461.2</u>
Liabilities			
Current liabilities			
Borrowings	17	1.0	1.0
Trade and other payables	18	222.7	204.5
Current income tax liabilities		4.6	5.2
Provisions for other liabilities and charges	19	0.1	0.1
		<u>228.4</u>	<u>210.8</u>
Non-current liabilities			
Lease liabilities	20	116.5	-
Deferred income tax liabilities	22	0.4	0.4
Post-employment benefit liabilities	30	68.7	90.6
Provisions for other liabilities and charges	19	3.3	3.3
		<u>188.9</u>	<u>94.3</u>
Total liabilities		<u>417.3</u>	<u>305.1</u>
Net assets		<u>223.7</u>	<u>156.1</u>
Equity			
Share capital	23	19.6	0.0
Currency translation reserve		8.1	3.5
Retained earnings		196.0	152.6
Total equity		<u>223.7</u>	<u>156.1</u>

The notes on pages 16 to 49 are an integral part of these financial statements.

The financial statements on pages 11 to 49 were approved and authorised for issue by the board of directors and signed on its behalf by:



M J Ansley-Young
 Director
 17 December 2020

OVE ARUP HOLDINGS LIMITED

COMPANY BALANCE SHEET

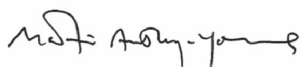
AS AT 31 MARCH 2020

	<u>Note</u>	<u>31 March</u> <u>2020</u> £m	<u>31 March</u> <u>2019</u> £m
Assets			
Non-current assets			
Investments in subsidiaries	12	<u>68.3</u>	<u>47.1</u>
		68.3	47.1
Current assets			
Trade and other receivables	15	<u>1.0</u>	<u>0.0</u>
		1.0	0.0
Total assets		<u>69.3</u>	<u>47.1</u>
Liabilities			
Current liabilities			
Borrowings	17	1.0	1.0
Trade and other payables	18	<u>-</u>	<u>0.7</u>
		1.0	1.7
Total liabilities		<u>1.0</u>	<u>1.7</u>
Net assets		<u>68.3</u>	<u>45.4</u>
Equity			
Share capital	23	19.6	0.0
Retained earnings		<u>48.7</u>	<u>45.4</u>
Total equity		<u>68.3</u>	<u>45.4</u>

The Company reported a profit and total comprehensive income for the year of £5.7m (2019: loss and total comprehensive expense for the year of £3.0m).

The notes on pages 16 to 49 are an integral part of these financial statements.

The financial statements on pages 11 to 49 were approved and authorised for issue by the board of directors and signed on its behalf by:



M J Ansley-Young
Director
17 December 2020

OVE ARUP HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	<u>Share capital</u> £m	<u>Currency translation reserve</u> £m	<u>Retained earnings</u> £m	<u>Total equity</u> £m
Balance as at 1 April 2018	0.0	0.1	128.0	128.1
Profit for the financial year	-	-	25.6	25.6
Remeasurement (losses) of post-employment obligations	-	-	(1.2)	(1.2)
Remeasurement of post-employment obligations - tax	-	-	0.2	0.2
Currency translation gains	-	3.4	-	3.4
Other comprehensive income / (expense) for the year	-	3.4	(1.0)	2.4
Total comprehensive income for the year	-	3.4	24.6	28.0
Proceeds from shares issued	-	-	-	-
Dividends	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-
Balance as at 31 March 2019	<u>0.0</u>	<u>3.5</u>	<u>152.6</u>	<u>156.1</u>
Profit for the financial year	-	-	39.7	39.7
Remeasurement gains of post-employment obligations	-	-	5.3	5.3
Remeasurement of post-employment obligations - tax	-	-	0.8	0.8
Currency translation gains	-	4.6	-	4.6
Other comprehensive income for the year	-	4.6	6.1	10.7
Total comprehensive income for the year	-	4.6	45.8	50.4
Proceeds from shares issued	19.6	-	-	19.6
Dividends	-	-	(2.4)	(2.4)
Total transactions with owners, recognised directly in equity	19.6	-	(2.4)	17.2
Balance as at 31 March 2020	<u>19.6</u>	<u>8.1</u>	<u>196.0</u>	<u>223.7</u>

OVE ARUP HOLDINGS LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	<u>Share capital</u> £m	<u>Retained earnings</u> £m	<u>Total equity</u> £m
Balance as at 1 April 2018	0.0	48.4	48.4
Loss for the financial year	-	(3.0)	(3.0)
Total comprehensive expense for the year	-	(3.0)	(3.0)
Proceeds from shares issued	-	-	-
Dividends	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-
Balance as at 31 March 2019	<u>0.0</u>	<u>45.4</u>	<u>45.4</u>
Profit for the financial year	-	5.7	5.7
Total comprehensive income for the year	-	5.7	5.7
Proceeds from shares issued	19.6	-	19.6
Dividends	-	(2.4)	(2.4)
Total transactions with owners, recognised directly in equity	19.6	(2.4)	17.2
Balance as at 31 March 2020	<u>19.6</u>	<u>48.7</u>	<u>68.3</u>

OVE ARUP HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> £m	<u>2019</u> £m
Cash flows from operating activities			
Cash generated from operations	24	33.9	10.9
Interest paid		(5.9)	(0.3)
Income tax paid		(5.8)	(4.9)
Net cash generated from operating activities		<u>22.2</u>	<u>5.7</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(7.6)	(11.5)
Proceeds from sale of property, plant and equipment		0.1	0.0
Purchases of intangible assets		(0.3)	(0.5)
Interest received		2.4	1.8
Net cash used in investing activities		<u>(5.4)</u>	<u>(10.2)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	1.0
Principal elements of lease payments		(20.1)	-
Dividends paid to owners of the parent		(2.4)	-
Net cash (used in) / generated from financing activities		<u>(22.5)</u>	<u>1.0</u>
Net (decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year		34.7	34.9
Exchange (losses) / gains on cash and cash equivalents		(0.9)	3.3
Cash and cash equivalents at end of year		<u>28.1</u>	<u>34.7</u>

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1 BASIS OF PREPARATION

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

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

Group

The Group's consolidated financial statements have been prepared in accordance with IFRSs and IFRS Interpretations Committee ("IFRS IC" or "IFRIC") interpretations as adopted by the European Union and the Companies Act 2006 as applicable to companies reporting under IFRSs. These financial statements have been prepared under the historical cost convention, 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.

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

Company

The Company 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 Company has not presented an income statement or statement of comprehensive income as permitted by Section 408(3) of the Companies Act 2006.

The profit and total comprehensive income for the year was £5.7m (2019: loss and total comprehensive expense for the year was £3.0m).

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

- Paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, 'Business Combinations';
- Paragraph 33(c) of IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations';
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- 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 IAS 1, 'Presentation of Financial Statements' comparative information requirements in respect of:
 - 79(a)(iv) of IAS 1, 'Presentation of Financial Statements' (reconciliation of the number of shares outstanding at the beginning and end of the period);
 - 73(e) of IAS 16, 'Property, Plant and Equipment' (reconciliation of the carrying amount at the beginning and end of the period);
 - 118(e) of IAS 38, 'Intangible Assets' (reconciliation of the carrying amount at the beginning and end of the period); and
 - 76 and 79(d) of IAS 40, 'Investment Property' (reconciliation of the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1:
 - 10(d) (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with 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).

OVE ARUP HOLDINGS 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 Group and 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, for a period of at least 12 months from the reporting date. The Arup 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 Arup Group are satisfied it has sufficient financial resources and, as such, the Group's and Company's financial statements have been prepared on the going concern basis.

Changes in accounting policies and disclosures

New standards, amendments and interpretations

The Group adopted IFRS 16 on 1 April 2019. The impact of the new standard on the Group is explained in note 29. 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 Group.

New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods ending 31 March 2020 reporting periods and have not been early adopted by the Group. 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

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pound sterling (£), which is the Company's functional and 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.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Impairment of non-financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that an asset or group of assets is impaired. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use.

Financial assets

Classification

The Group classifies its financial assets in the following categories:

- 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.

OVE ARUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

1 BASIS OF PREPARATION (continued)

Financial assets (continued)

Classification (continued)

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 Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date being the date on which the Group 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 Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group 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 Group 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 Group 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 FINANCIAL RISK MANAGEMENT

2.1 Financial risk factors

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

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

OVE ARUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

2 FINANCIAL RISK MANAGEMENT (continued)

2.1 Financial risk factors (continued)

a) Market risk

i) Foreign exchange risk

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

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

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

The Group's primary exposure to foreign exchange risk on unhedged financial assets and liabilities arises mainly in respect of movements between pound sterling ("GBP") and Emirate dirham ("AED"), Indian rupee ("INR"), Kuwaiti dinar ("KWD") and Qatari riyal ("QAR").

At 31 March 2020 and 31 March 2019, if pound sterling had changed against the currencies listed below with all the other variables remaining constant the impact would be as follows:

	Impact on profit after tax		Impact on equity	
	2020 £m	2019 £m	2020 £m	2019 £m
GBP / AED - 10% increase	0.1	0.1	(0.0)	(1.0)
GBP / AED - 10% decrease	(0.2)	(0.1)	0.0	1.2
GBP / INR - 10% increase	0.1	(0.0)	(0.2)	(0.2)
GBP / INR - 10% decrease	(0.1)	0.1	0.3	0.3
GBP / KWD - 10% increase	(0.4)	(0.3)	(0.4)	(0.1)
GBP / KWD - 10% decrease	0.5	0.4	0.4	0.1
GBP / QAR - 10% increase	(0.0)	(0.2)	0.1	(0.8)
GBP / QAR - 10% decrease	0.0	0.2	(0.1)	1.0

ii) Interest rate risk

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

b) Credit risk

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

For trade and other receivables, concentration of credit risk is very limited due to the Group's broad customer base. An assessment of credit quality of the customer is made where appropriate using a combination of external rating agencies, past experience and other factors. In circumstances where credit information is unavailable or poor, the risk is mitigated primarily by the use of advance payments resulting in positive cash flows. Exposure and payment performance are monitored closely both at individual project and client level, with a series of escalating debt recovery actions taken where necessary. In view of current economic circumstances, additional management attention is focused on the recovery of debtors.

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

2 FINANCIAL RISK MANAGEMENT (continued)

2.1 Financial risk factors (continued)

c) Liquidity risk

The Group funds its activities primarily through cash generated from its operations. The liquidity risk is managed with reference to short-term and long-term cash flow forecasts.

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

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

As at 31 March 2020	<u>On demand or</u> <u>within 1 year</u> £m	<u>Between 1 and</u> <u>2 years</u> £m	<u>Between 2 and</u> <u>5 years</u> £m	<u>Over 5 years</u> £m
Loan from related party	1.0			
Trade and other payables excluding non-financial liabilities	100.1	-	-	-

As at 31 March 2019	<u>On demand or</u> <u>within 1 year</u> £m	<u>Between 1 and</u> <u>2 years</u> £m	<u>Between 2 and</u> <u>5 years</u> £m	<u>Over 5 years</u> £m
Loan from related party	1.0	-	-	-
Trade and other payables excluding non-financial liabilities	105.1	-	-	-

2.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or raise or pay-back intra-group debt.

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

At 31 March 2020 the Group had no external borrowings (2019: nil).

2.3 Fair value estimation

The Group has no financial instruments carried at fair value by the valuation method (2019: nil). No further fair value estimation disclosure is provided.

OVE ARUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates may not, by definition, equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Group and Company

Contract accounting (estimates and judgements)

The Group's revenue accounting policy (note 4) is central to how the Group values the work it has carried out in each financial year. This policy requires forecasts to be made on the current percentage complete and the projected outcomes of projects. These forecasts require 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 Group's contracts. Assuming the project is forecasted to make a profit, the Group 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. Management have reviewed projects across the Group and have used their judgement to establish these percentages. Once a non-onerous project reaches 50% / 95% complete, profit is recognised in line with its percentage completion.

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

The Group makes an estimate of the recoverable value of trade receivables and contract assets. When assessing impairment, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Group 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 15 for the net carrying amount of the receivables and associated impairment provision.

Due to the nature of the Group, it has a significant receivable due from Arup 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.

Defined benefit pension schemes (estimates and judgements)

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

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

Professional indemnity insurance (estimates and judgements)

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

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.

Company

Investment in subsidiaries (estimates and judgements)

The Company holds investments in subsidiaries at cost. On an annual basis the Company assesses whether there is objective evidence that the carrying value of the investments needs to be considered for impairment.

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

4 REVENUE

Group

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

Revenue represents the value of work performed on contracts in the year. For contracts on which revenue exceeds fees rendered, the excess is included as 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.

No element of financing is present. Sales are made with a credit term of 30 days (on average across the Group), which is consistent with market practice.

The total revenue recognised in the year that was included in contract liabilities at the beginning of the year was £81.7m (2019: £86.7m).

The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £583.0m (2019: £613.0m).

The aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at the balance sheet date is £594.6m (2019: £520.5m). The Group expects that this will be recognised over the next 1 to 10 years.

The Group derives revenue from the provision of services over time in the following geographical regions:

	<u>2020</u> £m	<u>2019</u> £m
Revenue by destination		
United Kingdom	641.5	612.6
Europe	72.4	71.2
Asia	44.0	41.3
Americas	43.3	50.2
Middle East & Africa	42.8	40.1
Australasia	31.5	24.2
	<u>875.5</u>	<u>839.6</u>

5 EMPLOYEE BENEFIT EXPENSE

Group

	<u>2020</u> £m	<u>2019</u> £m
Wages and salaries	299.6	280.5
Staff profit-sharing	31.4	42.4
Social security costs	36.3	36.4
Pension contributions	28.5	32.5
Redundancy costs	1.9	1.0
Other staff costs	14.7	13.4
	<u>412.4</u>	<u>406.2</u>

Included within pension contributions for the year ended 31 March 2019 is a provision of £6.4m for the impact of Guaranteed Minimum Pension ("GMP") equalisation. No additional provision was included for the year ended 31 March 2020.

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

5 EMPLOYEE BENEFIT EXPENSE (continued)

Group (continued)

Average monthly number of people employed	<u>2020</u> Number	<u>2019</u> Number
Engineering and technical staff	5,095	4,888
Administrative staff	<u>1,053</u>	<u>949</u>
	<u><u>6,148</u></u>	<u><u>5,837</u></u>

The Company has no employees (2019: nil).

Staff profit-sharing

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

Pension obligations

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

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

The defined benefit obligation is calculated annually by an independent actuary using the projected unit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

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

6 DIRECTORS' REMUNERATION

Group

Aggregate remuneration:	<u>2020</u> £m	<u>2019</u> £m
Aggregate remuneration	1.5	2.3
Aggregate contributions paid to defined contribution schemes	<u>0.0</u>	<u>0.1</u>
	<u>2020</u> Number	<u>2019</u> Number
Number of directors accruing pension benefits under:		
Defined benefit schemes	<u>2</u>	<u>2</u>
Highest paid director:	<u>2020</u> £m	<u>2019</u> £m
Remuneration	0.7	0.8
Assignment related benefits	-	0.2
Assignment related tax and social security costs	-	0.2
Contributions paid to defined contribution schemes	<u>0.0</u>	<u>0.1</u>
	<u><u>0.7</u></u>	<u><u>1.3</u></u>

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

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

7 OPERATING PROFIT

Group	<u>2020</u> £m	<u>2019</u> £m
This is stated after charging / (crediting):		
During the year, the Group obtained the following services from the Company's auditors:		
Audit of Company and consolidated financial statements	0.0	0.0
Fees payable for other services:		
- Audit of the Company's subsidiaries, pursuant to legislation	0.3	0.3
- Other audit related assurance services	0.0	0.1
- Tax compliance services	0.0	-
- Other advisory services	0.2	0.2
Loss on disposal of property, plant and equipment	0.2	0.6
Profit on disposal of intangible assets	(0.0)	-
Loss on exchange from trading activities	4.1	2.1
Research and development costs	30.2	30.0
Operating leases - land and buildings	-	20.3
Loss allowance on trade receivables	0.6	1.3
Loss allowance on contract assets	0.0	0.1
Impairment of trade receivables	0.2	2.4
Amortisation of intangible assets	0.6	0.9
Depreciation of property, plant and equipment	11.1	9.8
Depreciation of right-of-use assets	<u>18.8</u>	<u>-</u>

8 NET FINANCE COSTS

Group	<u>2020</u> £m	<u>2019</u> £m
Interest expense on borrowings	0.0	0.0
Lease liabilities	5.2	-
Interest expense - Arup Group undertakings	0.6	0.3
Net finance costs on net post-employment benefit liabilities	2.0	2.4
Other finance costs	0.1	0.0
Total finance costs	<u>7.9</u>	<u>2.7</u>
Interest receivable on short term bank deposits	(0.7)	(0.6)
Interest receivable - Arup Group undertakings	(1.7)	(1.2)
Total finance income	<u>(2.4)</u>	<u>(1.8)</u>
Net finance costs	<u>5.5</u>	<u>0.9</u>

Interest due to / from Arup Group undertakings is in regards to the Arup Group's cash pooling facility.

OVE ARUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

9 INCOME TAX CHARGE

Group

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income.

(a) Analysis of total tax charge	<u>2020</u> £m	<u>2019</u> £m
Current income tax		
- UK: current income tax on profits for the year	4.4	6.1
- UK: adjustment in respect of prior years	0.3	(0.3)
- Non-UK: current income tax on profits for the year	0.4	-
Total current income tax	<u>5.1</u>	<u>5.8</u>
Deferred income tax (note 22)		
- origination and reversal of temporary differences	2.7	3.6
- effect of changes in tax rates	(0.4)	(0.3)
- under / (over) provision of deferred income tax in respect of prior years	0.1	(0.3)
Total deferred income tax	<u>2.4</u>	<u>3.0</u>
Total tax charge	<u>7.5</u>	<u>8.8</u>

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

The tax assessed for the year is lower (2019: higher) than the amount computed at the standard rate of corporation tax in the UK 19% (2019: 19%).

The differences are explained below:

	<u>2020</u> £m	<u>2019</u> £m
Profit before income tax	<u>47.2</u>	<u>34.4</u>
Profit multiplied by the standard rate of corporation tax in the UK	9.0	6.5
Effects of:		
Group relief	(2.5)	(1.5)
Impact of change in accounting standards	(0.0)	2.1
Income not subject to tax	(1.4)	(0.5)
Expenses not deductible for tax purposes	1.8	2.4
Impact of non-UK tax	0.3	1.0
Tax decrease arising from non-UK tax suffered	(0.1)	(0.3)
Remeasurement of deferred income tax - change in tax rates	(0.4)	(0.3)
Adjustment in respect of prior years	0.4	(0.6)
Unrelieved losses carried forward on which no deferred income tax is recognised	0.4	0.0
Total tax charge	<u>7.5</u>	<u>8.8</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 local tax rates have been used to calculate deferred income tax assets and liabilities.

OVE ARUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

10 PROPERTY, PLANT AND EQUIPMENT

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. 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
Motor vehicles	3 - 10 years

Group	<u>Leasehold</u>	<u>Furniture,</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>property</u>	<u>fittings & IT</u>		
	£m	£m	£m	£m
Cost				
Balance at 1 April 2018	36.3	44.6	0.0	80.9
Additions	2.5	9.0	-	11.5
Disposals	(0.2)	(9.6)	0.0	(9.8)
Adjustment for exchange differences	0.1	(0.1)	(0.0)	(0.0)
Balance at 31 March 2019	38.7	43.9	0.0	82.6
Effect of adoption of IFRS 16	(3.3)	-	-	(3.3)
Restated balance at 1 April 2019	35.4	43.9	0.0	79.3
Additions	4.0	3.6	-	7.6
Disposals	(2.3)	(6.3)	(0.0)	(8.6)
Adjustment for exchange differences	(0.0)	0.3	(0.0)	0.3
Balance at 31 March 2020	37.1	41.5	-	78.6
Accumulated depreciation				
Balance at 1 April 2018	20.2	29.8	0.0	50.0
Charge for the year	2.5	7.3	0.0	9.8
Disposals	(0.2)	(9.0)	0.0	(9.2)
Adjustment for exchange differences	0.2	0.0	(0.0)	0.2
Balance at 31 March 2019	22.7	28.1	0.0	50.8
Effect of adoption of IFRS 16	(1.5)	-	-	(1.5)
Restated balance at 1 April 2019	21.2	28.1	0.0	49.3
Charge for the year	4.4	6.7	-	11.1
Disposals	(2.3)	(6.0)	(0.0)	(8.3)
Adjustment for exchange differences	(0.1)	0.4	-	0.3
Balance at 31 March 2020	23.2	29.2	-	52.4
Net book value at 31 March 2020	13.9	12.3	-	26.2
Net book value at 31 March 2019	16.0	15.8	0.0	31.8

Following the introduction of IFRS 16, capitalised dilapidations on leasehold property is now presented within right-of-use assets.

The Company has no property, plant and equipment (2019: nil).

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

11 INTANGIBLE ASSETS

Group

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> £m
Cost	
Balance at 1 April 2018	6.1
Additions	0.5
Disposals	(1.8)
Adjustment for exchange differences	(0.0)
Balance at 31 March 2019	4.8
Additions	0.3
Disposals	(0.3)
Adjustment for exchange differences	0.0
Balance at 31 March 2020	4.8
Accumulated amortisation	
Balance at 1 April 2018	4.6
Charge for the year	0.9
Disposals	(1.8)
Adjustment for exchange differences	0.0
Balance at 31 March 2019	3.7
Charge for the year	0.6
Disposals	(0.3)
Adjustment for exchange differences	0.1
Balance at 31 March 2020	4.1
Net book value at 31 March 2020	0.7
Net book value at 31 March 2019	1.1

The Company has no intangible assets (2019: nil).

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

12 INVESTMENTS IN SUBSIDIARIES

The Company owns ordinary shares in the companies noted below and these companies were all wholly owned subsidiary undertakings of the Company at 31 March 2020 and 2019 (unless otherwise stated), and their results are consolidated in the Group financial statements.

Direct holdings:	Country of incorporation	Address of registered office	Principal activity
Arup Corporate Finance Limited	England & Wales	13 Fitzroy Street, London, W1T 4BQ, UK	Transaction advice service
Arup Gulf Limited	England & Wales	13 Fitzroy Street, London, W1T 4BQ, UK	Engineering
Arup International Limited	England & Wales	13 Fitzroy Street, London, W1T 4BQ, UK	Tender for design and engineering services
Arup Limited	England & Wales	13 Fitzroy Street, London, W1T 4BQ, UK	Engineering
Arup Projects 'A' Limited	England & Wales	13 Fitzroy Street, London, W1T 4BQ, UK	Dormant
Arup Riyadh Metro Limited	England & Wales	13 Fitzroy Street, London, W1T 4BQ, UK	Engineering
Ove Arup & Partners International Limited	England & Wales	13 Fitzroy Street, London, W1T 4BQ, UK	Engineering
Indirect holdings:	Country of incorporation	Address of registered office	Principal activity
Arup Associates Limited	England & Wales	13 Fitzroy Street, London, W1T 4BQ, UK	Agent
Arup India Private Limited (99.996%)	India	Jet Prime, 5th Floor, Suren Road, Off Western Express Highway, Andheri (East), Mumbai, 400093, India	Development and sales of computer software
OASYS Limited	England & Wales	13 Fitzroy Street, London, W1T 4BQ, UK	Agent
Ove Arup & Partners Limited	England & Wales	13 Fitzroy Street, London, W1T 4BQ, UK	Engineering
Ove Arup & Partners Scotland Limited	Scotland	Scotstoun House, South Queensferry, West Lothian, EH90 9SE, Scotland	Engineering
Redcliffe Wharf Limited	England & Wales	13 Fitzroy Street, London, W1T 4BQ, UK	Property holdings

Movement of investments	<u>Cost</u> £m	<u>Investment impairment</u> £m	<u>Net value</u> £m
Balance as at 1 April 2018	51.3	(4.2)	47.1
Recapitalisations	3.0	-	3.0
Investment impairments	-	(3.0)	(3.0)
Balance as at 31 March 2019	<u>54.3</u>	<u>(7.2)</u>	<u>47.1</u>
Recapitalisations	21.1	-	21.1
Investment impairment reversal	-	0.1	0.1
Balance as at 31 March 2020	<u><u>75.4</u></u>	<u><u>(7.1)</u></u>	<u><u>68.3</u></u>

Investments in subsidiaries are held at cost less accumulated impairment losses. The directors believe that the carrying values of the investments are supported by their underlying net assets.

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group	<u>2020</u> £m	<u>2019</u> £m
Balance at 1 April 2019 / 2018	0.0	0.0
Disposals	<u>(0.0)</u>	<u>-</u>
Balance at 31 March 2020 / 2019	<u><u>-</u></u>	<u><u>0.0</u></u>

During the year ended 31 March 2020 the Group sold its financial asset at FVPL previously valued at £1k.

The Company has no financial assets at FVPL (2019: nil).

14 FINANCIAL INSTRUMENTS

Financial instruments by category

Group	<u>2020</u>		
	<u>Financial assets at amortised cost</u> £m	<u>Financial assets at FVPL</u> £m	<u>Total</u> £m
Assets as per balance sheet			
Financial assets at FVPL	-	-	-
Trade and other receivables excluding prepayments and corporation tax	405.0	-	405.0
Cash and cash equivalents	28.1	-	28.1
	<u>433.1</u>	<u>-</u>	<u>433.1</u>

Group	<u>2020</u>	
	<u>Other financial liabilities at amortised cost</u> £m	<u>Total</u> £m
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)	(1.0)	(1.0)
Trade and other payables excluding non-financial liabilities	(100.1)	(100.1)
	<u>(101.1)</u>	<u>(101.1)</u>

Group	<u>2019</u>		
	<u>Financial assets at amortised cost</u> £m	<u>Financial assets at FVPL</u> £m	<u>Total</u> £m
Assets as per balance sheet			
Financial assets at FVPL	-	0.0	0.0
Trade and other receivables excluding prepayments and corporation tax	353.6	-	353.6
Cash and cash equivalents	34.7	-	34.7
	<u>388.3</u>	<u>0.0</u>	<u>388.3</u>

Group	<u>2019</u>	
	<u>Other financial liabilities at amortised cost</u> £m	<u>Total</u> £m
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)	(1.0)	(1.0)
Trade and other payables excluding non-financial liabilities	(105.1)	(105.1)
	<u>(106.1)</u>	<u>(106.1)</u>

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

OVE ARUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

15 TRADE AND OTHER RECEIVABLES

	2020		2019	
	Group £m	Company £m	Group £m	Company £m
Trade receivable - net	97.7	-	81.7	-
Contract assets - net	52.0	-	62.7	-
Amounts due from Arup Group undertakings	248.8	1.0	203.9	0.0
Non-UK corporation tax receivable	1.1	-	0.6	-
UK corporation tax receivable	9.8	-	5.2	-
Other receivables	6.5	-	5.3	-
Prepayments and accrued income	24.8	-	14.8	-
	<u>440.7</u>	<u>1.0</u>	<u>374.2</u>	<u>0.0</u>

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

Trade receivables

Group	2020 £m	2019 £m
Trade receivables	102.8	86.9
Loss allowance	<u>(5.1)</u>	<u>(5.2)</u>
	<u>97.7</u>	<u>81.7</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

Group	2020 £m	2019 £m
Contract assets	52.2	62.9
Loss allowance	<u>(0.2)</u>	<u>(0.2)</u>
	<u>52.0</u>	<u>62.7</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.

The change in contract asset value depends on invoicing schedules and percentage completion of projects.

Amounts due from Arup Group undertakings

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

Pre-contract costs

The Group 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.

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

15 TRADE AND OTHER RECEIVABLES (continued)

Group

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

	<u>2020</u> £m	<u>2019</u> £m
British pound sterling	415.7	331.7
Emirati dirham	6.5	5.1
Euro	4.6	2.3
US dollar	4.2	21.2
Indian rupee	2.1	6.0
Saudi Arabian riyal	1.9	0.0
Swedish krona	1.7	1.1
Kuwaiti dinar	1.5	0.7
Russian rouble	0.6	2.5
Omani rial	0.5	1.3
Japanese yen	0.3	0.4
Canadian dollar	0.3	-
Polish zloty	0.2	0.1
Kenyan shilling	0.2	0.2
Danish krone	0.2	0.4
Qatari riyal	0.1	0.2
Chinese renminbi	0.1	0.0
Hong Kong dollar	-	0.2
Other	-	0.8
	<u>440.7</u>	<u>374.2</u>

Movements on the Group's loss allowance of trade receivables are as follows:

	<u>2020</u> £m	<u>2019</u> £m
At 1 April 2019 / 2018	5.2	4.0
Increase in loss allowance	1.1	5.1
Unused amount reversed	(1.1)	(3.5)
Receivables written off as uncollectible	0.0	(0.4)
Adjustment for exchange differences	(0.1)	0.0
At 31 March 2020 / 2019	<u>5.1</u>	<u>5.2</u>

Movements on the Group's loss allowance of contract assets are as follows:

	<u>2020</u> £m	<u>2019</u> £m
At 1 April 2019 / 2018	0.2	0.2
Increase in loss allowance	0.0	0.2
Unused amount reversed	(0.0)	(0.2)
Adjustment for exchange differences	(0.0)	(0.0)
At 31 March 2020 / 2019	<u>0.2</u>	<u>0.2</u>

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

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

16 CASH AND CASH EQUIVALENTS**Group**

Cash and cash equivalents comprise of cash at bank and in hand.

	<u>2020</u> £m	<u>2019</u> £m
Cash at bank and in hand	<u>28.1</u>	<u>34.7</u>

The Company has no cash and cash equivalents (2019: nil).

17 BORROWINGS**Group and Company**

	<u>2020</u> £m	<u>2019</u> £m
Current		
Loan with related party	<u>1.0</u>	<u>1.0</u>
Total	<u>1.0</u>	<u>1.0</u>

The Group and Company has borrowed £1.0m from Bidgreat Limited (a related party). The loan bears a market rate of interest based on the UK Base Rate. The loan is repayable on demand.

18 TRADE AND OTHER PAYABLES

	<u>2020</u>		<u>2019</u>	
	<u>Group</u> £m	<u>Company</u> £m	<u>Group</u> £m	<u>Company</u> £m
Trade payables	10.7	-	7.8	-
Contract liabilities	95.2	-	81.7	-
Amounts owed to Arup Group undertakings	9.3	-	15.8	0.7
Accrued expenses	61.6	-	78.4	-
Other payables	2.7	-	3.1	-
Tax and social security costs	27.4	-	17.7	-
Lease liabilities	15.8	-	-	-
	<u>222.7</u>	<u>-</u>	<u>204.5</u>	<u>0.7</u>

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

Trade payables

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

Contract liabilities

Contract liabilities represents revenue on contracts billed in advance of performing the related services. The increase in contract liabilities is the result of the phasing of work versus the agreed payment schedule.

Amounts owed to Arup Group undertakings

Amounts owed to Arup 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%).

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

18 TRADE AND OTHER PAYABLES (continued)

Group

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

	<u>2020</u> £m	<u>2019</u> £m
British pound sterling	188.4	171.3
US dollar	7.1	6.3
Emirati dirham	6.8	4.2
Euro	5.8	8.2
Saudi Arabian riyal	3.1	-
Kuwaiti dinar	2.9	2.3
Turkish new lira	1.9	-
Australian dollar	1.2	5.0
Danish Krone	1.1	0.2
Swedish krona	0.9	0.1
Mexican peso	0.7	-
Polish zloty	0.6	0.2
Mauritian rupee	0.4	0.4
Russian rouble	0.4	0.3
Canadian dollar	0.4	0.1
Omani rial	0.4	-
Swiss franc	0.3	0.1
Indian rupee	0.2	4.2
Qatari riyal	0.1	0.3
Japanese yen	0.0	0.2
South African rand	-	0.5
Malaysian ringgit	-	0.4
Other	-	0.2
	<u>222.7</u>	<u>204.5</u>

19 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	<u>2020</u> £m	<u>Property provision</u> <u>2019</u> £m
Group		
Current	<u>0.1</u>	<u>0.1</u>
Later than one year and no later than two years	-	0.0
Later than two years and no later than five years	2.7	2.2
Later than five years	<u>0.6</u>	<u>1.1</u>
Non-current	<u>3.3</u>	<u>3.3</u>
Reconciliation of movement:		
Balance as at 1 April 2019 / 2018	3.4	3.4
Provisions credited to the income statement	(0.0)	-
Provisions utilised	-	(0.5)
Additional liability recognised	-	0.5
Adjustment for exchange differences	<u>0.0</u>	<u>(0.0)</u>
Balance as at 31 March 2020 / 2019	<u>3.4</u>	<u>3.4</u>

The Company has no provisions for other liabilities and charges (2019: nil).

Provisions for other liabilities

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

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

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

20 LEASES**Group**

This note provides information for leases where the Group is a lessee. The Company has not entered into any leases (2019: nil).

(i) Amounts recognised in the balance sheet

	<u>31 March 2020</u> £m	<u>1 April 2019*</u> £m
Right-of-use assets		
Buildings	126.8	144.6
Equipment	0.7	-
	<u>127.5</u>	<u>144.6</u>
Lease liabilities		
Current	15.8	14.1
Non-current	116.5	131.4
	<u>132.3</u>	<u>145.5</u>

*For adjustments recognised on adoption of IFRS 16 on 1 April 2019, please refer to note 29.

Additions to the right-of-use assets during the financial year to 31 March 2020 was £1.7m.

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	<u>2020</u> £m	<u>2019**</u> £m
Depreciation charge of right-of-use assets		
Buildings	18.2	-
Equipment	0.6	-
	<u>18.8</u>	<u>-</u>
Interest expense (included in finance costs)	5.2	-
Expense relating to short-term leases (included in communications and other overheads)	0.1	-
Expense relating to leases of low-value assets (included in communications and other overheads)	0.1	-
	<u> </u>	<u> </u>

**The Group 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 £20.1m.

Future minimum lease payments as at 31 March 2020 are as follows:

	<u>2020</u> £m	<u>2019***</u> £m
No later than one year	20.3	-
Later than one year and not later than five years	54.2	-
Later than five years	87.6	-
Total gross payments	<u>162.1</u>	<u>-</u>
Impact of finance expenses	(29.8)	-
Carrying amount of liability	<u>132.3</u>	<u>-</u>

***The Group initially applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. The prior year lease commitments under IAS 17 are disclosed in note 21. A reconciliation of the opening balances on transition is disclosed in note 29.

OVE ARUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

20 LEASES (continued)

Group (continued)

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

The Group leases various offices and equipment. 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 Group 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 Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

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 Group.

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 Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group 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 Group, 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 Group 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 Group 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 a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

(v) Variable lease payments

The Group has a number of leases that have variable payments based on future rent reviews. The Group has not entered into leases with variable payments tied to the performance of the business.

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

21 COMMITMENTS

Operating lease commitments

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

Group	<u>2020*</u> <u>Property</u> £m	<u>2019</u> <u>Property</u> £m
No later than one year	-	19.4
Later than one year and no later than five years	-	75.4
Later than five years	-	93.2
	<u> </u>	<u> </u>

*From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 20 and note 29 for further information.

The Company has no operating lease commitments as at 31 March 2020 (2019: nil).

OVE ARUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

22 DEFERRED INCOME TAX

Group

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

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

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

The offset amounts are as follows:

	<u>2020</u> £m	<u>2019</u> £m
Deferred income tax assets		
- deferred income tax assets to be recovered after more than 12 months	17.4	19.1
- deferred income tax assets to be recovered within 12 months	0.4	0.3
	<u>17.8</u>	<u>19.4</u>
Deferred income tax liabilities		
- deferred income tax liabilities to be recovered after more than 12 months	(0.4)	(0.4)
- deferred income tax liabilities to be recovered within 12 months	(0.0)	(0.0)
	<u>(0.4)</u>	<u>(0.4)</u>
Deferred income tax assets - net	<u>17.4</u>	<u>19.0</u>

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

	<u>2020</u> £m	<u>2019</u> £m
At 1 April 2019 / 2018	19.0	21.8
(Under) / over provision of deferred income tax in respect of prior years	(0.1)	0.3
Deferred income tax (charged) to the income statement	(2.3)	(3.3)
Deferred income tax credit relating to components of other comprehensive income	0.8	0.2
Adjustment for exchange differences	(0.0)	0.0
At 31 March 2020 / 2019	<u>17.4</u>	<u>19.0</u>

Deferred income tax liabilities

	<u>Impact of change in accounting standards</u> £m	<u>Accelerated tax depreciation</u> £m	<u>Other</u> £m	<u>Total</u> £m
At 1 April 2018	0.2	(0.0)	0.0	0.2
Charged / (credited) to the income statement	0.1	-	(0.0)	0.1
Adjustment for exchange differences	0.0	-	0.1	0.1
At 31 March 2019	<u>0.3</u>	<u>(0.0)</u>	<u>0.1</u>	<u>0.4</u>
(Credited) / charged to the income statement	(0.1)	-	0.1	(0.0)
Adjustment for exchange differences	0.1	0.0	(0.1)	0.0
At 31 March 2020	<u>0.3</u>	<u>-</u>	<u>0.1</u>	<u>0.4</u>

OVE ARUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

22 DEFERRED INCOME TAX (continued)

Group (continued)

Deferred income tax assets

	<u>Impact of change in accounting standards</u>	<u>Unutilised tax depreciation</u>	<u>Retirement benefit obligations</u>	<u>Provisions</u>	<u>Tax losses</u>	<u>Temporary differences on leases</u>	<u>Other</u>	<u>Total</u>
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2018	0.1	3.8	16.6	0.6	0.8	-	0.1	22.0
(Charged) / credited to the income statement	(0.1)	(0.4)	(1.4)	(0.1)	(0.9)	-	0.0	(2.9)
Credited to other comprehensive income	-	-	0.2	-	-	-	-	0.2
Adjustment for exchange differences	0.0	0.0	-	(0.0)	-	-	0.1	0.1
At 31 March 2019	-	3.4	15.4	0.5	(0.1)	-	0.2	19.4
Credited / (charged) to the income statement	-	0.9	(3.2)	0.0	-	0.0	(0.1)	(2.4)
Credited to other comprehensive income	-	-	0.8	-	-	-	-	0.8
Adjustment for exchange differences	-	0.0	-	(0.1)	0.1	(0.0)	(0.0)	(0.0)
At 31 March 2020	-	4.3	13.0	0.4	-	0.0	0.1	17.8

The Company has not recognised any deferred income tax assets or liabilities (2019: nil).

OVE ARUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

23 SHARE CAPITAL

Group and Company	<u>2020</u> £m	<u>2019</u> £m
Issued, called up and fully paid: 19,604,432 (2019: 100) ordinary shares of £1 each	<u>19.6</u>	<u>0.0</u>
	<u>2020</u> £m	<u>2019</u> £m
Balance at 1 April 2019 / 2018	0.0	0.0
Increase in share capital	19.6	-
Balance at 31 March 2020 / 2019	<u><u>19.6</u></u>	<u><u>0.0</u></u>

On 30 March 2020 19,604,332 ordinary shares were issued for non-cash consideration. The nominal value of these shares was £1 each. The total consideration was £19,604,332.

24 CASH GENERATED FROM OPERATIONS

Group	<u>2020</u> £m	<u>2019</u> £m
Profit before income tax	47.2	34.4
Adjustments for:		
- Depreciation of property, plant and equipment	11.1	9.8
- Depreciation of right-of-use assets	18.8	-
- Amortisation of intangible assets	0.6	0.9
- Loss on disposal of property, plant and equipment	0.2	0.6
- Profit on disposal of intangible assets	(0.0)	-
- Finance costs - net	5.5	0.9
- Other non-cash items	0.1	2.2
Changes in working capital:		
- Trade and other receivables (excluding amounts due from Arup Group undertakings)	(16.7)	(7.4)
- Trade and other payables (excluding amounts owed to Arup Group undertakings)	8.7	12.5
- Amounts due from / owed to Arup Group undertakings - net	(23.0)	(25.1)
- Provisions	0.0	0.0
- Pension deficit funding	(18.6)	(17.9)
	<u><u>33.9</u></u>	<u><u>10.9</u></u>

25 CONTINGENT LIABILITIES

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

The Group includes three of the Arup Group companies that act as guarantors for the Arup Group's banking facility. The Group does not expect this to be called upon.

26 DIVIDENDS

As at the date of the financial statements the directors do not recommend a dividend for the year ended 31 March 2020 (2019: £2.4m). A dividend of £24,000.00 per share, amounting to a total dividend of £2.4m was paid out in the year ended 31 March 2020 (2019: nil).

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

27 RELATED PARTIES

Group

a) Group sales and purchases of services with the Arup Group

	<u>Sales of services to:</u>	
	<u>2020</u>	<u>2019</u>
	£m	£m
Ove Arup & Partners Hong Kong Limited	24.1	19.1
Arup Group Limited	17.7	14.3
Ove Arup & Partners Ireland Limited	14.8	8.7
Arup Australia Services Pty Ltd	12.5	5.8
Arup North America Limited	10.4	9.9
Arup B.V.	9.3	9.6
Arup Canada Inc.	7.9	8.1
Arup Pty Limited	6.6	11.5
Arup Singapore Private Limited	6.3	4.6
Arup International Consultants (Shanghai) Co., Limited	6.2	2.5
Ove Arup & Partners P.C.	5.2	6.1
Arup Deutschland GmbH	5.0	5.2
Arup USA, Inc.	4.8	3.8
Ove Arup & Partners, S.A.	3.9	2.4
Arup Australia Pty Ltd	2.8	0.6
Ove Arup & Partners Japan Limited	2.5	2.1
Arup Mühendislik ve Müşavirlik Limited Şirketi	2.4	2.9
Arup Italia S.r.l.	2.3	2.4
Arup Services New York Limited	2.1	1.3
Arup Polska sp. z o. o	1.9	1.3
Ove Arup & Partners Danmark A/S	1.8	2.6
Arup Texas, Inc.	1.6	1.4
Arup Australia Projects Pty Ltd	1.5	0.3
Arup New Zealand Limited	0.9	0.5
Ove Arup Ventures Limited	0.8	0.9
Arup Vietnam Limited	0.4	0.3
Arup (Pty) Ltd	0.3	0.4
Arup Latin America, S.A.	0.3	0.3
Ove Arup (Thailand) Limited	0.3	0.3
PT Arup Indonesia	0.3	0.1
Arup China Limited	0.3	-
Arup Advisory, Inc.	0.2	0.3
Arup East Africa Limited	0.2	0.1
Arup d.o.o.	0.2	0.1
Arup (Mauritius) Ltd	0.1	0.1
AAC, Inc.	0.1	0.1
Arup Australia Advisory & Digital Pty Ltd	0.1	-
Ove Arup & Partners Korea Limited	0.1	-
Arup Ingeniería y Consultoría México, S. de R.L. de C.V.	-	1.4
Arup Colombia S.A.S.	-	0.1
Other	0.5	0.2
	<u>158.7</u>	<u>131.7</u>

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

27 RELATED PARTIES (continued)

Group (continued)

a) Group sales and purchases of services with the Arup Group (continued)

	<u>Purchases of services from:</u>	
	<u>2020</u>	<u>2019</u>
	£m	£m
Arup Australia Services Pty Ltd	11.9	7.1
Arup North America Limited	11.0	4.9
Ove Arup & Partners Hong Kong Limited	6.8	7.4
Ove Arup & Partners Ireland Limited	5.2	4.9
Ove Arup & Partners Danmark A/S	4.7	6.1
Ove Arup & Partners P.C.	4.0	4.0
Arup Deutschland GmbH	4.0	2.9
Arup B.V.	3.5	3.6
Arup Services New York Limited	3.4	2.0
Arup Canada Inc.	3.3	1.7
Ove Arup & Partners, S.A.	2.6	3.5
Arup Polska sp. z o. o	2.0	1.5
Arup Mühendislik ve Müşavirlik Limited Şirketi	2.0	0.9
Arup Italia S.r.l.	1.7	1.4
Arup Singapore Private Limited	1.5	1.0
Arup Texas, Inc.	1.5	0.2
Arup (Pty) Ltd	0.9	0.9
Arup USA, Inc.	0.6	0.5
AAC, Inc.	0.5	0.4
Arup Vietnam Limited	0.5	0.2
Ove Arup (Thailand) Limited	0.5	1.2
Arup Advisory, Inc.	0.3	0.3
Arup East Africa Limited	0.2	0.1
Arup New Zealand Limited	0.2	0.1
Arup (Mauritius) Ltd	0.1	-
Arup d.o.o.	0.1	0.1
Arup Latin America, S.A.	0.1	-
Arup Pty Limited	-	1.8
Ove Arup & Partners Japan Limited	-	0.2
PT Arup Indonesia	-	0.1
Arup International Consultants (Shanghai) Co., Limited	(0.7)	(1.1)
	<u>72.4</u>	<u>57.9</u>

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

27 RELATED PARTIES (continued)

Group (continued)

b) Group year end balances with the Arup Group	<u>Amounts due from:</u>		<u>Amounts owed to:</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	£m	£m	£m	£m
Arup Treasury Limited	114.9	70.1	-	-
Arup Group Limited	111.0	106.8	-	-
Ove Arup & Partners Hong Kong Limited	3.2	3.7	-	-
Arup International Consultants (Shanghai) Co., Limited	3.0	0.5	-	-
Arup Australia Services Pty Ltd	2.9	-	-	(5.0)
Ove Arup & Partners Ireland Limited	2.5	0.1	-	-
Arup Australia Pty Ltd	2.0	0.5	-	-
Arup Vietnam Limited	1.8	2.5	-	-
Arup d.o.o.	1.7	1.5	-	-
Arup Australia Projects Pty Ltd	1.1	0.3	-	-
Arup Singapore Private Limited	1.0	0.8	-	-
Ove Arup Ventures Limited	0.8	0.9	-	-
Ove Arup & Partners Japan Limited	0.6	0.5	-	-
Arup Services New York Limited	0.4	-	-	(1.5)
Ove Arup & Partners, S.A.	0.4	-	-	(0.1)
Arup USA, Inc.	0.3	1.0	-	-
Arup (Pty) Ltd	0.3	-	-	(0.7)
Arup China Limited	0.3	-	-	-
Ove Arup (Thailand) Limited	0.2	0.4	-	-
Arup Texas, Inc.	0.1	0.4	-	-
Arup New Zealand Limited	0.1	0.1	-	-
Ove Arup & Partners Korea Limited	0.1	-	-	(0.2)
Arup East Africa Limited	0.1	-	-	-
Arup Australia Advisory & Digital Pty Ltd	0.1	-	-	-
Arup Mühendislik ve Müşavirlik Limited Şirketi	-	4.7	(1.9)	-
Arup Pty Limited	-	4.7	(1.2)	-
Ove Arup & Partners Danmark A/S	-	0.5	(1.0)	-
Arup B.V.	-	0.8	(0.9)	-
Arup North America Limited	-	-	(0.9)	(0.3)
Arup Ingeniería y Consultoría México, S. de R.L. de C.V.	-	0.4	(0.7)	-
Ove Arup & Partners P.C.	-	-	(0.7)	(1.0)
Arup Italia S.r.l.	-	-	(0.5)	(0.4)
Arup (Mauritius) Ltd	-	-	(0.4)	(0.4)
Arup Canada Inc.	-	2.0	(0.3)	-
Arup Polska sp. z o. o.	-	-	(0.2)	-
Arup Advisory, Inc.	-	-	(0.2)	-
Scotstoun Property Limited	-	-	(0.1)	(0.2)
AAC, Inc.	-	-	(0.1)	-
Arup Deutschland GmbH	-	0.3	-	-
Arup Colombia S.A.S.	-	0.2	-	-
Broomco (141) GmbH	-	-	-	(4.1)
Fitzroy Property Limited	-	-	-	(1.8)
Other	(0.1)	0.2	(0.2)	(0.1)
	<u>248.8</u>	<u>203.9</u>	<u>(9.3)</u>	<u>(15.8)</u>

OVE ARUP HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2020

27 RELATED PARTIES (continued)

Group (continued)

c) Key management compensation

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

	<u>2020</u> £m	<u>2019</u> £m
Aggregate remuneration	1.7	2.4
Aggregate contributions paid to defined contribution schemes	0.0	0.1
	<u>1.7</u>	<u>2.5</u>

Company

The Company has a loan from Bidgreat Limited, a related party, of £1.0m (2019: £1.0m).

28 CONTROLLING PARTY

The immediate parent undertaking of the Company is Arup Group Limited, a company incorporated in England and Wales.

Arup Group Limited is the parent undertaking of the smallest and largest group of undertakings 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 Arup Group and voting shares that are held by Ove Arup Partnership Charitable Trust.

OVE ARUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

29 CHANGES IN ACCOUNTING STANDARDS

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

(i) Transition approach

The Group 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 Group 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 4.1%.

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Group 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 Group 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 Group relied on its assessment made applying IAS 17 and interpretation 4, 'Determining whether an Arrangement contains a Lease'.

(iii) Measurement of lease liabilities

	£m
Operating lease commitments disclosed as at 31 March 2019	188.0
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(32.3)
(Less): short-term leases not recognised as a liability	(0.0)
Less: adjustments as a result of a different treatment of extension and termination options	(10.2)
Lease liability recognised as at 1 April 2019	<u>145.5</u>
of which are:	
Current lease liabilities	14.1
Non-current lease liabilities	<u>131.4</u>
	<u>145.5</u>

OVE ARUP HOLDINGS LIMITED
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30 POST-EMPLOYMENT BENEFIT LIABILITIES

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

	<u>2020</u> £m	<u>2019</u> £m
Balance sheet obligations for:		
- Defined pension benefits	(68.7)	(90.6)
Liability in the balance sheet	<u>(68.7)</u>	<u>(90.6)</u>
Income statement charge for:		
- Defined pension benefits	(3.0)	(9.9)
Remeasurement gains / (losses) for:		
- Defined pension benefits	5.3	(1.2)

The income statement charge includes interest cost, administration expenses and past service costs.

30.1 DEFINED BENEFIT PENSION PLAN

The Group operates a defined benefit retirement scheme ("scheme") that is managed by Trustees. The scheme is registered in the UK. The valuation position of the scheme was assessed at 31 March 2020 by a qualified actuary for the purposes of the IAS 19r 'Employee Benefits'.

The Group also has an unfunded scheme in India. As the unfunded scheme is not material to the Group apart from the summary below no additional disclosures are included within these financial statements.

Defined benefit retirement scheme

UK registered scheme

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

For the pension scheme, which closed on 30 June 2010, contributions were made in accordance with the rules of the scheme and the advice of independent qualified actuaries on the basis of triennial valuations. The most recent valuation was at 31 March 2019 using the projected unit method. The actuarial valuation at 31 March 2019 showed a funding level of 78.2% on an ongoing basis based on a market value of assets of £830m at that date. The most significant assumptions made by the actuary in carrying out this valuation were the assumptions of 2.9% and 0.6% above the gilt curve for the pre retirement and post retirement discount rates. A special employer's contribution of £19.6m was made during the year to 31 March 2020 (2019: £17.9m). OAPIL is expected to make a contribution of £15.8m by 31 March 2021. The weighted average duration of the defined benefit obligation is 16.2 years. The next actuarial valuation is being carried out no later than 31 March 2022.

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

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

Unfunded scheme

Arup India Private Limited ("AIPL") provides a retirement allowance 'gratuity' to its employees. Gratuity is payable to all eligible employees of AIPL in terms of provisions of the payment of Gratuity Act. Valuations in respect of gratuity have been carried out by an independent actuary, as at the balance sheet date, under the projected Unit Credit Method. The pension liability recognised in the financial statements was £0.2m (2019: £0.2m).

Further disclosure on the UK registered scheme

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

	<u>2020</u> £m	<u>2019</u> £m
Present value of funded obligations	(909.6)	(919.7)
Fair value of plan assets	841.1	829.3
Deficit of funded plans	<u><u>(68.5)</u></u>	<u><u>(90.4)</u></u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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30 POST-EMPLOYMENT BENEFIT LIABILITIES (continued)

30.1 DEFINED BENEFIT PENSION PLAN (continued)

Further disclosure on the UK registered scheme (continued)

The movement in the defined benefit liability is as follows:

	<u>Present value of obligation</u> £m	<u>Fair value of plan assets</u> £m	<u>Total</u> £m
At 1 April 2018	(879.5)	782.3	(97.2)
Administration expenses	-	(1.1)	(1.1)
Past service cost (incl. curtailments)	(6.4)	-	(6.4)
Interest (expense) / income	(23.3)	20.9	(2.4)
	<u>(909.2)</u>	<u>802.1</u>	<u>(107.1)</u>
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	-	40.5	40.5
- Gains from change in demographic assumptions	21.1	-	21.1
- Losses from change in financial assumptions	(60.5)	-	(60.5)
- Experience losses	(2.3)	-	(2.3)
	<u>(41.7)</u>	<u>40.5</u>	<u>(1.2)</u>
Contributions:			
- Employers	-	17.9	17.9
Payments from plans:			
- Benefit payments	31.2	(31.2)	-
At 31 March 2019	<u>(919.7)</u>	<u>829.3</u>	<u>(90.4)</u>
Administration expenses	-	(1.0)	(1.0)
Past service cost (incl. curtailments)	-	-	-
Interest (expense) / income	(21.7)	19.7	(2.0)
	<u>(941.4)</u>	<u>848.0</u>	<u>(93.4)</u>
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	-	7.4	7.4
- Losses from change in demographic assumptions	(38.1)	-	(38.1)
- Gains from change in financial assumptions	61.9	-	61.9
- Experience losses	(25.9)	-	(25.9)
	<u>(2.1)</u>	<u>7.4</u>	<u>5.3</u>
Contributions:			
- Employers	-	19.6	19.6
Payments from plans:			
- Benefit payments	33.9	(33.9)	-
At 31 March 2020	<u><u>(909.6)</u></u>	<u><u>841.1</u></u>	<u><u>(68.5)</u></u>

For year ended 31 March 2019 past service cost (incl. curtailments) relates to the provision £6.4m for the impact of GMP equalisation. For the year ended 31 March 2020 past service costs (incl. curtailments) is nil.

The significant actuarial assumptions were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	2.5%	2.4%
Salary growth rate	N/A	N/A
Retail Price Index inflation	2.5%	3.2%
Consumer Price Index inflation	1.6%	2.1%
Pension growth rate:		
- Pre 88 Guaranteed Minimum Pension	0.0%	0.0%
- Post 88 Guaranteed Minimum Pension	1.6%	1.8%
- NGMP accrued before 1 October 2006 (5%LPI)	2.5%	3.0%
- Pension accrued after 30 September 2006 (2.5%LPI)	1.7%	1.9%
Mortality %	2020: 105% S3 tables using the CMI 2019 with S=7.0 and A=0.0 projections, allowing for LTR of 1% per annum. 2019: 113% S2 tables for males and 114% S2 tables for females using the CMI 2018 with S=7.0 and A=0.0 projections, allowing for LTR of 1% per annum.	
Cash commutation	2020 & 2019: 25% of members' pensions assumed to be taken as cash on current terms.	

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30 POST-EMPLOYMENT BENEFIT LIABILITIES (continued)

30.1 DEFINED BENEFIT PENSION PLAN (continued)

Further disclosure on the UK registered scheme (continued)

The significant actuarial assumptions were as follows: (continued)

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

	<u>2020</u> Years	<u>2019</u> Years
Retiring at the end of the financial year:		
- Male	21.4	20.4
- Female	23.7	22.2
Retiring 20 years after the end of the financial year:		
- Male	22.4	21.4
- Female	24.8	23.4

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are:

	<u>Increase in</u> <u>assumption</u>	<u>Decrease in</u> <u>assumption</u>
<u>2020</u>		
Impact on defined benefit obligation of a 50 basis point change:		
Discount rate	(7.4%)	8.8%
Inflation rate	5.8%	(5.3%)
<u>2019</u>		
Impact on defined benefit obligation of a 50 basis point change:		
Discount rate	(7.6%)	8.7%
Inflation rate	5.8%	(5.5%)
	<u>2020</u>	<u>2019</u>
Mortality assumption with a LTR of 1.25% per annum	0.8%	0.9%

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

The assets in the scheme at 31 March were:	<u>2020</u> £m	<u>2019</u> £m
Synthetic equities	162.9	160.5
DGF / hedge funds	154.7	170.5
Gilts and corporate bonds	99.4	102.2
Alternate credit	65.7	71.4
Liability driven investment	311.6	278.7
Property investments	39.9	40.7
Cash and net current assets	6.9	5.3
	<u>841.1</u>	<u>829.3</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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30 POST-EMPLOYMENT BENEFIT LIABILITIES (continued)

30.1 DEFINED BENEFIT PENSION PLAN (continued)

The disruption from COVID-19 and resulting financial distress has affected the real estate market through lower levels of transactional activity and liquidity. The Scheme is invested in two property funds the Schroder UK Real Estate Fund and Patrizia Hanover Property Unit Trust and the impact has been as follows:

Schroder UK Real Estate Fund ("SREF", or the "Fund") – Due to the rapidly evolving situation regarding COVID-19, in March 2020, consistent with what was happening with other property fund managers, dealing in the Fund was suspended from midday 18 March 2020. The decision to suspend dealing was taken in light of the material uncertainty wording applied by SREF's independent valuers. The Authorised Corporate Director and the Depositary have lifted the suspension and SREF's independent valuers have removed the remaining material uncertainty clauses with respect to the 1 October 2020 valuation of SREF's property portfolio.

Patrizia Hanover Property Unit Trust (the "Trust") - Due to the COVID-19 situation the Trust has been exposed to uncertainty, consistent with other property funds, which led to the necessity of activating the Material Valuation Uncertainty Clause ("MVUC"), which implies the absence of relevant / sufficient market evidence on which to base judgements. However, more recently the MVUC has been removed for all but the retail and leisure / hospitality sectors (which includes hotels). There are ongoing discussions to remove the MVUC from part or all of the retail sector. Given the Trust's allocation to retail (15% of portfolio value) and hotels (5.5%), the MVUC continues to apply to 20.5% of the portfolio. All redemptions have been postponed to December 2020.

The Group considers the value of both fund to be materially accurate on the basis that these are long term investments.

Defined benefit membership data	<u>2020</u> Number	<u>2019</u> Number
Deferred pensioners	3,500	3,581
Pensioners	1,496	1,446
	<u>4,996</u>	<u>5,027</u>

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

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30 POST-EMPLOYMENT BENEFIT LIABILITIES (continued)

30.2 Post-employment benefit liabilities - risks

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

Asset volatility

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

Changes in bond yields

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

Inflation risk

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

Life expectancy

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

Credit risk

The scheme invests in pooled investment vehicles and is therefore exposed to direct credit risk in relation to the solvency of the investment manager and custodian of those funds.

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

Currency risk

The scheme is also subject to currency risk indirectly because they invest in overseas investments. This is particularly the case in equity funds. The scheme holds overseas synthetic equities exposure of £162.9m (2019: £160.5m) of which c50% of the currency risk is hedged. If the hedged / unhedged allocation for any of the overseas equity region lies more than 5% away from the 50% / 50% split, on a weekly basis the investment manager will be required to rebalance the split for that region.

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

Counterparty risk

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