ARUP

Financial Statements and Reports 2020

Arup Group Limited

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Chairman’s foreword

The year 2020 has been one like no other, presenting challenges that were almost unimaginable a year ago.

It is also true that the COVID-19 pandemic has amplified many existing critical issues – from urbanisation and inequality to climate change and resource scarcity. In tackling these issues I’m proud to report that our staff members ("members") have responded with energy and determination – drawing on their huge range of skills to provide powerful solutions. It’s this capacity that’s served us well this year and will do so again, as we help our clients and communities to face the inevitably strong headwinds to come.

Looking back now, it can be hard to remember a pre-COVID-19 world, but for ten months of this financial year we were progressing well in a very different business environment. All five of our regions were performing well as we responded to the global need for a better, more resilient built environment. Revenue has grown by 6% to £1.8bn, with the operating profit (before staff profit-sharing) rising to 8%.

In South East Asia our members have increased to over 1,000 people across eight countries. From April 2020 our Malaysia operations became a fully integrated and flourishing part of our firm. With the growth in urbanisation and the strains on critical elements like transport, energy and water, demand for the services we offer remains strong.

Across the world, I was especially pleased to see the depth and breadth of our skills continuing to develop and combine in new ways, making us increasingly better than the sum of our parts. Digital technology is frequently a feature of this, but so is the sheer ingenuity of our members. The Shanghai Drainage Masterplan is a prime example. Combining terabytes of satellite data with machine learning technologies and deep domain knowledge, we’ve achieved results that simply would not have been possible two or three years ago.

Sustainable development continues to be a central feature of everything we are doing as a firm. Having made the decision two years ago to align ourselves with the UN Sustainable Development Goals, we have now embedded that mindset across our operations, with detailed plans and strategies that leave everyone at Arup in no doubt about what’s required to create meaningful change. The LEIQ project in Germany clearly demonstrates what this means in practice.

In these uncertain political and economic times, our work and our values have never mattered more - and a key part of my role as Chair is to ensure those values continue to be reflected in our governance. Specific activities initiated by the Board during the year included an external review of our board effectiveness and the preparation of our new Strategy for 2020-2023.

We apply our 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 "Code"), throughout Arup Group ("Arup") and all its subsidiaries. We 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.

Responding to a crisis

The values reflected within our governance framework have underpinned our actions during these challenging times of the COVID-19 pandemic. Arup’s leadership has had three fundamental priorities relating to our pandemic response. We have committed to protect the health and well-being of our members; ensure our financial resilience; and live by our existing values with our commitment to shape a better world – whatever pressures and challenges we face.

This has required a delicate balance at times, but our ability to make decisions that put our members first, instead of meeting profit commitments to others has enabled us to position Arup to meet the challenges ahead with unity and enthusiasm. I am immensely pleased with the togetherness and sense of shared purpose that has characterised our member’s response to the crisis.

Our recent investments in digital infrastructure also paid dividends, allowing us to fast-track two years’ worth of transformation in a matter of weeks. The end result was that 100% of our members were rapidly able to work remotely, using new tools and systems housed in the cloud.

Beyond our internal operations, we were quickly asked to address a range of COVID-19 related problems. Strong examples amongst many include: protective shields for operating theatres, rapidly deployable intensive care units, advanced modelling and planning to enable safe returns to workplaces and transport facilities, and charity partnerships making personal protective equipment available to disenfranchised communities. As I look forward it is clear that the COVID-19 crisis is far from over. It’s also true that the big issues we were already addressing – like climate change, inequality, resource scarcity, and urbanisation – are if anything more pressing than ever before.

This year marks the 50th anniversary of our founder Ove Arup’s Key Speech – the bedrock of the ethos and values we still follow. One of the tenets of that speech was the belief that our firm should be ‘socially useful’. That’s exactly what we will need to be in the months and years to come – because the challenges that the world faces require all the ingenuity we can offer.

Alan Belfield

Alan Belfield
Chairman

Strategic report

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

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 £37.0m (2019: £12.9m). The net assets as at 31 March 2020 are £336.1m (2019: £278.5m). The performance and development of the Group is in line with the expectations of the directors.

Risk management

Formal risk reporting and management is embedded within the Company's management bodies so that emerging risks can be identified, escalated and addressed as appropriate. Oversight is carried out by the Risk committee that reports directly to the Board. Further details are provided within the 'Opportunities and risks' section within the 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 Group. In calculating profit per person, profit is stated before income tax, dividends and staff profit-sharing. For the year ended 31 March 2020, revenue per person was £116k (2019: £116k) and profit per person was £9k (2019: £9k).
- Staff turnover is a key non-financial measure of business performance. For the year ended 31 March 2020, staff turnover was 10.8% (2019: 11.6%).

The ability to continue to secure new projects within the Group, particularly in light of COVID-19 and geo-political tensions, is 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 is remaining stronger than a number of the projected scenarios, and the directors expect the business to remain resilient for the foreseeable future.

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

Section 172(1) statement

The board of directors 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 members as a whole, having regard to the matters set out in S.172 ("S.172") (1) (a) to (f) as set out in the 'Policies in practice' and 'Building successful relationships' sections within our governance report.

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.

The Board sets the framework within which the day to day operational management of the firm, including employee and stakeholder engagement, is carried out by management teams on its behalf.

Further details on our employees and other stakeholders and how we engage with them is provided in the 'Building successful relationships' section in our governance report.

By order of the Board

M J Ansley-Young
Company Secretary

30 October 2020

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

Directors' report

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

The directors confirm that to the best of their knowledge the Financial Statements and Reports, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Principal activities

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

General information

Arup Group Limited is a private limited company registered in England and Wales under company number 01312454 at registered address 13 Fitzroy Street, London, W1T 4BQ, UK.

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

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 cashflow and the sufficiency of access to financial resources; and our ability to attract highly talented members.

Dividends

The directors do not recommend a dividend for the year ending 31 March 2020 (2019: nil).

Directors

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

A J Belfield

T G A Carfrae

P J Chamley

P A Coughlan (Appointed 1 April 2019)

F M Cousins

I Dedring (Appointed 1 April 2019)

J A Frost

M K Y Kwok

D M Mitchell

M Tweedie (Resigned 30 September 2019)

T J F Whyte

C Chung (Appointed 1 April 2020, independent non-executive director)

G Shore (Resigned 30 June 2019, independent non-executive director)

T J Stone (independent non-executive director)

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 financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' Liability Insurance in respect of itself, its directors and officers.

Directors' remuneration

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

Independent auditors

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

Financial risk management

The Group's financial assets and liabilities comprise cash at bank, trade and other receivables and trade and other payables, whose main purpose is to maintain adequate finance for the Group's operations. The Group is exposed to a number of financial risks and actively mitigates the risk of financial loss. The key aspects are:

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

Research and development

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

Employees and other stakeholders

The maintenance of a diverse and highly skilled workforce is key to the future of 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.

Directors' report (continued)

Policies are in place to ensure that:

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

Engagement with employees and other stakeholder relationships is further detailed in the strategic report 'Employee and other stakeholder engagement' and in our governance report.

Streamlined Energy and Carbon Report ("SECR")

In October 2019 the 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 Group has also committed to reduce absolute scope 3 GHG emissions by 20% by 2025 from a 2018 base year. Further details are provided in the 'Shaping a better world' section in our governance report.The Arup Net Zero GHG Emissions Statement is publicly available under the policies section on Arup.com.

The Group is required to report the emissions deriving from our operations in the UK focussing on the energy and carbon indicators mandated by the SECR:

	2019/20	2018/19
UK energy use kWh[1]	17,953,665	18,925,532
Associated GHG emissions[2] tonnes CO_2 equivalent (tCO_2e)	4,150	4,779
Intensity ratio tCO_2e 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 for Ove Arup & Partners International Limited.
2. Associated greenhouse gases have been calculated using the GHG Protocol Corporate Accounting and Reporting Standard and UK Government GHG 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 controls have also been reviewed and optimised to more closely manage energy requirements and reduce office related consumption.

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 these financial statements, the directors are required to:

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

The directors are 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Directors' report (continued)

Statement of disclosure to auditors

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

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

Governance

We apply our 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 Company's statement on corporate governance can be found in the governance report on page 8 of these financial statements. The governance report and Board remuneration committee report forms part of this directors' report and is incorporated into it by cross-reference.

A governance framework is in place for all subsidiary companies in the Group to ensure that Arup's values, policies and processes are adhered to, and our members and businesses act in a clear, accountable and consistent manner.

Post Balance Sheet Events

On 1 May 2020 the defined benefit section of the pension scheme of Ove Arup & Partners Hong Kong Limited, an indirect subsidiary of the Company, was terminated. For all affected members, the accrued benefits under the defined benefit section were transferred to the defined contribution section. As at 1 May 2020, a curtailment gain of £18.4m was recognised in the income statement, and a remeasurement expense of £2.8m was recognised in the other comprehensive income. Ove Arup & Partners Hong Kong Limited made contribution of £4.7m to the defined benefit section to terminate the defined benefit section, and any surplus remaining in the defined benefit section was refunded back to it.

On 24 June 2020, the Group extended its £100m Revolving Credit Facility for a further 5 years with an option to extend, subject to the bank's approval, for a further 2 years. In addition, the Group also has the ability to access additional government backed facilities in addition to its banking facilities.

By order of the Board

Martin Ansley-Young

M J Ansley-Young
Company Secretary

30 October 2020

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

Governance report

Values driven

Unique ownership structure

Since 1979 Arup has been owned by Trusts for the benefit of Arup employees (our "members"). The directors of the Trusts are collectively referred to as the Trustees.

Trust ownership affords us total independence and the ability to take a long-term view, without external pressures from shareholders or the risk of change in ownership. This provides our clients with confidence in our ability to prioritise their interests, and we have the freedom to shape our own direction and invest in the things we feel matter most: our members, our knowledge, our resources and our communities.

The Trustees appoint the directors of Arup Group Limited (the "Board") to lead the firm in accordance with the Company's Articles of Association (annual re-election is not required). The Trustees are not themselves directly involved in management decisions about the firm's operations.

Our culture

For over seventy years, Arup has evolved into a unique firm with a strong culture, thanks in part to our independence and our shared values. Our firm has always had a keen sense of purpose; the six aims set out in our founder, Ove Arup's, Key Speech of 1970, guide us to this day: Quality of work, Total architecture, Humane organisation, Straight and honourable dealings, Social usefulness and Reasonable prosperity of members. These aims drive a strong culture of sharing and collaboration, resulting in:

- A dynamic working environment that inspires creativity and innovation.
- A commitment to our environment and the communities where we work that defines our approach to our work, to our clients and collaborators, and to each other.
- Robust professional and personal networks that are reinforced by positive policies on inclusion, diversity, equality, fairness, member mobility and knowledge sharing.
- Our ability to grow organically by attracting and retaining the best and brightest individuals from around the world – and from a broad range of cultures and backgrounds – who wish to pursue our aims and our commitment to sustainable development.

The Key Speech is required reading for each person who joins Arup and is valuable to anyone who wants to understand what continues to motivate us, both as individuals and as an organisation. Our annual appraisal system reinforces that it is not only what our members deliver but how they deliver. This includes an understanding of Arup values, through role-modelling, to championing and stewarding our values and culture.

Today our work, our range of expertise, and our international footprint are all greatly expanded and people's expectations about their working lives are changing. The Board recognise that to maintain our culture we must continue to invest in a membership of quality, attracting and developing the best. In 2018 the Board published what this means for our firm including six areas of focus: inclusion, recruitment, career direction, mobility, recognition and resourcing.

Purpose

Arup works across every aspect of the built environment to help our clients solve their most complex challenges – turning exciting ideas into tangible reality. We are driven by our values, and vision to shape a better world; living by Ove Arup's goal of doing our work "*as well as it can be done*" to push boundaries and produce better, more sustainable, outcomes for everyone it impacts.

We choose work where we can make a real difference in the world, solve complex problems and stretch the boundaries of what is possible, delight our clients and achieve sustainable and socially valuable outcomes. This is what our vision, 'shaping a better world', really means.

As a trust owned firm, value is seen through the lens of three of our aims: Quality of work, Social usefulness and Reasonable prosperity of members. We define prosperity in its broadest sense and seek clients we enjoy collaborating with, work that is interesting and rewarding, solutions we can be proud of for their contribution to society and fees that recognise the value of what we provide and are sufficient to enable us to reinvest in our firm and our members.

As our work and our markets evolve, we revisit our values to ensure they remain valid for us and that our purpose remains relevant to the challenges facing the world: people and planet. Our annual meeting of the firm's Principals and Directors ("senior management") in 2018 focussed on our aims, how they are put into practice and their relevance to our future – and concluded that the aims of our firm are more relevant than ever and that we should continue to be guided by the firm's intrinsic values as set out in the Key Speech.

During 2019 Board directors visited 30 offices to discuss the importance of our members, our values and our strategy. We believe interactions like this, open discussions with Board directors, are key to monitoring our culture; engagement with our members is expanded upon in 'Our members'.

Shaping a better world

A commitment to sustainable development is a long-established part of our culture, aligning with our aims for the firm to be Socially useful and a Humane organisation. Ove Arup recognised in 1970 our responsibility to look after the natural environment and the impact the creation of the built environment was having on our planet - *"The battle is on, and it is a crucial battle for mankind"*.

In October 2017 we committed to contribute meaningfully to the United Nations Sustainable Development Goals ("UN SDGs") that help us to define what 'better' looks like; a framework through which we can challenge, refine and expand our work. As advisors, designers and engineers, we see these issues up close, every day.

The UN SDGs are the result of unprecedented engagement with over five million people from different countries, cultures and backgrounds to articulate the challenges faced by society alongside a vision of what a better world looks like by 2030. The Board appointed a global Sustainable Development Leader to incorporate this insight into a strategy to drive a step-change in how we do business to deliver a sustainable future.

In June 2019, the Board agreed and launched 'A better way', the firm-wide plan for sustainable development. It sets out six guiding

Governance report (continued)

principles which guide our decision-making, shape our approach to projects, determine what we invest in, identify the research we prioritise and help us form strong client and partner collaborations. The plan sets out how our work should aim to:

- Improve human health, safety and well-being recognising that this is intrinsically tied to the health of the planet and quality of the built environment.
- Transition to a zero carbon economy and a world where everyone has access to clean energy and potable water.
- Adopt circular economy principles leading to decoupling of economic growth and consumption.
- Enhance communities' resilience to climate change and other risks.
- Create social value that results in a more inclusive, equitable and just society.
- Respect planetary boundaries, and reverse the damage done to date.

These six principles are implemented through our region plans, services and business strategies, Arup Management Systems and the application of our Group Policies.

In October 2019 we further committed to be a net zero carbon organisation by 2030, for which we need to reduce emissions by 30% by 2025 across our full value chain, reducing our carbon emissions by 0.5% month on month. This includes everything ranging from the energy we use within our offices and the flights we take, to the vehicles we own and the goods we purchase.

That year we introduced a carbon levy of $40 per ton of CO_2 emissions on all flights we take, with the levy paid into an Arup Carbon Fund which will be used in part to offset our emissions by investing in Gold Standard projects. It will also be used to support the development of innovative technologies and projects that will accelerate our transition to net zero or help others to reduce emissions in the wider world.

Our well-established global Community Engagement Programme provides another embodiment of our long-held commitments to humanitarianism, expressed by Ove Arup as *"a social conscience, a wish to do socially useful work, and to join hands with others fighting for the same values"*.

We work in partnership, empowering and learning from organisations that support the people we aim to benefit, to improve the lives of the most vulnerable, marginalised and disadvantaged people around the world; using our time, skills and expertise to deliver education, employment and basic infrastructure that provides the essentials for life such as water, sanitation, energy, food security and shelter.

The Board jointly agree with the Trustees the annual priorities for the programme and review progress bi-annually. This year we collaborated with more than 200 partners on 195 projects in 42 countries, which contributed on average towards more than three UN SDGs each. In March 2020, the programme focussed on supporting the global response to COVID-19 and the amplified impact of the pandemic on those who were already the most vulnerable. Further details are available online in our Community Engagement Annual Review 2020.

Roles and responsibilities

Defined terms of reference for all the key senior management and global roles, boards and committees are not publicly available but are accessible to our shareholders and our members on our intranet; these terms of reference are agreed by the Board except for those for the Board and its Chair and Deputy Chair that are set by the Trustees.

The Trustees

The Trustees are current and former members drawn from two sources in broadly equal proportion: former Board directors, with the majority being retired, one of whom is elected Trustee Chair; and current members of senior management nominated by the firm's membership. The composition of the Trustees reflects the diversity of Arup, but individual Trustees do not represent any particular part of the firm. Appointment terms are managed on a staggered basis to ensure some continuity of membership to provide both stability and efficiency.

Appointments

Potential executive Board candidates are identified from the full population of senior management that is kept under regular review as part of succession planning. Candidates are discussed by the Board and the Trustees, and those short-listed are interviewed by a Nominations Committee in order to make a recommendation for appointment by the unanimous decision of the Trustees.

A small number of non-executive directors are appointed to bring an external perspective and constructive challenge which aids comprehensive discourse. Potential candidates for non-executive director roles are identified by the Board through an external consultant, in consultation with the Trustees, and interviewed to decide on their appointment by the Trustees. Checks are carried out to confirm the availability to commit sufficient time to perform the role and on any potential conflict of interest.

In June 2019 non-executive director Genevieve Shore decided to step down due to other commitments, and Cordelia Chung was appointed from 1 April 2020.

Consideration of individual candidates for appointment to the Board includes a range of factors including leadership that inspires trust and commitment, industry and client recognition for excellence, and the complementary skills and diverse perspectives they bring alongside their capacity to perform the role.

Board directors serve an initial term of three years, with an expectation that executive directors will typically serve for six to nine years, but with shorter or longer terms agreed as appropriate to balance fresh thinking with continuity and longer wave expertise.

Chair and Deputy Chair(s) appointments are handled by a Nominations Committee of the Trustees that may include specialist external advisors. The Nominations Committee consults with all Board directors and Trustees to identify individual views on suitable candidates, and the Trustees discuss the outcome of that consultation and shortlist candidates for interview and formal assessment. The Nominations Committee makes recommendations for appointment by the unanimous decision of the Trustees.

Governance report (continued)

The Chair is appointed for an initial term of three years which can be extended for one or two years up to a maximum of five years; appointees will typically have served on the Board prior to this.

The Board acts collectively as an executive team, and the primary role of the Chair is to facilitate that process. This model differs from the conventional mix of Chair and CEO roles, where the independence of the former is a necessary check on the authority of the latter (refer to 'The Board' for further details). Terms as Board member and Chair are considered as separate matters by the Trustees to enable the best combination of Board membership and Chair at any point in time.

Alan Belfield was appointed Chair from 1 April 2019, and Tristram Carfrae continues as Deputy Chair for a further term.

Board engagement with the Trustees

Regular engagement with the Trustees is achieved in several ways:

- The Chair reports to the Trustees three times a year
- Joint Boards' meetings between the Trustees and Board twice a year
- Monthly meetings between the Chair and the Trustee Chair
- Joint working on areas of mutual interest e.g. the Community Engagement Programme and the appointment of Fellows (individuals at the forefront of excellence at Arup).

Board directors are formally appraised by the Chair on an annual basis following the same process undertaken for all our members including feedback from a number of sources; the Chair is formally appraised by the Trustee Chair in the same way. The Trustees are provided with feedback on the performance of individual Board directors by the Chair, and this is considered together with other feedback when considering any potential reappointments.

The Trustees carry out a formal review of the Board every two to three years as part of our governance arrangements and to help the Board to be as effective as possible. The review process includes interviews with a random sample of 10% of our senior management to gain their views on the Board's performance, as well as interviews with all Board directors and officers, in order to develop recommendations to the Board. For the 2020 review, wider engagement was also sought through an initial survey made available to all of our senior management.

The latest review commenced in February 2020. By agreement between the Chair and the Trustee Chair, in March 2020 the Trustees decided to proceed with the review as planned despite the implications of the COVID-19 pandemic. The resulting report was discussed at the Joint Boards' meeting in July 2020 and the recommendations plus any initial plans for the ensuing actions the Board will take were shared with senior management at the annual meeting in October 2020.

The Board

The Board is responsible for Arup's long-term success, financial security, unity, wellbeing and sustainability. The directors of the Board are as set out in the directors report.

Good and fair-minded governance, together with our independence, creates the conditions for our members to flourish - and our Board is responsible for this approach. The composition of the Board has evolved from our origins as a professional services partnership to enable the effective leadership of our business within a trust owned corporate structure. Our trust ownership is a key part of our governance in enabling and supporting good stewardship and high standards of corporate behaviour, and for that reason our Board composition differs from the model set out under the UK Corporate Governance Code 2018 (the "Code").

The Board operates as an executive team, so the risk of concentrating executive authority in any one or two individuals is significantly reduced. The majority of the Board is drawn from the senior leadership within the business so that the Board's decisions can be informed by their breadth of experience – from across Arup's business; from their individual advisory, design and engineering disciplines; from client and project work; and of our key sectors and growth areas – together with a granular understanding of our operations. Board directors do not represent the parts of the firm where they are operationally engaged, but their individual insights are valuable in determining the direction of the firm as a whole.

At least as importantly, Board directors have a strong understanding of, and personal commitment to, our values and our culture. The Board reaches decisions collectively as a board of equals, and all members are expected to actively contribute and are encouraged to voice any relevant views in reaching consensus.

There are currently two independent non-executive directors ("NEDs") on the Board. They are expected to attend all Board meetings, and office and site visits are encouraged to increase their understanding of the firm. The Chair meets with the NEDs before each Board meeting to brief them on matters on the agenda to ensure their active participation in board discussions.

The Chair is responsible for managing the Board and, together with the Deputy Chair, for acting on behalf of the Board on a day to day basis between meetings. In particular, the Chair encourages collegial discussion and effective decision-making, identifies strategic issues needing Board action and ensures Board directors are appropriately informed on key matters. Many of the operational responsibilities are undertaken by the Chief Operating Officer ("COO"), Paul Coughlan, who chairs the Management Board, the firm's operational board.

The Board are supported by the Board Secretary (Company Secretary), who they appoint in accordance with the articles of association. All directors are informed at their induction that they can access the advice of the Board Secretary as needed. The Board Secretary also liaises with the Chair to ensure the Board has access to all the information it needs to perform effectively and efficiently. All papers (current and past) are available to Board directors through an online portal.

Board activity

There are four full Board meetings per year (held over two to three days), and two meetings held jointly with the Trustees; short interim meetings are also held as required to address matters needing more urgent decisions, to maintain pace between the full board meetings, and to set priorities. All Board directors attended every meeting during the year with the exception of Isabel Dedring who was unable to attend the July 2019 meeting.

Key matters addressed by the Board, in addition to monitoring progress against our strategy, include market outlook and key client

Governance report (continued)

and project matters; significant and emerging risks and progress on existing mitigation measures; oversight of operations and performance; investment funding and allocation; and the global profit-sharing scheme arrangements and distribution amount.

The Board makes all appointments at the senior management level, as well as the members of the management bodies with specific operational or advisory roles.

Opportunities and risks

The Board is ultimately responsible for oversight of risk and for maintaining a robust risk management and internal control system. Formal risk reporting is embedded within the firm's management bodies so that emerging risks can be identified, escalated and addressed as appropriate. This is underpinned by the Risk Committee of the Board who are responsible for our risk management framework whose key objectives are to minimise threats to our business and improve our preparedness for risk events, should they occur. See 'Audit, Risk and Internal Control' for further details.

Seven key Group risk areas have been identified for oversight at Board level, each with a defined Risk Owner supported by relevant subject matter specialists to support the management of the risk and the development and active implementation of pragmatic and impactful mitigation actions.

Our Board directors' diverse operational roles within the firm provide day-to-day insight into opportunities and risks. At each Board meeting the members provide their views of the current and future marketplace, highlighting new client opportunities and industry developments. Geopolitical and related thematic risks that could affect the firm in significant ways are also kept under review by the Risk Committee and any matters of significance are brought to the attention of Board.

The Risk Committee has recently undertaken a review of the risk areas to assess which should be the priority for 2020-21. This work is currently being finalised and will be taken to the Board for review and approval, as part of a further evolved and refreshed Group Risk Management Framework.

Strategy development

The Board is responsible for setting the strategy for the firm which sets out the priorities and approach that will continue to unite us as a firm and make sure we thrive in a changing world. This is typically reviewed and renewed on a three-to-five year basis. In 2019, the Board reviewed the firm's business priorities, taking into consideration feedback from extensive engagement and consultation processes with the firm's members and leadership, and the 2020-2023 strategy was launched in May 2020.

Implementation and performance

The Board delegates responsibilities in various areas to executive bodies. There are three advisory bodies in key strategic areas: Arup University Council, Digital Executive and People Council. These report to the Board quarterly and their performance is subject to ongoing assessment against agreed plans.

Day to day operational management is carried out by the Management Board who have overall responsibility for business operations and performance, the delivery of annual business plans, the success and well-being of our members, delivering value to clients and a high quality of service.

The Management Board is chaired by the COO and formed of the chairs of the five operating regions, the Chief Information Officer, the Chief Financial Officer ("CFO"), the People Leader and the Head of Corporate Services. It coordinates the activities of the Region Boards, including changes to their organisational and management structure in order to achieve consistent operation. Targets are set within a 3-year plan both at region and global level. The Management Board is collectively responsible for delivery of the global targets.

An Arup Operational Performance Report is published internally every six months and provides an overview of our performance as a firm, globally and regionally, so every member of Arup can understand how the various parts of the business affect our overall performance.

Region reviews are undertaken annually by a panel of the Board, typically the Chair, Deputy Chair, and COO together with the regional leadership teams. This is intended to be a constructive process and includes reports on the region's progress against the Group strategy and in-depth discussions in key areas including e.g. clients and projects, risk, succession planning and diversity.

Succession planning

A bottom-up approach is taken to succession planning to provide equal development opportunities for all members; with a similar process followed at each level; group/team leadership to region leadership to Arup Group leadership. In each case, the current incumbents review, typically annually, all existing members at the preceding level to identify potential candidates for the near, medium and long-term. Candidates for leadership roles are provided development opportunities to demonstrate their capabilities, gain further skills and broaden their knowledge of the firm. Many senior appointments are also openly advertised to reinforce equality of opportunity. Succession and candidate shortlists are assessed to ensure the diversity adequately represents both the pool that is available to be selected from and supports Group targets.

The appointment process for Board directors is detailed under 'Appointments' above where diversity within leadership bodies is considered.

External evaluation

The Board engaged Odgers Berndtson to undertake a review of the Board's effectiveness. This involved individual assessment of individual aptitudes and engagement styles for all the Board directors and officers, one on one interviews with each of them, and attendance by an observer at the whole of the February 2020 Board meeting. The Board received the results of the review in April 2020 and the Chair is currently considering how to prioritise and take forward the recommendations alongside those provided by the Trustees' Review that were reported in July 2020.

Governance report (continued)

Policies in practice

Group Policies

Arup has six core Group Policies, formal declarations of principle whose purpose is to guide decision making. They are informed by our stakeholder engagement and provide direction for our business, translating our values into actions, and set clear expectations for and of our members (refer to 'Our stakeholders' for details of Board engagement).

Group Policies apply across all Arup operations; they are set, reviewed and approved annually by the Board and implemented through regions and groups. An individual Board director is assigned responsibility for developing a plan to enable us to reach the aims set out in each policy while fulfilling applicable legal, regulatory and other requirements. However, all Board members take an active and visible role in communicating the importance to the firm of each of the policies' aims.

We publish our policies publicly on our website. The direct implications of each, for the areas of good governance examined by the Code, and the way it shapes our work are outlined below:

- Environmental: we seek to protect the environment by addressing the complex challenges presented by population growth, climate change, biodiversity loss, increasing energy demand and resource scarcity to live within the natural limits of our planet.

  Key Board decisions: committed to contribute meaningfully to the UN SDGs and to be a net zero GHG emissions organisation by 2030; maintained a management system certificated to international standard ISO 14001 (refer to 'Shaping a better world' for further details).

- Equality, diversity and inclusion: Arup is committed to creating an inclusive working environment based on merit, fairness and respect. One that encourages talented people of any background to produce their best work of the highest quality. As a humane organisation, we embrace the skills, abilities and knowledge that only a diverse and inclusive workforce can provide, to create solutions, and give advice, that improves society as a whole.

  Key Board decisions: continued to target for the male to female ratios within our membership to be in a 40% to 60% range; maintained diversity as a key consideration in Board appointments and succession planning; committed to the Valuable 500, a global movement to put disability on business leadership agendas (refer to 'Diversity and inclusion' for further details).

- Ethical conduct: our values and commitment to business integrity stem from our aim to act honourably and with integrity in all our business dealings. We have a strong sense of responsibility to treat people respectfully and we maintain ethical business standards in all the markets in which we operate.

  Key Board decisions: established a Business Integrity function, and promoted the Business Integrity Code of Practice; implemented systems that support our duty of confidentiality and respect privacy in our business relationships (refer to 'Business integrity' for further details).

- Health, safety and wellbeing: we care about our members, and those influenced by our actions through our projects. We provide a safe and healthy working environment for our members; in our offices, on site and travelling on business. We promote the importance of health, safety and wellbeing, both within the workplace and through our work.

  Health, safety and wellbeing is a standing agenda item at Board meetings.

  Key Board decisions: prioritised the safety and wellbeing of all our members in our COVID-19 response; maintained management system certificated to Occupational Health and Safety Assessment Series (OHSAS) 18001 or equivalent (refer to 'Health, safety and wellbeing' for further details).

- Quality: we care deeply about our work and seek to produce better outcomes for our clients, the public and our planet. Through our collaborative spirit, independent thinking and holistic approach we produce work of quality that improves the built environment and sets new expectations for our industry.

  Arup University Council is chaired by a Board director and reports directly to the Board.

  Key Board decisions: maintained commitment to the Arup Fellows programme; maintained a management system certificated to international standard ISO 9001; maintained oversight of the Client relationship programme (refer to 'Building successful relationships' for further details).

- Sustainable Development: a commitment to contribute meaningfully to the UN SDGs, creating shared value for our clients and our communities while safeguarding our planet. We will apply our expertise, diversity of thinking and independence in the quest for a safe, sustainable and resilient future – for all.

  Key Board decisions: appointed a Board director for Sustainable Development and a global Sustainable Development Leader; agreed the firm-wide plan for sustainable development, 'A better way'; signed the UN Global Compact; maintained external public commitments e.g. global knowledge partner for the Ellen MacArthur Foundation (refer to 'Shaping a better world' for further details).

Business integrity

In July 2019 we published our refreshed Business Integrity Code of Practice and created the position of Business Integrity Leader reporting to the Group Legal Director. The Code of Practice consolidates how we meet our aim of 'straight and honourable dealings', combining rules and guidance for behaviour and action. In addition to providing guidance on matters of ethics (such as whether to accept gifts and hospitality), the Code of Practice addresses key regulatory and related requirements by setting clear expectations in respect of privacy and data protection, cyber security, conflicts of interest, confidentiality and other matters.

This Code of Practice applies equally to the Board as it does to other members of the firm. Specifically, in the context of Board directors' external appointments these are notified to the Board in advance of acceptance and any actual, potential or perceived conflicts of interest are examined to determine if they should proceed and if any mitigating actions are required to ensure all matters determined by Board directors are solely considered in the interests of Arup. A register of interests is kept by the Board Secretary and it is a standing item of the Board agenda.

Governance report (continued)

Building successful relationships

Ove Arup's words guide us in recognising the importance of building successful relationships; *"recognise that no man is an island, that our lives are inextricably mixed up with those of our fellow human beings, and that there can be no real happiness in isolation"*. Our purpose and our values, through our Trust ownership, ingrained not only throughout our governance and our operations, but as part of our DNA, are a core constituent of how we think and act.

Our timeframe is multi-generational, and 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 the bodies tasked with leading and managing the firm, including the Board.

This is how we deliver on the duty to promote the success of the Company as set out under S.172 of the Companies Act 2006. For our formal S.172 statement, please refer to the strategic report.

Our stakeholders

The table below identifies our stakeholders and how the Board engages with them. The resulting principal decisions the Board has made are outlined in 'Policies in practice'.

Stakeholder	Who are they?	Why are they important to us?	Board engagement
Trustees	Directors of the owning Trusts	The Trusts are the sole shareholders in Arup Group Limited.	• Reports to Trustees' meetings • Bi-annual Joint Boards' meetings • Monthly Chair-to-Chair meetings • Joint working groups *Refer to 'Board engagement with the Trustees'*
Members	Everyone employed by Arup Group Limited's subsidiaries	Our members are the primary beneficiaries of the Trusts. Alignment with aims: Humane organisation & Reasonable prosperity	• Triennial 'Working at Arup' survey • Annual meeting for senior management • Board visits to offices and sites • Bi-annual Arup Performance Report • Regular events, online meetings and news *Refer to 'Our members'*
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. Alignment with aims: Quality of work & Social usefulness	• Attendance at industry events • Membership of the World Economic Forum • Professional engagement on projects • Oversight of the Client Relationship programme *Refer to 'Business integrity' and 'Long-term collaboration'*
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. Alignment with aims: Total architecture & Straight and honourable dealings	• Senior positions in industry organisations e.g. Royal Academy of Engineering • Where Arup 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 • We aim to treat our suppliers fairly and with respect, and to pay for services promptly in line with reasonable contractual terms *Refer to 'Business integrity' and 'Long-term collaboration'*
Society	Those who are impacted or influenced by our work including end-users, communities local to our projects, charities, and future members.	Our vision to shape a better world is all encompassing; social usefulness and sustainable development are key outcomes. Alignment with aims: Social usefulness & Humane organisation	• Senior positions, and participation, in policy setting government and regulatory forums • Partnerships with influencers e.g. Ellen McArthur Foundation, C40 Cities • Membership of the World Economic Forum • Community Engagement Programme • Tax strategy aligns with being an ethical corporate citizen paying the right amount of tax when it becomes payable *Refer to 'Shaping a better world'*

Governance report (continued)

Long-term collaboration

We deliver high quality work and build long-term trusted relationships with our clients and collaborators in all our markets. Creating and strengthening these relationships is a primary goal for the Board and our leaders. It goes beyond the project work we are doing with them at any one time, understanding all aspects of their business, anticipating their needs and offering solutions they will value.

Many of the world's challenges; rapid urbanisation, social inequality, climate change and the constantly expanding impact of new technology, require long-term engagement to develop sustainable solutions. Our partnership with C40 Cities (a network of the world's megacities) is one example of our approach.

With a majority of the world's population now living in cities, and a rapidly growing urban population in the developing world, cities are at the forefront of the issues caused by climate change. Arup has partnered with C40 Cities for ten years, carrying out vital research to help cities measure, manage, and plan climate actions, empowering their leaders to make vital decisions. Our relationship focusses on providing the service that will have the greatest impact; from seconding our members into C40 Cities and the governance bodies of the cities they support, to collaborative strategic analysis and research to deliver 'Deadline 2020' a route-map to turn the aspirations of the Paris Agreement into reality.

Our members

Our founder, Ove Arup, often spoke about the importance of people. How people are 'members' of organisations they want to be part of. Their participation is voluntary, and a reflection of what he called 'unity and enthusiasm'.

We now have more than 15,000 members worldwide. We are growing into new business areas; often connected to sustainable development and the new digitally led economy. The expectations of our members and our clients around how we do things are changing. This is a continual journey that sees us actively evolving, sharing and reinforcing our culture and values. We are also developing better systems and processes to ensure inclusion, consistency, fairness, and good decision making as well as compliance with local laws and regulations.

An open and continuous dialogue

Formal engagement

'Working at Arup' is our global membership engagement survey and has been run every three years since 2005. It is open to all permanent and specific-term members and there is a high level of participation with a 75% average response rate. Its purpose is to measure our members' level of satisfaction and engagement in their current working environment and working practices and seek their feedback in relation to our future direction and capability for reaching our long term goals, and whether we are creating the right environment for our members and our firm to thrive in the future.

The most recent survey was conducted in March 2019. The 'membership engagement' score was 84% (6% above the benchmark on the industry leading platform Culture Amp) with 90% of respondents 'proud to work for Arup'. The anonymised results of the survey are provided to the leadership teams in each area to discuss with members and address areas needing improvement. Matters that require a more global systemic approach are reported to the Board, with actions typically delegated to executive bodies, predominantly the People Council.

The four areas identified requiring a global approach were leadership, behaviours, relationships and wellbeing. With the planned launch of the firm's 2020-2023 strategy imminent, the Board decided not to address these as separate initiatives and instead examine these areas in more detail through further member consultation. The feedback, together with the Board's decision to focus on positive reinforcement and role-modelling, informed the development of the 'People' element of the strategy. This resulted in the three themes of the People Strategy: 'Be Leaders, Be Human, Be Arup'.

Our senior management participate in regular calls with the Chair and directors of the Board; each is also invited at least every three years to participate in a two-day annual meeting to discuss matters of strategic importance (refer to 'Our Culture' for further details).

All members are encouraged to raise any matters of concern through their group leader or People Business Partner. If this is not possible or they feel uncomfortable, then they can contact any of the following: their region Ethics Champion, the Group Ethics director, Group Legal director or email the ethics mailbox. Any reports of suspected breaches of the Business Integrity Code of Practice are treated as confidential and any investigations will be handled sensitively.

The door is always open

The Board encourages and facilitates a robust freedom of expression within the firm, and the experience of the Board when connecting with local offices is that, as beneficiaries of the firm's success, our members are generally comfortable engaging with the Board directors on a broad range of challenging topics. This is reinforced by our Trust ownership which helps to bypass traditional hierarchies that might otherwise suppress the reporting and addressing of issues.

The Trustees themselves provide an additional layer of assurance, as it is open to any member of the firm to raise matters of concern with them if it appears that the more usual escalation route through line management is either inappropriate given the circumstances or is proving to be ineffective.

Our members are spread across 88 offices in 33 countries. The Board and Trustees have structured engagement plans that enable their members to visit Arup offices, such that each office is visited ideally at least every three years. Visits typically involve a presentation focussed on strategic or cultural matters, hearing about the work the local office is undertaking, visiting projects and talking with teams, and questions from members are actively encouraged.

Reverse engagement

There is a culture of openness and members freely share their ideas equally, regardless of managerial status. Areas of innovation, differences of opinion and potential controversy are often raised in local forums or on our member online discussion forums. Board directors can be invited by members to present their views on the issues raised and this often results in lunchtime debates broadcast across multiple offices. Discussions often centre around our work in particular industries or countries.

Governance report (continued)

Continuous development

Arup University was formally established in 2009. It is home to the firm's research activity and thinking about the future, brings together all the firm's learning opportunities into one place, enables collaboration and knowledge sharing through our skills networks and provides information resources for our members.

Opportunities are open to our members to support their personal development, thirst for knowledge and passion to develop ever better solutions include access to research funding and collaboration opportunities with leading academics and professionals, masters modules delivered in partnership with the world's leading universities, and in-house learning delivered for example by our Arup Fellows; exemplars in their field.

Health, safety and wellbeing

Arup is committed to caring for the health and safety of our members and those who may be impacted by our work and to supporting the wellbeing of our members. That means caring about our members in our offices, when travelling to and from work and for business, on construction sites and other offices, and in our design processes to ensure that we address safety and maintenance when we are designing.

Our record for safety in the workplace compares well with industry benchmarks (six reportable accidents across the Group in the last three years), however during the year an unprecedented incident resulted in the fatality of a contractor undertaking installation works in one of the firm's offices. Management teams are actively working with the regulator, and enhanced checks are being implemented in response to the incident, although this process has been delayed by the COVID-19 pandemic. Our global Health, Safety and Wellbeing Committee continually look for ways to improve our performance, share best practice, and actively learn from all incidents.

Our members' wellbeing is also an area for constant improvement. In October, as part of the firm's third annual wellbeing week, our COO spoke to members about how the firm is tackling workplace mental health issues, what support is available, and how our response to these issues continues to develop.

Our approach examines four distinct contexts: the physical working environment itself; the psycho-social environment; which personal health resources should be available and how getting involved in the local community can play a role. Key factors include aiming to achieve a good work/life balance, showing zero tolerance for bullying and discrimination, and helping members to make healthy choices as they go about their work. Focusing on these areas will help foster a culture where mental health and wellbeing are never taken for granted.

Total reward

Our global approach to reward reflects our firm's core values, acknowledging our members contribution to our shared prosperity. Competitive, fair and equitable pay are just one part of our investment in our members. In addition, a range of benefits aligned with local markets are provided that support health and wellbeing, contributions towards retirement, flexible working and family support (refer to the Board remuneration committee report for further details).

After reinvesting in learning, research and development, and retaining necessary working capital, we distribute all remaining profit to our members through a global profit-share scheme, and by donation to charitable organisations.

The Arup global profit-share scheme has been in place for over 50 years. It forms part of the reward for members in all Group locations globally and is deeply embedded in the firm's culture. It is a crucial part of the 'glue' which holds the firm together and its basis is to encourage mutual support, the sharing of work and members and reinforces the sharing culture.

Members are allocated global 'profit shares' on a similar basis in terms of their grade and length of service. On a bi-annual basis the aggregated performance of all Arup regions is used to determine the available global profit-share pay-out. This in turn determines the quantum delivered to members; everyone shares in Arup's success.

Diversity and inclusion

We value individual differences and recognise the contributions of all our members in creating solutions of value to society as a whole, and we are working to improve diversity across the firm.

We have made further progress this year to improve our gender balance, with an increase from 36.6% to 37.7% female members across the firm overall. Achieving this in traditionally male-dominated professions is not a quick process, but we will keep it a constant focus, measure our progress year by year, and challenge ourselves to do more.

Diversity of thought and background is an important consideration for appointments across the firm. The proportion of women in senior leadership roles has increased from 22.5% to 23.5%. In our senior management teams 33% of our Board are female and there is 37% female membership of our five region Boards; two of which are chaired by women.

Progress has also been reflected externally with five Arup women included in this year's 100 Most Influential Women in the Engineering Sector.

Arup has a number of established 'Connect' networks to provide support to, and understand the needs of, different affinity groups and spanning a broad range of dimensions including culture, race and gender identity. We pride ourselves on being an organisation where people can bring their whole selves to work; a place where everyone feels accepted, empowered and safe in their roles. The level of trust our members put in the firm enables people to share their stories openly, and 2019 saw a number of internal 'Voices' opportunities to provide inspiration and increase understanding and solidarity including, 'living with a disability' and 'what does family mean to you?'.

Governance report (continued)

Audit, risk and internal control

Oversight of our financial reporting and related internal controls, risk, and ethics and compliance is principally carried out by three committees of the Board - the Statutory Accounts committee, the Ethics committee and the Risk committee - as well as being supported by our Business Integrity function (see 'Policies in practice' above) and our project delivery environment. Committee meetings were scheduled to ensure full attendance of the directors of the Board.

Each of the committees reports directly to the Board on the matters within its scope, either quarterly (for the Ethics and Risk committees) or at the October meeting (Statutory Accounts committee).

Statutory Accounts committee

Given the strength of our internal controls, assessed as part of the external audit process, an internal audit function is not considered appropriate. The Statutory Accounts committee is responsible for oversight and assurance of our statutory financial reporting and the external audit process; it receives a detailed report from the independent auditors on significant matters arising from the audit; and it recommends the Group statutory accounts to the Board for approval.

The committee is chaired by Alan Belfield (Chair), and its membership includes Paul Coughlan (COO) and Tim Stone (NED). The Chair and COO bring valuable insight to the committee from their extensive knowledge of the operations and finances of the Group and its constituent parts over many years, as well as hands on experience as project directors in delivering our professional design and engineering services earlier in their careers. Tim Stone has extensive financial expertise from his previous roles.

The committee typically meets three times a year at appropriate points in the audit process: to confirm the audit programme, to agree the principal accounting policies and accounting procedures, and to review the auditors' report and the Group statutory accounts.

In the absence of potential pressures either in response to market and shareholder expectations or as a result of personal incentive schemes, independence is achieved by the separation of the committee from those responsible for the preparation of the financial statements i.e. the CFO and the global and regional teams within the finance function.

PwC was appointed in 2010 as the Company's auditors following a tender process. Given the unusual trust ownership structure of the firm, an extended tenure of external auditors can contribute to a more comprehensive understanding of our business, and therefore a more effective audit process, subject to maintaining an appropriately independent relationship. The performance and tenure of the auditors is kept under regular review by the committee and the CFO.

The committee receives a formal report from the auditor each year on its independence, covering corporate, business and individual relationships as well as identifying non-audit services, and confirms that there are no matters that would compromise an objective evaluation of the financial statements. The primary non-audit services are in relation to tax compliance and advisory work. There are no contingent fee arrangements in place, and the lead audit engagement partner is rotated at least every 10 years.

Ethics committee

The committee is responsible for oversight and assurance of Business integrity and ethical behaviours.

The committee is chaired by Paul Coughlan (COO), and its membership includes senior leadership representatives from across the firm. The membership of the committee is intended to ensure that, with Fair and Honourable dealings as one of our founding values, ethical conduct is given the highest priority within the business.

The committee meets quarterly to receive reports on any matters of concern, and it reports to the Board at each of the latter's quarterly meetings. The committee chair communicates to the firm regularly to reinforce the importance of this area.

Ethics training ('Ethics: Acting in line with our values') is mandatory for all our members, who are actively encouraged to raise any ethics-related issues that they have, either with their group leader or with any of the region champions who form the Ethics committee, or with the Board Ethics director or the Legal director. An ethics@arup.com email is also available. We do not operate a separate firmwide external mechanism for whistleblowing, however schemes have been implemented in some locations in response to local requirements.

Refer to 'Business integrity' for details of this specific aspect of the Ethics committee's role.

Risk committee

The committee is responsible for oversight and assurance of our framework of risk areas as identified and prioritised by the Board, together with the related control and mitigation measures, as well as in depth reviews of specific risks arising from time to time. It regularly reviews and updates the framework to ensure a dynamic approach to risk management.

The committee is chaired by Clare B Marshall (Legal director), and its membership includes our two NEDs Cordelia Chung and Tim Stone.

The committee meets quarterly, and receives reports on any matters of concern, whether escalated through management channels or otherwise. Reports from the committee are considered by the Board at each of its quarterly meetings. Refer to 'Opportunities and risks' for further details.

Project delivery environment

Our global Arup Management System ("AMS") project delivery environment is our primary quality management tool providing a comprehensive set of procedures and checks to enable compliance and quality assurance. The AMS integrates our Quality, Health and Safety, and Environmental policies within our project delivery environment. Adherence to the AMS is overseen by the regional management teams, and its operation is audited annually by external bodies in each location. The AMS is certificated to ISO 9001, ISO 14001 and OHSAS18001 (certification is currently being updated to the new ISO 45001).

Governance report (continued)

Remuneration

Remuneration policy for the Board, including the Chair, and senior management is set in accordance with our global approach to reward for all our members which reflects our values and in particular Ove Arup's aim for reasonable prosperity of members (refer to 'Total reward' for further details).

The Trustees oversee and set the total remuneration of the Board, which includes salary, benefits and profit share. A committee of the Trustees, the Board remuneration committee, develops policy and advises the Trustees on Board remuneration for decision by the Trustees. The Board remuneration committee report provides further details of the responsibilities of the committee and our policies for Board remuneration.

The Senior Staff Remuneration executive is an executive committee of the Board that determines the remuneration of the senior management.

The remuneration of the non-executive directors of the Board is determined by the Group Chair on the advice of the global People Leader based on current market rates and the time commitment required. Reasonable expenses are also reimbursed but there are no additional benefits, and they are not beneficiaries of the global profit-share scheme.

Board remuneration committee report

Committee Chair's introduction

On behalf of the Board remuneration committee (the "Committee'), I am pleased to present this first report for Arup, for the financial year ending 31 March 2020.

As part of the firm's ongoing commitment to governance best practice, we are committed to making disclosures in relation to Board remuneration, using as a basis the provisions of the UK Corporate Goverenance Code 2018 (the "Code") as a recognised benchmark. Our objective of this first report is to introduce the Committee and its activities, and to set out clearly and transparently a summary of the policies and principles that the Committee adopts in advising the Trustees decision-making around Board remuneration (for executive directors including the Chair). In due course, we plan to evolve the content of this report to include an overview of how the Committee implements the remuneration policy during the year under review (and commentary in respect of these decisions), and importantly also how this aligns with remuneration across the firm more widely.

The Committee:

The Trustees, which include four independent non-employee directors, determine Board remuneration (refer to 'Unique ownership structure' and 'The Trustees' sections of the governance report for further details). The Trustees are advised by the Committee whose overarching purpose is to ensure the remuneration structure and policies reward the executive directors of the Board fairly, responsibly and in line with our values (as set out in the 'Values driven' section of the governance report).

The Committee comprises:

- David Whittleton, Chair of the Trustees, Committee Chair since April 2018, Committee member since January 2018;
- Tim Stone, non-executive director of the Board, Committee member since April 2016;
- Asim Gaba, Trustee, Committee member since April 2018; and
- Jenni Emery, People Leader, Committee member since January 2019

The Committee operates within agreed terms of reference that are available to Arup members, and without influence from the Board or other senior management. Its main responsibilities are to:

- Ensure Arup adheres to the highest standards of governance and best practice in remuneration matters;
- Design and administer the remuneration policy for executive directors of the Board; and
- Implement such policies to ensure that remuneration: promotes Arup's values and culture; aligns with the delivery of its strategic goals and purpose; and helps to attract, motivate and retain high calibre individuals.

Remuneration outcomes in 2019/20:

The Committee met three times in 2019/20, with all members present at each meeting. Its activities in the year included:

- Consideration of the implications on remuneration of changes to the composition of the Board during the year;
- A full review of the terms and conditions of employment for the Board, and their remuneration, to ensure arrangements remain fair, fit for purpose and aligned with our values;
- Gathering external market data for benchmarking Board pay levels;
- Formalising a pay structure to enable Arup to manage the unique termed nature of the Board role;
- Reviewing the broader context for Board remuneration decisions to ensure that:
  - o the remuneration of members of the firm, related policies, and the alignment of rewards with our values, are all appropriately reflected in Board remuneration; and
  - o overall reward levels are in line with, and appropriately competitive against, relevant local market practice.

Looking ahead to 2020/21:

For 2020/21, the Committee's focus is expected to include the following areas:

- Keeping under review the implications on Board and employee remuneration of the COVID-19 pandemic;
- Ensuring that remuneration continues to support our overall strategy, as well as the firm's values and purpose;
- Understanding any proposals from the Board on the future design of our profit share arrangements for members of the firm; and
- Aligning our remuneration policy, practices and governance, more closely with the Code (or explaining why we choose not to).

I am delighted to be able to share with you this introduction to the Committee and its activities, as well as an overview of the remuneration principles and policies that apply to the executive directors of the Board. The Committee has engaged with the Board in its work to ensure that the approach to remuneration taken across Arup as a whole is simple, coherent and consistent; and aligned with the firm's aims, in particular Straight and honourable dealings and Reasonable prosperity of members. We are committed to expanding the content of this report over time, and trust that these initial disclosures are welcome and insightful.

David Whittleton
Chair, Board remuneration committee

Board remuneration committee report (continued)

Arup Board remuneration policy

This section of the report summarises the Board remuneration policy that is currently in operation. In line with the underlying principles for remuneration across Arup more broadly, the aim of the Board remuneration policy is to promote the firm's values and culture, and long-term success through strong and sustainable performance.

The Committee keeps this policy under periodic review. In 2019/20, we assessed the policy against the six themes set out in paragraph 40 of the UK Corporate Governance Code 2018: clarity, simplicity, risk, predictability, proportionality and culture. The Committee concluded that:

- The policy is simple, appropriately designed and clear. It effectively reinforces Arup's culture, its aim of Straight and honourable dealings, and long-term sustainable success. Importantly, it is also consistent with the remuneration policies in place across Arup as a whole;
- Fixed pay is predictable and calibrated to support our aim of Reasonable prosperity. The Board allowance, payable during an individual's termed appointment to the Board, ensures that remuneration is proportionate to the additional responsibilities of this role. Eligibility for the global profit-share scheme ensures an appropriate balance between pay certainty and driving behaviours that promote sustainable growth for the benefit of all stakeholders, without encouraging or rewarding excessive risk-taking; and
- The Committee retains appropriate discretion to ensure that poor performance is not rewarded.

Remuneration policy table:

The table below summarises the main components of the reward package for executive directors of the Board:

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base pay: annual base salary and Board allowance			
To attract and retain high calibre individuals, and to recognise their responsibility to deliver our values, culture and strategy over the term of their appointment to the Board.	Base pay consists of annual base salary, plus an additional Board allowance. This allowance is paid in monthly instalments over the term of an individual's membership of the Board. After an individual's termed appointment to the Board ends, the allowance reduces, and annual base salary is reviewed and set in relation to the role to which they are subsequently appointed. Base pay is reviewed annually with any changes, if appropriate, typically effective in April. Factors considered when reviewing base pay include: - overall business performance; - economic climate and market conditions; - general increases awarded to Arup members and in the relevant market more broadly.	Average base pay increases are normally in line with the average increases for the workforce in the relevant market. Increases above this level may be applied in situations where the Committee considers this necessary, such as when there is a material change in the scope or responsibility of a role, where market conditions indicate a level of under-competitiveness that requires correction, or there is considered a risk to the attraction or retention of executive directors of the Board. The Committee does not consider it appropriate to set a maximum pay level.	None
Benefits			
To provide market competitive health and wellbeing benefits consistent with the role and driving employee engagement and security for the individual and their family.	Executive directors of the Board are entitled to benefits which may include the following, based on country of employment: • private healthcare and annual health checks; • insurances covering accident, income protection and life; and • paid annual leave. The benefits offered may change from time to time to reflect changing circumstances, market practice, or consistency with other colleagues in the relevant market.	Benefits will be provided at levels commensurate with market practice in the country of employment. We expect the value of benefits to fluctuate due to individual circumstances, insurance premiums and other external factors.	None

Board remuneration committee report (continued)

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Pension			
To provide an income after retirement through the provision of retirement savings during employment.	Arup offers executive directors of the Board: • participation in the local pension plan in the country of their employment, or • the equivalent employer contribution to be taken as a cash allowance and paid in instalments, or • a combination of these arrangements to the same total value.	All new executive directors of the Board receive employer contributions in line with the rest of the workforce in the country of their employment. A small number of current directors are on different legacy arrangements and will transition to their local country standard over time.	None
Global profit-share scheme			
To embody the principles of our ownership structure, where our members are the drivers and the beneficiaries of our success. To reinforce the truly global nature of our business, by being based on our collective success.	This is a scheme for eligible members in all Group locations globally. Any payments made to executive directors of the Board are determined based on base pay, allocated global 'profit shares' and Arup financial performance. These payments are typically made twice per year in June and November, after review of full and half-year business performance.	As for all other participants in the scheme, individual executive directors of the Board are allocated global 'profit shares'. The level of the allocation is subject to periodic review, both in the context of the operation of the profit share across Arup, and to ensure an appropriate mix of fixed and pay at risk for executive directors of the Board reflecting their role in delivering Arup strategy.	Following each profit-share period, the Board determines the available global profit-share pay-out for distribution to eligible members. The Trustees review the pay-out to be applied for the Board and have full discretion to vary this or award no pay-out depending upon performance of the Board as assessed by the Trustees in the prior performance period.

Service contracts:
Executive directors of the Board have signed rolling contracts in respect of their ongoing employment by Arup, terminable on six-months' notice (or in a limited number of instances due to legacy, 12 months' notice) by either the Group or the individual. As set out in the table above, an individual's appointment to the Board is a termed role, terminable at any time with immediate effect and without compensation.

Summary of remuneration for other Arup members

The approach to remuneration for the executive directors of the Board follows the same fundamental principles as for all members throughout Arup, aligned to our values, and supporting the right outcomes for our firm and our employee-ownership model, as outlined in the following table (and the 'Total reward' section of the governance report):

Base salary	Benefits and pension	Global profit-share scheme
We conduct an annual review of base salary for all members. In determining any increase to base salary, we consider comparable market rates, the contribution, skills, knowledge and experience of each individual, and the pay budget for each country in which we employ members. In setting pay budgets we assess how our pay levels are positioned relative to the market, review economic conditions and forecasts for market and wage growth, and consider the business context and affordability.	All members are eligible for benefits reflecting competitive market practice in the country in which they are employed. This typically includes a combination of health, wellbeing, insurance and retirement benefits.	All permanent members of Arup are eligible to participate in the global profit-share scheme. The scheme reflects the importance of our highly collaborative culture to our ongoing success and enables all members to share in the success of the firm that they own.

Independent auditors' report to the members of Arup Group Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Arup Group Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 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 (the "Annual Report"), 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 Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 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.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

30 October 2020

Consolidated income statement

For the year ended 31 March 2020

	Note	2020 £m	2019 £m
Revenue	4	1,809.3	1,714.8
Employee benefit expense	5	(1,042.6)	(1,005.6)
Charges from sub-consultants and other direct project expenses		(427.6)	(416.3)
Depreciation and amortisation expense	10, 11, 28	(88.3)	(29.2)
Accommodation		(26.5)	(65.9)
Communications and other overheads		(160.7)	(166.1)
		(1,745.7)	(1,683.1)
Operating profit	7	63.6	31.7
Finance income	8	4.7	2.2
Finance costs	8	(14.8)	(5.2)
Profit before income tax		53.5	28.7
Income tax charge	9	(16.5)	(15.8)
Profit for the financial year		37.0	12.9

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

	2020 £m	2019 £m
Profit for the financial year	37.0	12.9
Other comprehensive income / (expense)		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	8.1	(0.4)
	8.1	(0.4)
Items that may be reclassified subsequently to profit or loss		
Currency translation gains	12.1	9.8
Other comprehensive income for the year, net of tax	20.2	9.4
Total comprehensive income for the year	57.2	22.3

The notes on pages 28 to 70 are an integral part of these financial statements.

Consolidated balance sheet

As at 31 March 2020

	Note	31 March 2020 £m	31 March 2019 £m
Assets			
Non-current assets			
Property, plant and equipment	10	309.8	317.0
Right-of-use assets	28	250.4	-
Intangible assets	11	4.7	5.2
Deferred income tax assets	22	51.0	47.3
Net investments in subleases		0.3	-
Fulfilment contract assets	13	1.1	1.2
		617.3	370.7
Current assets			
Trade and other receivables	16	565.0	513.9
Derivative financial instruments	15	1.6	0.0
Cash and cash equivalents	17	134.9	113.1
		701.5	627.0
Total assets		1,318.8	997.7
Liabilities			
Current liabilities			
Borrowings	18	3.2	3.2
Trade and other payables	19	542.1	461.7
Current income tax liabilities		11.6	10.4
Derivative financial instruments	15	-	0.3
Provisions for other liabilities and charges	20	13.2	12.1
		570.1	487.7
Non-current liabilities			
Borrowings	18	70.0	82.1
Lease liabilities	28	225.0	-
Deferred income tax liabilities	22	18.7	12.1
Post-employment benefit liabilities	31	81.6	104.8
Provisions for other liabilities and charges	20	17.3	9.2
Other non-current liabilities	21	-	23.3
		412.6	231.5
Total liabilities		982.7	719.2
Net assets		336.1	278.5
Equity			
Share capital	23	0.1	0.1
Retained earnings		336.0	278.4
Total equity		336.1	278.5

The notes on pages 28 to 70 are an integral part of these financial statements.

The financial statements on pages 23 to 70 were approved and authorised for issue by the board of directors and signed on its behalf by:

A J Belfield
Chairman

30 October 2020

Company balance sheet

As at 31 March 2020

	Note	31 March 2020 £m	31 March 2019 £m
Assets			
Non-current assets			
Property, plant and equipment	10	1.9	2.1
Investments in subsidiaries	12	154.4	104.1
		156.3	106.2
Current assets			
Trade and other receivables	16	175.5	212.7
Cash and cash equivalents	17	0.4	0.5
		175.9	213.2
Total assets		332.2	319.4
Liabilities			
Current liabilities			
Borrowings	18	9.0	9.0
Trade and other payables	19	193.1	163.7
Current income tax liabilities		0.7	0.7
		202.8	173.4
Non-current liabilities			
Borrowings	18	70.0	80.0
		70.0	80.0
Total liabilities		272.8	253.4
Net assets		59.4	66.0
Equity			
Share capital	23	0.1	0.1
Retained earnings		59.3	65.9
Total equity		59.4	66.0

The Company reported a loss and total comprehensive expense for the year of £6.6m (2019: profit and total comprehensive income of £1.4m).

The notes on pages 28 to 70 are an integral part of these financial statements.

The financial statements on pages 23 to 70 were approved and authorised for issue by the board of directors and signed on its behalf by:

A J Belfield
Chairman

30 October 2020

Consolidated statement of changes in equity

For the year ended 31 March 2020

	Share capital £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2018	0.1	256.1	256.2
Profit for the financial year	-	12.9	12.9
Remeasurement of post-employment obligations	-	(0.6)	(0.6)
Remeasurement of post-employment obligations - tax	-	0.2	0.2
Currency translation gains	-	9.8	9.8
Other comprehensive income for the year	-	9.4	9.4
Total comprehensive income for the year	-	22.3	22.3
Balance as at 31 March 2019	0.1	278.4	278.5
Effect of change in accounting standard	-	0.4	0.4
Balance as at 1 April 2019 restated	0.1	278.8	278.9
Profit for the financial year	-	37.0	37.0
Remeasurement of post-employment obligations	-	7.5	7.5
Remeasurement of post-employment obligations - tax	-	0.6	0.6
Currency translation gains	-	12.1	12.1
Other comprehensive income for the year	-	20.2	20.2
Total comprehensive income for the year	-	57.2	57.2
Balance as at 31 March 2020	0.1	336.0	336.1

Company statement of changes in equity

For the year ended 31 March 2020

	Share capital £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2018	0.1	64.5	64.6
Profit for the financial year	-	1.4	1.4
Balance as at 31 March 2019	0.1	65.9	66.0
Loss for the financial year	-	(6.6)	(6.6)
Balance as at 31 March 2020	0.1	59.3	59.4

Consolidated statement of cash flows

For the year ended 31 March 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Cash generated from operations	24	142.5	69.2
Interest paid		(12.4)	(2.3)
Income tax paid		(10.7)	(11.2)
Net cash generated from operating activities		119.4	55.7
Cash flows from investing activities			
Acquisitions of subsidiaries:			
- consideration		-	(1.5)
Purchases of property, plant and equipment		(27.9)	(55.5)
Proceeds from sale of property, plant and equipment		0.2	0.1
Purchases of intangible assets		(1.1)	(2.3)
Interest received		2.8	2.1
Net cash used in investing activities		(26.0)	(57.1)
Cash flows from financing activities			
Proceeds from borrowings		-	5.3
Principal elements of lease payments		(55.2)	-
Repayments of borrowings		(12.1)	(10.0)
Net cash used in financing activities		(67.3)	(4.7)
Net increase / (decrease) in cash and cash equivalents		26.1	(6.1)
Cash and cash equivalents at beginning of year		113.1	118.4
Exchange (losses) / gains on cash and cash equivalents		(4.3)	0.8
Cash and cash equivalents at end of year	17	134.9	113.1

Notes to the financial statements

For the year ended 31 March 2020

1 Basis of preparation

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

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

Group

The Group's consolidated financial statements have been prepared in accordance with IFRSs and IFRS Interpretations Committee ("IFRS IC" or "IFRIC") interpretations as adopted by the European Union and the Companies Act 2006 as applicable to companies reporting under IFRSs. These financial statements have been prepared under the historical cost convention, 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 require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the preparation of the consolidated financial statements are disclosed in note 3.

Company

The Company's financial statements have been prepared in accordance with FRS 101 and the Companies Act 2006.

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

The loss and total comprehensive expense for the year was £6.6m (2019: profit and total comprehensive income £1.4m).

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

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 have adequate resources to continue in operational existence for the foreseeable future. The Group has performed detailed analysis on future projections, including both a base case and severe downside scenarios that may result from the negative impact of COVID-19 on future trading. The severe yet plausible downside scenario demonstrates that there would be sufficient headroom within the banking covenants and liquidity even if EBITDA (adjusted for staff profit-sharing) reduced by more than 50%. The scenario allows for actions that are at the discretion of the business. In addition, the Group also has the ability to access UK government backed facilities as well as to it's existing banking facilities. The government backed facility remains unused in the severe downside scenario. The Group are therefore satisfied it has sufficient financial resources and, as such, these 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 30. 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, amendments 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 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 and 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.

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.

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Basis of preparation (continued)

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

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

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

a) Market risk

i) Foreign exchange risk

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

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

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

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 (continued)

i) Foreign exchange risk (continued)

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 euro, the Canadian dollar ("CAD") and US dollar ("USD").

	Profit after tax (decrease) / increase		Total equity (decrease) / increase	
	2020	2019	2020	2019
	£m	£m	£m	£m
GBP / Euro - 10% increase	(1.2)	(0.2)	(4.1)	(4.5)
GBP / Euro - 10% decrease	1.5	0.3	5.1	5.6
GBP / USD - 10% increase	(0.5)	0.5	(4.5)	(3.8)
GBP / USD - 10% decrease	0.6	(0.7)	5.5	4.5
GBP / CAD - 10% increase	(1.2)	(1.1)	(2.1)	(1.3)
GBP / CAD - 10% decrease	1.5	1.3	2.5	1.6

ii) Interest rate risk

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

b) Credit risk

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

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

c) Liquidity risk

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

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

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 (continued)

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

As at 31 March 2020	On demand or within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Loan from related party	3.2	-	-	-
Bank loan	-	10.0	60.0	-
Derivative financial instruments	-	-	-	-
Trade and other payables excluding non-financial liabilities	193.6	-	-	-

As at 31 March 2019	On demand or within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Loan from related party	3.2	2.1	-	-
Bank loan	-	10.0	70.0	-
Derivative financial instruments	0.3	-	-	-
Trade and other payables excluding non-financial liabilities	198.2	-	-	-

Notes to the financial statements (continued)

For the year ended 31 March 2020

2 Financial risk management (continued)

2.2 Capital risk management

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

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

2.3 Fair value estimation

The fair value hierarchy prioritises the inputs used to measure fair value into three broad levels. These have been defined as follows:

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

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

	2020	2019
	Level 2	Level 2
Assets	£m	£m
Financial assets at fair value through profit or loss		
Trading derivatives:		
- Foreign exchange contracts	1.6	0.0
Total assets	1.6	0.0

	2020	2019
	Level 2	Level 2
Liabilities	£m	£m
Financial liabilities at fair value through profit or loss		
Trading derivatives:		
- Foreign exchange contracts	-	0.3
Total liabilities	-	0.3

Level 1 financial instruments

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

Level 2 financial instruments

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

Level 3 financial instruments

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

Specific valuation techniques used to value financial instruments include:

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

Notes to the financial statements (continued)

For the year ended 31 March 2020

2 Financial risk management (continued)

2.4 Offsetting financial assets and financial liabilities

Financial assets

As at 31 March 2020	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m
Cash and cash equivalents	261.6	(126.7)	134.9
Credit balance	(117.7)	117.7	-
Bank loan	(9.0)	9.0	-
	134.9	-	134.9

As at 31 March 2019	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m
Cash and cash equivalents	216.8	(103.7)	113.1
Credit balance	(94.7)	94.7	-
Bank loan	(9.0)	9.0	-
	113.1	-	113.1

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

During the year ended 31 March 2019, Arup International Consultants (Shanghai) Co. Limited placed term deposits with HSBC China who, in return, issued Standby Letters of Credit. On the back of these letters of credit, HSBC UK loaned the Company £9.0m. For the year ended 31 March 2020 these letters of credit are still in place. Whilst this loan is presented as a bank loan in the Company balance sheet, the Group have offset this arrangement within cash and cash equivalents.

Notes to the financial statements (continued)

For the year ended 31 March 2020

3 Critical accounting estimates and judgements

The Group and Company makes 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

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 16 for the net carrying amount of the receivables and associated impairment provision.

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 31.

Professional indemnity insurance (estimates and judgements)

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

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.
As at 31 March 2020, potential future cash outflows of £123.8m (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). As at 31 March 2020, potential future cash savings of £20.6m (undiscounted) have been excluded from the lease liability because it is not reasonably certain that the leases will be terminated.

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.

Impairment of trade and other receivables (judgements)

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

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 £244.2m (2019: £216.6m).

The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £1,401.0m (2019: £1,355.3m).

The aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at the balance sheet date is £1,587.0m (2019: £1,492.1m). 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:

	2020 £m	2019 £m
Revenue by destination		
United Kingdom	662.4	630.4
Americas	384.1	376.9
Australasia	326.8	291.7
Asia	223.2	210.7
Europe	162.4	162.0
Middle East & Africa	50.4	43.1
	1,809.3	1,714.8

Notes to the financial statements (continued)

For the year ended 31 March 2020

5 Employee benefit expense

Group	2020 £m	2019 £m
Wages and salaries	769.9	717.0
Staff profit-sharing	80.7	103.7
Social security costs	74.2	72.9
Pension contributions	62.0	63.8
Redundancy costs	4.3	2.3
Other staff costs	51.5	45.9
	1,042.6	1,005.6

Average monthly number of people employed	2020 Number	2019 Number
Engineering and technical staff	12,651	12,065
Administrative staff	2,496	2,261
Government site staff	461	514
	15,608	14,840

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 independent actuaries using various methods (see note 31 for the methods used).

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

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

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

Notes to the financial statements (continued)

For the year ended 31 March 2020

6 Directors' remuneration

Group	2020 £m	2019 £m
The directors' remuneration was as follows:		
Aggregate remuneration	6.8	8.3
Aggregated contributions paid to defined contribution schemes	0.2	0.2

	2020 Number	2019 Number
Number of directors accruing pension benefits under:		
Defined benefit schemes	5	5

	2020 £m	2019 £m
Highest paid director:		
Remuneration	0.8	0.8
Assignment related benefits	-	0.2
Assignment related tax and social security costs	-	0.2
Contribution paid to defined contribution scheme	0.0	0.1

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

7 Operating profit

Group	2020 £m	2019 £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	0.3	0.3
Fees payable for other services:		
- Audit of the Company's subsidiaries, pursuant to legislation	0.9	0.7
- Other audit related assurance services	0.3	-
- Tax compliance services	0.9	0.2
- Tax advisory services	0.1	0.2
- Other advisory services	0.4	0.3
(Profit) / loss on disposal of property, plant and equipment	-	2.3
Loss on disposal of intangible assets	0.9	0.1
Loss on exchange from trading activities	3.5	10.3
Operating leases - land & buildings	-	57.7
Operating leases - plant & machinery	-	1.3
Research and development costs	30.2	30.0
Loss allowance on trade receivables	2.9	1.0
Loss allowance on contract assets	1.7	0.1
Impairment of trade receivables	0.3	4.6
Amortisation of intangible assets	2.0	2.2
Depreciation of right-of-use assets	53.9	-
Depreciation of property, plant and equipment	32.4	27.2

Notes to the financial statements (continued)

For the year ended 31 March 2020

8 Net finance costs

Group	2020 £m	2019 £m
Interest expense on borrowings	2.9	2.0
Lease liabilities	9.3	-
Fair value losses on financial instruments	-	0.1
Net finance costs on net post-employment benefit liabilities	2.4	2.8
Other finance costs	0.2	0.3
Total finance costs	14.8	5.2
Interest receivable on short term bank deposits	(2.4)	(1.7)
Fair value gains on financial instruments	(1.9)	(0.1)
Other interest receivables	(0.4)	(0.4)
Total finance income	(4.7)	(2.2)
Net finance costs	10.1	3.0

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.

	2020 £m	2019 £m
(a) Analysis of total tax charge		
Current income tax		
- current income tax on profits for the year	11.3	13.2
- adjustment in respect of prior years	1.1	1.2
Total current income tax	12.4	14.4
Deferred income tax (note 22)		
- origination and reversal of temporary differences	2.9	3.0
- effect of changes in tax rates	0.2	(0.3)
- under / (over) provision of deferred income tax in respect of prior years	1.0	(1.3)
Total deferred income tax	4.1	1.4
Total tax charge	16.5	15.8

Notes to the financial statements (continued)

For the year ended 31 March 2020

9 Income tax charge (continued)

Group (continued)

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

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

The differences are explained below:

	2020 £m	2019 £m
Profit before income tax	53.5	28.7
Profit multiplied by the standard rate of corporation tax in the UK	10.2	5.4
Effects of:		
Impact of change in accounting standards	(0.0)	5.1
Income not subject to tax	(0.7)	(0.8)
Expenses not deductible for tax purposes	3.9	4.0
Research and development tax credits	(6.3)	(2.3)
Impact of non-UK tax	4.4	4.0
Tax (decrease) arising from non-UK tax suffered	(0.1)	(0.3)
Utilisation of tax losses for which no deferred income tax asset was recognised	(0.0)	(1.6)
Remeasurement of deferred tax - change in tax rates	0.2	(0.4)
Adjustment in respect of prior years	2.1	(0.1)
Unrelieved losses carried forward on which no deferred income tax is recognised	2.3	1.6
Other	0.5	1.2
Total tax charge	16.5	15.8

(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.

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 period 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:

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

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

Group	Freehold land & property £m	Leasehold property £m	Furniture, fittings & IT hardware £m	Motor vehicles £m	Total £m
Cost					
Balance at 1 April 2018	225.3	88.3	114.5	1.4	429.5
Additions	-	29.7	25.7	0.1	55.5
Disposals	-	(2.4)	(20.5)	(0.2)	(23.1)
Adjustment for exchange differences	(0.1)	2.2	2.2	0.0	4.3
Balance at 31 March 2019	225.2	117.8	121.9	1.3	466.2
Effect of adoption of IFRS 16	-	(7.6)	-	-	(7.6)
Restated balance at 1 April 2019	225.2	110.2	121.9	1.3	458.6
Additions	-	13.2	14.6	0.1	27.9
Disposals	-	(6.0)	(14.4)	(0.1)	(20.5)
Adjustment for exchange differences	0.6	1.4	0.3	(0.0)	2.3
Balance at 31 March 2020	225.8	118.8	122.4	1.3	468.3
Accumulated depreciation					
Balance at 1 April 2018	7.5	49.5	82.3	0.4	139.7
Charge for the year	4.3	6.5	16.1	0.1	27.0
Disposals	-	(2.1)	(18.4)	(0.2)	(20.7)
Adjustment for exchange differences	0.1	1.4	1.7	0.0	3.2
Balance at 31 March 2019	11.9	55.3	81.7	0.3	149.2
Effect of adoption of IFRS 16	-	(3.1)	-	-	(3.1)
Restated balance at 1 April 2019	11.9	52.2	81.7	0.3	146.1
Charge for the year	4.4	10.4	17.1	0.5	32.4
Disposals	-	(5.8)	(14.4)	(0.1)	(20.3)
Adjustment for exchange differences	0.0	0.1	0.2	(0.0)	0.3
Balance at 31 March 2020	16.3	56.9	84.6	0.7	158.5
Net book value at 31 March 2020	209.5	61.9	37.8	0.6	309.8
Net book value at 31 March 2019	213.3	62.5	40.2	1.0	317.0

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

Included within freehold land & property are investment properties that have a net book value at 31 March 2020 of £3.0m (2019: £2.8m).

Notes to the financial statements (continued)

For the year ended 31 March 2020

10 Property, plant and equipment (continued)

Company

	Leasehold property £m
Cost	
Balance at 1 April 2019 and 31 March 2020	3.6
Accumulated depreciation	
Balance at 1 April 2019	1.5
Charge for the year	0.2
Balance at 31 March 2020	1.7
Net book value at 31 March 2020	1.9
Net book value at 31 March 2019	2.1

11 Intangible assets

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

Group	Development costs £m	Goodwill £m	Computer software £m	Total £m
Cost				
Balance at 1 April 2018	-	-	17.2	17.2
Additions	-	1.5	2.3	3.8
Disposals	-	-	(2.6)	(2.6)
Adjustment for exchange differences	-	-	0.4	0.4
Balance at 31 March 2019	-	1.5	17.3	18.8
Additions	1.3	-	1.1	2.4
Disposals	-	-	(1.7)	(1.7)
Adjustment for exchange differences	-	0.1	(0.2)	(0.1)
Balance at 31 March 2020	1.3	1.6	16.5	19.4
Accumulated amortisation				
Balance at 1 April 2018	-	-	13.6	13.6
Charge for the year	-	-	2.2	2.2
Disposals	-	-	(2.5)	(2.5)
Adjustment for exchange differences	-	-	0.3	0.3
Balance at 31 March 2019	-	-	13.6	13.6
Charge for the year	0.4	-	1.6	2.0
Disposals	-	-	(0.8)	(0.8)
Adjustment for exchange differences	-	-	(0.1)	(0.1)
Balance at 31 March 2020	0.4	-	14.3	14.7
Net book value at 31 March 2020	0.9	1.6	2.2	4.7
Net book value at 31 March 2019	-	1.5	3.7	5.2

The Company has no intangible assets (2019: nil)

On 28 September 2018, the Group acquired Consoer Townsend Envirodyne Engineers of New York Inc. (subsequently renamed Arup US, Inc.) for £1.5m. On acquisition, the company held no assets and after performing an intangible asset review, it was deemed that goodwill had been acquired.

Arup US, Inc. provides design and consulting engineering services. An impairment assessment has been performed on goodwill, considering Arup US, Inc. as the cash-generating unit. For the year ending 31 March 2020, no impairment was required (2019: no impairment).

Notes to the financial statements (continued)

For the year ended 31 March 2020

12 Investments in subsidiaries

The Company owns ordinary and preference shares in the companies noted below. These companies were all wholly owned subsidiary undertakings of the Company at 31 March 2020 (unless otherwise stated), and their results are consolidated into the Group financial statements. A listing of registered addresses can be found in note 33.

Direct holdings:	Country of incorporation
Arup Americas Inc.	USA
Arup Partner Pty Limited	Australia
Arup (Pty) Ltd (70% holding)	South Africa
Broomco (141) GmbH	Germany
Broomco (92854) Limited (previously Arup Ireland Limited)	Ireland
Ove Arup Holdings B.V.	Netherlands
Ove Arup Holdings IP Limited	England & Wales
Ove Arup Holdings Limited	England & Wales
Ove Arup Holdings Private Limited	Singapore
Ove Arup International (Holdings) Limited	Hong Kong
Ove Arup Limited	England & Wales
Ove Arup Ventures Limited (previously Arup Ventures Limited)	England & Wales

Indirect holdings:	
AAC, Inc.	Canada
Acorn Technology Systems Inc.	USA
Arup Advisory HK Limited	Hong Kong
Arup Advisory, Inc.	USA
Arup Associates Limited	England & Wales
Arup Australia Advisory & Digital Pty Ltd	Australia
Arup Australia IP Pty Ltd	Australia
Arup Australia Projects Pty Ltd	Australia
Arup Australia Pty Ltd	Australia
Arup Australia Services Pty Ltd	Australia
Arup Business Services HK Limited	Hong Kong
Arup Brasil Consultoria Ltda	Brazil
Arup B.V.	Netherlands
Arup (Cambodia) Limited	Cambodia
Arup Canada Inc.	Canada
Arup China Limited	Hong Kong
Arup Colombia S.A.S.	Colombia
Arup Consultores Internacionales México, S. de R.L. de C.V.	Mexico
Arup Corporate Finance Limited	England & Wales
Arup Deutschland GmbH	Germany
Arup d.o.o	Serbia
Arup East Africa Limited	Kenya

Indirect holdings (continued):	Country of incorporation
Arup Gulf Limited	England & Wales
Arup Hong Kong Limited (previously Arup projects 'A' Limited)	Hong Kong
Arup India Private Limited	India
Arup Ingeniería y Consultoría México, S. de R.L. de C.V.	Mexico
Arup International Consultants (Shanghai) Co. Limited	China
Arup International Limited	England & Wales
Arup IP Limited	England & Wales
Arup IP Management Limited	England & Wales
Arup Ireland Partner Limited*	Ireland
Arup Ireland Properties Limited	Ireland
Arup Italia S.r.l.	Italy
Arup Latin America, S.A.	Spain
Arup Limited	England & Wales
Arup (Luxembourg) S.à.r.l.	Luxembourg
Arup (Mauritius) Ltd	Mauritius
Arup Mühendislik ve Müşavirlik Limited Şirketi	Turkey
Arup New Zealand Limited	New Zealand
Arup North America Limited	England & Wales
Arup Philippines Limited	England & Wales
Arup Polska sp. z o. o.	Poland
Arup Projects 'A' Limited	England & Wales
Arup Projects A Pty Ltd	Australia
Arup Pty Limited	Australia
Arup Riyadh Metro Limited	England & Wales
Arup Services B.V.	Netherlands
Arup Services New York Limited	England & Wales
Arup Singapore Private Limited	Singapore
Arup Texas, Inc.	USA
Arup Treasury Limited	England & Wales
Arup US, Inc.	USA
Arup USA, Inc.	USA
Arup Vietnam Limited	Vietnam
Babylon Investment Unlimited Company*	Ireland
Broomco (50886) Guernsey Limited	Guernsey
Broomco (07887009) Limited*	England & Wales
eFleet Integrated Service Limited	England & Wales
Fitzroy Insurance Services Limited	Guernsey
Fitzroy Property Limited	England & Wales

*Companies in the process of being liquidated

Notes to the financial statements (continued)

For the year ended 31 March 2020

12 Investments in subsidiaries (continued)

Indirect holdings (continued):	Country of incorporation
MailManager Limited (80% holding)	England & Wales
Networked Electricity Storage Technology Limited (60% holding)	England & Wales
OASYS Limited	England & Wales
OASYS Software Technology (Shanghai) Limited	China
Ovarpart Nominee Limited	England & Wales
Ove Arup & Partners Danmark A/S	Denmark
Ove Arup & Partners Hong Kong Limited	England & Wales
Ove Arup & Partners International Limited	England & Wales
Ove Arup & Partners Ireland Limited	Ireland
Ove Arup & Partners Japan Limited	England & Wales
Ove Arup & Partners Korea Limited	South Korea
Ove Arup & Partners Limited	England & Wales
Ove Arup & Partners P.C.	USA
Ove Arup & Partners, S.A.	Spain
Ove Arup & Partners Scotland Limited	Scotland
Ove Arup (Thailand) Limited	Thailand
PT Arup Indonesia	Indonesia
Redcliffe Wharf Limited	England & Wales
Scotstoun Property Limited	England & Wales
Shelbourne Plaza (Block C) Management Company Limited (78% holding)	Ireland
Williamsburg Investment Unlimited Company*	Ireland

*Companies in the process of being liquidated

Notes to the financial statements (continued)

For the year ended 31 March 2020

12 Investments in subsidiaries (continued)

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

Company	Principal activity
Arup Americas Inc.	Intermediate holding company
Ove Arup Holdings B.V.	Intermediate holding company
Ove Arup Holdings IP Limited	Intermediate holding company
Ove Arup Holdings Limited	Intermediate holding company
Ove Arup Holdings Private Limited	Intermediate holding company
Ove Arup International (Holdings) Limited	Intermediate holding company
Ove Arup Limited	Intermediate holding company
Ove Arup Ventures Limited (previously Arup Ventures Limited)	Intermediate holding company
Arup Associates Limited	Agent
OASYS Limited	Agent
Arup Australia IP Pty Ltd	Intellectual property
Arup IP Limited	Intellectual property
Arup IP Management Limited	Intellectual property
Arup Ireland Properties Limited	Property holdings
Arup (Luxembourg) S.à.r.l.	Property holdings
Broomco (50886) Guernsey Limited	Property holdings
Broomco (07887009) Limited	Property holdings
Fitzroy Property Limited	Property holdings
Redcliffe Wharf Limited	Property holdings
Scotstoun Property Limited	Property holdings
Fitzroy Insurance Services Limited	Insurance services
eFleet Integrated Service Limited	Lessor of electric buses
MailManager Limited	Provider of computer software
OASYS Software Technology (Shanghai) Limited	Provider of computer software
Arup Treasury Limited	Group treasury
Network Electricity Storage Technology Limited	Electric storage technology
Ovarpart Nominee Limited	Investment holding company
Arup Business Services HK Limited	Provision of support services

Movement of investments	Cost £m	Investment impairment £m	Net value £m
Balance as at 1 April 2019	247.6	(143.5)	104.1
Additions / recapitalisations	51.4	-	51.4
Disposals / decapitalisations	(1.1)	-	(1.1)
Balance at 31 March 2020	297.9	(143.5)	154.4

Included within additions / recapitalisations is the reversal of a prior year decapitalisation for Ove Arup Limited. The directors believe that the carrying values of the investments are supported by their underlying net assets.

Notes to the financial statements (continued)

For the year ended 31 March 2020

13 Fulfilment contract assets

The Group has recognised assets in relation to costs to fulfil long-term consultancy service contracts. These costs were incurred prior to being awarded the contracts and will be amortised on a straight line basis over the contract terms.

	2020 £m	2019 £m
Assets recognised from costs incurred to fulfil a contract as at 31 March	1.2	1.3
Accumulated amortisation as at 31 March	(0.1)	(0.1)
	1.1	1.2

14 Financial instruments

Financial instruments by category

Group Assets as per balance sheet	2020 Financial assets at amortised cost £m	Financial assets at FVPL £m	Total £m
Derivative financial instruments	-	1.6	1.6
Trade and other receivables excluding prepayments and corporation tax	517.2	-	517.2
Cash and cash equivalents	134.9	-	134.9
	652.1	1.6	653.7

Group Liabilities as per balance sheet	2020 Financial liabilities at FVPL £m	Other financial liabilities at amortised cost £m	Total £m
Borrowings (excluding finance lease liabilities)	-	(73.2)	(73.2)
Derivative financial instruments	-	-	-
Trade and other payables excluding non-financial liabilities	-	(193.6)	(193.6)
	-	(266.8)	(266.8)

Notes to the financial statements (continued)

For the year ended 31 March 2020

14 Financial instruments (continued)

Financial instruments by category (continued)

Group Assets as per balance sheet	2019 Financial assets at amortised cost £m	Financial assets at FVPL £m	Total £m
Derivative financial instruments	-	0.0	0.0
Trade and other receivables excluding prepayments and corporation tax	471.0	-	471.0
Cash and cash equivalents	113.1	-	113.1
	584.1	0.0	584.1

Group Liabilities as per balance sheet	2019 Financial liabilities at FVPL £m	Other financial liabilities at amortised cost £m	Total £m
Borrowings (excluding finance lease liabilities)	-	(85.3)	(85.3)
Derivative financial instruments	(0.3)	-	(0.3)
Trade and other payables excluding non-financial liabilities	-	(198.4)	(198.4)
	(0.3)	(283.7)	(284.0)

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

Notes to the financial statements (continued)

For the year ended 31 March 2020

15 Derivative financial instruments

Group

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

The table below shows the fair value of forward currency contracts at the year end, based on their market value:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Forward foreign exchange contracts - held for trading	1.6	-	0.0	0.3
Less non-current portion:				
Forward foreign exchange contracts - held for trading	-	-	-	-
Current portion	1.6	-	0.0	0.3

The notional principal amounts of the outstanding foreign exchange contracts at 31 March 2020 and 31 March 2019 are as follows:

	2020		2019	
	Sell	Buy	Sell	Buy
	£m	£m	£m	£m
Forward contracts to purchase GBP, sell HKD	19.4	(18.8)	12.5	(12.7)
Forward contracts to purchase GBP, sell AUD	15.1	(14.9)	10.8	(10.9)
Forward contracts to purchase GBP, sell SGD	9.9	(9.6)	6.6	(6.6)
Forward contracts to purchase GBP, sell ZAR	2.6	(2.5)	-	-
Forward contracts to purchase USD, sell PLN	1.5	(1.5)	-	-
Forward contracts to purchase GBP, sell DKK	0.5	(0.5)	-	-
Forward contracts to purchase GBP, sell KWD	-	-	0.4	(0.4)
Forward contracts to purchase USD, sell MXN	-	-	0.2	(0.2)
Forward contracts to purchase GBP, sell MXN	-	-	0.1	(0.1)

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

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

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

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

Notes to the financial statements (continued)

For the year ended 31 March 2020

16 Trade and other receivables

	2020		2019	
	Group £m	Company £m	Group £m	Company £m
Trade receivables - net	274.3	-	246.1	-
Contract assets - net	213.1	-	195.2	-
Amounts due from Group undertakings	-	175.5	-	212.3
Non-UK corporation tax receivable	4.1	-	6.1	-
UK Corporation tax receivable	9.9	-	5.3	-
Other receivables	29.8	-	29.7	0.4
Prepayments and accrued income	33.8	-	31.5	-
	565.0	175.5	513.9	212.7

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	290.6	259.5
Loss allowance	(16.3)	(13.4)
	274.3	246.1

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	215.3	195.7
Loss allowance	(2.2)	(0.5)
	213.1	195.2

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 number of ongoing projects at 31 March 2020 has increased to 14,093 (2019: 14,073), there has also been an increase in contract assets. This is largely due to new contracts in locations with extended payment schedules as well as a result of a movement in foreign exchange.

Amounts due from Group undertakings

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

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.

Notes to the financial statements (continued)

For the year ended 31 March 2020

16 Trade and other receivables (continued)

Group

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

	2020 £m	2019 £m
British pound sterling	171.8	133.6
US dollar	96.9	99.7
Euro	72.3	68.8
Hong Kong dollar	63.0	55.4
Australian dollar	35.8	41.2
Singaporean dollar	26.2	21.5
Chinese renminbi	25.8	25.1
Canadian dollar	17.8	17.3
Philippine peso	8.9	5.5
Emirati dirham	6.5	5.1
Japanese yen	4.7	5.1
Turkish new lira	3.6	3.3
Polish zloty	3.6	1.7
South African rand	3.5	4.4
Other	24.6	26.2
	565.0	513.9

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

	2020 £m	2019 £m
At 1 April 2019 / 2018	13.4	12.1
Increase in loss allowance	5.0	13.5
Unused amounts reversed	(2.3)	(11.3)
Receivables written off as uncollectible	(0.0)	(0.7)
Adjustment for exchange differences	0.2	(0.2)
At 31 March 2020 / 2019	16.3	13.4

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

	2020 £m	2019 £m
At 1 April 2019 / 2018	0.5	0.4
Increase in loss allowance	1.8	0.5
Unused amounts reversed	(0.1)	(0.4)
Adjustment for exchange differences	0.0	(0.0)
At 31 March 2020 / 2019	2.2	0.5

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

Notes to the financial statements (continued)

For the year ended 31 March 2020

17 Cash and cash equivalents

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

	2020		2019	
	Group £m	Company £m	Group £m	Company £m
Cash at bank and in hand	26.0	0.4	34.8	0.5
Short-term bank deposits	108.9	-	78.3	-
	134.9	0.4	113.1	0.5

18 Borrowings

Group	2020 £m	2019 £m
Current		
Loan with related party	3.2	3.2
	3.2	3.2

Group	2020 £m	2019 £m
Non-current		
Loan with related party	-	2.1
Bank loan	70.0	80.0
	70.0	82.1

Company	2020 £m	2019 £m
Current		
Bank loan	9.0	9.0
	9.0	9.0

Company	2020 £m	2019 £m
Non-current		
Bank loan	70.0	80.0
	70.0	80.0

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

On 24 June 2020 the Group extended its £100m Revolving Credit Facility for a further 5 years with an option to extend, subject to the bank's approval, for a further 2 years (note 32). It bears a market floating rate of interest based on LIBOR. The Group has borrowed £3.2m (2019: £5.3m) in two separate loans from Bidgreat Limited, a company owned by a controlling party (note 27). The loans bear a market rate of interest based on the UK Base Rate. One loan is repayable on demand, with the other due in December 2020.

The Company has a bank loan of £9.0m. It bears a market floating rate of interest based on LIBOR. As discussed in note 2.4, this loan has been offset within cash and cash equivalents at the Group level.

Notes to the financial statements (continued)

For the year ended 31 March 2020

19 Trade and other payables

	2020		2019	
	Group £m	Company £m	Group £m	Company £m
Trade payables	20.7	-	16.6	-
Contract liabilities	271.7	-	244.2	-
Amounts owed to Group undertakings	-	192.9	-	163.5
Accrued expenses	142.4	0.2	152.6	0.2
Other payables	30.5	-	29.2	-
Tax and social security costs	27.5	-	18.0	-
Lease incentives	-	-	1.1	-
Lease liabilities	49.3	-	-	-
	542.1	193.1	461.7	163.7

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 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 Group undertakings

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

Group

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

	2020 £m	2019 £m
British pound sterling	199.4	182.4
US dollar	86.2	69.7
Hong Kong dollar	73.0	56.3
Euro	63.0	51.0
Australian dollar	25.7	25.0
Chinese renminbi	21.8	16.2
Canadian dollar	14.2	17.0
Singaporean dollar	13.2	10.9
Japanese yen	7.0	5.3
Emirati dirham	6.8	4.2
Philippine peso	5.2	2.7
Other	26.6	21.0
	542.1	461.7

Notes to the financial statements (continued)

For the year ended 31 March 2020

20 Provisions for other liabilities and charges

Group

	2020			
	Property provision £m	Long-term employee benefit £m	Other £m	Total £m
Current	1.7	11.5	-	13.2
Later than one year and no later than two years	3.8	1.0	-	4.8
Later than two years and no later than five years	4.6	0.2	-	4.8
Later than five years	4.7	1.0	2.0	7.7
Non-current	13.1	2.2	2.0	17.3
Reconciliation of movement:				
Balance as at 1 April	7.7	13.6	-	21.3
Provisions charged to the income statement	7.1	11.6	2.0	20.7
Provisions released to the income statement	(0.1)	(10.4)	-	(10.5)
Adjustment for exchange differences	0.1	(1.1)	-	(1.0)
Balance as at 31 March	14.8	13.7	2.0	30.5

	2019		
	Property provision £m	Long-term employee benefit £m	Total £m
Current	0.2	11.9	12.1
Later than one year and no later than two years	0.3	0.9	1.2
Later than two years and no later than five years	3.6	0.8	4.4
Later than five years	3.6	0.0	3.6
Non-current	7.5	1.7	9.2
Reconciliation of movement:			
Balance as at 1 April	9.5	-	9.5
Reclassification from trade and other payables	-	12.4	12.4
Provisions charged to the income statement	1.3	9.6	10.9
Provisions released to the income statement	(3.4)	(8.0)	(11.4)
Adjustment for exchange differences	0.3	(0.4)	(0.1)
Balance as at 31 March	7.7	13.6	21.3

Notes to the financial statements (continued)

For the year ended 31 March 2020

20 Provisions for other liabilities and charges (continued)

Group (continued)

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.

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

Long-term employee benefit obligations
In Australia, employees who work 10 years with a company are entitled to additional annual leave called long service leave. Long service leave covers all unconditional entitlements where employees have completed more than 10 years service and where employees are entitled to pro-rata payments in certain circumstances. The majority of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Those amounts have been classified as non-current.

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

21 Other non-current liabilities

Group	2020* Lease incentives £m	2019 Lease incentives £m
Later than one year and no later than two years	-	1.5
Later than two years and no later than five years	-	6.2
Later than five years	-	15.6
	-	23.3

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

The Company has no provisions for other non-current liabilities (2019: nil).

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:	2020 £m	2019 £m
Deferred income tax assets		
- deferred income tax assets to be recovered after more than 12 months	46.4	46.5
- deferred income tax assets to be recovered within 12 months	4.6	0.8
	51.0	47.3
Deferred income tax liabilities		
- deferred income tax liabilities to be recovered after more than 12 months	(18.7)	(11.7)
- deferred income tax liabilities to be recovered within 12 months	(0.0)	(0.4)
	(18.7)	(12.1)
Deferred income tax assets (net)	32 .3	35.2

The gross movement on the deferred income tax account is as follows:	2020 £m	2019 £m
At 1 April 2019 / 2018	35.2	35.5
(Under) / over provision of deferred income tax in respect of prior years	(1.0)	1.3
Deferred income tax (charged) to the income statement	(3.1)	(2.7)
Deferred income tax credit relating to components of other comprehensive income	0.6	0.2
Adjustment for exchange differences	0.6	0.9
At 31 March 2020 / 2019	32.3	35.2

Notes to the financial statements (continued)

For the year ended 31 March 2020

22 Deferred income tax (continued)

Group (continued)

Deferred income tax liabilities	Rollover relief £m	Impact of change in accounting standards £m	Accelerated tax depreciation £m	Other £m	Total £m
At 1 April 2018	5.2	0.6	1.1	3.7	10.6
(Credited) / charged to the income statement	-	(0.2)	0.6	0.4	0.8
Charged to other comprehensive income	-	-	-	0.5	0.5
Adjustment for exchange differences	-	0.0	0.1	0.1	0.2
At 31 March 2019	5.2	0.4	1.8	4.7	12.1
Charged / (credited) to the income statement	0.6	(0.1)	5.0	1.9	7.4
(Credited) to other comprehensive income	-	-	-	(1.1)	(1.1)
Adjustment for exchange differences	-	0.0	0.2	0.1	0.3
At 31 March 2020	5.8	0.3	7.0	5.6	18.7

Deferred income tax assets	Impact of change in accounting standards £m	Unutilised tax depreciation £m	Retirement benefit obligations £m	Provisions £m	Tax losses £m	Temporary differences on leases £m	Other £m	Total £m
At 1 April 2018	0.8	4.2	20.0	12.0	1.9	-	7.2	46.1
(Charged) / credited to the income statement	(0.9)	(0.2)	(1.3)	0.6	0.4	-	0.8	(0.6)
Credited to other comprehensive income	-	-	0.7	-	-	-	-	0.7
Adjustment for exchange differences	0.1	0.0	0.3	0.3	0.0	-	0.4	1.1
At 31 March 2019	-	4.0	19.7	12.9	2.3	-	8.4	47.3
Credited / (charged) to the income statement	-	0.6	(3.2)	1.4	0.2	5.7	(1.4)	3.3
(Charged) to other comprehensive income	-	-	(0.5)	-	-	-	-	(0.5)
Adjustment for exchange differences	-	0.1	0.3	(0.1)	0.1	0.2	0.3	0.9
At 31 March 2020	-	4.7	16.3	14.2	2.6	5.9	7.3	51.0

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

Notes to the financial statements (continued)

For the year ended 31 March 2020

23 Share capital

Group and Company	2020 £m	2019 £m
Issued, called up and fully paid:		
65 (2019: 65) voting shares of £1 each	0.0	0.0
120,000 (2019: 120,000) equity shares of £1 each	0.1	0.1
	0.1	0.1

24 Cash generated from operations

Group	2020 £m	2019 £m
Profit before income tax	53.5	28.7
Adjustments for:		
- Depreciation of property, plant and equipment	32.4	27.0
- Depreciation of right-of-use assets	53.9	-
- Amortisation of intangible assets	2.0	2.2
- (Profit) / loss on disposal of property, plant and equipment	-	2.3
- Loss on disposal of intangible assets	0.9	-
- Finance costs - net	10.1	3.0
- Other non-cash items	(0.3)	10.1
Changes in working capital:		
- Trade and other receivables	(41.3)	(34.2)
- Trade and other payables	40.3	36.9
- Provisions	10.2	11.8
- Pension deficit funding	(19.2)	(18.6)
	142.5	69.2

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 out to substantially cover any such claims that many arise from time to time. At this time, it is not possible to reliably measure the potential liability from any other issue that may have occurred but where a claim has yet to be raised. The Group monitors all claims and takes appropriate insurance to mitigate its risk.

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

Notes to the financial statements (continued)

For the year ended 31 March 2020

26 Related parties

The Group has loans from Bidgreat Limited, a related party, of £3.2m (2019: £5.3m). During the year ended 31 March 2020 £2.1m was repaid (2019: nil). The Company had no transactions with related parties (2019: nil).

Key management compensation

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

	2020 £m	2019 £m
Aggregate remuneration	9.3	9.9
Aggregate contributions paid to defined contribution schemes	0.2	0.3
	9.5	10.2

27 Controlling party

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

Notes to the financial statements (continued)

For the year ended 31 March 2020

28 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

Right-of-use assets	31 March 2020 £m	1 April 2019* £m
Buildings	246.8	275.5
Equipment	2.6	3.3
Vehicles	1.0	0.8
	250.4	279.6

Lease liabilities		
Current	49.3	43.7
Non-current	225.0	253.8
	274.3	297.5

*For adjustments recognised on adoption of IFRS 16 on 1 April 2019, please refer to note 30.

Additions to the right-of-use assets during the 2020 financial year were £21.3m

ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	2020 £m	2019** £m
Buildings	51.4	-
Equipment	1.9	-
Vehicles	0.6	-
	53.9	-
Interest expense (included in finance costs)	9.3	-
Expense relating to short-term leases (included in communications and other overheads)	1.5	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in communications and other overheads)	0.2	-

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

For the year ended 31 March 2020, the total cash outflow for leases in 2020 was £55.2m. As at 31 March 2020, future cash outflows (undiscounted) for leases not yet commenced but for which the Group was committed was £204.8m.

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

	2020 £m	2019*** £m
Not later than one year	61.0	-
Later than one year and not later than five years	151.8	-
Later than five years	97.8	-
Total gross payments	310.6	-
Impact of finance expenses	(36.3)	-
Carrying amount of liability	274.3	-

***The Group initially applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. The prior year lease commitments under IAS 17 are disclosed in note 29. A reconciliation to the opening balance on transition is disclosed in note 30.

Notes to the financial statements (continued)

For the year ended 31 March 2020

28 Leases (continued)

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

The Group leases various offices, equipment and vehicles. 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 real estate 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.

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 of property, plant and equipment 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 with variable payments based on open market rates or based on future rent reviews. The Group has not entered into leases with variable payments tied to the performance of the business.

Notes to the financial statements (continued)

For the year ended 31 March 2020

29 Commitments

Operating lease commitments

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

	2020*		2019	
	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment
	£m	£m	£m	£m
No later than one year	-	-	43.8	1.4
Later than one year and no later than five years	-	-	144.9	2.0
Later than five years	-	-	129.2	-

*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 28 for further information.

30 Changes in accounting standards

This note explains the impact of the adoptions 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 3.7%.

(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	321.3
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	(24.1)
(Less): short-term leases not recognised as a liability	(7.1)
(Less): low-value leases not recognised as a liability	(0.0)
Add / (less): adjustments as a result of a different treatment of extension and termination options	7.4
Lease liability recognised as at 1 April 2019	297.5
of which are:	
Current lease liabilities	43.7
Non-current lease liabilities	253.8
	297.5

Notes to the financial statements (continued)

For the year ended 31 March 2020

31 Post-employment benefit liabilities

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

	2020 £m	2019 £m
Balance sheet obligations for:		
- Defined pension benefits	(81.6)	(104.8)
Liability in the balance sheet	(81.6)	(104.8)
Income statement charge for:		
- Defined pension benefits	(3.2)	(10.1)
Remeasurement gain / (loss) for:		
- Defined pension benefits	7.5	(0.6)

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

31.1 Defined benefit pension plans

The Group operates a number of defined benefit retirement schemes that are managed by Trustees. These are registered in the UK, Hong Kong and Ireland (the "Schemes"). The valuation position of the Schemes was assessed at 31 March 2020 by qualified independent actuaries for the purposes of IAS 19r, 'Employee Benefits'.

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

Defined benefit retirement schemes

UK registered scheme

Ove Arup & Partners International Limited ("OAPIL") operated a UK registered contributory pension scheme, which had a defined benefit and a defined contribution section, for employees. 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). The Company 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.

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

Hong Kong registered scheme

Ove Arup & Partners Hong Kong Limited ("OAPHKL") operates a Hong Kong registered retirement scheme that has a defined benefit section. The defined benefit section was closed to new entrants with effect from 1 January 2011 and was frozen for service accruals for existing members with effect from 1 January 2012. Actuarial funding valuations are performed by an independent qualified actuary. The law requires an actuarial funding valuation to be conducted annually if the scheme is insolvent and tri-annually if the scheme is solvent.

The latest actuarial funding valuation of the scheme was performed as at 31 March 2018. The scheme's asset as at 31 March 2018 on an ongoing basis represented 95% of the actuarially calculated liabilities for benefits that had accrued to members. The scheme's asset had a market value of £33.3m as at that date. The key financial assumptions made by the actuary in carrying out this valuation include a discount rate of 5.5% p.a. and a salary inflation of 4.5% p.a. OAPHKL made a contribution of £0.6m (2019: £0.7m) to the defined benefit section during the year. On 1 May 2020, the defined benefit section of OAPHKL was curtailed (note 32).

Notes to the financial statements (continued)

For the year ended 31 March 2020

31 Post-employment benefit liabilities (continued)

31.1 Defined benefit pension plans (continued)

Defined benefit retirement schemes (continued)

Ireland registered scheme

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

The assets of the defined benefit scheme are held in separate trustee administered funds. The pension cost, in respect of the defined benefit scheme, has been assessed in accordance with the advice of an independent qualified actuary using the attained age method of funding which provides for benefits over the working lifetime of the membership. Formal actuarial valuations are carried out every three years. The latest full valuation was at 1 January 2019. The results of that valuation confirmed that the scheme had a past service surplus of £0.2m and a funding ratio of 100%. This report is not available for public inspection. A special employer's contribution of £0.043m was made during the year to 31 March 2020 (2019: £0.043m). OAPI does not expect to make a contribution in the year ending 31 March 2021 inline with the recommendation from the 2019 triennial actuarial valuation.

Unfunded schemes

Japan unfunded scheme

Ove Arup & Partners Japan Limited provides a retirement allowance to employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent valuation was at 31 March 2020 using the projected unit method. The most significant assumptions made by the actuary in carrying out this valuation were that the discount rate would be 0.5% (2019: 0.4%) per annum and that salary inflation would be 4.0% (2019: 4.0%) per annum. There was a benefit payment for the year to 31 March 2020 of £0.1m (2019: £0.03m). The pension liability recognised in the financial statements was £4.1m (2019: £3.2m).

Philippines unfunded scheme

Ove Arup & Partners Hong Kong Limited - Philippines branch operates a retirement benefit scheme in the Philippines which requires an actuarial valuation yearly. As at 31 March 2020 the scheme was valued at £0.08m (2019: £0.01m) which is held within post-employment benefit liabilities. The actuarial loss for the year on this scheme was £0.07m (2019: £0.02m gain) which has been recorded in the statement of comprehensive income.

Mauritius unfunded scheme

Arup (Mauritius) Ltd provides a retirement allowance to its employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 31 March 2020. The pension liability recognised in the financial statements was £0.1m (2019: £0.2m).

India unfunded scheme

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

PT Arup Indonesia unfunded scheme

PT Arup Indonesia provides a retirement allowance to its employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 31 March 2020. The pension liability recognised in the financial statements was £0.01m (2019: nil).

Notes to the financial statements (continued)

For the year ended 31 March 2020

31 Post-employment benefit liabilities (continued)

31.1 Defined benefit pension plans (continued)

Further disclosure on the Schemes (UK, Hong Kong and Ireland)

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

	2020 £m	2019 £m
Present value of funded obligations	(1,010.1)	(1,023.5)
Fair value of plan assets	932.8	922.4
Deficit of funded plans	(77.3)	(101.1)

The movement in the defined benefit liability over the year is as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1 April 2018	(984.6)	876.7	(107.9)
Administration expenses	-	(1.1)	(1.1)
Past service cost (incl. curtailments)	(6.4)	-	(6.4)
Interest (expense) / income	(25.2)	22.6	(2.6)
	(1,016.2)	898.2	(118.0)
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	-	39.3	39.3
- Gains from change in demographic assumptions	21.3	-	21.3
- Losses from change in financial assumptions	(60.3)	-	(60.3)
- Experience losses	(0.7)	-	(0.7)
	(39.7)	39.3	(0.4)
Contributions: Employers	-	18.6	18.6
Payments from plans: benefit payments	35.3	(35.3)	-
Adjustment for exchange differences	(2.9)	1.6	(1.3)
At 31 March 2019	(1,023.5)	922.4	(101.1)
Administration expenses	-	(1.0)	(1.0)
Past service cost (incl. curtailments)	-	-	-
Interest (expense) / income	(23.3)	21.2	(2.1)
	(1,046.8)	942.6	(104.2)
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	-	5.1	5.1
- Loss from change in demographic assumptions	(38.0)	-	(38.0)
- Gains from change in financial assumptions	65.3	-	65.3
- Experience losses	(24.6)	-	(24.6)
	2.7	5.1	7.8
Contributions: Employers	-	20.2	20.2
Payments from plans: benefit payments	39.5	(39.5)	-
Adjustment for exchange differences	(5.5)	4.4	(1.1)
At 31 March 2020	(1,010.1)	932.8	(77.3)

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

Notes to the financial statements (continued)

For the year ended 31 March 2020

31 Post-employment benefit liabilities (continued)

31.1 Defined benefit pension plans (continued)

Further disclosure on the Schemes (UK, Hong Kong and Ireland) (continued)

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

	2020			2019		
	UK £m	Hong Kong £m	Ireland £m	UK £m	Hong Kong £m	Ireland £m
Present value of obligations	(909.6)	(50.8)	(49.7)	(919.7)	(51.1)	(52.8)
Fair value of plan assets	841.1	30.3	61.4	829.3	31.3	61.8
	(68.5)	(20.5)	11.7	(90.4)	(19.8)	9.0

The significant actuarial assumptions were as follows:

	2020			2019		
	UK	Hong Kong	Ireland	UK	Hong Kong	Ireland
Discount rate	2.5%	1.1%	1.8%	2.4%	1.6%	1.5%
Salary growth rate	N/A	3.5%	N/A	N/A	4.0%	N/A
Retail Price Index inflation	2.5%	2.5%	0.6%	3.2%	2.5%	1.3%
Consumer Price Index inflation	1.6%	N/A	N/A	2.1%	N/A	N/A
Pension growth rate:						
- Pre 88 Guaranteed Minimum Pension	0.0%	N/A	N/A	0.0%	N/A	N/A
- Post 88 Guaranteed Minimum Pension	1.6%	N/A	N/A	1.8%	N/A	N/A
- NGMP accrued before 1 October 2006 (5% LPI)	2.5%	N/A	N/A	3.0%	N/A	N/A
Pension accrued after 30 September 2016 (2.5% LPI)	1.7%	N/A	N/A	1.9%	N/A	N/A

Mortality %

UK

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).

Hong Kong

	2020 Hong Kong Life Tables 2018 (p.a.)		2019 Hong Kong Life Tables 2017 (p.a.)	
Attained age	Male	Female	Male	Female
25	0.041	0.016	0.040	0.021
30	0.048	0.022	0.046	0.022
35	0.059	0.029	0.072	0.032
40	0.112	0.053	0.114	0.052
45	0.166	0.089	0.170	0.094
50	0.253	0.146	0.263	0.155
55	0.389	0.223	0.408	0.216
60	0.628	0.317	0.653	0.318
65	1.003	0.455	1.010	0.492

Ireland

88% of ILT15 tables (males) and 91% of ILT15 tables (females) with CSO improvements from 2011 onwards (2019: no change).

Notes to the financial statements (continued)

For the year ended 31 March 2020

31 Post-employment benefit liabilities (continued)

31.1 Defined benefit pension plans (continued)

Further disclosure on the Schemes (UK, Hong Kong and Ireland) (continued)

Cash commutation for 2020 and 2019

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

Assumed life expectations on retirement

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

	2020		2019	
	UK Years	Ireland Years	UK Years	Ireland Years
Retiring at the end of the financial year:				
- Male	21.4	24.5	20.4	24.4
- Female	23.7	27.0	22.2	26.9
Retiring 20 years after the end of the financial year:				
- Male	22.4	26.5	21.4	26.4
- Female	24.8	28.8	23.4	28.7

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

	UK		Hong Kong		Ireland	
2020	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Impact on defined benefit obligations of a 50 basis points change:						
Discount rate	(7.4%)	8.8%	(5.2%)	5.7%	(4.3%)	4.9%
Salary growth rate	N/A	N/A	5.2%	(4.9%)	N/A	N/A
Inflation rate	5.8%	(5.3%)	N/A	N/A	2.3%	1.1%

	UK		Hong Kong		Ireland	
2019	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Impact on defined benefit obligations of a 50 basis points change:						
Discount rate	(7.6%)	8.7%	(5.2%)	5.7%	(8.5%)	9.7%
Salary growth rate	N/A	N/A	5.2%	(4.9%)	N/A	N/A
Inflation rate	5.8%	(5.5%)	N/A	N/A	3.0%	(2.9%)

	2020	2019
UK: 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.

Notes to the financial statements (continued)

For the year ended 31 March 2020

31 Post-employment benefit liabilities (continued)

31.1 Defined benefit pension plans (continued)

Further disclosure on the Schemes (UK, Hong Kong and Ireland) (continued)

The assets in the Schemes at 31 March were:

	2020			2019		
	UK £m	Hong Kong £m	Ireland £m	UK £m	Hong Kong £m	Ireland £m
Synthetic equities	162.9	-	-	160.5	-	-
Equities	-	1.8	28.4	-	1.6	30.2
DGF / hedge funds	154.7	-	-	170.5	-	-
Gilts and corporate bonds	99.4	-	27.7	102.2	-	24.4
Alternate credit	65.7	-	-	71.4	-	-
Liability driven investment	311.6	-	-	278.7	-	-
Property investments	39.9	-	4.7	40.7	-	4.3
Cash and net current assets	6.9	4.6	0.6	5.3	3.4	2.9
Debt instruments	-	23.9	-	-	26.3	-
	841.1	30.3	61.4	829.3	31.3	61.8

Defined benefit membership data	2020			2019		
	UK Number	Hong Kong Number	Ireland Number	UK Number	Hong Kong Number	Ireland Number
Deferred pensioners	3,500	299	85	3,581	332	87
Pensioners	1,496	-	40	1,446	-	37
	4,996	299	125	5,027	332	124

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

The disruption from COVID-19 and resulting financial distress has affected the real estate market through lower levels of transactional activity and liquidity. The UK 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. At the date the financial statements were signed, 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 funds to be materially accurate on the basis that these are long term investments.

Notes to the financial statements (continued)

For the year ended 31 March 2020

31 Post-employment benefit liabilities (continued)

31.2 Post-employment benefit liabilities – risks

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

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

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

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

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

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

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

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

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

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

32 Post balance sheet events

On 1 May 2020 the defined benefit section of the pension scheme of Ove Arup & Partners Hong Kong Limited, an indirect subsidiary of the Company, was terminated. For all affected members, the accrued benefits under the defined benefit section were transferred to the defined contribution section. As at 1 May 2020, a curtailment gain of £18.4m was recognised in the income statement, and a remeasurement expense of £2.8m was recognised in other comprehensive income. Ove Arup & Partners Hong Kong Limited made a contribution of £4.7m to the defined benefit section to terminate the defined benefit section. Any surplus remaining in the defined benefit section was refunded back to it.

On 24 June 2020, the Group extended its £100m Revolving Credit Facility for a further 5 years with an option to extend, subject to the bank's approval, for a further 2 years. In addition, the Group also has the ability to access additional government backed facilities in addition to its banking facilities.

Notes to the financial statements (continued)

For the year ended 31 March 2020

33 Registered addresses of investments in subsidiaries

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

Name of investment	Registered address
AAC, Inc.	121 Bloor Street East, Suite 900, Toronto, ON M4W 3M5, Canada
Acorn Technology Services, Inc.	77 Water Street, New York, 10005, USA
Arup Australia Advisory & Digital Pty Ltd	C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia
Arup Australia IP Pty Ltd	C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia
Arup Australia Projects Pty Ltd	C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia
Arup Australia Pty Ltd	C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia
Arup Australia Services Pty Ltd	C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia
Arup Advisory, Inc.	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, County of New Castle DE, 19801, USA.
Arup Americas Inc.	77 Water Street, New York, 10005, USA
Arup B.V.	Naritaweg 118 Beta Building / 1043 CA, Amsterdam, Netherlands
Arup Brasil Consultoria Ltda	Alameda Vicente Pinzon, No. 173, 7th floor, Vila Olímpia, São Paulo, Estado de São Paulo, 04547-130, Brazil
Arup Business Services HK Limited	Level 5 Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong
Arup (Cambodia) Limited	Office No. 301, Level 3, Tower 1, Vattanac Capital, No. 66, Preah Monivong Boulevard, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Cambodia
Arup Canada Inc.	121 Bloor Street East, Suite 900, Toronto, ON M4W 3M5, Canada
Arup China Limited	Level 5 Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong
Arup Colombia S.A.S.	Calle 72, No 10-07 Oficina, 1106, Bogota, Colombia
Arup Consultores Internacionales México S. de R.L. de C.V.	Calle Presidente Masarik 111, Piso 1, Col. Polanco V Sección Miguel Hidalgo, Distrito Federal C.P.11560, Mexico
Arup d.o.o	Kneginje Zorke 77/4, 11000 Belgrade, Serbia
Arup Deutschland GmbH	Joachimstaler Straße 41, 10623 Berlin, Germany
Arup East Africa Limited	LR. No. 209/6921, 5th Floor, ICEA Lion Centre West Wing, Riverside Park, Chiromo Road, Westlands, P.O Box 10643-00100, Nairobi, Kenya
Arup India Private Limited	Jet Prime, 5th Floor, Suren Road, Off Western Express Highway, Andheri (East), Mumbai, 400093, India
Arup Ingeniería y Consultoría México, S. de R.L. de C.V.	Calle Presidente Masarik 111 Piso 1, Col. Polanco V Sección Miguel Hidalgo, Distrito Federal C.P. 11560, Mexico
Arup International Consultants (Shanghai) Co. Limited	37F and 39/F, Huai Hai Plaza, No. 1045 Huai Hai Road (M) Shanghai, 200031, China
Arup Ireland Partner Limited	50 Ringsend Road, Dublin 4, Ireland
Arup Ireland Properties Limited	50 Ringsend Road, Dublin 4, Ireland
Arup Italia S.r.l.	Corso Italia 1, Milano, 20122, Italy
Arup Latin America, S.A.	Calle Alfonso XI, 12, 28014, Madrid, Spain
Arup (Luxembourg) S.à r.l.	7, Avenue Gaston Diderich, L-1420 Luxembourg, Grand Duche de Luxembourg
Arup (Mauritius) Ltd (previously Arup - S.I.G.M.A Ltd)	Bagatelle Office Park, Bagatelle Moka 1808-14, Mauritius
Arup Mühendislik ve Müşavirlik Limited Şirketi	Nisbetiye Mah. Başlik Sok. MM Plaza Apt No. 3/4 Beşiktaş Istanbul, Turkey
Arup New Zealand Limited	PricewaterhouseCoopers, Level 8, Pwc Tower, 188 Quay Street, Auckland, 1010, New Zealand
Arup Partner Pty Limited	C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney, New South Wales, 2000, Australia

Notes to the financial statements (continued)

For the year ended 31 March 2020

33 Registered addresses of investments in subsidiaries (continued)

Name of investment	Registered address
Arup Polska sp. z o. o. (previously Ove Arup & Partners Poland sp. z o. o.)	ul. Inflancka 4, 00-189 Warszawa, Poland
Arup Hong Kong Limited (previously Arup Projects 'A' Limited)	Level 5, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong
Arup Projects A Pty Ltd	C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney, New South Wales, 2000, Australia
Arup Pty Limited	C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney, New South Wales, 2000, Australia
Arup (Pty) Ltd	10 High Street, Melrose Arch, Gauteng 2076, Johannesburg, South Africa
Arup Services B.V.	Naritaweg 118 Beta Building / 1043 CA, Amsterdam, Netherlands
Arup Singapore Private Limited	182 Cecil Street, #06-01 Frasers Tower, Singapore, 069547, Singapore
Arup Texas, Inc.	1999 Bryan Street, Suite 900, Dallas TX 75201, United States
Arup US, Inc. (previously Consoer Townsend Envirodyne Engineers of New York Inc.)	77 Water Street, New York, NY10005, USA
Arup USA, Inc.	155 Federal Street, Suite 700 Boston MA 02109, United States
Arup Vietnam Limited	17F E-town Central, 11 Doan Van Bo District 4, Ho Chi Minh City, Vietnam
Babylon Investment Company Unlimited Company	50 Ringsend Road, Dublin 4, Ireland
Broomco (141) GmbH	Joachimstaler Straße 41, 10623 Berlin, Germany
Broomco (92854) Limited	50 Ringsend Road, Dublin 4, Ireland
Broomco (50886) Guernsey Limited (previously Fitzroy Property Guernsey Limited)	PO Box 286, Floor 2, Trafalgar Court, St Peter Port, GY1 4LY, Guernsey
Fitzroy Insurance Services Limited	Heritage Hall, Le Merchant Street, St Peter Port, Guernsey, Channel Islands
OASYS Software Technology (Shanghai) Limited	3rd Floor Southwest Section, No. 2123 Pudong Avenue, China (Shanghai) Pilot Free Trade Zone 200135, China
Ove Arup & Partners Danmark A/S	Axeltorv 2 K, 1609, København V, Denmark
Ove Arup & Partners Ireland Limited	50 Ringsend Road, Dublin 4, Ireland
Ove Arup & Partners Korea Limited	Room 602, Rodeo Plaza Building, 772, Samseong-ro, Gangnam-gu, Seoul 06070, Korea
Ove Arup & Partners P.C.	77 Water Street, New York, NY10005, USA
Ove Arup & Partners S.A.	Calle Alfonso XI, 12, 28014, Madrid, Spain
Ove Arup & Partners Scotland Limited	Scotstoun House, South Queensferry, West Lothian, EH30 9SE, Scotland
Ove Arup (Thailand) Limited	31/F Italthai Building, 2034/134 New Petchburi Road, Bangkapi, Huay Kwang, Bangkok 10320 Thailand
Ove Arup Holdings B.V.	Naritaweg 118 Beta Building / 1043 CA, Amsterdam, Netherlands
Ove Arup Holdings Private Limited	80 Robinson Road, #02-00, Singapore, 068898, Singapore
Ove Arup International (Holdings) Limited	Level 5 Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong
PT Arup Indonesia	19th Floor, #03-05 Talavera Office Park, Jl. Letjen TB Sinatupang Kav. 22- 26, South Jakarta, DKI Jakarta 12430, Indonesia
Shelbourne Plaza (Block C) Management Company Limited	50 Ringsend Road, Dublin 4, Ireland
Williamsburg Investment Unlimited Company	50 Ringsend Road, Dublin 4, Ireland

REGISTERED OFFICE
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United Kingdom