

**ARUP NORTH AMERICA LIMITED**  
**FINANCIAL STATEMENTS AND REPORTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**



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**FINANCIAL STATEMENTS AND REPORTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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**ARUP NORTH AMERICA LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2019**

The directors present their strategic report for Arup North America Limited (the "Company") for the year ended 31 March 2019 which was approved by the board of directors.

**Review of the business**

These are the results for the Company for the financial year ended 31 March 2019. The results show a profit for the financial year of £566,151 (restated 2018: £1,532,965).

The prior year financial statements were restated due to changes in accounting standards. The impacts of these changes are explained in note 22.

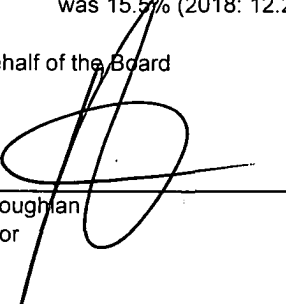
The net assets as at 31 March 2019 are £16,017,793 (restated 2018: £13,832,463).

The performance developments of the Company are in line with the expectations of the directors.

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

- Revenue and profit per person are financial KPIs used to monitor the continued contribution to the Company. In calculating profit per person, profit is stated before income tax, dividends and staff profit-sharing. For the year ended 31 March 2019, revenue per person was £237,616 (restated 2018: £237,417) and profit per person was £11,819 (restated 2018: £13,826).
- Staff turnover is a key non-financial measure of business performance. For the year ended 31 March 2019, staff turnover was 15.5% (2018: 12.2%).

On behalf of the Board

  
P A Coughlan  
Director

28 October 2019

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

# ARUP NORTH AMERICA LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report together with the audited financial statements of the Company for the year ended 31 March 2019 which were approved by the board of directors.

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

#### Principal activities

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

#### Future developments

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

#### Dividends

The directors have on 24 October 2019 declared a dividend payment of £12,000,000 for the year ended 31 March 2019 (2018: nil). No dividend was paid in the year ended 31 March 2019 (2018: nil).

#### Directors

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

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

#### Directors' remuneration

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

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

#### Directors' indemnities

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

#### Independent auditors

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

#### Financial risk management

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

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

- Foreign exchange risk: where possible the Company matches its currency earnings with currency costs. Where this is not possible, appropriate derivative contracts may be used. There is no speculative use of financial instruments;
- Interest rate risk: the Company currently does not hedge interest rate risk, however the need to do so is regularly reviewed;
- Credit risk: the main exposure to credit risk is on amounts due from customers. Controls and procedures are in place to mitigate this risk. Cash investments are held with banks with a minimum credit rating of A-3 / P2; and
- Liquidity risk: the Company does not have a bank account, however other Group companies will receive cash and make payments on behalf of the Company.

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

**ARUP NORTH AMERICA LIMITED**  
**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Employees and projects**

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

It is the Group's policy to ensure that:

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

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

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

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

**Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

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

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

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

**Disclosure of information to auditors**

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

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

On behalf of the Board

P A Coughlan  
 Director

28 October 2019

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**ARUP NORTH AMERICA LIMITED**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Report on the audit of the financial statements**

***Opinion***

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

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the "Financial Statements and Reports", which comprise: the balance sheet as at 31 March 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***

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

***Conclusions relating to going concern***

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

***Reporting on other information***

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

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

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

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

## ARUP NORTH AMERICA LIMITED (continued)

FOR THE YEAR ENDED 31 MARCH 2019

### **Reporting on other information (continued)**

#### *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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

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

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

#### *Use of this report*

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

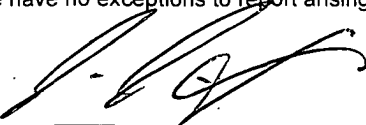
### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

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

## ARUP NORTH AMERICA LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	<u>Note</u>	<u>2019</u> £	<u>Restated*</u> <u>2018</u> £
<b>Revenue</b>	3	157,539,721	148,860,588
Employee benefit expense	4	(72,421,382)	(71,606,579)
Charges from sub-consultants and other direct project expenses		(33,514,952)	(35,674,314)
Depreciation and amortisation expense	8 & 9	(2,536,289)	(1,693,420)
Accommodation		(6,670,530)	(4,598,300)
Communications and other overheads		<u>(42,597,481)</u>	<u>(32,592,129)</u>
		(157,740,634)	(146,164,742)
<b>Operating (loss) / profit</b>	6	(200,913)	2,695,846
<b>(Loss) / profit before income tax</b>		(200,913)	2,695,846
Income tax credit / (charge)	7	<u>767,064</u>	<u>(1,162,881)</u>
<b>Profit for the financial year</b>		<u>566,151</u>	<u>1,532,965</u>

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

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	<u>2019</u> £	<u>Restated*</u> <u>2018</u> £
<b>Profit for the financial year</b>	566,151	1,532,965
<b>Other comprehensive income / (expense)</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Currency translation gains / (losses)	<u>1,080,542</u>	<u>(1,604,320)</u>
<b>Other comprehensive income / (expense) for the year, net of tax</b>	<u>1,080,542</u>	<u>(1,604,320)</u>
<b>Total comprehensive income / (expense) for the year</b>	<u>1,646,693</u>	<u>(71,355)</u>

The notes on pages 9 to 25 are an integral part of these financial statements.

\*The prior year financial statements were restated due to changes in accounting standards. The impacts of these changes are explained in note 22.



## ARUP NORTH AMERICA LIMITED

## BALANCE SHEET

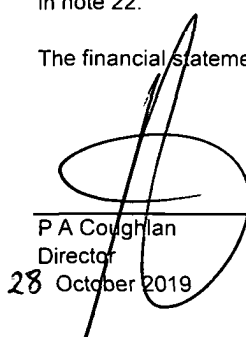
AS AT 31 MARCH 2019

	<u>Note</u>	<u>31 March</u> <u>2019</u> £	<u>Restated*</u> <u>31 March</u> <u>2018</u> £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	24,329,572	9,753,573
Intangible assets	9	80,081	115,177
Deferred income tax assets	15	2,476,540	1,538,414
Financial assets at fair value through profit or loss	11	918	-
Available-for-sale financial assets	10	-	851
		<u>26,887,111</u>	<u>11,408,015</u>
<b>Current assets</b>			
Trade and other receivables	12	<u>48,406,910</u>	<u>61,330,634</u>
		<u>48,406,910</u>	<u>61,330,634</u>
<b>Total assets</b>		<u><u>75,294,021</u></u>	<u><u>72,738,649</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	<u>47,669,572</u>	<u>58,183,087</u>
		<u>47,669,572</u>	<u>58,183,087</u>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	15	658,082	723,099
Other non-current liabilities	14	<u>10,948,574</u>	<u>-</u>
		<u>11,606,656</u>	<u>723,099</u>
<b>Total liabilities</b>		<u><u>59,276,228</u></u>	<u><u>58,906,186</u></u>
<b>Net assets</b>		<u><u>16,017,793</u></u>	<u><u>13,832,463</u></u>
<b>Equity</b>			
Share capital	16	1,000,000	1,000,000
Retained earnings		<u>15,017,793</u>	<u>12,832,463</u>
<b>Total equity</b>		<u><u>16,017,793</u></u>	<u><u>13,832,463</u></u>

The notes on pages 9 to 25 are an integral part of these financial statements.

\*The prior year financial statements were restated due to changes in accounting standards. The impacts of these changes are explained in note 22.

The financial statements on pages 6 to 25 were approved and authorised for issue by the board of directors and signed on its behalf by:

  
P A Coughlan  
Director  
28 October 2019

**ARUP NORTH AMERICA LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	<u>Share capital</u> £	<u>Retained earnings</u> £	<u>Total equity</u> £
Balance as at 1 April 2017	1,000,000	11,160,629	12,160,629
Effect of change in accounting standards	-	1,743,189	1,743,189
Balance as at 1 April 2017 (restated)	<u>1,000,000</u>	<u>12,903,818</u>	<u>13,903,818</u>
Profit for the financial year (restated)	-	1,532,965	1,532,965
Currency translation (losses) (restated)	-	(1,604,320)	(1,604,320)
Other comprehensive (expenses) for the year (restated)	-	(1,604,320)	(1,604,320)
Total comprehensive (expenses) for the year (restated)	<u>-</u>	<u>(71,355)</u>	<u>(71,355)</u>
Balance as at 31 March 2018 (restated)	<u>1,000,000</u>	<u>12,832,463</u>	<u>13,832,463</u>
Effect of change in accounting standards	-	538,637	538,637
Balance as at 1 April 2018 (restated)	<u>1,000,000</u>	<u>13,371,100</u>	<u>14,371,100</u>
Profit for the financial year	-	566,151	566,151
Currency translation gains	-	1,080,542	1,080,542
Other comprehensive income for the year	-	1,080,542	1,080,542
Total comprehensive income for the year	<u>-</u>	<u>1,646,693</u>	<u>1,646,693</u>
<b>Balance as at 31 March 2019</b>	<u>1,000,000</u>	<u>15,017,793</u>	<u>16,017,793</u>

\*The prior year financial statements were restated due to changes in the accounting standards. The impact of these changes is explained in note 22.

# ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2019

#### 1 BASIS OF PREPARATION

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

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

These financial statements have been prepared in accordance with FRS 101 and the Companies Act 2006. The Company has early adopted FRS 101 (March 2018).

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

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the preparation of the financial statements are disclosed in note 2.

The following exemptions from the requirements of International Financial Reporting Standards ("IFRS or IFRSs") have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, 'Business Combinations';
- Paragraph 33(c) of IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations';
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers';
- 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).

#### Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have obtained assurance of financial support from Arup Group Limited for a period of at least 12 months from the reporting date and therefore continue to adopt the going concern basis in preparing the financial statements.

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 1 BASIS OF PREPARATION (continued)

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

- IFRS 9, 'Financial Instruments' is a new standard which enhances the ability of investors and other users of financial information to understand the accounting for financial assets and reduces complexity. The standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the various rules in IAS 39, 'Financial Instruments: Recognition and Measurement'.

- IFRS 15, 'Revenue from Contracts with Customers' is a new standard based on a five-step model framework, which replaces all existing revenue recognition standards. The standard requires revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled in exchange for those goods or services.

The Company adopted IFRS 9 and IFRS 15 on 1 April 2018. The impact of the new standards on the Company are explained in note 21. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 March 2019, that have had a material impact on the Company.

***New standards, amendments and interpretations not yet adopted by the Company***

The following new accounting standards and interpretations have been published that are not mandatory for the year ended 31 March 2019 and have not been early adopted by the Company:

- IFRS 16, 'Leases' is a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard eliminates the classification of leases as either operating leases or finance leases as required by IAS 17, 'Leases', and instead, introduces a single lessee accounting model. A lessee will be required to recognise assets and liabilities for all leases with a term of more than 12 months and depreciate lease assets separately from interest on lease liabilities in the income statement. This standard is effective for accounting periods commencing on or after 1 January 2019.

Management is currently assessing the impact of the new standards, amendments and interpretations that are not yet effective.

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

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

***Transactions and balances***

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

**Impairment of non-financial assets**

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

**Financial assets*****Classification***

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

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 1 BASIS OF PREPARATION (continued)

## Financial assets (continued)

*Classification (continued)***Financial assets at fair value through profit or loss ("FVPL")**

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

**Loans and receivables**

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

**Recognition and measurement**

Regular purchases and sales of financial assets are recognised on the trade date (the date on which the Company commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at FVPL. Financial assets carried at FVPL are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

**Offsetting financial instruments**

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

**Impairment of financial assets****Assets carried at amortised cost**

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

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

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2019

**2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

**Contract accounting (estimates and judgements)**

The Company's revenue accounting policy (note 3) is central to how the Company values the work it has carried out in each financial year. This policy requires forecasts to be made on the current percentage complete and the projected outcomes of projects. These forecasts require estimates and judgements to be made on changes in, for example, percentage completion, work scope and costs to completion. While the estimates made are based on professional judgements, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reported result.

As a consequence of the multi-year lifespan of the Company's contracts, measuring the outcome of the performance obligations can take time. Assuming the project is forecasted to make a profit, the Company recognises revenue only to the extent of the costs incurred until the project reaches 50% complete on a standard risk project and 95% on a high risk project. 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 amounts recoverable on contracts (estimates and judgements)**

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

**3 REVENUE**

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

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

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

The total revenue recognised in the year that was included in contract liabilities at the beginning of the year was £26,516,299 (2018: £13,071,995).

The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £105,458,612 (2018: £102,147,978).

	<u>2019</u>	<u>Restated</u>
	£	2018
		£
<b>Revenue by destination</b>		
Americas	149,521,366	140,185,624
United Kingdom	4,449,224	3,540,194
Asia	1,589,252	1,503,138
Middle East & Africa	807,563	204,673
Australasia	687,033	400,316
Europe	485,283	3,026,643
	<u>157,539,721</u>	<u>148,860,588</u>

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 4 EMPLOYEE BENEFIT EXPENSE

	<u>2019</u> £	<u>2018</u> £
Wages and salaries	54,120,494	50,187,407
Staff profit-sharing	8,037,101	5,973,359
Social security costs	4,154,676	3,970,710
Pension contributions	4,769,588	4,397,531
Redundancy costs	6,623	2,426
Other staff costs	1,332,900	7,075,146
	<u>72,421,382</u>	<u>71,606,579</u>

## Average monthly number of people employed

	<u>2019</u> Number	<u>2018</u> Number
Engineering and technical staff	543	520
Administrative staff	120	107
	<u>663</u>	<u>627</u>

## Staff profit-sharing

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

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

## 5 DIRECTORS' REMUNERATION

The directors' remuneration was as follows:

	<u>2019</u> £	<u>2018</u> £
Aggregate remuneration	1,086,862	954,694
Aggregate contributions paid to defined contribution schemes	<u>68,178</u>	<u>65,405</u>

Highest paid director:

	<u>2019</u> £	<u>2018</u> £
Remuneration	657,739	582,723
Contributions paid to defined contribution schemes	<u>40,307</u>	<u>38,831</u>

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

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

**6 OPERATING (LOSS) / PROFIT**2019  
£2018  
£

This is stated after charging / (crediting):

During the year, the Company obtained the following services from the Company's auditors:

Audit of Company financial statements	32,000	30,600
Loss on disposal of property, plant and equipment	360,977	1,112
(Profit) / loss on exchange from trading activities	(105,739)	47,663
Operating leases - land and buildings	6,269,160	4,080,256
Impairment of trade receivables	349,637	56,885
Loss allowance on trade receivables - under IFRS 9	(34,229)	-
Loss allowance on amounts recoverable on contracts - under IFRS 9	(3,266)	-
Amortisation of intangible assets	60,977	70,086
Depreciation of property, plant and equipment	<u>2,475,312</u>	<u>1,623,334</u>

**7 INCOME TAX (CREDIT) / CHARGE**

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

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

**(a) Analysis of total tax (credit) / charge**

	<u>2019</u> £	<u>Restated</u> <u>2018</u> £
Current income tax		
- Non-UK: current income tax on profits for the year	12,275	-
- Non-UK: adjustment in respect of prior years	<u>156,444</u>	<u>(73,027)</u>
<b>Total current income tax</b>	<u>168,719</u>	<u>(73,027)</u>
Deferred income tax (note 15)		
- origination and reversal of temporary differences	(582,373)	752,260
- effect of changes in tax rates	-	879,875
- over provision of deferred income tax in respect of prior years	<u>(353,410)</u>	<u>(396,227)</u>
<b>Total deferred income tax</b>	<u>(935,783)</u>	<u>1,235,908</u>
<b>Total tax (credit) / charge</b>	<u>(767,064)</u>	<u>1,162,881</u>

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

The tax assessed for the year is lower (2018: higher) than the amount computed at the standard rate of corporation tax in the UK 19% (2018: 19%).

The differences are explained below:

	<u>2019</u> £	<u>Restated</u> <u>2018</u> £
(Loss) / profit before income tax	<u>(200,913)</u>	<u>2,695,846</u>
(Loss) / profit multiplied by the standard rate of corporation tax in the UK	(38,173)	512,211
Effects of:		
Group relief	-	198,779
Impact of change in accounting standards	(12,786)	322,351
Expenses not deductible for tax purposes	36,224	(606,232)
Research and development tax credits	(607,408)	-
Impact of non-UK tax	52,046	325,151
Remeasurement of deferred income tax - change in tax rates	-	879,875
Adjustment in respect of prior years	<u>(196,967)</u>	<u>(469,254)</u>
<b>Total tax (credit) / charge</b>	<u>(767,064)</u>	<u>1,162,881</u>



## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 7 INCOME TAX (CREDIT) / CHARGE (continued)

## (c) Factors affecting current and future tax charges

The rate of UK corporation tax reflected in these financial statements is 19% (2018: 19%).

A planned further reduction to 17%, effective 1 April 2020 was substantively enacted in 2016. As deferred income tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal, deferred income tax balances at 31 March 2019 have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

For the year ending 31 March 2019 a federal tax rate of 27% (2018: 31.5%) has been used to calculate deferred income tax assets and liabilities.

## 8 PROPERTY, PLANT AND EQUIPMENT

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

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

Leasehold property  
Furniture, fittings & IT hardware

Duration of the lease  
3 - 10 years

	<u>Leasehold property</u> £	<u>Furniture, fittings &amp; IT hardware</u> £	<u>Total</u> £
<b>Cost</b>			
Balance at 1 April 2018	13,653,428	8,238,865	21,892,293
Additions	15,028,529	1,598,096	16,626,625
Disposals	(665,441)	(3,386,286)	(4,051,727)
Adjustment for exchange differences	1,122,689	634,948	1,757,637
<b>Balance at 31 March 2019</b>	<b>29,139,205</b>	<b>7,085,623</b>	<b>36,224,828</b>
<b>Accumulated depreciation</b>			
Balance at 1 April 2018	5,765,232	6,373,488	12,138,720
Charge for the year	1,327,495	1,147,817	2,475,312
Disposals	(332,720)	(3,327,451)	(3,660,171)
Adjustment for exchange differences	453,445	487,950	941,395
<b>Balance at 31 March 2019</b>	<b>7,213,452</b>	<b>4,681,804</b>	<b>11,895,256</b>
<b>Net book value at 31 March 2019</b>	<b>21,925,753</b>	<b>2,403,819</b>	<b>24,329,572</b>
Net book value at 31 March 2018	7,888,196	1,865,377	9,753,573

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 9 INTANGIBLE ASSETS

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

	<u>Computer software</u> £
<b>Cost</b>	
Balance at 1 April 2018	633,487
Additions	17,082
Adjustment for exchange differences	49,450
<b>Balance at 31 March 2019</b>	<u>700,019</u>
<b>Accumulated amortisation</b>	
Balance at 1 April 2018	518,310
Charge for the year	60,977
Adjustment for exchange differences	40,651
<b>Balance at 31 March 2019</b>	<u>619,938</u>
<b>Net book value at 31 March 2019</b>	<u>80,081</u>
Net book value at 31 March 2018	115,177

## 10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Movement of unlisted investments at cost	<u>2019</u> £	<u>2018</u> £
Balance at 1 April	851	956
Impact of change in accounting standard - IFRS 9	(851)	-
Revised balance as at 1 April	-	956
Adjustment for exchange differences	-	(105)
<b>Balance at 31 March</b>	<u>-</u>	<u>851</u>

Financial assets previously held as available-for-sale are now classified as financial assets at FVPL following the introduction of IFRS 9.

## 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2019</u> £	<u>2018</u> £
Balance at 1 April	-	-
Impact of change in accounting standard - IFRS 9	851	-
Revised balance as at 1 April	851	-
Adjustment for exchange differences	67	-
<b>Balance at 31 March</b>	<u>918</u>	<u>-</u>

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 12 TRADE AND OTHER RECEIVABLES

	<u>2019</u> £	<u>Restated</u> <u>2018</u> £
Trade receivables - net	19,263,568	26,362,607
Amounts recoverable on contracts - net	7,014,597	6,073,819
Amounts due from Group undertakings	12,146,360	25,850,569
Non-UK corporation tax recoverable	304,385	282,206
Other receivables	4,891,549	796,443
Prepayments and accrued income	4,786,451	1,964,990
	<u>48,406,910</u>	<u>61,330,634</u>

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

## Trade receivables

	<u>2019</u> £	<u>2018</u> £
Trade receivables	20,710,815	26,362,607
Loss allowance - under IFRS 9	<u>(1,447,247)</u>	<u>-</u>
	<u>19,263,568</u>	<u>26,362,607</u>

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

	<u>2019</u> £	<u>Restated</u> <u>2018</u> £
Amounts recoverable on contracts	7,048,846	6,073,819
Loss allowance - under IFRS 9	<u>(34,249)</u>	<u>-</u>
	<u>7,014,597</u>	<u>6,073,819</u>

Amounts recoverable on contracts 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 and as such they represent a contract asset.

## 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 0-10%.

## Pre-contract costs

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

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2019

## 13 TRADE AND OTHER PAYABLES

	<u>2019</u>	<u>Restated</u>
	<u>£</u>	<u>2018</u>
		<u>£</u>
Trade payables	-	20,801
Deferred income	24,869,756	26,516,299
Amounts owed to Group undertakings	11,795,202	17,409,424
Accrued expenses	10,097,025	13,655,247
Other payables	586,880	392,929
Taxation and social security costs	246,147	188,387
Lease incentives	74,562	-
	<u>47,669,572</u>	<u>58,183,087</u>

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

**Trade payables**

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

**Deferred income**

Deferred income represents revenue billed in advance on contracts. Since this revenue is billed in advance of performing the related services, this balance represents a contract liability.

**Amounts owed to Group undertakings**

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

## 14 OTHER NON-CURRENT LIABILITIES

	<u>2019</u>	<u>2018</u>
	<u>Lease</u>	<u>Lease</u>
	<u>incentives</u>	<u>incentives</u>
	<u>£</u>	<u>£</u>
Later than one year and no later than two years	292,706	-
Later than two years and no later than five years	1,831,495	-
Later than five years	8,824,373	-
	<u>10,948,574</u>	<u>-</u>

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 15 DEFERRED INCOME TAX

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

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

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

The offset amounts are as follows:	<u>2019</u> £	<u>Restated</u> <u>2018</u> £
Deferred income tax assets		
- deferred income tax assets to be recovered after more than 12 months	2,476,540	1,538,414
- deferred income tax assets to be recovered within 12 months	-	-
	<u>2,476,540</u>	<u>1,538,414</u>
Deferred income tax liabilities		
- deferred income tax liabilities to be recovered after more than 12 months	(658,082)	(723,099)
- deferred income tax liabilities to be recovered within 12 months	-	-
	<u>(658,082)</u>	<u>(723,099)</u>
<b>Deferred income tax assets - net</b>	<u><u>1,818,458</u></u>	<u><u>815,315</u></u>
The gross movement on the deferred income tax account is as follows:	<u>2019</u> £	<u>Restated</u> <u>2018</u> £
At 1 April	815,315	2,236,360
Over / (under) provision of deferred income tax in respect of prior years	353,410	(580,272)
Deferred income tax credited / (charged) to the income statement	582,373	(655,636)
Adjustment for exchange differences	67,360	(185,137)
At 31 March	<u><u>1,818,458</u></u>	<u><u>815,315</u></u>

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 15 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities	<u>Impact of change in accounting standards</u> £	<u>Accelerated tax depreciation</u> £	<u>Other</u> £	<u>Total</u> £
At 1 April 2017	-	-	814,707	814,707
Charged / (credited) to the income statement (restated)	144,603	592,764	(153,782)	583,585
Adjustment for exchange differences (restated)	(7,112)	(567,404)	(100,677)	(675,193)
At 31 March 2018 (restated)	137,491	25,360	560,248	723,099
(Credited) / charged to the income statement	(147,609)	(25,360)	92,953	(80,016)
Adjustment for exchange differences	10,118	-	4,881	14,999
<b>At 31 March 2019</b>	-	-	658,082	658,082

Deferred income tax assets	<u>Unutilised tax depreciation</u> £	<u>Provisions</u> £	<u>Other</u> £	<u>Total</u> £
At 1 April 2017	604,754	2,260,527	185,786	3,051,067
(Charged) / credited to the income statement	-	(848,464)	196,141	(652,323)
Adjustment for exchange differences	(604,754)	(206,849)	(48,727)	(860,330)
At 31 March 2018	-	1,205,214	333,200	1,538,414
Credited / (charged) to the income statement	209,290	(87,463)	733,940	855,767
Adjustment for exchange differences	(1,021)	93,591	(10,211)	82,359
<b>At 31 March 2019</b>	208,269	1,211,342	1,056,929	2,476,540

## 16 SHARE CAPITAL

	<u>2019</u> £	<u>2018</u> £
Issued, called up and fully paid:		
1,000,000 (2018: 1,000,000) ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

## 17 CONTINGENT LIABILITIES

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

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

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 18 COMMITMENTS

## Operating lease commitments

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

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

	<u>2019</u> <u>Property</u> £	<u>2018</u> <u>Property</u> £
No later than one year	7,536,539	3,072,586
Later than one year and no later than five years	27,337,407	9,768,095
Later than five years	<u>32,762,793</u>	<u>6,817,137</u>

## 19 DIVIDENDS

The directors have on 24 October 2019 declared a dividend payment of £12 per share, amounting to a total dividend of £12,000,000 for the year ended 31 March 2019 (2018: nil). No dividend was paid in the year ended 31 March 2019 (2018: nil).

## 20 RELATED PARTIES

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

During the year ending 31 March 2019 the Company received income of £1,705,536 (2018: £18,662,671) and incurred expenses of £5,075,482 from Ove Arup & Partners P.C. (2018: £4,492,659). At the year end the Company had an amount due to Ove Arup & Partners P.C. of £10,599,422 (2018: £13,537,931).

During the year ending 31 March 2019 the Company received income of £423 (2018: nil) and incurred expenses of £5,748 from Arup (Pty) Limited (2018: £3,728). At the year end the Company had an amount due from Arup (Pty) Limited of £3,181 (2018: £5,773).

## 21 CONTROLLING PARTY

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

Arup Group Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements at 31 March 2019. The consolidated financial statements of Arup Group Limited are publicly available at 13 Fitzroy Street, London, W1T 4BQ, UK.

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

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

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 22 CHANGES IN ACCOUNTING STANDARDS

This note explains the impact of the adoption of IFRS 9 and IFRS 15 on the Company's financial statements.

## (a) Impact on the financial statements

As a result of the changes in the Company's accounting standards the prior year financial statements had to be restated. The following tables show the adjustments recognised for each individual line item.

Balance sheet	As originally presented 31 March 2018 £	IFRS 15 £	Restated 31 March 2018 £	IFRS 9 £	Restated 1 April 2018 £
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	9,753,573	-	9,753,573	-	9,753,573
Intangible assets	115,177	-	115,177	-	115,177
Deferred income tax assets	1,538,414	-	1,538,414	-	1,538,414
Available-for-sale financial assets	851	-	851	-	851
	<u>11,408,015</u>	<u>-</u>	<u>11,408,015</u>	<u>-</u>	<u>11,408,015</u>
<b>Current assets</b>					
Trade and other receivables	61,114,590	216,044	61,330,634	538,637	61,869,271
	<u>61,114,590</u>	<u>216,044</u>	<u>61,330,634</u>	<u>538,637</u>	<u>61,869,271</u>
<b>Total assets</b>	<u>72,522,605</u>	<u>216,044</u>	<u>72,738,649</u>	<u>538,637</u>	<u>73,277,286</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	(58,629,037)	445,950	(58,183,087)	-	(58,183,087)
	<u>(58,629,037)</u>	<u>445,950</u>	<u>(58,183,087)</u>	<u>-</u>	<u>(58,183,087)</u>
<b>Non-current liabilities</b>					
Deferred income tax liabilities	(585,608)	(137,491)	(723,099)	-	(723,099)
	<u>(585,608)</u>	<u>(137,491)</u>	<u>(723,099)</u>	<u>-</u>	<u>(723,099)</u>
<b>Total liabilities</b>	<u>(59,214,645)</u>	<u>308,459</u>	<u>(58,906,186)</u>	<u>-</u>	<u>(58,906,186)</u>
<b>Net assets</b>	<u>13,307,960</u>	<u>524,503</u>	<u>13,832,463</u>	<u>538,637</u>	<u>14,371,100</u>
<b>Equity</b>					
Share capital	1,000,000	-	1,000,000	-	1,000,000
Retained earnings	12,307,960	524,503	12,832,463	538,637	13,371,100
	<u>13,307,960</u>	<u>524,503</u>	<u>13,832,463</u>	<u>538,637</u>	<u>14,371,100</u>



## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 22 CHANGES IN ACCOUNTING STANDARDS (continued)

## (a) Impact on the financial statements (continued)

## Income statement for the year ended 31 March 2018

	As originally presented £	IFRS 15 £	IFRS 9 £	Restated £
<b>Revenue</b>	149,812,734	(952,146)	-	148,860,588
Employee benefit expense	(71,606,579)	-	-	(71,606,579)
Charges from sub-consultants and other direct project expenses	(35,690,944)	16,630	-	(35,674,314)
Depreciation and amortisation expense	(1,693,420)	-	-	(1,693,420)
Accommodation	(4,598,300)	-	-	(4,598,300)
Communications and other overheads	(32,592,129)	-	-	(32,592,129)
<b>Operating profit</b>	3,631,362	(935,516)	-	2,695,846
<b>Profit before income tax</b>	3,631,362	(935,516)	-	2,695,846
Income tax (charge)	(1,018,278)	(144,603)	-	(1,162,881)
<b>Profit for the financial year</b>	2,613,084	(1,080,119)	-	1,532,965

## (b) IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 under the full retrospective transition method from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

- Profit recognition: previously the Company staggered its profit recognition on lump sum standard risk projects at 50%, 75%, 95%, then 1% interval to 100% completion. Under IFRS 15, once a lump sum standard risk project reaches 50% completion, the Company recognise their percentage completion of the profit.

- Contract costs: the Company has historically included contract costs in their cost to complete forecast for each project. Under IFRS 15, contract costs are excluded from the cost to complete forecast.

An entity that elects to apply the standard using the full retrospective method can apply certain practical expedients as set out in paragraph C5 of the standard:

- (a) An entity need not restate contracts that begin and end within the same annual reporting period and / or were completed at the beginning of the earliest period presented;
- (b) For completed contracts that have variable consideration, an entity can use hindsight and use the transaction price at the date that the contract was completed;
- (c) The effect of contract modifications that occurred before the beginning of the earliest period presented can be reflected in aggregate rather than being determined individually for each modification; and
- (d) For all reporting periods presented before the date of initial application (1 April 2018 for the Company), an entity is not required to disclose the amount of transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

The Company has elected to apply practical expedient (a).

In accordance with the transition provisions in IFRS 15, the Company has adopted the new rules retrospectively and has restated comparatives for the year ended 31 March 2018. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 April 2018) and the beginning of the earliest period presented (1 April 2017):

	IAS 18 carrying amount 31 March 2018 £	Remeasure- ments £	IFRS 15 carrying amount 1 April 2018 £
Amounts recoverable on contracts	5,857,775	216,044	6,073,819
Deferred income	(26,962,249)	445,950	(26,516,299)
Deferred income tax liabilities	(585,608)	(137,491)	(723,099)
	<u>(21,690,082)</u>	<u>524,503</u>	<u>(21,165,579)</u>

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 22 CHANGES IN ACCOUNTING STANDARDS (continued)

## (b) IFRS 15 Revenue from Contracts with Customers (continued)

	IAS 18 carrying amount 31 March 2017 £	Remeasure- ments £	IFRS 15 carrying amount 1 April 2017 £
Amounts recoverable on contracts	4,755,218	171,640	4,926,858
Deferred income	(14,643,543)	1,571,549	(13,071,994)
Deferred income tax liabilities	(814,707)	-	(814,707)
	<u>(10,703,032)</u>	<u>1,743,189</u>	<u>(8,959,843)</u>

The impact on the Company's income statement for the year ended 31 March 2018 is as follows:

	As originally presented £	IFRS 15 £	Restated £
<b>Revenue</b>	149,812,734	(952,146)	148,860,588
Employee benefit expense	(71,606,579)	-	(71,606,579)
Charges from sub-consultants and other direct project expenses	(35,690,944)	16,630	(35,674,314)
Depreciation and amortisation expense	(1,693,420)	-	(1,693,420)
Accommodation	(4,598,300)	-	(4,598,300)
Communications and other overheads	(32,592,129)	-	(32,592,129)
<b>Operating profit</b>	<u>3,631,362</u>	<u>(935,516)</u>	<u>2,695,846</u>
<b>Profit before income tax</b>	3,631,362	(935,516)	2,695,846
Income tax (charge)	(1,018,278)	(144,603)	(1,162,881)
<b>Profit for the financial year</b>	<u>2,613,084</u>	<u>(1,080,119)</u>	<u>1,532,965</u>

The impact on the Company's retained earnings as at 1 April 2018 and 1 April 2017 is as follows:

	2018 £	2017 £
Closing retained earnings as at 31 March - IAS 39 / IAS 18	12,307,960	11,160,629
Adjustment to retained earnings from adoption of IFRS 15	524,503	1,743,189
Retained earnings as at 1 April - IFRS 15 (before restatement for IFRS 9)	<u>12,832,463</u>	<u>12,903,818</u>

## ARUP NORTH AMERICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2019

## 22 CHANGES IN ACCOUNTING STANDARDS (continued)

## (c) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The total impact on the Company's retained earnings as at 1 April 2018 is as follows:

	<u>2018</u> £	<u>2017</u> £
Closing retained earnings as at 31 March - IAS 39 / IAS 18	12,307,960	11,160,629
Adjustment to retained earnings from the adoption of IFRS 15 on 1 April 2018	524,503	1,743,189
Decrease in loss allowance for trade receivables	576,014	-
(Increase) in loss allowance for amounts recoverable on contracts	(37,377)	-
Adjustment to retained earnings from the adoption of IFRS 9 on 1 April 2018	<u>538,637</u>	<u>-</u>
Opening retained earnings as at 1 April - IFRS 9 / IFRS 15	<u>13,371,100</u>	<u>12,903,818</u>

On adoption of IFRS 9, there were no adjustments made to line items in the income statement for the year ended 31 March 2018.

**Impairment of financial assets**

The Company has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Amounts recoverable on contracts
- Amounts due from Group undertakings

The Company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

**Trade receivables and amounts recoverable on contracts**

The Company applies the simplified approach for IFRS 9 when measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and amounts recoverable on contracts.

**Amounts due from Group undertakings**

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