

No 05976343

Foster + Partners Group Limited

**Annual Report & Consolidated Financial
Statements**

For the year ended 30 April 2019

Registered Office:

Riverside Three
22 Hester Road
London
SW11 4AN



Foster + Partners Group Limited

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For the year ended 30 April 2019

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Foster + Partners Group Limited
Company information
For the year ended 30 April 2019

Board of directors	Lord Foster of Thames Bank, OM D B Nelson M A Streets V Ganzi S Miners
Registered office	Riverside Three 22 Hester Road London SW11 4AN
Bankers	HSBC Bank Plc 8 Canada Square London E14 5HQ Lloyds TSB Bank Plc Threadneedle Street Branch 39 Threadneedle Street London EC2R 8AU The Royal Bank of Scotland Plc 250 Bishopsgate London EC2M 4AA
Solicitors	DWF Fishburns 20 Fenchurch Street London EC3M 3NG Travers Smith 10 Snow Hill London EC1A 2AL
Independent auditors	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors 1 Embankment Place London WC2N 6RH
Registered number	05976343

Foster + Partners Group Limited

Chairman's statement

For the year ended 30 April 2019

Our success in terms of design achievements and financial results for the year ended 30 April 2019 is well documented elsewhere in this report, so it may be appropriate to reflect on some of the bigger picture strategies that generated the practice and that have evolved over time. These are the foundations for our present performance.

The practice was born in 1967, known then as Foster Associates. From the outset, the core design team was not just husband and wife architects named Foster, but extended out to two engineers – mechanical and structural – along with a cost estimator. This concept of a design practice runs contrary to the conventional education of architects and engineers. With a few honourable exceptions, architects are brought up to design and engineers are trained to translate those designs into reality. The idea that individuals from different professional backgrounds can work creatively side by side to produce more integrated and better designs was the model for that fledgling practice and is still the same for the present studio of Foster + Partners. The handful of individuals huddled around a table in a north London apartment has morphed over a fifty plus year period into the current team of around fifteen hundred.

When we use the word 'design' it is customary to think of applying it to physical objects like buildings, bridges, cars or aircraft. Even more challenging, however, is to design an organisation which in turn can design "things" and deliver them within a consistent design philosophy. To that end, the practice is now a balancing act between many different professions – numerically architects are still the dominant profession but they remain well embedded within a web of other disciplines. This is testimony to my belief that architecture is too important to be left to architects alone. This does not contradict my conviction that society undervalues and underuses architects. They can and should be making a greater contribution to our urban environment.

In the nineteen seventies I pioneered with an initiative that is still rare but at the time was truly radical. This was the incorporation within the practice of a workshop that could produce everything in the way of physical models from the small scale to full size prototypes.

That workshop tradition continues in the present practice but at a vastly expanded scale. Contrary to all predictions, the analogue world of models has prospered alongside the digital processes of three-dimensional printing and sophisticated renderings. We also encourage drawing skills – against the grain of many schools of architecture and design – by promoting life drawing classes. This is a reminder that the early days of the practice placed great emphasis on graphic skills and that continues today.

In that first decade in the life of the practice there was a conscious move to expand the geographical boundaries of our work and we had bases in Oslo and Hong Kong. The same global attitude has grown and is now evidenced by twenty studios in thirteen countries.

Foster + Partners Group Limited

Chairman's statement (continued)

For the year ended 30 April 2019

The global approach to projects is linked to the quest for finding the best young talent in the world – which leads to crossing borders and a team that is truly multicultural. The average age of the practice is now little more than that of the two Founding Partners in 1967. The prospect of a restrictive Brexit and the rise of nationalism are threats to all of us who cultivate excellence through scholarship and diversity.

One of the most significant links between the start of the practice and today is its continuous commitment to sustainable design – an approach that was borne out of a period in which issues of energy waste and pollution had not commanded media attention or touched the public conscience. The label of "green" as applied to buildings and the environment had yet to be coined. Nonetheless, on built and unbuilt projects, we were championing the causes of solar power, recycling of water, waste to energy and fertiliser, along with buildings that would breathe with natural ventilation to be healthier, reduce energy consumption and carbon footprints.

Perhaps the most significant difference between now and then is our increasing ability to digitally model and predict environmental performance. Growth has also enabled us to invest in research as well as realising the benefits of research by others. For example, studies by collaborating universities have now scientifically quantified the benefits of our design strategies that were, in the past, more intuitive and subjective.

Since the inception of Foster + Partners we have witnessed an invention and proliferation of voluntary green rating systems for buildings. LEED and BREEAM are the most well known of around two hundred and fifty such standards. It is a source of some pride that we have achieved record-high ratings under these systems. However, our research is telling us that even if buildings conform to the highest of these standards they will still not adequately address the Paris Agreement goal of containing the increase in the planet's atmospheric temperature to 1.5°C. New versions of these rating systems will take three to five years to come into place and major projects typically take ten years to realise. The challenge is to translate this knowledge into advocacy and action by sharing and working with those that commission buildings and infrastructure.

I make no apology for repeating, as I do every year at the end of my report, our deep gratitude. First, for the confidence and trust of those who commission us. Then for the hard work and dedication of those of us who design and manage – our own team and the many gifted collaborators who support us. For the constructors and craftsmen for their efforts on sites and in factories around the world and last, but by no means least, those in the many civic authorities who consent, oversee and regulate our projects.



Norman Foster

Founder + Chairman

1st July 2019

Foster + Partners Group Limited

Strategic report

For the year ended 30 April 2019

Business Description

Foster + Partners is the leading global design practice covering every aspect of design including; architecture, interior and product design, engineering, project management, research, sustainability, urban design, master-planning, and workplace consultancy. We pursue innovative solutions to current day and future demands including but not limited to conserving environmental resources, creating signature buildings and enhancing the local environment in which our projects are located.

Foster + Partners is unique in the world as a design practice. We are constantly challenging; in our integrated design services; in new technologies – sustainable modelling, materials selection, 3D printing and through our research based approach to creative urban and building design all informed by hard analysis.

Founded five decades ago in 1967 the Practice has key offices in London, Abu Dhabi, Beijing, Dubai, Hong Kong, Madrid, New York, San Francisco, Shanghai and Sydney. Our projects are geographically diversified with projects outside the UK generating over 90% of revenues (see Note 4 to the financial statements). Through the extensive use of technology and with the oversight of the design board, the London campus retains control of the design process and houses approximately 80% of the Group's employees.

Review of the year

The past year has seen many highlights as Foster + Partners moves from strength to strength with our highest turnover in the history of the practice. Two new offices have opened in Shenzhen and Dubai, and the number of employees working in San Francisco, Singapore and Shanghai has grown, with the latter two moving into larger premises. Last year's comprehensive redesign of the practice website was rewarded with wins for best use of video and best overall website at the Archiboo Web Awards 2018.

For the eighth year in a row, the practice retained the top spot in the annual AJ100 survey of the UK's largest architectural practices and has continued to be recognised as a 'Top Employer' for the third year running. The practice also received the most nominations from its peers for Most Admired Architect in the 2019 AJ100 survey. Our wellbeing and learning and development training programmes have been greatly expanded this year and we have established several diversity and inclusion forums including LGBT+, Womens and Parents Forums. We have sponsored several architecture schools, engineering organisations and the LGBT+ Architecture group during the year.

Our recently completed Bloomberg headquarters in the City of London won the most prestigious award for architecture in the UK, the RIBA Stirling Prize. Foster + Partners is the only practice to have won it three times, with the American Air Museum in Duxford and 30 St Mary's Axe in London, being previous winners. Other multi-award-winning projects include The Murray and Ocean Terminal Extension in Hong Kong, Arcoris Mont' Kiara in Kuala Lumpur, Central Park in Sydney and Apple stores in Chicago and Singapore, bringing the total to 56 for the year and the historic total of awards won by the practice now stands at 912.

Foster + Partners Group Limited

Strategic report (continued)

For the year ended 30 April 2019

Review of the year (continued)

During 2018-19 we completed 15 projects across the world, from the West Coast of USA to Hong Kong in the east. Several award-winning Apple flagship stores around the world opened this year and Apple Park in Cupertino is now fully occupied and operational. This year also saw the completion of the Norton Museum of Art, a project that has transformed the existing assemblage of Art Deco buildings into a world-class cultural destination within a sub-tropical garden setting. We also completed our first project in Panama, a new terminal at Tocumen Airport, establishing an important new hub for the Americas. From the scale of the masterplan for Central Park Precinct and DUO in Sydney, to the LG OLED Rollable TV, the range of this year's completed projects illustrates the diversity of the practice's output. We launched six innovative products including furniture and lighting at the Milan Fair during the Spring.

Foster + Partners was part of the first ever Pavilion of the Holy See, representing the Vatican, at the 2018 Venice Architecture Biennale, which attracted huge attention throughout the Biennale and has now found a permanent home at the Cini Foundation Gardens in Venice. In Philadelphia, work continues on the new Comcast Innovation and Technology Centre, a 341-metre tower with loft-like work spaces and state-of-the-art television studios for NBC at the base, and a 12-storey Four Seasons Hotel above, which will be the city's tallest building. Several art commissions that are an integral part of the project were unveiled this year, and the hotel will open for bookings this year.

The various collaborative research projects that we have been involved in over the past year demonstrate the practice's continuing commitment to research, including the LASSIM project that investigates the possibilities of 3D printing with metal with a consortium of ten partner companies across the globe, including BAE Systems and Autodesk. We continue to support four researchers as part of the InnoChain network, examining how advances in digital design tools challenge building culture enabling sustainable, informed and materially smart design solutions.

We have won several design competitions this year including the new JP Morgan Chase Headquarters on Park Avenue in New York. We are designing several city masterplans in China and the United States and healthcare remains a compelling sector for us across the globe.

Corporate restructuring

On 27th June at an extraordinary general meeting, the shareholders of the Company approved a corporate reorganisation and financial restructuring of the Group. The aim of the restructure is to widen the shareholder base, transfer ownership of the practice amongst new and existing partners and provide a sustainable incentive framework for the future whilst remaining 100% owned by the partners. The restructure is expected to take place in July 2019 and will involve a newly incorporated company becoming the ultimate parent of the Group by the acquisition, for a combination of cash and shares in the new ultimate parent, of the entire share capital of the Company. The financial restructure will involve the repayment of the Group's existing bank debt and its replacement with new banking facilities provided by the Group's existing bankers.

Foster + Partners Group Limited

Strategic report (continued)

For the year ended 30 April 2019

Financial overview and key performance indicators

The group continues to perform strongly with turnover growing to £258.0m (2018: £212.5m) and gross profit to £128.4m (2018: £98.0m), EBITDA² before exceptionals and partnership payment¹ grew to £58.2m (2018: £53.8m). The average head count increased to 1,317 (2018: 1,266) with turnover per employee increasing to £196,000 (2018: £168,000).

	2019	2018	2017
	£'000	£'000	£'000
Group turnover	258,040	212,512	244,826
EBITDA before exceptional items and before partnership payment ¹	58,153	53,759	46,664
Partnership payment ¹	(28,881)	(23,369)	(7,000)
EBITDA before exceptional items ²	29,272	30,390	39,664
Turnover per employee	196	168	172
Average number of employees (no.)	1,317	1,266	1,425

The consolidated income statement is set out on page 17 and shows a pre-tax profit of £21.5m (2018: £20.8m) and a post-tax profit of £14.2m (2018: £12.2m) for the year. It is proposed that the profit for the financial year of £14.2m (2018: profit £12.2m) is transferred to reserves. It is proposed that a dividend be paid to C ordinary shareholders of £6.0m (2018: £4.9m).

As at 30 April 2019, the Group had cash of £64.1m (2018: £43.4m). Total net debt as of 30 April 2019 was £40.4m (2018: £67.9m). Total net debt comprises bank loans (Note 17) less cash balances (Note 16).

¹Partnership payments are described in more detail in Note 8

²EBITDA refers to operating profit before depreciation and amortisation. Operating profit was £26.6m for the year (2018: £27.3m). The depreciation and amortisation charge for the year was £2.7m (2018: £3.2m). The prior year £0.1m credit to operating expenses classed as exceptional is a release of the unused balance of the £2.1m charge reflected in the preceding year's income statement. Detailed disclosure can be found in Note 5 of these financial statements.

Foster + Partners Group Limited

Strategic report (continued)

For the year ended 30 April 2019

Corporate, social and environmental responsibility

There were two comprehensive exhibitions of the Foster + Partners' work at the Tsinghua Art Museum in Beijing and the Dubai Design District addressing the urgent subject of sustainability and how Foster + Partners is addressing the issue. To that end, we participated at the Davos conference on global warming and were founding signatories of the 'Architects Declare' initiative which pledges to bring built environment practices together to tackle the 'twin crises of climate breakdown and biodiversity loss'.

We continue to open our doors to the public regularly and this year's Open House weekend saw a record 4,000 visitors. Visitors were treated to an overview of the practice's work through a varied display of recent projects, an exhibition showcasing our commitment to sustainability, and a range of interactive workshops that gave insights into the broad range of work at Foster + Partners. More than 800 walkers visited the studio as part of the charity fundraising event – Maggie's Culture Crawl. The practice also held a workshop at the recently completed Ashburnham School playground in West London, as well as partnering with Open Cities on their Architecture in Schools programme, organising a visit to City Hall for school children. As part of the 'Architecture Trailblazer' – a group of 19 architectural practices that have come together to create the UK's first architecture apprentice scheme. We had our first intake of four students in September 2018 who are pursuing their apprenticeships in partnership with Oxford Brookes University.

Principal risks

The management of the business and the execution of the Group's strategy are subject to a number of risks. These include but are not limited to:

- Attracting and retaining staff of the appropriate calibre
- The global demand for construction projects
- Competition within the sector
- Treasury and financial risks

Each of these risks is addressed under the relevant heading below.

Attracting and retaining staff

The Group mitigates staff related risks through its commitment to creating an environment that will attract, retain and motivate employees of high calibre, taking into account the specific requirements of the Group's businesses.

The Group's commitment to training and development is endorsed in the form of a Performance and Development Review Scheme, which forms part of the ongoing process of employee development.

Global demand for construction projects

The Group mitigates the risk of fluctuating global demand by constantly monitoring the pipeline of work (contracted projects and potential projects) including analysis by region, work type and value and projecting the demand for staff of the appropriate technical ability accordingly. This monitoring process, coupled with feedback from clients, potential clients and other key business contacts, provides management with a sense of the competitive environment with which to influence, as necessary, business decisions. Trading results, projections and economic indicators are continually monitored which allows for rapid action when required.

Foster + Partners Group Limited

Strategic report (continued)

For the year ended 30 April 2019

Competition risk

The Group mitigates the risks of competition by delivering leading edge designs, utilising the latest materials, recruiting the highest quality staff and maintaining a broad geographic footprint.

Treasury and financial risk management

The Group's operations expose it to a variety of financial risks that include interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding, investment and hedging. These policies ensure that the borrowings and investments are with high quality counterparties; are limited to specific instruments; the exposure to any one counterparty or type of instrument is controlled and the Group's exposure to interest rate movements is maintained within set limits. To mitigate interest rate risk the treasury function enters into derivatives transactions, principally interest rate caps. The purpose of these transactions is to manage the interest rate risks arising from the Group's underlying business operations. No transactions of a purely speculative nature are undertaken. The Board monitors the Group's financing through its regular review of trading performance and authorises all significant transactions.

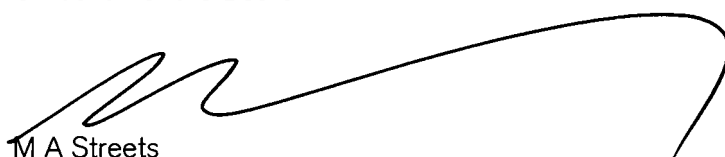
Foreign exchange risk arises because the Group earns a proportion of its revenue and carries significant levels of trade debtors in non-Sterling currencies (largely the US Dollar) though the majority of the Group's cost base is in Sterling. This risk is mitigated by denominating a portion of bank debt in US Dollars. The Group further manages its exposure to foreign exchange movements by converting those significant foreign currency cash balances in excess of future cash outflows in the same foreign currency, into Sterling as soon as practicable. The Group does not hold any financial instruments designed to manage fluctuations in foreign exchange rates.

Credit risk is mitigated by adopting a policy of requesting fees in advance for its projects in addition to regular project reviews and constant monitoring of trade receivables.

Liquidity risk is managed by regular cash and bank covenant forecasting. At 30 April 2019, the Group had access to unutilised revolving credit facilities of £12.3m (2018: £10.9m) which can be utilised to address short term cash requirements. The Group remains focussed on liquidity and retains sufficient cash headroom so as to be able to address short term adverse cash fluctuations.

The Board reviews and agrees policies for managing each of the above risks and the policies on treasury and financial risks are summarised in Note 27 to the financial statements.

On behalf of the Board:



M A Streets

Managing Partner & Director

1st July 2019

Foster + Partners Group Limited

Directors' report

For the year ended 30 April 2019

The directors present their Group annual report and the audited consolidated financial statements of the Company and the Group for the year ended 30 April 2019.

The results for the year, together with the comparative figures for the year ended 30 April 2018, have been prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Group has subsidiaries in Hong Kong, USA, Spain, Turkey, India, China, Germany, the Netherlands, Singapore, Sweden, Malaysia, Thailand, Mexico and Australia as well as the United Kingdom. The Group generates revenue from projects located in the Middle East, North America, Asia, the United Kingdom, Continental Europe, South America, Africa and Australasia as set out in Note 4 to the financial statements.

Going concern

These financial statements have been prepared on a going concern basis. The directors have reviewed the Group's financial position, projections and cash flows for the foreseeable future. The process involved considering the critical assumptions which underpin the projections for operating profit, interest and taxation in addition to the projections for working capital flows, tax, debt, interest and capital expenditure flows. The directors are confident that the Group remains a going concern for the foreseeable future.

Financial risk

Detail regarding the Group's financial risk is explained within the Strategic report (page 8).

Dividends

The directors propose the payment of a dividend of £6.0m / £25.32 per share to the holders of the C ordinary shares (2018: £4.9m / £20.46 per share). The directors do not propose the payment of a dividend to the holders of the B ordinary shares (2018: £nil).

During the prior year, Foster + Partners Group Limited paid a dividend £0.91 per share to 3i Group Plc. Under IFRS the A ordinary shares, held by 3i Group Plc were classified as debt, and the payment of the dividend, which was £0.3m in aggregate, has accordingly been classified as interest in the financial statements.

Research and development

The Group commits resources to research in many areas including, but not limited to, the development of sustainable environments, the application of the latest materials and advanced computer modelling.

Foster + Partners Group Limited

Directors' report (continued)

For the year ended 30 April 2019

Employee involvement

Foster + Partners are committed to setting appropriate levels of pay that attract, motivate and retain the best talent in our business. Men and women are paid equally for doing equivalent roles and we continue to ensure our policies and practices are fair for all. Foster + Partners recognise that we have a gender pay gap due to us having more men with longer service in senior positions. The Practice will continue to encourage more of our women into senior roles to improve diversity, in all its forms, at leader level. The Practice is proud to be partnering with AJ Women in Architecture, Stonewall, The London Living Wage, Stephen Lawrence Charitable Trust, Top Employers Institute, RIBA and Architecture Apprenticeships.

Employees are regularly communicated with and consulted by means of established communication channels such as monthly partner breakfast meetings, the group's intranet and email.

The Group has a firm policy of non-discrimination on grounds of gender, race, disability or other irrelevant factors.

The Group recognises its duties to make proper provision for the health, safety and welfare at work of its employees.

Disabled persons

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including re-training for alternative work of employees who become disabled, to promote their career development within the organisation.

Foreign branches

Foster + Partners Limited, an indirect subsidiary undertaking, has branches registered in the Republic of Ireland, Argentina, Qatar, Abu Dhabi, Saudi Arabia, Vietnam, Dubai, China, Japan and South Korea.

Future developments

The Practice intends to continue to invest, to innovate, to influence and ultimately to deliver high quality designs for our clients, all made possible through the effort and dedication of our employees.

Foster + Partners Group Limited

Directors' report (continued)

For the year ended 30 April 2019

Directors

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

Lord Foster of Thames Bank, OM
D B Nelson
M A Streets
V Ganzi (*Non-executive*)
S Miners (*Non-executive*)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of directors' responsibilities in respect of the financial statements

The directors' are responsible for preparing the Annual Report and the financial statements 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 company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

The directors are also responsible for safeguarding the assets of the group and 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 and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Foster + Partners Group Limited

Directors' report (continued)

For the year ended 30 April 2019

Directors confirmations

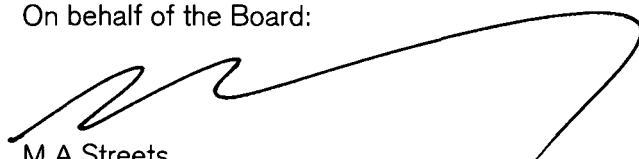
In the case of each director in office at the date the Directors' Report is approved:

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board:



M A Streets
Managing Partner & Director
1st July 2019

Registered No. 05976343

Foster + Partners Group Limited

Independent auditors' report to the members of Foster + Partners Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Foster + Partners 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 30 April 2019 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 30 April 2019; the Consolidated income statement and statement of comprehensive income, the Consolidated and Company statements 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

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 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.

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

Foster + Partners Group Limited

Independent auditors' report to the members of Foster + Partners Group Limited (continued)

Conclusions relating to going concern (continued)

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. 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 group's trade, customers, suppliers and the wider economy.

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 30 April 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 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.

Foster + Partners Group Limited

Independent auditors' report to the members of Foster + Partners 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 in respect of the financial statements set out on page 11, 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.

Foster + Partners Group Limited

Independent auditors' report to the members of Foster + Partners Group Limited (continued)


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.



Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2nd July 2019

Foster + Partners Group Limited
Consolidated income statement and statement of
comprehensive income
For the year ended 30 April 2019

	Note(s)	2019 £'000	2018 £'000
Revenue	4	258,040	212,512
Cost of sales		<u>(129,657)</u>	<u>(114,468)</u>
Gross profit		128,383	98,044
Administrative expenses		(92,948)	(86,333)
Net impairment (losses)/ reversal on contract assets	15	(8,822)	15,480
Administrative expenses – exceptional items	5	-	99
Total administrative expenses		<u>(101,770)</u>	<u>(70,754)</u>
Operating profit before depreciation and exceptional items		29,272	30,390
Depreciation and amortisation	10, 12	(2,659)	(3,199)
Exceptional items	5	-	99
Operating profit on ordinary activities before interest and taxation	6	26,613	27,290
Finance income	7	215	873
Finance costs	7	<u>(5,320)</u>	<u>(7,361)</u>
Finance costs – net		<u>(5,105)</u>	<u>(6,488)</u>
Profit before income tax		21,508	20,802
Income tax expense	9	<u>(7,287)</u>	<u>(8,587)</u>
Profit for the year attributable to owners of the company		14,221	12,215
Other comprehensive income / (expense)			
Items that may be reclassified to profit or loss			
Currency translation differences		<u>20</u>	<u>(159)</u>
Total other comprehensive income / (expense)		20	(159)
Total comprehensive income attributable to owners of the company		<u>14,241</u>	<u>12,056</u>

The notes on pages 25 to 60 are an integral part of these consolidated financial statements.

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement.

Foster + Partners Group Limited
Consolidated statement of financial position
As at 30 April 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Goodwill	11	150,000	150,000
Intangible assets	10	746	819
Property, plant and equipment	12	5,470	4,254
Deferred income tax assets	9	2,941	2,647
Derivative financial instruments	18	101	644
		<u>159,258</u>	<u>158,364</u>
Current assets			
Trade and other receivables	15	81,244	87,222
Cash and cash equivalents	16	64,092	43,404
		<u>145,336</u>	<u>130,626</u>
Total assets		<u>304,594</u>	<u>288,990</u>
Liabilities			
Current liabilities			
Borrowings	17	(5,000)	(4,000)
Income tax liability	9	(1,199)	(1,330)
Trade and other payables	19	(125,210)	(112,453)
		<u>(131,409)</u>	<u>(117,783)</u>
Non-current liabilities			
Borrowings	17	(99,538)	(107,353)
Provisions for liabilities and charges	21	(1,339)	(934)
		<u>(100,877)</u>	<u>(108,287)</u>
Total liabilities		<u>(232,286)</u>	<u>(226,070)</u>
Net assets		<u>72,308</u>	<u>62,920</u>
Equity			
Share capital	22	1,200	1,200
Retained earnings		71,098	61,710
Capital and reserves attributable to owners of company		<u>72,298</u>	<u>62,910</u>
Non-controlling interest		10	10
Total equity		<u>72,308</u>	<u>62,920</u>

Foster + Partners Group Limited
Consolidated statement of financial position (continued)
As at 30 April 2019

The accompanying notes on pages 25 to 60 form an integral part of these financial statements. The consolidated financial statements on pages 17 to 21 were approved by the Board of Directors on 1st July 2019.

Signed on behalf of the Board of Directors of Foster + Partners Group Limited (Registered no. 05976343)



Lord Foster of Thames Bank, OM
Director



M A Streets
Director

Foster + Partners Group Limited
Consolidated statement of changes in equity
For the year ended 30 April 2019

	Note(s)	Called up share capital	Non-controlling interest	Other reserves	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000
Balance at 1 May 2017	22 & 24	1,200	10	(29,000)	80,109	52,319
Comprehensive income						
Profit for the financial year		-	-	-	12,215	12,215
Currency translation differences		-	-	-	(159)	(159)
Total comprehensive income for the year		-	-	-	12,056	12,056
Transactions with owners						
Transfer to retained earnings	24	-	-	29,000	(29,000)	-
Dividends paid		-	-	-	(1,455)	(1,455)
Total transactions with owners		-	-	29,000	(30,455)	(1,455)
Balance at 30 April 2018	22 & 24	1,200	10	-	61,710	62,920
Comprehensive income						
Profit for the financial year		-	-	-	14,221	14,221
Currency translation differences		-	-	-	20	20
Total comprehensive income for the year		-	-	-	14,241	14,241
Transactions with owners						
Dividends paid	23	-	-	-	(4,853)	(4,853)
Total transactions with owners		-	-	-	(4,853)	(4,853)
Balance at 30 April 2019	22 & 24	1,200	10	-	71,098	72,308

The accompanying notes on pages 25 to 60 form an integral part of these financial statements.

Foster + Partners Group Limited
Consolidated statement of cash flows
For the year ended 30 April 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	25	52,459	42,148
Exceptional items		-	(2,001)
Interest received		215	51
Interest paid (including dividends on A ordinary shares)		(4,739)	(4,690)
Income tax paid		(7,710)	(8,567)
Net cash generated from operating activities		<u>40,225</u>	<u>26,941</u>
Cash flows used in investing activities			
Purchase of intangible assets	10	(235)	(178)
Proceeds from disposal of assets		24	-
Purchase of tangible assets	12	(3,551)	(1,779)
Net cash used in investing activities		<u>(3,762)</u>	<u>(1,957)</u>
Cash flows used in financing activities			
Costs associated with borrowings		-	(1,715)
New borrowings		-	117,600
Repayments of borrowings		(11,156)	(89,416)
Dividends paid		(4,853)	(1,455)
Redemption of A ordinary shares		-	(29,000)
Net cash used in financing activities		<u>(16,009)</u>	<u>(3,986)</u>
Net increase in cash and cash equivalents		20,454	20,998
Cash and cash equivalents at beginning of year	16	43,404	21,927
Exchange gains		234	479
Cash and cash equivalents at end of year	16	<u>64,092</u>	<u>43,404</u>

The accompanying notes on pages 25 to 60 form an integral part of these financial statements.

Foster + Partners Group Limited
Company statement of financial position
As at 30 April 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Investments	13	<u>38,769</u>	<u>38,819</u>
		38,769	38,819
Current assets			
Cash and cash equivalents	16	<u>2</u>	<u>2</u>
		2	2
Total assets		<u>38,771</u>	<u>38,821</u>
Current liabilities			
Loans from group companies	20	<u>(4,852)</u>	<u>(50)</u>
		(4,852)	(50)
Total liabilities		<u>(4,852)</u>	<u>(50)</u>
Net assets		<u>33,919</u>	<u>38,771</u>
Equity			
Share capital	22	1,200	1,200
Retained earnings		<u>32,719</u>	<u>37,571</u>
Total equity		<u>33,919</u>	<u>38,771</u>

The accompanying notes on pages 25 to 60 form an integral part of these financial statements.

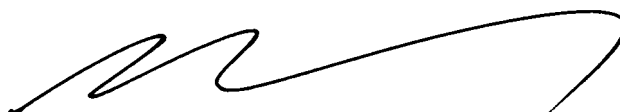
The primary statements of the parent company on pages 22 to 24 were approved by the Board of Directors on 1st July 2019.

The profit for the parent company for the year was £nil (2018: £41,394,000).

Signed on behalf of the Board of Directors:



Lord Foster of Thames Bank, OM
Director



M A Streets
Director

Foster + Partners Group Limited
Company statement of changes in equity
For the year ended 30 April 2019

	Note(s)	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2017	22 & 24	1,200	(29,000)	26,632	(1,168)
Comprehensive income					
Profit for the financial year		-	-	41,394	41,394
Total comprehensive income for the year		-	-	41,394	41,394
Transactions with owners					
Transfer to retained earnings	24	-	29,000	(29,000)	-
Dividends paid		-	-	(1,455)	(1,455)
Total transactions with owners		-	29,000	(30,455)	(1,455)
Balance at 30 April 2018	22 & 24	1,200	-	37,571	38,771
Comprehensive income					
Profit for the financial year		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Transactions with owners					
Dividends paid		-	-	(4,852)	(4,852)
Total transactions with owners		-	-	(4,852)	(4,852)
Balance at 30 April 2019	22 & 24	1,200	-	32,719	33,919

The accompanying notes on pages 25 to 60 form an integral part of these financial statements.

Foster + Partners Group Limited
Company statement of cash flows
For the year ended 30 April 2019

	Note	2019 £'000	2018 £'000
Cash flows from/ (used in) operating activities			
Cash generated from / (used in) operations	25	4,802	(10,080)
Interest paid (including dividends on A ordinary shares)		-	(260)
Net cash generated from / (used in) operating activities		<u>4,802</u>	<u>(10,340)</u>
Cash flows from investing activities			
Dividends received		-	40,795
Disposal of subsidiary		50	-
Net cash generated from investing activities		<u>50</u>	<u>40,795</u>
Cash flows (used in) financing activities			
Redemption of A ordinary shares		-	(29,000)
Dividends paid		(4,852)	(1,455)
Net cash used in financing activities		<u>(4,852)</u>	<u>(30,455)</u>
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year	16	2	2
Cash and cash equivalents at end of year	16	<u>2</u>	<u>2</u>

The accompanying notes on pages 25 to 60 form an integral part of these financial statements.

Foster + Partners Group Limited

Notes to the financial statements

For the year ended 30 April 2019

1 General information

Foster + Partners Group Limited ('the Company') is incorporated in the United Kingdom and domiciled in England and Wales under the Companies Act 2006. The company is a private limited company limited by shares. The address of the registered office is Riverside Three, 22 Hester Road, London, SW11 4AN. The principal activities of the company and its subsidiaries ('the Group') are disclosed in the Strategic report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Foster + Partners Group Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS 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 consolidated financial statements are disclosed in Note 3.

2.1.1 Going concern

These financial statements have been prepared on a going concern basis. The directors have reviewed the Group's financial position, projections and cash flows for a period of at least one year from signing the financial statements. The process involved considering the critical assumptions which underpin the projections for operating profit, interest and taxation in addition to the projections for working capital flows, tax, debt, interest and capital expenditure flows. The directors are confident that the Group will not be in breach of its banking covenants and will be able to meet its liabilities as they fall due. Accordingly, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards are effective for annual periods beginning after 1 May 2018, and have been applied in preparing these consolidated financial statements:

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

2 Summary of significant accounting policies (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

The Group adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers' on 1 May 2018. The Group has elected to apply the modified retrospective approach to the transition to both IFRS 9 and IFRS 15. The modified retrospective approach requires the transition to be implemented without restatement of the prior year results. The new standards have not had a material impact on the reported results and there is no adjustment to equity at 1 May 2018 as a result of the implementation of the new standards.

(b) New standards, amendments and interpretations not yet adopted by the Group

The following new standard is effective for annual periods beginning after 1 May 2019, and has not been applied in preparing these consolidated financial statements:

IFRS 16 'Leases' replaces IAS 17 and will be applied by the Group from 1 May 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

For lessee accounting, IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise a right-of-use (ROU) asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Group has elected to apply the modified retrospective approach whereby the ROU asset at the date of initial application is measured at an amount equal to the lease liability.

The application of IFRS 16 at 1 May 2019 is expected to increase property, plant and equipment by £31.4m from recognising the ROU assets referred to above and increase other liabilities by £31.4m from recognising lease liabilities. There is expected to be no impact on shareholders' equity.

In addition to the choice of transition approach, the determination of the discount rate is the most significant area of judgement.

The Group has applied an incremental borrowing rate, based on the margins of the Group's borrowings, plus the local risk-free rate in the country in which the leased asset is situated, appropriate to the relevant remaining lease term.

The lease liabilities shown above are lower than the amount of operating lease commitments disclosed in Note 28 due to the effects of discounting the lease liabilities of £3.9m and excluding short-term leases that are outside the scope of IFRS 16 of £0.4m.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

2 Summary of significant accounting policies (continued)

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Investments in subsidiaries in the company are accounted for at cost less impairment.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

The accounting reference date of the Company and its subsidiary undertakings is 30 April, apart from Foster and Partners Mimarlik Musavirlik Limited, Foster + Partners Architects (Tianjin) Co., Ltd, F+P Architects New York Inc, Foster and Partners Mexico S.A de C.V. and FP-FREE, S. de R.L. de C.V. which have 31 December as their accounting reference date in line with local regulatory requirements. Foster + Partners Sweden AB, has a year end of 31 August. Foster Plus P India Private Limited has a year end of 31 March in line with local regulatory requirements.

2.3 Goodwill and other intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. As permitted by IFRS 1, goodwill arising on acquisitions prior to 1 May 2009 (the date of transition to IFRS) has been grandfathered at the UK GAAP carrying value at that date.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any identified impairments would be charged directly to the income statement. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

2 Summary of significant accounting policies (continued)

2.3 Goodwill and other intangible assets (continued)

(b) Other intangible assets

Licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences are deemed to have an indefinite useful life, are tested annually for impairment and carried at cost less accumulated impairment losses. Any identified impairments would be charged directly to the income statement.

(c) Software licences

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are depreciated on a straight-line basis over their estimated useful lives, being three years.

Computer software which is integral to a related item of hardware equipment is capitalised as part of that equipment.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

2.4 Property, plant and equipment

Property, plant and equipment is stated at cost or their fair value at acquisition less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided so as to write off the cost, or valuation, less any residual value, on a straight-line basis over the expected useful economic lives of the assets concerned by applying the following annual rates:

Motor vehicles	25% per annum
Fixtures and fittings	12.5%-33.3% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

2 Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised as 'Gains on disposal of fixed assets' in the income statement.

2.5 Cash and cash equivalents

Cash and cash equivalents shown in the statement of financial position includes cash, short-term deposits and other short-term highly liquid investments with an original maturity of three months or less.

2.6 Current and deferred income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position 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 profit will be available against which the temporary differences can be utilised.

2.7 Investments

Investments in subsidiaries are stated at cost less provision for any impairment. Impairment reviews are performed whenever there has been an indication of potential impairment.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

2 Summary of significant accounting policies (continued)

2.8 Foreign currency translation

(a) 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 'Sterling' (£), which is the company's functional and the Group's presentation currency.

(b) 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 re-measured. 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.

(c) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investment, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.9 Financial instruments

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Group identifies the following types of financial instrument.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

2 Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

(a) Trade receivables

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 initially recognised at fair value and subsequently measured at amortised cost less provision for impairment; the Group has applied the simplified approach to recognise lifetime expected credit losses.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual trade receivables which were known to be uncollectable were written off by reducing the carrying amount directly. Other trade receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified.

The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor would enter bankruptcy or financial reorganisation; and
- default or late payments (more than 30 days overdue).

Net impairment losses on contract assets relating to the prior year have been shown separately from administrative expenses in the consolidated income statement in accordance with IAS 1.

(b) 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.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

(c) Capital markets and bank borrowings

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the income statement over the term of the borrowings and represent a constant proportion of the balance of capital repayments outstanding.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

2 Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

(d) Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

The fair value of the interest rate cap is the estimated amount that the Group would receive or pay to terminate the instrument at the statement of financial position date, taking into account current interest rates. The interest rate cap is not designated as a hedging relationship.

Any income and expense arising through the use of the cap is immediately recognised in the income statement.

2.10 Segmental reporting

The Group's principal activities of architecture and design are reportable as a single operating segment. Group-wide geographic split of revenue, determined by location of project, is disclosed in Note 4.

2.11 Revenue

The Group generates revenue from the provision of Architecture and Design services on projects located worldwide. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group assesses contracts using the five-step approach specified by IFRS 15:

- identify the contract(s) with the customer
- identify the performance obligations in the contract
- determine the transaction price
- allocate the transaction price to the performance obligations in the contract
- recognise revenue when (or as) a performance obligation is satisfied

The Group recognises revenue under the input method. Revenue is recognised progressively in line with the completion of projects, percentage completion is determined by the proportion of project cost incurred to date compared to total project cost to completion.

When contract modifications arise, the Group assesses whether these represent a new performance obligation, and a corresponding change to the transaction price, or an extension to an existing performance obligation. Revenue is adjusted accordingly based on the revision of project costs to completion under the revised performance obligations.

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Upon determining the fair value of each performance obligation, the transaction price is allocated accordingly.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

2 Summary of significant accounting policies (continued)

2.11 Revenue (continued)

The amount by which recorded revenue is in excess of payments on account is included in trade and other receivables as amounts recoverable on contracts. The amounts by which payments on account are in excess of recorded revenue is included in trade and other payables as deferred income.

A portion of the Group's contracts with customers are denominated in non-sterling currencies. Given the long term nature of the contracts, a level of estimation is required in the determination of foreign exchange rates applied to revenue, deferred income and work in progress.

2.12 Cost of sales

Cost of sales principally comprises staff salaries, sub-consultant costs and other costs directly related to the group's revenue.

2.13 Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

Rentals receivable under sublease arrangements are recognised against rental expense on a straight-line basis over the lease term.

2.14 Pension scheme arrangements

The Group operates a defined contribution pension scheme for the benefit of employees. The amount charged to the profit and loss account is the contribution payable in the year.

Payments made by the Group to personal pension schemes of employees are also charged to the income statement in the year they are incurred. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

2.15 Joint arrangements

In accordance with the requirements of IFRS 11, Joint Arrangements, where the Group has an interest in a jointly controlled operation ('JCO'), the Group accounts for its share of the income, expenses, assets, liabilities and cash flows relating to joint arrangements into which it has entered. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

2 Summary of significant accounting policies (continued)

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and if this amount is capable of being reliably estimated. If such an obligation is not capable of being reliably estimated, it is classified as a contingent liability.

Contracts are assessed continually for profitability. Provisions are recognised in full for loss making contracts.

2.17 Accounting for ESOP trusts

Own shares are held on the Group's behalf by the Employee Share Ownership ('ESOP') Trust to facilitate the operation of the Group's share ownership for partners. The entity's own shares are held in an ESOP trust as a deduction from shareholders' funds until they vest unconditionally with employees.

2.18 Exceptional items

In order to understand the underlying performance of the business, material, non-recurring items are separately disclosed as exceptional items in the income statement.

2.19 Share capital

B and C ordinary shares are classified as equity. A ordinary shares are classified as borrowings.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within accruals in the balance sheet.

Short-term obligations include any payments in relation to the partnership payment which is calculated in accordance with the relevant agreements that were entered into during the 2014 restructuring project and is subject to meeting certain financial targets during the year the employee provided the service and is further subject to adequate cash levels in the business.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

3 Critical accounting estimates and judgements

The key sources of estimation uncertainty at the statement of financial position date are discussed below:

(a) Carrying value of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash generating units to which goodwill and intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from each cash generating unit and a suitable discount rate in order to calculate present value. Details of impairment reviews are provided in Notes 10 and 11.

(b) Impairment of trade debtors

The Group exercises judgement in its assessment of the collectability of trade debtors. The Group monitors debtors continually and reports on a weekly basis to Group director level on any risks or trends evident among the Group's client base. This process allows the Group to assess potential impairments caused by specific client or project related factors in addition to wider macro economic effects. The assessment of the impairment of trade debtors is performed on a project by project basis taking into account all relevant known factors.

(c) Fair value of derivative financial instruments

Note 18 includes details of the fair value of the derivative instruments that the Group holds at 30 April 2019.

(d) Revenue recognition

Note 2.11 contains details of accounting estimates and judgements in relation to revenue recognition.

(e) Deferred tax

Note 9 contains details of accounting estimates and judgements in relation to deferred tax.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

4 Revenue

Revenue is derived entirely from contracts with customers and is wholly attributable to the principal activity of the Group. The analysis by geographical area, based upon the location of each project, is set out below:

	2019	2018
	£'000	£'000
Geographical area		
Asia	71,279	59,588
Middle East	54,008	37,648
North America	52,166	49,887
South America	28,534	8,730
Continental Europe	24,477	20,664
United Kingdom	21,190	22,682
Australasia	5,276	13,102
Africa	1,110	211
	<u>258,040</u>	<u>212,512</u>

Assets and liabilities related to contracts with customers are as follows:

	2019	2018
	£'000	£'000
Current assets		
Trade receivables (Note 15)	79,261	85,276
Less provision for impairment (Note 15)	(13,871)	(8,325)
Amounts recoverable on contracts (Note 15)	8,160	4,493
	<u>73,550</u>	<u>81,444</u>
	2019	2018
	£'000	£'000
Current liabilities		
Deferred income (Note 19)	65,948	59,207
	<u>65,948</u>	<u>59,207</u>

During the year the Group recognised £50.5m of revenue that was held in deferred income at 30 April 2018 (2018: £43.9m related to amounts as at 30 April 2017).

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

5 Exceptional items

During the prior year the Group recognised an exceptional restructuring cost reversal of £0.1m. The credit comprises the unused portion of staff reduction costs provided in the preceding year.

6 Operating profit on ordinary activities before interest and taxation

	2019 £'000	2018 £'000
Operating profit is stated after charging		
Staff costs (Note 8)	121,168	111,396
Depreciation of property, plant and equipment and amortisation of intangible assets		
- Owned assets	2,659	3,199
Operating lease charges	7,750	7,151
Auditors' remuneration (see below)	837	747
Foreign exchange loss / (gain)	223	(2,377)

Staff costs include £28.9m (including social security costs) of partnership payments (2018: £23.4m). See Note 8(a) for detail.

	2019 £'000	2018 £'000
Auditors' remuneration		
Fees payable to company auditors for the audit of parent company and consolidated financial statements	24	24
Fees payable to company and its associates for the audit of the company's subsidiaries	210	182
Fees payable for taxation services	574	487
Fees payable for other services	29	54
	837	747

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

7 Finance income and costs

	2019 £'000	2018 £'000
Finance expense		
Interest expense on secured bank loans	4,647	7,067
Interest expense on A ordinary shares	-	260
Fair value adjustment of interest rate cap	543	(189)
Other interest payable	130	223
Total finance costs	<u>5,320</u>	<u>7,361</u>
Finance income		
Interest income	(215)	(48)
Movement on A ordinary shares	-	(825)
Total finance income	<u>(215)</u>	<u>(873)</u>
Net finance costs	<u>5,105</u>	<u>6,488</u>

8 Directors' emoluments and employees

(a) Employee benefit expense

	2019 £'000	2018 £'000
Employee costs during the year (including directors)		
Wages and salaries	80,068	74,320
Partnership payment	25,268	20,027
Social security costs	12,299	13,508
Other pension costs (Note 29)	3,533	3,541
Total employee costs	<u>121,168</u>	<u>111,396</u>

The partnership payment refers to a payment to all partners which, in addition to the annual bonus, is to be paid post year end in recognition of services provided during the year. Arising under the partnership payment plan set up in 2014 this is the third such payment. Social security of £3.6m (2018: £3.4m) on this partnership payment is included in social security costs.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

8 Directors' emoluments and employees (continued)

(b) Average number of people employed

	2019	2018
Monthly average number of people employed by the Group during the year (including directors)		
Technical	1,028	994
Administration	289	272
Total average employees	<u>1,317</u>	<u>1,266</u>

The Company had no employees in the current and preceding year.

(c) Directors' emoluments and key management compensation

Key management are considered to be the directors.

	2019 £'000	2018 £'000
Directors' emoluments		
Aggregate emoluments	5,893	5,401
Other pension costs – defined contributions (Note 29)	10	10
Total directors' emoluments	<u>5,903</u>	<u>5,411</u>

The Group makes pension contributions on behalf of one (2018: one) of the company's five directors. The contributions are made into a privately held defined contribution scheme.

Aggregate emoluments include partnership payments as described in Note 8(a) above.

The Company directors' remuneration is borne by the subsidiary undertaking, Foster + Partners Limited.

The Group's activities are conducted through Foster + Partners Limited and its subsidiaries and accordingly no remuneration cost is reflected in the Company.

	2019 £'000	2018 £'000
Highest paid director		
Aggregate emoluments	2,554	2,232
Total	<u>2,554</u>	<u>2,232</u>

The Group has not made any pension contributions on behalf of the highest paid director (2018: none).

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

9 Income tax expense

(a) Tax on profit on ordinary activities

	2019 £'000	2018 £'000
Current tax		
UK Corporation tax	3,918	3,960
Overseas tax	5,313	4,478
Adjustments in respect of prior years	(1,650)	1,484
Total tax charge	7,581	9,922
Deferred tax		
Origination and reversal of timing differences	(230)	(1,341)
Adjustments in respect of prior years	(64)	6
Total deferred tax credit	(294)	(1,335)
Net income tax expense	7,287	8,587

UK corporation tax is calculated at 19.00% (2018: 19.00%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in those jurisdictions.

(b) Reconciliation of the total tax charge

The tax charge reported in the consolidated income statement for the year is higher (2018: higher) than the standard rate of Corporation Tax in the UK of 19.00% (2018: 19.00%). The differences are reconciled below:

	2019 £'000	2018 £'000
Profit before income tax	21,508	20,802
Accounting profit multiplied by the UK standard rate of Corporation Tax of 19.00% (2018: 19.00%)	4,087	3,952
Expenses not deductible for tax purposes	562	111
Effect of higher tax rates in countries in which the group operates	576	808
Overseas tax paid	4,234	3,139
Double tax relief	(494)	(695)
Adjustments in respect of prior years	(1,714)	1,490
Research and development expenditure credit	-	17
Temporary differences for which no deferred tax asset has been recognised	-	36
Effects of other tax rates	36	(271)
Total tax charge	7,287	8,587

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

9 Income tax expense (continued)

(c) The deferred tax included in the consolidated statement of financial position is as follows:

	2019 £'000	2018 £'000
Deferred tax asset		
Depreciation in excess of capital allowances	913	922
Short term timing differences	2,028	1,725
Total deferred tax asset	<u>2,941</u>	<u>2,647</u>
At start of period	2,647	1,312
Deferred tax charge for the financial year	294	1,335
	<u>2,941</u>	<u>2,647</u>

The directors consider that it is more than likely than not that there will be sufficient taxable profits in the future to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements.

The deferred tax asset has been analysed between current and non-current as follows:

	2019 £'000	2018 £'000
Depreciation in excess of capital allowances		
Deferred tax to be recovered after more than 12 months	913	922
	<u>913</u>	<u>922</u>
Short term timing differences		
Deferred tax to be recovered within 12 months	1,184	1,329
Deferred tax to be recovered after more than 12 months	844	396
	<u>2,028</u>	<u>1,725</u>

(d) Income tax liability

	2019 £'000	2018 £'000
Corporation tax liability	(1,199)	(1,330)
Total income tax liability	<u>(1,199)</u>	<u>(1,330)</u>

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

9 Income tax expense (continued)

(e) Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxed at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Deferred tax on overseas earnings

Since 1 July 2009, the receipt of overseas dividends is largely exempt from UK tax, consequently no deferred tax is recognised on unremitted earnings from overseas subsidiaries.

10 Intangible assets

	Software £'000	Licenses £'000	Total intangible assets £'000
Group (Company: £nil)			
Cost			
At 1 May 2017	4,469	464	4,933
Additions	178	-	178
At 30 April 2018	4,647	464	5,111
Additions	235	-	235
At 30 April 2019	4,882	464	5,346
Accumulated amortisation			
At 1 May 2017	3,693	-	3,693
Charge for the year	599	-	599
At 30 April 2018	4,292	-	4,292
Charge for the year	308	-	308
At 30 April 2019	4,600	-	4,600
Net book value			
At 30 April 2019	282	464	746
At 30 April 2018	355	464	819

Amortisation expense of £308,000 (2018: £599,000) is included within 'administrative expenses'.

Licences held are comprised solely of the value of indefinite architectural licenses in New York, USA. The carrying value has been tested for impairment based on a value in use calculation. The calculation of recoverable amount used pre-tax cash flows taken from relevant project plans approved by management.

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

11 Goodwill

Group	Goodwill £'000
Cost	
At 1 May 2017	279,438
Movement	-
At 30 April 2018	279,438
Disposals	(1,804)
At 30 April 2019	277,634
Accumulated impairment	
At 1 May 2017	129,438
Movement	-
At 30 April 2018	129,438
Disposals	(1,804)
At 30 April 2019	127,634
Net book value	
At 30 April 2019	150,000
At 30 April 2018	150,000

The carrying amount of goodwill relates to the business of Foster Group (International) Limited acquired in 2007. The acquired business is managed as a single unit and accordingly goodwill is not allocated on a segmental basis.

During the year goodwill in relation to an indirect subsidiary undertaking Piers Heath Associates Limited, which had previously been impaired in full, was disposed (Note 13).

The carrying value of goodwill has been tested for impairment with the recoverable amount based on a value-in-use calculation. The calculation of recoverable amount used cash flows taken from medium term business plans approved by management and adopted reasonable assumptions based on historical information and external market expectations for periods beyond those plans. The assumption in the impairment test for growth beyond the 5-year medium term plans has been set at 1%. The impairment review concluded that the recoverable amount of goodwill exceeded its carrying value, resulting in no indication of impairment (2018: £nil).

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

12 Property, plant and equipment

	Motor Vehicles £'000	Fixtures & Fittings £'000	Total £'000
Group (Company: £nil)			
Cost			
At 1 May 2017	97	20,106	20,203
Additions	-	1,779	1,779
Disposals	-	(83)	(83)
Foreign exchange	(2)	(90)	(92)
At 30 April 2018	95	21,712	21,807
Additions	24	3,527	3,551
Disposals	(28)	(20)	(48)
Foreign exchange	1	111	112
At 30 April 2019	92	25,330	25,422
Accumulated depreciation			
At 1 May 2017	67	15,030	15,097
Charge for the year	7	2,593	2,600
Disposals	-	(78)	(78)
Foreign exchange	-	(66)	(66)
At 30 April 2018	74	17,479	17,553
Charge for the year	2	2,349	2,351
Disposals	(11)	(15)	(26)
Foreign exchange	1	73	74
At 30 April 2019	66	19,886	19,952
Net book value			
At 30 April 2019	26	5,444	5,470
At 30 April 2018	21	4,233	4,254

Depreciation expense of £2,351,000 (2018: £2,600,000) is included within 'administrative expenses'.

During the year the Group disposed of assets with a carrying value of £22,000 (2018: £5,000) and a cost of £48,000 (2018: £83,000).

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

13 Investments

The Company holds the issued share capital of the following companies in the percentages indicated:

Company	Registered Address	Principal activity	Shares held Class	%
Subsidiary undertaking				
Amber Midco Limited	Riverside Three, 22 Hester Road, London, SW11 4AN	Holding	Ordinary	100
Indirectly held subsidiary undertakings				
Amber Bidco Limited	Riverside Three, 22 Hester Road, London, SW11 4AN	Holding	Ordinary	100
Foster Group (International) Limited	Riverside Three, 22 Hester Road, London, SW11 4AN	Holding	Ordinary	100
Foster Holdings Limited	Riverside Three, 22 Hester Road, London, SW11 4AN	Holding	Ordinary	100
Foster + Partners Limited	Riverside Three, 22 Hester Road, London, SW11 4AN	Architects	Ordinary	100
Piers Heath Associates Limited	Riverside Three, 22 Hester Road, London, SW11 4AN	Dormant	Ordinary	100
Foster and Partners (Hong Kong) Limited	42/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong	Architects	Ordinary	100
Foster and Partners (Singapore) Pte Ltd	133 Cecil Street #16-01 Keck Seng Tower, Singapore 069535	Architects	Ordinary	100
F & P Architekten GmbH	Unter den Linden 14 10117 Berlin	Architects	Ordinary	100
Office Design Services Limited	Riverside Three, 22 Hester Road, London, SW11 4AN	Printers	Ordinary	100
Foster (Nederland) BV	Riverside Three, 22 Hester Road, London, SW11 4AN	Dormant	Ordinary	100
Foster and Partners SL	Paseo De La Castellana Number 13, Madrid	Architects	Ordinary	100
F+P Architects New York Inc	300 W 57th Street, New York, NY 10009-3741	Architects	Ordinary	100
Foster and Partners Mimarlik Musavirlik Limited	Kagithane Ofis Park, Ofis Park, Merkez Mah, Baglar Cad No 14, Istanbul, Turkey	Architects	Ordinary	100
Foster + Partners Architects (Tianjin) Co., Ltd	2903 The Exchange Tower Two, 189 Nanjing Road, Heping District Tianjin 300051, PRC	Architects	Ordinary	100
Foster Plus P India Private Limited	Level 2, Raheja Centre Point, 294 CST Road Near Mumbai University, Off Bandra-Kurla Complex, Santacruz, Mumbai, Maharashtra. 400098	Architects	Ordinary	100

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

13 Investments (continued)

Company	Registered Address	Principal activity	Shares held	
			Class	%
Foster + Partners Sweden AB	c/o Foyen Advokatfirma AB P.O. Box 7229 103 89 Stockholm Sweden	Architects	Ordinary	100
F&P Project Management Malaysia SDN. BHD.	Lot 6.05, Level 6 KPMG Tower, 8 First Avenue, Bandar Utama, 47800, Petaling Jaya, Selangor Darul Ehsan, Malaysia	Project Management	Ordinary	100
Rungruangpisarnkaona Co., Limited	No. 999/9 Central World, 26 th Floor, Rama 1 Road, Pathumwan Sub-District, Pathumwan District, Bangkok, Thailand	Holding	Ordinary	49
F&P (Thailand) Limited	No. 57 Park Ventures Ecoplex, Unit 1003-1004, 10 th Floor, Wireless Road, Lumpini Sub-district, Pathumwan District, Bangkok, Thailand	Architects	Ordinary	74
Foster and Partners Mexico S.A de C.V.	Miguel Mendoza 64, Merced Gomez, Alvaro Obregon, Distrito Federal, 01600, Mexico	Architects	Ordinary	100
FP-FREE, S. de R.L. de C.V.	Paseo de la Reforma 404, Piso 9, Colonia Juarez C.P. 06600 Ciudad de Mexico	Architects	Ordinary	50
Foster and Partners Australia Pty Ltd	Level 11, 485 Bourke Street. Melbourne VIC 3000, Australia	Architects	Ordinary	100

The directors believe that their underlying net assets support the carrying value of the investments.

100% of the voting rights are owned for all subsidiaries with the exception of Rungruangpisarnkaona Co., Limited and FP-FREE S. de R.L. de C.V. where the percentage of voting rights are equal to the percentage of ordinary shares indicated in the table above.

All subsidiary undertakings have been included in the consolidated financial statements.

Subsidiary undertakings

The investment in shares of Amber Midco Limited as at 30 April 2019 was £38,768,879 (2018: £38,768,879).

On 30 April 2019 Amber Financing plc, a subsidiary undertaking of the company, was dissolved. The company held 100% of the shares at £50,000.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

13 Investments (continued)

Indirectly held subsidiary undertakings

On 30 April 2019 Foster and Partners (Japan) Limited, an indirect subsidiary undertaking of the company, was dissolved.

In August 2018 Foster + Partners Brasil Projetos E Construcoes LTDA, an indirect subsidiary undertaking of the company, was liquidated.

On 26 March 2019 an application for dissolution was submitted for Piers Heath Associates Limited, an indirect subsidiary undertaking of the company, it was subsequently dissolved after the year end on 11 June 2019.

14 Joint operations

In the year to 30 April 2015, Foster + Partners Limited entered into an unincorporated joint arrangement with Servicios Smart Free A Tu Nivel, S.A. De D.V., a Mexican architectural practice in order to perform architectural services under the contract for Mexico City Airport. Foster + Partners Limited holds 50% of the participating rights in this joint arrangement.

In the year to 30 April 2016, Foster + Partners Limited entered into an unincorporated joint arrangement with Hyder and Solaiman Elkhareiji Engineering Consulting Company (HEK). The joint arrangement was for the provision of architectural and management services for the design of metro stations as part of the Jeddah Integrated Public Transport Programme. Foster + Partners Limited holds 65% of the participating rights in this joint arrangement.

In the year to 30 April 2018, Foster + Partners S.L.P entered into an unincorporated joint arrangement with Rubio Arquitectura S.L.P., a Spanish architectural practice in order to perform architectural services under the contract for Museo Nacional del Prado in Madrid. Foster + Partners S.L.P holds 70% of the participating rights in this joint arrangement.

In the year to 30 April 2018, Foster + Partners Australia Pty Limited entered into an unincorporated joint arrangement with Architectus Group Pty Limited, an Australian architectural practice in order to perform architectural services under the contract for Sydney Metro City and Southwest in Australia. Foster + Partners Australia Pty Limited holds 50% of the participating rights in this joint arrangement.

In the year to 30 April 2018, Foster + Partners Limited entered into an unincorporated joint arrangement with KEO International Consultants W.L.L., a Kuwaiti engineering consultancy in order to perform architectural services under the contract for South Sabah Al-Ahmad New City in Kuwait. Foster + Partners Limited holds 53% of the participating rights in this joint arrangement.

In the year to 30 April 2018, Foster + Partners Limited entered into an unincorporated joint arrangement with Dar Gulf Consult for Engineering Consultancy, a Kuwaiti architecture & engineering practice in order to perform architectural services under the contract for Kuwait International Airport. Foster + Partners Limited holds 60% of the participating rights in this joint arrangement.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

14 Joint operations (continued)

In the year to 30 April 2018, Foster + Partners Limited recommenced work under an unincorporated joint arrangement with WSP UK Limited, a United Kingdom engineering practice in order to perform architectural services under the contract for Sheikh Zayed National Museum in Abu Dhabi. Foster + Partners Limited holds 43% of the participating rights in this joint arrangement.

Each of these joint arrangements are considered joint operations.

The nature and extent of the financial effect of the material joint operations on the Group financial statements is summarised below.

FP-FREE S. de R. L. de C.V

	2019 £'000	2018 £'000
Summarised income statement		
Revenue	26,978	14,780
Cost of sales	(22,813)	(14,780)
Administrative expenses	(4,165)	-
Gross profit	-	-
	2019 £'000	2018 £'000
Summarised balance sheet		
Assets		
Fixed assets	7	6
Trade debtors	-	3,111
Cash and cash equivalents	2,784	1,838
Total assets	2,791	4,955
Liabilities		
Trade and other payables	(2,791)	(4,955)
Total liabilities	(2,791)	(4,955)
Net assets	-	-

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

15 Trade and other receivables

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Trade receivables	79,261	-	85,276	-
Less provision for impairment	(13,871)	-	(8,325)	-
	<u>65,390</u>	<u>-</u>	<u>76,951</u>	<u>-</u>
Amounts recoverable on contracts	8,160	-	4,493	-
Other receivables	1,555	-	1,138	-
Prepayments	6,139	-	4,640	-
Total	<u>81,244</u>	<u>-</u>	<u>87,222</u>	<u>-</u>

As at 30 April 2019, trade receivables of £14.2m (2018: £15.8m) were impaired, or partially impaired by a bad debt provision. The Group applies the IFRS 9 simplified approach to recognise lifetime expected credit losses. The amount of the bad debt provision was £13.9m (2018: £8.3m). The individually impaired receivables relate to projects or clients where risks to collection or partial collection exist.

The ageing of these trade receivables is as follows:

	2019 £'000	2018 £'000
Group (Company: £nil)		
Less than 120 days	3,305	955
More than 120 days	<u>10,878</u>	<u>14,828</u>
Total	<u>14,183</u>	<u>15,783</u>

As of 30 April 2019, trade receivables of £46.4m (2018: £43.2m) were past due but not impaired. These relate to projects and clients where there is considered to be no risk of default. The ageing of these trade receivables is as follows:

	2019 £'000	2018 £'000
Group (Company: £nil)		
Less than 120 days	27,949	27,175
More than 120 days	<u>18,488</u>	<u>16,070</u>
Total	<u>46,437</u>	<u>43,245</u>

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

15 Trade and other receivables (continued)

The gross amounts of receivables are denominated in the following currencies:

	2019	2018
	£'000	£'000
Group (Company: £nil)		
US Dollars	26,525	21,214
Sterling	26,463	28,894
Qatari Riyal	5,687	-
UAE Dirham	4,378	5,486
Mexican Peso	4,165	3,111
Kuwaiti Dinar	3,799	3,513
Chinese Renminbi	3,779	1,740
Euro	1,475	1,963
Saudi Riyal	1,088	15,038
Australian Dollar	736	1,357
Canadian Dollar	600	1,298
Thai Baht	260	1,212
Other	306	450
	<u>79,261</u>	<u>85,276</u>
Provision for impairment	<u>(13,871)</u>	<u>(8,325)</u>
Total	<u><u>65,390</u></u>	<u><u>76,951</u></u>

Movements on the provision for impairment of trade receivables are as follows:

	2019	2018
	£'000	£'000
Group (Company: £nil)		
At 1 May 2018	8,325	25,023
Provision for receivables impairment	14,801	4,737
Amounts reversed	(5,979)	(20,217)
Amounts utilised	<u>(3,276)</u>	<u>(1,218)</u>
At 30 April 2019	<u><u>13,871</u></u>	<u><u>8,325</u></u>

Net impairment losses on contract assets comprises of provision for receivables, impairment and amounts reversed of £8.8m (2018: £15.5m credit).

The maximum exposure to credit risk at the reporting date is the book value of the receivable balances mentioned above.

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

16 Cash and cash equivalents

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Cash at bank and in hand	64,092	2	43,404	2
Total	<u>64,092</u>	<u>2</u>	<u>43,404</u>	<u>2</u>

17 Borrowings

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Current liabilities				
Bank loan	5,000	-	4,000	-
Total	<u>5,000</u>	<u>-</u>	<u>4,000</u>	<u>-</u>
Non-current liabilities				
Bank loan	99,538	-	107,353	-
Total	<u>99,538</u>	<u>-</u>	<u>107,353</u>	<u>-</u>

The fair values of the financial liabilities at 30 April 2019 were the same as their carrying values.

Bank loans (secured)

The secured bank loans outstanding at 30 April 2019 are provided by a syndicate of three banks of which HSBC Bank Plc was the lead arranger. Bank loans comprise a series of senior facilities with applicable interest rate margins of 1.5% to 2.85% above LIBOR. £59.9m of the loans were denominated in US Dollars at 30 April 2019 with the remainder denominated in Sterling.

A Revolving Credit Facility was arranged through the banking syndicate. At 30 April 2019 £7.7m has been utilised to cover three performance bonds. The remaining £12.3m was undrawn at 30 April 2019. The facility accrues interest at a margin of 0.6% to 0.9% and expires on 19 September 2022.

The issue costs of £1.7m are being amortised over the expected lives of the loans using the effective interest method. Issue costs outstanding at 30 April 2019 were £1.0m (2018: £1.5m).

The above facilities are secured on the Group's assets and mature in 2022.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

17 Borrowings (continued)

Bank loans (secured) (continued)

A ordinary shares

During the prior year all 290,000 A ordinary shares outstanding at 30 April 2017 were redeemed. The A ordinary shares attracted a dividend based upon LIBOR plus a margin between 2% and 7%. Accordingly, the shares have historically been treated as a liability and reflected at fair value. The difference between fair value at 30 April 2017 and the aggregate of redemption value and dividends was reflected within Finance Income (Note 7).

18 Derivative financial instruments

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Non-current assets				
Interest rate cap	101	-	644	-
Total	<u>101</u>	<u>-</u>	<u>644</u>	<u>-</u>

Derivative financial instruments are held at fair value. There is no difference between carrying value and fair value. The fair values assigned are considered to be level 2 fair values as they require the use of a valuation technique and a market price is not readily available.

19 Trade and other payables

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Trade payables	7,474	-	9,410	-
Other taxation and social security	2,329	-	1,828	-
Other payables	1,065	-	1,167	-
Accruals	48,394	-	40,841	-
Deferred income	65,948	-	59,207	-
Total	<u>125,210</u>	<u>-</u>	<u>112,453</u>	<u>-</u>

The carrying amounts of trade and other payables approximate to their fair value.

Advances received in relation to contracts in progress amount to £24.2m (2018: £22.4m) which is included in deferred income.

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

20 Loans from Group companies

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Current assets				
Loans from other Group companies	-	4,852	-	50
Total	<u>-</u>	<u>4,852</u>	<u>-</u>	<u>50</u>

Amounts due to group companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

21 Provisions for liabilities and charges

	Claims on contracts £'000	Loss making contracts £'000	Total £'000
Non-current assets			
Group			
Balance at 1 May 2017	469	482	951
Utilised	(469)	-	(469)
Released	-	(48)	(48)
Provided for in current year	500	-	500
Balance at 30 April 2018	<u>500</u>	<u>434</u>	<u>934</u>
Released	(250)	-	(250)
Provided for in current year	550	105	655
Balance at 30 April 2019	<u>800</u>	<u>539</u>	<u>1,339</u>

The provision for claims on contracts represents the directors' estimate of the potential cost of claims in respect of contracts. There are several other notifications, which in the opinion of the directors, are not valid and have not been provided for.

The provision for loss making contracts relates to anticipated future losses.

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

22 Share capital

	2019	2019	2018	2018
	%	£'000	%	£'000
Group and company				
Allotted, called up and fully paid				
0 (2018: 0) 0.1p A ordinary shares	-	-	-	-
962,940 (2018: 962,940) £1 B ordinary shares	80%	963	80%	963
237,084 (2018: 237,084) £1 C ordinary shares	20%	237	20%	237
Total	<u>100%</u>	<u>1,200</u>	<u>100%</u>	<u>1,200</u>

The A ordinary shares are entitled to preference dividends only, have restricted voting rights, and have been classified as a debt instrument and disclosed within current and non-current borrowings. During the year ended 30 April 2018 the A ordinary shares were redeemed in full.

B and C shares carry one vote per share and are entitled to dividends.

As at 30 April 2019 the ESOP trust owns 36,781 B ordinary shares in the Company (2018: 61,681).

23 Dividends

	2019	2018
	£'000	£'000
C ordinary shares		
£20.46 (2018: £6.14) per £1 share	<u>4,853</u>	<u>1,455</u>

In addition, a dividend of £25.32 (2018: £20.46) per share has been proposed to be paid to the holders of C ordinary shares out of shareholders' funds.

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

24 Other reserves

	Other reserves £'000	Total £'000
Group and company		
Balance at 1 May 2017	(29,000)	(29,000)
Movement	<u>29,000</u>	<u>29,000</u>
Balance at 30 April 2018	-	-
Movement	<u>-</u>	<u>-</u>
Balance at 30 April 2019	<u>-</u>	<u>-</u>

A ordinary shares were issued in June 2014 and gave rise to a share premium of £38.8m. The A ordinary shares and associated share premium were classified as a debt instrument per the requirements of IAS 32, and not recognised in equity. The underlying legal form of the share premium allowed the Company to reduce its share premium and realise a corresponding increase in distributable reserves in accordance with The Companies (Reduction of Share Capital) Order 2008. In the year to 30 April 2015, the Company carried out such a capital reduction in accordance with the Order and converted the entire share premium that had arisen on the issue of A ordinary shares to realised profits. The realised profit of £38.8m arising from the reduction of the share premium was recognised directly in retained earnings. Although the A shares were classified as a debt instrument under IAS 32, the fair value of the debt was not reduced by the capital reduction. The reduction that would have been applied to the share premium has therefore been charged to other reserves. During the prior year all the outstanding A ordinary shares were redeemed for £29,000,000. Accordingly, Other Reserves were reduced by £29,000,000 and there was a corresponding and offsetting reduction in retained earnings of £29,000,000. All of the 400,000 A ordinary shares that gave rise to the Other Reserve were redeemed and the balance on Other Reserves is now £nil.

Foster + Partners Group Limited
Notes to the financial statements (continued)
For the year ended 30 April 2019

25 Cash generated from operations

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Profit before income tax	21,508	-	20,802	598
Adjustment for				
Depreciation of property, plant and equipment and amortisation of intangible assets	2,659	-	3,199	-
(Profit)/ loss on disposal of fixed assets	(2)	-	5	-
Net finance costs / (income)	5,105	-	6,488	(598)
Decrease / (increase) in trade and other receivables	5,943	-	(3,669)	2,595
Increase / (decrease) in trade and other payables	17,461	4,802	16,062	(12,675)
Exceptional items	-	-	(99)	-
Unrealised currency translation differences	(215)	-	(640)	-
Total	<u>52,459</u>	<u>4,802</u>	<u>42,148</u>	<u>(10,080)</u>

26 Reconciliation of net cash flow to movement in net debt

	2019 £'000	2018 £'000
Increase in cash and cash equivalents in the year	20,688	21,477
New borrowings	-	(117,600)
Payment of deferred consideration	-	29,000
Cost of new financing	-	1,715
Repayment of debt	11,156	89,416
Changes in net debt from cash flows	<u>31,844</u>	<u>24,008</u>
Non-cash movements		
Interest released from loans	-	825
Foreign exchange (loss)/ gain	(3,908)	3,883
Amortisation of bank fees	(432)	(2,756)
	<u>(4,340)</u>	<u>1,952</u>
Movement in net debt for the year	27,504	25,960
Net debt balance at 1 May	(67,950)	(93,910)
Net debt balance at 30 April	<u>(40,446)</u>	<u>(67,950)</u>

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

27 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management policy 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 hedge certain risk exposures.

Risk management is led by senior management and treasury policies are designed to manage the main financial risks.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises because the Group earns a proportion of its revenue in non-Sterling currencies whereas the majority of the Group's cost base is in Sterling. The Group further manages its exposure to foreign exchange movements by converting those significant foreign currency cash balances in excess of future cash outflows in the same foreign currency, into Sterling as soon as practicable. The Group does not hold any financial instruments designed to manage fluctuations in foreign exchange rates. The Group maintains a portion of its bank debt denominated in US dollars. At 30 April 2019, if Sterling had weakened/strengthened by 10 cents against the US dollar with all other variables constant, post tax profit for the year would have been £1.1m (2018: £0.7m) higher/lower due to foreign exchange gains/losses on translation of US dollar denominated trade receivables and bank debt at that date. Other currencies are not significant and therefore the impact to the post tax profit would be immaterial.

(ii) Interest rate risk

The Group is exposed to interest rate risk because it has borrowings subject to a floating rate. The Group's policy is to minimise interest charges and to limit its exposure to volatility within the market. The Group does not actively use derivative financial instruments as part of its risk management with the exception of a cap on its interest rates. This instrument mitigates the risk of rising interest rates by capping the applicable rate of LIBOR to 3% on 68% of the Group's bank debt at 30 April 2019. During 2018 and 2019, the Group's bank borrowings were denominated in Sterling and US Dollars. At 30 April 2019 an increase or decrease of one percentage point in LIBOR would decrease or increase the Group's post tax profit for the year by £0.9m (2018: £0.9m).

(b) Credit risk

The Group is exposed to credit risk on trade receivables. The Group has implemented policies that require appropriate credit checks on potential clients before projects commence. In addition, the Group has a policy of requesting fees in advance for its projects.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

27 Financial risk management (continued)

(c) Liquidity risk

The Group ensures it has sufficient cash and available funding through regular cash flow and covenant forecasting and regular invoicing on long term contracts. The Group has access to a £12.3m revolving credit facility, which was available at the balance sheet date to be utilised to address short term cash requirements. The Group remains focussed on liquidity and retains sufficient cash headroom so as to be able to address short term adverse cash fluctuations.

The Group has £64.1m of cash and cash equivalents (2018: £43.4m) at the year-end held in bank accounts which is immediately available for use.

Maturity analysis

The table below shows a maturity analysis of contractual undiscounted cash flows, showing items at the earliest date on which the Group could be required to pay the liability.

	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
At 30 April 2019			
Bank loans	5,000	100,558	-
Trade and other payables	59,262	-	-
Total	64,262	100,558	-
At 30 April 2018			
Bank loans	4,000	108,805	-
Trade and other payables	53,245	-	-
Total	57,245	108,805	-

(d) Capital risk management

The Group's objectives when managing capital are to maximise shareholder value while safeguarding the Group's ability to continue as a going concern.

The group monitors performance against financial and non-financial targets to deliver shareholder value and against financial covenants to safeguard its going concern status.

Total capital is calculated as total equity as shown in the consolidated statement of financial position, plus net debt. Net debt is calculated as the total of 'borrowings' as shown in the consolidated statement of financial position, less cash and cash equivalents.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

27 Financial risk management (continued)

(e) Fair value estimation

At 30 April 2019 the Group maintains two derivative financial instruments, an interest rate cap over a portion of the Sterling denominated secured bank loans and another interest rate cap over a portion of the US Dollar denominated secured bank loans. These instruments' fair values are calculated as the present value of the estimated future cash flows based on observable yield curves (Note 18).

The interest rate cap is held at fair value through the income statement. All other financial assets and liabilities are held at amortised cost. The fair value of financial assets and liabilities approximate to their book value.

28 Commitments

Operating lease commitments

The Group leases various land and buildings under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years and have various terms and renewal rights.

The lease expenditure charged to the income statement during the year is disclosed in Note 6.

The future aggregate lease payments under non-cancellable operating leases are as follows:

	2019	2018
	£'000	£'000
Group		
Within one year	7,375	7,029
Within two to five years	18,503	20,102
After 5 years	9,864	13,883
Total	35,742	41,014

29 Pension schemes

The Group operates a defined contribution scheme for which the pension cost charges for the year amounted to £3.5m (2018: £3.5m). As at 30 April 2019 a £0.4m creditor is held in the statement of financial position (2018: £0.4m) for contributions to be paid over.

Foster + Partners Group Limited

Notes to the financial statements (continued)

For the year ended 30 April 2019

30 Related party transactions

Key management are considered to be the Directors of Foster + Partners Group Limited and Foster + Partners Limited. Details of the emoluments of the Directors of Foster + Partners Group Limited are disclosed in Note 8. Details of the emoluments of the Directors of Foster+ Partners Limited are disclosed in the financial statements of that company.

During the year, the Group leased premises and other assets on arm's length, commercial terms from a director and a related party of the director, Foster Germany Limited, an entity registered in England and Wales and Artvia Paed S.L., an entity registered in Spain, amounting to £3.5m (2018: £3.7m).

The Group has loans receivable with its Joint Operations as follows:

	2019	2018
	£'000	£'000
The Foster + Partners Team	19	19
Total	<u>19</u>	<u>19</u>

The Company has intercompany loan amounts receivable and payable as disclosed in Note 20.

31 Ultimate parent company

The directors regard Foster + Partners Group Limited, incorporated in the United Kingdom, as the ultimate parent company of the Group.

Foster + Partners Group Limited is the parent company of the largest and smallest Group of undertakings to consolidate these financial statements at 30 April 2019.

For the whole year, the Group was 100% controlled by key management.

32 Post balance sheet events

Dividends

A dividend of £6.0m (2018: £4.9m) has been proposed to be paid to the holders of C ordinary shares.

Corporate restructuring

On 27th June at an extraordinary general meeting, the shareholders of the Company approved a corporate reorganisation and financial restructuring of the Group. The aim of the restructure is to widen the shareholder base, transfer ownership of the practice amongst new and existing partners and provide a sustainable incentive framework for the future whilst remaining 100% owned by the partners. The restructure is expected to take place in July 2019 and will involve a newly incorporated company becoming the ultimate parent of the Group by the acquisition, for a combination of cash and shares in the new ultimate parent, of the entire share capital of the Company. The financial restructure will involve the repayment of the Group's existing bank debt and its replacement with new banking facilities provided by the Group's existing bankers.