

Financial Statements & Reports 2015

Arup Group Limited

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Chairman's foreword

I am pleased to report another strong year for Arup Group.

We made good progress delivering our strategy, deepened relationships with our clients and maintained our project and management discipline. Our income grew to £1.13 billion, a positive performance that reflects continuing demand for our services across a broad range of industries. Collaborating with our clients on more than 13,700 projects during the year, our profits before taxation and profit sharing to staff grew to £96.7 million.

The year also saw our staff numbers increase to over 12,100 people, working on diverse, challenging projects in more than 119 nations from over 92 offices around the world. Expansion in Europe and Asia-Pacific was particularly good to see, driven by stronger demand for buildings and civil infrastructure in those regions.

Last April, we simplified our structure to better focus on our clients' sectors and position us at the heart of their industries. Our strategic businesses are fundamental to our global success and our focus on them resulted in significant project assignments.

These included metro stations in Istanbul; a new airport in Mexico City; a smart grid / smart city readiness study for the East coast of Australia; the Lower Hudson Transit Link in New York; the UK Highways England Transformation programme; planning for the 2020 Olympic and Paralympic Games in Tokyo; the Kuala Lumpur to Singapore High Speed Rail project; and a major river study in Scotland.

The global economic climate remains uncertain, with impacts on both private sector growth and public sector investment. The strength of our client relationships allied to our diversified business and focus on quality give us confidence that we can sustain a strong performance and weather periods of economic uncertainty that lie ahead.

What makes us different

Our founder, Sir Ove Arup, said: "Only a job done well, as well as we can do it – and as well as it can be done – is rewarding."

Quality in design and service remains essential to our clients. We were proud to work on many remarkable, award-winning projects during the

year, including The Glasgow School of Art – Reid Building, named 'Building of the Year 2014' by The Architects Journal; Melbourne Regional Rail Link named 'Infrastructure Project of the Year' by Infrastructure Partnership Australia; The Fulton Centre in New York, 'Grand Award Winner' in the American Council of Engineering Companies Awards; and Singapore Sports Hub, winner of 'Stadium Design of the Year' at the World Stadium Congress Awards.

It is also good to see that the strength of our reputation and our inclusive ownership structure continue to attract the brightest minds in our industry. Our exceptional people underpin the quality of everything we do and their future development is something we remain fully committed to. We were pleased to be able to share two thirds of the profit directly back to the staff, with the balance reinvested in the continual improvement of our people, knowledge and business.

Arup University enables us to build our technical and design expertise and enhance our leadership skills. It also drives our research and foresight, helping us to "look over the hill" to see what's coming next and how this will impact on our clients' future success.

Shaping a better world

In an increasingly dynamic global market, responsible profitable growth requires us to be clear about how we do business and why.

Across the firm we are united in our determination to tackle the world's most pressing economic, social, environmental and technical issues. From global cities to local communities, we are designing a world that is more resilient, more efficient and more enjoyable to live in. Focusing on the difference we make – we combine exceptional expertise with new thinking to meet the complex challenges our clients and communities face.



G S Hodkinson
Chairman

Strategic report

The directors present their strategic report for the year ended 31 March 2015 which was approved by the board of directors on 20 October 2015.

Principal activities

The Company and its subsidiaries practice in the field of consulting engineering services, in architecture and in other related professional skills.

Review of the business

The Group turnover for the year increased by 7.4% (2014: 1.7%) and the Group made a total profit before tax, dividends and staff profit share of £96.7m (2014: £75m).

The net assets for the Group as at 31 March 2015 are £65.5m (2014: £88.8m). The decrease is impacted by a £42.1m net increase in the pension liability in the year.

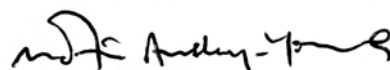
The performance and development of the Group is in line with the expectations of the directors.

The principal risks and uncertainties facing the business include foreign exchange risk and risk resulting from the diverse geographical spread of the business and its ability to continue to secure new projects and deliver the performance of existing projects in line with management's objectives. To monitor and manage these, the directors use the following key performance indicators (KPIs):

- Turnover and profit per person is a financial KPI used to monitor the continued contribution to the Group. In calculating this measure, profit is stated before tax, dividends and staff profit share. For the year ended 31 March 2015, Group turnover per person was £93k (2014: £92k) and profit per person was £8k (2014: £7k).

- Staff turnover is a key non-financial measure of business performance. For the year ended 31 March 2015, staff turnover for the Group was 11% (2014: 12%).

On behalf of the Board



M J Ansley-Young
Company Secretary

20 October 2015
Registered Office: 13 Fitzroy Street, London, W1T 4BQ

Directors' report

The directors present their report together with the audited consolidated financial statements of Arup Group Limited for the year ended 31 March 2015 which were approved by the board of directors on 20 October 2015.

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

Future developments

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

Dividends

The directors do not recommend a dividend payment (2014: nil).

Directors

The directors of the Company during the year and up to the date of signing this report, were as follows:

P A Bailey

Sir M D Bear (Resigned 30 September 2015)

A J Belfield

T G A Carfrae

P J Chamley (Appointed 1 April 2014)

G S Hodgkinson

K Y Kwok

L M Lui

D M Mitchell (Appointed 1 April 2014)

M Raman

D A Whittleton

N T Woods

No director has an interest in the shares of the Company (or any other member of the Group) other than through their interests as an employee of the Group (where applicable) in the employee trusts which own the equity shares of Arup Group Limited.

Directors' indemnities

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

Independent auditors

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

Financial risk management

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

It is the Group's policy to finance its operations through a mixture of cash and borrowings and to review periodically the mix of these with regard to the projected cash flow requirements of the Group and an acceptable level of risk exposure.

The Group has subsidiaries where transactions, assets and liabilities are denominated in non-pound sterling currencies and is therefore exposed to currency fluctuations arising from these sources. Note 1(g) in the notes to the financial statements provides further information on accounting for exchange differences.

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

- Liquidity risk: cash flow forecasts are prepared to ensure that sufficient funds are available to meet the Group's liabilities as and when they fall due.
- Foreign exchange risk: where possible the Group matches its currency earnings with currency costs. Where this is not possible appropriate derivative contracts may be used. There is no speculative use of financial instruments.

Directors' report (continued)

- Interest rate risk: the Group does not currently hedge interest rate risk, however the need to do so is regularly reviewed.
- Credit risk: the main exposure to credit risk is on amounts due from customers. Controls and procedures are in place to mitigate this risk. Cash investments are held with banks with a minimum credit rating of A-1/P1.

Research and development

The Group engages in research and development on an ad-hoc basis as required to complete projects during the normal course of business. Costs incurred in research and development are immediately expensed to the profit and loss account.

Employees

The maintenance of a highly skilled workforce is key to the future of the Group. Health and Safety matters are regularly reviewed by the directors and it is their policy to ensure that:

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

The Group is active in the field of employee communications and employees are encouraged to express their views on major policy issues.

'Working at Arup' surveys are conducted to obtain feedback from employees. This survey is confidential and is used alongside consultation with employees where appropriate.

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

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

Statement of directors' responsibilities

The directors are responsible for preparing the Financial Statements & Reports in accordance with applicable laws and regulations.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

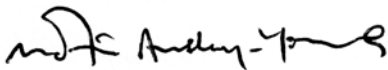
The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' report (continued)

Disclosure of audit information

The directors confirm that, as at the date this report was approved, so far as each director is aware, there is no relevant audit information of which the Company's and Group's auditors are unaware, and that he or she has taken all the steps he or she ought to have taken as a director in order to make him or herself aware of any relevant audit information, and to establish that the Company's and Group's auditors are aware of that information.

On behalf of the Board



M J Ansley-Young
Company Secretary

20 October 2015
Registered Office: 13 Fitzroy Street, London, W1T 4BQ

Independent auditors' report to the members of Arup Group Limited

Report on the financial statements

Our opinion

In our opinion, Arup Group Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2015 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the consolidated balance sheet and company balance sheet as at 31 March 2015;
- the consolidated profit and loss account and the consolidated statement of total recognised gains and losses for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

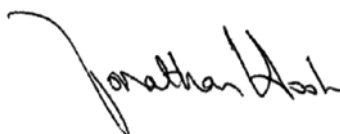
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Financial Statements & Reports to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Jonathan Hook (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
 Chartered Accountants and Statutory Auditors
 London

23 October 2015

- (a) The maintenance and integrity of the Arup Group Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated profit and loss account

		2015 £'000	2014 £'000
Turnover	Note 1c) & 2	1,125,510	1,048,276
Staff costs	3		
Wages and salaries		(540,195)	(486,885)
Social security costs		(45,868)	(38,892)
Pension contributions		(39,047)	(35,883)
Other staff costs		(37,224)	(35,264)
		(662,334)	(596,924)
Depreciation	1d) & 9	(18,909)	(20,505)
Other operating charges			
Charges from sub-consultants and other direct project costs		(257,795)	(249,546)
Accommodation		(52,619)	(49,998)
Communications and other overheads		(108,436)	(96,475)
		(418,850)	(396,019)
Operating profit	5	25,417	34,828
Dividend received		-	10
Other finance income		7,448	5,515
Interest receivable and similar income	6	932	1,004
Interest payable and similar charges	7	(1,084)	(927)
Profit on ordinary activities before taxation	2	32,713	40,430
Taxation on profit on ordinary activities	1e) & 8	(13,676)	(10,703)
Profit for the financial year	20 & 21	19,037	29,727

All activities of the Group are derived from continuing operations.

Consolidated statement of total recognised gains and losses

		2015 £'000	2014 £'000
Profit for the financial year	20 & 21	19,037	29,727
Exchange translation gain / (loss)		14,216	(9,403)
Investment property revaluation gain	21	390	1,737
Actuarial (loss) / gain recognised in the pension scheme	27	(70,463)	7,124
Deferred tax asset movement related to the actuarial loss / gain		13,506	(7,880)
Total (losses) / gains recognised since the last Financial Statements & Reports		(23,314)	21,305

There is no material difference between the profit on ordinary activities before taxation and the profit for the current and prior financial year stated above, and their historical cost equivalents.

Consolidated balance sheet – Arup Group Ltd and its subsidiary undertakings		2015	2014
		£'000	£'000
	Note		
Fixed assets			
Tangible assets	9	126,738	127,281
Financial assets	11	1,620	573
		128,358	127,854
Current assets			
Debtors	12	358,868	310,610
Cash at bank and in hand	18	129,079	105,883
		487,947	416,493
Creditors: amounts falling due within one year	13	(384,259)	(313,085)
Net current assets		103,688	103,408
Total assets less current liabilities		232,046	231,262
Creditors: amounts falling due after more than one year	14	(22,332)	(40,224)
Provisions for liabilities	15	(4,931)	(5,011)
Net assets excluding pensions		204,783	186,027
Net pension assets	27	-	3,308
Net pension liabilities	27	(139,320)	(100,558)
Net assets after pensions		65,463	88,777
Capital and reserves			
Called up share capital	19	120	120
Capital reserve	20	3	3
Profit and loss account	20	63,462	86,947
Revaluation reserve	20	1,878	1,707
Shareholders' funds	21	65,463	88,777

The financial statements on pages 8 to 30 were approved and authorised by the board of directors on 20 October 2015 and signed on its behalf by:



G S Hodkinson
Chairman

Company balance sheet – Arup Group Ltd excluding its subsidiary undertakings		2015	2014
		£'000	£'000
	Notes		
Fixed assets			
Tangible assets	9	2,177	2,230
Investment in subsidiary undertakings	10	158,418	156,018
Financial assets		4	4
		<u>160,599</u>	<u>158,252</u>
Current assets			
Debtors	12	11,209	22,337
Cash at bank and in hand		32	71
		<u>11,241</u>	<u>22,408</u>
Creditors: amounts falling due within one year	13	<u>(113,683)</u>	<u>(113,449)</u>
Net current liabilities		<u>(102,442)</u>	<u>(91,041)</u>
Total assets less current liabilities		58,157	67,211
Creditors: amounts falling due after more than one year	14	<u>(15,001)</u>	<u>(30,000)</u>
Net assets		<u>43,156</u>	<u>37,211</u>
Capital and reserves			
Called up share capital	19	120	120
Profit and loss account	20	43,036	37,091
Shareholders' funds		<u>43,156</u>	<u>37,211</u>

The financial statements on pages 8 to 30 were approved and authorised by the board of directors on 20 October 2015 and signed on its behalf by:



G S Hodkinson
Chairman

Consolidated cash flow statement

		2015 £'000	2014 £'000
Net cash inflow from operating activities	Notes 17	<u>71,067</u>	<u>40,361</u>
Returns on investment and servicing of finance			
Interest received		932	1,004
Interest paid		(1,084)	(927)
Dividends received		<u>-</u>	<u>10</u>
Net cash (outflow) / inflow on investment and servicing of finance		<u>(152)</u>	<u>87</u>
Taxation			
Corporation tax paid		<u>(10,130)</u>	<u>(3,903)</u>
Capital expenditure and financial investment			
Payments to acquire fixed assets		(19,586)	(15,666)
Receipts from sales of fixed assets		157	632
Purchase of financial assets		(1,047)	-
Receipts from disposal of current asset investments		<u>-</u>	<u>915</u>
Net cash outflow on capital expenditure and financial investment		<u>(20,476)</u>	<u>(14,119)</u>
Financing			
Payments of finance leases		-	(8)
Repayment on loan facility		<u>(14,999)</u>	<u>(5,007)</u>
Net cash outflow from financing		<u>(14,999)</u>	<u>(5,015)</u>
Increase in cash		<u>25,310</u>	<u>17,411</u>
Reconciliation of net cash flow to movement in net funds	18		
Net funds at 1 April		75,525	59,109
Increase in cash		25,310	17,411
Foreign exchange loss in cash		(1,782)	(6,010)
Cash outflow from debt financing		14,999	5,007
Cash outflow from finance leases		<u>-</u>	<u>8</u>
Movement in net funds in the year		<u>38,527</u>	<u>16,416</u>
Net funds at 31 March		<u>114,052</u>	<u>75,525</u>

1 Accounting policies

a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and applicable UK accounting standards.

Having considered post year end trading and forecasts and the cash resources available to the Group, the directors are satisfied that it is appropriate to continue to use the going concern assumption.

The principal accounting policies, which have been applied consistently and uniformly throughout the Group during the year, are set out below unless otherwise stated.

b) Basis of consolidation

The consolidated financial statements include the Company and all its subsidiary undertakings. Intragroup trading is eliminated within charges from sub-consultants and other direct project costs and communications and other overheads.

c) Turnover

Turnover represents the value of work performed on contracts in the year.

For contracts on which turnover exceeds fees rendered, the excess is included as amounts recoverable on contracts within debtors. For contracts on which fees rendered exceeds turnover, the excess is included as deferred income within creditors.

d) Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost less accumulated depreciation and impairment. Cost comprises purchase price after discounts and rebates plus all directly attributable costs of bringing the asset to working condition for its intended use. Freehold land and property are depreciated over 50 years, expenditure on leasehold properties is depreciated over the period of the lease and all other tangible fixed assets are depreciated over a 3 to 10 year period.

Fixed assets (excluding investment properties) and investments are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use.

Investment properties are independently revalued to their open market value every five years. Interim revaluations in the intervening years are only carried out when the directors expect there to be a material change in the investment properties carrying value. Revaluation gains are recognised in the profit and loss account, after adjustment for subsequent depreciation, to the extent that they reverse revaluation losses on the same assets that

were previously recognised in the profit and loss account. All other revaluation gains are recognised in the statement of total recognised gains and losses.

e) Taxation

Current and deferred income tax are recognised in the profit and loss account for the period except where the taxation arises as a result of a transaction or event that is recognised in the statement of total recognised gains and losses or directly in equity. Income tax arising on transactions or events recognised in the statement of total recognised gains and losses or directly in equity is charged or credited to the statement of total recognised gains and losses or directly to equity respectively.

f) Deferred taxation

Full provision is made for timing differences at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date, in respect of timing differences which have arisen but not reversed at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements, which are not permanent. Deferred tax is measured on a non-discounted basis.

No deferred tax has been provided for on any gain arising from the sales of any assets where the taxable gain has been, or will be, rolled over to replacement assets.

Deferred tax assets are only recognised where they arise from timing differences where the recoverability is foreseen with reasonable certainty.

g) Exchange rates

Monetary assets and liabilities in non-pound sterling currencies have been translated into sterling at year end exchange rates. The trading results of non-pound sterling operations have been translated using an average rate for the year.

Exchange differences on the translation of the results of non-pound sterling operations together with those on assets and liabilities in foreign currencies are taken directly to reserves. All other exchange differences are included in the profit and loss account.

h) Long term contracts

The value of long term contracts is based on recoverable costs plus attributable profit. Cost is defined as engineering and technical staff costs and related overheads plus project expenses.

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

1 Accounting policies (continued)

For contracts on which turnover exceeds fees rendered, the excess is included as amounts recoverable on contracts (lump sum projects), and as accrued income (time basis projects), within debtors. For contracts on which fees rendered exceeds turnover, the excess is included as deferred income, within creditors.

i) Research and development

All research and development cost is expensed in the year incurred.

j) Pension costs

Contributions to the Group's defined contribution schemes are charged to the profit and loss account when they fall due.

The Group also operated defined benefit schemes during the year as described in note 27. The assets from the schemes are held separately from those of the Group in an independently administered fund. Under FRS 17, the assets of the defined benefit pension schemes are measured at their fair (market) value at the balance sheet date and compared to the liabilities of the schemes, at the same date, measured on an actuarial basis using the projected unit method. The discount rate used is the rate of return at the balance sheet date on a high quality corporate bond of equivalent currency and term to the schemes' liabilities. The extent to which the schemes' assets exceed / fall short of their liabilities is shown net of deferred taxation as a surplus / deficit in the balance sheet.

The increase in the present value of the pension schemes' liabilities arising as a result of employee service in the current period is charged to operating profit. Any increase in the present value of pension schemes' liabilities arising in the current period but as a result of employee service in prior periods, is charged to operating profit on a straight line basis over the period in which the increases in benefit vest.

The amount of expected return on the schemes' assets and the increase during the period in the present value of the scheme liabilities arising from scheme liabilities being one year closer to payment are included as other finance income / costs in the profit and loss account.

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

Actuarial gains and losses are reported in the statement of total recognised gains and losses.

k) Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Benefits received and receivable as an incentive to sign an operating lease are spread on a straight line basis over the lease term, except where the period to the review

date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

l) Investment in subsidiaries

Investments in subsidiaries are stated at cost less impairments.

m) Investments

Investments are stated at cost in accordance with FRS 23. Investments are tested for impairment when an event that might affect asset value has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future cash flows from the investment. Investments denominated in non-pound sterling currencies are translated at the rates prevailing on the balance sheet date, only to the extent that they are hedged by foreign currency borrowings. All such exchange differences are offset directly in reserves.

n) Business combinations

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. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

o) Goodwill

The consolidated financial statements adopt the provisions of FRS 10 Goodwill and Intangible Assets.

The Companies Act 2006 requires that capitalised goodwill be subject, normally, to systematic amortisation. In the case of goodwill which is regarded as having a limited useful economic life, the Group's accounting policy is to amortise the goodwill through the consolidated profit and loss account over the directors' estimate of the useful life, being 20 years for the goodwill that has arisen to date. The directors' assessment of the useful life of this goodwill is based on the nature of the business acquired, the durability of the products to which the goodwill attaches and the expected future impact of competition on the business.

1 Accounting policies (continued)

Where goodwill is regarded as having an indefinite useful life, it is not amortised. The useful economic life is regarded as indefinite life where goodwill is capable of continued measurement and the durability of the acquired business can be demonstrated. Where goodwill is not amortised, the directors perform an annual impairment review and any impairment would be charged to the profit and loss account.

p) Trade debtors

Trade debtors are recognised at original invoice amount. A provision for impairment of trade debtors is established when there is reason to believe that the Group will not be able to collect all amounts due according to the original terms of the debtor. A provision for exchange differences is also recognised on debts raised in currencies other than the Company's functional currency (pound sterling).

q) Cash

Cash comprises cash in hand, on-demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

r) Dilapidation provision

The Group is required to perform dilapidation repairs on leased properties prior to the properties being vacated at the end of their lease term. Provision for such costs is made where a legal obligation is identified and the liability can be reasonably quantified. The provision is discounted to net present value at the balance sheet date using an appropriate discount rate.

s) Company profit and loss account

In accordance with the concession under Section 408(3) of the Companies Act 2006, the Company profit and loss account has not been separately presented in these financial statements.

2 Segmental report

	2015 £'000	2015 £'000	2015 £'000	2014 £'000	2014 £'000	2014 £'000
Turnover by destination						
United Kingdom			293,487			311,688
Asia			264,613			229,661
Americas			165,731			145,177
Europe			140,072			123,625
Australasia			137,576			141,722
Middle East & Africa			124,031			96,403
			1,125,510			1,048,276
Turnover by origin	Total	Internal	Total less internal	Total	Internal	Total less internal
United Kingdom	571,035	139,193	431,842	478,017	71,914	406,103
Asia	259,660	24,986	234,674	247,615	27,135	220,480
Americas	261,327	96,564	164,763	245,846	96,616	149,230
Australasia	150,085	12,600	137,485	156,300	13,538	142,762
Europe	124,818	20,531	104,287	100,538	20,126	80,412
Middle East & Africa	61,845	9,386	52,459	56,096	6,807	49,289
	1,428,770	303,260	1,125,510	1,284,412	236,136	1,048,276
Profit before taxation by origin						
Asia			13,073			20,683
Middle East & Africa			6,115			(6,334)
Europe			5,237			4,636
Australasia			4,352			6,301
United Kingdom			2,873			10,337
Americas			1,063			4,807
Group profit before taxation			32,713			40,430

2 Segmental report (continued)	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Net assets by origin	Excluding net pensions		Excluding net pensions	
United Kingdom	160,235	33,306	135,879	42,949
Europe	11,918	10,519	11,869	15,177
Asia	20,813	9,821	22,009	14,381
Americas	7,264	7,264	9,049	9,049
Australasia	2,678	2,678	4,771	4,771
Middle East & Africa	1,875	1,875	2,450	2,450
	<u>204,783</u>	<u>65,463</u>	<u>186,027</u>	<u>88,777</u>

The Group only operates materially in the business of consulting engineering.

3 Staff costs	2015 £'000	2014 £'000
Ordinary staff costs		
Wages and salaries	476,230	452,300
Staff profit sharing	63,965	34,585
Social security costs	45,868	38,892
Pension contributions	39,047	35,883
Redundancy costs	3,569	3,486
Other staff costs	33,655	31,778
Total staff costs	<u>662,334</u>	<u>596,924</u>
Average number of persons employed by the Group	Number	Number
Engineering and technical staff	9,375	8,707
Administrative staff	1,779	1,706
Government site staff	873	817
Company directors	116	125
Total average staff numbers	<u>12,143</u>	<u>11,355</u>

4 Directors' remuneration

	2015 £'000	2014 £'000
Aggregate remuneration:		
Aggregate emoluments paid	5,765	5,025
Aggregate contributions paid to money purchase schemes	<u>241</u>	<u>325</u>
Number of directors accruing pension benefits under:	Number	Number
Money purchase schemes	8	8
Defined benefit schemes	<u>8</u>	<u>8</u>
Some directors are included under both money purchase and defined benefit due to the closure of the defined benefit scheme in June 2010.		
Highest paid director:	£'000	£'000
Emoluments excluding contributions paid to pension schemes	575	415
Assignment related benefits	194	119
Assignment related tax and social security costs	148	223
Amounts paid to a money purchase scheme	<u>31</u>	<u>30</u>
Total emoluments	<u>948</u>	<u>787</u>

5 Group operating profit

	2015 £'000	2014 £'000
This is stated after charging:		
During the year, the Group obtained the following services from the Company's auditor:		
Audit of parent company and consolidated financial statements	180	175
Fees payable for other services:		
- Audit of the Company's subsidiaries, pursuant to legislation	621	550
- Other audit related assurance services	4	3
- Tax compliance services	45	80
- Tax advisory services	185	125
- Other advisory services	8	242
Loss on disposal of fixed assets	1,146	46
Loss / (profit) on exchange from trading activities	1,372	(4,784)
Research and development costs	18,980	16,260
Operating leases - land & buildings	37,563	43,424
Operating leases - plant & machinery	1,296	816
Depreciation	<u>18,909</u>	<u>20,505</u>

6 Interest receivable and similar income

	2015 £'000	2014 £'000
Bank interest	926	762
Other interest	<u>6</u>	<u>242</u>
	<u>932</u>	<u>1,004</u>

7 Interest payable and similar charges

	2015 £'000	2014 £'000
Bank interest	547	663
Other interest	<u>537</u>	<u>264</u>
	<u>1,084</u>	<u>927</u>

8 Taxation on profit on ordinary activities

	2015 £'000	2014 £'000
a) Analysis of tax charge		
The charge for taxation comprises:		
UK corporation tax for the year at 21% (2014: 23%)	254	561
Less: double tax relief	-	(327)
	<u>254</u>	<u>234</u>
Over provision in respect of prior years	(10)	-
	<u>244</u>	<u>234</u>
Non-UK tax for the current year	10,400	8,809
(Over) / under provision of non-UK tax in respect of prior years	(587)	373
	<u>10,057</u>	<u>9,416</u>
Current tax charge	10,057	9,416
UK deferred taxation for the current year	2,161	1,080
Under provision in respect of prior years	1,458	207
	<u>13,676</u>	<u>10,703</u>
Total tax charge	13,676	10,703

b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2014: higher) than the standard rate of corporation tax in the UK 21% (2014: 23%). The differences are explained below:

Profit on ordinary activities before taxation	<u>32,713</u>	<u>40,430</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21% (2014: 23%)	6,870	9,299
Effects of:		
Permanent differences	1,877	(4,138)
Timing adjustments	(2,421)	1,710
Adjustments to tax charge in respect of prior years including non-UK tax charge	(596)	373
Unrelieved losses carried forward	2,617	1,118
Utilised brought forward losses	(557)	(277)
Non-UK tax in excess of UK tax	<u>2,267</u>	<u>1,331</u>
Current tax charge	10,057	9,416

c) Factors affecting current and future tax charges

Effective from 1 April 2014 the UK main corporation tax rate was 21%. The UK corporation tax rate will be 20% from 1 April 2015 and this has been reflected in the financial statements. Further changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As these changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

For the year ended 31 March 2015 local tax rates have been used to calculate deferred tax assets or liabilities.

9 Tangible fixed assets - Group

£'000

	Freehold land & property	Leasehold property	Furniture, fittings & IT	Motor vehicles	Leased motor vehicles	Total
Cost or valuation						
Balance at 1 April 2014	79,478	56,655	126,285	1,226	335	263,979
Additions during the year	390	1,990	17,075	460	(329)	19,586
Disposals during the year	-	(12,299)	(4,800)	(238)	-	(17,337)
Adjustment for exchange differences	(1,333)	1,770	1,121	(38)	(6)	1,514
Balance at 31 March 2015	78,535	48,116	139,681	1,410	-	267,742
Accumulated depreciation						
Balance at 1 April 2014	8,552	31,798	95,317	757	274	136,698
Charge for the year	1,850	4,617	12,305	406	(269)	18,909
Eliminated in respect of disposals	-	(11,341)	(4,506)	(187)	-	(16,034)
Adjustment for exchange differences	(20)	839	638	(21)	(5)	1,431
Balance at 31 March 2015	10,382	25,913	103,754	955	-	141,004
Net book value at 31 March 2015	68,153	22,203	35,927	455	-	126,738
Net book value at 31 March 2014	70,926	24,857	30,968	469	61	127,281

Included within Freehold Land and Property are investment properties valued at £6.6m (2014: £7.5m). The investment properties have been valued by the directors as at 31 March 2015 and have been revalued accordingly. An exchange loss has also been recognised as at 31 March 2015. The revaluation gain has been taken to the investment property revaluation reserve and exchange loss to retained reserves. The last independent valuation was made during the year ended 31 March 2014 by Jones Lang LaSalle Limited. For all other tangible fixed assets there are no differences between the historical cost convention and the market value.

9 Tangible fixed assets - Company

£'000

	Leasehold property
Cost or valuation	
Balance at 1 April 2014	3,532
Balance at 31 March 2015	3,532
Accumulated depreciation	
Balance at 1 April 2014	1,302
Charge for the year	53
Balance at 31 March 2015	1,355
Net book value at 31 March 2015	2,177
Net book value at 31 March 2014	2,230

10 Subsidiary undertakings

Arup Group Limited owns ordinary and preference shares in the companies noted below. These companies were all wholly owned subsidiary undertakings of Arup Group Limited at 31 March 2015 (unless otherwise stated), and their results are consolidated into the financial statements of Arup Group Limited. The operating companies were all engaged in the same principal activities as the parent company, except for Arup Ireland Limited, Arup (Luxembourg) S.a.r.l., Fitzroy Property Guernsey Limited, Fitzroy Street Limited and Scotstoun Property Limited whose principal activities are property holdings; Fitzroy Insurance Services Limited whose principal activity is insurance services; and Arup Treasury Limited whose principal activity is group treasury.

Direct holdings:	Country of incorporation	Indirect holdings:	Country of incorporation
Arup Americas Inc.	USA	Arup North America Limited	England & Wales
Arup Consulting Engineers EPE ¹	Greece	Arup Pacific Pty Limited	Australia
Arup GmbH	Germany	Arup Projects 'A' Ltd	England & Wales
Arup International Consultants (Shanghai) Co., Ltd	China	Arup Projects 'A' Limited	Hong Kong
Arup Ireland Limited	Ireland	Arup Projects A Pty Ltd	Australia
Arup Ltd ¹	Mauritius	Arup Pty Limited	Australia
Arup Muhendislik ve Musavirlik Limited Sirketi ²	Turkey	Arup Riyadh Metro Limited	England & Wales
Arup Partner Pty Limited	Australia	Arup Services B.V.	Netherlands
Arup (Pty) Limited (70% holding)	South Africa	Arup Services New York Limited	England & Wales
Ove Arup & Partners Poland Sp. zo.o	Poland	Arup - S.I.G.M.A. Ltd	Mauritius
Ove Arup Holdings B.V.	Netherlands	Arup Singapore Private Limited	Singapore
Ove Arup Holdings Limited	England & Wales	Arup Texas Inc.	USA
Ove Arup Holdings Private Limited	Singapore	Arup Treasury Limited	England & Wales
Ove Arup International (Holdings) Limited	Hong Kong	Arup USA Inc.	USA
Ove Arup Partnership Limited	England & Wales	Arup Vietnam Limited	Vietnam
Indirect holdings:		Arup Treasury Limited	England & Wales
Arup Advisory Inc.	USA	Arup USA Inc.	USA
Arup Africa ¹	Mauritius	Arup Vietnam Limited	Vietnam
Arup Associates Limited	England & Wales	Babylon Investment Company	Ireland
Arup Botswana Limited	England & Wales	Fitzroy Insurance Services Limited	Guernsey
Arup Brasil Consultoria Ltda	Brazil	Fitzroy Property Guernsey Limited	Guernsey
Arup B.V.	Netherlands	Fitzroy Street Limited	England & Wales
Arup (Cambodia) Limited	Cambodia	Networked Electricity Storage Technology Limited (60% holding)	England & Wales
Arup Canada Inc.	Canada	OASYS Limited	England & Wales
Arup China Limited	Hong Kong	Ovarpart Nominee Limited	England & Wales
Arup Colombia S.A.S.	Colombia	Ove Arup & Partners Danmark A/S	Denmark
Arup Corporate Finance Limited	England & Wales	Ove Arup & Partners Hong Kong Limited	England & Wales
Arup Deutschland GmbH	Germany	Ove Arup & Partners International Limited	England & Wales
Arup d.o.o.	Serbia	Ove Arup & Partners Ireland Limited	Ireland
Arup East Africa Limited	Kenya	Ove Arup & Partners Japan Limited	England & Wales
Arup Government Projects Inc.	USA	Ove Arup & Partners Korea Limited	Korea
Arup Gulf Limited	England & Wales	Ove Arup & Partners Limited	England & Wales
Arup India Private Limited	India	Ove Arup & Partners PC	USA
Arup International Limited	England & Wales	Ove Arup & Partners S.A.U.	Spain
Arup Ireland Incorporated	Ireland	Ove Arup & Partners Scotland Limited	Scotland
Arup Ireland Partner Limited	Ireland	Ove Arup (Thailand) Limited	Thailand
Arup Italia S.r.l.	Italy	PT Arup Indonesia	Indonesia
Arup Latin America S.A.U.	Spain	Scotstoun Property Limited	England & Wales
Arup Limited	England & Wales	Shelbourne Plaza (Block C) Management Company Limited (78% holding)	Ireland
Arup (Luxembourg) S.a.r.l.	Luxembourg	Williamsburg Investment Company	Ireland
Arup New Zealand Limited	New Zealand		

Key

¹ Companies in the process of being liquidated.

² Company transferred to an immediate holding company on 17 April 2015.

10 Subsidiary undertakings (continued)

£'000

	Cost	Investment Impairment	Net Value
Movement of investment			
Opening balance at 1 April	173,354	(17,336)	156,018
Additions / recapitalisations	7,391	-	7,391
Investment impairments	-	(4,991)	(4,991)
Balance at 31 March	180,745	(22,327)	158,418

The directors believe that the carrying value of the investments are supported by their underlying net assets.

11 Financial assets

£'000

	Country of incorporation
2 (2014: 2) ordinary shares of £1 each in The Arup Partnerships Trustees Limited	England & Wales
30,000 (2014: 30,000) ordinary shares of £0.01 each in St Helena Leisure Corporation Limited	England & Wales
400 (2014: 320) ordinary shares of £1,000 each in MBK Arup Sustainable Projects Limited	England & Wales
350,000 (2014: 250,000) shares of £1 eFleet Integrated Service Limited	England & Wales
50 (2014: 50) ordinary shares of 10,000 Riyals each in Arup Iran SSK	Iran
100 (2014: 0) shares of US\$0.1 each in Arup Zimbabwe (Private) Limited ¹	Zimbabwe

	2015	2014
Movement of unlisted investments at cost		
Opening balance at 1 April	573	204
Additions	1,047	370
Exchange Difference	-	(1)
Balance at 31 March	1,620	573

The directors believe that the carrying value of the investments is supported by their underlying net assets.

¹ On 20 February 2015 Ove Arup Holdings Limited purchased 100 ordinary shares of US\$0.10 each in Arup Zimbabwe (Private) Limited. These were allotted at a premium of \$12,999.90 per share.

12 Debtors

£'000

	2015		2014	
	Group	Company	Group	Company
Amounts recoverable on contracts	99,206	-	75,312	-
Trade debtors	178,407	-	166,254	-
Amounts owed by Group undertakings	-	10,819	-	21,817
Foreign tax recoverable	1,792	-	1,403	-
Deferred tax asset	18,823	-	18,137	-
Corporation tax	3,026	-	1,526	-
Other debtors	23,640	390	16,858	520
Prepayments and accrued income	33,974	-	31,120	-
	358,868	11,209	310,610	22,337

13 Creditors: amounts falling due within one year

£'000

	2015		2014	
	Group	Company	Group	Company
Deferred income	221,295	-	172,445	-
Bank overdraft	26	-	358	-
Trade creditors	12,982	-	16,156	-
Amounts owed to Group undertakings	-	112,498	-	112,271
Provision for foreign tax	4,105	-	1,415	-
Corporation tax	1,204	950	1,182	950
Taxation and social security costs	11,187	-	8,808	-
Other creditors	17,206	-	21,049	-
Accruals	115,064	235	90,085	228
Deferred tax liability	1,190	-	1,587	-
	<u>384,259</u>	<u>113,683</u>	<u>313,085</u>	<u>113,449</u>

14 Creditors: amounts falling due after more than one year

£'000

Group	2015			2014
	Bank loan	Lease incentives	Total	Total
In more than one year but no more than two years	-	119	119	716
In more than two years but no more than five years	15,001	7,212	22,213	38,758
In more than five years (non-installment debts)	-	-	-	750
	<u>15,001</u>	<u>7,331</u>	<u>22,332</u>	<u>40,224</u>
Company				
In more than one year but no more than two years	-	-	-	-
In more than two years but no more than five years	15,001	-	15,001	30,000
In more than five years (non-installment debts)	-	-	-	-
	<u>15,001</u>	<u>-</u>	<u>15,001</u>	<u>30,000</u>

The Group had adequate funding facilities in place at 31 March 2015 to finance the business going forward. The available funding is in the form of a committed secured revolving credit facility and bears a market floating rate of interest based on LIBOR.

15 Provisions for liabilities

£'000

Movement of liabilities and charges

Opening balance at 1 April	5,011
Utilisation / release of provision in the year	(80)
Balance at 31 March	<u>4,931</u>

This provision relates to dilapidations on various buildings leased by the Group, in accordance with our lease contracts. The amounts will be incurred at varying dates as leases fall for renewal or are terminated.

16 Deferred taxation - Group

£'000

	2015		2014	
	Provided	Unprovided	Provided	Unprovided
Timing differences due to accelerated taxation depreciation allowances	6,865	-	4,539	-
Short term timing differences	10,768	-	12,011	-
	<u>17,633</u>	<u>-</u>	<u>16,550</u>	<u>-</u>
Movement of deferred tax asset:				
At 1 April	16,550		17,269	
Over provision of deferred tax in respect of prior years	(1,458)		(207)	
Opening balance	15,092		17,062	
Charge for the year	(2,161)		(1,080)	
Less: deferred tax on pension scheme deficit	4,205		3,565	
Adjustment for changes in corporation tax	-		(877)	
Exchange rate difference	497		(2,120)	
At 31 March	<u>17,633</u>		<u>16,550</u>	
Deferred tax asset	18,823		18,137	
Deferred tax liability	(1,190)		(1,587)	
Deferred tax asset as at 31 March	<u>17,633</u>		<u>16,550</u>	

17 Cash flow from operating activities2015
£'0002014
£'000**Reconciliation of operating profit to net cash inflow from operating activities**

Operating profit	25,417	34,828
Depreciation charges	18,909	20,505
Loss on disposal of fixed assets	1,146	46
Difference between pension charge and cash contributions	(13,000)	(9,900)
Increase in debtors	(36,822)	(13,407)
Increase in creditors	75,497	9,828
Decrease in provision for liabilities	(80)	(1,539)
Net cash inflow from operating activities	<u>71,067</u>	<u>40,361</u>

18 Analysis of changes in net funds

£'000

	At 1 April 2014	Cash flow	Foreign exchange	At 31 March 2015
Cash at bank and in hand	105,883	24,911	(1,715)	129,079
Overdrafts	(358)	332	-	(26)
Bank loan due within one year	-	-	-	-
Bank loan due after more than one year	(30,000)	14,999	-	(15,001)
	<u>75,525</u>	<u>40,242</u>	<u>(1,715)</u>	<u>114,052</u>

19 Called up share capital – Group and Company2015
£'0002014
£'000**Issued, called up and fully paid:**

65 (2014: 65) voting shares of £1 each	-	-
120,000 (2014: 120,000) equity shares of £1 each	<u>120</u>	<u>120</u>
	<u>120</u>	<u>120</u>

20 Reserves

£'000

	Group			Company
	Capital reserve	Investment property revaluation reserve	Profit and loss account	Profit and loss account
Balance at 1 April	3	1,707	86,947	37,091
Profit for the financial year	-	-	19,037	5,945
Movement in revaluation	-	390	-	-
Actuarial loss recognised in the pension schemes	-	-	(70,463)	-
Deferred tax liability movement related to the actuarial loss	-	-	13,506	-
Exchange translation differences	-	(219)	14,435	-
Balance at 31 March	<u>3</u>	<u>1,878</u>	<u>63,462</u>	<u>43,036</u>
Profit and loss reserve excluding net pension scheme liabilities			202,782	
Net pension scheme liabilities (note 27)			<u>(139,320)</u>	
Profit and loss reserve			<u>63,462</u>	

21 Reconciliation of movements in shareholders' funds - Group

	2015 £'000	2014 £'000
Balance at 1 April	88,777	67,472
Profit for the financial year	19,037	29,727
Movement in investment property revaluation reserve	390	1,737
Exchange translation differences	14,216	(9,403)
Actuarial loss recognised in the pension schemes	(70,463)	7,124
Deferred tax asset movement related to the actuarial loss	<u>13,506</u>	<u>(7,880)</u>
Closing shareholders' funds	<u>65,463</u>	<u>88,777</u>
Shareholders' funds excluding net pension scheme liabilities	204,783	186,027
Net pension scheme liabilities (note 27)	<u>(139,320)</u>	<u>(97,250)</u>
Closing shareholders' funds	<u>65,463</u>	<u>88,777</u>

22 Contingent liabilities

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

The Company has guaranteed bond support facilities granted to other companies in the Group. The guarantee is supported by a secured debenture dated 19 March 2013.

23 Capital commitments

£'000

	2015		2014	
	Group	Company	Group	Company
Authorised and contracted for	<u>525</u>	<u>-</u>	<u>1,539</u>	<u>-</u>

24 Other financial commitments

£'000

The Group and Company have the following annual property, plant and machinery leasing commitments, at the year end, in respect of leases expiring as follows:

	2015		2014	
	Group	Company	Group	Company
Within one year	4,965	-	8,640	-
In two to five years	20,118	-	19,445	-
After five years	<u>17,220</u>	<u>-</u>	<u>14,865</u>	<u>-</u>

25 Ultimate controlling party

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

26 Related party transactions

The Company and its subsidiaries transact with each other in the normal course of business. These transactions are not disclosed, in accordance with FRS 8 paragraph 3, as the transactions and balances between Group entities have been eliminated on consolidation. There are no other related party transactions.

27 Pension commitments

The Group operates defined benefit retirement scheme for employees, one UK registered, one Hong Kong registered and one Ireland registered. The Group also has unfunded schemes in Japan and Mauritius.

UK registered scheme

The Group operated a UK registered, contributory pension scheme, which had a defined benefit and a defined contribution section, for employees. On 31 March 2010, the scheme was closed to new members. With effect from 30 June 2010 the future accrual of benefits for existing members ceased. The company replaced this scheme with a group personal pension plan for employees with effect from 1 July 2010. All contributions for the new plan are held and managed by BlackRock Life Limited. The Company has no ongoing liability to the funds held by BlackRock Life Limited in respect of the employees.

For the pension scheme which closed on 30 June 2010, contributions were made in accordance with the rules of the scheme and the advice of independent qualified actuaries on the basis of triennial valuations. The most recent valuation was at 31 March 2013 using the projected unit method. The actuarial valuation at 31 March 2013 showed a funding level of 72% on an ongoing basis based on a market value of assets of £604m at that date. The most significant assumptions made by the actuary in carrying out this valuation were the assumptions of 2.9% and 0.6% above the gilt curve for the pre retirement and post retirement discount rates. A special employer's contribution of £12.1m was made during the year to 31 March 2015 (2014: £10m). The next actuarial valuation is being carried out no later than 31 March 2016.

The valuation position of this scheme was reassessed at 31 March 2013 by a qualified independent actuary for the purposes of the financial reporting standard FRS 17. The cumulative amount of actuarial loss recognised in the statement of recognised gains and loss is £61.1m (2014: gain £4.3m).

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

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

Hong Kong registered scheme

The Group operates a HK registered retirement scheme that has a defined benefit component. The defined benefit component was closed to new entrants with effect from 1 January 2011 and was frozen for service accruals for existing members with effect from 1 January 2012. Actuarial funding valuations are continuously performed for the defined benefit component by an independent qualified actuary. The frequency of the valuation is typically tri-annual but can be more frequent (as frequent as annual) depending on the funding level of the scheme. As at 31 March 2015 a new funding valuation was performed. The defined benefit component's assets at 31 March 2015 on an ongoing basis represented 97.0% of the actuarially calculated liabilities for benefits that had accrued to members and the defined benefit component's assets had a market value of £33.7m at that date. The most significant assumptions made by the actuary in carrying out this valuation were that the investment return would be 6.6% pa and that salary inflation would be 5.0% pa. The Company made a contribution of £0.9m to the defined benefit component during the year (2014: nil), and is expected to make a contribution of £0.3m for the year to 31 March 2016. The next funding valuation is scheduled to be carried out no later than 31 March 2016.

For the purpose of the financial reporting standard FRS17, the valuation position of this scheme was assessed at 31 March 2015 by a qualified independent actuary.

Ireland registered scheme

The Group operates a defined benefit pension scheme and a defined contribution pension scheme.

The assets of the defined benefit scheme are held in separate trustee administered funds. The Group pension cost, in respect of the defined benefit scheme, has been assessed in accordance with the advice of an independent qualified actuary using the attained age method of funding which provides for benefits over the working lifetime of the membership. Formal actuarial valuations are carried out every three years. The latest full valuation was at 1 April 2013. The results of that valuation confirmed that the scheme had a past service surplus of £0.9 million and a funding ratio of 102.5%. This report is not available for public inspection.

In the opinion of the Actuary, the scheme satisfied the funding standard as at 31 March 2015.

The valuation of the defined benefit scheme used for the purposes of FRS17 disclosures was based on the valuation at 1 April 2013. It has been updated by an independent actuary to take account of the requirements of FRS17 in order to assess the liabilities at the balance sheet date. Scheme assets are stated at their market value at the balance sheet date.

27 Pension commitments (continued)

Japan unfunded scheme

The Group provides a retirement allowance to employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent valuation was at 31 March 2015 using the projected unit method. The most significant assumptions made by the actuary in carrying out this valuation were that the discount rate would be 1% per annum and that salary inflation would be 4% per annum. There was an employer contribution for the year to 31 March 2015 of £0.01m (2014: £0.04m). There was an actuarial loss in the year of £0.2m (2014: £0.3m). The pension liability recognised in the financial statements was £1.4m (2014: £1.2m).

Mauritius unfunded scheme

Arup - S.I.G.M.A. Ltd provides a retirement allowance to its employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 31 December 2013. The unfunded liability as at 31 March 2015 was £0.1m (2014: £0.1m). As this liability is not material to Arup Group Limited, no additional disclosure is included within these consolidated financial statements.

Assets in the scheme and the expected rates of return as at 31 March:

	Long term rate of return expected							
	UK		Hong Kong		Ireland		Japan	
	2015	2014	2015	2014	2015	2014	2015	2014
Equities and property	N/A	7.1%	N/A	8.3%	N/A	5.8%	N/A	N/A
Bonds and cash including net current assets	N/A	3.9%	N/A	1.5%	N/A	3.3%	N/A	N/A
	Value of assets in the schemes							
	UK		Hong Kong		Ireland		Japan	
	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m
Equities and property	454.4	453.5	25.1	22.9	31.7	29.0	-	-
Bonds and cash including net current assets	242.3	168.8	8.0	6.5	21.1	17.4	-	-
Total market value of assets	696.7	622.3	33.1	29.4	52.8	46.4	-	-
Present value of defined benefit obligation	(855.4)	(738.6)	(44.5)	(37.1)	(54.3)	(42.6)	(1.4)	(1.2)
(Deficit) / surplus in the scheme	(158.7)	(116.3)	(11.4)	(7.7)	(1.5)	3.8	(1.4)	(1.2)
Less: related deferred tax asset / (liability)	31.7	23.3	1.9	1.2	0.1	(0.5)	-	-
Net scheme (liability) / asset	(127.0)	(93.0)	(9.5)	(6.5)	(1.4)	3.3	(1.4)	(1.2)

Major categories of scheme assets as a percentage of total scheme assets:

	UK		Hong Kong		Ireland		Japan	
	2015	2014	2015	2014	2015	2014	2015	2014
Equities and property	65%	73%	76%	78%	60%	63%	N/A	N/A
Bonds and cash including net current assets	35%	27%	24%	22%	40%	37%	N/A	N/A
	100%	100%	100%	100%	100%	100%	N/A	N/A

27 Pension commitments (continued)

Amounts recognised in the profit and loss account:

	UK		Hong Kong		Ireland		Japan	
	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m
Current service cost	-	-	-	-	-	(0.3)	(0.1)	(0.1)
Interest on obligation	(33.4)	(34.2)	(1.6)	(1.4)	1.4	(1.5)	-	-
Expected return on scheme assets	40.0	38.9	2.0	2.0	(1.8)	1.7	-	-
Gains on curtailments and settlements	-	-	-	-	-	0.4	-	-
Net income / (charge)	<u>6.6</u>	<u>4.7</u>	<u>0.4</u>	<u>0.6</u>	<u>(0.4)</u>	<u>0.3</u>	<u>(0.1)</u>	<u>(0.1)</u>
Actual return on scheme assets	<u>89.5</u>	<u>30.7</u>	<u>5.3</u>	<u>(0.9)</u>	<u>6.5</u>	<u>3.7</u>	<u>N/A</u>	<u>N/A</u>

Movement of deficit during the year

	UK		Hong Kong		Ireland		Japan	
	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m
(Deficit) / surplus in scheme at 1 April	(116.3)	(135.3)	(7.7)	(7.9)	3.8	(0.4)	(1.2)	(1.0)
Movement in the year:								
Current service cost	-	-	-	-	-	(0.3)	(0.1)	(0.1)
Employer contributions	12.1	10.0	0.9	-	0.1	(0.1)	-	-
Interest cost	(33.4)	(34.2)	(1.6)	(1.4)	1.4	(1.5)	-	-
Expected return on scheme assets	40.0	38.9	2.0	2.0	(1.8)	1.7	-	-
Actuarial (loss) / gain	(61.1)	4.3	(3.9)	(1.1)	(5.2)	4.0	(0.2)	(0.3)
Adjustment for exchange difference	-	-	(1.1)	0.7	0.2	0.4	0.1	0.2
(Deficit) / surplus in scheme at 31 March	<u>(158.7)</u>	<u>(116.3)</u>	<u>(11.4)</u>	<u>(7.7)</u>	<u>(1.5)</u>	<u>3.8</u>	<u>(1.4)</u>	<u>(1.2)</u>

	UK		Hong Kong		Ireland		Japan	
	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m
Reconciliation of the present value of the defined benefit obligation:								
Present value of defined benefit obligation at 1 April	738.6	739.8	37.1	39.3	42.6	44.2	1.2	1.0
Current service cost	-	-	-	-	-	0.3	0.1	0.1
Interest cost	33.4	34.2	1.6	1.4	1.4	1.6	-	-
Actuarial loss / (gain) on scheme liabilities	110.6	(12.5)	3.6	1.0	16.4	(1.0)	0.2	0.3
Benefits paid	(27.2)	(22.9)	(2.5)	(1.1)	(0.2)	(1.0)	-	-
Gains on curtailments and settlements	-	-	-	-	-	(0.4)	-	-
Adjustment for exchange difference	-	-	4.7	(3.5)	(5.9)	(1.1)	(0.1)	(0.2)
Present value of defined benefit obligation at 31 March	<u>855.4</u>	<u>738.6</u>	<u>44.5</u>	<u>37.1</u>	<u>54.3</u>	<u>42.6</u>	<u>1.4</u>	<u>1.2</u>

27 Pension commitments (continued)

	UK		Hong Kong		Ireland		Japan	
	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m
Reconciliation of fair value of scheme assets:								
Fair value of scheme assets at 1 April	622.3	604.5	29.4	31.4	46.4	43.8	-	-
Expected return on scheme assets	40.0	38.9	2.0	2.0	1.6	1.7	-	-
Actuarial gain / (loss) on scheme assets	49.5	(8.2)	(0.3)	(0.1)	10.2	2.9	-	-
Adjustment for exchange difference	-	-	3.6	(2.8)	(5.3)	(0.9)	-	-
Actual return on scheme assets	89.5	30.7	5.3	(0.9)	6.5	3.7	-	-
Employer contributions	12.1	10.0	0.9	-	0.1	(0.1)	-	-
Benefits paid	(27.2)	(22.9)	(2.5)	(1.1)	(0.2)	(1.0)	-	-
Fair value of scheme assets at 31 March	696.7	622.3	33.1	29.4	52.8	46.4	-	-

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	UK		Hong Kong		Ireland		Japan	
	2015	2014	2015	2014	2015	2014	2015	2014
At 31 March								
Future average rate of increase in salaries	N/A	N/A	5.0%	5.0%	N/A	N/A	4.0%	3.0%
Future average rate of increase for pensions in payment and deferred pensions	1.9%	1.9%	N/A	N/A	1.4%	2.0%	N/A	N/A
Future average rate used to discount liabilities	3.5%	4.6%	3.8%	4.3%	1.4%	3.5%	1.0%	1.0%
Retail price inflation	2.9%	3.3%	2.5%	2.5%	1.4%	2.0%	N/A	N/A
Consumer price inflation	1.6%	1.9%	N/A	N/A	N/A	N/A	N/A	N/A
Pension increases:								
- Pre 88 Guaranteed Minimum Pension	0.0%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A
- Post 88 Guaranteed Minimum Pension	1.6%	1.7%	N/A	N/A	N/A	N/A	N/A	N/A
- NGMP accrued before 01/10/2006 (5% LPI)	2.8%	3.0%	N/A	N/A	N/A	N/A	N/A	N/A
- Pension accrued after 31/09/2006 (2.5% LPI)	1.9%	1.9%	N/A	N/A	N/A	N/A	N/A	N/A

NGMP – Non guaranteed minimum pension

LPI – Limited price indexation

Mortality 2015 & 2014

UK 2015: 108% SAPS Light tables for males and 101% SAPS Light tables for females using the CMI 2014 projections, allowing for LTR of 1% per annum. 2014: 108% SAPS Light tables for males and 101% SAPS Light tables for females using the CMI 2013 projections, allowing for LTR of 1% per annum.	2015: Hong Kong Mortality (%) Hong Kong Life Table 2013			2014: Hong Kong Mortality (%) Hong Kong Life Table 2011		
	Age	Male	Females	Age	Male	Females
Ireland 2015: 88% of ILT15 tables (males) and 91% of ILT15 tables (females) with CSO improvements from 2013 onwards 2014: 108% of PNXL00 with CSO improvements from 2006 onwards	25	0.038	0.020	25	0.041	0.015
	30	0.056	0.026	30	0.052	0.016
	35	0.082	0.035	35	0.075	0.037
	40	0.105	0.057	40	0.102	0.063
	45	0.161	0.093	45	0.162	0.094
	50	0.254	0.143	50	0.277	0.152
	55	0.420	0.231	55	0.445	0.219

Cash commutation 2015 & 2014

UK
25% of members' pensions assumed to be taken as cash on current terms

Hong Kong, Ireland and Japan
N/A

27 Pension commitments (continued)

Assumed life expectations on retirement at age 65 for the UK, age 60 for Hong Kong, age 62 for Ireland and age 62 for Japan:

	UK		Hong Kong		Ireland		Japan	
	2015	2014	2015	2014	2015	2014	2015	2014
	Number of Years		Number of Years		Number of Years		Number of Years	
Retiring today								
Males	23.0	22.9	23.2	22.6	23.8	25.6	23.1	22.8
Females	24.8	24.7	27.7	27.7	26.4	27.0	28.8	28.8
Retiring in 20 years*								
Males	24.2	24.3	23.2	22.6	26.0	27.7	23.1	22.8
Females	26.3	26.2	27.7	27.7	28.3	28.8	28.8	28.8

* For Ireland this is retiring in 17 years.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions.

UK registered scheme

History of experience gains and losses

	2015	2014	2013	2012	2011
	£'m	£'m	£'m	£'m	£'m
Defined benefit obligation	(855.4)	(738.6)	(739.8)	(676.9)	(629.2)
Scheme assets	696.7	622.3	604.5	550.5	524.6
Scheme deficit	(158.7)	(116.3)	(135.3)	(126.4)	(104.6)
Experience adjustments on scheme liabilities	3.3	15.5	11.3	(14.0)	(23.7)
Experience adjustments on scheme assets	49.5	(8.2)	30.6	1.9	4.1

Hong Kong registered scheme

History of experience gains and losses

	2015	2014	2013	2012	2011
	£'m	£'m	£'m	£'m	£'m
Defined benefit obligation	(44.5)	(37.1)	(39.3)	(33.0)	(31.0)
Scheme assets	33.1	29.4	31.4	28.8	29.7
Scheme deficit	(11.4)	(7.7)	(7.9)	(4.2)	(1.3)
Experience adjustments on scheme liabilities	(0.9)	(1.3)	(2.3)	-	-
Experience adjustments on scheme assets	0.3	(0.1)	0.4	(2.8)	0.4

Ireland registered scheme

History of experience gains and losses

	2015	2014	2013	2012
	£'m	£'m	£'m	£'m
Defined benefit obligation	(54.3)	(42.6)	(44.2)	(32.8)
Scheme assets	52.8	46.4	43.8	39.5
Scheme (deficit) / surplus	(1.5)	3.8	(0.4)	6.7
Experience adjustments on scheme liabilities	0.3	1.4	(0.7)	0.3
Experience adjustments on scheme assets	10.2	2.9	3.0	(0.6)

27 Pension commitments (continued)

Japan registered scheme

History of experience gains and losses

	2015	2014	2013	2012
	£'m	£'m	£'m	£'m
Defined benefit obligation	(1.4)	(1.2)	(1.0)	(0.8)
Scheme assets	-	-	-	-
Scheme deficit	<u>(1.4)</u>	<u>(1.2)</u>	<u>(1.0)</u>	<u>(0.8)</u>
Experience adjustments on scheme liabilities	-	-	(0.1)	-
Experience adjustments on scheme assets	-	-	-	-

Estimated contributions

The employer's best estimate of contributions to be paid to the scheme next year are:

	2015			
	UK	Hong Kong	Ireland	Japan
	£'m	£'m	£'m	£'m
Employer	<u>12.2</u>	<u>0.3</u>	<u>0.1</u>	<u>-</u>

	2014			
	UK	Hong Kong	Ireland	Japan
	£'m	£'m	£'m	£'m
Employer	<u>12.0</u>	<u>0.9</u>	<u>0.1</u>	<u>0.1</u>

Defined contribution schemes

The Group also made payments to defined contribution schemes of £39m (2014: £35.9m).

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