ARUP

Ove Arup Holdings Limited

Financial Statements and Reports

For the year ended 31 March 2023

Contents

Strategic report

The directors present their annual strategic report for Ove Arup Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 March 2023 which was approved by the Board of directors (the "Board").

The Group is a subsidiary of Arup Group Limited. Arup Group Limited with its subsidiaries is referred to as the "Arup Group". The Board of directors of Arup Group Limited are referred to as the "Arup Group Board".

No employees are directly employed by the Company.

Review of the business

These are the results for the Group for the financial year ended 31 March 2023. The results show a profit for the financial year of £54.7m (2022: £9.5m). The net assets as at 31 March 2023 are £293.5m (2022: £258.8m).

We have been successful in adapting to the changing business climate notwithstanding a challenging operating environment characterised by increased inflation levels, an energy price shock in Europe driven by the Russian invasion of Ukraine, macroeconomic headwinds and ongoing supply chain and labour shortages in many geographies, continued pandemic-related absenteeism and disruption in some regions, and emerging procurement delays and cancellations associated with the political cycle in the UK.

The Group has continued to grow overall during the year, and has maintained profitability, and our forward workload at the year-end remained strong. In some parts of our business the rate of converting new opportunities to contracted project work has slowed, and we have needed to slow headcount growth to keep our costs in line with revenue; there are also broader indications of delays in the ability to invoice and collect cash that are reflective of a tighter commercial environment.

Risk management and key performance indicators

Formal risk reporting and management is embedded within Arup Group's management bodies so that emerging risks can be identified, escalated and addressed as appropriate. The Arup Group Board is ultimately responsible for the oversight of risk of the Arup Group and for maintaining a robust risk management and internal control system. Each region of the Arup Group has a Region Board that is primarily responsible for the management of the Arup Group's risk and risk process. Contracting companies within the Group have Delegated Authority Policies in place which delegate the management of its risk to the UKIMEA Region Board.

The principal area of risk and operating uncertainty for the Arup Group is its ability to continue to secure new projects and deliver the performance of existing projects in line with the management's objectives. To monitor these, Arup Group Board uses the following key performance indicators ("KPIs") which are monitored at Arup Group level:

- Revenue is a key indicator linked to the number of people that we employ (our "members") or engage as consultants, although quality of work is more important than market share or revenue growth. As a professional services firm, the ability to secure earnings in proportion to the number of members is key to the Group's ongoing commercial success. Moderate growth in revenue provides development opportunities for our members; rapid growth brings the challenge of acquiring skilled resources and deploying them effectively in delivering projects, in addition to the funding pressures that would typically accompany such growth; and reducing revenue would, if expected to continue, require a reduction in headcount. For the year ended 31 March 2023, revenue for the Group was £1,033.6m (2022: £918.8m).

- Profit before income tax is a key indicator of our ongoing financial resilience. The ability to generate an aggregate profit across our projects is key to our ability to continue to finance our business without recourse to external funding, to invest in the areas that are important to us, and to provide reasonable prosperity for our members. As many of our projects span multiple financial years, the profit reported in any individual year can be distorted by a range of factors, however recurrent annual losses of significant scale would be a cause of concern needing to be addressed. For the year ended 31 March 2023, profit before income tax for the Group was £62.6m (2022: £23.5m).

The ability to continue to secure new projects in light of the ongoing and rising geopolitical tensions, is a key risk going forward. Uncertainties include the volume of new work that can be secured, the continuation of existing projects, and new trade barriers, sanctions and similar challenges which may increase the complexities of international trade and mobility for both the Arup Group and its members as they discharge their duties. The situation continues to be monitored closely with actions taken as needed to balance costs, staffing and revenue. Current workload for the Group is remaining broadly steady, and the directors expect the Group to remain resilient for the foreseeable future.

The Arup Group keeps current and emerging risk themes under close review. Risk areas prioritised for particular attention for the Group and other subsidiaries include climate, operational excellence, geopolitics, health, safety and wellbeing, reputation, and technological resilience. An Arup Group risk management process is in place, and subsidiaries are engaged directly in activities as applicable.

Section 172(1) statement

The Board considers collectively and individually that they have made decisions during the financial year to 31 March 2023 that would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole, having regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006 ("S.172(1)").

Statutory directors of the Company are appointed from amongst the senior leadership grades of the firm, which enables them to oversee the activities of the Company whilst maintaining clear insight into the benefit and interest of the shareholder, in line with their duties under s172 (1) of the Companies Act.

The directors recognise that to progress the strategy and achieve long-term sustainable success, they must consider the stakeholders impacted by their decisions and satisfy themselves that those decisions uphold our purpose and values.

How does it work in practice?

- Establishing the purpose, values, strategy, and culture – The Arup Group Board is responsible for deciding our strategy and for overseeing its implementation. The Board recognises that a positive culture comes from the very top and the Board is responsible for ensuring that our purpose and values are adhered to and lived by the members.
- Decision making – The composition of the Board is a mix of directors with extensive Arup backgrounds, and a diverse set of skills, knowledge, experience, and competence, that are collectively key in the Board's decision making. The Board provides rigorous evaluation and challenge as part of its decision making processes to enable the decisions taken to be ones that promote long-term sustainable success.

The Board, together with all statutory directors of the companies with the Group, are required to undertake mandatory training on statutory director duties.

Execution and principal decisions

The Board considers principal decisions to be ones that are material and make significant impact to the Company and its key stakeholder groups. No principal decisions were made by the Board during the year. The decisions made by the Board during the year are deemed to be routine in nature and are taken on a cyclical basis.

Entities within the Group have their own boards, with their own delegated authority to management on decision making. The principal decisions of these companies are outlined in their individual strategic reports.

Employee and other stakeholder engagement

Regular engagement with our stakeholders, listening to them and taking on board any feedback, is key to achieving the long-term sustainability of the Arup Group.

Members

Everyone employed by Arup Group is a member. We are a people business, and our current and former members are the primary beneficiaries of the trusts that are shareholders of Arup Group Limited.

Arup Group Board and the Board engagement – The Arup Group Board and the Board engage with the members, directly or indirectly, in a number of different ways, including: reviewing and assessing the result of the bi-annual 'Working@Arup' survey, an annual meeting as well as regular online sessions with the most senior management, Board visits to Arup offices and project sites, regular internal performance reporting, initiative-specific consultation and co-creation, and regular membership events (including 'All Members' calls). Our intranet also provides necessary and useful information, including global, regional and community news. The directors of the Company are a direct part of the engagement by way of their roles in the Arup Group. In addition, management reporting to the Company's Board meetings contains relevant member updates, projects and contracts. This reporting enables the Board to perform their duties as directors.

The '2022 UKIMEA Wellbeing Survey' (October 2022) and the global 'Working@Arup Wellbeing Survey' (February 2023) provided insights on how the working environments are impacting members and their perspectives on various wellness factors that influence their work. Within the UKIMEA region, members feel empowered to showcase skills, access development resources, and discuss the impact of wellbeing on their work, however feedback was that there is a need for improvement in the proportion of those comfortable discussing their wellbeing transparently. Actions arising from the outcome of the surveys within the UKIMEA region included: improving awareness of office facilities such as quiet rooms, multi-faith rooms, parents' rooms and first aid rooms; promoting the use of 'wellbeing cards' to encourage positive behaviours and thoughts; training for leaders to create a proactive culture of wellness; and guidance for addressing wellbeing concerns and 'wellbeing conversations'.

After the implementation of the global 'Work Unbound' initiative and in response to the COVID-19 pandemic, remote working witnessed a notable increase. To support this shift, mandatory work-from-home training was introduced for all members. Additionally, equipment and resources were offered to ensure members could work remotely effectively.

The 'Future Voices' cohort is a global group of mid-career members with representatives in each region. This year, they have undertaken a review of our current annual performance appraisal process, actively seeking views from across the membership. A concept design was created for a new approach to the performance appraisal that would encourage more regular check-ins and enable a process of real-time learning, development and feedback for our membership. The concept design and recommendations are now being considered by the Global People Team in relation to the broader People Strategy and priorities.

Priorities for 2023/2024 – To expand our focus on global skills networks and the wellbeing commitments brought in last year.

Link to strategy – As a purpose-led business we aim for high levels of member engagement that in turn enable better solutions for clients and for the planet. We aim for Arup to be and be seen as a respectable employer, and for potential members to understand what we offer should they choose to develop their career here. Ensuring that those expectations are matched by the reality of experience that is provided helps us to retain the talent that we have invested in.

Clients

The clients who contract for services from within Arup Group are integral to who we are as a firm, providing both the income that sustains us and the opportunities to use our skills to deliver solutions. We work with our clients to deliver high quality work and build long-term trusted relationships across all our markets.

Each of our members is responsible for creating and strengthening the relationships with our clients. Building relationships goes beyond the project work we are doing with clients at any one time and calls for us to understand the key aspects of their business, anticipate their needs and offer solutions they will value.

Arup Group Board and the Board engagement – The Arup Group Board and the Board engage with our clients by directly engaging on projects, sponsoring client relationships, and acting as convener and member in leading market organisations (such as the World Economic Forum). The programme's objectives are to deliver exceptional client experiences to develop a client-first mindset, and to be curious, generous and open in conversation with our clients and each other as One Arup. This will allow us to shape opportunities to suit our strengths, deliver value for our clients, and realise more sustainable outcomes.

In addition, management reporting to the Company's Board meetings contains relevant information on projects and contracts. This reporting enables the Board to perform their duties as directors.

The UKIMEA Client Team works with the regional leadership to strengthen the governance of our client relationship management and better meet client needs. This includes updating our client relationship funding processes, ensuring our investment in client relationships match our strategy, and connecting client engagement activity to our purpose. This has contributed to improving the overall client experience. This process has also created better insights into our key clients and priorities, and created data to track investment against financial progress with these clients.

Priorities for 2023/2024 – To focus our investment in clients that match Arup Group's purpose and strategy, enabling us to become a leader in sustainable development. This means ensuring we are working with clients that will work with us to shape a better world. We aim to understand how we should connect with clients based on their commitments to sustainable development, ensure we have a client mix that matches our business growth, work to clear client engagement plans that both accelerate the achievement of sustainable development commitments and deliver better business and community outcomes, and bring teams to our clients that can deliver on the full potential of our collaboration.

Link to strategy – Each of our client relationships is informed by and linked to the Arup Group strategy through our integrated and annual business planning processes. The Client Relationship Programme is a key enabler for our strategy and purpose, as a client centric approach will increase both the value we bring to our clients and our ability to deliver better and more sustainable outcomes for them and for society.

Collaborators and suppliers

We have many close direct relationships including joint-ventures partners, contractors, consultants, and industry organisations.

Arup Group Board and the Board engagement – The Board has various engagement mechanisms including: holding senior positions in industry organisations e.g., the Royal Academy of Engineering, attendance at industry events, sub-consultant and supplier engagement on sustainable development approaches, engagement on compliance with modern slavery and human trafficking legislation. In addition, management reporting to the Company's Board meetings contains relevant information on projects and contracts. This reporting enables the Board to perform their duties as directors.

Suppliers were engaged with through the launch of a new Supplier Portal, which serves as a unified entry-point for all suppliers and subconsultants, focusing on those in the UK initially. This initiative has resulted in increased efficiency of collaboration between the Group and our suppliers.

The signing of a Sustainable Procurement Vision Statement by the UKIMEA Region COO in August 2022 outlined our commitment to enhancing the environmental, social, and ethical performance of our business by addressing key areas in the procurement of goods and services. Active engagement with suppliers through this commitment has helped to promote sustainable practices and foster a collaborative approach to improve procurement performance throughout the entire supply chain, exerting a positive influence on suppliers, and working together towards a more sustainable future.

Priorities for 2023/2024 – To work with suppliers and collaborators to ensure a continued focus on sustainable development and climate related issues.

Link to strategy – To deliver excellence and achieve our strategy, we need to supplement our own capacity with the expertise of others who share our values.

Community and society

Our vision is to shape a better world and Arup Group engages with many parts of the society with those impacted or influenced by our work including end users, and communities local to our projects, charities, prospective members, and those who we can engage with to extend our influence.

Arup Group Board has committed to direct a proportion of our annual income to the Global Community Engagement programme, which delivers our charitable contribution to a more inclusive, resilient, and sustainable future for all, in particular underserved communities our commercial work might not reach.

Arup Group Board and the Board engagement – The Arup Group Board and the Board engage through the Arup Group's senior positions, and participation, in policy setting, government and regulatory forums; partnership with influencers e.g., Ellen McArthur Foundation, C40 Cities, World Business Council for Sustainable Development; membership of the World Economic Forum and UN Global Compact and Community Engagement programme.

In the UKIMEA region during this financial year, the focus was on reducing inequities with a particular focus on opportunities that aim to increase social mobility. Activities supported included development of STEM learning modules to inspire students from disadvantaged backgrounds, mentoring individuals with refugee status, and structural engineering services to community facilities serving those in need.

Priorities for 2023/2024 – To continue the commitment to the Global Community Engagement programme to ensure further high impact activities, specifically in relation to reducing inequities and providing access to sustainable, resilient, safe, affordable, and 'green' infrastructure, and shelter.

Link to strategy – The Global Community Engagement strategy focuses on the most disadvantaged, marginalised and vulnerable communities, and places added emphasis on the importance of longer-term partnering with charities and NGOs to deliver positive impact at scale.

On behalf of the Board

Martin James Ansley-Young

Director

31 October 2023

Registered office: 8 Fitzroy Street, London, W1T 4BJ, United Kingdom

Directors' report

The directors present their annual directors' report together with the audited financial statements for Ove Arup Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 March 2023 which was approved by the Board.

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

Principal activities

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

Branches

The Group has registered branches in Abu Dhabi, Dubai, France, the Maldives, Oman and Peru. The Group also has a branch in Qatar which has ceased to trade and will de-register in due course. The Poland branch was de-registered on 6 June 2023.

General information

The Company is a private limited company registered in England and Wales under company number 7804146 at registered address 8 Fitzroy Street, London, W1T 4BJ, United Kingdom. The Company's parent company is Arup Group Limited registered in England and Wales under company number 1312454.

Future developments

The Group will continue to operate in similar markets. To ensure that the Group is positioned for long-term success, the Board takes into account a broad range of factors including: the level of committed work and future work prospects; Arup Group's reputation and our ability to attract good quality projects and clients; the diversification of the business by service, business sector and geography; actual and projected results and cashflow; sufficiency of access to financial resources; and Arup Group's ability to attract highly talented members.

Dividends

Any dividends paid or declared have been disclosed in note 29 to the financial statements.

Directors

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

Ansley-Young, Martin James
Carfrae, Tristram George Allen
Coughlan, Paul Anthony

Directors' remuneration

Directors' remuneration has been disclosed in note 7 to the financial statements.

No directors were employees of the Company, and no directors received any remuneration for services to the Company.

Directors' indemnities

As permitted by the Company's Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the UK Companies Act 2006.

The indemnity was in force throughout the financial year and is currently in force.

The Arup Group also purchased and maintained throughout the financial year Directors' and Officers' Liability Insurance in respect of itself, its directors and officers.

Independent auditors

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

Financial risk management

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

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

Notes 2 and 3.1 to the financial statements provide further information on accounting for exchange rate differences.

Going concern

These financial statements have been prepared on the going concern basis. Note 2 in the notes to the financial statements provides further information.

Governance

Arup Group applies their own corporate governance framework that is based upon the same principles of good governance and long-term sustainable success as those reflected in the UK Corporate Governance Code 2018. As a subsidiary operating within the Arup Group, the Company adopts and applies Arup Group's corporate governance framework to ensure that Arup Group's values, policies and processes are adhered to, and its members and businesses act in a clear, accountable and consistent manner.

This is implemented through a series of measures including:

- Delegation of authority is in place for the Company with clear levels of delegated responsibility to a management team, including matters reserved by the Board. The management team make the operational decisions and engage with the key stakeholders on behalf of the Board;
- The management team report back to the Board on a quarterly basis or on a needs basis;
- The Company adheres to Arup Group's six core policies which are updated and adopted on an annual basis and apply across the business in the day-to-day operations. The policies are publicly available on Arup.com;
- A Business Integrity Code of Practice has been adopted and communicated to members which includes measures to recognise and prevent bribery, corruption, modern slavery and human trafficking;
- All directors (and members) must undertake compulsory code of conduct training and health and safety training on a triennial basis to reinforce ethical behaviour and a high standard of behaviour;
- The Board is appointed by the parent company to achieve a balance of local business knowledge and skills based on professional expertise and tenure with the Company;
- Half-yearly or quarterly board meetings are held for operating subsidiaries;
- Agendas are set between the company secretary and chair of each Board to a planned timetable of matters that need to be addressed throughout the financial year;
- Governance and compliance reviews are included at quarterly board meetings;
- Each subsidiary company within the Arup Group keeps a register of directors' interests which is reviewed and updated at every board meeting. Subsidiary directors often hold cross-directorships within the Arup Group so all subsidiary company articles of association contain express provisions that directors may hold such positions without it being considered a conflict of interest; and
- A mandatory statutory directors' duties training module was introduced during 2021 for all statutory directors of Arup Group including the Company, in addition the module is supplemented by a Company specific induction by the company secretary.

Research and development

Arup Group invests in a global research programme which underpins the strategy, with a particular focus on 2022/2023 in providing research outcomes directly relevant to the Global Portfolios. This is managed by a research faculty within Arup University who administer the award of funds, the research techniques utilised, and the communication of the research throughout Arup Group, and externally to our clients and collaborators.

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

Employees

Since 1979 Arup has been owned by Trusts for the benefit of our members. The directors are responsible for assuring themselves that the adoption of the Arup Group policies and their implementation by the management team enable the Company to fulfil all statutory duties and other legal requirements relevant to the members and prospective members.

All members and prospective members receive equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation. Regular monitoring reports are provided by the management team to the Board, including matters related to member health, safety and wellbeing, and diversity and inclusion.

Arup Group’s policies, and commitments to our members and prospective members, are detailed in the ‘Group policies’, ‘Our members’ and ‘Diversity and inclusion’ sections of the Arup Group governance report on Arup.com.

The ‘Employee and other stakeholder engagement’ section within the strategic report provides details of the Company’s engagement with members.

Carbon emissions

In October 2019 the Arup Group committed to be a net zero carbon organisation by March 2030, and that we would reduce absolute scope 1 and 2 Greenhouse Gas (“GHG”) emissions 30% by March 2025 from a 2018/19 baseline year. The Arup Group has also committed to reduce absolute scope 3 GHG emissions 30% by March 2025 from a 2018/19 baseline year; this includes a target to reduce business travel by 50% from the baseline.

In November 2021 the Arup Group committed to undertaking whole lifecycle carbon assessments for all our buildings projects, new and retrofit, from April 2022. The Arup Group also announced it will not pursue any new energy commissions that support the extraction, refinement, or transportation of hydrocarbon-based fuels.

Further details of Arup Group’s commitments to achieve Net Zero including our Net Zero Carbon Strategy and our Net Zero GHG Emissions Statement, can be found in ‘Our global commitments’ section on Arup.com.

Streamlined Energy and Carbon Report (SECR)

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

Scope	2023	2022
UK energy use kWh [1]	13,049,164	13,666,750
Associated GHG emissions [2] tCO_2e	2,765	2,833
Intensity ratio tCO_2e per m^2 net lettable area	0.05	0.06

1. Energy use associated with combustion of gas, combustion of fuel used for fleet vehicles and grey fleet (hire vehicles and personal mileage), electricity consumption and district heating for Ove Arup & Partners International Limited.
2. Associated GHG have been calculated using the GHG Protocol Corporate Accounting and Reporting Standard and UK Government GHG Conversion Factors for Company Reporting 2022.

During the 2022/2023 financial year the following energy efficiency actions were taken for the United Kingdom operating subsidiary Ove Arup & Partners International Limited:

- We are prioritising future net zero carbon buildings when planning future office moves.
- Energy efficiency is prioritised in office space, with lighting retrofit in office achieving approximately 120,000 kWh of savings.
- Business travel continued to be closely monitored to ensure we limit higher emission modes of travel and embrace hybrid meetings.

While the landscape of ESG reporting is evolving rapidly, changes in UK regulations will result in Arup Group becoming subject to mandatory climate disclosures for the year ending 31 March 2024. We are in the process of assessing the actions that will be needed but have chosen to prepare an initial response in these financial statements with a view to building on this in successive reports. To meet these regulatory requirements and other public commitments Arup will disclose to the TCFD in 2024 and publish a nature based target that will be set this year. Arup Group has appointed James Geaney as Head of ESG Reporting in September 2023.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standards 101 'Reduced Disclosure Framework' ("FRS 101"), and applicable law).

Under company law, 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 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 UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's 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.

Stakeholder engagement and S.172(1) statement

Pursuant to the Companies (Miscellaneous Reporting) Regulations 2018, we acknowledge the importance of stakeholder engagement and fulfilling our duties under S.172(1). Our strategic report provides a comprehensive account of our stakeholder engagement activities and our approach to fulfilling our S.172(1) obligations.

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's 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's and Company's auditors are aware of that information.

On behalf of the Board

Martin James Ansley-Young

Director

31 October 2023

Registered office: 8 Fitzroy Street, London, W1T 4BJ, United Kingdom

Independent auditors’ report to the members of Ove Arup Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Ove Arup Holdings Limited’s group financial statements and company financial statements (the “financial statements”) give a true and fair view of the state of the group’s and of the company’s affairs as at 31 March 2023 and of the group’s profit and the group’s cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 “Reduced Disclosure Framework”, and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements and Reports (the “Annual Report”), which comprise: the Consolidated balance sheet and Company balance sheet as at 31 March 2023; the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity and Consolidated statement of cash flows 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibility in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to pension legislation, employment legislation and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate results and potential management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and industry in which it operates and considering the risk of non-compliance of these laws and regulations. We held discussions with management and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations, that could give rise to a material misstatement in the Group and Company financial statements.
- Addressing the risk of management override of controls through the testing of journals which met specific risk criteria, and evaluating whether there was evidence of management bias throughout our audit procedures.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulation; and
- Challenging assumptions and judgements made by management to its significant accounting estimates, in particular in relation to contract accounting, valuation of trade receivables and contract assets, litigation provisions and recoverability of investment in subsidiaries (Company only).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.

Jonathan Sturges (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 October 2023

Consolidated income statement

For the year ended 31 March 2023

	Note	2023	2022
		£'m	£'m
Revenue	5	1,033.6	918.8
Employee benefit expense	6	(518.5)	(467.4)
Charges from sub-consultants and other direct project expenses		(266.0)	(250.8)
Depreciation and amortisation expense	11, 12 & 13	(31.2)	(30.4)
Accommodation		(21.1)	(16.4)
Communications and other overheads		(138.7)	(119.0)
Net reversal of impairment losses / (impairment losses) on financial and contract assets		7.5	(2.4)
		(968.0)	(886.4)
Operating profit	8	65.6	32.4
Finance income	9	6.7	2.2
Finance costs	9	(9.7)	(11.1)
Profit before income tax		62.6	23.5
Income tax charge	10	(7.9)	(14.0)
Profit for the financial year		54.7	9.5

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

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the year ended 31 March 2023

	2023	2022
	£'m	£'m
Profit for the financial year	54.7	9.5
Other comprehensive (expense) / income		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations - net of tax	(21.0)	55.5
	(21.0)	55.5
Items that may be reclassified subsequently to profit or loss		
Currency translation differences - gains	1.0	0.5
Other comprehensive (expense) / income for the year - net of tax	(20.0)	56.0
Total comprehensive income for the year	34.7	65.5

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Registration number 7804146

Consolidated balance sheet

As at 31 March 2023

	Note	31 March 2023 £'m	31 March 2022 £'m
Assets			
Non-current assets			
Property, plant and equipment	11	40.4	38.1
Right-of-use assets	12	247.9	247.1
Intangible assets	13	3.6	0.5
Deferred income tax assets	22	30.0	20.0
		321.9	305.7
Current assets			
Contract assets	16	42.9	35.6
Trade and other receivables	17	441.7	455.7
Cash and cash equivalents	18	48.0	44.0
		532.6	535.3
Total assets		854.5	841.0
Liabilities			
Current liabilities			
Borrowings	19	1.0	1.0
Trade and other payables	20	112.8	126.8
Contract liabilities	16	99.8	116.7
Current income tax liabilities		1.9	1.1
Lease liabilities	12	7.1	12.6
Provisions for other liabilities and charges	21	3.8	7.3
		226.4	265.5

	Note	31 March 2023 £'m	31 March 2022 £'m
Non-current liabilities			
Lease liabilities	12	273.1	258.9
Deferred income tax liabilities	22	0.3	0.4
Post-employment benefit liabilities	23	57.3	48.5
Provisions for other liabilities and charges	21	3.9	8.9
		334.6	316.7
Total liabilities		561.0	582.2
Net assets		293.5	258.8
Equity			
Share capital	24	19.6	19.6
Retained earnings		266.3	232.6
Currency translation reserves		7.6	6.6
Total equity		293.5	258.8

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 12 to 62 were approved and authorised for issue by the Board of directors and signed on its behalf by:

Martin James Ansley-Young

Director

31 October 2023

Registration number 7804146

Company balance sheet

As at 31 March 2023

	Note	31 March 2023 £'m	31 March 2022 £'m
Assets			
Non-current assets			
Investments in subsidiaries	14	60.6	54.0
		60.6	54.0
Current assets			
Trade and other receivables	17	1.1	1.1
		1.1	1.1
Total assets		61.7	55.1
Liabilities			
Current liabilities			
Borrowings	19	1.0	1.0
Trade and other payables	20	0.0	0.0
		1.0	1.0
Total liabilities		1.0	1.0
Net assets		60.7	54.1

	Note	31 March 2023 £'m	31 March 2022 £'m
Equity			
Share capital	24	19.6	19.6
Retained earnings		41.1	34.5
Total equity		60.7	54.1

The Company's profit and total comprehensive income for the year was £6.6m (2022: loss and total comprehensive expense of £3.1m).

The above Company balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 12 to 62 were approved and authorised for issue by the Board of directors and signed on its behalf by:

Martin Ansley-Young

Martin James Ansley-Young

Director

31 October 2023

Consolidated statement of changes in equity

For the year ended 31 March 2023

	Share capital	Currency translation reserve	Retained earnings	Total equity
	£'m	£'m	£'m	£'m
Balance as at 1 April 2021	19.6	6.1	167.6	193.3
Profit for the financial year	-	-	9.5	9.5
Remeasurement of post-employment obligations	-	-	52.4	52.4
Remeasurement of post-employment obligations - tax	-	-	3.1	3.1
Currency translation differences - gains	-	0.5	-	0.5
Other comprehensive income for the year	-	0.5	55.5	56.0
Total comprehensive income for the year	-	0.5	65.0	65.5
Balance as at 31 March 2022	19.6	6.6	232.6	258.8
Profit for the financial year	-	-	54.7	54.7
Remeasurement of post-employment obligations	-	-	(28.0)	(28.0)
Remeasurement of post-employment obligations - tax	-	-	7.0	7.0
Currency translation differences - gains	-	1.0	-	1.0
Other comprehensive income / (expense) for the year	-	1.0	(21.0)	(20.0)
Total comprehensive income for the year	-	1.0	33.7	34.7
Balance as at 31 March 2023	19.6	7.6	266.3	293.5

Company statement of changes in equity

For the year ended 31 March 2023

	Share capital	Retained earnings	Total equity
	£'m	£'m	£'m
Balance as at 1 April 2021	19.6	37.6	57.2
Loss for the financial year	-	(3.1)	(3.1)
Total comprehensive expense for the year	-	(3.1)	(3.1)
Balance as at 31 March 2022	19.6	34.5	54.1
Profit for the financial year	-	6.6	6.6
Total comprehensive income for the year	-	6.6	6.6
Balance as at 31 March 2023	19.6	41.1	60.7

Consolidated statement of cash flows

For the year ended 31 March 2023

	Note	2023 £'m	2022 £'m
Cash flows from operating activities			
Cash (used in) / generated from operations	25	(18.4)	64.4
Interest paid		(8.4)	(8.1)
Interest received		6.5	1.5
Income tax paid		(1.4)	(3.2)
Net cash (used in) / generated from operating activities		(21.7)	54.6
Cash flows from investing activities			
Purchases of property, plant and equipment	11	(11.5)	(22.6)
Proceeds from sale of property, plant and equipment		0.2	0.0
Purchases of intangible assets	13	(3.4)	(0.1)
Loans granted to related parties	27	(121.4)	(189.0)
Loan repayments received from related parties	27	170.3	172.1
Net cash generated from / (used in) investing activities		34.2	(39.6)
Cash flows from financing activities			
Principal elements of lease payments	12	(12.9)	(13.4)
Proceeds from loans granted by related parties		9.6	11.8
Loan repayments paid to related parties		(5.5)	(0.9)
Net cash used in financing activities		(8.8)	(2.5)
Net increase in cash and cash equivalents		3.7	12.5
Cash and cash equivalents at the beginning of the year		44.0	31.0
Exchange gains on cash and cash equivalents		0.3	0.5
Cash and cash equivalents at the end of the year		48.0	44.0

Notes to the financial statements

For the year ended 31 March 2023

1 Incorporation

Ove Arup Holdings Limited is a private company limited by shares which is incorporated in England and Wales. The address of the registered office is 8 Fitzroy Street, London, W1T 4BJ, United Kingdom.

2 Significant accounting policies

2.1 Basis of preparation

Group

The Group's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. These financial statements have been prepared under the historical cost convention, except for pension plan assets and financial assets and liabilities that are measured at fair values at the end of each reporting period, as explained in the accounting policies.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Arup Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the preparation of the consolidated financial statements are disclosed in note 4.

Company

The Company's financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS101. These financial statements have been prepared under the historical cost convention, except for financial assets and liabilities that are measured at fair values at the end of each reporting period, as explained in the accounting policies.

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

The profit and total comprehensive income for the year was £6.6m (2022: loss and total comprehensive expense of £3.1m).

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

- Paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, 'Business Combinations';
- Paragraph 33(c) of IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations';
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers';
- The requirements of paragraph 52, paragraph 58, the second sentence of paragraph 89 and paragraphs 90, 91 and 93 of IFRS 16, 'Leases';
- Paragraph 38 of IAS 1, 'Presentation of Financial Statements' comparative information requirements in respect of:
  - 79(a)(iv) of IAS 1, 'Presentation of Financial Statements' (reconciliation of the number of shares outstanding at the beginning and end of the period);
  - 73(e) of IAS 16, 'Property, Plant and Equipment' (reconciliation of the carrying amount at the beginning and end of the period);
  - 118(e) of IAS 38, 'Intangible Assets' (reconciliation of the carrying amount at the beginning and end of the period); and
  - 76 and 79(d) of IAS 40, 'Investment Property' (reconciliation of the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1:
  - 10(d) (statement of cash flows);
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with IFRSs);
  - 38A (requirement for minimum of two primary statements including cash flow statements);
  - 38B-D (additional comparative information);

  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).

- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- IAS 24 (disclosure of related party transactions entered into between two or more members of a group providing that the parties are wholly owned by the group).

2.2 Going concern

The directors have a reasonable expectation that the Group and Company have access to adequate resources to continue in operational existence for the foreseeable future. The Group and Company continue to meet their day-to-day working capital requirements through their cash reserves and other financial support available within the Arup Group. The directors have also considered other factors which could have an adverse impact on the Group and Company's going concern assessments. The directors have obtained assurance of financial support from Arup Group Limited and other relevant entities within the Arup Group, for a period of at least 12 months from the date of approving the financial statements. Management of Arup Group have performed analysis on future projections of financial performance and cashflow and even after considering the downside scenario, it is satisfied that Arup Group can take sufficient mitigating action, where necessary, to ensure that resources remain sufficient over the forecasting period and that it has adequate resources to continue operations and provide financial support to the Group and Company for the foreseeable future. As such, the Group and Company's financial statements have been prepared on the going concern basis.

2.3 Changes in accounting policies and disclosures

New standards, amendments and interpretations

There are no amendments to accounting standards, or IFRS Interpretations Committee ("IFRIC") interpretations that are effective for the year ended 31 March 2023 that have a material impact on the Group and Company.

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

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods ending 31 March 2023 and have not been early adopted by the Group and Company.

IAS 12, 'Income Taxes' has been amended to clarify that the initial recognition exemption is not applicable to transactions such as lease arrangements. The Group and Company are currently assessing the impact of this change, however expect there to be a material impact to deferred tax assets and liabilities.

With the exception of the amendments to IAS 12, these new standards, amendments and interpretations are not expected to have a material impact on the Group and Company in the current or future reporting periods or on foreseeable future transactions.

2.4 Accounting policies

The following are the significant accounting policies applied by the Group and Company in preparing the financial statements. All accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

Impairment of non-financial assets

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

Financial assets

Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value through profit or loss (“FVPL”);
- those to be measured subsequently at fair value through other comprehensive income (“FVOCI”); and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in communications and other overheads together with foreign exchange gains and losses.

Offsetting financial instruments

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

Impairment of financial assets

Assets carried at amortised cost

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

Revenue

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

Revenue represents the value of work performed on contracts in the year. For contracts on which revenue exceeds fees rendered, the excess is included as contract assets. For contracts on which fees rendered exceed revenue, the excess is included as contract liabilities. The value of long term contracts is based on recoverable costs plus attributable profit. Cost is defined as staff costs and related overheads plus project expenses. Further details on this are disclosed in note 4.

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

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

Employee benefits

Global profit-share scheme

The Group recognises a liability and an expense for the global profit-share scheme, based on a formula that takes into consideration the employees' salary and grade.

Pension obligations

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

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

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method (see note 23).

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

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

For defined contribution plans, the Group pays contributions to publicly or privately administrated pension insurance plans on a mandatory contractual or voluntary basis. The Group has no further payment obligation once the contributions have been paid.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

Income tax charge

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

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

Property, plant and equipment

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Leasehold improvements	Duration of the lease
Furniture, fittings & IT hardware	3 - 10 years

Intangible assets

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

Development costs are capitalised when they meet the criteria of IAS 38. Whilst still in development, such assets are considered to have indefinite life and reviewed each year for impairment.

Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

Contract assets and liabilities

Contract costs

Contract assets represent unbilled revenue on contracts. Generally, the unbilled revenue at the balance sheet date has not been invoiced due to a payment schedule being in place.

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.

Pre-contract costs

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

Contract liabilities

Contract liabilities represents fees on contracts billed in advance of performing the related services.

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 recognised at fair value and are subsequently measures at amortised cost.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

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.

Provisions for other liabilities and charges

Provisions for other liabilities

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

Property provision

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

Legal claims

As a part of the ordinary business activities of the Group, claims may arise in relation to work undertaken by an entity within the Group. Professional indemnity insurance and / or project insurance policies are ordinarily taken out to substantially cover any claim that may arise from time to time. This is disclosed further in note 4.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

Leases

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

The Group leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 year to 15 years, but may have extension options as described in (ii) below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of property for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

If the Group is exposed to potential future increases in variable lease payments based on an index or rate, they are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use buildings are not revalued.

Short-term leases are leases with a lease term of 12 months or less. The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value assets recognition exemption to leases of assets below US$5,000. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement.

(ii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

(iii) Variable lease payments

The Group has not entered into leases with variable payments tied to the performance of the business. The Group has annual rent reviews for any property leases where the extension option has been taken.

Deferred income tax

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. For unused tax losses where there is a history of recent losses, deferred income tax assets are not recognised unless it is more than probable that they will be utilised.

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

3 Financial risk management

3.1 Financial risk factors

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

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

a) Market risk

i) Foreign exchange risk

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

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

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

The Group’s primary exposure to foreign exchange risk on unhedged financial assets and liabilities arises mainly in respect of movements between pound sterling (“GBP”), Emirati dirham (“AED”), Australian dollar (“AUD”), Euro (“EUR”), Hong Kond dollar (“HKD”), Indian rupee (“INR”), Kuwaiti dinar (“KWD”), Qatari riyal (“QAR”) and United States dollar (“USD”).

At 31 March 2023, if pound sterling had changed against the currencies listed below by 10% with all the other variables remaining constant the impact would be as follows:

	Profit after tax (decrease) / increase	Profit after tax increase / (decrease)	Total equity (decrease) / increase	Total equity increase / (decrease)
	2023	2022	2023	2022
	£'m	£'m	£'m	£'m
GBP/AED exchange rate - increase 10%	(0.1)	0.3	(9.0)	0.5
GBP/AED exchange rate - decrease 10%	0.1	(0.3)	11.0	(0.7)
GBP/AUD exchange rate - increase 10%	0.1	0.2	2.8	0.0
GBP/AUD exchange rate - decrease 10%	(0.2)	(0.3)	(3.4)	(0.0)
GBP/EUR exchange rate - increase 10%	0.2	0.1	2.0	0.0
GBP/EUR exchange rate - decrease 10%	(0.2)	(0.1)	(2.4)	(0.0)
GBP/HKD exchange rate - increase 10%	0.1	0.0	2.0	(0.0)
GBP/HKD exchange rate - decrease 10%	(0.1)	(0.0)	(2.4)	0.0
GBP/INR exchange rate - increase 10%	(0.4)	(0.4)	(0.6)	(0.4)
GBP/INR exchange rate - decrease 10%	0.4	0.5	0.7	0.5
GBP/KWD exchange rate - increase 10%	(0.2)	(0.3)	0.4	(0.4)
GBP/KWD exchange rate - decrease 10%	0.3	0.4	(0.5)	0.5
GBP/QAR exchange rate - increase 10%	(0.0)	(0.0)	1.0	0.0
GBP/QAR exchange rate - decrease 10%	0.0	0.0	(1.2)	(0.0)
GBP/USD exchange rate - increase 10%	(0.0)	0.1	2.0	0.4
GBP/USD exchange rate - decrease 10%	0.0	(0.1)	(2.4)	(0.4)

ii) Interest rate risk

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

b) Credit risk

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

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

For cash and cash equivalents, cash investments are held with banks with a minimum credit rating of A-3/P2.

c) Liquidity risk

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

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

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

	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As at 31 March 2023	£'m	£'m	£'m	£'m
Loan from related party	1.0	-	-	-
Trade and other payables excluding non-financial liabilities	91.8	-	-	-

	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As at 31 March 2022	£'m	£'m	£'m	£'m
Loan from related party	1.0	-	-	-
Trade and other payables excluding non-financial liabilities	105.9	-	-	-

In addition to the table above, the maturity profile of lease liabilities are disclosed in note 12.

3.2 Capital risk management

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

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

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

At 31 March 2023 the Group had no external borrowings (2022: nil).

3.3 Fair value estimation

The Group has no financial instruments at fair value by the valuation method (2022: nil). No further fair value estimation disclosure is provided.

4 Critical accounting estimates and judgements

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

Group

Contract accounting (estimates and judgements)

The Group's revenue accounting policy (note 2.4) is central to how the Group values the work it has carried out in each financial year. This policy requires forecasts to be made on the current percentage complete and the projected outcomes of projects. The key estimates and judgements in determining the revenue and profitability of projects within the Group's financial statements are:

- Percentage completion: usually calculated by taking actual salary expense incurred as a percentage of forecasted salary expense. Estimation is required in determining the forecasted salary expense;
- Profitability of a project: project teams use their judgement to estimate the costs to complete a project. These include an assessment of the need for additional contingencies to cover potential unknown expenses;
- Modifications: where a modification to a contract occurs, judgement is made on whether the modification is distinct, or intrinsically connected to the original contract. Where it is not distinct, the original project is reforecasted for the additional income and costs to complete; and
- Pain / gain share: where the Group engages with another joint operator to provide a service to a client, there are additional risks regarding work outside of the Group's direct control. Project teams use their judgement, to estimate their share of any pain and include this in their cost to complete forecasts. Gain share is only recognised in forecast income once it is virtually certain.

While those estimates made are based on professional judgements, subsequent events may mean that calculations based on these estimates prove to be inaccurate, with a consequent effect on the reported result.

Projects may contain contingencies in their accounting estimates. These contingencies are for potential additional costs that may be required to complete the project. Such costs are only included when they are deemed more likely than not. Management have reviewed ongoing projects as at 31 March 2023 and are satisfied that it is reasonable to include these contingencies. There is a specific combination of contracts that require significant accounting estimates for which, as at 31 March 2023, contingencies totalling £26.9m have been forecast. These contingencies reflect management's best estimate of outflows or the cost of remediation of work done to 31 March 2023. However, there is uncertainty in respect of the extent and magnitude of the associated costs included in the contingencies, most notably whether the amounts recognised will be fully utilised. Management has estimated a range of outcomes from £19.3m up to a maximum of £34.9m relating to the recorded position at the balance sheet date. Based on the information available as at 31 March 2023, management does not consider there to be any significant risks of material change to the estimates that feed into contract accounting within the next financial year on the other remaining contracts.

Forecasted income represents income that has been agreed with the client. Fees from modifications are only recognised once they have been agreed with the client.

Measuring the outcome of the performance obligations can take time due to the multi-year lifespan of the Group's contracts. Where the project is forecasted to make a profit, the Group recognises revenue only to the extent of the costs incurred until the project reaches 50% complete on a standard risk project and 95% complete on a high risk project. Management have reviewed projects across the Group and have used their judgement to establish these percentages. Once a project reaches 50% / 95% complete, so long as it is not categorised as onerous, profit is recognised in line with its percentage completion.

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

The Group makes an estimate of the recoverable value of trade receivables and contract assets. When assessing impairment, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Group applies the simplified approach for IFRS 9 when measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See notes 16 and 17 for the net carrying amounts of the contract assets, trade receivables and associated impairment provisions.

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

Defined benefit pension schemes (estimates and judgements)

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

An estimate of the sensitivity to changes in key assumptions is disclosed in note 23.

Legal claims (estimates and judgements)

From time to time the Arup Group receives claims from clients with regards to work performed on projects. The Arup Group has professional indemnity insurance and / or project insurance policies in place for such situations. Significant judgement is required to determine whether a provision liability should be put in place for these claims. Accounting estimates are made to value these claims utilising both internal and external sources as well as the result of past experience. Assumptions are used in making these estimates and as such subsequent events may mean that they prove to be inaccurate, with an adjustment made in a future year. The Arup Group recognises that accounting standards require that professional indemnity insurance should be recognised as a reimbursement only when it is virtually certain that the reimbursement will be received. No separate disclosure is made of the detail of such claims or proceedings, or the costs recovered by insurance, as to do so could seriously prejudice the position of the Arup Group.

Lease accounting (judgements)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). In light of the impact COVID-19 has had on office occupancy as a result of employees working from home, where a lease has the option to extend, management have made the judgement that it will not be extended unless there is evidence otherwise.

As at 31 March 2023, potential future cash outflows of £430.5m (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). As at 31 March 2023, potential future cash savings of £23.5m (undiscounted) have been excluded from the lease liability because it is not reasonably certain that the leases will be terminated.

Company

Investment in subsidiaries (estimates and judgements)

The Company holds investments in subsidiaries at cost. On an annual basis management of the Company uses judgement to assess whether there is objective evidence that the carrying value of the investments needs to be considered for impairment. When a triggering event occurs, estimation is used to project the future returns from the investment and an impairment is made if this falls below the carrying value of the asset.

5 Revenue

Group

The total revenue recognised in the year that was included in contract liabilities at the beginning of the year was £117.6m (2022: £107.8m).

The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £662.4m (2022: £622.3m).

The aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at the balance sheet date is £210.2m (2022: £540.4m). The Group expects that this will be recognised over the next 1 to 10 years.

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

	2023	2022
	£'m	£'m
Revenue by destination		
United Kingdom	724.8	650.5
Asia	86.4	79.6
Europe	76.0	20.0
Americas	63.5	70.4
Australasia	58.1	36.4
Middle East & Africa	24.8	61.9
	1,033.6	918.8

6 Employee benefit expense

Group	2023 £'m	2022 £'m
Wages and salaries	361.3	315.6
Global profit-share scheme	52.0	59.8
Social security costs	48.7	43.0
Pension contributions	36.5	34.2
Headcount reduction costs	1.1	0.5
Other staff costs	18.9	14.3
	518.5	467.4

Average monthly number of people employed	2023 Number	2022 Number
Engineering and technical staff	5,687	5,132
Administrative staff	1,196	1,059
	6,883	6,191

Company

The Company has no employees (2022: nil).

7 Directors' remuneration

Group and Company

The directors' remunerations were as follows:

	2023 £'m	2022 £'m
Aggregate remuneration	2.0	2.1
Aggregate contributions paid to defined contribution schemes	0.0	0.0

	2023 Number	2022 Number
Defined benefit schemes	2	2

	2023	2022
The highest paid director:	£'m	£'m
Remuneration excluding contributions paid to pension schemes	0.8	0.9
Contributions paid to defined contribution schemes	0.0	0.0
	0.8	0.9

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

8 Operating profit

Group	2023	2022
	£'m	£'m
This is stated after charging / (crediting):		
During the year, the Group obtained the following services from the Company's auditors:		
– Audit of Company and consolidated financial statements	0.0	0.0
Fees payable for other services:		
– Audit of the Company's subsidiaries, pursuant to legislation	1.2	0.6
– Other audit related assurance services	0.0	0.0
(Gain) / loss on disposal of property, plant and equipment	(0.1)	1.3
Loss on disposal of intangible assets	0.0	0.0
Gain on exchange from trading activities	(0.4)	(2.0)
Research and development costs	34.4	34.1
Amortisation of intangible assets	0.2	0.3
Depreciation of property, plant and equipment	9.0	7.5
Depreciation of right-of-use assets	22.0	22.6
Global and / or regional support costs	9.6	6.8

9 Net finance costs

Group	2023	2022
	£'m	£'m
Interest expense on borrowings	(0.1)	(0.1)
Interest expense on lease liabilities	(7.9)	(8.1)
Interest expense – Arup Group undertakings	(0.6)	(0.4)
Net finance costs on net post-employment benefit liabilities	(1.1)	(2.4)
Other finance costs	(0.0)	(0.1)
Total finance costs	(9.7)	(11.1)
Interest receivable on short term bank deposits	3.1	0.2
Interest receivable – Arup Group undertakings	3.6	2.0
Other interest receivables	0.0	-
Total finance income	6.7	2.2
Net finance costs	(3.0)	(8.9)

Interest due to / from Arup Group undertakings is in regards to the Arup Group's cash pooling facility and short term inter-group loans provided by / to the Group.

10 Income tax charge

Group

(a) Analysis of total income tax charge

	2023	2022
	£'m	£'m
Current income tax		
– Current income tax on profits for the year	6.8	4.3
– Adjustment in respect of prior years	4.1	(0.4)
Total current income tax	10.9	3.9
Deferred income tax (note 22)		
– Origination and reversal of temporary differences	3.3	2.4
– Effect of changes in tax rates	-	7.7
– (Over) / under provision of deferred income tax in respect of prior years	(6.3)	0.0
Total deferred income tax	(3.0)	10.1
Total income tax charge	7.9	14.0

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

The tax assessed for the year is lower (2022: higher) than the amount computed at the standard rate of corporation tax in the UK 19% (2022: 19%). The differences are explained below:

	2023	2022
	£'m	£'m
Profit before income tax	62.6	23.5
Profit before income tax multiplied by the standard rate of corporation tax in the UK	11.9	4.5
Effects of:		
Group relief	(3.4)	(1.9)
Impact of change in accounting standards	(0.0)	(0.1)
Income not subject to tax	(2.7)	(0.1)
Expenses not deductible for tax purposes	3.9	1.0
Impact of non-UK tax	(0.0)	4.0
Tax decrease arising from non-UK tax suffered	(0.4)	
Utilisation of tax losses for which no deferred income tax asset was recognised	-	(0.3)
Remeasurement of deferred income tax - change in tax rates	0.8	7.3
Adjustment in respect of prior years	(2.2)	(0.4)
Total tax charge	7.9	14.0

(c) Factors affecting current and future income tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main rate of UK corporation tax rate will increase from 19% to 25%. This new rate was substantively enacted on 24 May 2021 and therefore its impact has been reflected in the measurement of deferred taxes in the financial statements.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception under the proposed IAS 12 amendment to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

For the year ending 31 March 2023 local tax rates have been used to calculate deferred income tax assets and liabilities

11 Property, plant and equipment

Group	Leasehold improvements	Furniture, fittings & IT hardware	Total
	£'m	£'m	£'m
Cost			
Balance at 1 April 2021	37.4	46.6	84.0
Additions	19.3	3.3	22.6
Disposals	(7.6)	(9.2)	(16.8)
Adjustment for exchange differences	-	0.1	0.1
Balance at 31 March 2022	49.1	40.8	89.9
Additions	2.1	9.4	11.5
Disposals	(7.8)	(10.3)	(18.1)
Adjustment for exchange differences	-	0.2	0.2
Balance at 31 March 2023	43.4	40.1	83.5
Accumulated depreciation			
Balance at 1 April 2021	25.8	34.0	59.8
Charge for the year	2.4	5.1	7.5
Disposals	(6.6)	(9.0)	(15.6)
Adjustment for exchange differences	-	0.1	0.1
Balance at 31 March 2022	21.6	30.2	51.8
Charge for the year	3.3	5.7	9.0
Disposals	(7.5)	(10.4)	(17.9)
Adjustment for exchange differences	-	0.2	0.2
Balance at 31 March 2023	17.4	25.7	43.1
Net book value at 31 March 2023	26.0	14.4	40.4
Net book value at 31 March 2022	27.5	10.6	38.1

Company

The Company has no property, plant and equipment (2022: nil).

12 Leases

This note provides information for leases where the Group is a lessee. The Company has not entered into any leases (2022: nil).

(i) Amounts recognised in the balance sheet

	2023	2022
	£'m	£'m
Right-of-use assets		
Buildings	247.5	247.1
Equipment	0.4	0.0
Vehicles	0.0	-
	247.9	247.1
Lease liabilities		
Current	7.1	12.6
Non-current	273.1	258.9
	280.2	271.5

Additions to the right-of-use assets during the financial year to 31 March 2023 were £23.2m (2022: £14.1m). The movement in right-of-use assets is further impacted by depreciation (see note 14 ii), adjustments for exchange differences and disposals.

During the year ended 31 March 2023, there were £22.2m new lease liabilities (2022: £14.1m), £7.9m of interest paid (2022: £8.1m), £12.9m of principal repayments (2022: £13.4m). £0.5m of lease disposals (2022: £6.1m) and £0.1m foreign exchange movements (2022: nil).

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2023	2022
	£'m	£'m
Depreciation charge of right-of-use assets		
Buildings	21.9	22.5
Equipment	0.1	0.1
Vehicles	0.0	-
	22.0	22.6
Interest expense (included in finance costs)	7.9	8.1
Expense relating to short-term leases (included in communications and other overheads)	0.2	0.1

The total cash outflow for leases in the year ended 31 March 2023 was £20.8m (2022: £21.5m). As at 31 March 2023, future cash outflows (undiscounted) for leases not yet commenced but which the Group was committed to were £1.3m (2022: £1.6m).

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

	2023	2022
	£'m	£'m
Not later than one year	16.0	20.5
Later than one year and not later than two years	20.9	19.5
Later than two years and not later than five years	72.0	58.7
Later than five years	242.9	241.3
Total gross payments	351.8	340.0
Impact of finance expenses	(71.6)	(68.5)
Carrying amount of liability	280.2	271.5

13 Intangible assets

Group

	Development costs	Computer software	Total
	£'m	£'m	£'m
Cost			
Balance at 1 April 2021	-	5.0	5.0
Additions	-	0.1	0.1
Disposals	-	(2.1)	(2.1)
Adjustment for exchange differences	-	0.0	0.0
Balance at 31 March 2022	-	3.0	3.0
Additions	3.2	0.2	3.4
Disposals	-	(1.2)	(1.2)
Adjustment for exchange differences	-	0.0	0.0
Balance at 31 March 2023	3.2	2.0	5.2
Accumulated amortisation			
Balance at 1 April 2021	-	4.3	4.3
Charge for the year	-	0.3	0.3
Disposals	-	(2.1)	(2.1)
Adjustment for exchange differences	-	0.0	0.0
Balance at 31 March 2022	-	2.5	2.5
Charge for the year	-	0.2	0.2
Disposals	-	(1.1)	(1.1)
Adjustment for exchange differences	-	0.0	0.0
Balance at 31 March 2023	-	1.6	1.6
Net book value at 31 March 2023	3.2	0.4	3.6
Net book value at 31 March 2022	-	0.5	0.5

Company

The Company has no intangible assets (2022: nil).

14 Investments in subsidiaries

Company

The Company owns ordinary shares in the companies noted below. These companies were all wholly owned subsidiary undertakings of the Company at 31 March 2023 and 2022 (unless otherwise stated), and their results are consolidated into the Group financial statements.

A listing of registered addresses and principal activities can be found in note 30.

Direct holdings	**Countries / country of incorporation**
Arup Corporate Finance Limited	England and Wales
Arup Gulf Limited	England and Wales
Arup International Projects Limited (formerly Arup Projects ‘A’ Limited)	England and Wales
Arup Limited	England and Wales
Arup Maldives Limited	England and Wales
Arup Riyadh Metro Limited	England and Wales
Ove Arup India Holdings Limited (formerly Arup International Limited)	England and Wales
Ove Arup & Partners International Limited	England and Wales

Indirect holdings	**Countries / country of incorporation**
Arup Associates Limited	England and Wales
Arup India Private Limited (99.996% holding)	India
Arup Peru Limited	England and Wales
Oasys Limited	England and Wales
Ove Arup & Partners Limited	England and Wales
Ove Arup & Partners Scotland Limited	Scotland
Redcliffe Wharf Limited	England and Wales

Movement of investment	Cost	Investment impairment	Net book value
	£'m	£'m	£'m
Balance as at 1 April 2022	75.9	(21.9)	54.0
Reversal of investment impairments	-	6.6	6.6
Balance as at 31 March 2023	75.9	(15.3)	60.6

The directors believe that the carrying values of the investments are supported by their underlying net assets. No reasonable change in key assumptions is expected to result in a material change in the net book value of investments in the 12 months from the balance sheet date.

The historic investment impairments of Arup Limited were partially reversed during the financial year ended 31 March 2023.

15 Financial instruments

Financial instruments by category:	2023	
Group	Financial assets at amortised cost	Total
Assets as per balance sheet	£'m	£'m
Trade and other receivables excluding prepayments and corporation tax	396.6	396.6
Cash and cash equivalents	48.0	48.0
	444.6	444.6

Group	2023 Other financial liabilities at amortised cost	2023 Total
Liabilities as per balance sheet	£'m	£'m
Borrowing (excluding lease liabilities)	(1.0)	(1.0)
Trade and other payables excluding non-financial liabilities	(91.8)	(91.8)
Lease liabilities	(280.2)	(280.2)
	(373.0)	(373.0)

Group	2022 Financial assets at amortised cost	2022 Total
Assets as per balance sheet	£'m	£'m
Trade and other receivables excluding prepayments and corporation tax	459.1	459.1
Cash and cash equivalents	44.0	44.0
	503.1	503.1

Group	2022 Other financial liabilities at amortised cost	2022 Total
Liabilities as per balance sheet	£'m	£'m
Borrowing (excluding lease liabilities)	(1.0)	(1.0)
Trade and other payables excluding non-financial liabilities	(105.9)	(105.9)
Lease liabilities	(271.5)	(271.5)
	(378.4)	(378.4)

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

16 Contract assets and liabilities

Group

Contract assets	2023	2022
	£'m	£'m
Contract assets	43.6	36.3
Loss allowance	(0.7)	(0.7)
	42.9	35.6

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

Movement in loss allowance	2023	2022
	£'m	£'m
Balance at the beginning of the financial year	0.7	0.4
Increase in allowance for expected credit losses	0.2	0.6
Decrease in allowance for expected credit losses	(0.2)	(0.3)
Adjustment for exchange differences	0.0	0.0
Balance at the end of the financial year	0.7	0.7

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

The average expected loss rate for contract assets was 1.6% (2022: 1.9%).

Contract Liabilities	2023	2022
	£'m	£'m
Contract liabilities	99.8	116.7

The change in contract liabilities is the result of the phasing of work versus the agreed payment schedule.

17 Trade and other receivables

Group

	2023	2022
	£'m	£'m
Trade receivables - net	82.2	83.4
Amounts due from Arup Group undertakings	309.0	334.5
Non-UK corporation tax receivable	3.2	1.3
UK corporation tax receivable	2.1	8.2
Other receivables	5.4	5.6
Prepayments and accrued income	39.8	22.7
	441.7	455.7

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

Trade receivables	2023	2022
	£'m	£'m
Trade receivables	86.2	92.3
Loss allowance	(4.0)	(8.9)
	82.2	83.4

Ageing analysis	2023			2022		
	Cost	Impairment	Expected loss rate	Cost	Impairment	Expected loss rate
	£'m	£'m	%	£'m	£'m	%
Current	57.5	(0.1)	0.2	55.5	(0.4)	0.7
Past due less than 3 months	21.8	(0.3)	1.4	24.2	(0.2)	0.7
3 months to 6 months	2.3	(0.2)	8.7	3.7	(0.7)	18.9
Greater than 6 months	4.6	(3.4)	73.9	8.9	(7.6)	86.5
	86.2	(4.0)		92.3	(8.9)	

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

	2023	2022
	£'m	£'m
Balance at the beginning of the financial year	8.9	6.8
Increase in loss allowance	0.5	2.8
Unused amounts reversed	(2.6)	(0.2)
Receivables written off as uncollectible	(2.8)	(0.5)
Adjustment for exchange differences	0.0	0.0
Balance at the end of the financial year	4.0	8.9

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

Amounts due from Arup Group undertakings

Amounts due from Arup Group undertakings are unsecured, have no date of repayment and are repayable on demand. Where inter-group loans have been provided, interest is accrued on inter-group loans with a rate in the range of 1-8.25% (2022: 1-8%).

The Group has assessed the ability of Arup Group companies to meet their inter-group liabilities. Based on this review the expected credit losses of amounts due from Arup Group undertakings is deemed to be nil (2022: nil).

The carrying amounts of trade and other receivables (including contract assets) are denominated in the following currencies:

	2023	2022
	£'m	£'m
British pound sterling	462.8	434.5
US dollar	6.9	8.6
Indian rupee	4.8	4.9
Euro	3.0	4.9
Peruvian new sol	1.8	1.7
Emirati dirham	1.5	2.4
Saudi Arabian riyal	1.2	-
Kuwaiti dinar	1.1	1.1
Omani rial	0.4	3.7
Danish kroner	0.4	0.7
Japanese yen	0.2	0.4
Hong Kong dollar	0.1	4.4
Australian dollar	0.0	4.1
Canadian dollar	0.0	1.3
Chinese renminbi	-	8.7
Turkish new lira	-	2.7
Thai baht	-	2.4
South African rand	-	1.9
Vietnamese dong	-	0.9
Singapore dollar	-	0.9
Other	0.4	1.1
	484.6	491.3

Company

	2023	2022
	£’m	£’m
Amounts owed from Arup Group undertakings	1.1	1.1
	1.1	1.1

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

Amounts due from Arup Group undertakings

Amounts due from Arup Group undertakings are unsecured, have no date of repayment and are repayable on demand. Where inter-group loans have been provided, interest is accrued on inter-group loans with a rate in the range of 1-8.25% (2022: 1-8%).

The Company has assessed the ability of Arup Group companies to meet their inter-group liabilities. Based on this review the expected credit losses of amounts due from Arup Group undertakings is deemed to be nil (2022: nil).

18 Cash and cash equivalents

Group

	2023	2022
	£'m	£'m
Cash at bank and in hand	48.0	44.0
	48.0	44.0

Company

The Company has no cash and cash equivalents (2022: nil).

19 Borrowings

Group and Company

	2023	2022
Current	£'m	£'m
Loan with related party	1.0	1.0
	1.0	1.0

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

The Group has borrowed £1.0m (2022: £1.0m) in one loan (2022: one loan) from Bidgreat Limited, a company owned by a controlling party (note 27). The loans bear a market rate of interest based on the UK Base Rate. The loan is repayable on demand.

20 Trade and other payables

Group

	2023	2022
	£'m	£'m
Trade payables	22.2	24.6
Amounts owed to Arup Group undertakings	0.9	1.4
Accrued expenses	67.6	77.5
Other payables	1.1	2.4
Tax & social security costs	21.0	20.9
	112.8	126.8

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

Amounts owed to Arup Group undertakings

Amounts owed to Arup Group undertakings are unsecured, have no date of repayment and are repayable on demand. Where inter-group loans have been provided, interest is accrued on inter-group loans with a rate in the range of 1-8.25% (2022: 1-8%).

The carrying amounts of trade and other payables (including contract liabilities and lease liabilities) are denominated in the following currencies:

	2023	2022
	£'m	£'m
British pound sterling	189.1	233.4
US dollar	11.5	8.7
Emirati dirham	8.5	5.0
Kuwaiti dinar	4.4	2.8
Omani rial	2.5	-
Euro	2.0	2.8
Kenyan shilling	0.4	0.1
Peruvian new sol	0.2	0.5
Australian dollar	0.2	0.1
Liechtenstein swiss francs	0.2	-
South African rand	0.1	-
Hong Kong dollar	0.1	-
Chinese renminbi	0.1	-
Indian rupee	-	1.2
Malaysian ringgit	0.0	0.4
Indonesian rupee	0.0	0.4
Danish kroner	0.0	0.1
Other	0.4	0.6
	219.7	256.1

Company

	2023	2022
	£'m	£'m
Amounts owed to Arup Group undertakings	0.0	0.0
	0.0	0.0

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

Amounts owed to Arup Group undertakings

Amounts owed to Group undertakings are unsecured, have no date of repayment and are repayable on demand. Interest is accrued on inter-group loans with a rate in the range of 1-8.25% (2022: 1-8%).

21 Provisions for other liabilities and charges

Group

	2023			
	Property	Legal claims	Onerous contracts	Total
	£'m	£'m	£'m	£'m
Current	1.1	1.5	1.2	3.8
Later than one year and no later than two years	0.1	-	0.5	0.6
Later than two years and no later than five years	0.7	-	0.1	0.8
Later than five years	2.5	-	0.0	2.5
Non-current	3.3	-	0.6	3.9
Reconciliation of movement:				
Balance at the beginning of the financial year	3.9	12.3	-	16.2
Reclassifications from trade and other payables	-	-	-	-
Provisions (released) / charged to the income statement	-	(10.8)	1.8	(9.0)
Capitalised in the year	0.5	-	-	0.5
Balance at the end of the financial year	4.4	1.5	1.8	7.7

	2022			
	Property	Legal claims	Onerous contracts	Total
	£'m	£'m	£'m	£'m
Current	0.0	7.3	-	7.3
Later than one year and no later than two years	1.3	-	-	1.3
Later than two years and no later than five years	0.5	5.0	-	5.5
Later than five years	2.1	-	-	2.1
Non-current	3.9	5.0	-	8.9

	2022			
	Property	Legal claims	Onerous contracts	Total
	£'m	£'m	£'m	£'m
Reconciliation of movement:				
Balance at the beginning of the financial year	3.8	-	-	3.8
Reclassifications from trade and other payables		5.2		5.2
Provisions charged to the income statement	-	7.1	-	7.1
Provisions released to the income statement	(0.0)	-	-	(0.0)
Additional liability recognised	0.1	-	-	0.1
Balance at the end of the financial year	3.9	12.3	-	16.2

Group and Company

Legal claims and other

For the year ended 31 March 2022, the liability for legal claims of £5.2m was transferred from accruals to provisions. The liability for all legal claims is now presented as a provision in the balance sheet to account for costs associated with ongoing claims in connect with projects across the Group.

Onerous contracts

For the year ended 31 March 2022, the Group presented onerous contract provisions net against contract assets and contract liabilities. For the year ended 31 March 2023, the Group has presented onerous contracts separately within provisions for other liabilities and charges. Had this been reflected as at 31 March 2022, the onerous contract provisions for the Group would have been £1.1m, which is not considered material. As such, the Group has not restated the 31 March 2022 comparatives.

Company

The Company has no provisions for other liabilities and charges (2022: nil).

22 Deferred income tax

The offset amounts are as follows:

Group

	2023 £'m	2022 £'m
Deferred income tax assets		
– deferred income tax assets to be recovered after more than 12 months	16.7	17.5
– deferred income tax assets to be recovered within 12 months	13.3	2.5
	30.0	20.0
Deferred income tax liabilities		
– deferred income tax liabilities to be recovered after more than 12 months	(0.3)	(0.4)
– deferred income tax liabilities to be recovered within 12 months	(0.0)	(0.0)
	(0.3)	(0.4)
Deferred income tax assets – net	29.7	19.6

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

	2023 £'m	2022 £'m
Balance at the beginning of the financial year	19.6	26.6
Over / (under) provision of deferred income tax in respect of prior years	6.3	(0.0)
Deferred income tax charged to the income statement	(3.2)	(10.1)
Deferred income tax credit relating to components of other comprehensive income	7.0	3.0
Deferred income tax credited to equity	-	0.1
Adjustment for exchange differences	0.0	0.0
Balance at the end of the financial year	29.7	19.6

Deferred income tax liabilities	Impact of change in accounting standards	Temporary differences on leases	Other	Total
	£'m	£'m	£'m	£'m
At 1 April 2021	0.2	0.0	0.1	0.3
Charged / (credited) to the income statement	0.1	(0.0)	0.0	0.1
Adjustment for exchange differences	0.0	-	-	0.0
At 31 March 2022	0.3	(0.0)	0.1	0.4
Credited to the income statement	(0.1)	-	(0.0)	(0.1)
Adjustment for exchange differences	0.0	-	-	0.0
At 31 March 2023	0.2	(0.0)	0.1	0.3

Deferred income tax assets	Unutilised tax depreciation	Retirement benefit obligations	Provisions	Tax losses	Temporary differences on leases	Other	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
At 1 April 2021	4.3	21.9	0.7	-	0.0	(0.0)	26.9
Credited / (charged) to the income statement	1.0	(13.0)	0.2	1.8	0.0	(0.0)	(10.0)
Credited to other comprehensive income	-	3.0	-	-	-	-	3.0
Credited to equity	-	0.1	-	-	-	-	0.1
Adjustment for exchange differences	0.0	0.0	0.0	-	0.0	0.0	0.0
At 31 March 2022	5.3	12.0	0.9	1.8	0.0	(0.0)	20.0
(Charged) / credited to the income statement	(3.0)	(4.8)	(0.1)	10.9	(0.0)	0.0	3.0
Credited to other comprehensive income	-	7.0	-	-	-	-	7.0
Adjustment for exchange differences	0.0	0.0	(0.0)	-	(0.0)	(0.0)	0.0
At 31 March 2023	2.3	14.2	0.8	12.7	0.0	(0.0)	30.0

Company

The Company has not recognised any deferred income tax assets or liabilities (2022: nil).

23 Post-employment benefit liabilities

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

	2023	2022
Balance sheet obligations for:	£'m	£'m
– Defined pension benefits	(57.3)	(48.5)
Liability in the balance sheet	(57.3)	(48.5)
Income statement charge for:		
– Defined pension benefits	(2.1)	(4.2)
Remeasurement (losses) / gains for:		
– Defined pension benefits	(28.0)	52.5

The income statement charge included within operating profit includes interest cost and administration expenses.

23.1 Defined benefit pension plan

Funded schemes

UK funded scheme

OAPIL operated a UK registered contributory pension scheme, which had a defined benefit and a defined contribution section, for employees. On 31 March 2010, the scheme was closed to new members. With effect from 30 June 2010 the future accrual of benefits for existing members ceased. OAPIL replaced this scheme with a personal pension plan for employees with effect from 1 July 2010. All contributions for the new plan are held and managed by Scottish Equitable plc (a subsidiary of Aegon). OAPIL has no ongoing liability to the funds held by Aegon in respect of the employees.

For the pension scheme, which closed on 30 June 2010, contributions were made in accordance with the rules of the scheme and the advice of independent qualified actuaries on the basis of triennial valuations. The most recent valuation was at 31 March 2022 using the projected unit credit method. The actuarial valuation at 31 March 2022 showed a funding level of 84.5% on an ongoing basis based on a market value of assets of £964m at that date. The most significant assumptions made by the actuary in carrying out this valuation were the assumption for the discount rate of the gilt curve plus 1.6% per annum (net of investment management expenses) at 31 March 2022 reducing linearly to an assumed return over the gilt curve of 0.5% per annum by 31 March 2038. A special employer's contribution of £21.3m was made during the year to 31 March 2023 (2022: £19.5m). OAPIL is expected to make a contribution of £19.6m by 31 March 2024. The weighted average duration of the defined benefit obligation is around 13 years (significantly reduced from previous years due to the increase in corporate bond yields during the year to March 2023).

The next actuarial valuation will be carried out as at 31 March 2025.

The valuation position of this scheme was reassessed at 31 March 2023 by a qualified independent actuary for the purposes of IAS 19R 'Employee Benefits'.

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

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

Unfunded schemes

Gulf unfunded scheme

Arup Gulf Limited provides an 'End of Service Benefit' allowance to its employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent valuation was at 31 March 2023 using the projected unit credit method. The most significant assumptions made by the actuary in carrying out this valuation were that the discount rate would be 4.9% (2022: 3.5%) per annum and that salary inflation would be 3.2% (2022: 2.1%) per annum. There was a benefit payment for the year to 31 March 2023 of £0.1m (2022: £0.2m). The pension liability recognised in the financial statements was £1.1m (2022: £0.9m).

India unfunded scheme

Arup India Private Limited ("AIPL") provides a retirement allowance 'gratuity' to its employees. Gratuity is payable to all eligible employees of AIPL in terms of provisions of the payment of Gratuity Act. Valuations in respect of gratuity have been carried out by an independent actuary, as at the balance sheet date, under the projected unit credit method. The pension liability recognised in the financial statements was £0.3m (2022: £0.2m).

Further disclosure on the UK registered scheme

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

	2023	2022
	£'m	£'m
Present value of funded obligations	(760.6)	(1,011.2)
Fair value of plan assets	704.7	963.8
Deficit of funded plans	(55.9)	(47.4)

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

	Present value of obligation	Fair value of plan assets	Total
	£'m	£'m	£'m
At 1 April 2021	(1,031.8)	916.3	(115.5)
Administration expenses	-	(1.7)	(1.7)
Interest (expense) / income	(21.8)	19.5	(2.3)
	(1,053.6)	934.1	(119.5)
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	-	45.7	45.7
– Loss from change in demographic assumptions	(35.4)	-	(35.4)
– Gain from change in financial assumptions	50.3	-	50.3
– Experience losses	(8.0)	-	(8.0)
	6.9	45.7	52.6
Contributions:			
– Employers	-	19.5	19.5
Payments from plans			
– Benefit payments	35.5	(35.5)	-
At 31 March 2022	(1,011.2)	963.8	(47.4)
Administration expenses	-	(0.8)	(0.8)
Interest (expense) / income	(27.4)	26.3	(1.1)
	(1,038.6)	989.3	(49.3)
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	-	(274.0)	(274.0)
– Loss from change in demographic assumptions	(8.0)	-	(8.0)
– Gain from change in financial assumptions	285.6	-	285.6
– Experience losses	(31.5)	-	(31.5)
	246.1	(274.0)	(27.9)
Contributions:			
– Employers	-	21.3	21.3
Payments from plans			
– Benefit payments	31.9	(31.9)	-
At 31 March 2023	(760.6)	704.7	(55.9)

The significant actuarial assumptions were as follows:

	2023	2021
	%	%
Discount rate	4.9	2.8
Salary growth rate	N/A	N/A
Retail Price Index inflation	3.4	3.7
Consumer Price Index inflation	2.8	3.1
Pension growth rate:		
Pre 88 Guaranteed Minimum Pension	0.0	0.0
Post 88 Guaranteed Minimum Pension	2.12	2.3
NGMP accrued before 1 October 2006 (5%LPI)	3.1	3.4
Pension accrued after 30 September 2006 (2.5%LPI)	2.1	2.2

Mortality %

107% (males) and 102% (females) S3 "Light" table using core CMI 2021 projections with S=7.0 and A=0.0 allowing for LTR of 1.00% per annum and 10% weight to W2020 and W2021 parameters (2022: 107% (males) and 102% (females) S3 "Light" table using core CMI 2021 projections with S=7.0 and A=0.0 allowing for LTR of 1.00% per annum).

Cash commutation

25% (2022: 25%) of members' pensions assumed to be taken as cash on current terms.

Assumed life expectations on retirement

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience.

These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

	2023	2022
	Years	Years
Retiring at the end of the financial year:		
Male	22.2	22.5
Female	24.2	24.4
Retiring 20 years after the end of the financial year:		
Male	23.1	23.5
Female	25.3	25.5

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

2023	Increase in assumption	Decrease in assumption
Impact on defined benefit obligation of a 50 basis point change:	%	%
Discount rate	(5.9)	6.5
Inflation rate	4.1	(4.1)

2022	Increase in assumption	Decrease in assumption
Impact on defined benefit obligation of a 50 basis point change:	%	%
Discount rate	(8.3)	9.5
Inflation rate	6.5	(6.2)

	2023	2022
	%	%
Mortality assumption with a LTR of 1.25% per annum	0.6	0.8

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

The assets in the scheme at 31 March were:

	2023	2022
	£'m	£'m
Global equities	105.6	174.8
DGF / hedge funds	86.1	191.8
Gilts and corporate bonds	109.8	96.8
Alternate credit	44.1	46.9
Liability driven investment	310.8	400.7
Property investments	36.3	45.8
Cash and net current assets	12.0	7.0
	704.7	963.8

Defined benefit membership data	2023	2022
	Number	Number
Deferred pensioners	3,269	3,346
Pensioners / dependents	1,626	1,577
	4,895	4,923

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

23.2 Post-employment benefit liabilities – risks

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

Asset volatility

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

Changes in bond yields

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

Inflation risk

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

Life expectancy

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

Credit risk

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

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

Currency risk

The scheme is also subject to currency risk indirectly because they invest in overseas investments. This is particularly the case in the global equity funds which has approximately 50% of the currency risk hedged. If the hedged / unhedged allocation lies more than 5% away from the 50% / 50% split, on a weekly basis the investment manager will be required to rebalance the split for that region. The managers of the bonds funds, diversified growth funds and hedge funds will vary the degree to which they hedge currency risk. Currency risk is accepted where this facilitates overseas investments, taking into account the risks and expected reward.

Counterparty risk

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

24 Share capital

Group and Company

	2023	2022
Issued, called up and fully paid:	£'m	£'m
19,604,432 (2022: 19,604,432) ordinary shares of £1 each	19.6	19.6
	19.6	19.6

25 Cash generated from operations

Group	2023	2022
	£'m	£'m
Profit after income tax	54.7	9.5
Adjustments for:		
Income tax expense	7.9	14.0
Depreciation of property, plant and equipment	9.0	7.5
Depreciation of right-of-use assets	22.0	22.6
Amortisation of intangible assets	0.2	0.3
(Gain) / loss on disposal of property, plant and equipment	(0.1)	1.3
(Gain) / loss on disposal of intangible assets	(0.0)	0.0
Finance costs - net	3.0	8.9
Other non-cash items	(15.4)	7.9
Unrealised currency translation losses / (gains)	1.0	(0.2)
Changes in working capital:		
– Contract assets	(7.3)	(8.2)
– Trade and other receivables (excluding amounts due from Arup Group undertakings)	(13.7)	6.3
– Contract liabilities	(16.8)	9.0
– Trade and other payables (excluding amounts owed to Arup Group undertakings)	(14.1)	5.9
– Amounts due from / owed to Arup Group undertakings - net	(27.5)	(3.4)
– Pension deficit funding	(21.3)	(17.0)
	(18.4)	64.4

Net debt

	2023	2022
	£'m	£'m
Cash and cash equivalents	48.0	44.0
Borrowings	(1.0)	(1.0)
Lease liabilities	(280.2)	(271.5)
	233.2	228.5

Net debt reconciliation

	Borrowings	Lease liabilities	Subtotal	Cash and cash equivalents	Total
	£'m	£'m	£'m	£'m	£'m
Net debt as at 1 April 2021	(1.0)	(276.9)	(277.9)	31.0	(246.9)
Financing cash flows	-	13.4	13.4	13.1	26.5
Interest expense	-	(8.1)	(8.1)	(0.1)	(8.2)
Interest payments	-	8.1	8.1	-	8.1
New leases - net	-	(8.0)	(8.0)	-	(8.0)
Adjustments for exchange differences	-	-	-	-	0.0
Net debt as at 31 March 2022	(1.0)	(271.5)	(272.5)	44.0	(228.5)
Financing cash flows	-	12.9	12.9	4.1	17.0
Interest expense	-	(7.9)	(7.9)	(0.1)	(8.0)
Interest payments	-	7.9	7.9	-	7.9
New leases - net	-	(21.7)	(21.7)	-	(21.7)
Adjustments for exchange differences	-	0.1	0.1	-	0.1
Net debt as at 31 March 2023	(1.0)	(280.2)	(281.2)	48.0	(233.2)

26 Contingent liabilities

The Group has recorded a liability in its balance sheet for the best estimate of certain claims that have been brought against it. A professional indemnity insurance policy and / or project insurance policies have been taken out to substantially cover any such claims that may arise from time to time. At this time it is not possible to reliably measure the potential liability from any other issues that may have occurred but where a claim has yet to be raised. The Group monitors all claims and takes out appropriate insurance to mitigate its risk. No material change is expected to occur in the next 12 months in relation to the liability on known claims at the balance sheet date.

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

On 24 June 2020 the Arup Group extended its £100m Revolving Credit Facility for a further five years. The facility has been reduced by £25m in two instalments, £12.5m in June 2022 and £12.5m in June 2023. The facility has an agreed option to extend, subject to the bank's approval, by one year to 2026 and then a further one year to 2027. Post year-end, Arup Group took up the first one year option to extend to June 2026. At the balance sheet date, it bears a market floating rate of interest based SONIA.

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

27 Related parties

The following transactions and year-end balances were carried out with other entities in the Arup Group for engineering and support services:

Group

	2023	2022
	£'m	£'m
Transactions with other related parties		
Sales of services	228.7	190.8
Purchases of services	(98.3)	(77.8)
Outstanding balances arising from sales / purchases of services		
Net receivables	308.1	333.1

Key management compensation

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

	2023	2022
	£'m	£'m
Aggregate remuneration	2.0	2.3
Aggregate contributions paid to defined contribution schemes	0.0	0.0
	2.0	2.3

	2023	2022
	£'m	£'m
Loans to other related parties		
Balance at beginning of the financial year	195.8	178.0
Loans advanced	121.4	189.0
Loan payments received	(170.3)	(172.1)
Loan interest receivable	0.2	0.5
Adjustment for exchange differences	0.5	0.4
Balance at the end of the financial year	147.6	195.8

	2023 £'m	2022 £'m
Loans from other related parties		
Balance at beginning of the financial year	(17.7)	(6.3)
Loans advanced	9.6	0.9
Loan payments received	(5.5)	(11.8)
Loan interest payable	(0.1)	(0.2)
Adjustment for exchange differences	(0.4)	(0.3)
Balance at the end of the financial year	(14.1)	(17.7)

Company

The Company has a loan from Bidgreat Limited, a related party, of £1.0m (2022: £1.0m).

28 Controlling party

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

Arup Group Limited is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 March 2023. The consolidated financial statements of Arup Group Limited are publicly available at 8 Fitzroy Street, London, W1T 4BJ, United Kingdom.

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

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

29 Dividends

As at the date of the financial statements, the directors do not recommend a dividend for the year ended 31 March 2023 (2022: nil).

No dividend was paid in the year ended 31 March 2023 (2022: nil).

30 Registered addresses of investments in subsidiaries

Name of investment	Registered address	Principal activities
Arup Associates Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Agent
Arup Corporate Finance Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Transaction advice services and consulting engineering services
Arup Gulf Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Design and consulting engineering services, in architecture and other related professional skills
Arup India Private Limited	Jet Prime, 5th Floor, Suren Road, Off Western Express Highway, Andheri (East), Mumbai, 400093, India	Design and consulting engineering services, in architecture and other related professional skills
Arup International Projects Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Design and consulting engineering services, in architecture and other related professional skills
Arup Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Design and consulting engineering services, in architecture and other related professional skills
Arup Maldives Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Design and consulting engineering services, in architecture and other related professional skills
Arup Peru Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Design and consulting engineering services, in architecture and other related professional skills
Arup Riyadh Metro Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Design and consulting engineering services, in architecture and other related professional skills
Oasys Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Agent
Ove Arup India Holdings Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Design and consulting engineering services, in architecture and other related professional skills
Ove Arup & Partners International Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Design and consulting engineering services, in architecture and other related professional skills
Ove Arup & Partners Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Design and consulting engineering services, in architecture and other related professional skills
Ove Arup & Partners Scotland Limited	10 George Street, Edinburgh, EH2 2PF, Scotland	Design and consulting engineering services, in architecture and other related professional skills
Redcliffe Wharf Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Property holdings