

ARUP

Ove Arup & Partners Japan Limited

Financial Statements and Reports

For the year ended 31 March 2023

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Strategic report

The directors present their annual strategic report for Ove Arup & Partners Japan Limited (the “Company”) for the year ended 31 March 2023 which has been approved by the Board of directors (the “Board”).

The Company is an indirect 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”.

Review of the business

These are the results for the Company for the financial year ended 31 March 2023. The results show a profit for the financial year of £201,365 (2022: loss of £95,981). The net assets as at 31 March 2023 are £2,669,347 (2022: £2,662,762).

The performance and development of the Company is in line with the expectations of the directors, notwithstanding the challenging operating environment with rapidly increasing inflation and geopolitical tensions, and pandemic-related absenteeism and disruption in some regions. The current geopolitical tensions, and the Ukraine conflict in particular, are expected to continue contributing to an unsettled economic climate and market conditions. Both the size of the operation and the business have remained broadly stable during the year, and the confirmed work for the Company at the end of the year is consistent with the size and the diversity of the Company.

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, and specifically for the Company, it has a Delegated Authority Policy in place which delegates the management of its risk to the East Asia 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 – whether through its own contracts or as subconsultant to other Arup Group companies in support of their contracts – is key to the Company’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 was £12,105,603 (2022: £11,976,007).
- 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 was £359,555 (2022: loss before income tax of £76,743).

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 our 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 Company is remaining broadly steady, and the directors expect the Company 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 Company 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 have been appointed due to their positions within the Arup Group, for example as members of the Arup Group Board; the Operations Executive (an executive committee of the Arup Group Board whose role is to manage the overall operations and performance of the firm within the framework established by the Arup Group Board), the Region Boards or by a direct link to these bodies. This ensures that all statutory directors are fully informed of and aligned with the decisions of the Arup Group Board, as these are filtered down throughout the Arup Group via these bodies. This link also directly informs and ensures the statutory directors in their responsibilities to perform their duties as directors in accordance with S.172(1).

Our directors recognise that to progress our strategy and achieve our 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.
- Board reporting – To enable informed decision making, the Board receives extensive reports from key areas of the business that include the likely long-term impact of a decision and how stakeholders have been considered in relation to the matter presented.
- Monitoring and oversight – The regular reporting to the Board includes updates on key decisions and the actions taken respect of them.

The directors of the Company, by way of their roles within the Arup Group, are a direct part of stakeholder engagement with members, clients, collaborators and suppliers, and community and society.

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

Execution and principal decisions

The Board, via a Delegated Authority Policy, delegates the day-to-day authority to a management team that has overall responsibility for business operations and performance, the delivery of annual business plans, the success and wellbeing of our members, delivering value and a high quality of service to our clients. Members of the Board are part of the management team. The Board receives operational reports from the management team twice a year and compliance updates from business functions. Matters reserved for the Board are in place.

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.

On behalf of the Board



Cheuk Fai Peter Wong

Director

7 December 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 the Company 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 practices in the field of design and consulting engineering services, in architecture and in other related professional skills, principally in Japan.

Branches

The Company has a registered branch in Tokyo, Japan.

General information

The Company is a private limited company registered in England and Wales under company number 2389837 at registered address 8 Fitzroy Street, London, W1T 4BJ, United Kingdom. The Company's parent company is Ove Arup International (Holdings) Limited registered in Hong Kong under company number 1673169 and the Company's ultimate parent company is Arup Group Limited registered in England and Wales under company number 1312454.

Future developments

The Company will continue to operate in similar markets. To ensure that the Company 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.

The economic climate and market conditions remain uncertain as a result of inflation and ongoing geo-political tensions among other factors. However, the business was in a robust financial position at the year end and our future workload remains strong.

Dividends

Any dividends paid or declared in the financial year have been disclosed in note 24 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:

Kwok, Ka Yue Michael (Resigned 31 March 2023)

Lee, Yuk Nin Andy (Appointed 1 April 2023)

Oguri, Arata

Wong, Cheuk Fai Peter

Directors' remuneration

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

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

Directors' indemnities

As permitted by the Company's Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the 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 Company's financial assets and liabilities comprise cash and cash equivalent, trade and other receivables, lease liabilities and trade and other payables, the main purpose of which is to maintain adequate finance for the Company's operations. The Company is exposed to a number of financial risks and actively mitigates the risk of financial loss. The key aspects are:

- Foreign exchange risk: where possible the Company matches its currency earnings with currency costs. Where this is not possible, appropriate derivative contracts may be used. There is no speculative use of financial instruments;
- Interest rate risk: the Company currently does not hedge interest rate risk, however the need to do so is regularly reviewed;
- Credit risk: the main exposure to credit risk is on 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: cash flow forecasts are prepared to ensure that sufficient funds are available to meet the Company's liabilities as and when they fall due.

Note 2 in the notes to the financial statements provides 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.

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 the 'Our global commitments' section on Arup.com.

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 the financial statements for each financial year. Under that law the directors have prepared the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

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

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

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

S.172(1) statement

Pursuant to the Companies (Miscellaneous Reporting) Regulations 2018, we acknowledge the importance of fulfilling our duties under S.172(1). Our strategic report provides a comprehensive account of 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 Company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



Cheuk Fai Peter Wong

Director

7 December 2023

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

Independent auditors' report to the members of Ove Arup & Partners Japan Limited

Report on the audit of the financial statements

Opinion

In our opinion, Ove Arup & Partners Japan Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements and Reports (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2023; the Income statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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 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 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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 company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, UK employment legislation, Japan tax legislation and the Labour Standards Act (Japan), 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 the UK 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 company and considering the risk of non-compliance by the company;
- Holding discussions with management, covering its consideration of known or suspected instances of non-compliance with laws and regulations that could give rise to a material misstatement;
- 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 critical accounting estimates in regards to the percentage completion and projected outcomes of projects and the recoverability of trade receivable and contract assets;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Understanding and evaluating management's controls designed to prevent and detect irregularities; and
- Reviewing minutes of meetings of those charged with governance

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'Jonathan Sturges', with a stylized, cursive script.

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

Income statement

For the year ended 31 March 2023

	Note	2023 £	2022 £
Revenue	4	12,105,603	11,976,007
Employee benefit expense	5	(6,419,856)	(6,602,235)
Charges from sub-consultants and other direct project expenses		(1,929,854)	(2,573,712)
Depreciation and amortisation expense	10, 11 & 12	(641,886)	(672,145)
Accommodation		(44,920)	(46,257)
Communications and other overheads		(2,718,466)	(2,173,166)
Net impairment losses on financial and contract assets		(20,683)	-
		<u>(11,775,665)</u>	<u>(12,067,515)</u>
Operating profit / (loss)	7	329,938	(91,508)
Finance income	8	67,814	38,908
Finance costs	8	(38,197)	(24,143)
		<u>359,555</u>	<u>(76,743)</u>
Profit / (loss) before income tax			
Income tax charge	9	(158,190)	(19,238)
		<u>201,365</u>	<u>(95,981)</u>
Profit / (loss) for the financial year			

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

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

Statement of comprehensive income

For the year ended 31 March 2023

	2023	2022
	£	£
Profit / (loss) for the financial year	201,365	(95,981)
Other comprehensive expense		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations - net of tax	(119,574)	110,182
	<u>(119,574)</u>	<u>110,182</u>
Items that may be reclassified subsequently to profit or loss		
Currency translation losses	(75,206)	(134,470)
	<u>(75,206)</u>	<u>(134,470)</u>
Other comprehensive expense for the year, net of tax	(194,780)	(24,288)
Total comprehensive income / (expense) for the year	<u>6,585</u>	<u>(120,269)</u>

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

Balance sheet

As at 31 March 2023

	Note	31 March 2023 £	31 March 2022 £
Assets			
Non-current assets			
Intangible assets	10	84,070	77,471
Property, plant and equipment	11	622,466	641,138
Right-of-use assets	12	457,887	962,885
Deferred income tax assets	18	1,767,794	1,673,328
		<u>2,932,217</u>	<u>3,354,822</u>
Current assets			
Contract assets	13	1,035,985	1,036,783
Trade and other receivables	14	2,780,100	2,330,418
Cash and cash equivalents	15	5,440,528	5,835,845
		<u>9,256,613</u>	<u>9,203,046</u>
Total assets		<u>12,188,830</u>	<u>12,557,868</u>
Liabilities			
Current liabilities			
Trade and other payables	16	2,610,849	3,009,991
Contract liabilities	13	2,029,976	2,050,498
Current income tax liabilities		216,069	-
Lease liabilities	12	407,408	492,027
Provisions for other liabilities and charges	17	243,994	-
		<u>5,508,296</u>	<u>5,552,516</u>

Balance sheet as at 31 March 2023

	Note	31 March 2023 £	31 March 2022 £
Non-current liabilities			
Lease liabilities	12	9,784	427,858
Post-employment benefit liabilities	19	4,000,527	3,677,273
Provisions for other liabilities and charges	17	876	237,459
		<u>4,011,187</u>	<u>4,342,590</u>
Total liabilities		<u>9,519,483</u>	<u>9,895,106</u>
Net assets		<u>2,669,347</u>	<u>2,662,762</u>
Equity			
Share capital	20	1,000,100	1,000,100
Retained earnings		1,669,247	1,662,662
Total equity		<u>2,669,347</u>	<u>2,662,762</u>

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

The financial statements on pages 10 to 34 were approved and authorised for issue by the Board of directors and signed on its behalf by:

Cheuk Fai Peter Wong

Director

7 December 2023

Statement of changes in equity

For the year ended 31 March 2023

	Share capital	Retained earnings	Total equity
	£	£	£
Balance as at 1 April 2021	<u>1,000,100</u>	<u>1,782,931</u>	<u>2,783,031</u>
Loss for the financial year	-	(95,981)	(95,981)
Remeasurement of post-employment obligations	-	163,632	163,632
Remeasurement of post-employment obligations - tax	-	(53,450)	(53,450)
Currency translation losses	-	(134,470)	(134,470)
Other comprehensive expense for the year	-	(24,288)	(24,288)
Total comprehensive expense for the year	<u>-</u>	<u>(120,269)</u>	<u>(120,269)</u>
Balance as at 31 March 2022	<u>1,000,100</u>	<u>1,662,662</u>	<u>2,662,762</u>
Profit for the financial year	-	201,365	201,365
Remeasurement of post-employment obligations	-	(174,853)	(174,853)
Remeasurement of post-employment obligations - tax	-	55,279	55,279
Currency translation losses	-	(75,206)	(75,206)
Other comprehensive expense for the year	-	(194,780)	(194,780)
Total comprehensive income for the year	<u>-</u>	<u>6,585</u>	<u>6,585</u>
Balance as at 31 March 2023	<u>1,000,100</u>	<u>1,669,247</u>	<u>2,669,347</u>

Notes to the financial statements

For the year ended 31 March 2023

1 Incorporation

Ove Arup & Partners Japan 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

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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 financial statements are disclosed in note 3.

For the year ended 31 March 2022, the Company presented onerous contract provision net against contract assets and contract liabilities. For the year ended 31 March 2023, the Company has presented onerous contracts separately within provisions for other liabilities and charges. Had this been reflected as at 31 March 2022, the onerous contract provision would have been £15,119, which is not considered material. As such, the Company has not restated the 31 March 2022 comparatives.

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

- Paragraph 17 of IAS 24, ‘Related party disclosures’ (key management compensation); and
- IAS 24 (disclosure of related 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 Company has access to adequate resources to continue in operational existence for the foreseeable future. The Company continues to meet its day-to-day working capital requirements through its 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 Company’s going concern assessment. The directors have obtained assurance of financial support from Ove Arup International (Holdings) 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 Company for the foreseeable future. As such, the 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 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 Company. These standards are not expected to have a material impact on the entity 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 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

The Company’s functional currency is Japanese Yen. The financial statements are presented in pound sterling (£), which is the Company’s presentation currency.

Transactions and balances

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

Impairment of non-financial assets

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

Financial assets

Classification

The Company classifies its financial assets in the following categories:

- 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 Company 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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

Measurement

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

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

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

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 Company 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 Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on payment profiles of sales over a period of 36 months for the three preceding financial years (excluding the current financial year) and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on the customers' ability to settle the receivables.

Revenue

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.

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.

Employee benefits

Global profit-share scheme

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

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 Projects Unit Credit method (see note 19).

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

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

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

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

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 Company 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year 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 - 15 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.

Contract assets and liabilities

Contract assets

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

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

Contract liabilities

Contract liabilities represents revenue 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 initially 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 and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They 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 are recognised when the Company 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. The Company 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.

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 Company's leasing activities and how these are accounted for

The Company leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 year to 5 years, but may have extension options as described in (ii) below.

Contracts may contain both lease and non-lease components. The Company 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 Company 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 Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company 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 Company, 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 Company 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 Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use buildings are not revalued.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

(ii) Extension and termination options

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

(iii) Variable lease payments

The Company has not entered into leases with variable payments tied to the performance of the business.

Deferred income tax

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

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

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

3 Critical accounting estimates and judgements

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

Contract accounting (estimates and judgements)

The Company's revenue accounting policy (note 2) is central to how the Company values the work it has carried out in each financial year. This policy requires forecasts to be made on the current percentage complete and the projected outcomes of projects. The key estimates and judgements relating to determining the revenue and profitability of projects within the Company's financial statements are:

- Percentage completion: usually calculated by taking salary expense incurred as a percentage of forecasted salary expense. Estimation 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 Company engages with another joint operator to provide a service to a client, there are additional risks regarding work outside of the Company'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 the estimates made are based on professional judgements, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reported result.

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. 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.

Forecasted income represents income that has been agreed with the client. Fee from modifications is only recognised once it has been agreed with the client.

Measuring the outcome of the performance obligations can take time due to the multi-year lifespan of the Company's contracts. Assuming the project is forecasted to make a profit, the Company recognises revenue only to the extent of the costs incurred until the project reaches 50% complete on a standard risk project and 95% on a high risk project. Management have reviewed projects across the Arup Group and have used their judgement to establish these percentages. Once a non-onerous project reaches 50% / 95% complete, profit is recognised in line with its percentage completion.

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

The Company 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 receivables, the ageing profile of receivables and historical experience. The Company applies the simplified approach for IFRS 9 when measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See notes 13 and 14 for the net carrying amounts of contract assets and trade receivables and their associated impairment provisions.

Due to the nature of the Company, 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 19.

Lease accounting (judgements)

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

4 Revenue

The total revenue recognised in the year that was included in contract liabilities at the beginning of the year was £2,003,352 (2022: £2,020,228). The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £7,519,363 (2022: £8,519,803).

	2023	2022
	£	£
Revenue by destination		
Asia	11,743,462	11,482,367
United Kingdom	238,909	166,522
Europe	93,404	205,533
Americas	17,898	41,089
Australasia	7,192	12,795
Middle East & Africa	4,738	67,701
	<u>12,105,603</u>	<u>11,976,007</u>

5 Employee benefit expense

	2023	2022
	£	£
Wages and salaries	4,674,429	4,713,128
Global profit-share scheme	565,306	709,731
Social security costs	329,940	315,295
Pension contributions	721,581	743,805
Other staff costs	128,600	120,276
	<u>6,419,856</u>	<u>6,602,235</u>

Average monthly number of people employed	Number	Number
Engineering and technical staff	90	88
Administrative staff	18	18
	<u>108</u>	<u>106</u>

6 Directors' remuneration

The directors' remunerations were as follows:

	2023	2022
	£	£
Aggregate remuneration	193,071	202,457
Aggregate contributions paid to defined contribution schemes	<u>6,047</u>	<u>6,426</u>

Number of directors accruing pension benefits under:	Number	Number
Defined benefit schemes	<u>1</u>	<u>1</u>

Highest paid director:	£	£
Remuneration excluding contributions paid to pension schemes	193,071	202,457
Contributions paid to defined contribution schemes	6,047	6,426
	<u>199,118</u>	<u>208,883</u>

At year end the value of the retirement allowance that would be due as a lump sum payment per the retirement allowance policy is £143,992 (2022: £138,272) where the reason for payment is due to personal intent or £246,277 (2022: £243,479) where the reason for payment is due to firm policy.

Only directors that were employees of the Company received remuneration for services to the Company.

7 Operating profit / (loss)

	2023	2022
	£	£
This is stated after charging:		
During the year, the Company obtained the following services from the Company's auditors:		
– Audit of Company financial statements	46,059	48,850
Fees payable for other services:		
– Tax compliance services	-	10
– Tax advisory services	-	7,776
Loss on disposal of property, plant and equipment	-	291
Loss on exchange from trading activities	41,216	100,501
Amortisation of intangible assets	29,268	21,080
Depreciation of property, plant and equipment	132,009	119,331
Depreciation of right-of-use assets	480,609	531,734
Global and / or regional support costs	2,272,820	1,665,207
	<hr/>	<hr/>
Audit fees borne by another Arup Group subsidiary	28,700	20,700

8 Net finance income

	2023	2022
	£	£
Lease liabilities	(13,346)	(2,256)
Net finance costs on net post-employment benefit liabilities	(24,851)	(21,887)
Total finance costs	<hr/> (38,197) <hr/>	<hr/> (24,143) <hr/>
Interest receivable on short-term bank deposits	1	1
Interest receivable - Arup Group undertakings	67,813	38,907
Total finance income	<hr/> 67,814 <hr/>	<hr/> 38,908 <hr/>
Net finance income	<hr/> 29,617 <hr/>	<hr/> 14,765 <hr/>

Interest due to / from Arup Group undertakings is in regard to the Arup Group's cash pooling facility.

9 Income tax charge

(a) Analysis of total income tax charge

	2023	2022
	£	£
Current income tax		
– Non-UK: current income tax on profits for the year	244,514	61,618
– Non-UK: adjustment in respect of prior years	28	(131)
Total current income tax	<u>244,542</u>	<u>61,487</u>
Deferred income tax (note 18)		
– Origination and reversal of temporary differences	(86,352)	(42,249)
Total deferred income tax	<u>(86,352)</u>	<u>(42,249)</u>
Total income tax charge	<u>158,190</u>	<u>19,238</u>

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

The tax assessed for the year is higher (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
	£	£
Profit / (loss) before income tax	<u>359,555</u>	<u>(76,743)</u>
Profit / (loss) before income tax multiplied by the standard rate of corporation tax in the UK	68,315	(14,581)
Effects of:		
Expenses not deductible for tax purposes	1,100	189
Impact of non-UK tax	88,747	33,761
Adjustment in respect of prior years	28	(131)
Total income tax charge	<u>158,190</u>	<u>19,238</u>

(c) Factors affecting current and future income tax charges

For the year ending 31 March 2023, a local tax rate of 31.46% (2022: 31.46%) has been used to calculate deferred income tax assets and liabilities.

10 Intangible assets

	Computer software	Total
	£	£
Cost		
Balance at 1 April 2022	307,923	307,923
Additions	38,062	38,062
Adjustment for exchange differences	(8,738)	(8,738)
Balance at 31 March 2023	<u>337,247</u>	<u>337,247</u>
Accumulated amortisation		
Balance at 1 April 2022	230,452	230,452
Amortisation charge for the year	29,268	29,268
Adjustment for exchange differences	(6,543)	(6,543)
Balance at 31 March 2023	<u>253,177</u>	<u>253,177</u>
Net book value at 31 March 2023	<u>84,070</u>	<u>84,070</u>
Net book value at 31 March 2022	77,471	77,471

11 Property, plant and equipment

	Leasehold improvements	Furniture, fittings & IT hardware	Total
	£	£	£
Cost			
Balance at 1 April 2022	734,948	419,361	1,154,309
Additions	-	131,139	131,139
Adjustment for exchange differences	(20,412)	(12,288)	(32,700)
Balance at 31 March 2023	<u>714,536</u>	<u>538,212</u>	<u>1,252,748</u>
Accumulated depreciation			
Balance at 1 April 2022	221,414	291,757	513,171
Charge for the year	54,296	77,713	132,009
Adjustment for exchange differences	(6,415)	(8,483)	(14,898)
Balance at 31 March 2023	<u>269,295</u>	<u>360,987</u>	<u>630,282</u>
Net book value at 31 March 2023	<u>445,241</u>	<u>177,225</u>	<u>622,466</u>
Net book value at 31 March 2022	513,534	127,604	641,138

12 Leases

This note provides information for leases where the Company is a lessee.

(i) Amounts recognised in the balance sheet

	2023	2022
	£	£
Right-of-use assets		
Buildings	440,897	936,979
Equipment	16,990	25,906
	<u>457,887</u>	<u>962,885</u>
Lease liabilities		
Current	407,408	492,027
Non-current	9,784	427,858
	<u>417,192</u>	<u>919,885</u>

Additions to the right-of-use assets during the financial year to 31 March 2023 was nil (2022: nil). The movement in right-of-use assets is further impacted by depreciation and adjustments for exchange differences.

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2023	2022
	£	£
Depreciation charge of right-of-use assets		
Buildings	472,371	521,419
Equipment	8,238	10,315
	<u>480,609</u>	<u>531,734</u>
Interest expense (included in finance costs)	13,346	2,256
Expense relating to leases of low-value assets (included in communications and other overheads)	412	2,530
	<u>13,758</u>	<u>4,786</u>

The total cash outflow for leases in the year ended 31 March 2023 was £490,426 (2022: £511,002).

13 Contract assets and liabilities

Contract assets	2023	2022
	£	£
Contract assets	1,048,468	1,036,783
Loss allowance	(12,483)	-
	<u>1,035,985</u>	<u>1,036,783</u>
Contract liabilities	2023	2022
	£	£
Contract liabilities	<u>2,029,976</u>	<u>2,050,498</u>

14 Trade and other receivables

	2023	2022
	£	£
Trade receivables - net	2,231,486	1,361,688
Amounts due from Arup Group undertakings	34,632	201,857
Non-UK corporation tax receivable	-	226,189
Other receivables	480,538	503,324
Prepayments and accrued income	33,444	37,360
	<u>2,780,100</u>	<u>2,330,418</u>

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

Trade receivables	2023	2022
	£	£
Trade receivables	2,239,585	1,361,688
Loss allowance	(8,099)	-
	<u>2,231,486</u>	<u>1,361,688</u>

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).

15 Cash and cash equivalents

	2023	2022
	£	£
Cash at bank and in hand	5,440,528	5,835,845
	<u>5,440,528</u>	<u>5,835,845</u>

16 Trade and other payables

	2023	2022
	£	£
Trade payables	20,310	11,430
Amounts owed to Arup Group undertakings	1,153,412	1,591,392
Accrued expenses	1,184,847	1,364,023
Other payables	252,280	43,146
	<u>2,610,849</u>	<u>3,009,991</u>

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%).

17 Provisions for other liabilities and charges

2023	Property	Onerous contract	Total
	£	£	£
Current	230,864	13,130	243,994
Non-current	-	876	876
	<u>230,864</u>	<u>14,006</u>	<u>244,870</u>
Reconciliation of movement			
Balance as at 1 April	237,459	-	237,459
Provisions charged to the income statement	-	14,074	14,074
Adjustment for exchange differences	(6,595)	(68)	(6,663)
Balance as at 31 March	<u>230,864</u>	<u>14,006</u>	<u>244,870</u>
2022	Property	Onerous contract	Total
	£	£	£
Current	-	-	-
Non-current	237,459	-	237,459
	<u>237,459</u>	<u>-</u>	<u>237,459</u>
Reconciliation of movement			
Balance as at 1 April	221,039	-	221,039
Provisions charged to the income statement	28,592	-	28,592
Adjustment for exchange differences	(12,172)	-	(12,172)
Balance as at 31 March	<u>237,459</u>	<u>-</u>	<u>237,459</u>

18 Deferred income tax

	2023	2022
	£	£
Deferred income tax assets		
– deferred income tax assets to be recovered after more than 12 months	1,329,225	1,227,612
– deferred income tax assets to be recovered within 12 months	438,569	445,716
	<u>1,767,794</u>	<u>1,673,328</u>
Deferred income tax assets (net)	<u>1,767,794</u>	<u>1,673,328</u>

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

	2023	2022
	£	£
Balance at the beginning of the financial year	1,673,328	1,773,309
Deferred income tax credited to the income statement	86,352	42,249
Deferred income tax credit / (charge) relating to components of other comprehensive income	55,279	(53,450)
Adjustment for exchange differences	(47,165)	(88,780)
Balance at the end of the financial year	1,767,794	1,673,328

Deferred income tax assets	Unutilised tax depreciation	Retirement benefit obligations	Provisions	Tax losses	Temporary differences on leases	Other	Total
	£	£	£	£	£	£	£
At 1 April 2021	62,382	1,170,767	413,369	-	7,678	119,113	1,773,309
Credited / (charged) to the income statement	5,504	100,161	(67,675)	26,505	(1,135)	(21,111)	42,249
Charged to other comprehensive income	-	(53,450)	-	-	-	-	(53,450)
Adjustment for exchange differences	(3,341)	(60,609)	(18,296)	(977)	(344)	(5,213)	(88,780)
At 31 March 2022	64,545	1,156,869	327,398	25,528	6,199	92,789	1,673,328
Credited / (charged) to the income statement	4,817	134,483	(54,391)	(24,941)	(2,926)	29,310	86,352
Credited to other comprehensive income	-	-	55,279	-	-	-	55,279
Adjustment for exchange differences	(1,816)	(32,787)	(9,097)	(587)	(158)	(2,720)	(47,165)
At 31 March 2023	67,546	1,258,565	319,189	-	3,115	119,379	1,767,794

19 Post-employment benefit liabilities

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

	2023	2022
	£	£
Balance sheet obligation for:		
– Defined pension benefits	(4,000,527)	(3,677,273)
Liability in the balance sheet	<u>(4,000,527)</u>	<u>(3,677,273)</u>
Income statement charge for:		
– Defined pension benefits	(328,577)	(348,480)
Remeasurement (losses) / gains for:		
– Defined pension benefits	(174,853)	163,632

The income statement charge included within operating profit includes current service cost and interest cost.

19.1 Unfunded scheme

The Company provides a retirement allowance to employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent valuation was at 31 March 2023 using the projected unit credit method. The most significant assumptions made by the actuary in carrying out this valuation were the assumptions of discount rate 1.2% (2022: 0.7%) per annum and the salary inflation 5.5% (2022: 4.0%) per annum. There was a benefit payment for the year to 31 March 2023 of £76,818 (2022: £30,109).

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

	2023	2022
	£	£
Present value of unfunded obligations	(4,000,527)	(3,677,273)
Fair value of plan assets	-	-
Liability in the balance sheet	<u>(4,000,527)</u>	<u>(3,677,273)</u>

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

	Present value of unfunded obligation	Fair value of plan assets	Total
	£	£	£
At 1 April 2021	(3,721,450)	-	(3,721,450)
Current service cost	(326,593)	-	(326,593)
Interest expense	(21,887)	-	(21,887)
	<u>(4,069,930)</u>	<u>-</u>	<u>(4,069,930)</u>
Remeasurements:			
– Gain from change in demographic assumptions	-	-	-
– Gain from change in financial assumptions	46,078	-	46,078
– Experience gains	117,554	-	117,554
	<u>163,632</u>	<u>-</u>	<u>163,632</u>
Adjustment for exchange differences	198,916	-	198,916
Payments from employer:			
– Benefit payments	30,109	-	30,109
At 31 March 2022	<u>(3,677,273)</u>	<u>-</u>	<u>(3,677,273)</u>
Current service cost	(303,726)	-	(303,726)
Interest expense	(24,851)	-	(24,851)
	<u>(4,005,850)</u>	<u>-</u>	<u>(4,005,850)</u>
Remeasurements:			
– Gain from change in demographic assumptions	401,083	-	401,083
– Loss from change in financial assumptions	(443,544)	-	(443,544)
– Experience losses	(132,392)	-	(132,392)
	<u>(174,853)</u>	<u>-</u>	<u>(174,853)</u>
Adjustment for exchange differences	103,358	-	103,358
Payments from employer:			
– Benefit payments	76,818	-	76,818
At 31 March 2023	<u>(4,000,527)</u>	<u>-</u>	<u>(4,000,527)</u>

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

	2023	2022
	£	£
Present value of obligation	(4,000,527)	(3,677,273)
Fair value of plan assets	-	-
Total liability	<u>(4,000,527)</u>	<u>(3,677,273)</u>

The significant actuarial assumptions were as follows:

	2023	2022
	%	%
Discount rate	1.2	0.7
Salary growth rate	5.5	4.0

Mortality % 2023 & 2022

Age	Mortality table as announced by Ministry of Health, Labour and Welfare (MHLW) in 2020	
	Male	Female
25	0.055	0.024
30	0.057	0.031
35	0.072	0.040
40	0.100	0.060
45	0.155	0.091
50	0.255	0.142
55	0.412	0.215
60	0.639	0.292

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

	2023	2022
	%	%
Impact on defined benefit obligation of a 25 basis point change:		
Increase in assumption		
– Discount rate	(2.7)	(3.0)
– Inflation rate	3.0	3.3
Decrease in assumption		
– Discount rate	2.9	3.2
– Inflation rate	(2.9)	(3.2)

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.

20 Share capital

	2023	2022
	£	£
Issued, called up and fully paid:		
100 (2022: 100) ordinary shares of £1 each	100	100
1,000,000 (2022: 1,000,000) redeemable preference shares	1,000,000	1,000,000
	<u>1,000,100</u>	<u>1,000,100</u>

21 Contingent liabilities

As a part of the ordinary business activities of the Company, claims may arise in relation to work undertaken by the Company. The Arup Group arranges and maintains professional indemnity insurance on behalf of all entities in the Arup Group.

22 Related parties

The following transactions and year end balances were in relation to related parties that are not 100% owned by the Arup Group:

	2023	2022
	£	£
Transactions with other related parties		
Sales of services	91,558	92,237
Purchases of services	(111,992)	(58,295)
Outstanding balances arising from sales / purchases of services		
Net payables	(285,351)	(229,697)

23 Controlling party

The immediate parent undertaking of Ove Arup & Partners Japan Limited is Ove Arup International (Holdings) Limited, a company incorporated in Hong Kong.

Arup Group Limited is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements.

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.

24 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).