

ARUP

Ove Arup & Partners Hong Kong 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 Hong Kong Limited (the “Company”) for the year ended 31 March 2023 which was 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 £414k (2022: £722k). The net assets as at 31 March 2023 are £29,932k (2022: £27,821k). Included in the profit for the year was net loss from exceptional items of £5,422k (2022: nil). This related to an income from a government grant and an impairment loss on amounts due from Arup Group undertakings.

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 the Arup Group level during the year of reporting:

- 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 £292,430k (2022: £243,701k).
- 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 £764k (2022: £2,384k).

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).

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.
- 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 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 on a quarterly basis and compliance updates from business functions. Matters reserved for the Board are in place.

The principal decisions and considerations made by the Board during the financial year included but were not limited to matters with respect to the transfer of business services staff in Hong Kong and the subscription to the Construction Industry Integrity Charter 2.0.

To support the region to run in the most effective way, it was agreed to establish a new services company in Hong Kong to provide region-wide corporate management services. In 2022, the Board made a principal decision to transfer the business services staff and long-term office contracts and leases in Hong Kong at the end of the contracts to the new services company. The Company remains the employing entity of the technical staff and continues to practice in the field of design and consulting engineering services, in architecture and in other related professional services. During the year, the Company had implemented the people transfer plan. Face-to-face briefings and communication sessions were held with the affected staff to provide the background and information in relation to the transfer, and to answer any questions from them. Written consents were received from the affected members to effect the change. There were no matters of material concerns raised by the members of the Company.

The Company is an active industry player and is supportive of industrial campaigns that align with the Company’s and the Arup Group’s values and culture. During the year, the Company had subscribed to the Construction Industry Integrity Charter 2.0 (the “Charter”) in response to the invitation by the Development Bureau of the Hong Kong SAR Government. Through subscribing to the Charter, the Company made a commitment to good governance and integrity in the business process. The Board believes that the subscription demonstrates the Company’s commitment to ethical dealings and business integrity, and it can further promote and strengthen the integrity management culture in the construction industry in Hong Kong.

How the directors considered and engaged stakeholders is further described in ‘Employee and other stakeholder engagement’ section in this report.

Employee and other stakeholder engagement

The Board sets the framework within which day-to-day operational management, including employee and stakeholder engagement, is carried out either by the Board itself or by management teams on its behalf. 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 (a themed survey takes place in between which in 2023 focused on wellbeing), 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.

Collecting members’ views and suggestions is a useful and important tool to help the Arup Group in formulating future strategy and priorities. During the year, the Company conducted a learning survey to better understand our members’ learning needs and habits in the post-COVID environment. The survey showed that members rely more on internal training than external training to gain new knowledge. In response to it, the Company set up Learning Accounts, Skills Networks and Training Committees to identify emerging trends in order to offer more varied learning topics to help members keep abreast of latest developments.

The Company is committed to promote wellbeing to all members. During the year, the Company launched enhanced medical benefits and introduced a new global employee assistance programme provider and had continued to arrange wellbeing activities for our members.

During the year, the Board made a principal decision to transfer the business services staff of the Company to a new Arup entity. How the directors considered the members when making the decision is described in the ‘Section 172(1) statement’ in this report.

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 Board provides direction and oversight of Arup’s Client Relationship Programme, an essential investment in driving higher value relationships and becoming our clients’ consultant of choice. 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.

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 information on projects and contracts. This reporting enables the Board to perform their duties as directors.

During the year, the Company hosted events and forums to share insight and knowledge with clients and potential clients, delving into sustainability topics including climate change, sustainable development and green economy.

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 key positions in industry organisations e.g., the Hong Kong Institution of Engineers, attendance at industry events, sub-consultant and supplier engagement on sustainable development approaches, engagement on compliance with modern slavery and human trafficking legislation. 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 information on projects and contracts. This reporting enables the Board to perform their duties as directors.

In April 2022, the Company joined the Asian Corporate Coalition for Climate Change Resilience (“A4CR”) as the primary climate technical advisor to support businesses in tackling climate change and build climate-resilient business cities in Asia. The Company provided its in-depth understanding of the built environment to help businesses identify, assess, mitigate and adapt to current and future climate change risks.

During the year, the Board made a principal decision to subscribe to the Construction Industry Integrity Charter 2.0 after considering the invitation by the Development Bureau of the Hong Kong SAR Government and its impacts to the industry organisation. How the directors considered the collaborators when making the decision is described in the ‘Section 172(1) statement’ in this report.

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. The directors of the Company are a direct part of the engagement by way of their roles in the Arup Group.

In collaboration with local NGOs and schools, the Company held diverse STEM and education programmes to nurture and inspire the local youths. In December 2022, the Company launched a 6-month Sustainable School Explorer Programme aiming to provide unique STEM learning experiences to students and empower them to turn their ideas into actions. Seven local secondary schools were engaged in the programme to ignite sustainable campus ideas.

During the year, the Company designed a family centre for The Zubin Foundation, as a pro-bono project. The Zubin’s Family Centre is the first facility in Hong Kong to provide ethnic minority children with special education needs with counselling services in Nepali, Hindi, Urdu and English.

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

A handwritten signature in black ink, appearing to read 'Yuk Nin Andy Lee', written over a horizontal line.

Yuk Nin Andy Lee

Director

3 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 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 East Asia.

Branches

The Company has registered branches in Hong Kong, Macau, Taiwan and the Philippines.

General information

The Company is a private limited company registered in England and Wales under company number 1359968 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 geopolitical 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 28 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:

Chow, Kin Tak Alice (Resigned 31 March 2023)
Chung, Clement Hung Wai (Resigned 31 March 2023)
Kwok, Ka Yue Michael
Lau, Wai Tong Wilfred (Resigned 31 March 2023)
Lee, Yuk Nin Andy
Suen, Timothy Kai-Cheung (Resigned 31 March 2023)
Sze, Wang Cho (Appointed 1 April 2023)
Tsang, Paul Sau Chung (Resigned 31 March 2023)
Whyte, Thomas John Fergal (Resigned 31 March 2023)
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 equivalents, 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.

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;
- Quarterly board meetings are held for operating subsidiaries, including the Company;
- Agendas are set between the company secretary and the local leadership 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.

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 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.

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 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



Yuk Nih Andy Lee

Director

3 October 2023

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

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

Report on the audit of the financial statements

Opinion

In our opinion, Ove Arup & Partners Hong Kong 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the company in the period under audit.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- assessing the current and historical financial position of this 100% owned subsidiary within the Arup Group;
- understanding the financial performance of significant ongoing projects, including assessing the risk of those becoming loss making;

- assessing the profitability of a further sample of existing projects;
- assessing the appropriateness of the assurances of financial support for the company and ability of the parent entities to provide this support to the company;
- assessing the appropriateness of the cash flow forecast in the context of the Group's 2023 financial position and evaluating the directors' downside sensitivities against the forecast;
- evaluating the key assumptions in the forecast and considering whether these were supported by the evidence we obtained;
- examining the headroom under the base case in the cash flow forecast, as well as the directors' and our own sensitised cases, and evaluating whether the directors' conclusion that headroom remained in all events was supported by the evidence we obtained;
- obtaining the Group's covenant calculations and assessments of compliance; and
- reviewing the disclosures relating to the going concern basis of preparation.

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 the UK tax legislations, the Employment Ordinance (Hong Kong), the Inland Revenue Ordinance (Hong Kong), the 2022 Employment Support Scheme (Hong Kong) ("ESS") and the Companies Ordinance (Hong Kong), 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 regulation 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.



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

Income statement

For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Revenue	4	292,430	243,701
Other income		2,539	-
Employee benefit expense	5	(129,806)	(114,477)
Charges from sub-consultants and other direct project expenses		(110,377)	(85,443)
Depreciation and amortisation expense	11, 12 & 13	(9,454)	(8,861)
Accommodation		(2,994)	(2,712)
Communications and other overheads		(32,368)	(29,732)
Net (impairment losses) / reversal of impairment losses on financial and contract assets		(8,500)	612
		<u>(293,499)</u>	<u>(240,613)</u>
Operating profit	7	1,470	3,088
Comprising:			
– Underlying operating profit		6,892	3,088
– Exceptional items	8	(5,422)	-
		<u>1,470</u>	<u>3,088</u>
Finance income	9	118	150
Finance costs	9	(824)	(854)
Profit before income tax		<u>764</u>	<u>2,384</u>
Income tax charge	10	(350)	(1,662)
Profit for the financial year		<u>414</u>	<u>722</u>

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
	£'000	£'000
Profit for the financial year	414	722
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations - net of tax	30	(47)
	<u>30</u>	<u>(47)</u>
Items that may be reclassified subsequently to profit or loss		
Currency translation gains	1,667	1,125
	<u>1,667</u>	<u>1,125</u>
Other comprehensive income for the year, net of tax	1,697	1,078
Total comprehensive income for the year	<u>2,111</u>	<u>1,800</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 £'000	31 March 2022 £'000
Assets			
Non-current assets			
Intangible assets	11	107	127
Property, plant and equipment	12	3,475	4,034
Right-of-use assets	13	9,007	15,245
Investments in subsidiaries	14	1,198	1,129
Deferred income tax assets	22	1,605	1,536
Financial assets at fair value through profit or loss	15	-	-
Other non-current assets	16	709	1,837
		<u>16,101</u>	<u>23,908</u>
Current assets			
Contract assets	17	51,750	46,597
Trade and other receivables	18	54,118	50,538
Cash and cash equivalents	19	16,796	14,215
		<u>122,664</u>	<u>111,350</u>
Total assets		<u><u>138,765</u></u>	<u><u>135,258</u></u>
Liabilities			
Current liabilities			
Trade and other payables	20	48,455	35,159
Contract liabilities	17	45,641	53,475
Current income tax liabilities		590	401
Lease liabilities	13	6,681	7,011
Provisions for other liabilities and charges	21	3,501	-
		<u>104,868</u>	<u>96,046</u>

	Note	31 March 2023 £'000	31 March 2022 £'000
Non-current liabilities			
Lease liabilities	13	2,750	8,836
Deferred income tax liabilities	22	38	21
Post-employment benefit liabilities	23	-	5
Provisions for other liabilities and charges	21	1,177	2,529
		<u>3,965</u>	<u>11,391</u>
Total liabilities		<u>108,833</u>	<u>107,437</u>
Net assets		<u>29,932</u>	<u>27,821</u>
Equity			
Share capital	24	3,200	3,200
Retained earnings		26,732	24,621
Total equity		<u>29,932</u>	<u>27,821</u>

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

The financial statements on pages 14 to 41 were approved and authorised for issue by the Board of directors and signed on its behalf by:



Yuk Nin Andy Lee

Director

3 October 2023

Statement of changes in equity

For the year ended 31 March 2023

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance as at 1 April 2021	3,200	30,821	34,021
Profit for the financial year	-	722	722
Remeasurement of post-employment obligations	-	(62)	(62)
Remeasurement of post-employment obligations - tax	-	15	15
Currency translation gains	-	1,125	1,125
Other comprehensive income for the year	-	1,078	1,078
Total comprehensive income for the year	-	1,800	1,800
Dividends	-	(8,000)	(8,000)
Total transactions with owners, recognised directly in equity	-	(8,000)	(8,000)
Balance as at 31 March 2022	3,200	24,621	27,821

Statement of changes in equity for the year ended 31 March 2023

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance as at 1 April 2022	3,200	24,621	27,821
Profit for the financial year	-	414	414
Remeasurement of post-employment obligations	-	40	40
Remeasurement of post-employment obligations - tax	-	(10)	(10)
Currency translation gains	-	1,667	1,667
Other comprehensive income for the year	-	1,697	1,697
Total comprehensive income for the year	-	2,111	2,111
Dividends	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-
Balance as at 31 March 2023	3,200	26,732	29,932

Notes to the financial statements

For the year ended 31 March 2023

1 Incorporation

Ove Arup & Partners Hong Kong 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 £991k, 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 Consolidation

The company is a wholly owned subsidiary of Ove Arup International (Holdings) Limited and is included in the consolidated financial statements of Arup Group Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

2.5 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 Hong Kong dollar. The financial statements are presented in pound sterling (£), which is the Company’s presentation currency.

Transactions and balances

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

Impairment of non-financial assets

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

Financial assets

Classification

The Company classifies its financial assets in the following categories:

- 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 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. 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.

Exceptional items

Exceptional items comprise items of income, expense and cash flow that are material in amount and outside the normal course of business, or relate to events which do not frequently recur. They merit separate disclosure in the financial statements in order to provide a better understanding of the Company's underlying financial performance.

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 - 10 years
Motor vehicles	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.

Investments in subsidiaries

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

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 measured 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 8 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 17 and 18 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.

During the year ending 31 March 2023, the Company made a one-off specific impairment on receivables due from a related party (note 8). Impairing such an asset is rare and as such it is considered exceptional for the Company. Apart from this specific impairment, the expected credit loss on amounts due from Arup Group undertakings is deemed to be immaterial.

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 £58,155k (2022: £51,990k). The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £244,316k (2022: £193,519k).

	2023	2022
	£'000	£'000
Revenue by destination		
Asia	285,324	237,437
United Kingdom	6,232	5,339
Australasia	309	369
Americas	390	368
Europe	153	176
Middle East & Africa	22	12
	<u>292,430</u>	<u>243,701</u>

5 Employee benefit expense

	2023	2022
	£'000	£'000
Wages and salaries	104,399	89,284
Global profit-share scheme	13,517	14,930
Social security costs	1,459	1,218
Pension contributions	4,988	4,212
Other staff costs	5,443	4,833
	<u>129,806</u>	<u>114,477</u>

Average monthly number of people employed

	Number	Number
Engineering and technical staff	1,482	1,485
Administrative staff	279	271
	<u>1,761</u>	<u>1,756</u>

Government site staff

Average monthly number of government site staff employed by the Company during the year is 731 (2022: 610). Employee benefit expenses in respect of government site staff are included under 'charges from sub-consultants and other direct project expense' in the income statement.

6 Directors' remuneration

The directors' remunerations were as follows:

	2023	2022
	£'000	£'000
Aggregate remuneration	4,165	4,514
Aggregate contributions paid to defined contribution schemes	<u>271</u>	<u>277</u>
Number of directors accruing pension benefits under:	Number	Number
Defined benefit schemes	<u>-</u>	<u>-</u>
Highest paid director:	£'000	£'000
Remuneration excluding contributions paid to pension schemes	827	862
Contributions paid to defined contribution schemes	63	57
	<u>890</u>	<u>919</u>

7 Operating profit

	2023	2022
	£'000	£'000
This is stated after charging / (crediting):		
During the year, the Company obtained the following services from the Company's auditors:		
– Audit of Company financial statements	123	88
Fees payable for other services:		
– Other audit related assurance services	5	2
– Tax compliance services	-	0
(Gain) / loss on disposal of property, plant and equipment	(2)	0
Loss on exchange from trading activities	728	2,227
Amortisation of intangible assets	68	82
Depreciation of property, plant and equipment	1,836	1,704
Depreciation of right-of-use assets	7,550	7,075
Global and / or regional support costs	<u>26,206</u>	<u>23,951</u>
Audit fees borne by another Arup Group subsidiary	<u>38</u>	<u>28</u>

8 Exceptional items

	2023	2022
	£'000	£'000
Government grant	2,539	-
Impairment loss on amounts due from Arup Group undertakings	(7,961)	-
	<u>(5,422)</u>	<u>-</u>

Government grant

The Hong Kong SAR Government launched the 2022 Employment Support Scheme (“ESS”) under the Anti-epidemic Fund during the year ended 31 March 2023. The ESS provided financial support to employers for three months in the form of wage subsidies to mitigate the adverse impact of COVID-19. The Company has received £2,539k and the subsidies have been used to pay employee wages from May to July 2022. This government grant has been included in ‘other income’ in the income statement.

Impairment loss on amounts due from Arup Group undertakings

During the year ending 31 March 2023, the Company impaired a £7,961k asset due from Arup International Consultants (Shanghai) Limited, a related party. Impairing such an asset is rare and as such it is considered exceptional for the Company. This impairment loss on amounts due from Arup Group undertakings has been included in ‘net (impairment losses) / reversal of impairment losses on financial and contract assets’ in the income statement.

9 Net finance costs

	2023	2022
	£'000	£'000
Interest expense on borrowings	(113)	(5)
Lease liabilities	(519)	(757)
Interest expense - Arup Group undertakings	(192)	(92)
Net finance costs on net post-employment benefit liabilities	(0)	-
Total finance costs	<u>(824)</u>	<u>(854)</u>
Interest receivable on short-term bank deposits	22	28
Interest receivable - Arup Group undertakings	96	113
Net finance income on net post-employment benefit liabilities	-	1
Other interest receivables	-	8
Total finance income	<u>118</u>	<u>150</u>
Net finance costs	<u>(706)</u>	<u>(704)</u>

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

10 Income tax charge

(a) Analysis of total income tax charge

	2023	2022
	£'000	£'000
Current income tax		
– Non-UK: current income tax on profits for the year	423	542
– Non-UK: adjustment in respect of prior years	(139)	(13)
Total current income tax	<u>284</u>	<u>529</u>
Deferred income tax (note 22)		
– Origination and reversal of temporary differences	66	1,133
Total deferred income tax	<u>66</u>	<u>1,133</u>
Total income tax charge	<u>350</u>	<u>1,662</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
	£'000	£'000
Profit before income tax	<u>764</u>	<u>2,384</u>
Profit before income tax multiplied by the standard rate of corporation tax in the UK	145	453
Effects of:		
Income not subject to tax	(453)	(49)
Expenses not deductible for tax purposes	1,783	413
Impact of non-UK tax	(250)	402
Utilisation of tax losses for which no deferred income tax asset was recognised	(736)	-
Adjustment in respect of prior years	(139)	(13)
Unrelieved losses carried forward on which no deferred income tax is recognised	-	456
Total income tax charge	<u>350</u>	<u>1,662</u>

(c) Factors affecting current and future income tax charges

For the year ending 31 March 2023, a local tax rate of 16.5% for Hong Kong, 12.0% for Macau, 20.0% for Taiwan and 25.0% for Philippines (2022: 16.5% for Hong Kong, 12.0% for Macau, 20.0% for Taiwan and 25.0% for Philippines) have been used to calculate deferred income tax assets and liabilities.

11 Intangible assets

	Computer software	Total
	£'000	£'000
Cost		
Balance at 1 April 2022	2,327	2,327
Additions	43	43
Adjustment for exchange differences	124	124
Balance at 31 March 2023	<u>2,494</u>	<u>2,494</u>
Accumulated amortisation		
Balance at 1 April 2022	2,200	2,200
Amortisation charge for the year	68	68
Adjustment for exchange differences	119	119
Balance at 31 March 2023	<u>2,387</u>	<u>2,387</u>
Net book value at 31 March 2023	<u>107</u>	<u>107</u>
Net book value at 31 March 2022	127	127

12 Property, plant and equipment

	Leasehold improvements	Furniture, fittings & IT hardware	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 April 2022	6,220	12,634	192	19,046
Additions	19	1,267	79	1,365
Disposals	(177)	(297)	(58)	(532)
Adjustment for exchange differences	233	794	8	1,035
Balance at 31 March 2023	<u>6,295</u>	<u>14,398</u>	<u>221</u>	<u>20,914</u>
Accumulated depreciation				
Balance at 1 April 2022	4,596	10,251	165	15,012
Charge for the year	666	1,143	27	1,836
Disposals	(177)	(1)	(58)	(236)
Adjustment for exchange differences	249	570	8	827
Balance at 31 March 2023	<u>5,334</u>	<u>11,963</u>	<u>142</u>	<u>17,439</u>
Net book value at 31 March 2023	<u>961</u>	<u>2,435</u>	<u>79</u>	<u>3,475</u>
Net book value at 31 March 2022	1,624	2,383	27	4,034

13 Leases

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

(i) Amounts recognised in the balance sheet

	2023	2022
	£'000	£'000
Right-of-use assets		
Buildings	8,405	14,583
Equipment	576	610
Vehicles	-	7
Other	26	45
	<u>9,007</u>	<u>15,245</u>
Lease liabilities		
Current	6,681	7,011
Non-current	2,750	8,836
	<u>9,431</u>	<u>15,847</u>

Additions to the right-of-use assets during the financial year to 31 March 2023 was £245k (2022: £3,125k). 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
	£'000	£'000
Depreciation charge of right-of-use assets		
Buildings	7,345	6,631
Equipment	179	412
Vehicles	7	8
Other	19	24
	<u>7,550</u>	<u>7,075</u>
Interest expense (included in finance costs)	519	757
Expense relating to short-term leases (included in communications and other overheads)	207	261
	<u>7,276</u>	<u>8,095</u>

The total cash outflow for leases in the year ended 31 March 2023 was £7,843k (2022: £7,500k).

14 Investments in subsidiaries

The Company owns ordinary shares in the company noted below. The company was wholly owned subsidiary undertakings of the Company at 31 March 2023 and 2022, and its results are consolidated into the Arup Group financial statements.

A listing of registered addresses and principal activities can be found in note 29.

Direct holdings	Country of incorporation
Arup (Cambodia) Limited	Cambodia

Movement of investment	Cost	Investment impairment	Net value
	£'000	£'000	£'000
Balance as at 1 April 2021	1,089	-	1,089
Adjustment for exchange differences	40	-	40
Balance as at 1 April 2022	1,129	-	1,129
Adjustment for exchange differences	69	-	69
Balance as at 31 March 2023	1,198	-	1,198

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

On 22 July 2020, the directors agreed to transfer 100% of its investment in Arup (Cambodia) Limited with the value of USD1,501,000 to the Company's parent, Ove Arup International (Holdings) Limited for a consideration of USD1,501,000. At the date the financial statements were signed this transfer had not occurred.

15 Financial assets at fair value through profit or loss

	2023	2022
	£'000	£'000
Balance at the beginning of the financial year	-	232
Disposals	-	(227)
Adjustment for exchange differences	-	(5)
Balance at the end of the financial year	-	-

Financial assets at fair value through profit or loss represents the Company's investment in government securities in the Philippines.

16 Other non-current assets

	2023	2022
	£'000	£'000
Other receivables	580	1,837
Post-employment benefit assets	129	-
	709	1,837

17 Contract assets and liabilities

	2023	2022
	£'000	£'000
Contract assets		
Contract assets	52,086	46,653
Loss allowance	(336)	(56)
	<u>51,750</u>	<u>46,597</u>
Contract liabilities		
Contract liabilities	<u>45,641</u>	<u>53,475</u>

18 Trade and other receivables

	2023	2022
	£'000	£'000
Trade receivables - net	19,338	25,588
Amounts due from Arup Group undertakings	26,624	18,574
Non-UK corporation tax receivable	4,762	3,921
Other receivables	2,868	1,901
Prepayments and accrued income	526	554
	<u>54,118</u>	<u>50,538</u>

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

	2023	2022
	£'000	£'000
Trade receivables		
Trade receivables	19,975	25,956
Loss allowance	(637)	(368)
	<u>19,338</u>	<u>25,588</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%).

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.

During the year ending 31 March 2023, the Company made a one-off specific impairment of £7,961k on receivables due from Arup International Consultants (Shanghai) Limited, a related party (note 8). Impairing such an asset is rare and as such it is considered exceptional for the Company. Apart from this specific impairment, the expected credit loss on amounts due from Arup Group undertakings is deemed to be nil (2022: nil).

19 Cash and cash equivalents

	2023	2022
	£'000	£'000
Cash at bank and in hand	16,796	14,215
	<u>16,796</u>	<u>14,215</u>

20 Trade and other payables

	2023	2022
	£'000	£'000
Trade payables	5,598	3,987
Amounts owed to Arup Group undertakings	22,980	11,158
Accrued expenses	19,185	19,373
Other payables	692	641
	<u>48,455</u>	<u>35,159</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%).

21 Provisions for other liabilities and charges

2023	Property	Onerous contract	Total
	£'000	£'000	£'000
Current	2,288	1,213	3,501
Non-current	490	687	1,177
	<u>2,778</u>	<u>1,900</u>	<u>4,678</u>

Reconciliation of movement

Balance as at 1 April	2,529	-	2,529
Provisions charged to the income statement	97	1,943	2,040
Provisions released to the income statement	-	-	-
Provisions utilised	-	-	-
Capitalised in the year	-	-	-
Adjustment for exchange differences	152	(43)	109
Balance as at 31 March	<u>2,778</u>	<u>1,900</u>	<u>4,678</u>

2022	Property	Onerous contract	Total
	£'000	£'000	£'000
Current	-	-	-
Non-current	2,529	-	2,529
	<u>2,529</u>	<u>-</u>	<u>2,529</u>
Reconciliation of movement			
Balance as at 1 April	3,258	-	3,258
Provisions charged to the income statement	130	-	130
Provisions released to the income statement	(244)	-	(244)
Provisions utilised	(756)	-	(756)
Capitalised in the year	43	-	43
Adjustment for exchange differences	98	-	98
Balance as at 31 March	<u>2,529</u>	<u>-</u>	<u>2,529</u>

22 Deferred income tax

	2023	2022
	£'000	£'000
Deferred income tax assets		
– deferred income tax assets to be recovered after more than 12 months	1,575	1,499
– deferred income tax assets to be recovered within 12 months	30	37
	<u>1,605</u>	<u>1,536</u>
Deferred income tax liabilities		
– deferred income tax liabilities to be recovered after more than 12 months	(38)	(21)
	<u>(38)</u>	<u>(21)</u>
Deferred income tax assets (net)	<u>1,567</u>	<u>1,515</u>

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

	2023	2022
	£'000	£'000
Balance at the beginning of the financial year	1,515	2,562
Transfers between current and deferred income tax	36	-
Deferred income tax charged to the income statement	(66)	(1,133)
Deferred income tax (charge) / credit relating to components of other comprehensive income	(10)	15
Adjustment for exchange differences	92	71
Balance at the end of the financial year	1,567	1,515

Deferred income tax liabilities	Accelerated tax depreciation	Temporary differences on leases	Other	Total
	£'000	£'000	£'000	£'000
At 1 April 2021	-	2	110	112
Charged / (credited) to the income statement	2	(2)	(95)	(95)
Adjustment for exchange differences	0	-	4	4
At 31 March 2022	<u>2</u>	<u>-</u>	<u>19</u>	<u>21</u>
Charged to the income statement	10	-	7	17
Adjustment for exchange differences	(0)	-	(0)	(0)
At 31 March 2023	<u>12</u>	<u>-</u>	<u>26</u>	<u>38</u>

Deferred income tax assets	Unutilised tax depreciation	Retirement benefit obligations	Provisions	Tax losses	Temporary differences on leases	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2021	192	61	1,074	-	-	1,347	2,674
Credited / (charged) to the income statement	97	(9)	(980)	-	19	(355)	(1,228)
Credited to other comprehensive income	-	15	-	-	-	-	15
Adjustment for exchange differences	10	(1)	26	-	0	40	75
At 31 March 2022	299	66	120	-	19	1,032	1,536
(Charged) / credited to the income statement	(3)	(2)	(14)	412	(9)	(397)	(13)
Charged to other comprehensive income	-	(10)	-	-	-	-	(10)
Adjustment for exchange differences	18	1	2	(3)	0	74	92
At 31 March 2023	314	55	108	409	10	709	1,605

23 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
	£'000	£'000
Balance sheet obligation for:		
– Defined pension benefits	129	(5)
Asset / (liability) in the balance sheet	129	(5)
Income statement charge for:		
– Defined pension benefits	(112)	(63)
Remeasurement gains / (losses) for:		
– Defined pension benefits	40	(62)

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

Post-employment benefits assets has been included in 'other non-current assets' (note 16) in the balance sheet.

23.1 Defined benefit pension plan

Philippines branch

The Company operates a retirement benefit scheme in the Philippines which requires an actuarial valuation yearly. As at 31 March 2023, the scheme net asset was valued at £129k (2022: net liabilities £5k) which is recorded within other non-current assets (2022: post-employment benefit liabilities). The actuarial gain for the year on this scheme was £40k (2022: loss £62k) which has been recorded in the statement of comprehensive income. As the asset / (liability) is not material to the Company, no additional disclosure is included within these financial statements.

24 Share capital

	2023	2022
	£'000	£'000
Issued, called up and fully paid:		
3,200,000 (2022: 3,200,000) ordinary shares of £1 each	3,200	3,200
	<u>3,200</u>	<u>3,200</u>

25 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.

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

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

26 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
	£'000	£'000
Transactions with other related parties		
Sales of services	68	109
Purchases of services	(242)	(605)
Outstanding balances arising from sales / purchases of services		
Net payables	(845)	(626)

27 Controlling party

The immediate parent undertaking of Ove Arup & Partners Hong Kong 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.

28 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). An interim dividend of £1.5625 per ordinary share, amounting to £5,000k was declared in the year ended 31 March 2022. A total dividend of £8,000k was paid during the year ended 31 March 2022, which included £3,000k final dividend for year ended 31 March 2021 and £5,000k interim dividend, both of which are reflected in these financial statements.

29 Registered addresses of investments in subsidiaries

Name of investment	Registered address	Principal activities
Arup (Cambodia) Limited	Office No. 301, Level 3, Tower 1, Vattanac Capital, No. 66, Preah Monivong Boulevard, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Cambodia	Design and consulting engineering services, in architecture and other related professional skills