ARUP

Registration Number: 1312454

**Arup Group Limited**

# Financial Statements and Reports

For the year ended 31 March 2023

## Amended

These financial statements and reports replace the original financial statements and reports for the financial year 31 March 2023. They are now the financial statements and reports of Arup Group Limited for the year ended 31 March 2023. They have been prepared as at the date of the original financial statements and reports and not at the date of revision. Accordingly, these financial statements and reports do not deal with events between those dates. There have been no amendments made to the financial statements.

# Contents

# Chair’s foreword

Last year the world faced a series of socio-economic problems and growing geo-political turbulence. The war in Ukraine, the emergence of inflation as a primary post-pandemic issue for many economies, and significant differences in the pace at which nations emerged from COVID-19 challenged all. At the same time, many cities and regions coped with floods, fires, and other signs of a global climate system under pressure. Arup’s response included close partnering with clients to address the specific complexities they were facing, many of which intensified. We also prioritised implementation of our firm-wide strategy to put sustainable development at the heart of everything we do, and which last year involved structural reorganisation.

## Delivering a strong commercial performance

We delivered a strong performance for the financial year ending 31 March 2023. Our revenue grew by 14.2% to £2,163.6m and we achieved an operating profit of 8.4% (before applying our profit share scheme, which benefits all of our members worldwide). Our membership continued to grow, exceeding 18,000 at the end of the reporting period.

Beyond our top-line performance, our energy and water businesses both delivered solid growth, allowing us to continue to scale and broaden the work we undertake for many of our clients directly engaged with the climate crisis. Our energy revenue grew 22% during the year, while our water business grew by 11%. Both businesses are firmly focused on the future, working with clients to accelerate the global clean energy transition and, in the case of water, strengthening the long-term strategic planning of the water industry and supporting the resilience of the communities it serves.

## Implementing our strategy

We began last year with a new organisational structure, one that allows us to deliver our strategy more effectively. From April 2022, our structure has allowed us to strengthen our outward focus and has advanced our ability to offer our clients global solutions that align with local contexts.

Last year was also the moment when artificial intelligence (“AI”) became a question of widespread public debate, with the launch of generative AI tools for mass consumer use. Our work with AI is not new and last year saw us share insights publicly about how variable the natural water-holding capacity of world leading cities is. From Singapore to Nairobi, the insights we gained from deploying our land use analysis tool, Terrain, allowed us to stimulate discussions about the interventions specific cities can make to incorporate nature-based solutions. While there are no easy solutions, such approaches can improve water-holding capacity and reduce the severity of some flood events.

## Applying our expertise

It is always satisfying to witness how our members apply the depth and breadth of their expertise and allow our clients’ ambitions to take flight. Last year, we welcomed completion of two major transport projects to which our experts have contributed significantly, the Elizabeth Line in London and Admiralty Station in Hong Kong. Arup’s work on the Elizabeth Line began with its inception and design, continuing through construction and operation. Delivering a 10% expansion to central London’s rail capacity, the line provides a direct and rapid link between Heathrow Airport, the city centre and Canary Wharf. It has been instructive to observe how quickly forecasts of passenger demand were met – and then exceeded.

In Hong Kong, our experts played a central role in transforming an existing rail station into a four-line mega interchange. Today, Admiralty Station is the busiest station on Hong Kong’s underground network. The number of platforms doubled, and construction took place while the existing station remained fully operational. While it’s easy to summarise such an achievement, I know how much skill and care is needed to deliver such a success.

Meanwhile in Canada, the Arthur J.E. Child Comprehensive Cancer Centre in Calgary reached substantial completion. A landmark facility, the centre is due to open in 2024 as the country’s largest cancer treatment and research facility and the second largest in North America. Arup specialists from around the globe came together to work on a project whose impact is likely to prove transformational.

## Partnering for a better future

Arup has always embraced the challenges that come with complexity. We have worked collaboratively with others for more than 75 years to create new and better solutions. It is one of the reasons why we are so pleased to be a member of the Global alliance of organisations supporting The Earthshot Prize. The prize is an annual search for the best solutions for repairing the damage humanity has done to Earth. As a Global alliance member, our experts work with the people who have developed earth-repair solutions, supporting them to scale and to create a better future for all.

The depth and length of our partnership with many clients is notable. Our work with Deutsche Bank focuses on decision making in relation to its extensive office network across Europe, Asia, North America, and key emerging markets. As nations respond differently to post-pandemic opportunities and as new geo-political challenges emerge, our experts provide the bank with a wide range of services, from project management to building engineering and architecture.

## Looking ahead

I took up the role of Arup’s Global Chair in 2019. Like many leaders, I was able to see some of what lay ahead, but there was so much more to come. We knew the United Kingdom could be expected to leave the European Union. Climate scientists were already clear about the trajectory of Global climate change. Indeed, Greta Thunberg had already begun her weekly protests in Stockholm. Addressing both issues was firmly on Arup’s agenda.

Not as clearly anticipated was the emergence of the Global health pandemic. Neither was the Black Lives Matter movement. With hindsight, perhaps both were far more likely than most leaders across the Global business community had foreseen or understood.

As last year progressed, the war in Ukraine dominated and the pressures this placed on the Global energy sector in the midst of technological transition became apparent. In many parts of the world, the price of food and other essentials drove energy and food security higher up political and business agendas.

Throughout my time as Arup Group Chair, I have continuously been proud that we have focused on serving our clients and supporting our members, particularly during difficult times and circumstances. In 2019, we sadly experienced a fatal accident at our Dublin office. In addition to expressing condolences to the family and providing support to members affected by this sorrowful event, we have invested in improving our health and safety procedures and performance. This has included carrying out a Global review of our premises’ health and safety compliance. Safety – and the culture of health, safety and wellbeing that underpins it – is of vital importance to us all. It is always evolving and develops in response to our changing ways of working. We are learning more about the connection between our work, environment, and wellbeing, both physically and mentally. We also recognise that the impact we have on safety through our design and advisory services continues to grow.

In April 2024 I will hand over the leadership of Arup to Jerome Frost, a long-standing member of our Group Board and current Chair of our UK, India, Middle East and Africa region. As our next Group Chair, I know Jerome will experience one of the best aspects of Arup – our members in every corner of the world will step up and lead, just as they have done during my tenure. As a company owned in trust on behalf of its members, Our People embrace the responsibility of leading and of advancing our mission: to shape a better world.

Alan James Belfield

Chair, Arup Group Limited

1 November 2023

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

# Strategic report

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

## Review of the business

These are the results for the Group for the financial year ended 31 March 2023. The results show a profit for the financial year after exceptional items of £26.6m (2022: £18.3m); the underlying profit for the year before profit-share, interest, income tax, depreciation and amortisation, share of investments accounted for using the equity method and exceptional items was £261.3m (2022: £255.1m). The net assets as at 31 March 2023 are £410.2m (2022: £394.7m).

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

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

The increasing geopolitical tensions across the world, and the Ukraine conflict in particular, together with rising energy prices, higher interest rates and inflation, and the increasing impacts of climate change are expected to continue contributing to an unsettled economic climate and market conditions.

## What we do

### Our purpose

The Group works across every aspect of the built environment to help our clients solve their most complex challenges – turning exciting ideas into tangible reality. We are driven by our values, and vision to shape a better world; living by our founder Ove Arup's goal of doing our work "as well as it can be done" to push boundaries and produce better, more sustainable, socially valuable, outcomes for everyone it impacts. For us, 'better' is all about creating a sustainable future by making sustainable development central to all our work.

### Our strategy

Sustainable development sits firmly as our core purpose at the heart of the strategy; we will shape a better world by creating shared value for our clients and society whilst safeguarding the planet. This is enabled by four key strategic priorities that are essential for us to maintain our leadership in the built environment and deliver our purpose:

1. People – Becoming an even stronger community known for our humanity and leadership.
2. Excellence – Creating better solutions for our clients, every time. Holistically, and with total professionalism and technical brilliance.
3. Influence – Partnering with our clients as trusted advisors to define their challenges and create new opportunities at every stage of a project.
4. Digital – Embracing our digital future to deliver greater opportunities for Arup, for our clients and for the wider world.

The Group strategy for 2020-2025 (as extended) was launched in June 2020. It reaffirms our values and sets out the priorities and approach that will continue to unite our members and make sure we thrive in a changing world.

During the year we reviewed our progress and discussed our implementation plans for the next two years.

The Board recognises that ongoing engagement with our employees ("members") is fundamental to delivering our purpose and current strategic priorities, and both the Board collectively and Board directors individually actively seek opportunities for interaction with our members, to engage with them on progress, and to hear their feedback and views.

### Our culture

For over seventy five years, the Group has evolved into a unique organisation with a strong culture, thanks in part to our independence and our shared values.

Today, not only are our work, our range of expertise, and our international footprint all greatly expanded, but there is also a significant shift in people's expectations about their working lives. The Board recognises that with a membership of around 19,000 people, we need to be even more intentional in how we maintain our culture at scale and make sure it is evident in how we behave.

**Promoting and protecting culture**

The Board is responsible for promoting and protecting our aims and values and a strong, coherent and inclusive culture where our members thrive. The Board's and the Group's engagement with our members is described further under Our people on page 10 and under Member and Stakeholder Engagement on page 16. Whilst these demonstrate how we ensure and monitor our culture, there are many other ingredients that contribute to the creation of a healthy corporate culture, including:

- Our Group policies (described under Group policies on page 13), which are reviewed and approved annually by the Board. These reflect our core values and define our ambition and aims in key areas and they set a clear expectation, and mandate, for every member to act not only in accordance with applicable laws but also with integrity.
- Fair and transparent employment policies and practices that ensure that members' rights are respected in accordance with applicable laws and employment contracts, together with programmes and initiatives that support the health and wellbeing of our members, develop talent and promote diversity.
- Improving the management of our supply chain, developing supplier protocols and procedures that seek to ensure that our key suppliers operate their businesses and respect their employees' rights in a way that aligns with our own approach.
- The work of our Global support functions in developing, engaging and advising on the Group's policies, procedures and standards at every level and location of the business around the world, including dedicated safety, finance, legal and governance teams, procurement and Our People function.

Other means by which the Board monitors the Arup's culture and assesses the continued alignment of our members with our values include:

- Reviewing the outcomes of the Working at Arup surveys, client satisfaction and market perception surveys and regular reputation risk reporting, which provide insights into what we do well and what could be improved, as well as any particular areas of concern.
- Direct participation by Board members in company events including region briefings, management briefings, new starter inductions etc.
- Feedback from internal and external communications and social media channels.
- Investing in a corporate university with responsibility for skills development and formal learning programmes to engage with our Global membership, and empower them in our mission to shape a better world.

Feedback from all of these activities enables the Board to be assured that the Group's culture remains aligned with our values. Where these channels have revealed matters that can be improved upon or have flagged concerns, the Board has discussed these and is content that actions plans are put in place that are designed to drive improvements or address those concerns.

**Health, safety and wellbeing culture**

The firm continues to enhance its approach to health, safety and wellbeing, strengthen our resources and invest in our systems. We are strengthening our assurance model to make sure we have consistent processes and controls in place to support the success of this change in mindset. Further information on health, safety and wellbeing can be found on page 12. During the year, the Board held a dedicated workshop session that instigated a programme of work to reframe our safety culture within the context of our values as a key component of operational excellence in everything we do.

# How we operate - values driven

## Unique ownership structure

Since 1979 Arup has been owned by Trusts for the benefit of current and former Group members. The directors of the Trusts are collectively referred to as the Trustees.

Trust ownership affords us total independence and the ability to take a long-term view, without external pressures from shareholders or the risk of change in ownership. This provides our clients with confidence in our ability to prioritise their interests, and we have the freedom to shape our own direction and invest in the things we feel matter most: our members, our knowledge, our resources, and our communities.

## The Board

The Board operates as an executive team and is responsible for the overall success of the firm, for Arup's policies, strategy, and organisation, and for the membership and appointments of its key executive bodies and committees.

## The Operations Executive

The Operations Executive is an executive committee of the Board whose role is to manage the overall operations and performance of the firm within the framework established by the Board.

**Regions**

Geographically we operate through five regions: Americas, Australasia, East Asia, Europe and UKIMEA. Each region has a management board, headed up by the region Chair, working alongside the region Chief Operating Officer.

**Portfolios**

We operate our business across a number of portfolios, which are led both globally and within each region. The portfolios are:

- Global market portfolios, which shape and build our established businesses to reinforce and evolve our core services. The market portfolios consist of: Property, Science & Industry, Transport; and Energy, Resources & Water.
- Global service portfolios, which focus on services that currently exist in parts of the firm and have significant opportunity for growth. The services portfolios consist of: Advisory Services, Cities Planning and Design, and Technical Services.
- Transformation portfolios, which bring together the specialisms we need to transform both our services and our clients' pursuit of digital transformation and response to the climate emergency. The services portfolios consist of: Digital Services, and Climate & Sustainability Services.

The Global portfolio leaders are appointed by the Board and report to the Group Chief Operating Officer. They are also members of the Operations Executive.

# Key Performance Indicators ("KPIs")

The principal area of risk and operating uncertainty for the Group is its ability to continue to secure new projects and deliver the performance of existing projects in line with management's objectives.

To monitor these, the directors use the following key performance indicators ("KPIs") which were monitored at Group level during the year of reporting:

- Revenue for the year ended 31 March 2023 is a key indicator linked to the number of people that we employ or engage as consultants, although quality of work is more important than market share or revenue growth. As a professional services firm, the ability to secure earnings in proportion to the number of members is key to the Group's ongoing commercial success. Moderate growth in turnover 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. The revenue for the year ending 31 March 2023 was £2,163.6m (2022: £1,893.8m).
- Profit before income tax is a key indicator of our ongoing financial resilience. The ability to generate an aggregate profit across our projects is key to our ability to continue to finance our business without recourse to external funding, to invest in the areas that are important to us, and to provide reasonable prosperity for our members. As many of our projects span multiple financial years, the profit reported in any individual year can be distorted by a range of factors, however recurrent annual losses of significant scale would be a cause of concern needing to be addressed. For the year ending 31 March 2023, the profit before tax was £38.9m (2022: £36.7m).

A wider range of indicators is also used within the business to help track progress in specific areas, and work is in progress to develop this further.

# Risk management

The Board is ultimately responsible for oversight of risk and for maintaining a robust risk management and internal control processes. Our risk management and internal control process define the procedures to manage and mitigate risks facing the business, rather than eliminate risk altogether, and can only provide reasonable and not absolute assurance against material misstatement or loss.

There are seven key Group focus risks which have been identified for oversight at Board level, i.e.: geopolitical risk; technological resilience; professional errors leading to major consequences; reputation; solvency; health & safety; and climate risk. Each has a defined risk owner driving the management of the risk and the development and active implementation of pragmatic and impactful response plans with SMART (specific, measurable, achievable, relevant and time) actions. A review was undertaken in 2021 of our approach to risk resulting in a prioritisation of a number of focus risks and more structured coordination across our geographies. Our overall approach integrates economic, environmental and social issues.

As with any business, Arup faces risks and uncertainties in the course of operation. It is by way of timely identification, effective management and monitoring of these risks that we are able to deliver our strategy and strategic goals.

Identifying risks is a continual process and risk registers are maintained at Group and a regional level. Registers are reviewed regularly as part of our risk management process. In determining the risk, consideration is given to both internal and external factors.

The risk committee receives and challenges consolidated risk reporting from regions on key and emerging risks and undertakes 'deep dive' reviews of Group wide risk themes before making its report and recommendation to the Assurance Committee for its recommendations to the Board. This ensures that all significant risks known to the Group are being actively monitored and that appropriate actions are undertaken to bring each risk within tolerance levels set by the Board.

The ability to continue to secure new projects remains a key risk going forward. Uncertainties include both the volume of new work that can be secured and the continuation of existing projects impacted by macroeconomic factors, and new trade barriers, sanctions and similar challenges which may increase the complexities of international trade and mobility of our members. The situation continues to be monitored closely and actions taken as needed to balance costs, staffing and revenue. Current workload remains broadly steady, and the directors expect the Group to remain resilient for the foreseeable future.

Emerging risk themes are identified via Group and regional risk committees and responses coordinated accordingly. In the reporting period emerging risks included the impacts of an inflationary environment and increasingly complex international regulations including sanctions. Strategic risks include technological transformation, reputational risk, weak economic growth and sharply increased interest rates in major markets potentially impacting client investment and demand. Operational risks are managed by our Group and regional management teams addressing data governance, liquidity, safety, service quality, skills development and technological resilience. As part of the process of continuous improvement, a review of the current Group Risk Management process is being undertaken to further embed a Group Risk Management Framework and to ensure continued robustness in our internal controls system.

## 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.

## Future developments and looking ahead

The Group will continue to operate in similar markets and will develop new services that meet market needs. To ensure that the Group is positioned for long term success the Board takes into account a broad range of factors, including: the level of committed work and future work prospects; the 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 cashflow and the sufficiency of access to financial resources; and our ability to attract and retain highly talented members.

## Environment, social and governance ("ESG")

### Introduction - shaping a better world

A commitment to sustainable development is a long-established part of our culture, aligning with our aims to be *socially useful* and a *humane organisation*, and an organisation with strong governance practices and *integrity*.

As a provider of professional services focusing on the built environment, our work directly impacts the UN Sustainable Development Goals ("SDGs") relating to, energy, water, infrastructure, industry and cities, while also while also enabling us to contribute to a fairer, more inclusive world and ensuring that we contribute to safeguarding the planet.

Sustainable development is at the heart of the Group strategy, operationalised through our SD Policy and implementation plan. These set out six principles to guide our decision-making, shape our approach to projects, determine what we invest in, identify the research we prioritise and help us form the strong client and partner collaborations that enable us to shape a better world. Our work should strive to:

- Improve human health, safety and well-being.
- Transition to a zero-carbon economy and a world where everyone has access to clean energy.
- Adopt circular economy principles leading to decoupling of economic growth and consumption.
- Enhance communities' resilience to climate change and other risks.
- Create social value that results in a more inclusive, equitable and just society.
- Respect planetary boundaries, and reverse the damage done to date.

These six principles are implemented through our region plans, services and business strategies, through our management systems and through the application of our Group policies (these are further explained on page 13).

We also pursue strategic partnerships which, as a purpose-driven organisation, allow us to shape the debate around the changes needed in urban development and the planning, design and operation of assets to address climate change, nature loss and inequity and achieve the UN SDGs.

We seek to work with globally relevant partner organisations that share our own commitment to addressing some of the most intractable problems facing the planet, to pioneer a more sustainably developed built environment. As an organisation that is both technically excellent and socially committed, collaboration with these partner organisations is a powerful way to be present where bigger ideas are debated and amplify our voice on critical topics.

# Environment

## Responding to climate change

The most significant positive impact that we can make on climate change is through our professional services work; ensuring that our members have the skills, tools, and access to Arup's collective insight and know-how on carbon-efficient design and construction; investing in cutting edge research to extend the boundaries of the possible; using our influence on green building councils and standard setting bodies; and leading by example to catalyse change, such as through our Whole Life Carbon commitments. Arup's climate and sustainability services practice supports our clients to prepare for a net zero world through our-to-end offering.

The ESG reporting landscape is evolving rapidly driven by significant regulatory shifts, this is a particular challenge for Arup due to our scale and global footprint. Changes in UK regulations will result in Arup Group Limited becoming subject to mandatory climate disclosures for the year ending 31 March 2024. We have chosen to prepare an initial response in these financial statements with a view to building on this in successive reports. Arup's EU operations will be required to disclose to EU's Corporate Sustainability Reporting Directive in 2026. Arup will also be brought into scope for other national requirements in different jurisdictions where we operate in the coming years.

A new team was set up this year to deliver on these regulatory requirements and those that relate to our public commitments and partnerships. In the next financial year, we will be disclosing to the TCFD, conducting a double materiality assessment, and publishing a nature-based target to progress toward meeting these regulatory demands. Beyond the need to comply with our regulators, Arup needs to be able to credibly demonstrate how we are acting responsibly as a business in terms of our impact on the climate, nature, and society.

The Board receives regular reports of progress, with extended sessions to review progress against agreed milestones and to confirm priorities for the year ahead.

**Key impacts of climate risk on our business**

We judge that the likely impact of potential, acute and chronic climate risks on our short-term business continuity, and on our ability to continue to provide professional services effectively, is low. Sensible precautions are in place to protect the limited physical assets that we own against extreme weather events, which we expect to be disruptive rather than business critical, and we do not hold investments or other assets whose value is innately climate dependent.

Climate change is clearly a significant factor in our core business. Decarbonisation and resilience to the effects of changing policy, legislation, and financial criteria as well as physical impacts are increasingly being incorporated as key design parameters. This represents a business opportunity, but also a potential threat in terms of future project claims and remediation costs – whether in terms of the delivery of our own responsibilities, or indirectly in relation to developments where we provide specialist services.

All region boards and Global portfolio leaders, and the members of the Operations Executive that reports to the Board, are actively engaged in identifying the risks and opportunities specific to their sectors and constituent businesses as a result of transitioning to low-carbon solutions, as well as the wider implications of the focus on sustainable development.

Wide-ranging initiatives are in progress across the business to enable a positive and meaningful contribution to the United Nations SDGs, and many of them impact on climate change. These initiatives include significant investment in the knowledge and skills of our members and the systems and processes that support them in delivering sustainable outcomes on our projects, and in the partnerships and collaborations that extend our influence into the wider community. A notable example is our collaboration with the Cambridge Institute of Sustainability Leadership to create an Executive Leadership Programme which is now in its third year of delivery.

Overall, we see that climate change will drive future business growth by increasing the demand for innovative solutions that reduce the carbon contributed by the built environment and that improve its resilience, and therefore the resilience of communities, to climate impacts and other shocks and stresses.

**Governance of climate risk**

Overall responsibility for our approach to climate risk sits with the Board, who have set sustainable development as our strategic priority. The responsibilities for specific actions to enable the Global delivery of our agreed aims are as follows:

| | |
|---|---|
| Board | Overall responsibility |
| Sustainable Development Executive | Directing and overseeing the implementation of sustainable development plans. |
| Investment Executive | Prioritising Global investment in sustainable development initiatives. |
| Operations Executive | Overseeing the delivery of the Climate Services Plan that focuses on key objectives linked to climate actions. |
| Commercial Executive | Overseeing the delivery of our net zero Greenhouse Gas ("GHG") commitment. |
| Greenhouse Gas Steering Group | Co-ordinating GHG emissions reduction and measures. |
| Risk committee | Overseeing climate risk identification and mitigation. |
| Global Climate and Sustainability Portfolio leader | Identifying and implementing actions to develop climate and sustainability services and capabilities. |
| Region management Board | Setting targets, driving change and monitoring progress in regions. |

## Streamlined Energy and Carbon Report ("SECR")

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

| Scope | 2023 | 2022 |
|---|---|---|
| UK energy use kWh[1] | 13,049,164 | 13,666,750 |
| Associated GHG emissions[2] tCO2e | 2,765 | 2,833 |
| Intensity ratio tCO2e per m2 net lettable area | 0.05 | 0.06 |

1 Energy use associated with combustion of gas, combustion of fuel used for fleet vehicles and grey fleet (hire vehicles and personal mileage) electricity consumption and district heating for Ove Arup & Partners International Limited.

2 Associated GHG have been calculated using the GHG Protocol Corporate Accounting and Reporting Standard and UK Government GHG Conversation Factors for Company reporting 2022.

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

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

## Reducing our emissions

In October 2019 the Group committed to be a Net Zero GHG emissions organisation by 2030. To support this commitment, Arup targeted a 30% absolute reduction in scope 1 and 2 Greenhouse Gas emissions by 2025 from a 2018 / 2019 baseline year. The Group has also targeted a 30% absolute reduction in scope 3 GHG emissions by 2025 from a 2018 / 2019 baseline year; this includes a target to reduce business travel by 50% from the same baseline. In 2024 we will publish our SBTi aligned long term targets for our GHG emissions reduction.

Further details of the Group's commitments to achieve net zero including our Net Zero GHG Emissions Strategy, and our Net Zero GHG Emissions Statement, and our whole life cycle carbon assessments for buildings projects can be found in Our Global commitments section on arup.com.

The total carbon footprint of the Group, for the financial year ended 31 March 2023 amounts to 193,569 tonnes of carbon dioxide equivalent (tCO2e). This is broken down with 1,900 tCO2e attributed to our scope 1 and 2 emissions and 191,669 tCO2e attributed to our scope 3 footprint. Overall, our 2022 / 2023 emissions represent a combined absolute 1% increase on our baseline. The firm has grown significantly over the period, so this equates to a combined 27% reduction in per capita emissions.

The Group aims to reduce Global emissions by 58,000 tCO2e by March 2025 from a 2018 / 2019 baseline year. This year's emission has increased by approximately 1,907 tCO2e from the baseline. The emission source that has seen the greatest level of change is purchased goods and services, increasing by approximately 20,000 tCO2e, partially driven by an increase in expenditure due to growth and inflation, and use of a spend-based methodology for calculating emissions in this category.

Arup has achieved the combined 30% emissions reduction target for scope 1 and 2 emissions and is on track for further reductions leading up to 2025 through planned office moves which will reduce use of fossil fuels as a heat source.

Although scope 3 emissions have increased, this is driven by the methodology used to calculate our supply chain emissions. Over the last financial year, we have established that only 10% of our largest suppliers monitor and report their scope 1, 2 and 3 emissions, therefore our priority leading up to 2025 is to encourage our largest suppliers to commit to science-based targets so we can evidence our reductions.

These changes equate to a 5% decrease across the total scope 1 and 2 emissions from the baseline year using the 'location-based' method, and a 79% decrease using the 'market-based' method. Scope 3 has increased by 5% from the baseline year. Purchased goods and services (within scope 3) continue to be the majority of emissions at approximately 85% of the Group's total.

| Scope | 2023 | 2022 | 2021 | 2020 | 2019[1] |
|---|---|---|---|---|---|
| Headcount[2] | 18,837 | 17,208 | 15,968 | 16,556 | 13,747 |
| Emissions per capita tCO2e | 10.3 | 9.6 | 7.7 | 12.7 | 13.9 |
| Scope 1 tCO2e | 1,370 | 1,669 | 1,172 | 1,654 | 1,416 |
| Scope 2 tCO2e[3] | 530 | 6,221 | 5,839 | 7,765 | 7,531 |
| Scope 3 tCO2e | 191,669 | 157,221 | 116,290 | 200,334 | 182,715 |
| TOTAL tCO2e | 193,569 | 165,110 | 123,301 | 209,753 | 191,662 |

1.This is the 2018 / 2019 financial year and Arup's baseline year.
2.Headcount includes active permanent, specific term and agency members.
3.Scope 2 electricity emissions reported under the GHG Protocol 'Market Based' approach. Emissions per 'Location Based Close tilde approach for 2022: 7,168 tCO2e.

Our priority is to reduce our scope 3 (purchased goods and services) emissions by ensuring our key suppliers are equally committed to reducing their carbon emissions. During the last financial year our procurement team have started to engage with key suppliers to collect more accurate scope 3 data and discuss how we can work collaboratively to reduce the associated emissions from our purchased goods and services.

Significant effort is also being set on avoiding an upward trend in our emissions going forward, as expectations for office working and business travel increase post-Covid pandemic. The Group will continue to look ahead to our 10-year target of net zero by 2030.

## Nature

The Global discourse on nature loss is rapidly translating into changes to the policy and market landscape, which creates significant opportunity across all our portfolios, in every region. Nature plays a key role in our societies, cities and infrastructure. Rather than minimising negative environmental impacts, Arup is committed to creating nature positive outcomes. Nature comprises five realms; land, water, oceans and air which together support biodiversity. Arup have the breadth and depth of domain knowledge to understand how nature loss can be reversed across all five realms in the context of the built environment. From geo-spatial habitat evaluations to green finance, sponge cities to living seawalls, we already have an established track record of doing this.

In January 2023 the Board approved a Nature Services Plan developed through the joint sponsorship of the Sustainable Development Executive, and Climate and Sustainability Services Portfolio, and it was co-created by all our portfolios. There was agreement to set a nature-based target, the purpose of which is to define where we have a material impact and direct us on how we can reduce those impacts and enhance positive outcomes for nature.

The Nature Services Plan presents us with the tools to integrate nature into the work that we do so we deliver nature positive outcomes, and has been designed to provide a common framework (or toolkit) to guide each region to create their own market focused plans, identify leadership, and secure resources for implementation. A common approach will facilitate collaboration between regions which will be necessary as we invest in leadership and skills development and establish ourselves in the market. We anticipate demand for further services emerging as the market matures and national policies respond to international agreements and financial frameworks.

# Social

## Global Community Engagement programme

Our well-established Global Community Engagement programme is another embodiment of our long-held commitment to humanitarianism, and the 2021 Community Engagement strategy reinforces Arup's commitment to focus on the most disadvantaged and vulnerable communities, and places added emphasis on the importance of longer-term partnering with charities and NGOs to deliver positive impact at scale.

The programme delivers our charitable contribution to a more inclusive, resilient and sustainable future for all. We work in partnership, empowering and learning from organisations that support the people we aim to benefit, to improve the lives of the most vulnerable, marginalised and disadvantaged people around the world. We use our time, technical skills and expertise to deliver projects prioritising social mobility and resilient infrastructures that provide the essentials for life such as water, sanitation, energy, food security and shelter.

In October 2022 a Global Community Engagement director was appointed with a brief to strengthen the programme's leadership and visibility and evolve its current business model, governance and delivery structure.

Growth through 2022 / 2023 saw 227 major pro bono community engagement projects (investments greater than £1,000) delivered and member participation increasing by 34% on the previous year. Our project partners responded to a survey in early 2023 estimating that more than one million people globally will benefit from the projects we had delivered with them in 2022. We invested £5.16m in our Community Engagement programme over 2022 / 2023 and the Board has committed to an increase in budget going forward.

The Community Engagement programme is designed to respond to emerging needs, and during 2022 / 2023 we continued to support key communities across the world. Examples include career mentoring support to refugees in the UK and Global STEM (Science, Technology, Engineering and Mathematics) outreach programmes, the creation of purpose-built transitional accommodation to support vulnerable women in Australia and the design of a music and arts centre in Bidi Bidi, Uganda, the largest refugee settlement in Africa.

Our overarching priority is to ensure that the projects we co-create deliver lasting value to communities. This includes a focus on how we can apply our digital capabilities and innovate for community benefit. For example, we have designed an app for Madrid's food bank, which provides food to ca. 185k people each month, to help monitor and co-ordinate the distribution of supplies.

In addition, we have continued to make donations to charities and NGOs working with vulnerable communities affected by the ongoing conflict in Ukraine, the floods in Pakistan, and the earthquakes in Türkiye and Syria. The Group also made cash donations in 2022 / 2023 totalling £166,000 to match funds donated by Arup members globally. Donations and fundraising activities will continue in the coming year.

## Our people

## Engaging with our members

Our members are both the reason the Group exists and the means by which we achieve our goals.

**Formal engagement**

'Working at Arup' is our Global membership engagement survey and has been run every three years since 2005. It is open to all permanent and specific-term members and there is a high level of participation with a 75% average response rate.

The most recent survey was conducted in February 2022. Whilst the participation rate was below average (62%), we saw an increase in our 'membership engagement' score which rose from 84% to 90% (7% above the benchmark on the industry leading platform Culture Amp) with 91% of respondents 'proud to work for Arup'.

**An open and continuous dialogue**

Our members are invited to join 'All Members' calls every six months. These sessions enable the Board to update our membership on progress against our strategic priorities as well as other key matters and enable our members to ask any questions they may have directly to Board directors and officers. In addition, there are monthly video updates from the Chair to make firm-wide announcements and encourage participation in key initiatives.

Our most senior leaders from across the business ("senior management") participate in regular calls with the Chair and directors of the Board; each of them is also invited at least every three years to participate in a two-day annual meeting to discuss matters of strategic importance, and to relay and share key outcomes from it back to their individual teams.

Geographically, our members are spread across 89 offices in 34 countries. The Board of directors and Trustees have structured engagement plans that enable them to visit Arup offices (online or face-to-face), such that each office is visited ideally at least every three years. Visits typically involve an interactive session focused on strategic or cultural matters, hearing about the work the local office is undertaking, visiting projects and talking with teams, and questions from members are actively encouraged.

All members are encouraged to raise any matters of concern through their group leader or people business partner. If that is not possible or they feel uncomfortable doing so, then they can contact their region Ethics champion, the Group Ethics director or the General Counsel, or they can email a specific Ethics mailbox. Any reports of suspected breaches of the Business Integrity Code of Practice are treated as confidential and any investigations are handled sensitively. Our 'Speak Up' procedure is explained on page 13.

The Trustees provide an additional layer of assurance, as our members can raise matters of concern with them if it appears that the more usual escalation route through line management is either inappropriate given the circumstances or is proving to be ineffective.

**Consultation and collaboration**

There is a culture of openness and members are able to share their ideas candidly and freely. New areas of innovation, differences of opinion and potential controversy are often raised in local forums or on our member online discussion forums.

A Future Voices cohort of members selected from our mid-career grades was established in 2021. They have worked alongside Our People Executive and the Global People leadership team to provide input on a wide variety of issues including our 'Employee Value Proposition' (EVP), our Excellence strategy and our appraisal system.

Region Engagement Groups have been created in some of our regions, and are designed to encourage feedback and discussion on a wide variety of topics such as hybrid working and wellbeing to inform their respective region boards.

Employee Resource Groups have also been formed by our members to provide communities that support specific groups including women, diverse sexualities, ethnic identities etc.

The Board's engagement with our members is described under Member and Stakeholder engagement on page 16.

## Total reward

To deliver our commitment to shape a more sustainable future for everyone, we need to attract and retain quality people. We provide opportunities for our members to develop in their careers, to achieve reasonable prosperity, and to thrive in a humane and caring environment. Our approach to reward at Arup reflects these values.

In addition to competitive, fair and equitable pay, we provide a range of benefits to support health and wellbeing, deliver income in retirement, provide insurance protection, and enable flexible working.

The profit-share is a Global reward mechanism, operating consistently for eligible members in all countries. The profit-share encourages the sharing of work and mobility of our members, whilst reflecting the importance of our highly collaborative culture. From our Global profit, based on the aggregated financial performance of the Group, we retain amounts for reinvestment in learning, research and development, charitable donations and working capital. We distribute the remaining profit to our members so that we all share in the results of our collective efforts. Each member's share of the profit is determined on the same basis, wherever they are located.

**Milestone award**

Recognition remains important in ensuring our members feel motivated and engaged, and one aspect of that is how we celebrate our members' service. Through the 'celebrating service milestones' programme implemented in April 2023, we show our appreciation to members who choose to grow their careers at Arup, with a combination of celebratory events, gifts, paid time-off and the opportunity for a member to record their career story. The programme reflects our changing and multigenerational workforce with milestones spanning the full duration of service, from one to fifty years.

## Equity, diversity and inclusion ("EDI")

An equitable, diverse and inclusive Arup is essential for the successful future of our firm. In alignment with our aims, we work together to create and contribute to foster an inclusive culture where everyone has a sense of belonging. As leaders across the built environment, it is our shared responsibility to promote meaningful change for good through the projects we do and the people we choose to work with. Our EDI Policy provides a foundation for this work, and we prohibit discrimination on the grounds of age, disability, gender identity or expression, marriage / civil partnership, pregnancy / maternity, race / ethnicity, religion or belief, sex, sexual orientation or employment status (see Group policies on page 13 for further details).

We continue to make progress against our Global inclusion commitments, and we have incorporated an additional commitment to ensure that our physical and digital working environments are truly inclusive spaces, accessible, equitable and welcoming for members, clients and future talent with disabilities. Notable progress includes integration of the Global inclusive leadership framework into leadership programmes and talent planning. Our first cohort of Future Voices continues to engage with the Global People Executive as well as leadership and membership teams, contributing their views and insights into various Global projects.

We have developed Global guidance to help set up our Connect Networks (employee resource groups) for success by providing clarity and consistency to their roles and remits. Following presentations from Connect Network Leads at the July 2022 Joint Board Meeting, Connect Networks worked with members of the Board and the Trustees in a reverse mentoring initiative over the next year. This initiative enabled more direct engagement between our most senior leaders and our Connect Network leads. This has helped to build more awareness and a better understanding of the lived experience of our broad and diverse membership.

The Behaviour Charter has been launched across our regions and translated into 11 languages. It sets clear expectations of us in terms of inclusive behaviours, whilst enabling us to challenge those behaviours which fall short of the standards we want. Our regional leaders have been running workshops to socialise the Charter with our members, encouraging teams to share collective responsibility for how we treat one another. Through our Welcome to Arup Programme, we have introduced several initiatives to help ensure that our approach to onboarding is deeply welcoming and inclusive.

We continue to collect, analyse and report on diversity data to help us ensure fairness in Our People processes and outcomes, such as annual pay / promotion equity reviews and retention metrics. Our new human capital management system will also support a Global approach to diversity data capture and reporting. We are seeing progress toward gender balance, with an increase from last year's 39.2% to 39.9% women across the firm overall (as of 31 March 2023). The proportion of women in senior management, including Board directors, has increased from 20.5% to 23.4%, and the proportion of women in our three most senior grades has increased from 26.3% to 27.7%. Our five region boards currently comprise 33.9% women, and 60% of our region board Chairs are women.

### Excellence

The Global Excellence executive commenced their work in April 2022. The Executive membership constitutes every region Board Excellence director, and critical corporate services function directors in Legal, Health and Safety, and Arup University.

In the context of the ongoing diversification in skills and services at Arup, and an expanding Global membership, the work of the Executive is focusing on the following priorities: The Excellence mindset, where research was commissioned to stimulate thinking and dialogue about the organisation's current ways of working and the conditions necessary to support / enable excellence; Arup as innovator focused on learning needs and governance arrangements relevant to the ongoing nurturing of a culture of innovation at Arup; Excellence as an enabler of influence is focused on coordinated external partnerships and thought leadership priorities in support of the Group strategy; and Operational Excellence which is focused on a review of the Arup quality system, including accredited project delivery roles, project reviews, and modernising the project tools register. This work is particularly relevant to Arup's risk management process and managing the likelihood of professional error. Implementation of the findings of this work commenced in April 2023.

The Global corporate University function continues to design and deliver on major programmes for the express purpose of capability development across our Global membership, and future business preparedness.

In June 2022 the university initiated an ambitious 3-year skills transformation programme. 58 Global skills networks, aligned to our eight Global portfolios, have been created and are responsible for developing capability to drive transformational outcomes by Our People for our clients. Networks include market focused networks such as energy; service focused networks such as cities planning, as well as ten digital skills networks and six climate and sustainable development skills networks in support of our Transformation portfolios.

The skills transformation is already mobilising our members at scale, with 2/3 of Arup members in at least one Global skills network; 19% of our members have also joined one of the new/incubator networks; and 48% of new starters joining a Global network this financial year.

The revitalisation of learning at Arup has continued with a new Learning Executive who commenced their work in April 2022, and together with the Learning Faculty have carried out a major review of quality and quantum of learning at Arup as well as finalising the key strategic learning themes relevant to business need to shape new learning solutions. Learning methods, systems, and workflows are also being refreshed and modernised to ensure our Global membership have access to world class learning at scale, to support them in their work.

The University's Foresight faculty continue in their work to position the firm, its leaders, and clients for the long-term. Highlights in FY 2022 / 2023 includes working with the World Health Organisation on the future of pandemics, exploring the urgent need for regenerative design at London Design Festival, and launching the latest Cities Alive report 'Designing Cities that Work for Women'. Transformational studies in support of net zero, racial equity, and future sustainable development pathways are also underway.

## Health, safety and wellbeing

Arup cares about the health, safety and wellbeing of our members, our communities and those that we influence by our actions. We support Our People through an enjoyable and positive working environment that protects and promotes physical and mental wellbeing. That means caring about our members in our offices, when travelling to and from work and for business, on construction sites, and in our design processes to ensure that we address safety and maintenance when we are designing. Through our work, we strive to positively influence the health and safety of the projects we work on and the communities they impact.

During the year of reporting there were no work-related member fatalities, and 17 recordable lost-time incidents were recorded during the year.

We continue with our work on the 2021 - 2024 Health and Safety plan, and throughout the year we have taken further steps to strengthen our safety programme. We also undertook an in-depth review of our safety culture during the year, with the results being discussed in dedicated workshops with the Board. Further details of our Health and Safety culture can be found on page 4. In addition, the firm has also undertaken comprehensive reviews of its arrangements for health and safety training and competency, and design safety. Improvement programmes are now underway to address the findings. Work has continued on digitalising our health and safety processes, with a new Global system scheduled to go live in the autumn of 2023.

The Board regularly reviews progress against the Health and Safety plan, and this is also discussed at the Operations Executive committee. This ensures a consistent approach across the firm's five regions. Our internal reviews are augmented by the external audits of the safety management system conducted as part of its certification to ISO 45001.

Our wellbeing vision and priorities are led in region by the People team and the day-to-day implementation of the wellbeing programme is a collaborative effort between group leaders and the People team.

**Dublin office fatality**

In September 2019 John McCann, a contractor, died whilst working at our Dublin office after a fall from height. Ove Arup & Partners Ireland Limited, Arup's Irish subsidiary, pleaded guilty in Ireland to two breaches of the Safety, Health and Welfare at Work Act 2005, and in June 2023 we were fined €750,000. Arup profoundly regrets this tragic incident. We have made considerable improvements to our health and safety arrangements, including a Global premises compliance review, and we are continuing to take action to learn from the incident and drive improvements in safety. We mean to do better on safety performance and we are making significant investments and changes to how we manage this critical risk, ensuring we do our utmost to protect and care for those affected by our work.

## Business integrity

Our values and commitment to business integrity stem from a desire to act honourably and with integrity in all our business dealings; the expectations we have of our members, including Board directors, are set out in our Business Integrity Code of Practice, which is available to all members on our intranet.

Our senior management receive regular business integrity reports, with content including, but not limited to risk management, due diligence, training, and communications. Senior management proactively reviews and comments on those reports, seeking further information as required.

Compliance with applicable sanctions is a key part of Arup's due diligence programme, and updates on developments under various sanctions regimes forms a critical part of these reports to senior management. In response to further sanctions imposed on Russia following its invasion of Ukraine additional sanctions-related risk mitigation actions have been implemented. The effectiveness of those actions is monitored regularly by members of the Board.

As part of Arup's risk management programme a sanctions risk workshop and a Modern slavery risk workshop have been conducted, and a combined bribery & corruption and use of agents risk workshop is currently being scheduled.

Communications are an integral part of Arup's business integrity program. Podcasts by Arup members, including senior management, discussing specific business integrity-related issues such as due diligence, modern slavery, and bribery and corruption, are accessible to all Arup members. Business integrity awareness sessions have also been provided, where Arup members are encouraged to share their concerns, suggestions, and questions.

An on-line fraud learning burst has recently been published, with further learning bursts on bribery and corruption and use of agents, to follow.

**Personal interest and conflict of interest**

An online personal interests register is used by all statutory board directors to enable regular consideration of the relationship between individual's personal interests and their Arup roles and responsibilities, with reports as a standing item on the Board agenda.

Board directors' potential external appointments are notified to the Chair in advance of acceptance and any actual, potential or perceived conflicts of interest are examined to determine if they should proceed and if any mitigating actions are required to ensure all matters determined by Board directors are solely considered in the interests of the Group.

**Speak Up**

Arup's Speak Up procedure enables our members and external parties to make confidential and, where required by the discloser, anonymous disclosures of unethical behaviours. Formal investigations of specific disclosures have been undertaken, and relevant matters reported to the group Ethics director.

**Modern slavery prevention**

Our annual modern slavery and human trafficking statement is published on the homepage of our website. We seek to anticipate, prevent and mitigate potential negative human rights impacts through our policy and processes, which underpin our commitment to responsible business practices.

## Group policies

The Group has six core policies (detailed below), which are formal declarations of principle to guide decision making. They are informed by our stakeholder engagement and provide direction for our business, translating our values into actions, and set clear expectations for and of our members. Further details on how the Board engages with stakeholders can be found on page 16.

Group policies apply across all Group operations, they are set, reviewed and approved annually by the Board and implemented through regions and groups. For each policy, an individual Board director is assigned responsibility for developing a plan to enable us to reach the aims set out while fulfilling applicable legal, regulatory and other requirements. However, all Board directors take an active and visible role in communicating the importance for our members of the policies' aims.

**Environmental**

*Key Board decisions:* agreed to extend whole lifecycle carbon assessment progressively to infrastructure and align our ambitions for buildings with United Nation ("UN") breakthrough for built environment; approved the Nature Services Plan; progressed our target to reduce business travel maintained a management system certificated to international standard ISO 14001 in our formal offices. Further information can be found under Carbon Emissions on page 8.

Key stakeholder considerations: Community and Society.

Regard to matters outlined in CA S.172 (1): a, d.

**Equality, diversity, and inclusion**

*Key Board decisions:* continuing to target male to female ratios within our membership to be in a 40% to 60% range in either direction, maintaining diversity as a key consideration in Board appointments, leadership promotions and succession planning; engaging individually and collectively with Employee Resource Groups Equity, Diversity and Inclusion on page 11 for further details.

Key stakeholder considerations: Current and future members

Regard to matters outlined in CA S.172 (1): a, b.

**Ethical conduct**

*Key Board decisions:* further development of our Speak Up confidential disclosure procedure. Further details can be found on page 13.

Key stakeholder considerations: Members, Clients, Collaborators and Suppliers.

Regard to matters outlined in CA S.172 (1): a, b, c, e, f.

**Health, safety and wellbeing**

*Key Board decisions:* approved the Global wellbeing commitments; maintained management system certificated to Occupational Health and Safety Assessment Series (OHSAS) 18001 or equivalent in our formal offices; initiated an in-depth review of our safety culture and health and safety training and competency arrangements, and subsequently agreed related improvement programmes. See Health, safety and wellbeing on page 12 for further details.

Key stakeholder considerations: Members, Clients, Community and Society.

Regard to matters outlined in CA S.172 (1): a, b, c, d.

**Quality**

*Key Board decisions:* worked with the Global Excellence committee to help deliver this key strategic priority; refreshed our Global skills network programme; refreshed our Global learning programme; completed research on operationalising the excellence mindset in an expanding membership; maintained a management system certificated to international standard ISO 9001 in our formal offices; maintained oversight of the Client relationship programme. For further details, see Member and Stakeholder engagement on pages 16.

Key stakeholder considerations: Members, Clients, Collaborators and Suppliers, Community and Society.

Regard to matters outlined in CA S.172 (1): a, b, c, d, e.

**Sustainable development**

*Key Board decisions:* recommitment to Global membership of the UN Global Compact and increasing local country-level Arup membership; engagement with the Earthshot Prize as a Global alliance member.

Key stakeholder considerations: Clients, Collaborators, Suppliers, and Society.

Regard to matters outlined in CA S.172 (1): a, c, d.

See page 15 for our S.172(1) statement that is linked to the above policies and related decision-making.

# 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).

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

## How does it work in practice?

- Establishing the purpose, values, strategy and culture – The 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 Arup members.
- Decision making – The composition of the Board is a mix of directors with extensive Arup backgrounds and external non-executive directors (as explained in the Governance report on pages 18 - 23), 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 decisions are typically reached on the basis of unanimity, with only rare exceptions to this.

Our policies, which are described on page 13, describe key decisions taken or maintained by the Board during the year and include references to the Board's decision making under CA Section 172(1). For further information about the Board, its composition and its activities during the year see the Governance report on pages 18 – 23.

- 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 performance**

The Board delegates responsibilities in various areas to executive bodies. However, certain matters are reserved for the Board.

Day-to-day operational management is carried out by the Operations Executive that has overall responsibility for business operations and performance, the delivery of the annual business plans, the success and well-being of our members, delivering value and a high quality of service to our clients.

The Operations Executive is Chaired by the Chief Operating Officer ("COO") and is formed of the Chairs of the operating regions, the Global Portfolio leaders, the Chief Information Officer, the Chief Financial Officer ("CFO"), the People Leader and the Head of Corporate Services. The Operations Executive is collectively responsible for delivery of Global targets agreed by the Board, as well as coordinating the activities of the region Boards.

An internal performance report is published in-house every six months which provides an overview of the Group's performance across key areas, including our business performance and progress against the Arup strategy.

Region and Portfolio reviews are undertaken annually by a panel of the Board, typically the Chair, Deputy Chair(s), and COO engaging with the relevant leadership teams. This process includes reports on progress against the Arup strategy and in-depth discussions in key areas including clients, projects, risk, succession planning and diversity.

# Member and Stakeholder engagement

**Trustees**

The owning Trusts are the sole shareholders of the Company. The directors of the Trustee companies, the Trustees, administer the trusts in the interests of each trust's beneficiaries; they appoint the Board to run Arup, and engage with the Board and with Arup's membership on trust and trustee activities.

Board engagement – The Board engages with the trustees in a number of ways, including reports to trustees' meetings; bi-annual joint board meetings; monthly (or more regular) Chair-to-Chair meetings; and joint working groups.

Key challenges – The Board and Trustees are focusing on enhancing the diversity of both the Board and the Trustees, and strengthening the processes to deliver on our E,D &I aims (see page 11 for further details).

Priorities for 2023/2024 – To put in place succession plans for the Chair and Deputy Chairs who stand down at the end of the financial year on completion of their respective terms.

Link to strategy – The Trustees are an important source of support to the directors in their steering of the Group, and help to maintain long-wave thinking in the face of short-term pressures and beyond the terms of individual leaders.

**Members**

Everyone employed by Arup is a member. We are a people business, and our current and former members are the primary beneficiaries of the Trusts.

Board engagement – The Board engages with the members, directly or indirectly, in a number of different ways, including: reviewing and assessing the result of the bi-annual 'Working at Arup' survey (with a focus themed survey in between, which in 2023 was focused on wellbeing – see more information on page 10); 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. Further information on our engagement with our members can be found on pages 10-11.

Priorities for 2023/2024 – Expanding our focus on Global skills networks and the wellbeing commitments we 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 great 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.

Board engagement – the Board engages with our clients by directly engaging on projects, sponsoring client relationships, and acting as convener and member in leading market organisations - for example, 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.

Priority for 2023/2024 – to focus our investment in clients that match Arup'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 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 with joint-venture partners, contractors, consultants, and industry organisations etc.

Board engagement – The Board has various engagement mechanisms including holding senior positions in industry organisations e.g., the Royal Academy of Engineering; attendance at industry events; sub-consultants and supplier engagement on sustainable development approaches; engagement on compliance with Modern Slavery and Human Trafficking legislation etc.

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

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**

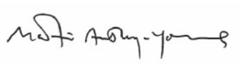
Our vision is to shape a better world and Arup engages with many parts of society: those impacted or influenced by our work including end users and communities local to our projects; charities; future members; and those who we can engage with to extend our influence. Our Community Engagement programme is further described in the ESG section on pages 6-14.

Board engagement – 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 Trustees have oversight of the Community Engagement programme, together with the Board, as part of their governance responsibilities for Ove Arup Partnership Charitable Trust.

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

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

On behalf of the Board



Martin James Ansley-Young

Secretary

1 November 2023

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

# Governance report

## Governance statement and arrangements

We apply our 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 (the "Code").

The Board remuneration report can be found further down in this Governance report on pages 24-25.

A governance framework is also in place for subsidiary companies in the Group to ensure that our values, polices and processes are adhered to, and that our members and business act in a clear, accountable and consistent manner.

## Roles and responsibilities

### The Board

The Board is responsible for the Group's long-term success, financial security, unity, wellbeing and sustainability. The directors of the Board are as set out in the directors' report.

The composition of the Board has evolved from our origins as a professional services partnership to enable the effective leadership of our business within a trust owned corporate structure. That trust ownership is a key part of our governance in enabling and supporting good stewardship and high standards of corporate behaviour. The ownership structure is further explained on page 4.

The directors are expected to attend all Board meetings and to actively contribute and to voice any relevant views in reaching consensus. As such, no one individual or small group of individuals is able to dominate the Board's decision- making in line with the principle set out in the Code, notwithstanding that our Board composition differs from the model set out in the Code's provisions.

The majority of the Board is drawn from the senior management within the business so that the Board's decisions can be informed by their breadth of experience - from across the Group's business; from their individual advisory, design and engineering disciplines; from client and project work; and of our key sectors and growth areas - together with a granular understanding of our operations. Board directors do not represent the parts of the Group where they are operationally engaged, but their individual insights are valuable in determining the direction of the Group as a whole. At least as importantly, Board directors have a strong understanding of, and personal commitment to, our values and our culture.

A small number of non-executive directors ("NEDs") are appointed to bring an external perspective and constructive challenge which aids comprehensive discourse. There are currently two independent NEDs on the Board. The Chair meets with the NEDs before each Board meeting to brief them on matters on the agenda to ensure their active participation in Board discussions. The NEDs participate in the Board's engagement with individual offices, as well as joining the annual senior management meeting.

Each NED must be able to devote sufficient time to their role as a member of the Board in order to discharge their responsibilities effectively. The table below sets out the Board and committee membership and attendance by NEDs at meetings held in FY 2022 / 2023.

**Non-executive director board and committee attendance from 1 April 2022 – 31 March 2023**

| **Member** | **Board** | **Assurance committee** | **Audit committee** | **Risk committee** |
|---|---|---|---|---|
| Cordelia Chung | 6/6 | 4/4 | -- | 4/4 |
| Tim Stone* | 5/6 | 3/4 | 5/5 | 4/4 |

*Tim Stone resigned on 31 March 2023 and on 1 April 2023, Hilde Tonne, was appointed as a non-executive director of the Board.

The Chair is responsible for managing the Board and for acting on behalf of the Board on a day-to-day basis between meetings. In particular, the Chair encourages collegial discussion and effective decision-making, identifies strategic issues needing Board action and ensures Board directors are appropriately informed on key matters. Many of the operational responsibilities are undertaken by the Chief Operating Officer ("COO") who Chairs the Operations Executive, the Group's operational board. See the Strategic Report, pages 3-17, for further information.

The Board is supported by the Board Secretary (Company Secretary), who is appointed in accordance with the Articles of Association, and who is accessible to all directors as needed. The Board Secretary also liaises with the Chair to ensure the Board has access to all the information it needs to perform effectively and efficiently. All papers (current and past) are available to Board directors through an online portal.

The trading and employing companies in the Group have delegated the day-to-day management of their operations to defined management teams including the region management boards and senior management. Certain matters are reserved for the Board only. Further information on how the directors of Arup Group Limited execute their responsibilities under Section 172(1) of the 2006 Companies Act is described on page 15.

## Board appointments and succession planning

The Trustees are responsible for ensuring the Board's composition continues to align with our values and enables the delivery of our strategy.

Potential executive director candidates are identified from the senior management population that is kept under regular review as part of succession planning. Candidates are discussed by the Board and the Trustees, and those short-listed are interviewed by a Nominations committee in order to make a recommendation for appointment by the unanimous decision of the Trustees.

Potential candidates for NED roles are identified by the Board through an external consultant, in consultation with the Trustees, and interviewed to decide on their appointment by the Trustees. Checks are carried out to confirm the availability to commit sufficient time to perform the role and on any potential conflict of interest.

Chair and Deputy Chair(s) appointments are handled by a Nominations committee of the Trustees. The Nominations committee consults with all Board directors and Trustees to identify individual views on suitable candidates, and the Trustees discuss the outcome of that consultation and shortlist candidates for interview and formal assessment. The Nominations committee makes recommendations for appointment by the unanimous decision of the Trustees.

The Chair is appointed for an initial term of three years which can be extended for one or two years up to a maximum of five years; appointees will typically have served on the Board prior to this. Alan Belfield's term as Chair, and Tristram Carfrae and Dervilla Mitchell's terms as Deputy Chairs, conclude on 31 March 2024 and they will stand down from the Board. In September 2023 it was announced that Jerome Frost, currently the UKIMEA Chair and a director of the Board, will be appointed as the new Chair on 1 April 2024.

Board directors are normally appointed for an initial term of three years; the same timeframe applied throughout the Group for individuals taking on a broad range of senior leadership responsibilities. This is considered to be a sensible period over which to demonstrate meaningful and sustainable impact. Annual re-election is not required. It is expected that executive directors will typically serve for six to nine years, but with shorter or longer terms agreed as appropriate to balance fresh thinking with continuity and Board experience.

Re-appointments are determined by the Trustees as Board directors approach the end of their term. Individual performance is assessed through a formal appraisal process and informal one-to-one discussions by the Trustee Chair with the Board directors. This is considered alongside the current and future Board composition.

**Recent director changes**

Michael Kwok stepped down as a director with effect on 31 March 2023. Andy Lee, who is the Chair of the East Asia Region Board was appointed as a director with effect from 1 April 2023.

Tim Stone stood down from his role as NED with effect from 31 March 2023. On 1 April 2023 Hilde Tonne was appointed as NED. Hilde is currently the CEO of Statnett, the state-owned electricity systems operator for Norway. She was previously Executive director and Chief Innovation Officer with Ramboll Group, and has just completed a term as non-Executive Chair of the Research Council of Norway. Hilde has gained diverse leadership experience in the energy and infrastructure markets, including recent roles in the renewable generation sector. In addition to the Board, Hilde has joined the Audit committee to bring an independent perspective in the discharge of its responsibilities.

## The Trustees

The Trustees are current and former members drawn from two sources in broadly equal proportion, i.e.,: former Board directors, with the majority being retired, one of whom is elected Trustee Chair; and current members of senior management nominated by our members. The composition of the Trustees reflects the diversity of the Group, but individual Trustees do not represent any particular part of the firm. Appointment terms are managed on a staggered basis to ensure some continuity of membership to provide both stability and efficiency.

As noted in last year's report, Tülay Hatirnez and Veng-Wye Tong were appointed as Trustees on 1 April 2022. Tim Stone, who is a former Board director, was appointed as a Trustee from 1 April 2023.

In September 2023 it was announced that Mahadev Raman, a current Trustee, Arup Fellow, former director of Arup University and former Americas Chair, is appointed as the next Chair of Trustees, beginning his term on 1 April 2024. Mahadev will succeed David Whittleton as the Chair of Trustees, after he has completed a five-year term on 31 March 2024.

How the Board engages with the Trustees is further described on page 18.

## Board activity

There are four full Board meetings per year, and two meetings held jointly with the Trustees. Additional short interim meetings are also scheduled to address matters needing more urgent decisions, to maintain pace between the full Board meetings, and to set priorities. All Board directors attended every meeting during the year, with the exception of Tim Stone, who attended five meetings as he was unable to attend one of the interim meetings.

Key matters addressed by the Board, in addition to monitoring progress against our strategy, include market outlook and key client and project matters; significant and emerging risks and progress on existing mitigation measures; oversight of operations and performance; investment funding and allocation; and the profit-sharing arrangements and distribution amount.

How the directors have performed their duties in accordance with Section 172(1) Companies Act 2006 is outlined on page 15.

### Senior management succession planning

Senior management succession plans, providing a future pipeline of potential successors to key termed roles, are reviewed annually. The alterations to our operational structure (for further information see How we operate on pages 4-5), have resulted in significant change and movement across our senior management, resulting in opportunities for new and existing leaders at both Global and regional levels.

Many of these appointments have been made on a termed basis which will continue to allow for flexibility, resilience and broader career development.

### Board evaluation

Board directors are formally appraised by the Chair on an annual basis following the same process undertaken for all our members including feedback from a number of sources including the external evaluation and Trustees' review. Further to the appraisal, plans are agreed to address any individual skills development and / or training needs that will contribute towards more effective Board composition. The Chair is formally appraised by the Trustee Chair in the same way.

The Trustees are provided with feedback on the performance of individual Board directors by the Chair and in addition, the Trustee Chair attends the appraisals for Board directors nearing the end of their current term. The appraisals are considered by the Trustees, together with other feedback, when determining any potential re- appointments.

The Trustees carry out a formal review of the Board every two to three years as part of our governance arrangements and to help the Board to be as effective as possible. The review process includes an initial survey of senior management and interviews with a random sample of 10% of them to gain their views on the Board's performance; this is followed by interviews with all Board directors and officers. The result of this engagement is used by the Trustees to develop recommendations to the Board and inform the Trustees' appointment decisions.

The Trustees commenced the current review in February 2023. However, in light of the significant external challenges and organisational changes in recent years, the Trustees decided to focus the review on the wellbeing of our members. This has necessitated a different approach with the review being informed by a firm-wide wellbeing survey (further described on page 10), focus groups with senior management, and interviews with members in relevant roles. The results of the review will be discussed with the Board during the latter half of 2023.

The Board intends to establish a regular evaluation of itself, and a pilot process will be trialled during 2023.

## Audit, risk and internal control

### Governance

The Board has overall responsibility for risk oversight, for maintaining a robust risk management and internal control system, and for determining the Group's appetite for exposure to the Principal Risks to the achievement of its strategy. Formal risk reporting is embedded within the Company's management bodies so that emerging risks can be identified, escalated and addressed as appropriate. This is underpinned by the Risk committee, which is a sub-committee of the Board that sits under the Assurance committee. The Risk committee maintains and implements our risk management process whose key objectives are to minimise threats to our business and improve our preparedness for risk events, should they occur. Ultimately, the Risk Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of the risk management and related internal control processes during the year.

The Board receives regular reports from the Risk committee via the Assurance committee on the efficacy of the systems in practice.

Our Board directors' diverse operational roles provide day-to-day insight into opportunities and risks, and the Board's decision making is informed by their understanding of the current and future marketplace, client opportunities and industry developments. Reputation and related thematic risks that could affect the firm in significant ways are also kept under review by the Risk committee and the Operations Executive. Any matters of significance are brought to the attention of the Board.

Further information on Risk Management can be found in the Strategic report on pages 5-6.

### Assurance committee

The Assurance Committee supports the Board in the management of risk and compliance focused activities and in identifying cross-dependencies, efficiencies and sharing of best practice across our compliance and internal control activities.

The Assurance Committee engages with four primary committees: the Audit committee, the Ethics committee, the Health, Safety and Wellbeing committee, and the Risk committee – to ensure that these key functions are discharged to a high standard. Each of these committees reports to the Assurance Committee on the matters within its scope on a quarterly basis. Each of the constituent committees also reports to the Board on matters warranting direct escalation.

The committee is Chaired by Board member Fergal Whyte who is also a member of the Health, Safety and Wellbeing Committee, and the Risk Committee.

Based on our internal control environment an internal audit function has not historically been considered appropriate, however, to develop and strengthen our approach in this area and to prepare us for increasing external requirements Miriam Staley took on the role as Head of Risk and Assurance on 1 January 2023.

## Audit committee

The committee is responsible for oversight and assurance of our statutory financial reporting and the external audit process; it receives a detailed report from the independent auditors on significant matters arising from the audit; and it recommends the Group statutory accounts to the Board for approval.

During the year, the committee has also discussed ESG reporting and climate related disclosures, which are now covered within a new section in the Strategic report.

During the year of reporting the committee was Chaired by Tim Stone. Tim stepped down on 31 March 2023 at which point Alan Belfield, Group Chair, temporarily took on the Chair role. David Thomlinson was appointed as the new Chair in July 2023. The committee's other members are: Hilde Tonne (NED), Paul Coughlan (Group COO), Rob Boardman (Group CFO), Margot Day (General Counsel), Martin Ansley-Young (Group Company Secretary), Eileen White (Finance) and Lesley Grandy (Finance). Rob Boardman has extensive financial expertise from his previous CFO / FD positions gained from roles in professional services business, before joining Arup in November 2019. The Group Chair and COO bring valuable insight to the committee from their extensive knowledge of the operations and finances of the Group and its constituent parts over many years, as well as hands on experience as project directors in delivering our professional design and engineering services earlier in their careers. The other committee members all have significant statutory reporting experience.

No member of the committee has direct responsibility for the management of professional services projects, the performance of which forms the core of the financial statements. The Chair of the committee holds meetings as appropriate with the auditors without members of senior management or the finance teams being present, to ensure that there are no barriers to the free disclosure of all relevant matters.

The committee met five times during the year of reporting allowing the committee to confirm the audit programme and agree audit approaches in key areas, to agree the principal accounting policies and accounting procedures, and to review the auditors' report and the Group statutory accounts.

The committee also receives briefings on key matters relevant to its remit; this year these included a report on the BEIS consultation which will impact the Group with an increase in regulatory requirements once enacted in law, and the review and approval of recommendations on more systematically evidencable work in progress controls to be implemented over the next two years.

A retendering process of the Company's auditors was undertaken in 2021 and concluded in early 2022, and the committee concluded to reappoint the Company's auditors, PricewaterhouseCoopers LLP ("PwC") (originally appointed in 2010). The appointment of the auditors is annually reviewed by the committee, and PwC were formally reappointed in 2023 for the upcoming financial year. Given the unusual trust ownership structure of the firm, an extended tenure of external auditors can contribute to a more comprehensive understanding of our business, and therefore a more effective audit process, subject to maintaining an appropriately independent relationship. The performance and tenure of the auditors is kept under regular review by the committee and the CFO.

The committee receives a formal report from the auditor each year on its independence, covering corporate, business and individual relationships as well as identifying non-audit services, and confirms that there are no matters that would compromise an objective evaluation of the financial statements. The primary non-audit services are in relation to tax compliance and advisory work. There are no contingent fee arrangements in place, and the lead audit engagement partner is rotated at least every 10 years. The committee formally considered the position and confirmed at its October meeting in 2023 that it was satisfied that the auditors remain sufficiently independent.

## Ethics committee

The committee is responsible for raising awareness and sharing our experience across all our regions to enhance our ability to address ethical issues. As such the Ethics committee working with the other committees which sit under the Assurance stack have oversight of business integrity and ethical behaviours.

The committee is Chaired by Dervilla Mitchell (Global Ethics director), and its membership includes senior leadership representatives from across the firm. The membership of the committee is intended to ensure that, with straight and honourable dealings as one of our aims, ethical conduct is given a high priority.

The committee meets quarterly to receive reports on any matters arising, and it reports both to Assurance committee and to the Board. The committee Chair communicates to our members periodically to reinforce the importance of this area and both she and the regional representatives host events and discussion groups in our offices.

Ethics training is mandatory for all our members, who are actively encouraged to raise any Ethics-related issues that they have, either with their group leader, the region champions who form the Ethics committee, the Board Ethics director or the General Counsel. A 'Speak Up' procedure is fully operational across the Group and any reports are investigated and appropriately reported to the Ethics Committee, see further details on page 4.

## Health, safety and wellbeing committee

The committee is responsible for the leadership and development of our Global approach to health, safety and wellbeing. It oversees the effectiveness of the firm's policies, strategies, initiatives and targets, ensuring that appropriate controls and mitigations are established. The committee conducts in depth reviews of specific risks. For example, during the year of reporting, the committee conducted in-depth review of our safety culture and our arrangements for design safety, training and competency and wellbeing. It regularly reviews and updates the framework to ensure a dynamic approach to risk management.

The committee has been Chaired during the year by James Pomeroy, Global Health and Safety Leader, and its membership includes a Board director for health safety and wellbeing, and the General Counsel, alongside representatives from our regional management structure.

The committee meets six times a year, reviewing the implementation of the health, safety and wellbeing programme.

## Risk committee

The Risk committee is responsible for oversight and assurance of our risk management process areas as identified and prioritised by the Board, together with the related control and mitigation measures, as well as in depth reviews of specific risks arising from time to time. It regularly reviews and updates the framework to ensure a dynamic approach to risk management.

The committee has been Chaired during the year by the General Counsel, Margot Day, and its membership during the year included Cordelia Chung and Tim Stone, who were both NEDs. When Tim Stone resigned as an NED from the Board, he also resigned from the Risk committee. Alan Belfield (Group Chair), and Miriam Staley, Head of Risk and Assurance, are also members of the committee. The other members are representatives from the most senior managers from the Group. Miriam Staley, will in her role as Head of Risk and Assurance, be instrumental in helping the Group with focusing on how to improve our risk management, internal assurance and controls environment.

The committee meets quarterly, reviews the implementation of the Group Risk Management Process and receives reports on any matters of concern, whether escalated through management channels or otherwise. Reports from the committee are considered by the Assurance committee and the Board at each of its quarterly meetings.

## Project delivery environment

Our Global Arup Management System ("AMS") project delivery environment is our primary quality management tool providing a comprehensive set of procedures and checks to enable compliance and quality assurance. The AMS integrates our Quality, Health and Safety, and Environmental policies within our project delivery environment. Adherence to the AMS is overseen by the regional management teams, and its operation is audited annually by external bodies in each location. The AMS is certificated to ISO 9001, ISO 14001 and ISO 45001.

The AMS is regularly audited, internally and externally, and lessons learned and opportunities for improvement are incorporated, in line with the requirements of the standards.

# Remuneration

The remuneration policy for the Board, including the Chair, and senior management is set in accordance with our Global approach to reward for all of our members. It reflects our values and in particular our aim for reasonable prosperity of members (see Total reward on page 11 for further details).

The Trustees oversee and set the total remuneration of the Board, which includes salary, benefits and profit-share. A committee of the Trustees, the Board remuneration committee, develops policy and advises on Board remuneration for decision by the Trustees. The Board remuneration committee report provides further details of the responsibilities of the committee and our policies for Board remuneration.

The Senior Staff Remuneration executive is a committee of the Board that determines the remuneration of the senior management (excluding the Board itself).

The remuneration of the NEDs of the Board is determined by the Chair on the advice of the Global People Leader and is based on current market rates and the time commitment required. Reasonable expenses are also reimbursed but there are no additional benefits, and the NEDs are not beneficiaries of the profit-share.

The Board conducts an annual firm-wide review of gender pay parity, in addition to the gender pay gap reporting requirements in various countries in which we employ members. This enables the Board to assess the overall picture of gender pay parity across the Group and raise any areas of concern with senior management for further investigation, and correction of any disparities as appropriate.

During our annual pay review process, leaders across all offices reference a dashboard showing gender pay parity data for their teams. This enables them to see how the salary decisions they take will impact gender pay parity, helping to reduce unconscious bias in the process. Real-time data is supplemented with guidance and support from their local People support teams and all decisions are ultimately approved by the leader at the next level up.

On behalf of the Board

Martin James Ansley-Young

Secretary

1 November 2023

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

# Board remuneration committee report

## Committee Chair's introduction

On behalf of the Board remuneration committee (the "Committee"), I am pleased to introduce our remuneration report for the financial year ended 31 March 2023. I welcome this opportunity to share with you an overview of the Committee's activities during the past year, as well as the remuneration principles and policies that apply to the executive directors of the board of Arup Group Limited (the "Board" of "the Company").

As part of the firm's ongoing commitment to governance best practice, we are committed to making disclosures in relation to Board remuneration, using as a basis the provisions of the UK Corporate Governance Code 2018 (the "Code") as a recognised benchmark.

Over the past year we have made strong strategic progress and our financial performance has been good, despite a challenging backdrop of geopolitical events, the prolonged impact of the pandemic and increasing inflation in the Global economy. Consequently, Arup Group Limited and its subsidiaries ("the Group") delivered a profit-share to all eligible members. Following the conclusion of a review of this plan, the distribution of profit to our members at the early and mid-career grades increased as a proportion of the overall share of profit, ensuring variable pay for our broader workforce is market competitive and reducing the ratio of 'shares' allocated to members compared to our executive directors of the Board.

When determining the remuneration of the Board's executive directors, the committee continues to prioritise ensuring alignment to the same general principles applied to the broader membership. The Trustees agreed increases to salary this year considering performance, market relativity and the level of increases awarded to Arup's members. Grade-based allowances, where applicable, have been consolidated into base salary and the transition of pension arrangements for all executive directors concluded and are now consistently aligned with the wider workforce in the relevant country of employment.

The committee continues to seek opportunities to ensure the remuneration policy for executive directors is clear, transparent and understood; and I am pleased to present our voluntary CEO pay ratio building upon the disclosures made previously.

Ensuring our remuneration is free from discrimination continues to be a priority for Arup and for the committee. In addition to the actions taken to ensure pay is not affected by protected characteristics across our wider workforce, the committee also reviews the remuneration of the executive directors to ensure equity. Where we have men and women in the same country on the Board, they continue to receive the same level of pay.

**The Committee**

The Trustees, which include four independent directors, determine Board remuneration. The Trustees are advised by the committee whose overarching purpose is to ensure the remuneration structure and policies reward the executive directors fairly, responsibly, and in line with our values. The Chair of the committee, Peter Bailey, was appointed to the committee in April 2020, and has served at its Chair since April 2021. As such, his experience fulfils the requirement under the UK Corporate Governance Code of having 12 months' experience as a director on a remuneration committee, before acting as its Chair. The other members of the Committee are: Tim Stone (NED), Trent Lethco (Trustee) and Diane Thornhill (People Leader). David Whittleton acts as an advisor to the committee (Trustee Chair).

The committee operates within agreed terms of reference that are freely available to Group members, and without influence from the executive directors or other senior management. Its main responsibilities are to:

- Ensure the Group adheres to the highest standards of governance and best practice in remuneration matters.
- Design and administer the remuneration policy for executive directors.
- Implement such policies to ensure that remuneration: promotes the Group's values and culture; aligns with the delivery of its strategic goals and purpose; and helps to attract, motivate and retain high calibre individuals.

**Remuneration outcomes**

The Committee met three times in the year ended 31 March 2023. There was full attendance at each meeting with the exception of Diane Thornhill being unable to attend the meeting in July 2022. Activities included:

- Reviewing internal pay relativities and gathering external market data for benchmarking executive director pay levels.
- Making proposals regarding the annual review of remuneration for the executive directors.
- Reviewing the effectiveness of the pay structure introduced to enable the Group to manage the unique termed nature of the Board role.
- Continuing to review the broader context for executive director remuneration decisions to ensure that:
    - The remuneration of our members, related policies, and the alignment of rewards with our values, are all appropriately reflected in executive director remuneration.
    - Overall reward levels are in line with, and appropriately competitive against, relevant local market practice.

**Looking ahead to next year**

During the coming year, the Committee's focus is expected to include the following areas:

- Ensuring that remuneration continues to support our overall strategy, as well as the firm's values and purpose.
- Consideration of the implications on remuneration of changes to the composition of the Board as termed appointments end.
- Continuing to align our remuneration policy, practices and governance, more closely with the Code (or explaining why we choose not to).

The committee continues to engage with the Board in its work to ensure that the approach to remuneration taken across the Group is simple, coherent and consistent; and aligned with our aims, in particular *straight and honourable dealings and reasonable prosperity* of members.

On behalf of the Board remuneration committee

Peter Anthony Bailey

Chair, Board remuneration committee

1 November 2023

David Arthur Whittleton

Chair, Trustees

1 November 2023

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

# CEO equivalent pay ratio

Regulations for listed companies require them to publish the ratio of the pay of the CEO to that of United Kingdom members. Arup Group Limited is not obliged to comply with these regulations; however, the committee has, since 2021, chosen to consider the regulations and provide a disclosure. The following table shows the ratio between the total pay and benefits of the Chair of Arup Group Limited and the members of the Group in the United Kingdom at the lower quartile, median and upper quartile pay level.

In general, we expect any variation in the total pay and benefits ratio year-on-year to be the result of the profit-share award received by the Arup Group Chair. Junior members continue to have a greater portion of their pay delivered as fixed base salary, which allows greater predictability when planning day to day finances. Our senior management, including the executive directors and the Group Chair, have a higher portion of their total remuneration structured as variable pay, given their role and ability to influence strategy and performance. The committee has therefore chosen to provide a total salary ratio as helpful context in addition to the total pay and benefits ratio.

**Pay ratios**

| Year | Method | | 25th percentile ratio | 50th percentile ratio | 75th percentile ratio |
|---|---|---|---|---|---|
| 2023 | B[1] | Total pay and benefits[2] | 19:1 | 14:1 | 11:1 |
| | | Total salary | 15:1 | 11:1 | 8:1 |
| 2022 | B[1] | Total pay and benefits[2] | 23:1 | 16:1 | 13:1 |
| | | Total salary | 15:1 | 11:1 | 9:1 |
| 2021 | B[1] | Total pay and benefits[2] | 20:1 | 15:1 | 11:1 |
| | | Total salary | 13:1 | 10:1 | 7:1 |

1. The calculation methodology used reflects Option B, as defined under the relevant regulations. This utilises the most recently collected gender pay gap information (April 2023) to identify and select the Group members at the three quartiles as at 31 March 2023. To ensure this data accurately reflects individuals at these quartiles, the values for members immediately above and below the identified member at each quartile were also reviewed.
2. Total pay and benefits for our United Kingdom members includes base salary and guaranteed cash allowances; profit-share awards; and the value of health, insurance and pension benefits on a full-time equivalent basis, taken across the full year for the financial year ending 31 March 2023. The single total figure of remuneration for the financial year ended 31 March 2023 has been used for the Group Chair. No broadly applicable components of pay or benefits have been omitted. Overtime pay has been excluded from the calculation as it was not deemed to be material.

**Total pay and benefits used to calculate the ratios**

| Year | UK members | 25th percentile | 50th percentile | 75th percentile |
|---|---|---|---|---|
| 2023 | Total pay and benefits | £42,900 | £57,580 | £77,467 |
| | Total salary | £34,300 | £47,500 | £63,000 |

There has been a reduction in the total pay and benefits ratio between 2022 and 2023. The primary reason for this is the lower profit-share award made to the Arup Group Chair in 2023. The committee is satisfied that the median pay ratio reflects the total pay and benefit values for the Chair and the median United Kingdom member respectively. Also, it is consistent with the pay, reward and progression policies for our United Kingdom members, considering the diverse mix of roles, the levels of fixed and variable pay applicable to each grade, and our objective of delivering market competitive remuneration.

# Board remuneration policy

This section of the report summarises the Board remuneration policy that is currently in operation. In line with the underlying principles for remuneration across Arup Group more broadly, the aim of the Board remuneration policy is to promote our values and culture, and long-term success through strong and sustainable performance.

The Committee keeps this policy under periodic review. We assessed once again the policy against the six themes set out in paragraph 40 of the Code: clarity, simplicity, risk, predictability, proportionality and culture. The Committee concluded that:

– The policy is simple, appropriately designed and clear. It effectively reinforces the Group's culture, its aim of *straight and honourable dealings*, and long-term sustainable success. Importantly, it is also consistent with the remuneration policies in place across the Group as a whole.
– The Committee retains appropriate discretion to ensure that poor performance is not rewarded.

Fixed pay is predictable and calibrated to support our aim of *reasonable prosperity*. The Board allowance, payable during an individual's termed appointment to the Board, ensures that remuneration is proportionate to the additional responsibilities of this role. Eligibility for the Global profit-share ensures an appropriate balance between pay certainty and driving behaviours that promote sustainable growth for the benefit of all stakeholders, without encouraging or rewarding excessive risk-taking.

The Committee reviewed the application of this policy during the financial year ended 31 March 2023 and confirmed that it operated as intended, particularly in the application of measures to protect the financial position of the firm and to ensure that we have a healthy, sustainable business into the future.

Whilst we do not consult directly with our broader membership on the remuneration policy, our members may discuss remuneration matters with the Trustees at any time.

**Remuneration policy table**

The table below summarises the main components of the reward package for executive directors of the Board:

| **Purpose and link to strategy** | **Operation** | **Opportunity** | **Performance metrics** |
|---|---|---|---|
| Base pay: annual base salary and Board allowance | | | |
| To attract and retain high calibre individuals, and to recognise their responsibility to deliver our values, culture and strategy over the term of their appointment to the Board. | Base pay consists of annual base salary, plus an additional Board allowance. This allowance is paid in monthly instalments over the term of an individual's membership of the Board. After an individual's termed appointment to the Board ends, the allowance reduces, and annual base salary is reviewed and set in relation to the role to which they are subsequently appointed.<br>Base pay is reviewed annually with any changes, if appropriate, effective in April. Factors considered include overall business performance; economic climate and market conditions; general increases awarded to the Group members and in the relevant market more broadly. | Average base pay increases are normally in line with those of Arup members in the relevant market.<br>Larger increases may be given in situations where the committee considers this necessary, such as when there is a material change in the scope or responsibility of a role, where market conditions indicate a level of under-competitiveness that requires correction, or there is considered a risk to the attraction or retention of executive directors of the Board.<br>The committee does not consider it appropriate to set a maximum pay level. | Not applicable. |

| **Purpose and link to strategy** | **Operation** | **Opportunity** | **Performance metrics** |
|---|---|---|---|
| Benefits | | | |
| To provide market competitive health and wellbeing benefits consistent with the role, driving engagement and providing security for the individual and their family. | Executive directors of the Board are entitled to benefits which may include the following, based on country of employment: private healthcare; annual health checks; insurances covering accident, income protection and life; and paid annual leave.<br>The benefits offered may change from time to time to reflect changing circumstances, market practice, or consistency with other members in the relevant market. | Benefits will be provided at levels commensurate with market practice in the country of employment.<br>We expect the value of benefits to fluctuate due to individual circumstances, insurance premiums and other external factors.<br>There is no specific maximum benefit spend. | Not applicable. |
| Pension | | | |
| To provide an income after retirement through the provision of retirement savings during employment. | The Group offers executive directors of the Board:<br><br>- Participation in the local pension plan in the country of their employment, or<br>- The equivalent employer contribution to be taken as a cash allowance and paid in instalments, or<br>- A combination of these arrangements to the same total value. | All executive directors of the Board receive employer pension contributions in line with the rest of the members in the country of their employment. | Not applicable. |
| Profit-share | | | |
| To embody the principles of our ownership structure, where our members are the drivers and the beneficiaries of our success.<br>To reinforce the truly Global nature of Arup Group, by being based on our collective success. | Eligible members in all Group locations participate in the profit-share.<br>Any payments made to executive directors of the Board are determined based on base pay, allocated 'profit-shares' and the Group's financial performance. These payments are typically made twice per year in June and November, after review of full and half-year performance. | Consistent with all eligible members, executive directors of the Board are allocated 'profit-shares'. The level of allocation is subject to periodic review, both in the context of the operation of the profit-share across the Group, and to ensure an appropriate mix of fixed pay and pay at risk for executive directors of the Board reflecting their role in delivering the Group strategy. | Following each profit-share period, the Board determines the available profit-share fund for distribution to eligible members.<br>The Trustees review the payments for the executive directors of the Board and have full discretion to vary or award no payment depending upon performance of the Board as assessed by the Trustees in the prior performance period.<br>In the event of an overpayment the rules make provision for awards to be corrected and recouped as necessary. |

**Service contracts**

Executive directors of the Board have signed rolling contracts in respect of their ongoing employment by the Group, terminable on six-months' notice by either the Group or the individual (unless local employment legislation requires a different duration, or in a limited number of instances due to a legacy 12 months' notice period). An executive director may be required to undertake 'garden leave' during all or part of their notice period and may receive their base pay during the notice period. The firm may alternatively pay an equivalent amount of base pay in lieu of the executive director being required to work their notice period.

Eligibility for a payment under the profit-share upon termination of the Group employment is not automatic and varies depending upon the basis of the termination. Members must be in eligible employment on the first day of the payment month to remain eligible to receive any payment relating to the prior period. No payment will be made where an executive director resigns, or is terminated for cause, prior to the first day of the payment month. In the event of retirement, redundancy or death in service, any payment will be pro-rated and will reflect all eligible service up to and including the date of termination. The approach for executive directors follows the same rules as for members, notwithstanding that any payment to the executive directors remains at the discretion of the Trustees.

As described in the base pay section of the table above, an individual's appointment as an executive director of the Board is a termed role, terminable at any time with immediate effect and without compensation for loss of office.

## Summary of remuneration for other Group members

The approach to remuneration for the executive directors of the Board follows the same fundamental principles as for all members throughout the Group, aligned to our values, and supporting the right outcomes and our unique ownership structure, as outlined in the following table (and the Total reward section on page 11):

| Base salary | Benefits and pension | Profit-share |
|---|---|---|
| We conduct an annual review of base salary for all members.<br>In determining any increase to base salary, we consider comparable market rates, the contribution, skills, knowledge and experience of each individual, and the pay budget for each country in which we employ members.<br>In setting pay budgets we assess how our pay levels are positioned relative to the market, review economic conditions and forecasts for market and wage growth, and consider the business context and affordability. | All members are eligible for benefits reflecting competitive market practice in the country in which they are employed. This typically includes a combination of health, wellbeing, insurance and retirement benefits. | All permanent members of the Group are eligible to participate in the profit-share.<br>The profit-share reflects the importance of our highly collaborative culture to our ongoing success and enables all members to share in the success of the Group. |

# Directors' report

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

### Introduction

This section contains the matters on which the directors are required to report each year which are not included elsewhere in this Financial statements and reports. Certain matters which are required to be reported on appear in other sections of this Financial Statement and reports, as set out in the table towards the end of this directors' report.

The directors present their annual directors' report together with the audited financial statements for the Group for the year ended 31 March 2023 which was approved by the Board.

## Fair, balanced and understandable

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 Group practices in the field of design and consulting engineering services, in architecture and other related professional skills.

## General information

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

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

## Dividends

Any dividends have been disclosed in note 35 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:

Belfield, Alan James
Carfrae, Tristram George Allen
Chung, Cordelia
Coughlan, Paul Anthony
Cousins, Fiona Mary
Dedring, Isabel
Frost, Jerome Anthony
Hinkers, Eva Maria
Howard, Andrew Simon
Kwok, Ka Yue Michael (Resigned 31 March 2023)
Lee, Yuk Nin Andy (Appointed 1 April 2023)
Mitchell, Dervilla Mary
Stone, Timothy John (Resigned 31 March 2023)
Whyte, Thomas John Fergal

## Directors' remuneration

Directors' remuneration has been disclosed in note 8 to the financial statements.

## 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 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 following the Audit committee's recommendation and the directors' resolution to re-appoint them in 2023.

## Financial risk management

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

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

Note 2.4 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.

## Research and development

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

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

## Employees ("members")

The directors are responsible for assuring themselves that the adoption of the 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 factors including, but not limited to, 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. The Group is committed to the fair treatment of people with disabilities in relation to applications, training, promotion and career development. If an existing member becomes disabled, the company makes every effort to enable them to continue their employment and career development, and to arrange appropriate training, wherever practical.

The Group's policies, and commitments to our members and prospective members, are detailed in the Group policies on page 13, Our People and Diversity and inclusion sections and can be found on page 11.

The member and other stakeholder engagement section on page 16 within the strategic report provides details of the Company's engagement with members.

## Statutory information contained elsewhere

Information required to be part of this directors' report can be found elsewhere in the Financial Statements and Reports as indicated in the table below, and is deemed to be incorporated into this report by reference:

| Matter | Pages in these Financial Statements and Reports |
|---|---|
| Strategic report, specifically: | |
| - Likely future developments in the business of the Company | Page 6 |
| - Carbon footprint reporting | Pages 8 – 9 |
| - Greenhouse gas emissions reporting | Pages 8 – 9 |
| - Stakeholder engagement | Pages 15 – 17 |
| - S.172 (1) Statement | Pages 15 – 17 |
| - A description of the Company's member engagement practices | Pages 10 – 11 |
| - Charitable donations | Page 10 |
| Governance report, specifically: | |
| - Corporate Governance statements | Page 18 |
| - A description on how the Board assesses and monitors culture | Pages 3 – 4 |
| - Retirement and re-election of directors | Page 19 |
| Remuneration committee report | Pages 24 – 25 |
| Directors' Remuneration | Pages 27 – 29 |
| Profit before taxation and profit after taxation | Page 38 |
| Changes in asset values | Pages 40 – 41 |
| Subsidiaries and associated undertakings | Pages 68 – 69 |

## Statement of directors' responsibilities

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

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

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

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

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

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

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

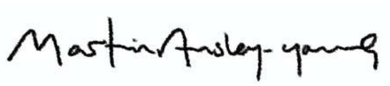
## Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

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.

On behalf of the Board



Martin James Ansley-Young

Secretary

1 November 2023

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

# Independent auditors' report to the members of Arup Group Limited

## Report on the audit of the financial statements

### Opinion

In our opinion:

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

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

### Basis for opinion

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

#### Independence

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

### Conclusions relating to going concern

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

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

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

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

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

### Strategic report and Directors' Report

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

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

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

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

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

### Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

## Use of this report

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

# Other required reporting

## Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

# Consolidated income statement

For the year ended 31 March 2023

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | £'m | £'m |
| **Revenue** | 5 | 2,163.6 | 1,893.8 |
| Other income | 6 | 3.3 | 22.3 |
| Employee benefit expense | 7 | (1,345.5) | (1,165.5) |
| Charges from sub-consultants and other direct project expenses | | (469.7) | (425.5) |
| Depreciation and amortisation expense | 13, 14 & 15 | (85.8) | (81.1) |
| Accommodation | | (33.4) | (28.1) |
| Communications and other overheads | | (187.9) | (159.8) |
| Net reversal of impairment losses / (impairment losses) on financial and contract assets | | 4.9 | (5.2) |
| | | (2,117.4) | (1,865.2) |
| **Operating profit** | 9 | 49.5 | 50.9 |
| Comprising: | | | |
| – Operating profit before exceptional items | | 42.3 | 30.9 |
| – Exceptional items | 10 | 7.2 | 20.0 |
| | | 49.5 | 50.9 |
| Finance income | 11 | 10.8 | 1.6 |
| Finance costs | 11 | (19.6) | (15.2) |
| Share of loss of investments accounted for using the equity method | 17 | (1.8) | (0.6) |
| **Profit before income tax** | | 38.9 | 36.7 |
| Income tax charge | 12 | (12.3) | (18.4) |
| **Profit for the financial year** | | 26.6 | 18.3 |
| Profit / (loss) is attributable to: | | | |
| Owners of Arup Group Limited | | 26.7 | 17.4 |
| Non-controlling interests | | (0.1) | 0.9 |
| | | 26.6 | 18.3 |

All activities of the Group are derived from continuing operations in both the current and prior years. The above consolidated income statement should be read in conjunction with the accompanying notes.

# Consolidated statement of comprehensive income

For the year ended 31 March 2023

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| **Profit for the financial year** | 26.6 | 18.3 |
| | | |
| **Other comprehensive (expense) / income** | | |
| **Items that will not be reclassified to profit or loss** | | |
| Remeasurements of post-employment benefit obligations - net of tax | (21.0) | 55.7 |
| | (21.0) | 55.7 |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Currency translation differences - gains | 9.9 | 6.0 |
| | | |
| **Other comprehensive (expense) / income for the year - net of tax** | (11.1) | 61.7 |
| **Total comprehensive income for the year** | 15.5 | 80.0 |
| | | |
| Total comprehensive income / (expense) for the year is attributable to: | | |
| Owners of Arup Group Limited | 15.8 | 79.1 |
| Non-controlling interests | (0.3) | 0.9 |
| | 15.5 | 80.0 |

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

Registration number 1312454

# Consolidated balance sheet

As at 31 March 2023

| | Note | 31 March 2023 £'m | 31 March 2022 £'m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 301.6 | 299.0 |
| Right-of-use assets | 14 | 317.3 | 324.1 |
| Intangible assets | 15 | 8.9 | 5.2 |
| Investments accounted for using the equity method | 17 | 3.3 | 1.2 |
| Deferred income tax assets | 28 | 88.2 | 59.9 |
| Financial assets at fair value through profit or loss | 18 | 16.6 | 21.8 |
| Net investments in subleases | | 0.1 | 0.2 |
| Fulfilment contract assets | 20 | 0.7 | 0.8 |
| Other non-current assets | | 2.2 | 2.4 |
| | | 738.9 | 714.6 |
| **Current assets** | | | |
| Contract assets | 20 | 204.7 | 196.3 |
| Trade and other receivables | 21 | 382.7 | 339.1 |
| Derivative financial instruments | 22 | 0.0 | 0.0 |
| Cash and cash equivalents | 23 | 235.1 | 307.1 |
| | | 822.5 | 842.5 |
| Assets classified as held for sale | 24 | 2.8 | 1.8 |
| **Total assets** | | 1,564.2 | 1,558.9 |

| | Note | 31 March 2023 £'m | 31 March 2022 £'m |
|---|---|---|---|
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Borrowings | 25 | 1.0 | 1.0 |
| Trade and other payables | 26 | 275.9 | 298.2 |
| Contract liabilities | 20 | 265.1 | 300.3 |
| Current income tax liabilities | | 29.6 | 15.9 |
| Lease liabilities | 14 | 38.3 | 43.8 |
| Derivative financial instruments | 22 | 0.0 | 0.1 |
| Provisions for other liabilities and charges | 27 | 53.9 | 15.6 |
| | | 663.8 | 674.9 |
| **Non-current liabilities** | | | |
| Borrowings | 25 | 40.0 | 50.0 |
| Lease liabilities | 14 | 326.9 | 321.3 |
| Deferred income tax liabilities | 28 | 20.2 | 22.1 |
| Post-employment benefit liabilities | 29 | 78.1 | 68.9 |
| Provisions for other liabilities and charges | 27 | 22.9 | 23.9 |
| Other non-current liabilities | | 2.1 | 3.1 |
| | | 490.2 | 489.3 |
| **Total liabilities** | | 1,154.0 | 1,164.2 |
| **Net assets** | | 410.2 | 394.7 |
| **Equity** | | | |
| Share capital | 30 | 0.1 | 0.1 |
| Retained earnings | | 408.4 | 392.6 |
| Capital and reserves attributable to owners of Arup Group Limited | | 408.5 | 392.7 |
| Non-controlling interests | | 1.7 | 2.0 |
| **Total equity** | | 410.2 | 394.7 |

The above consolidated balance sheet should be read in conjunction with the accompanying notes. The financial statements on pages 38 to 97 were approved and authorised for issue by the Board of directors and signed on its behalf by:

Alan Belfield

Alan James Belfield

Director

1 November 2023

Registration number 1312454

# Company balance sheet

As at 31 March 2023

| | Note | 31 March 2023 £'m | 31 March 2022 £'m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 16 | 159.8 | 155.5 |
| Financial assets at fair value through profit or loss | 18 | 0.0 | 0.0 |
| | | 159.8 | 155.5 |
| **Current assets** | | | |
| Trade and other receivables | 21 | 162.6 | 165.4 |
| Cash and cash equivalents | 23 | 1.0 | 1.2 |
| | | 163.6 | 166.6 |
| Assets classified as held for sale | 24 | 1.8 | 1.8 |
| **Total assets** | | 325.2 | 323.9 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 26 | 221.5 | 217.2 |
| Current income tax liabilities | | 1.0 | 1.0 |
| | | 222.5 | 218.2 |
| **Non-current liabilities** | | | |
| Borrowings | 25 | 40.0 | 50.0 |
| | | 40.0 | 50.0 |
| **Total liabilities** | | 262.5 | 268.2 |
| **Net assets** | | 62.7 | 55.7 |

| | Note | 31 March 2023 £'m | 31 March 2022 £'m |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 30 | 0.1 | 0.1 |
| Retained earnings | | 62.6 | 55.6 |
| **Total equity** | | 62.7 | 55.7 |

The Company's profit for the year was £7.0m (2022: loss of £0.5m) and its total comprehensive income for the year was £7.0m (2022: expense £0.5m).

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

The financial statements on pages 38 to 97 were approved and authorised for issue by the Board of directors and signed on its behalf by:

Alan James Belfield

Director

1 November 2023

# Consolidated statement of changes in equity

For the year ended 31 March 2023

| | Attributable to owners of Arup Group Limited | | | | |
|---|---|---|---|---|---|
| | Share capital | Retained earnings | Total | Non-controlling interests | Total equity |
| | £'m | £'m | £'m | £'m | £'m |
| Balance as at 1 April 2021 | 0.1 | 313.5 | 313.6 | 2.1 | 315.7 |
| Profit for the financial year | - | 17.4 | 17.4 | 0.9 | 18.3 |
| Remeasurement of post-employment obligations | - | 52.8 | 52.8 | - | 52.8 |
| Remeasurement of post-employment obligations - tax | - | 2.9 | 2.9 | - | 2.9 |
| Currency translation differences - gains | - | 6.0 | 6.0 | 0.0 | 6.0 |
| Other comprehensive income for the year | - | 61.7 | 61.7 | 0.0 | 61.7 |
| Total comprehensive income for the year | - | 79.1 | 79.1 | 0.9 | 80.0 |
| Dividends | - | - | - | (1.0) | (1.0) |
| Total transactions with owners, recognised directly in equity | - | - | - | (1.0) | (1.0) |
| Balance as at 31 March 2022 | 0.1 | 392.6 | 392.7 | 2.0 | 394.7 |
| Profit / (loss) for the financial year | - | 26.7 | 26.7 | (0.1) | 26.6 |
| Remeasurement of post-employment obligations | - | (28.0) | (28.0) | - | (28.0) |
| Remeasurement of post-employment obligations - tax | - | 7.0 | 7.0 | - | 7.0 |
| Currency translation differences - gains / (losses) | - | 10.1 | 10.1 | (0.2) | 9.9 |
| Other comprehensive expense for the year | - | (10.9) | (10.9) | (0.2) | (11.1) |
| Total comprehensive income / (expense) for the year | - | 15.8 | 15.8 | (0.3) | 15.5 |
| Dividends | - | - | - | - | - |
| Total transactions with owners, recognised directly in equity | - | - | - | - | - |
| **Balance as at 31 March 2023** | 0.1 | 408.4 | 408.5 | 1.7 | 410.2 |

# Company statement of changes in equity

For the year ended 31 March 2023

| | Share capital | Retained earnings | Total equity |
|---|---|---|---|
| | £'m | £'m | £'m |
| Balance as at 1 April 2021 | 0.1 | 56.1 | 56.2 |
| Loss for the financial year | - | (0.5) | (0.5) |
| Total comprehensive expense for the year | - | (0.5) | (0.5) |
| Balance as at 31 March 2022 | 0.1 | 55.6 | 55.7 |
| Profit for the financial year | - | 7.0 | 7.0 |
| Total comprehensive income for the year | - | 7.0 | 7.0 |
| **Balance as at 31 March 2023** | 0.1 | 62.6 | 62.7 |

# Consolidated statement of cash flows

For the year ended 31 March 2023

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | £'m | £'m |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 31 | 32.1 | 134.0 |
| Interest paid | | (17.4) | (12.4) |
| Income tax paid | | (5.6) | (19.7) |
| **Net cash generated from operating activities** | | 9.1 | 101.9 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | 13 | (31.7) | (35.2) |
| Proceeds from sale of property, plant and equipment | | 0.5 | 0.1 |
| Purchases of intangible assets | 15 | (4.2) | (2.3) |
| Loans granted to related parties | | (0.0) | (0.1) |
| Proceeds from sale of subsidiary | | - | 13.7 |
| Proceeds from sale of assets held at fair value through profit and loss | | 1.8 | - |
| Interest received | | 9.3 | 1.2 |
| **Net cash used in investing activities** | | (24.3) | (22.6) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | 25 | 40.0 | 50.0 |
| Principal elements of lease payments | | (46.8) | (44.4) |
| Repayments of borrowings | | (50.0) | (60.0) |
| Repayment of loans to related parties | | - | (2.2) |
| Dividends paid to non-controlling interests | | - | (1.0) |
| **Net cash used in financing activities** | | (56.8) | (57.6) |
| | | | |
| **Net (decrease) / increase in cash and cash equivalents** | | (72.0) | 21.7 |
| Cash and cash equivalents at the beginning of the year | 23 | 307.1 | 285.8 |
| Exchange gains / (losses) on cash and cash equivalents | | 0.0 | (0.4) |
| **Cash and cash equivalents at the end of the year** | 23 | 235.1 | 307.1 |

# Notes to the financial statements

For the year ended 31 March 2023

## 1. Incorporation

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

## 2. Significant accounting policies

### 2.1. Basis of preparation

**Group**

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

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

**Company**

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

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

The profit for the year was £7.0m (2022: loss of £0.5m) and total comprehensive income for the year was £7.0m (2022: expense of £0.5m).

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, 'Business Combinations';
- Paragraph 33(c) of IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations';
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers';
- The requirements of paragraph 52, paragraph 58, the second sentence of paragraph 89 and paragraphs 90, 91 and 93 of IFRS 16, 'Leases';
- Paragraph 38 of IAS 1, 'Presentation of Financial Statements' comparative information requirements in respect of:
    - 79(a)(iv) of IAS 1, 'Presentation of Financial Statements' (reconciliation of the number of shares outstanding at the beginning and end of the period);
    - 73(e) of IAS 16, 'Property, Plant and Equipment' (reconciliation of the carrying amount at the beginning and end of the period);
    - 118(e) of IAS 38, 'Intangible Assets' (reconciliation of the carrying amount at the beginning and end of the period); and
    - 76 and 79(d) of IAS 40, 'Investment Property' (reconciliation of the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1:
    - 10(d) (statement of cash flows);
    - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
    - 16 (statement of compliance with IFRSs);
    - 38A (requirement for minimum of two primary statements including cash flow statements);
    - 38B-D (additional comparative information);
    - 40A-D (requirements for a third statement of financial position);
    - 111 (cash flow statement information); and
    - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- IAS 24 (disclosure of related party transactions entered into between two or more members of a group providing that the parties are wholly owned by the group).

### 2.2. Going concern

The directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Management of the Group have performed analysis on future projections of financial performance and cashflow and even after considering the downside scenario, it is satisfied that the 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. In addition, the Group has access to its existing banking facilities. The Group are therefore satisfied it has sufficient financial resources and, as such, these financial statements have been prepared on the going concern basis.

## 2.3. Changes in accounting policies and disclosures

**New standards, amendments and interpretations**

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

**New standards, amendments and interpretations not yet adopted**

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

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

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

## 2.4. Accounting policies

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

### Foreign currency translation

**Functional and presentation currency**

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

**Transactions and balances**

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

**Group companies**

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

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

### Impairment of non-financial assets

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

### Financial assets

**Classification**

The Group classifies its financial assets in the following categories:

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

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

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

**Recognition and derecognition**

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

**Measurement**

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

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

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in communications and other overheads together with foreign exchange gains and losses 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 Group applies the simplified approach for IFRS 9, 'Financial Instruments' when measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on payment profiles of sales over a period of 36 months for the three preceding financial years (excluding the current financial year) and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on the customers' ability to settle the receivables.

## Revenue

The Group practices in the field of design and consulting engineering services, in architecture and other related professional skills.

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

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

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

## Employee benefits

**Global profit-share scheme**

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

**Pension obligations**

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

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

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method (see note 29).

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

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

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

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

## 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 Group'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 Group operates and generates taxable income.

## Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

| | |
|---|---|
| Freehold property | 50 years |
| Leasehold improvements | Duration of the lease |
| Furniture, fittings & IT hardware | 3 - 10 years |
| Motor vehicles | 3 - 10 years |

Investment properties are accounted for using the cost model. The accounting treatment is in line with that of freehold and leasehold property shown above.

## 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.

Customer contracts were identified as part of the purchase price allocation exercise on the acquisition of an indirect subsidiary in a prior year. These are amortised over the life of the projects.

Intellectual property is held at amortised cost. It is considered to have an indefinite life as there is no foreseeable limit to the period over which they will be used to generate net cash inflows for the Group. This is assessed annually.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

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

## Investments in subsidiaries

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

## Contract assets and liabilities

**Contract costs**

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

If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

**Fulfilment contract costs**

The Group has recognised assets in relation to costs to fulfil long-term consultancy service contracts. These costs were incurred prior to being awarded the contracts are amortised on a straight line basis over the contract terms. Fulfilment costs are amortised to charges from sub-consultants and other direct project expenses in the income statement.

**Pre-contract costs**

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

**Contract liabilities**

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

## Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost.

## Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Assets classified as held for sale

Assets that are expected, at the balance sheet, to be sold within 12 months are presented as assets classified as held for sale.

## Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

## Provisions for other liabilities and charges

**Provisions for other liabilities**

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

**Property provision**

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

**Long-term employee benefit obligations**

In Australia, employees who work 10 years with a company are entitled to additional annual leave called long service leave. Long service leave covers all unconditional entitlements where employees have completed more than 10 years service and where employees are entitled to pro-rata payments in certain circumstances. Provision is made for the cost of this leave with the majority of the provision presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Those amounts have been classified as non-current.

**Legal claims**

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

**Onerous contracts**

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

## Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Group does not apply hedge accounting and therefore fair value gains or losses are credited / charged to the income statement as they arise.

Derivatives are classified as an asset or liability. The full fair value of a derivative is classified as a non-current asset or liability if the remaining maturity of the item is more than 12 months, or as a current asset or liability if the maturity of the item is less than 12 months.

## Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**(ii) Extension and termination options**

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

**(iii) Variable lease payments**

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

## Joint arrangements

Under IFRS 11 'Joint Arrangements' investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The agreements in relation to the Group's joint arrangements require unanimous consent from all parties for all relevant activities. Where the joint arrangement partners are entitled to their share of the assets and are jointly and severally liable for the liabilities incurred by the joint arrangement, these arrangements are classified as joint operations. The Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

Where the joint arrangement partners have rights to the net assets of the arrangement, it is considered a joint venture and equity accounted.

## Deferred income tax

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

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

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

# 3. Financial risk management

## 3.1. Financial risk factors

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

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

### a) Market risk

i) Foreign exchange risk

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

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

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

The Group's primary exposure to foreign exchange risk on unhedged financial assets and liabilities arises mainly in respect of movements between British pound sterling ("GBP") and euro ("EUR"), the Canadian dollar ("CAD"), Hong Kong dollar ("HKD") and US dollar ("USD").

| | Profit after tax (decrease) / increase | Profit after tax (decrease) / increase | Total equity (decrease) / increase | Total equity (decrease) / increase |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | £'m | £'m | £'m | £'m |
| GBP/HKD exchange rate - increase 10% | (2.7) | (2.3) | (1.8) | (0.9) |
| GBP/HKD exchange rate - decrease 10% | 3.2 | 2.8 | 2.1 | 1.1 |
| GBP/CAD exchange rate - increase 10% | (1.3) | (1.6) | (2.1) | (1.7) |
| GBP/CAD exchange rate - decrease 10% | 1.6 | 2.0 | 2.6 | 2.1 |
| GBP/EUR exchange rate - increase 10% | (5.8) | (0.9) | (4.0) | (3.4) |
| GBP/EUR exchange rate - decrease 10% | 7.1 | 1.1 | 4.9 | 4.2 |
| GBP/USD exchange rate - increase 10% | (7.7) | (1.2) | (2.8) | (3.9) |
| GBP/USD exchange rate - decrease 10% | 9.4 | 1.5 | 3.5 | 4.7 |

ii) Interest rate risk

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

b) Credit risk

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

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

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

c) Liquidity risk

The Group funds its activities primarily through cash generated from its operations and also maintains committed bank facilities. The liquidity risk is managed with reference to short-term and long-term cash flow forecasts and the maturity of the bank facilities, which contain financial covenants. Throughout the year the Group maintained robust headroom against its covenants and is expected to do so into the foreseeable future.

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

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

| | On demand or within 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| **As at 31 March 2023** | £'m | £'m | £'m | £'m |
| Bank loan | - | - | 40.0 | - |
| Loan from related party | 1.0 | - | - | - |
| Derivative financial instruments | 0.0 | - | - | - |
| Trade and other payables excluding non-financial liabilities | 254.9 | - | - | - |

| | On demand or within 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| As at 31 March 2022 | £'m | £'m | £'m | £'m |
| Bank loan | - | - | 50.0 | - |
| Loan from related party | 1.0 | - | - | - |
| Derivative financial instruments | 0.1 | - | - | - |
| Trade and other payables excluding non-financial liabilities | 277.3 | - | - | - |

In addition to the table above, the maturity profile of lease liabilities are disclosed in note 14.

## 3.2. Capital risk management

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

## 3.3. Fair value estimation

The fair value hierarchy prioritises the inputs used to measure fair value into three broad levels. These have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at the balance sheet date. There were no items classified as Level 3 at the balance sheet dates.

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Assets** | £'m | £'m | £'m | £'m | £'m | £'m |
| **Financial assets at fair value through profit or loss** | | | | | | |
| Derivative financial instruments: | | | | | | |
| – Foreign exchange contracts | - | 0.0 | - | - | 0.0 | - |
| US listed securities | 16.1 | - | - | 21.8 | - | - |
| Unlisted equity securities | - | - | 0.5 | - | - | - |
| **Total assets** | 16.1 | 0.0 | 0.5 | 21.8 | 0.0 | - |

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Liabilities** | £'m | £'m | £'m | £'m | £'m | £'m |
| **Financial liabilities at fair value through profit or loss** | | | | | | |
| Derivative financial instruments: | | | | | | |
| – Foreign exchange contracts | - | (0.0) | - | - | (0.1) | - |
| **Total liabilities** | - | (0.0) | - | - | (0.1) | - |

**Level 1 financial instruments**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

**Level 2 financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date and yield curves derived from quoted interest rates matching the maturities of the foreign exchange contracts.

**Level 3 financial instruments**

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to the present value; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## 3.4. Offsetting financial assets and financial liabilities

| | Gross amounts recognised financial assets | Gross amounts of recognised financial liabilities set off in the balance sheet | Net amounts of financial assets presented in the balance sheet |
|---|---|---|---|
| **As at 31 March 2023** | £'m | £'m | £'m |
| Cash and cash equivalents | 427.6 | (192.5) | 235.1 |
| Credit balance | (192.5) | 192.5 | - |
| | 235.1 | - | 235.1 |

| | Gross amounts recognised financial assets | Gross amounts of recognised financial liabilities set off in the balance sheet | Net amounts of financial assets presented in the balance sheet |
|---|---|---|---|
| As at 31 March 2022 | £'m | £'m | £'m |
| Cash and cash equivalents | 454.5 | (147.4) | 307.1 |
| Credit balance | (147.4) | 147.4 | - |
| | 307.1 | - | 307.1 |

The Group has a cash pooling arrangement with its principal bank. The arrangement allows for cash to be pooled together across certain entities within the Group. A consequence of this arrangement is that any cash balance within the pooling group that is showing as overdrawn is offset against those with positive cash balances. At the balance sheet date, this results in a net positive cash balance being presented in the Group financial statements.

## 4. Critical accounting estimates and judgements

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

**Group**

**Contract accounting (estimates and judgements)**

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

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

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

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

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

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

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

The Group makes an estimate of the recoverable value of trade receivables and contract assets. When assessing impairment, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Group applies the simplified approach for IFRS 9 when measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See note 20 and 21 for the net carrying amount of the receivables and associated impairment provision.

**Defined benefit pension schemes (estimates and judgements)**

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

An estimate of the sensitivity to changes in key assumptions is disclosed in note 29.

**Legal claims (estimates and judgements)**

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

**Lease accounting (judgements)**

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

As at 31 March 2023, potential future cash outflows of £461.6m (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended. As at 31 March 2023, potential future cash savings of £26.6m (undiscounted) have been excluded from the lease liability because it is not reasonably certain that the leases will be terminated.

**Company**

**Investment in subsidiaries (estimates and judgements)**

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

**Impairment of trade and other receivables (judgements)**

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

# 5. Revenue

**Group**

The total revenue recognised in the year that was included in contract liabilities at the beginning of the year was £310.7m (2022: £275.7m).

The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £1,252.2m (2022: £1,410.4m).

The aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at the balance sheet date is £1,705.6m (2022: £1,635.1m). The Group expects that this will be recognised over the next 1 to 10 years (2022: 1 to 10 years).

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

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| **Revenue by destination** | | |
| United Kingdom | 777.1 | 640.5 |
| Asia | 475.9 | 382.7 |
| Americas | 355.7 | 356.3 |
| Australasia | 300.3 | 275.2 |
| Europe | 217.9 | 202.9 |
| Middle East & Africa | 36.7 | 36.2 |
| | 2,163.6 | 1,893.8 |

The comparative figures for the year ended 31 March 2022 have been adjusted to make it consistent with the methodology used for the year ended 31 March 2023 calculation.

# 6. Other Income

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Gain on disposal of indirect subsidiaries | 3.8 | 18.1 |
| Government grants | 3.4 | 1.9 |
| Gain on investment in financial assets at FVPL | 0.8 | - |
| Fair value (loss) / gain on financial assets at FVPL | (0.3) | 2.3 |
| Loss on disposal of financial assets at FVPL | (4.4) | - |
| | 3.3 | 22.3 |

## 7. Employee benefit expense

| | 2023 | 2022 |
|---|---|---|
| **Group** | £'m | £'m |
| Wages and salaries | 952.6 | 802.0 |
| Global profit-share scheme | 133.2 | 143.1 |
| Social security costs | 99.8 | 84.9 |
| Pension contributions | 80.6 | 71.4 |
| Headcount reduction costs | 1.8 | 1.0 |
| Other staff costs | 77.5 | 63.1 |
| | 1,345.5 | 1,165.5 |

| **Average monthly number of people employed** | Number | Number |
|---|---|---|
| Engineering and technical staff | 14,136 | 12,991 |
| Administrative staff | 2,810 | 2,526 |
| | 16,946 | 15,517 |

The Company has no employees (2022: nil).

## 8. Directors' remuneration

**Group**

The directors' remuneration was as follows:

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Aggregate remuneration | 8.0 | 9.3 |
| Aggregate contributions paid to defined contribution schemes | 0.3 | 0.2 |

| | Number | Number |
|---|---|---|
| Number of directors accruing pension benefits under defined benefit schemes | 2 | 2 |

| The highest paid director: | £'m | £'m |
|---|---|---|
| Remuneration excluding contributions paid to pension schemes | 0.9 | 0.9 |
| Contributions paid to defined contribution schemes | 0.0 | 0.1 |
| | 0.9 | 1.0 |

No directors are remunerated through the Company itself, the expense is borne by other Group companies (2022: nil).

# 9. Operating profit

| Group | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| **This is stated after charging:** | | |
| During the year, the Group obtained the following services from the Company's auditors: | | |
| – Audit of Company and consolidated financial statements | 0.6 | 0.5 |
| Fees payable for other services: | | |
| – Audit of the Company's subsidiaries, pursuant to legislation | 2.5 | 1.5 |
| – Other audit related assurance services | 0.0 | 0.0 |
| – Tax compliance services | 0.4 | 0.3 |
| – Tax advisory services | 0.0 | 0.3 |
| – Other advisory services | 0.0 | 0.0 |
| Loss on disposal of property, plant and equipment | 0.4 | 3.4 |
| Loss on disposal of intangible assets | 0.0 | 1.1 |
| Loss on exchange from trading activities | 5.5 | 1.4 |
| Research and development costs | 34.4 | 34.1 |
| Amortisation of intangible assets | 0.9 | 1.2 |
| Amortisation of fulfilment contract assets | 0.2 | 0.2 |
| Depreciation of property, plant and equipment | 29.3 | 26.5 |
| Depreciation of right-of-use assets | 55.6 | 53.4 |

# 10.Exceptional Items

**Group**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Gain on disposal of indirect subsidiaries | 3.8 | 18.1 |
| Government grants | 3.4 | 1.9 |
| | 7.2 | 20.0 |

**Exceptional items in financial year to 31 March 2023**

*Gain on disposal of indirect subsidiaries:*

During the year ended 31 March 2023, Ove Arup Ventures Limited diluted its investment in Neuron Operations Limited. This has been treated as a disposal of a subsidiary and resulted in a gain of £3.8m for the Group. The remaining investment in Neuron Operations Limited is presented as "financial assets at fair value through profit or loss" in the balance sheet.

*Government grants:*

Ove Arup & Partners Hong Kong Limited (£2.5m), Arup Singapore Pte Limited (£0.4m) and Arup International Consultants (Shanghai) Co Limited (£0.5m) received government subsidies during the year ended 31 March 2023. This is presented within "other income" in the income statement.

**Exceptional items in financial year to 31 March 2022**

*Gain on disposal of indirect subsidiaries:*

On 8 February 2022, Ove Arup Ventures Limited sold its investment in MailManager Limited. The gain on sale for the Group was £15.7m.

During the year ended 31 March 2022, Ove Arup Ventures Limited diluted its investment in Artus Air Limited, relinquishing control of the company. This has been treated as a disposal of a subsidiary and resulted in a gain of £2.4m for the Group. The remaining investment in Artus Air Limited is presented as "investments accounted for using the equity method" in the balance sheet.

*Government grants:*

Arup Singapore Pte Ltd (£1.9m) received support from the Singaporean government during the year ended 31 March 2022. This is presented within "other income" in the income statement.

## 11.Net finance costs

**Group**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Interest expense on borrowings | (6.7) | (1.3) |
| Lease liabilities | (10.5) | (10.5) |
| Fair value losses on financial instruments | (1.0) | (0.4) |
| Net finance costs on net post-employment benefit liabilities | (1.2) | (2.4) |
| Other finance costs | (0.2) | (0.6) |
| **Total finance costs** | (19.6) | (15.2) |
| | | |
| Interest receivable on short term bank deposits | 9.3 | 1.1 |
| Fair value gains on financial instruments | 1.0 | 0.4 |
| Net finance income on net post-employment benefit liabilities | - | 0.0 |
| Other interest received | 0.5 | 0.1 |
| **Total finance income** | 10.8 | 1.6 |
| | | |
| **Net finance costs** | (8.8) | (13.6) |

# 12.Income tax charge

**Group**

**(a) Analysis of total income tax charge**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Current income tax | | |
| – Current income tax on profits for the year | 29.9 | 9.7 |
| – Adjustment in respect of prior years | 7.2 | (1.8) |
| **Total current income tax** | 37.1 | 7.9 |
| Deferred income tax | | |
| – Origination and reversal of temporary differences | (15.7) | 1.4 |
| – Effect of changes in tax rates | (0.3) | 9.5 |
| – Over provision of deferred income tax in respect of prior years | (8.8) | (0.4) |
| **Total deferred income tax** | (24.8) | 10.5 |
| **Total income tax charge** | 12.3 | 18.4 |

**(b) Factors affecting the total 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 |
|---|---|---|
| | £'m | £'m |
| Profit before income tax | 38.9 | 36.7 |
| Profit before income tax multiplied by the standard rate of corporation tax in the UK | 7.4 | 7.0 |
| Effects of: | | |
| Income not subject to tax | (3.7) | (5.7) |
| Expenses not deductible for tax purposes | 7.4 | 3.7 |
| Impact of non-UK tax | 0.4 | 4.7 |
| Research and development tax credits | 0.3 | - |
| Tax decrease arising from non-UK tax suffered | (0.4) | (0.1) |
| Utilisation of tax losses for which no deferred income tax asset was recognised | (1.2) | (0.5) |
| Remeasurement of deferred income tax - change in tax rates | (0.3) | 9.5 |
| Adjustment in respect of prior years | (1.6) | (2.2) |
| Unrelieved losses carried forward on which no deferred income tax is recognised | 3.1 | 2.0 |
| Other | 0.9 | 0.0 |
| Total income tax charge | 12.3 | 18.4 |

**(c) Factors affecting current and future income tax charges**

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

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

## 13.Property, plant and equipment

| **Group** | Freehold land & property | Leasehold property & improvements | Furniture, fittings & IT hardware | Motor vehicles | Total |
|---|---|---|---|---|---|
| | £'m | £'m | £'m | £'m | £'m |
| **Cost** | | | | | |
| Balance at 1 April 2021 | 224.8 | 116.1 | 124.2 | 1.1 | 466.2 |
| Additions | 4.2 | 20.4 | 10.5 | 0.1 | 35.2 |
| Acquisitions | - | - | 0.1 | - | 0.1 |
| Disposals | - | (11.5) | (21.9) | (0.2) | (33.6) |
| Adjustment for exchange differences | (0.2) | 2.2 | 2.0 | (0.0) | 4.0 |
| Balance at 31 March 2022 | 228.8 | 127.2 | 114.9 | 1.0 | 471.9 |
| Additions | - | 7.9 | 23.7 | 0.1 | 31.7 |
| Acquisitions | - | - | - | - | - |
| Disposals | (4.9) | (19.3) | (22.8) | (0.2) | (47.2) |
| Adjustment for exchange differences | 0.7 | 1.3 | 0.9 | (0.0) | 2.9 |
| **Balance at 31 March 2023** | 224.6 | 117.1 | 116.7 | 0.9 | 459.3 |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| Balance at 1 April 2021 | 20.8 | 60.6 | 92.1 | 0.8 | 174.3 |
| Charge for the year | 4.4 | 8.8 | 13.2 | 0.1 | 26.5 |
| Disposals | - | (8.6) | (21.3) | (0.2) | (30.1) |
| Adjustment for exchange differences | (0.0) | 0.8 | 1.4 | (0.0) | 2.2 |
| Balance at 31 March 2022 | 25.2 | 61.6 | 85.4 | 0.7 | 172.9 |
| Charge for the year | 4.6 | 9.9 | 14.7 | 0.1 | 29.3 |
| Disposals | (3.9) | (19.2) | (22.0) | (0.2) | (45.3) |
| Adjustment for exchange differences | 0.1 | 0.2 | 0.5 | (0.0) | 0.8 |
| **Balance at 31 March 2023** | 26.0 | 52.5 | 78.6 | 0.6 | 157.7 |
| | | | | | |
| **Net book value at 31 March 2023** | 198.6 | 64.6 | 38.1 | 0.3 | 301.6 |
| Net book value at 31 March 2022 | 203.6 | 65.6 | 29.5 | 0.3 | 299.0 |

Included within freehold land & property are investment properties that have a net book value at 31 March 2023 of £2.9m (2022: £2.8m).

**Company**

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

# 14. Leases

**Group**

**(i) Amounts recognised in the balance sheet**

| | 2023 £'m | 2022 £'m |
|---|---|---|
| **Right-of-use assets** | | |
| Buildings | 315.5 | 322.7 |
| Equipment | 1.3 | 0.9 |
| Vehicles | 0.4 | 0.5 |
| Other | 0.1 | 0.0 |
| | 317.3 | 324.1 |

| | 2023 £'m | 2022 £'m |
|---|---|---|
| **Lease liabilities** | | |
| Current | 38.3 | 43.8 |
| Non-current | 326.9 | 321.3 |
| | 365.2 | 365.1 |

Additions to the right-of-use assets during the financial year to 31 March 2023 were £41.9m (2022: £25.1m). The movement in right-of-use assets is further impacted by depreciation (see note 14 ii), adjustments for exchange differences and disposals.

**(ii) Amounts recognised in the income statement**

The income statement shows the following amounts relating to leases:

| | 2023 £'m | 2022 £'m |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Buildings | 54.6 | 52.2 |
| Equipment | 0.5 | 0.8 |
| Vehicles | 0.4 | 0.4 |
| Other | 0.1 | 0.0 |
| | 55.6 | 53.4 |

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Interest expense (included in finance costs) | 10.5 | 10.5 |
| Expense relating to short-term leases (included in communications and other overheads) | 2.7 | 1.6 |
| Expense relating to leases of low-value assets (included in communications and other overheads) | 0.1 | 0.3 |

The total cash outflow for leases in the year ended 31 March 2023 was £57.3m (2022: £54.9m). As at 31 March 2023, future cash outflows (undiscounted) for leases not yet commenced but which the Group was committed to were £63.5m (2022: £5.3m).

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

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Not later than one year | 48.9 | 53.8 |
| Later than one year and not later than five years | 157.2 | 149.2 |
| Later than five years | 230.4 | 228.1 |
| Total gross payments | 436.5 | 431.1 |
| Impact of finance expenses | (71.3) | (66.0) |
| Carrying amount of liability | 365.2 | 365.1 |

**Company**

The Company had no leases (2022: nil).

# 15.Intangible assets

**Group**

| | Customer contracts | IP | Development costs | Goodwill | Computer software | Total |
|---|---|---|---|---|---|---|
| | £'m | £'m | £'m | £'m | £'m | £'m |
| **Cost** | | | | | | |
| Balance at 1 April 2021 | 1.2 | 0.6 | 1.6 | 1.4 | 16.2 | 21.0 |
| Additions | - | - | - | 1.7 | 0.6 | 2.3 |
| Disposals | - | - | (1.6) | - | (4.6) | (6.2) |
| Adjustment for exchange differences | - | 0.0 | - | 0.2 | 0.2 | 0.4 |
| Balance at 31 March 2022 | 1.2 | 0.6 | - | 3.3 | 12.4 | 17.5 |
| Additions | - | - | 3.7 | - | 0.5 | 4.2 |
| Disposals | - | - | - | - | (4.4) | (4.4) |
| Adjustment for exchange differences | - | 0.0 | (0.0) | 0.2 | 0.1 | 0.3 |
| **Balance at 31 March 2023** | 1.2 | 0.6 | 3.7 | 3.5 | 8.6 | 17.6 |

| | Customer contracts | Intellectual property | Development costs | Goodwill | Computer software | Total |
|---|---|---|---|---|---|---|
| | £'m | £'m | £'m | £'m | £'m | £'m |
| **Accumulated amortisation** | | | | | | |
| Balance at 1 April 2021 | 0.8 | - | 0.6 | - | 14.7 | 16.1 |
| Charge for the year | 0.3 | 0.1 | - | - | 0.8 | 1.2 |
| Disposals | - | (0.1) | (0.6) | - | (4.4) | (5.1) |
| Adjustment for exchange differences | - | 0.0 | - | - | 0.1 | 0.1 |
| Balance at 31 March 2022 | 1.1 | 0.0 | - | - | 11.2 | 12.3 |
| Charge for the year | 0.1 | 0.1 | - | - | 0.7 | 0.9 |
| Disposals | - | - | - | - | (4.4) | (4.4) |
| Adjustment for exchange differences | - | 0.0 | - | - | (0.1) | (0.1) |
| **Balance at 31 March 2023** | 1.2 | 0.1 | - | - | 7.4 | 8.7 |
| **Net book value at 31 March 2023** | 0.0 | 0.5 | 3.7 | 3.5 | 1.2 | 8.9 |
| Net book value at 31 March 2022 | 0.1 | 0.6 | - | 3.3 | 1.2 | 5.2 |

On 1 April 2021, the Group acquired WWCO Architecture Holdings LLC (subsequently renamed Arup Architecture US, Inc.) for £1.7m (cash was transferred on the 31 March 2021).

An impairment assessment has been performed on goodwill, considering the separate companies as the cash-generating units. For the year ending 31 March 2023, no impairment was required (2022: no impairment).

**Company**

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

# 16.Investments in subsidiaries

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

A listing of registered addresses and principal activities can be found in note 36.

| **Direct holdings** | **Country / countries of incorporation** |
|---|---|
| Arup Americas Inc. | United States |
| Arup Partner Pty Limited | Australia |
| Arup (Pty) Ltd (70% holding) | South Africa |
| Broomco (141) GmbH | Germany |
| Broomco (92854) Limited | Ireland |
| Ove Arup Holdings B.V. | Netherlands |
| Ove Arup Holdings IP Limited | England and Wales |
| Ove Arup Holdings Limited | England and Wales |
| Ove Arup Holdings Private Limited | Singapore |
| Ove Arup International (Holdings) Limited | Hong Kong |
| Ove Arup International Holdings Private Limited (Incorporated 07/10/2022) | Singapore |
| Ove Arup Limited | England and Wales |
| Ove Arup Ventures Limited | England and Wales |

| **Indirect holdings** | **Country / countries of incorporation** |
|---|---|
| AAC, Inc. (49% holding) | Canada |
| Acorn Technology Systems Inc. | United States |
| Arup Advisory Sdn. Bhd. (30% holding) | Malaysia |
| Arup Advisory HK Limited | Hong Kong |
| Arup Advisory, Inc. | United States |
| Arup Architecture US, Inc. | United States |
| Arup Associates Limited | England and Wales |
| Arup Australia Advisory & Digital Pty Ltd | Australia |
| Arup Australia IP Pty Ltd (De-registered 24/02/2022) | Australia |
| Arup Australia Projects Pty Ltd | Australia |
| Arup Australia Pty Ltd | Australia |
| Arup Australia Services Pty Ltd | Australia |
| Arup Brasil Consultoria Ltda. | Brazil |
| Arup Business Services HK Limited | Hong Kong |
| Arup B.V. | Netherlands |
| Arup (Cambodia) Limited | Cambodia |
| Arup Canada, Inc. | Canada |
| Arup China Limited | Hong Kong |
| Arup Colombia S.A.S. | Colombia |
| Arup Consultores Internacionales México S. de R.L. de C.V. | Mexico |
| Arup Corporate Finance Limited | England and Wales |
| Arup Deutschland GmbH | Germany |
| Arup d.o.o. Beograd (Vracar) | Serbia |
| Arup East Africa Limited | Kenya |
| Arup Gulf Limited | England and Wales |
| Arup Hong Kong Limited | Hong Kong |
| Arup India Private Limited | India |
| Arup Ingeniería y Consultoría México, S. de R.L. de C.V. | Mexico |
| Arup International Consultants (Shanghai) Co. Limited | China |
| Arup International Projects Limited | England and Wales |
| Arup IP Limited | England and Wales |
| Arup IP Management Limited | England and Wales |
| Arup Ireland Partner Limited | Ireland |
| Arup Ireland Properties Limited | Ireland |
| Arup Italia S.r.l. | Italy |
| Arup Jururunding Sdn. Bhd. (30% holding) | Malaysia |
| Arup Latin America, S.A. | Spain |
| Arup Limited | England and Wales |
| Arup Macau Limited | Macao |
| Arup Maldives Limited | England and Wales |
| Arup (Mauritius) Ltd (30% holding) | Mauritius |

| | |
|---|---|
| Arup Mühendislik ve Müşavirlik Limited Şirketi | Türkiye |
| Arup New Zealand Limited | New Zealand |
| Arup North America Limited | England and Wales |
| Arup Peru Limited | England and Wales |
| Arup Philippines Limited | England and Wales |
| Arup Polska sp. z o.o. | Poland |
| Arup Projects A Pty Ltd | Australia |
| Arup Pty Limited | Australia |
| Arup QLD Pty Ltd (Incorporated 02/11/2022) | Australia |
| Arup Riyadh Metro Limited | England and Wales |
| Arup Services B.V. | Netherlands |
| Arup Services New York Limited | England and Wales |
| Arup Singapore Private Limited | Singapore |
| Arup Taiwan Limited | Taiwan |
| Arup Technology Solutions US, Inc. | United States |
| Arup Texas, Inc. | United States |
| Arup Treasury Limited | England and Wales |
| Arup USA, Inc. | United States |
| Arup US, Inc. | United States |
| Arup Vietnam Limited | Vietnam |
| Babylon Investment Unlimited Company | Ireland |
| Broomco (50886) Guernsey Limited (Dissolved 30/08/2022) | Guernsey |
| Broomco (148355) Ltd. (Dissolved 05/07/2023; 2022: previously Arup (Luxembourg) S.à r.l 100%). | Luxembourg |
| eFleet Integrated Service Limited | England and Wales |
| Fitzroy Comp, Inc. | United States |
| Fitzroy Insurance Services Limited | Guernsey |
| Fitzroy Property Limited | England and Wales |
| Neuron Operations Limited (2023: 10% - not consolidated; 2022: 95%) | Hong Kong |
| Oasys Limited | England and Wales |
| OASYS Software Technology (Shanghai) Limited | China |
| Ovarpart Nominee Limited | England and Wales |
| Ove Arup India Holdings Limited | England and Wales |
| Ove Arup & Partners Danmark A/S | Denmark |
| Ove Arup & Partners Hong Kong Limited | England and Wales |
| Ove Arup & Partners International Limited | England and Wales |
| Ove Arup & Partners Ireland Limited | Ireland |
| Ove Arup & Partners Japan Limited | England & Wales |
| Ove Arup & Partners Korea Limited | Republic of Korea |
| Ove Arup & Partners Limited | England and Wales |
| Ove Arup & Partners Scotland Limited | Scotland |
| Ove Arup & Partners, P.C. (0% holding) | United States |
| Ove Arup & Partners, S.A.U | Spain |
| Ove Arup (Thailand) Limited | Thailand |
| PT Arup Indonesia | Indonesia |
| PT Arup Kinematika Indonesia (0% holding; previously PT Rekacipta Kinematika) | Indonesia |
| Redcliffe Wharf Limited | England and Wales |
| Scotstoun Property Limited | England and Wales |
| Shelbourne Plaza (Block C) Management Company Limited (78% holding) | Ireland |
| Williamsburg Investment Unlimited Company | Ireland |

**Company**

| **Movement of investment** | Cost | Investment impairment | Net book value |
|---|---|---|---|
| | £'m | £'m | £'m |
| Balance as at 1 April 2021 | 304.1 | (148.6) | 155.5 |
| Additions / recapitalisations | - | - | - |
| Reversal of impairments | - | - | - |
| Balance as at 31 March 2022 | 304.1 | (148.6) | 155.5 |
| Additions / recapitalisations | 2.0 | - | 2.0 |
| Reversal of impairments | - | 2.3 | 2.3 |
| **Balance as at 31 March 2023** | 306.1 | (146.3) | 159.8 |

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

## 17.Investments accounted for using the equity method

**Group**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Balance at the beginning of the financial year | 1.2 | - |
| Additions | 3.8 | 1.8 |
| Share of loss | (1.8) | (0.6) |
| Adjustment for exchange differences | 0.1 | - |
| **Balance at the end of the financial year** | 3.3 | 1.2 |

## 18.Financial assets at fair value through profit or loss

| **Group** | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Balance at the beginning of the financial year | 21.8 | 18.5 |
| Additions | 0.8 | 2.2 |
| Disposals | (6.8) | (1.8) |
| Change in fair value | (0.3) | 2.3 |
| Adjustment for exchange differences | 1.1 | 0.6 |
| **Balance at the end of the financial year** | 16.6 | 21.8 |

An indirect subsidiary of the Company has a non-qualified deferred compensation arrangement (note 29). At 31 March 2023, this was valued at £16.0m (2022: £15.5m)

Another indirect subsidiary holds investments whose equity is listed on the OTC market. During the year ended 31 March 2023, the majority of this investment was sold for £1.8m resulting in a fair value loss of £4.4m.

**Company**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Balance at the beginning of the financial year | 0.0 | 0.0 |
| Disposals | (0.0) | - |
| **Balance at the end of the financial year** | 0.0 | 0.0 |

The Company has financial assets at fair value through profit and loss of £3k (2022: £3k).

# 19.Financial instruments

| **Financial instruments by category:** | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **Group** | Financial assets at amortised cost | Financial assets at FVPL | Total | Financial asset at amortised cost | Financial assets at FVPL | Total |
| **Assets as per balance sheet** | £'m | £'m | £'m | £’m | £’m | £’m |
| Derivative financial instruments | - | 0.0 | 0.0 | - | 0.0 | 0.0 |
| Financial assets at FVPL | - | 16.6 | 16.6 | 0.1 | 21.8 | 21.9 |
| Trade and other receivables excluding non-financial assets | 288.4 | - | 288.4 | 279.5 | - | 279.5 |
| Cash and cash equivalents | 235.1 | - | 235.1 | 307.1 | - | 307.1 |
| | 523.5 | 16.6 | 540.1 | 586.7 | 21.8 | 608.5 |

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **Group** | Other financial liabilities at amortised cost | Financial liabilities at FVPL | Total | Other financial liabilities at amortised cost | Financial liabilities at FVPL | Total |
| **Liabilities as per balance sheet** | £'m | £'m | £'m | £’m | £’m | £’m |
| Borrowing | (41.0) | - | (41.0) | (51.0) | - | (51.0) |
| Derivative financial instruments | - | (0.0) | (0.0) | - | (0.1) | (0.1) |
| Lease liabilities | (365.2) | - | (365.2) | (365.1) | - | (365.1) |
| Trade and other payables excluding non-financial liabilities | (254.9) | - | (254.9) | (277.3) | - | (277.3) |
| | (661.1) | (0.0) | (661.1) | (693.4) | (0.1) | (693.5) |

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

# 20.Contract assets and liabilities

| **Contract assets** | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Contract assets | 207.8 | 204.2 |
| Loss allowance | (3.1) | (7.9) |
| | 204.7 | 196.3 |

| **Movement in loss allowance** | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Balance at the beginning of the financial year | 7.9 | 5.6 |
| Increase in allowance for expected credit losses | 1.4 | 7.6 |
| Decrease in allowance for expected credit losses | (6.6) | (5.5) |
| Written off as uncollectable | - | (0.0) |
| Adjustment for exchange differences | 0.4 | 0.2 |
| **Balance at the end of the financial year** | 3.1 | 7.9 |

The average expected loss rate for contract assets was 1.5% (2022: 3.9%).

| **Contract liabilities** | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Contract liabilities | 265.1 | 300.3 |

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

| | 2023 | 2022 |
|---|---|---|
| **Fulfilment contract asset** | £'m | £'m |
| Non-current asset recognised for costs incurred to fulfil a contract | 1.4 | 1.2 |
| Accumulated amortisation of costs incurred to fulfil a contract | (0.7) | (0.5) |
| Adjustment for exchange differences | 0.0 | 0.1 |
| Net non-current asset recognised for costs incurred to fulfil a contract | 0.7 | 0.8 |

**Company**

The Company has no contract assets and liabilities (2022: nil).

# 21. Trade and other receivables

**Group**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Trade receivables - net | 267.8 | 256.7 |
| Non-UK corporation tax receivable | 16.2 | 14.5 |
| UK corporation tax receivable | 2.1 | 16.2 |
| Other receivables | 49.5 | 22.8 |
| Prepayments | 47.1 | 28.9 |
| | 382.7 | 339.1 |

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

| **Trade receivables** | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Trade receivables | 283.5 | 277.4 |
| Loss allowance | (15.7) | (20.7) |
| | 267.8 | 256.7 |

| **Ageing analysis** | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Cost | Loss allowance | Expected loss rate | Cost | Loss allowance | Expected loss rate |
| | £'m | £'m | % | £'m | £'m | % |
| Current | 160.9 | (0.5) | 0.3 | 158.6 | (1.2) | 0.8 |
| Past due less than 3 months | 88.2 | (1.0) | 1.1 | 84.3 | (1.5) | 1.8 |
| 3 months to 6 months | 12.5 | (1.3) | 10.4 | 10.7 | (1.6) | 15.0 |
| Greater than 6 months | 21.9 | (12.9) | 58.9 | 23.8 | (16.4) | 68.9 |
| | 283.5 | (15.7) | | 277.4 | (20.7) | |

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

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Balance at the beginning of the financial year | 20.7 | 17.8 |
| Increase in loss allowance | 3.3 | 6.5 |
| Unused amounts reversed | (5.5) | (0.5) |
| Receivables written off as uncollectible | (3.0) | (3.0) |
| Adjustment for exchange differences | 0.2 | (0.1) |
| **Balance at the end of the financial year** | 15.7 | 20.7 |

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

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| British pound sterling | 154.6 | 142.3 |
| US dollar | 131.2 | 89.0 |
| Hong Kong dollar | 64.8 | 62.3 |
| Euro | 54.9 | 66.1 |
| Australian dollar | 45.9 | 51.0 |
| Canadian dollar | 26.5 | 23.6 |
| Chinese renminbi | 24.2 | 25.1 |
| Singaporean dollar | 19.4 | 15.6 |
| Philippine peso | 9.5 | 9.3 |
| Thai baht | 8.4 | 3.7 |
| Malaysian ringgit | 6.7 | 7.1 |
| Polish zloty | 5.4 | 3.1 |
| Indian rupee | 4.8 | 4.9 |
| Japanese yen | 4.0 | 3.3 |
| New Zealand dollar | 3.4 | 0.8 |
| Taiwanese dollar | 3.2 | 3.3 |
| Other | 20.5 | 24.9 |
| | 587.4 | 535.4 |

**Company**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Amounts due from Group undertakings | 162.3 | 164.7 |
| UK corporation tax receivable | - | 0.2 |
| Other receivables | 0.3 | 0.5 |
| | 162.6 | 165.4 |

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

**Amounts due from Group undertakings**

Amounts due from Group undertakings are unsecured, have no date of repayment and are repayable on demand. Interest is accrued on inter-group loans with a rate in the range of 1-8.25% (2022: 1-8%). The Company has assessed the ability of Group companies to meet their inter-group liabilities. Based on this review we deem the expected credit losses of amounts due from Group undertakings to be nil.

## 22. Derivative financial instruments

**Group**

The table below shows the fair value of forward currency contracts at the year end, based on their market value:

| | 2023 | 2023 | 2022 | 2022 |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | £'m | £'m | £'m | £'m |
| Forward foreign exchange contracts - held for trading | 0.0 | (0.0) | 0.0 | (0.1) |
| Total | 0.0 | (0.0) | 0.0 | (0.1) |
| Less non-current portion: | | | | |
| Forward foreign exchange contracts - held for trading | - | - | - | - |
| **Current portion** | 0.0 | (0.0) | 0.0 | (0.1) |

The notional principal amounts of the outstanding foreign exchange contracts at 31 March 2023 and 31 March 2022 are as follows:

| | 2023 | 2023 | 2022 | 2022 |
|---|---|---|---|---|
| | Sell | Buy | Sell | Buy |
| | £'m | £'m | £'m | £'m |
| Forward contracts to purchase SGD, sell GBP | 3.0 | (3.0) | - | - |
| Forward contracts to purchase CAD, sell GBP | 1.2 | (1.2) | 5.1 | (5.1) |
| Forward contracts to purchase GBP, sell SGD | 0.9 | (0.9) | 5.1 | (5.1) |
| Spot contracts to purchase GBP, sell KWD | 0.3 | (0.3) | - | - |
| Forward contracts to purchase AUD, sell GBP | - | - | 10.8 | (10.8) |
| Forward contracts to purchase NZD, sell GBP | - | - | 4.9 | (4.9) |
| Spot contracts to purchase EUR, sell GBP | - | - | 0.5 | (0.5) |

The Group has reviewed all contracts for embedded derivatives and does not have any such instruments.

## 23.Cash and cash equivalents

**Group**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Cash at bank and in hand | 48.1 | 49.1 |
| Short-term bank deposits | 187.0 | 258.0 |
| | 235.1 | 307.1 |

**Company**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Cash at bank and in hand | 1.0 | 1.2 |
| | 1.0 | 1.2 |

## 24.Assets classified as held for sale

The Group and Company own leasehold land with a net book value of £1.8m (2022: £1.8m). At 31 March 2023, the Company expected to dispose of this asset within 12 months and it is therefore classified as held for sale.

The Group owns freehold property with a net book value of £1.0m (2022: £1.0m). At 31 March 2023, the Group expected to dispose of this asset within 12 months and it was therefore transferred from property, plant and equipment to assets classified as held for sale.

## 25.Borrowings

**Group**

| | 2023 | 2022 |
|---|---|---|
| **Current** | £'m | £'m |
| Loan with related party | 1.0 | 1.0 |
| | 1.0 | 1.0 |

| | 2023 | 2022 |
|---|---|---|
| **Non-Current** | £'m | £'m |
| Bank loan | 40.0 | 50.0 |
| | 40.0 | 50.0 |

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

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

The Group has borrowed £1.0m (2022: £1.0m) in one loan from Bidgreat Limited, a company owned by a controlling party (note 34). The loan bears a market rate of interest based on the UK Base Rate. The loan is repayable on demand.

**Company**

| | 2023 | 2022 |
|---|---|---|
| **Non-Current** | £'m | £'m |
| Bank loan | 40.0 | 50.0 |
| | 40.0 | 50.0 |

# 26. Trade and other payables

**Group**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Trade payables | 40.8 | 38.8 |
| Accrued expenses | 186.7 | 202.4 |
| Other payables | 27.4 | 36.1 |
| Tax & social security costs | 21.0 | 20.9 |
| | 275.9 | 298.2 |

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

**Group**

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

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| British pound sterling | 190.4 | 231.9 |
| US dollar | 97.0 | 93.3 |
| Hong Kong dollar | 62.4 | 62.3 |
| Australian dollar | 50.7 | 49.7 |
| Euro | 38.7 | 58.0 |
| Singaporean dollar | 17.4 | 17.4 |
| Chinese renminbi | 17.3 | 23.2 |
| Canadian dollar | 14.9 | 14.0 |
| Malaysian ringgit | 9.5 | 5.7 |
| Emirati dirham | 8.4 | 5.0 |
| Macau pataca | 5.9 | 5.2 |
| Kuwaiti dinar | 4.4 | 2.8 |
| Japanese yen | 3.5 | 3.5 |
| Turkish new lira | 3.3 | 2.9 |
| Other | 17.2 | 23.6 |
| | 541.0 | 598.5 |

**Company**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Amounts owed to Group undertakings | 220.8 | 216.7 |
| Accrued expenses | 0.7 | 0.5 |
| | 221.5 | 217.2 |

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

**Amounts owed to Group undertakings**

Amounts owed to 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%).

# 27.Provisions for other liabilities and charges

**Group**

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Property | Long term employee benefit | Legal claims | Onerous contracts | Total |
| | £'m | £'m | £'m | £'m | £'m |
| **Current** | 4.4 | 7.8 | 30.8 | 10.9 | 53.9 |
| Later than one year and no later than two years | 2.6 | 0.7 | - | 4.9 | 8.2 |
| Later than two years and no later than five years | 3.0 | 2.0 | - | 3.2 | 8.2 |
| Later than five years | 6.1 | 0.3 | - | 0.1 | 6.5 |
| **Non-current** | 11.7 | 3.0 | - | 8.2 | 22.9 |
| **Reconciliation of movement:** | | | | | |
| Balance at the beginning of the financial year | 14.2 | 10.6 | 14.7 | - | 39.5 |
| Reclassification from contract liabilities | - | - | - | 8.5 | 8.5 |
| Provisions charged to the income statement | 1.4 | 2.2 | 29.0 | 10.9 | 43.5 |
| Provisions released to the income statement | (0.4) | - | (12.4) | (0.1) | (12.9) |
| Provisions utilised | - | (1.6) | - | - | (1.6) |
| Capitalised in the year | 0.6 | - | - | - | 0.6 |
| Adjustment for exchange differences | 0.3 | (0.4) | (0.5) | (0.2) | (0.8) |
| **Balance at the end of the financial year** | 16.1 | 10.8 | 30.8 | 19.1 | 76.8 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Property | Long term employee benefit | Legal claims | Onerous contracts | Total |
| | £'m | £'m | £'m | £'m | £'m |
| **Current** | 0.3 | 8.0 | 7.3 | - | 15.6 |
| Later than one year and no later than two years | 4.9 | 0.5 | - | - | 5.4 |
| Later than two years and no later than five years | 3.3 | 1.7 | 7.4 | - | 12.4 |
| Later than five years | 5.7 | 0.4 | - | - | 6.1 |
| **Non-current** | 13.9 | 2.6 | 7.4 | - | 23.9 |
| **Reconciliation of movement:** | | | | | |
| Balance at the beginning of the financial year | 15.1 | 18.7 | - | - | 33.8 |
| Reclassification (to) / from trade and other payable | - | (9.1) | 5.6 | - | (3.5) |
| Provisions charged to the income statement | 0.2 | 1.8 | 20.3 | - | 22.3 |
| Provisions released to the income statement | (1.0) | - | (11.2) | - | (12.2) |
| Provisions utilised | (0.7) | (1.0) | - | - | (1.7) |
| Capitalised in the year | 0.2 | - | - | - | 0.2 |
| Adjustment for exchange differences | 0.4 | 0.2 | - | - | 0.6 |
| **Balance at the end of the financial year** | 14.2 | 10.6 | 14.7 | - | 39.5 |

**Onerous contracts**

For the year ended 31 March 2022, the Group presented onerous contract provisions net against contract assets and contract liabilities. For the year ended 31 March 2023, the Group has presented onerous contracts separately within provisions for other liabilities and charges. Had this been reflected as at 31 March 2022, the onerous contract provision would have been £8.5m for the Group, which is not considered material. As such, the Group has not restated the 31 March 2022 comparatives.

**Company**

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

# 28. Deferred income tax

**Group**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Deferred income tax assets | | |
| – deferred income tax assets to be recovered after more than 12 months | 70.3 | 52.3 |
| – deferred income tax assets to be recovered within 12 months | 17.9 | 7.6 |
| | 88.2 | 59.9 |
| Deferred income tax liabilities | | |
| – deferred income tax liabilities to be recovered after more than 12 months | (20.2) | (22.0) |
| – deferred income tax liabilities to be recovered within 12 months | (0.0) | (0.1) |
| | (20.2) | (22.1) |
| **Deferred income tax assets - net** | 68.0 | 37.8 |

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

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Balance at the beginning of the financial year | 37.8 | 43.9 |
| Over provision of deferred income tax in respect of prior years | 8.8 | 0.4 |
| Transfers between current and deferred income tax | (1.1) | - |
| Deferred income tax credited / (charged) to the income statement | 16.0 | (10.9) |
| Deferred income tax on acquisitions | - | 0.1 |
| Deferred income tax credit relating to components of other comprehensive income | 7.0 | 3.5 |
| Adjustment for exchange differences | (0.5) | 0.8 |
| **Balance at the end of the financial year** | 68.0 | 37.8 |

| **Deferred income tax liabilities** | Impact of change in accounting standards | Rollover relief | Accelerated tax depreciation | Temporary differences on leases | Other | Total |
|---|---|---|---|---|---|---|
| | £'m | £'m | £'m | £'m | £'m | £'m |
| At 1 April 2021 | 0.2 | 5.8 | 7.8 | 0.0 | 4.4 | 18.2 |
| Charged / (credited) to the income statement | 0.0 | 1.8 | 0.0 | 2.7 | (1.0) | 3.5 |
| Credited to other comprehensive income | - | - | (0.0) | - | (0.1) | (0.1) |
| Adjustment for exchange differences | 0.0 | - | 0.3 | 0.1 | 0.1 | 0.5 |
| At 31 March 2022 | 0.2 | 7.6 | 8.1 | 2.8 | 3.4 | 22.1 |
| (Credited) / charged to the income statement | - | (0.1) | (0.2) | (2.2) | 0.5 | (2.0) |
| Credited to other comprehensive | - | - | - | - | - | - |
| Adjustment for exchange differences | - | 0.0 | 0.4 | 0.0 | (0.3) | 0.1 |
| **At 31 March 2023** | 0.2 | 7.5 | 8.3 | 0.6 | 3.6 | 20.2 |

| **Deferred income tax assets** | Unutilised tax depreciation | Retirement benefit obligations | Provisions | Tax losses | Temporary differences on leases | Other | Total |
|---|---|---|---|---|---|---|---|
| | £'m | £'m | £'m | £'m | £'m | £'m | £'m |
| At 1 April 2021 | 5.8 | 23.2 | 16.5 | 3.9 | 5.6 | 7.1 | 62.1 |
| Credited / (charged) to the income statement | 0.6 | (12.9) | 1.9 | (0.1) | 4.5 | (1.0) | (7.0) |
| Charged / (credited) to other comprehensive income | - | 2.9 | 0.0 | 0.5 | (0.0) | - | 3.4 |
| Adjustment for exchange differences | 0.0 | 0.1 | 0.6 | 0.0 | 0.4 | 0.3 | 1.4 |
| At 31 March 2022 | 6.4 | 13.3 | 19.0 | 4.3 | 10.5 | 6.4 | 59.9 |
| (Credited) / charged to the income statement | (3.3) | (4.7) | (1.2) | 15.7 | (1.8) | 16.9 | 21.6 |
| Charged to other comprehensive income | - | 7.0 | - | - | - | - | 7.0 |
| Adjustment for exchange differences | 0.1 | (0.0) | (0.1) | (0.2) | 0.0 | (0.1) | (0.3) |
| **At 31 March 2023** | 3.2 | 15.6 | 17.7 | 19.8 | 8.7 | 23.2 | 88.2 |

**Company**

The Company had no deferred income tax assets or liabilities (2022: nil).

# 29. Post-employment benefit liabilities

| | 2023 | 2022 |
|---|---|---|
| **Balance sheet obligations for:** | £'m | £'m |
| – Defined pension benefits | (62.1) | (53.4) |
| – Deferred compensation | (16.0) | (15.5) |
| **Liability in the balance sheet** | (78.1) | (68.9) |
| | | |
| **Income statement charge for:** | | |
| – Defined pension benefits | (1.9) | (4.0) |
| | | |
| **Remeasurement (losses) / gains for:** | | |
| – Defined pension benefits | (28.0) | 52.8 |

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

## Deferred compensation

During the year ending 31 March 2021 a non-qualified deferred compensation arrangement ("Arrangement") was recognised in an indirect US subsidiary of the Company. This Arrangement is a 'Rabbi Trust' which is a non-qualified defined contribution pension scheme. This Arrangement is principally for the highest compensated employees within Group subsidiaries in the US and enables them to obtain tax advantages by deferring a percentage of their compensation.

Unlike most common defined contribution pension schemes where settlement happens almost simultaneously with the services rendered, contributions are held in trust by the company until the elected distribution event. While held in trust, contributions represent a financial asset to the company and are measured at fair value through profit and loss (note 18). The matching liability is included in 'post-employment benefit liabilities'.

## 29.1 Defined benefit pension plan

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

| | 2023 | 2022 |
|---|---|---|
| **Balance sheet obligations for:** | £'m | £'m |
| Present value of funded obligations | (760.6) | (1,011.2) |
| Fair value of plan assets | 704.7 | 963.8 |
| Deficit of funded plans | (55.9) | (47.4) |
| Present value of unfunded obligations | (6.2) | (6.0) |
| **Total deficit of defined benefit pension plans** | (62.1) | (53.4) |

The Group includes one material defined benefit retirement scheme that is registered in the UK (the "Scheme") and managed by the trustees – see below for further details. The valuation position of the Scheme was assessed at 31 March 2023 by qualified independent actuaries for the purposes of IAS 19, 'Employee Benefits'.

The Group also has an immaterial funded scheme in Philippines and unfunded schemes in Japan, Mauritius, India, Ireland, Dubai and Indonesia. As these schemes are not material to the Group, no additional disclosures are included within these consolidated financial statements apart from the summaries below.

## Defined benefit retirement schemes

**UK registered scheme**

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

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

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

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

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

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

**Philippines funded scheme**

Ove Arup & Partners Hong Kong Limited - Philippines branch operates a retirement benefit scheme in the Philippines which requires an actuarial valuation yearly. As at 31 March 2023 the net scheme assets were valued at £0.1m (2022: net scheme liabilities £0.01m) which is held within other non-current assets (2022: post-employment benefit liabilities). The actuarial loss for the year on this scheme was £0.04m (2022: £0.06m) which has been recorded in the statement of comprehensive income.

## Unfunded schemes

**Japan unfunded scheme**

Ove Arup & Partners Japan Limited provides a retirement allowance to employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent valuation was at 31 March 2023 using the projected unit credit method. The most significant assumptions made by the actuary in carrying out this valuation were that the discount rate would be 1.2% (2022: 0.7%) per annum and that salary inflation would be 5.5% (2022: 4.0%) per annum. There was a benefit payment for the year to 31 March 2023 of £0.08m (2022: £0.03m). The pension liability recognised in the financial statements was £4.0m (2022: £3.7m).

**Ireland unfunded scheme**

Ove Arup & Partners Ireland Limited is providing a retirement allowance to 20 retired employees for their lifetime. The pension liability recognised in the financial statements was £0.7m (2022: £0.9m).

**Mauritius unfunded scheme**

Arup (Mauritius) Ltd provides a retirement allowance to its employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 31 March 2023. The pension liability recognised in the financial statements was £0.2m (2022: £0.1m).

**India unfunded scheme**

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

**Dubai unfunded scheme**

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

**Indonesia unfunded scheme**

PT Arup Indonesia provides a retirement allowance to its employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 31 March 2023. The pension liability recognised in the financial statements was £0.01m (2022: £0.01m).

## Further disclosure on the Scheme (UK)

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

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

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

| | Present value of obligation | Fair value of plan assets | Total |
|---|---|---|---|
| | £'m | £'m | £'m |
| At 1 April 2021 | (1,031.8) | 916.3 | (115.5) |
| Administration expenses | - | (1.7) | (1.7) |
| Interest (expense) / income | (21.8) | 19.5 | (2.3) |
| | (1,053.6) | 934.1 | (119.5) |
| Remeasurements: | | | |
| – Return on plan assets, excluding amounts included in interest income | - | 45.7 | 45.7 |
| – Loss from change in demographic assumptions | (35.4) | - | (35.4) |
| – Gain from change in financial assumptions | 50.3 | - | 50.3 |
| – Experience losses | (8.0) | - | (8.0) |
| | 6.9 | 45.7 | 52.6 |
| Contributions: | | | |
| – Employers | - | 19.5 | 19.5 |
| Payments from plans | | | |
| – Benefit payments | 35.5 | (35.5) | - |
| At 31 March 2022 | (1,011.2) | 963.8 | (47.4) |

| | Present value of obligation | Fair value of plan assets | Total |
|---|---|---|---|
| | £'m | £'m | £'m |
| At 31 March 2022 | (1,011.2) | 963.8 | (47.4) |
| Administration expenses | - | (0.8) | (0.8) |
| Interest (expense) / income | (27.4) | 26.3 | (1.1) |
| | (1,038.6) | 989.3 | (49.3) |
| Remeasurements: | | | |
| – Return on plan assets, excluding amounts included in interest income | - | (274.0) | (274.0) |
| – Loss from change in demographic assumptions | (8.0) | - | (8.0) |
| – Gain from change in financial assumptions | 285.6 | - | 285.6 |
| – Experience losses | (31.5) | - | (31.5) |
| | 246.1 | (274.0) | (27.9) |
| Contributions: | | | |
| – Employers | - | 21.3 | 21.3 |
| Payments from plans | | | |
| – Benefit payments | 31.9 | (31.9) | - |
| **At 31 March 2023** | (760.6) | 704.7 | (55.9) |

The significant actuarial assumptions were as follows:

| | 2023 | 2022 |
|---|---|---|
| | % | % |
| Discount rate | 4.9 | 2.8 |
| Salary growth rate | N/A | N/A |
| Retail Price Index inflation | 3.4 | 3.7 |
| Consumer Price Index inflation | 2.8 | 3.1 |
| Pension growth rate: | | |
| Pre 88 Guaranteed Minimum Pension | 0.0 | 0.0 |
| Post 88 Guaranteed Minimum Pension | 2.2 | 2.3 |
| NGMP accrued before 1 October 2006 (5%LPI) | 3.1 | 3.4 |
| Pension accrued after 30 September 2006 (2.5%LPI) | 2.1 | 2.2 |

**Mortality %**

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

**Cash commutation**

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

**Assumed life expectations on retirement**

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

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

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

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

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

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

| | 2023<br>% | 2022<br>% |
|---|---|---|
| Mortality assumption with a LTR of 1.25% per annum | 0.6 | 0.8 |

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

The assets in the scheme at 31 March were:

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

The Scheme invests in pooled funds which are not quoted on an active market and are rated as level 2 in the fair value hierarchy.

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

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

## 29.2 Post-employment benefit liabilities – risks

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

**Asset volatility**

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

**Changes in bond yields**

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

**Inflation risk**

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

**Life expectancy**

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

**Credit risk**

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

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

**Currency risk**

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

**Counterparty risk**

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

## 30.Share capital

**Group and Company**

| | 2023 | 2022 |
|---|---|---|
| Issued, called up and fully paid: | £'m | £'m |
| 65 (2022: 65) voting shares of £1 each | 0.0 | 0.0 |
| 120,000 (2022: 120,000) equity shares of £1 each | 0.1 | 0.1 |
| | 0.1 | 0.1 |

## 31.Cash generated from operations

| **Group** | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Profit after income tax | 26.6 | 18.3 |
| Adjustments for: | | |
| Income tax expense | 12.3 | 18.4 |
| Depreciation of property, plant and equipment | 29.3 | 26.5 |
| Depreciation of right-of-use assets | 55.6 | 53.4 |
| Amortisation of intangible assets | 0.9 | 1.2 |
| Amortisation of fulfilment contract assets | 0.2 | 0.2 |
| Loss on disposal of property, plant and equipment | 0.4 | 3.4 |
| Loss on disposal of intangible assets | 0.0 | 1.1 |
| Fair value losses / (gains) on financial assets at FVPL | 0.3 | (2.3) |
| Gain on sale of subsidiary | - | (18.1) |
| Finance costs - net | 8.8 | 13.6 |
| Share of loss from joint ventures and associates | 1.8 | 0.6 |
| Other non-cash items | (11.4) | 1.7 |
| Unrealised currency translation losses | 10.5 | 5.4 |
| Loss on disposal of financial assets | 4.4 | - |
| Changes in working capital: | | |
| – Contract assets | 6.5 | 5.6 |
| – Trade and other receivables | (25.3) | (32.8) |
| – Contract liabilities | (45.4) | 23.4 |
| – Trade and other payables | (22.1) | 32.2 |
| – Pension deficit funding | (21.3) | (17.8) |
| | 32.1 | 134.0 |

The movement in provisions has been reclassed from changes in working capital to other non-cash items.

**Net debt**

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Cash and cash equivalents | 235.1 | 307.1 |
| Borrowings | (41.0) | (51.0) |
| Lease liabilities | (365.2) | (365.1) |
| | (171.1) | (109.0) |

**Net debt reconciliation**

| | Borrowings | Lease liabilities | Subtotal | Cash and cash equivalents | Total |
|---|---|---|---|---|---|
| | £'m | £'m | £'m | £'m | £'m |
| Net debt as at 1 April 2021 | (63.2) | (385.3) | (448.5) | 285.8 | (162.7) |
| Financing cash flows | 12.2 | 44.4 | 56.6 | 21.7 | 78.3 |
| Interest expense | (0.0) | (10.5) | (10.5) | - | (10.5) |
| Interest payments | 0.0 | 10.5 | 10.5 | - | 10.5 |
| New leases | - | (18.0) | (18.0) | - | (18.0) |
| Adjustments for exchange differences | - | (6.2) | (6.2) | (0.4) | (6.6) |
| Net debt as at 31 March 2022 | (51.0) | (365.1) | (416.1) | 307.1 | (109.0) |
| Financing cash flows | 10.0 | 46.8 | 56.8 | (72.0) | (15.2) |
| Interest expense | (0.0) | (10.5) | (10.5) | - | (10.5) |
| Interest payments | 0.0 | 10.5 | 10.5 | - | 10.5 |
| New leases | - | (39.7) | (39.7) | - | (39.7) |
| Adjustments for exchange differences | - | (7.2) | (7.2) | 0.0 | (7.2) |
| Net debt as at 31 March 2023 | (41.0) | (365.2) | (406.2) | 235.1 | (171.1) |

# 32.Contingent liabilities

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

# 33.Related parties

**Group**

The following transactions and year-end balances were carried out with other entities in the Group:

The Group has a loan from Bidgreat Limited, a related party associated with a Trust company (see note 34), of £1.0m (2022: £1.0m). There were no repayments received during the year ended 31 March 2023 (2022: repayments of £2.2m).

The Group has a loan to a joint venture, Artus Air Limited, of £0.5m (2022: £0.4m). There were no repayments received during the year ended 31 March 2023 (2022: nil). There was an interest charge of £0.01m (2022: £0.01m).

The Group has non-current liabilities to Oaserv Pty Limited, a related party associated with a Trust company (see note 34), of £2.1m (2022: £2.2m). There were no repayments during the year ended 31 March 2023 (2022: nil), the movement arose as a result of foreign exchange.

**Key management compensation**

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

| | 2023 | 2022 |
|---|---|---|
| | £'m | £'m |
| Aggregate remuneration | 11.2 | 12.4 |
| Aggregate contributions paid to defined contribution schemes | 0.4 | 0.3 |
| | 11.6 | 12.7 |

**Company**

The Company had no transactions with related parties (2022: nil).

# 34.Controlling party

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

# 35.Dividends

As at the date of the financial statements the directors do not recommend a dividend for the year ended 31 March 2023 (2022: nil). No dividend was paid in the year ended 31 March 2023 (2022: nil).

## 36. Registered addresses of investments in subsidiaries and investments accounted for using the equity method

| Name of investment | Registered address | Principal activities |
|---|---|---|
| AAC, Inc. | 121 Bloor Street East, Suite 900, Toronto ON M4W 3M5, Canada | Architecture services |
| Acorn Technology Systems Inc. | Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA | Transportation industry technology solutions |
| Arup Advisory HK Limited | Level 5, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Advisory Sdn. Bhd. | Level 26, 1Powerhouse, No. 1, Persiaran Bandar Utama, Bandar Utama, 47800 Petaling Jaya, Selangor, Malaysia | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Advisory, Inc. | Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, United States | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Americas Inc. | 28 Liberty Street, New York, NY10005, United States | Intermediate holding company |
| Arup Architecture US, Inc. | 28 Liberty Street, New York, NY 10005, United States | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Associates Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Agent |
| Arup Australia Advisory & Digital Pty Ltd | C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Australia Projects Pty Ltd | C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Australia Pty Ltd | C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Australia Services Pty Ltd | C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Brasil Consultoria Ltda. | Alameda Vicente Pinzon, No. 173, 7th floor, Vila Olímpia, São Paulo, Estado de São Paulo, 04547-130, Brazil | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Business Services HK Limited | Level 5, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong | Provision of corporate support services |
| Arup B.V. | Naritaweg 118, Beta Building, 1043 CA, Amsterdam, Netherlands | Design and consulting engineering services, in architecture and other related professional skills |
| 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 |

| | | |
|---|---|---|
| Arup Canada, Inc. | 121 Bloor Street East, Suite 900, Toronto ON M4W 3M5, Canada | Design and consulting engineering services, in architecture and other related professional skills |
| Arup China Limited | Level 5, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Colombia S.A.S. | Calle 72 No 10-07 Oficina 1106, Bogota, 11-01-11, Colombia | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Consultores Internacionales México S. de R.L. de C.V. | Calle Presidente Masarik 111, Piso 1, Col. Polanco V Sección Miguel Hidalgo, Distrito Federal, C.P.11560, Mexico | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Corporate Finance Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Transaction advice services and consulting engineering services |
| Arup Deutschland GmbH | Joachimstaler Straße 41, 10623, Berlin, Germany | Design and consulting engineering services, in architecture and other related professional skills |
| Arup d.o.o. Beograd (Vracar) | Kneginje Zorke 77/4, Belgrade, 11000, Serbia | Design and consulting engineering services, in architecture and other related professional skills |
| Arup East Africa Limited | 9th Floor, Williamson House, 4th Ngong Avenue, PO Box 40111 - 00100, Nairobi, Kenya | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Gulf Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Hong Kong Limited | Level 5, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong | Design and consulting engineering services, in architecture and other related professional skills |
| Arup International Consultants (Shanghai) Co. Limited | Units 3001-20, Floor 30, Tower A, THREE itc, No. 183 Hongqiao Road, Xuhui, Shanghai Municipality, China | Design and consulting engineering services, in architecture and other related professional skills |
| Arup India Private Limited | Jet Prime, 5th Floor, Suren Road, Off Western Express Highway, Andheri (East), Mumbai, 400093, India | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Ingeniería y Consultoría México, S. de R.L. de C.V. | Calle Presidente Masarik 111, Piso 1, Col. Polanco V Sección Miguel Hidalgo, Distrito Federal, C.P.11560, Mexico | Design and consulting engineering services, in architecture and other related professional skills |
| Arup International Projects Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Arup IP Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Intellectual property |
| Arup IP Management Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Intellectual property |
| Arup Ireland Partner Limited | 50 Ringsend Road, Dublin 4, D04 T6X0, Ireland | Dormant company |
| Arup Ireland Properties Limited | 50 Ringsend Road, Dublin 4, D04 T6X0, Ireland | Property holdings |

| | | |
|---|---|---|
| Arup Italia S.r.l. | Corso Italia 1, 20122, Milano, Italy | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Jururunding Sdn. Bhd. | Level 26, 1Powerhouse, No. 1, Persiaran Bandar Utama, Bandar Utama, 47800 Petaling Jaya , Selangor, Malaysia | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Latin America, S.A. | Calle Alfonso XI, 12, 28014, Madrid, Spain | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Macau Limited | Avenida Dr. Mario Soares, Finance and IT Center of Macau, 10-C & D, em Macau, China | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Maldives Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Arup (Mauritius) Ltd | Bagatelle Office Park, Bagatelle, Moka, Mauritius | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Mühendislik ve Müşavirlik Limited Şirketi | Nispetiye Mah. Baslık Sok. , MM Plaza Apt. No. 3/4, Besiktas, Istanbul, Turkey | Design and consulting engineering services, in architecture and other related professional skills |
| Arup New Zealand Limited | RSM New Zealand , RSM House, Level 2, 62 Highbrook Drive, Highbrook, Auckland, 1010, New Zealand | Design and consulting engineering services, in architecture and other related professional skills |
| Arup North America Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Partner Pty Limited | C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia | Dormant company |
| Arup Peru Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Philippines Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Polska sp. z o.o. | ul. Inflancka 4, 00-189, Warszawa, Poland | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Projects A Pty Ltd | C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia | Dormant company |
| Arup Pty Limited | C/- Boroughs, Level 6, 77 Castlereagh Street, Sydney NSW 2000, Australia | Design and consulting engineering services, in architecture and other related professional skills |
| Arup (Pty) Ltd | 2nd Flr 6 Parks Blvd, Oxford Parks, Cnr Oxford and Eastwood Roads, Dunkeld, Johannesburg, Gauteng, 2191, South Africa | Design and consulting engineering services, in architecture and other related professional skills |

| | | |
|---|---|---|
| Arup QLD Pty Ltd | Level 4, 108 Wickham Street, Fortitude Valley, Brisbane QLD 4006, Australia | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Riyadh Metro Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Services B.V. | Naritaweg 118, Beta Building, 1043 CA, Amsterdam, Netherlands | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Services New York Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Singapore Private Limited | 182 Cecil Street, #06-01 Frasers Tower, Singapore , 069547, Singapore | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Taiwan Limited | F.-1, No. 1, Songgao Rd., Xinyi Dist., Taipei City , 110404, Taiwan | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Technology Solutions US, Inc. | Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA | Technology host |
| Arup Texas, Inc. | 1999 Bryan Street, Suite 900, Dallas TX 75201, United States | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Treasury Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Group treasury |
| Arup USA, Inc. | 155 Federal Street, Suite 700 Boston MA 02109, United States | Design and consulting engineering services, in architecture and other related professional skills |
| Arup US, Inc. | 28 Liberty Street, New York, NY10005, United States | Design and consulting engineering services, in architecture and other related professional skills |
| Arup Vietnam Limited | F/17, Etown Central, No.11, Doan Van Bo Street, Ward 13, District 4, Ho Chi Minh City, Vietnam | Design and consulting engineering services, in architecture and other related professional skills |
| Babylon Investment Unlimited Company | 50 Ringsend Road, Dublin 4, D04 T6X0, Ireland | Dormant company |
| Broomco (141) GmbH | Joachimstaler Straße 41, 10623, Berlin, Germany | Design and consulting engineering services, in architecture and other related professional skills |
| Broomco (50886) Guernsey Limited (Dissolved 30/08/2022) | PO Box 286, Floor 2, Trafalgar Court, St Peter Port, GY1 4LY , Guernsey | Property holdings |
| Broomco (92854) Limited | 50 Ringsend Road, Dublin 4, D04 T6X0, Ireland | Dormant company |
| Broomco (148355) Ltd. (Dissolved 05/07/2023) | 7, Avenue Gaston Diderich, Luxembourg, L - 1420, Luxembourg | Property holdings |
| eFleet Integrated Service Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Lessor of electric busses |
| Fitzroy Comp, Inc. | Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA | Holding company |

| | | |
|---|---|---|
| Fitzroy Insurance Services Limited | PO Box 230, Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY, Channel Islands | Insurance services |
| Fitzroy Property Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Property holdings |
| Neuron Digital Limited | Room 512, 5/F, New Mandarin Plaza Tower B, 14 Science Museum Road, Tsim Sha Tsui East, Hong Kong | Provider of digital software |
| Oasys Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Agent |
| OASYS Software Technology (Shanghai) Limited | 3rd Floor Southwest Section, No. 2123 Pudong Avenue, China (Shanghai) Pilot Free Trade Zone, 200135, China | Provider of computer software |
| Ovarpart Nominee Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Investment holding company |
| Ove Arup Holdings B.V. | Naritaweg 118, Beta Building, 1043 CA, Amsterdam, Netherlands | Intermediate holding company |
| Ove Arup Holdings IP Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Intermediate holding company |
| Ove Arup Holdings Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Intermediate holding company |
| Ove Arup Holdings Private Limited | 80 Robinson Road, #02-00, Singapore, 068898, Singapore | Intermediate holding company |
| Ove Arup India Holdings Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Ove Arup International (Holdings) Limited | Level 5, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong | Intermediate holding company |
| Ove Arup International Holdings Private Limited | 80 Robinson Road, #02-00, Singapore, 068898, Singapore | Intermediate holding company |
| Ove Arup Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Intermediate holding company |
| Ove Arup & Partners Danmark A/S | Axeltorv 2 K, 1609 , København V, Denmark | Design and consulting engineering services, in architecture and other related professional skills |
| Ove Arup & Partners Hong Kong Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Ove Arup & Partners International Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Ove Arup & Partners Ireland Limited | 50 Ringsend Road, Dublin 4, D04 T6X0, Ireland | Design and consulting engineering services, in architecture and other related professional skills |
| Ove Arup & Partners Japan Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |

| | | |
|---|---|---|
| Ove Arup & Partners Korea Limited | 9F, B-Dong, Pine Avenue Building, 100 Eulji-Ro, Jung-Gu, Seoul, 04551, South Korea | Design and consulting engineering services, in architecture and other related professional skills |
| Ove Arup & Partners Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Ove Arup & Partners Scotland Limited | 10 George Street, Edinburgh, Scotland, EH2 2PF, United Kingdom | Design and consulting engineering services, in architecture and other related professional skills |
| Ove Arup & Partners, P.C. | 600 N 2nd St, North 2nd Street, Suite 401, Harrisburg, Dauphin County PA 17101, United States | Engineering and consultancy services |
| Ove Arup & Partners, S.A.U | Calle Alfonso XI, 12 , 28014, Madrid, Spain | Design and consulting engineering services, in architecture and other related professional skills |
| Ove Arup (Thailand) Limited | No. 88 The PARQ Building, 7th Floor, Unit 7W14-16, Ratchadaphisek Road, Khlong Toei Sub-District, Khlong Toei District, Bangkok, 10110, Thailand | Design and consulting engineering services, in architecture and other related professional skills |
| Ove Arup Ventures Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Investment holding company |
| PT Arup Indonesia | 19th Floor, #03-05 Talavera Office Park, Jl. Letjen TB Simatupang Kav. 22-26, South Jakarta, DKI Jakarta, 12430, Indonesia | Design and consulting engineering services, in architecture and other related professional skills |
| PT Rekacipta Kinematika | 19th Floor, #03-05 Talavera Office Park, Jl. TB Simatupang Kav. 22 - 26, Cilandak, Jakarta Selatan, 12430, Indonesia | Design and consulting engineering services, in architecture and other related professional skills |
| Redcliffe Wharf Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Property holdings |
| Scotstoun Property Limited | 8 Fitzroy Street, London, W1T 4BJ, United Kingdom | Property holdings |
| Shelbourne Plaza (Block C) Management Company Limited | 50 Ringsend Road, Dublin 4, D04 T6X0, Ireland | Dormant company |
| Williamsburg Investment Unlimited Company | 50 Ringsend Road, Dublin 4, D04 T6X0, Ireland | Dormant company |