

# ARUP

*Ove Arup & Partners International Limited*

## Financial Statements and Reports

*For the year ended 31 March 2022*

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## Strategic report

The directors present their strategic report for Ove Arup & Partners International Limited (the “Company”) together with its subsidiaries (the “Group”) for the year ended 31 March 2022 which has been approved by the board of directors (the “Board”).

The Group is an indirect subsidiary of Arup Group Limited (the “Arup Group”).

## Review of the business

These are the results for the Group for the financial year ended 31 March 2022. The results show a profit for the financial year after exceptional items of £12.8m (2021: £26.1m); the underlying profit for the year before global profit-share scheme, interest, income tax, depreciation and amortisation and exceptional items was £119.8m (2021: £126.8m). The net assets as at 31 March 2022 are £242.9m (2021: £175.8m).

During the year ended 31 March 2022, the COVID-19 pandemic continued to impact operationally, including direct and indirect effects on our people; travel restrictions and lockdowns; and temporary closure and re-opening of offices. The confirmed work for the Group at the end of the year is consistent with the size and the diversity of the Group. The escalation of geopolitical tensions towards the end of the year, and the Ukraine conflict in particular, are expected to continue contributing to an unsettled economic climate and market conditions.

## Risk management and key performance indicators

Formal risk reporting and management is embedded within Arup Group’s management bodies so that emerging risks can be identified, escalated and addressed as appropriate. Further details are provided within the ‘Opportunities and risks’ section within the Arup Group governance report on Arup.com.

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

- Revenue and profit per person are financial KPIs used to monitor the continued contribution to the Group. In calculating profit per person, profit is stated before income tax of £22.6m (2021: £32.1m), dividends of £nil (2021: £nil) and the global profit-share scheme of £59.0m (2021: £37.8m). For the year ended 31 March 2022, revenue per person was £147k (2021: £136k) and profit per person was £14k (2021: £12k).
- Staff turnover is a key non-financial measure of the Group’s performance. For the year ended 31 March 2022, staff turnover was 7.73% (2021: 12.37%).

The KPIs used within Arup Group are being reviewed with the intention to provide a much broader range of operational and strategic metrics. Consideration will be given to whether any of these internal KPIs are appropriate, and can be reported on consistently, to include within future statutory reporting.

The ability to continue to secure new projects is a key risk going forward. Uncertainties including the volume of new work that can be secured, the continuation of existing projects, new trade barriers, sanctions and similar challenges may increase the complexities of international trade and mobility of our employees (“members”). The situation continues to be monitored closely and actions taken as needed to balance costs, staffing and revenue. Current workload is remaining broadly steady, and the directors expect the Group to remain resilient for the foreseeable future.

The Arup Group keeps current and emerging risk themes under close review. Risk areas prioritised for particular attention include climate change, geo-political influences, service delivery, reputation and technological resilience. An Arup Group Risk Management Framework is in place, and subsidiaries are engaged directly in activities as applicable.

## Section 172(1) statement

Arup Group’s strong culture is values-driven and these values are derived from the beliefs and convictions of our founder, Ove Arup, which were identified in his Key Speech in 1970. The Key Speech still guides us to this day and is required reading for everyone joining Arup Group. We believe our aims and values identified in the Key Speech align with Section 172(1) of the Companies Act 2006 (“S.172”). For more information on the Key Speech please refer to Arup.com.

The Board consider collectively and individually that they have made decisions during the financial year to 31 March 2022 that they consider 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 S.172 (1) (a) to (f). Directors receive annual directors’ training to understand their fiduciary duties, in the context of Sections 171-177 of the Companies Act 2006. The Board is also committed to effective engagement with its stakeholders. Examples of stakeholder engagements can be found in the stakeholder engagement section within this report.

The Board, via a delegated authority policy, delegates the day-to-day authority to a management team who make the operational decisions and engage with their employees and key stakeholders on behalf of the Board. Members of the Board are part of the management team.

The Board receives operational reports from the management team on a quarterly basis and compliance updates from business functions. Matters reserved for the Board are in place.

For further detail on the Company's governance arrangements, please refer to the governance statement in the directors' report.

The principal decisions and considerations made by the Board during the financial year included but were not limited to the following matters.

The Terms of Reference for the UK Pensions Committee were reaffirmed by the Board in May 2022 with changes limited to the membership and role titles. A Surety Bond for a proportion of the pension fund deficit in the event of insolvency was approved in consultation with the Trustees (the Directors of the Trusts that own the Arup Group) in May 2022.

A decision was made by the Board to voluntarily publish the Ethnicity Pay Gap as one report with the Gender Pay Gap report to reinforce that diversity is multi-dimensional. The first joint report is due to be delivered in November.

The Board approved and adopted the refreshed Health, Safety, Environment and Quality Management System, replacing the Arup Management System.

Andrew Harrison was appointed as a director of the Company on 1 April 2022. Andrew's appointment as Corporate Services Leader, and his appointment to the Board will ensure connectivity between the Company as the UK employing company and management oversight of the business support services. Andrew has extensive knowledge of the Arup Group, with a good understanding of commercial issues and risk. His specific areas of expertise in the business include property, science, industry, and technology projects.

The Board are reviewing the diversity of the Board with proposals to recommend to its shareholder that an additional director is appointed in the coming year.

## Employee and other stakeholder engagement

Our commitment to shaping a better world shapes the choices that we make at all levels in Arup Group: in the work that we do and the way that we do it; in our investment into our membership; in the quality of our relationships with clients and collaborators; and in the decisions of all the bodies tasked with managing the Arup Group.

As detailed above, the Board delegates the day-to-day operational management within the Company to a management team who have overall responsibility for business operations and performance, the delivery of operating plans, the success and wellbeing of members and delivering value and a high quality of service to clients. The management team share the commitment outlined above and adherence to Arup Group policies that have been adopted by the Company. The management team reports to the Board at quarterly board meetings on performance and key business decisions that have been taken in relation to the Company's stakeholders.

Details of the Group's key stakeholders, how they have been engaged with during the year and how their interests have been taken into account by the Arup Group and the Group are given below.

Stakeholder	Who are they?	Why are they important to us?	Arup Group engagement
Members	Everyone employed by the Group.	Maintaining a highly skilled workforce is key to the future of the Company and the Group. We aim to keep our workforce fully engaged to attract and retain the best people.	<ul style="list-style-type: none"> <li>• 'Working at Arup' survey</li> <li>• Annual meeting for senior management</li> <li>• Board visits to offices and sites</li> <li>• Regular internal performance reports</li> <li>• Initiative specific consultation and co-creation</li> <li>• Regular events, online meetings and news</li> </ul>
Clients	Everyone who contracts Arup Group's services; public and private sector.	They provide income and the opportunities to use our skills to deliver solutions they will value which shape a better world.	<ul style="list-style-type: none"> <li>• Membership of the World Economic Forum</li> <li>• Professional engagement on projects</li> <li>• Oversight of the Client relationship programme</li> </ul>
Collaborators and Suppliers	Those we have a direct working relationship with e.g. joint venture partners, contractors, consultants, industry organisations.	To deliver excellence, we recognise that we may need to supplement capacity or introduce niche expertise.	<ul style="list-style-type: none"> <li>• Attendance at industry events e.g. engagement at the 2021 United Nations Climate Change Conference (COP26)</li> <li>• Senior positions in industry organisations e.g. Royal Academy of Engineering</li> <li>• Where Arup Group engages sub-consultants and suppliers, we seek to agree contractual terms which require compliance with Modern Slavery and Human Trafficking legislation</li> <li>• We aim to treat our suppliers fairly and respectfully, and to pay for services promptly in line with reasonable contractual terms</li> </ul>

Stakeholder	Who are they?	Why are they important to us?	Arup Group engagement
Strategic Partners and Society	Those with whom we can engage to extend our influence. Those impacted or influenced by our work including end-users, communities local to our projects, charities, and future members.	Our vision to shape a better world is all encompassing; social usefulness and sustainable development are key outcomes.	<ul style="list-style-type: none"> <li>• Senior positions, and participation, in policy setting, government and regulatory forums</li> <li>• Partnerships with influencers e.g. Ellen McArthur Foundation, C40 Cities, World Business Council for Sustainable Development</li> <li>• Membership of the World Economic Forum and the United Nations Global Compact</li> <li>• Community Engagement programme</li> <li>• Tax strategy aligns with being an ethical corporate citizen paying the right amount of tax when it becomes payable</li> </ul>

Further details of engagement with each stakeholder are provided below.

### Engagement with members

All of our members are invited to join ‘All Members’ calls every six months. These sessions enable us to update our membership on progress made against our strategic priorities and our members to ask any questions they may have directly to Board directors and officers. All questions are responded to, either during the session or in a written follow-up. No question goes unanswered unless it is duplicative or inappropriate. In addition, there are monthly video updates from the Arup Group Chair to make firm-wide announcements and encourage participation in key initiatives. These help the members to understand what the key issues in the business are.

Periodically, determined by events, the Corporate Services Leader or United Kingdom, India, Middle East & Africa (‘UKIMEA’) Chair holds ‘town hall’ style talks either in person or via video conference with members. The events allow an opportunity to submit questions directly and provide ongoing support, allow the Board to assess the culture and allow members to feel included in business decisions. Many other meetings with smaller groups of members are held each year, often with attendance from the directors of the Group or its management team.

UKIMEA monthly newsletters are emailed to all members with leadership updates, including people matters, health and safety updates and the UKIMEA’s financial performance. Members are encouraged to share their stories in this newsletter that they would like the business to hear. For Corporate Services, updates to all members happen as required in response to events or if there is news to convey.

‘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 of the UKIMEA region was below average (63%), we saw an increase in our global ‘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’.

During the year, a ‘Speak Up Procedure’ has been implemented, which enables our members and external parties to make confidential, and where required by the discloser, anonymous disclosures of behaviours that do not align with our commitment to high standards of business integrity. An investigation procedure has been developed to facilitate formal investigation of specific disclosures, and a Speak Up online learning module has been developed and published on Moodle, available for all members to complete.

Borne from our global commitments to inclusion, in September 2021 we introduced our first ‘Future Voices’ cohort of 14 members selected from our mid-career grades who work alongside our People Executive (formerly People Council) and the global People leadership team. The opinion of our ‘Future Voices’ has been actively sought on a wide variety of issues from our ‘Employee Value Proposition’ to our Excellence strategy. ‘Future Voices’ are turning their attention to our appraisal system, with a global review of our current performance management process to produce a set of recommendations later this year.

We have created a ‘Region Engagement Group’ (REG), designed to encourage feedback and discussion on a wide variety of topics from hybrid working to wellbeing. Elected REG representatives are a key link to ensuring feedback and views are heard at region board level; with common themes being highlighted to the Board.

The Group has continued to respond to the COVID-19 pandemic, placing the health of members at the forefront of how we manage our business. We have taken a precautionary approach in response to the developments, reverting to home working, stringently managing the risks of site visits and tracking the impact of the virus on the health of our members.

As our business practices adapt post-pandemic, we have progressed our ‘Work Unbound’ programme, which offers members permanent flexibility in how and where they work. These changes have been supported with the Board’s approval of three global commitments to wellbeing which support our members to live healthy, productive lives and achieve a positive work-life balance. These changes will be supported over the coming year with additional training, tools and guidance. We believe these measures provide members the trust and autonomy to work flexibly which improves their wellbeing.

## Engagement with clients

The 'Speak Up Procedure' is available for both members and external parties to make a disclosure about misconduct or an improper state of affairs in our business. Issues of concern raised by clients are escalated to the UKIMEA Chair or UKIMEA Chief Operating Officer who ensure that matters are satisfactorily investigated and closed out including personal involvement as necessary.

The UKIMEA Client and Business Development team assist in obtaining and consolidating feedback from multiple client interviews, identifying and reporting on client feedback trends. These trends are used in training sessions focusing on client relationship management and understanding client needs and drivers.

Our 58 Skills Networks are responsible for ensuring our global expertise is accessible by our clients and members anywhere in the world to maintain market competitiveness in all regions. This includes a further 20 Skills Networks added during the year, aligned with our global portfolios and strategy pillars, getting to the heart of expert digital skill needs including advanced analytics, cloud engineering, geospatial and earth observations.

## Our collaborators and suppliers

Senior management proactively reviews and comments on regular business integrity reports, seeking further information as required. Resources for the business include the Know Your Business Partner due diligence tool, and training via Moodle on subjects such as ethics, data protection and privacy, information security and conflicts of interest.

The increasingly complex global sanctions regime, critically including the February 2022 Russian invasion of Ukraine, has demonstrated that our due diligence processes are robust and effective. With regards to the significant 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 the Arup Group.

Where the Group engages sub-consultants, and suppliers of services and equipment to our offices, we seek to agree contractual terms which require compliance with Modern Slavery and Human Trafficking legislation. A Modern Slavery and Human Trafficking Statement is reviewed and updated each year by the Business Integrity Leader, the Arup Group General Counsel and the Arup Group Limited Ethics Committee and is then formally approved by the board of directors of Arup Group Limited. The Statement is communicated down to, and formally adopted by, the boards of directors of every operating subsidiary within the Arup Group.

The Company and the Arup Group are signed up to the Prompt Payment Code and are committed to paying 95% of supplier invoices within 60 days and pay 95% of small suppliers within 30 days. The Company also reports to the Government on its payment practices, processes and performance every 6 months under the Reporting on Payment Practices and Performance Regulations.

## Engagement with society

The Arup Group has a Community Engagement Committee which manages community projects. In the UKIMEA region during this financial year, the focus was on access to sanitising equipment in light of the COVID-19 outbreak, mentoring refugee engineering professionals, shelter and homelessness, clean and renewable energy, and social mobility.

During the financial year, the Group engaged with community engagement partners including the Social Mobility Foundation, Frank Water, Business in the Community and Scouts UK.

The Group has partnerships with influencers e.g., The Carbon Trust and The Green Building Council and the Board engages with government and regulators to influence policy forming processes by submitting responses and opinions.

On behalf of the Board



Jerome Anthony Frost

Director

31 October 2022

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

## Directors' report

The directors present their directors' report together with the audited financial statements for Ove Arup & Partners International Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 March 2022 which was approved by the Board.

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

## Principal activities

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

## Branches

The Company has registered branches in Qatar, Poland and France. The branches in Qatar and Poland have ceased to trade and will de-register in due course. The Moscow branch was de-registered on 26 August 2021.

## General information

The Company is a private limited company registered in England and Wales under company number 952468 at registered address 8 Fitzroy Street, London, W1T 4BJ, United Kingdom. The Company's parent company is Ove Arup Holdings Limited registered in England and Wales under company number 7804146 and the Company's ultimate parent company is Arup Group Limited registered in England and Wales under company number 1312454.

## Future developments

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

The economic climate and market conditions remain uncertain as a result of the continuing prevalence of COVID-19 and ongoing geo-political tensions among other factors. However, the business was in a robust financial position at the year end and our future workload remains strong.

## Dividends

Any dividends paid or declared have been disclosed in note 27 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:

Boardman, Robert Philip  
Frost, Jerome Anthony  
Harrison, Andrew Peter (Appointed 1 April 2022)  
Hunt, Geoffrey Nevil  
Johnson, James Guy Andrew (Appointed 6 May 2021)  
Johnstone, Patricia Marion  
Lovell, Anthony Frederick

## Directors' remuneration

Directors' remuneration has been disclosed in note 7 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 Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force. The Arup Group also purchased and maintained throughout the financial year Directors' and Officers' Liability Insurance in respect of itself, its directors and officers.

## Independent auditors

The Company's independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office for another financial year. Following a retender process conducted during the year, it has been agreed to reappoint PricewaterhouseCoopers LLP as the Company's auditors.

## Financial risk management

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

- Foreign exchange risk: where possible the Group matches its currency earnings with currency costs. Where this is not possible, appropriate derivative contracts may be used. There is no speculative use of financial instruments;
- Interest rate risk: the Group currently does not hedge interest rate risk, however the need to do so is regularly reviewed;
- Credit risk: the main exposure to credit risk is on amounts due from customers. Controls and procedures are in place to mitigate this risk. Cash investments are held with banks with a minimum credit rating of A-3/P2; and
- Liquidity risk: cash flow forecasts are prepared to ensure that sufficient funds are available to meet the Group's liabilities as and when they fall due.

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

## Going concern

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

## Governance

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

This is implemented through a series of measures including:

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

## Research and development

Arup Group invests in a global research programme which underpins the strategy. This is managed by a research faculty within Arup University who administer the award of funds, the research techniques utilised, and the communication of the research throughout Arup Group (for further details please refer to the Arup Group governance report on Arup.com).



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

## Employees

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

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

The Group is committed to the fair treatment of people with disabilities in relation to applications, training, promotion and career development. If an existing employee becomes disabled, the company makes every effort to enable them to continue their employment and career development, and to arrange appropriate training, wherever practical.

Arup Group's policies, and commitments to our members and prospective members, are detailed in the 'Group policies', 'Our members' and 'Diversity and inclusion' sections of the Arup Group governance report on [Arup.com](https://www.arup.com).

The 'Employee and other stakeholder engagement' section within the strategic report provides details of the Company's engagement with members (see page 2).

## Carbon emissions

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

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

Further details of Arup Group's commitments to achieve Net Zero including our Net Zero Carbon Strategy and our Net Zero GHG Emissions Statement, can be found in the 'Our global commitments' section on [Arup.com](https://www.arup.com).

The total carbon footprint of the Arup Group, measured in tonnes of carbon dioxide equivalent ("tCO<sub>2</sub>e"), has decreased by 14% during the financial year ended 31 March 2022 from a baseline 2018/19 year. Arup Group aims to reduce global emissions by 58,000 tCO<sub>2</sub>e by 2025 as compared to 2018/19. This trajectory is on track with a decrease of approximately 26,839 tCO<sub>2</sub>e in 2021/2022 from the baseline. The emission sources that have seen greatest change are business travel (-82%) and employee commuting (-64%) noting that COVID-19 has significantly altered travel patterns. Due to the change in working arrangements the majority of our members are now working from home for part of the week, so this year we have included emissions from home working in our carbon footprint for the first time.

Further details are provided within the Arup Group governance report on [Arup.com](https://www.arup.com).

## Streamlined Energy and Carbon Report (SECR)

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

Scope	2022	2021
UK energy use kWh [1]	13,666,750	12,526,348
Associated GHG emissions [2] tCO <sub>2</sub> e	2,833	2,738
Intensity ratio tCO <sub>2</sub> e per m <sup>2</sup> net lettable area	0.06	0.05

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 the Company.
2. Associated GHG have been calculated using the GHG Protocol Corporate Accounting and Reporting Standard and UK Government GHG Conversion Factors for Company Reporting 2021.

During the year, the following energy efficiency actions were taken for the Company in the United Kingdom:

- Although overall energy use increased in 2022 from 2021 levels, the previous financial year was anomalous due to restrictions associated with the COVID-19 pandemic, and so the current figures represent a continued downward trend when compared to the 2020 energy use figures;
- Business travel is being closely monitored to ensure we maintain our target to keep business travel emissions below 50% of pre-pandemic levels. Through supplier partnerships we are increasing the use of more efficient, electric and plug-in hybrid vehicles for business travel;
- One of the largest UK offices has moved to more energy efficient, EPC B rated and BREEAM Excellent building. This is an all-electric building and uses air source heat pumps for heating and cooling which will support future portfolio decarbonisation;
- A number of future office moves are being planned. Energy efficiency and future net zero carbon buildings are priorities for these moves;
- Energy efficiency continues to be prioritised in existing office space, with ongoing programmes of retrofit for LED and PIR sensors in offices where payback can be achieved within existing lease terms.

## 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). In preparing the Group financial statements, the directors have also elected to comply with International Financial Reporting Standards ("IFRS" or "IFRSs") issued by the International Accounting Standards Board ("IASB").

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

## Directors' confirmations

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

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

On behalf of the Board



Jerome Anthony Frost

Director

31 October 2022

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

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

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Ove Arup & Partners International 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 2022 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;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising 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 the Company balance sheet as at 31 March 2022; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, the Consolidated statement of changes in equity and the Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

We remained independent of the 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have provided no non-audit services to the company in the period under audit.

## Conclusions relating to going concern

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

- assessing the current and historical financial position of this 100% owned subsidiary within the Arup Group;
- understanding the financial performance of significant ongoing projects, including assessing the risk of those becoming loss making;
- assessing the profitability of a further sample of existing projects;
- assessing the appropriateness of the assurances of financial support for the company and ability of the parent entities to provide this support to the company;
- assessing the appropriateness of the cash flow forecast in the context of the Group's 2022 financial position and evaluating the directors' downside sensitivities against the forecast;
- evaluating the key assumptions in the forecast and considering whether these were supported by the evidence we obtained;
- examining the headroom under the base case in the cash flow forecast, as well as the directors' and our own sensitised cases, and evaluating whether the directors' conclusion that headroom remained in all events was supported by the evidence we obtained;
- obtaining the Group's covenant calculations and assessments of compliance; and
- reviewing the disclosures relating to the going concern basis of preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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 2022 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' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

- Gaining an understanding of the legal and regulatory framework applicable to the company and considering the risk of non-compliance by the company;
- Holding discussions with management, covering its consideration of known or suspected instances of non-compliance with laws and regulations that could give rise to a material misstatement;

- Addressing the risk of management override of controls through the testing of journals which met specific risk criteria, and evaluating whether there was evidence of management bias throughout our audit procedures;
- Reviewing critical accounting estimates in regards to the percentage completion and forecast outcomes of projects and the valuation of trade receivables and contract assets; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulation.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

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

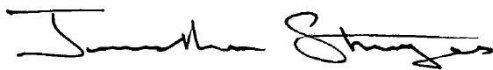
## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jonathan Sturges (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
31 October 2022

## Consolidated income statement

For the year ended 31 March 2022

	Note	2022 £'m	2021 £'m
<b>Revenue</b>	5	884.1	778.1
Employee benefit expense	6	(456.8)	(405.7)
Charges from sub-consultants and other direct project expenses		(235.9)	(191.5)
Depreciation and amortisation expense	12, 13 & 21	(29.4)	(35.0)
Accommodation		(16.3)	(15.5)
Net (impairment losses) / reversal of impairment losses on financial and contract assets		(0.7)	0.2
Communications and other overheads		(113.6)	(89.7)
		<u>(852.7)</u>	<u>(737.2)</u>
<b>Operating profit</b>	8	31.4	40.9
Comprising:			
– Operating profit before exceptional items		31.4	54.0
– Exceptional items	9	-	(13.1)
		<u>31.4</u>	<u>40.9</u>
Finance income	10	1.9	1.3
Finance costs	10	(10.7)	(10.1)
<b>Profit before income tax</b>		<u>22.6</u>	<u>32.1</u>
Income tax charge	11	(9.8)	(6.0)
<b>Profit for the financial year</b>		<u>12.8</u>	<u>26.1</u>

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 2022

	2022	2021
	£'m	£'m
<b>Profit for the financial year</b>	12.8	26.1
<b>Other comprehensive income / (expense)</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of post-employment benefit obligations - net of tax	55.6	(48.0)
	<u>55.6</u>	<u>(48.0)</u>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Currency translation differences - (losses) / gains	(1.3)	1.5
	<u>(1.3)</u>	<u>1.5</u>
<b>Other comprehensive income / (expense) for the year - net of tax</b>	54.3	(46.5)
<b>Total comprehensive income / (expense) for the year</b>	<u>67.1</u>	<u>(20.4)</u>

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



Registration number 952468

## Consolidated balance sheet

As at 31 March 2022

	Note	31 March 2022 £'m	31 March 2021 £'m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	38.0	24.1
Right-of-use assets	21	246.4	260.7
Intangible assets	13	0.4	0.6
Deferred income tax assets	22	19.4	26.7
		<u>304.2</u>	<u>312.1</u>
<b>Current assets</b>			
Contract assets	16	31.0	32.0
Trade and other receivables	17	436.4	424.2
Cash and cash equivalents	18	27.4	25.5
		<u>494.8</u>	<u>481.7</u>
<b>Total assets</b>		<u>799.0</u>	<u>793.8</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	131.4	122.4
Contract liabilities	16	94.8	95.9
Current income tax liabilities		0.3	4.0
Lease liabilities	21	12.3	12.6
Provisions for other liabilities and charges	20	7.3	0.1
		<u>246.1</u>	<u>235.0</u>

	Note	31 March 2022 £'m	31 March 2021 £'m
<b>Non-current liabilities</b>			
Lease liabilities	21	258.4	263.5
Deferred income tax liabilities	22	0.3	0.3
Post-employment benefit liabilities	29	47.4	115.5
Provisions for other liabilities and charges	20	3.9	3.7
		<u>310.0</u>	<u>383.0</u>
<b>Total liabilities</b>		<u>556.1</u>	<u>618.0</u>
<b>Net assets</b>		<u>242.9</u>	<u>175.8</u>
<b>Equity</b>			
Share capital	23	45.0	45.0
Retained earnings		197.9	130.8
<b>Total equity</b>		<u>242.9</u>	<u>175.8</u>

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

The financial statements on pages 13 to 61 were approved and authorised for issue by the board of directors and signed on its behalf by:



Jerome Anthony Frost

Director

31 October 2022

Registration number 952468

# Company balance sheet

As at 31 March 2022

	Note	31 March 2022 £'m	31 March 2021 £'m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	38.0	24.1
Right-of-use assets	21	246.4	260.7
Intangible assets	13	0.4	0.6
Investments in subsidiaries	14	14.6	14.6
Deferred income tax assets	22	19.4	26.7
		<u>318.8</u>	<u>326.7</u>
<b>Current assets</b>			
Contract assets	16	5.4	6.6
Trade and other receivables	17	361.4	364.1
Cash and cash equivalents	18	27.2	25.5
		<u>394.0</u>	<u>396.2</u>
<b>Total assets</b>		<u>712.8</u>	<u>722.9</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	179.5	179.0
Contract liabilities	16	29.7	39.9
Current income tax liabilities		0.3	0.5
Lease liabilities	21	12.3	12.6
Provisions for other liabilities and charges	20	7.3	0.1
		<u>229.1</u>	<u>232.1</u>

	Note	31 March 2022 £'m	31 March 2021 £'m
<b>Non-current liabilities</b>			
Lease liabilities	21	258.4	263.5
Deferred income tax liabilities	22	0.2	0.3
Post-employment benefit liabilities	29	47.4	115.5
Provisions for other liabilities and charges	20	3.9	3.7
		<u>309.9</u>	<u>383.0</u>
<b>Total liabilities</b>		<u>539.0</u>	<u>615.1</u>
<b>Net assets</b>		<u>173.8</u>	<u>107.8</u>
<b>Equity</b>			
Share capital	23	45.0	45.0
Retained earnings		128.8	62.8
<b>Total equity</b>		<u>173.8</u>	<u>107.8</u>

The Company's profit for the year was £11.7m (2021: £17.4m) and its total comprehensive income for the year was £66.0m (2021: expense £29.1m).

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

The financial statements on pages 13 to 61 were approved and authorised for issue by the board of directors and signed on its behalf by:



Jerome Anthony Frost

Director

31 October 2022

## Consolidated statement of changes in equity

For the year ended 31 March 2022

	Share capital	Retained earnings	Total equity
	£'m	£'m	£'m
Balance as at 1 April 2020	45.0	151.2	196.2
Profit for the financial year	-	26.1	26.1
Remeasurement of post-employment obligations	-	(59.3)	(59.3)
Remeasurement of post-employment obligations - tax	-	11.3	11.3
Currency translation differences - gains	-	1.5	1.5
Other comprehensive expense for the year	-	(46.5)	(46.5)
Total comprehensive expense for the year	-	(20.4)	(20.4)
Balance as at 31 March 2021	45.0	130.8	175.8
Profit for the financial year	-	12.8	12.8
Remeasurement of post-employment obligations	-	52.6	52.6
Remeasurement of post-employment obligations - tax	-	3.0	3.0
Currency translation differences - losses	-	(1.3)	(1.3)
Other comprehensive income for the year	-	54.3	54.3
Total comprehensive income for the year	-	67.1	67.1
<b>Balance as at 31 March 2022</b>	<b>45.0</b>	<b>197.9</b>	<b>242.9</b>

## Company statement of changes in equity

For the year ended 31 March 2022

	Share capital	Retained earnings	Total equity
	£'m	£'m	£'m
Balance as at 1 April 2020	45.0	91.9	136.9
Profit for the financial year	-	17.4	17.4
Remeasurement of post-employment obligations	-	(59.3)	(59.3)
Remeasurement of post-employment obligations - tax	-	11.3	11.3
Currency translation differences - gains	-	1.5	1.5
Other comprehensive expense for the year	-	(46.5)	(46.5)
Total comprehensive expense for the year	-	(29.1)	(29.1)
Balance as at 31 March 2021	45.0	62.8	107.8
Profit for the financial year	-	11.7	11.7
Remeasurement of post-employment obligations	-	52.6	52.6
Remeasurement of post-employment obligations - tax	-	3.0	3.0
Currency translation differences - losses	-	(1.3)	(1.3)
Other comprehensive income for the year	-	54.3	54.3
Total comprehensive income for the year	-	66.0	66.0
<b>Balance as at 31 March 2022</b>	<b>45.0</b>	<b>128.8</b>	<b>173.8</b>

## Consolidated statement of cash flows

For the year ended 31 March 2022

	Note	2022 £'m	2021 £'m
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	45.0	106.8
Interest paid - excluding lease liabilities		(0.0)	(0.0)
Income tax refunded		1.0	1.4
<b>Net cash generated from operating activities</b>		<u>46.0</u>	<u>108.2</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(22.5)	(6.6)
Proceeds from sale of property, plant and equipment		0.0	0.1
Purchases of intangible assets		(0.1)	(0.3)
Loans granted to related parties		(153.0)	(151.0)
Loan repayments received from related parties		151.0	72.9
Interest received		0.2	0.0
<b>Net cash used in investing activities</b>		<u>(24.4)</u>	<u>(84.9)</u>
<b>Cash flows from financing activities</b>			
Interest paid on lease liabilities		(8.0)	(8.6)
Principal elements of lease payments		(12.7)	(14.8)
Proceeds of loans granted by related parties		2.0	2.8
Loan repayments paid to related parties		(1.1)	-
<b>Net cash used in financing activities</b>		<u>(19.8)</u>	<u>(20.6)</u>
<b>Net increase in cash and cash equivalents</b>		1.8	2.7
Cash and cash equivalents at the beginning of the year		25.5	22.7
<b>Exchange gains on cash and cash equivalents</b>		0.1	0.1
<b>Cash and cash equivalents at the end of the year</b>		<u>27.4</u>	<u>25.5</u>

# Notes to the financial statements

For the year ended 31 March 2022

## 1 Incorporation

Ove Arup & Partners International Limited is a private limited company 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. There was no impact from transitioning to this basis of preparation. 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.

For the year ended 31 March 2022 the Group and Company has presented contract assets, contract liabilities and current lease liabilities as separate items on the balance sheet to aid the users understanding of the financial statements. For the year ended 31 March 2021 these items had been presented within trade and other receivables and trade other payables respectively. The Group and Company has updated the 31 March 2021 comparatives to reflect this updated presentation.

For the year ended 31 March 2022 the Group has presented intercompany loan payments / receipts and movements in intercompany operating balances separately on the cash flow statement, in either cash flows from operating activities or cash flows from investing activities, to also aid users understanding of the financial statements. The Group has updated the 31 March 2021 comparatives in the cash flow statement to reflect this updated presentation.

#### Company

The Company's financial statements have been prepared in accordance with FRS 101 and 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 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 £11.7m (2021: £17.4m) and total comprehensive income for the year was £66.0m (2021: comprehensive expense £29.1m).

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

## 2.3 Changes in accounting policies and disclosures

### New standards, amendments and interpretations

There are no amendments to accounting standards, or IFRS Interpretations Committee (“IFRIC”) interpretations that are effective for the year ended 31 March 2022 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 2022 and have not been early adopted by the Group and Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

## 2.4 Accounting policies

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

### Foreign currency translation

#### Functional and presentation currency

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

## Transactions and balances

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

## Group companies

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

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

## Impairment of non-financial assets

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

## Financial assets

### Classification

The Group classifies its financial assets in the following categories:

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

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

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

### Recognition and derecognition

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

### Measurement

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

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

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

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

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, length of service 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 administered 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:

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

## Intangible assets

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

## 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, at the balance sheet date the unbilled revenue has not been invoiced due to a payment schedule being in place.

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

### Pre-contract costs

The 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 revenue on contracts billed in advance of performing the related services.

## Trade receivables

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

## Cash and cash equivalents

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

## Trade payables

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

## Provisions for other liabilities and charges

### Provisions for other liabilities

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

## Property provision

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

## Leases

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

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

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

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

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

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

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

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

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 a number of leases that have variable payments based on future rent reviews. The Group has not entered into leases with variable payments tied to the performance of the business.

## Deferred income tax

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

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

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

## 3 Financial risk management

### 3.1 Financial risk factors

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

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

#### a) Market risk

##### i) Foreign exchange risk

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

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

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

The Group's primary exposure to foreign exchange risk on unhedged financial assets and liabilities arises mainly in respect of movements between pound sterling ("GBP") and Australian dollar ("AUD"), Euro ("EUR"), Qatari riyal ("QAR"), Russian rouble ("RUB"), US dollar ("USD") and Hong Kong dollar ("HKD").

At 31 March 2022, if pound sterling had changed against the currencies listed below by 10% with all the other variables remaining constant the impact would be as follows:

	Profit after tax increase / (decrease)	Profit after tax (decrease) / increase	Total equity increase / (decrease)	Total equity increase / (decrease)
	2022	2021	2022	2021
	£'m	£'m	£'m	£'m
AUD/GBP exchange rate - increase 10%	0.2	(0.1)	0.0	0.0
AUD/GBP exchange rate - decrease 10%	(0.3)	0.1	(0.0)	(0.0)
EUR/GBP exchange rate - increase 10%	0.1	0.3	0.0	0.0
EUR/GBP exchange rate - decrease 10%	(0.1)	(0.3)	(0.0)	(0.0)
QAR/GBP exchange rate - increase 10%	(0.0)	0.0	0.0	0.0
QAR/GBP exchange rate - decrease 10%	0.0	(0.0)	(0.0)	(0.0)
RUB/GBP exchange rate - increase 10%	(0.0)	(1.3)	(0.0)	0.0
RUB/GBP exchange rate - decrease 10%	0.0	1.6	0.0	(0.0)
USD/GBP exchange rate - increase 10%	0.1	0.5	0.1	0.1
USD/GBP exchange rate - decrease 10%	(0.1)	(0.6)	(0.2)	(0.2)
HKD/GBP exchange rate - increase 10%	0.0	0.2	0.0	0.0
HKD/GBP exchange rate - decrease 10%	(0.0)	(0.3)	(0.0)	(0.0)

## ii) Interest rate risk

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

## b) Credit risk

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

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

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

## c) Liquidity risk

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

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

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



	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As at 31 March 2022	£'m	£'m	£'m	£'m
Trade and other payables excluding non-financial liabilities	110.5	-	-	-
	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As at 31 March 2021	£'m	£'m	£'m	£'m
Trade and other payables excluding non-financial liabilities	92.5	-	-	-

In addition to the table above, the maturity profile of lease liabilities are disclosed in note 21.

### 3.2 Capital risk management

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

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

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

At 31 March 2022 the Group had no external borrowings (2021: nil).

### 3.3 Fair value estimation

The Group has no financial instruments at fair value by the valuation method (2021: nil). No further fair value estimation disclosure is provided.

## 4 Critical accounting estimates and judgements

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

### Group

#### Contract accounting (estimates and judgements)

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

- Percentage completion: usually calculated by taking actual salary expense incurred as a percentage of forecasted salary expense. Estimation 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 the estimates made are based on professional judgements, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reported result.



Projects may contain contingencies in their accounting estimates. These contingencies are for potential additional costs that may be required to complete the project. Such costs are only included when they are deemed more likely than not. Management have reviewed ongoing projects as at 31 March 2022 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 2022, contingencies totalling £20.9m have been forecast. These contingencies reflect management's best estimate of outflows or the net cost of remediation of work carried out up to 31 March 2022. 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 £12.2m up to a maximum of £34.4m relating to the recorded position at the balance sheet date. Based on the information available as at 31 March 2022, 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. Assuming 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 Arup Group and have used their judgement to establish these percentages. Once a non-onerous project reaches 50% / 95% complete, profit is recognised in line with its percentage completion.

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

#### **Lease accounting (judgements)**

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

#### **Company**

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

The Company holds investments in subsidiaries at cost. On an annual basis the Company assesses whether there is objective evidence that the carrying value of the investments needs to be considered for impairment.

## 5 Revenue

### Group

The total revenue recognised in the year that was included in contract liabilities at the beginning of the year was £95.9m (2021: £85.5m). The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £587.2m (2021: £485.4m).

The aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at the balance sheet date is £473.6m (2021: £464.0m). The Group expects that this will be recognised over the next 1 to 10 years.

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

	2022	2021
	£'m	£'m
<b>Revenue by destination</b>		
United Kingdom	674.5	584.2
Europe	71.3	71.1
Asia	53.4	49.8
America	40.6	32.7
Australasia	36.2	30.0
Middle East & Africa	8.1	10.3
	<u>884.1</u>	<u>778.1</u>

## 6 Employee benefit expense

	2022	2021
	£'m	£'m
<b>Group and Company</b>		
Wages and salaries	306.9	281.8
Global profit-share scheme	59.0	37.8
Social security costs	42.9	36.9
Pension contributions	33.7	29.9
Headcount reduction costs	0.5	13.1
Other staff costs	13.8	6.2
	<u>456.8</u>	<u>405.7</u>

### Average monthly number of people employed

	2022	2021
	Number	Number
Engineering and technical staff	5,006	4,748
Administrative staff	1,014	976
	<u>6,020</u>	<u>5,724</u>

## 7 Directors' remuneration

### Group and Company

The directors' remunerations were as follows:

	2022	2021
	£'m	£'m
Aggregate remuneration	2.8	2.6
Aggregate contributions paid to defined contribution schemes	<u>0.0</u>	<u>0.0</u>

	2022	2021
	Number	Number
Number of directors accruing pension benefits under:		
Defined benefit schemes	<u>5</u>	<u>4</u>

	2022	2021
	£'m	£'m
The highest paid director:		
Remuneration excluding contributions paid to pension schemes	0.9	0.7
Contributions paid to defined contribution schemes	<u>0.0</u>	<u>0.0</u>
	<u>0.9</u>	<u>0.7</u>

## 8 Operating profit

Group	2022 £'m	2021 £'m
<b>This is stated after charging / (crediting):</b>		
During the year, the Group obtained the following services from the Company's auditors:		
– Audit of Company and consolidated financial statements	0.3	0.2
Fees payable for other services:		
– Audit of the Company's subsidiaries, pursuant to legislation	0.1	0.1
– Tax advisory services	-	0.0
– Other advisory services	-	0.2
Loss on disposal of property, plant and equipment	1.3	0.0
Loss on disposal of intangible assets	0.0	0.0
Gain on exchange from trading activities	(2.0)	(7.1)
Research and development costs	34.1	30.8
Amortisation of intangible assets	0.3	0.4
Depreciation of property, plant and equipment	7.3	8.4
Depreciation of right-of-use assets	21.8	26.2

## 9 Exceptional items

For the financial year ended 31 March 2022 there were no exceptional items. During the year ended 31 March 2021 the Group undertook a reshaping programme to reflect anticipated forward workload, business size, shape and skillsets required to meet the post-pandemic market. Headcount reduction costs of £13.1m was recognised in 'employee benefit expense' in the income statement.

## 10 Net finance costs

### Group

	2022	2021
	£'m	£'m
Interest expense on borrowings	0.0	0.0
Lease liabilities	8.0	8.6
Interest expense - Arup Group undertakings	0.3	0.0
Net finance costs on net post-employment benefit liabilities	2.3	1.5
Other finance costs	0.1	-
Total finance costs	<u>10.7</u>	<u>10.1</u>
Interest receivable on short term bank deposits	(0.2)	(0.0)
Interest receivable - Arup Group undertakings	(1.7)	(1.3)
Total finance income	<u>(1.9)</u>	<u>(1.3)</u>
Net finance costs	<u>8.8</u>	<u>8.8</u>

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

## 11 Income tax charge

### Group

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

	2022	2021
	£'m	£'m
Current income tax		
– Current income tax on profits for the year	(0.0)	3.7
– Adjustment in respect of prior years	(0.5)	0.2
<b>Total current income tax</b>	<b>(0.5)</b>	<b>3.9</b>
Deferred income tax (note 22)		
– Origination and reversal of temporary differences	2.4	2.1
– Effect of changes in tax rates	7.9	-
– Over provision of deferred income tax in respect of prior years	(0.0)	(0.0)
<b>Total deferred income tax</b>	<b>10.3</b>	<b>2.1</b>
<b>Total income tax charge</b>	<b>9.8</b>	<b>6.0</b>

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

The tax assessed for the year is higher (2021: lower) than the amount computed at the standard rate of corporation tax in the UK 19% (2021: 19%). The differences are explained below:

	2022	2021
	£'m	£'m
Profit before income tax	22.6	32.1
Profit before income tax multiplied by the standard rate of corporation tax in the UK	4.3	6.1
Effects of:		
Group relief	(2.9)	(2.1)
Impact of change in accounting standards	(0.0)	(0.0)
Income not subject to tax	(0.1)	(4.0)
Expenses not deductible for tax purposes	1.6	5.7
Impact of non-UK tax	-	0.1
Remeasurement of deferred income tax - change in tax rates	7.4	-
Adjustment in respect of prior years	(0.5)	0.2
<b>Total income tax charge</b>	<b>9.8</b>	<b>6.0</b>

**(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.

For the year ending 31 March 2022 local tax rates have been used to calculate deferred income tax assets and liabilities.

## 12 Property, plant and equipment

### Group and Company

	Leasehold improvements	Furniture, fittings & IT hardware	Total
	£'m	£'m	£'m
<b>Cost</b>			
Balance at 1 April 2020	37.1	38.3	75.4
Additions	0.3	6.3	6.6
Disposals	-	(0.6)	(0.6)
Adjustment for exchange differences	(0.0)	(0.0)	(0.0)
Balance at 31 March 2021	37.4	44.0	81.4
Additions	19.3	3.2	22.5
Disposals	(7.6)	(9.2)	(16.8)
<b>Balance at 31 March 2022</b>	<b>49.1</b>	<b>38.0</b>	<b>87.1</b>
<b>Accumulated depreciation</b>			
Balance at 1 April 2020	23.2	26.2	49.4
Charge for the year	2.6	5.8	8.4
Disposals	-	(0.5)	(0.5)
Adjustment for exchange differences	(0.0)	(0.0)	(0.0)
Balance at 31 March 2021	25.8	31.5	57.3
Charge for the year	2.4	4.9	7.3
Disposals	(6.5)	(9.0)	(15.5)
<b>Balance at 31 March 2022</b>	<b>21.7</b>	<b>27.4</b>	<b>49.1</b>
<b>Net book value at 31 March 2022</b>	<b>27.4</b>	<b>10.6</b>	<b>38.0</b>
Net book value at 31 March 2021	11.6	12.5	24.1



## 13 Intangible assets

### Group and Company

	Computer software	Total
	£'m	£'m
<b>Cost</b>		
Balance at 1 April 2020	4.6	4.6
Additions	0.3	0.3
Disposals	(0.0)	(0.0)
Adjustment for exchange differences	(0.0)	(0.0)
Balance at 31 March 2021	<u>4.9</u>	<u>4.9</u>
Additions	0.1	0.1
Disposals	(2.1)	(2.1)
<b>Balance at 31 March 2022</b>	<u>2.9</u>	<u>2.9</u>
<b>Accumulated amortisation</b>		
Balance at 1 April 2020	3.9	3.9
Charge for the year	0.4	0.4
Disposals	(0.0)	(0.0)
Adjustment for exchange differences	(0.0)	(0.0)
Balance at 31 March 2021	<u>4.3</u>	<u>4.3</u>
Charge for the year	0.3	0.3
Disposals	(2.1)	(2.1)
<b>Balance at 31 March 2022</b>	<u>2.5</u>	<u>2.5</u>
<b>Net book value at 31 March 2022</b>	<u>0.4</u>	<u>0.4</u>
Net book value at 31 March 2021	0.6	0.6

## 14 Investments in subsidiaries

The Company owns ordinary shares in the companies noted below. These companies were all wholly owned subsidiary undertakings of the Company at 31 March 2022 and 2021, and their results are consolidated into the Group financial statements.

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

Direct holdings	Countries of incorporation
Arup Associates Limited	England and Wales
Oasys Limited	England and Wales
Ove Arup & Partners Limited	England and Wales
Redcliffe Wharf Limited	England and Wales
Indirect holdings	Country of incorporation
Ove Arup & Partners Scotland Limited	Scotland

Movement of investment	Cost	Investment impairment	Net book value
	£'m	£'m	£'m
Balance as at 1 April 2021	15.4	(0.8)	14.6
<b>Balance as at 31 March 2022</b>	<b>15.4</b>	<b>(0.8)</b>	<b>14.6</b>

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.

## 15 Financial instruments

### Financial instruments by category:

	2022	
Group	Financial assets at amortised cost	Total
Assets as per balance sheet	£'m	£'m
Contract assets, trade and other receivables excluding prepayments and corporation tax	437.2	437.2
Cash and cash equivalents	27.4	27.4
	<b>464.6</b>	<b>464.6</b>

Group	2022	
	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet	£'m	£'m
Lease liabilities	(270.7)	(270.7)
Trade and other payables excluding non-financial liabilities	(110.5)	(110.5)
	<u>(381.2)</u>	<u>(381.2)</u>

Group	2021	
	Financial assets at amortised cost	Total
Assets as per balance sheet	£'m	£'m
Contract assets, trade and other receivables excluding prepayments and corporation tax	424.9	424.9
Cash and cash equivalents	25.5	25.5
	<u>450.4</u>	<u>450.4</u>

Group	2021	
	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet	£'m	£'m
Lease liabilities	(276.1)	(276.1)
Trade and other payables excluding non-financial liabilities	(92.5)	(92.5)
	<u>(368.6)</u>	<u>(368.6)</u>

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

## 16 Contract assets and liabilities

### Group

	2022	2021
	£'m	£'m
<b>Contract assets</b>		
Contract assets	31.6	32.1
Loss allowance	(0.6)	(0.1)
	<u>31.0</u>	<u>32.0</u>

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

	2022	2021
	£'m	£'m
<b>Movement in loss allowance</b>		
Balance at the beginning of the financial year	0.1	0.2
Increase / (decrease) in allowance for expected credit losses	0.5	(0.1)
Balance at the end of the financial year	<u>0.6</u>	<u>0.1</u>

	2022	2021
	£'m	£'m
<b>Contract liabilities</b>		
Contract liabilities	<u>94.8</u>	<u>95.9</u>

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

### Company

	2022	2021
	£'m	£'m
<b>Contract assets</b>		
Contract assets	5.9	6.6
Loss allowance	(0.5)	(0.0)
	<u>5.4</u>	<u>6.6</u>

	2022	2021
	£'m	£'m
<b>Contract liabilities</b>		
Contract liabilities	<u>29.7</u>	<u>39.9</u>

## 17 Trade and other receivables

### Group

	2022	2021
	£'m	£'m
Trade receivables - net	71.1	59.7
Amounts due from Arup Group undertakings	332.2	327.4
UK corporation tax receivable	8.0	7.9
Other receivables	2.9	5.7
Prepayments	22.2	23.5
	<u>436.4</u>	<u>424.2</u>

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

<b>Trade receivables</b>	2022	2021
	£'m	£'m
Trade receivables	75.8	64.2
Loss allowance	(4.7)	(4.5)
	<u>71.1</u>	<u>59.7</u>

<b>Ageing analysis</b>	2022	2021
	£'m	£'m
Current	49.4	42.1
Past due less than 3 months	20.3	15.7
3 months to 6 months	1.5	1.5
Greater than 6 months	4.6	4.9
	<u>75.8</u>	<u>64.2</u>

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

	2022	2021
	£'m	£'m
Balance at the beginning of the financial year	4.5	4.6
Increase in loss allowance	0.8	2.2
Unused amounts reversed	(0.1)	(0.4)
Receivables written off as uncollectible	(0.5)	(1.9)
Adjustment for exchange differences	-	(0.0)
<b>Balance at the end of the financial year</b>	<u>4.7</u>	<u>4.5</u>

**Amounts due from Arup Group undertakings**

Amounts due from Arup Group undertakings are unsecured, have no date of repayment and are repayable on demand. Where inter-group loans have been provided, interest is accrued on inter-group loans with a rate in the range of 1-8% (2021: 1-8%).

The Group has assessed the ability of Arup Group companies to meet their inter-group liabilities. Based on this review we deem the expected credit losses of amounts due from Arup Group undertakings to be nil (2021: nil).

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

	2022	2021
	£'m	£'m
British pound sterling	461.6	452.2
US dollar	4.0	1.4
Euro	1.0	1.8
Danish kroner	0.3	0.2
Japanese yen	0.2	0.2
Polish zloty	0.1	0.1
Qatari riyal	0.1	0.1
Swedish krona	0.1	0.1
Other	-	0.1
	<u>467.4</u>	<u>456.3</u>

**Company**

	2022	2021
	£'m	£'m
Trade receivables - net	10.1	13.3
Amounts due from Arup Group undertakings	318.3	313.7
UK corporation tax receivable	8.0	7.9
Other receivables	2.8	5.7
Prepayments	22.2	23.5
	<u>361.4</u>	<u>364.1</u>

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

<b>Trade receivables</b>	2022	2021
	£'m	£'m
Trade receivables	13.3	16.7
Loss allowance	(3.2)	(3.4)
	<u>10.1</u>	<u>13.3</u>

## 18 Cash and cash equivalents

### Group

	2022	2021
	£'m	£'m
Cash at bank and in hand	27.4	25.5
	<u>27.4</u>	<u>25.5</u>

### Company

	2022	2021
	£'m	£'m
Cash at bank and in hand	27.2	25.5
	<u>27.2</u>	<u>25.5</u>

## 19 Trade and other payables

### Group

	2022	2021
	£'m	£'m
Trade payables	15.7	10.2
Amounts owed to Arup Group undertakings	3.7	7.2
Accrued expenses	89.7	74.1
Other payables	1.4	1.0
Tax & social security costs	20.9	29.9
	<u>131.4</u>	<u>122.4</u>

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

### Amounts owed to Arup Group undertakings

Amounts owed to Arup Group undertakings are unsecured, have no date of repayment and are repayable on demand. Where inter-group loans have been provided, interest is accrued on inter-group loans with a rate in the range of 1-8% (2021: 1-8%).

**Group**

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

	2022	2021
	£'m	£'m
British pound sterling	220.2	203.1
US dollar	2.6	3.8
Euro	2.2	7.9
Indian rupee	0.3	-
Swiss franc	0.2	0.1
Polish zloty	0.1	-
Danish kroner	0.1	0.1
Australian dollar	0.1	-
Canadian dollar	0.1	0.1
Hong Kong dollar	0.1	-
Swedish krona	0.1	0.2
Emirati dirham	-	0.1
South African rand	-	1.6
Turkish new lira	-	1.0
Malaysian ringgit	-	0.2
Other	0.1	0.1
	<u>226.2</u>	<u>218.3</u>

**Company**

	2022	2021
	£'m	£'m
Trade payables	15.7	10.2
Amounts owed to Arup Group undertakings	62.1	72.9
Accrued expenses	79.4	65.0
Other payables	1.4	1.0
Tax & social security costs	20.9	29.9
	<u>179.5</u>	<u>179.0</u>

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

**Amounts owed to Arup Group undertakings**

Amounts owed to Arup Group undertakings are unsecured, have no date of repayment and are repayable on demand. Where inter-group loans have been provided, interest is accrued on inter-group loans with a rate in the range of 1-8% (2021: 1-8%).



## 20 Provisions for other liabilities and charges

### Group and Company

	Property	Other	Total
	2022	2022	2022
	£'m	£'m	£'m
<b>Current</b>	<u>0.0</u>	<u>7.3</u>	<u>7.3</u>
Later than one year and no later than two years	1.3	-	1.3
Later than two years and no later than five years	0.5	-	0.5
Later than five years	2.1	-	2.1
<b>Non-current</b>	<u>3.9</u>	<u>-</u>	<u>3.9</u>
<b>Reconciliation of movement:</b>			
Balance at the beginning of the financial year	3.8	-	3.8
Provisions charged to the income statement	-	7.3	7.3
Provisions released to the income statement	(0.0)	-	(0.0)
Additional liability recognised	0.1	-	0.1
<b>Balance at the end of the financial year</b>	<u>3.9</u>	<u>7.3</u>	<u>11.2</u>

	Property	Other	Total
	2021	2021	2021
	£'m	£'m	£'m
<b>Current</b>	<u>0.1</u>	<u>-</u>	<u>0.1</u>
Later than one year and no later than two years	-	-	-
Later than two years and no later than five years	1.7	-	1.7
Later than five years	2.0	-	2.0
<b>Non-current</b>	<u>3.7</u>	<u>-</u>	<u>3.7</u>
<b>Reconciliation of movement:</b>			
Balance at the beginning of the financial year	3.4	-	3.4
Provisions utilised	(0.7)	-	(0.7)
Additional liability recognised	1.1	-	1.1
<b>Balance at the end of the financial year</b>	<u>3.8</u>	<u>-</u>	<u>3.8</u>

### Other

As a part of the ordinary business activities of the Arup Group, claims may arise in relation to work undertaken by an entity within the Arup 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.

The provision at 31 March 2022 is in recognition of estimated costs that may be incurred and the potential probable outflow on claims and whilst the insurances specified in the accounting policy will cover the probably outflow on claims, they do not meet the virtually certain criteria that is required for them to be recognised at this time and are as such considered a contingent asset.

## 21 Leases

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

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

	2022	2021
	£'m	£'m
<b>Right-of-use assets</b>		
Buildings	246.4	260.6
Equipment	0.0	0.1
	<u>246.4</u>	<u>260.7</u>
<b>Lease liabilities</b>		
Current	12.3	12.6
Non-current	258.4	263.5
	<u>270.7</u>	<u>276.1</u>

Additions to the right-of-use assets during the financial year to 31 March 2022 were £13.7m (2021: £159.4m).

During the year ended 31 March 2022, there were £13.5m new lease liabilities (2021: £159.4m), £8.0m of interest paid (2021: £8.6m), £12.7m of principal repayments (2021: £14.8m) and £6.2m of lease disposals (2021: nil).

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

The income statement shows the following amounts relating to leases:

	2022	2021
	£'m	£'m
<b>Depreciation charge of right-of-use assets</b>		
Buildings	21.7	25.6
Equipment	0.1	0.6
	<u>21.8</u>	<u>26.2</u>
 Interest expense (included in finance costs)	 8.0	 8.6

The total cash outflow for leases in the year ended 31 March 2022 was £20.7m (2021: £23.4m). As at 31 March 2022, future cash outflows (undiscounted) for leases not yet commenced but which the Group was committed to were £1.3m (2021: £9.1m).

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

	2022	2021
	£'m	£'m
Not later than one year	20.3	20.6
Later than one year and not later than five years	77.7	71.6
Later than five years	241.2	257.5
Total gross payments	<u>339.2</u>	<u>349.7</u>
Impact of finance expenses	(68.5)	(73.6)
Carrying amount of liability	<u>270.7</u>	<u>276.1</u>

## 22 Deferred income tax

### Group

	2022	2021
	£'m	£'m
Deferred income tax assets		
– deferred income tax assets to be recovered after more than 12 months	16.9	26.1
– deferred income tax assets to be recovered within 12 months	2.5	0.6
	<u>19.4</u>	<u>26.7</u>
Deferred income tax liabilities		
– deferred income tax liabilities to be recovered after more than 12 months	(0.3)	(0.3)
– deferred income tax liabilities to be recovered within 12 months	(0.0)	(0.0)
	<u>(0.3)</u>	<u>(0.3)</u>
<b>Deferred income tax assets - net</b>	<u>19.1</u>	<u>26.4</u>

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

	2022	2021
	£'m	£'m
Balance at the beginning of the financial year	26.4	17.2
Over provision of deferred income tax in respect of prior years	0.0	0.0
Deferred income tax charged to the income statement	(10.3)	(2.1)
Deferred income tax credit relating to components of other comprehensive income	3.0	11.3
Adjustment for exchange differences	0.0	0.0
<b>Balance at the end of the financial year</b>	<u>19.1</u>	<u>26.4</u>

<b>Deferred income tax liabilities</b>	Impact of change in accounting standards	Other	Total
	£'m	£'m	£'m
At 1 April 2020	0.2	0.1	0.3
Credited to the income statement	(0.0)	(0.0)	(0.0)
Adjustment for exchange differences	(0.0)	-	(0.0)
At 31 March 2021	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>
Charged to the income statement	0.0	0.0	0.0
Adjustment for exchange differences	(0.0)	-	(0.0)
<b>At 31 March 2022</b>	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>

<b>Deferred income tax assets</b>	Unutilised tax depreciation	Retirement benefit obligations	Provisions	Tax losses	Other	Total
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 April 2020	4.2	13.0	0.3	-	-	17.5
(Charged) / credited to the income statement	(0.0)	(2.4)	0.3	-	(0.0)	(2.1)
Credited to other comprehensive income	-	11.3	-	-	-	11.3
Adjustment for exchange differences	(0.0)	-	-	-	0.0	(0.0)
At 31 March 2021	<u>4.2</u>	<u>21.9</u>	<u>0.6</u>	<u>-</u>	<u>-</u>	<u>26.7</u>
Credited / (charged) to the income statement	0.8	(13.1)	0.2	1.8	-	(10.3)
Credited to other comprehensive income	-	3.0	-	-	-	3.0
Adjustment for exchange differences	(0.0)	-	-	-	-	(0.0)
<b>At 31 March 2022</b>	<u>5.0</u>	<u>11.8</u>	<u>0.8</u>	<u>1.8</u>	<u>-</u>	<u>19.4</u>

**Company**

	2022	2021
	£'m	£'m
Deferred income tax assets		
– deferred income tax assets to be recovered after more than 12 months	16.9	26.1
– deferred income tax assets to be recovered within 12 months	2.5	0.6
	<u>19.4</u>	<u>26.7</u>
Deferred income tax liabilities		
– deferred income tax liabilities to be recovered after more than 12 months	(0.2)	(0.3)
– deferred income tax liabilities to be recovered within 12 months	(0.0)	(0.0)
	<u>(0.2)</u>	<u>(0.3)</u>
<b>Deferred income tax assets (net)</b>	<u><u>19.2</u></u>	<u><u>26.4</u></u>

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

	2022	2021
	£'m	£'m
Balance at the beginning of the financial year	26.4	17.2
Over provision of deferred income tax in respect of prior years	0.0	0.0
Deferred income tax charged to the income statement	(10.2)	(2.1)
Deferred income tax credit relating to components of other comprehensive income	3.0	11.3
Adjustment for exchange differences	0.0	0.0
<b>Balance at the end of the financial year</b>	<u><u>19.2</u></u>	<u><u>26.4</u></u>

Deferred income tax liabilities	Impact of change in accounting standards	Other	Total
	£'m	£'m	£'m
At 1 April 2020	0.2	0.1	0.3
Credited to the income statement	(0.0)	(0.0)	(0.0)
Adjustment for exchange differences	(0.0)	-	(0.0)
At 31 March 2021	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>
Charged to the income statement	0.0	(0.1)	(0.1)
<b>At 31 March 2022</b>	<u><u>0.2</u></u>	<u><u>(0.0)</u></u>	<u><u>0.2</u></u>

Deferred income tax assets	Unutilised tax depreciation	Retirement benefit obligations	Provisions	Tax losses	Other	Total
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 April 2020	4.2	13.0	0.3	-	-	17.5
(Charged) / credited to the income statement	(0.0)	(2.4)	0.3	-	(0.0)	(2.1)
Credited to other comprehensive income	-	11.3	-	-	-	11.3
Adjustment for exchange differences	(0.0)	-	-	-	0.0	(0.0)
At 31 March 2021	4.2	21.9	0.6	-	-	26.7
Credited / (charged) to the income statement	0.8	(13.1)	0.2	1.8	-	(10.3)
Credited to other comprehensive income	-	3.0	-	-	-	3.0
Adjustment for exchange differences	(0.0)	-	-	-	-	(0.0)
At 31 March 2022	5.0	11.8	0.8	1.8	-	19.4

## 23 Share capital

### Group and Company

	2022	2021
	£'m	£'m
Issued, called up and fully paid:		
45,000,000 (2021: 45,000,000) Ordinary Shares of £1 each	45.0	45.0
	<u>45.0</u>	<u>45.0</u>

## 24 Contingent liabilities

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

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

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.

## 25 Related parties

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

### Group

<b>Transactions with other related parties</b>	<b>2022</b>	<b>2021</b>
	<b>£'m</b>	<b>£'m</b>
Sales of services	220.9	181.5
Purchases of services	(73.2)	(64.5)
<b>Outstanding balances arising from sales / purchases of services</b>	<b>2022</b>	<b>2021</b>
	<b>£'m</b>	<b>£'m</b>
Net receivables	158.9	151.9
<b>Loans to other related parties</b>	<b>2022</b>	<b>2021</b>
	<b>£'m</b>	<b>£'m</b>
Balance at beginning of the financial year	168.3	90.0
Loans advanced	153.0	151.0
Loan payments received	(151.0)	(72.9)
Loan interest receivables	0.2	0.2
Adjustment for exchange differences	0.0	(0.0)
<b>Balance at the end of the financial year</b>	<b>170.5</b>	<b>168.3</b>
<b>Loans from other related parties</b>	<b>2022</b>	<b>2021</b>
	<b>£'m</b>	<b>£'m</b>
Balance at beginning of the financial year	-	(2.8)
Loans advanced	(2.0)	-
Loan payments paid	1.1	2.8
Loan interest payable	(0.0)	(0.0)
Adjustment for exchange differences	-	0.0
<b>Balance at the end of the financial year</b>	<b>(0.9)</b>	<b>-</b>

**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:

	2022	2021
	£'m	£'m
Aggregate remuneration	8.3	5.5
Aggregate contributions paid to defined contribution schemes	0.3	0.1
	<u>8.6</u>	<u>5.6</u>

**Company**

The following transactions were carried out with related parties that are not 100% owned by Arup Group Limited:

	2022	2021
	£'m	£'m
<b>Transactions with other related parties</b>		
Sales of services	1.2	5.9
Purchases of services	(1.2)	(3.4)
<b>Outstanding balances arising from sales / purchases of services</b>		
Net receivables / payables	3.5	(2.3)

**26 Controlling party**

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

Arup Group Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2022. The consolidated financial statements of Arup Group Limited are publicly available at 8 Fitzroy Street, London, W1T 4BJ, United Kingdom.

Ove Arup Holdings Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 March 2022. The consolidated financial statements of Ove Arup Holdings Limited are publicly available at 8 Fitzroy Street, London, W1T 4BJ, United Kingdom.

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

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

**27 Dividends**

As at the date of the financial statements the directors do not recommend a dividend for the year ended 31 March 2022 (2021: nil). No dividend was paid in the year ended 31 March 2022 (2021: nil).



## 28 Cash generated from operations

Group	2022 £'m	2021 £'m
Profit before income tax	22.6	32.1
Adjustments for:		
Depreciation of property, plant and equipment	7.3	8.4
Depreciation of right-of-use assets	21.8	26.2
Amortisation of intangible assets	0.3	0.4
Loss on disposal of property, plant and equipment	1.3	0.0
Loss on disposal of intangible assets	0.0	0.0
Net finance costs	8.8	8.8
Other non-cash items	(4.7)	(3.0)
Unrealised currency translation gain	(1.3)	-
Changes in working capital:		
– Contract assts and trade and other receivables (excluding amounts due from Arup Group undertakings)	(6.4)	28.7
– Contract liabilities and trade and other payables (excluding amounts owed to Arup Group undertakings)	11.5	27.5
– Amounts due from / owed to Arup Group undertakings - net	(5.8)	(8.4)
– Provisions	7.4	0.4
– Pension deficit funding	(17.8)	(14.3)
	<u>45.0</u>	<u>106.8</u>

## 29 Post-employment benefit liabilities

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

	2022 £'m	2021 £'m
<b>Balance sheet obligations for:</b>		
– Defined pension benefits	(47.4)	(115.5)
<b>Liability in the balance sheet</b>	<u>(47.4)</u>	<u>(115.5)</u>
<b>Income statement charge for:</b>		
– Defined pension benefits	(4.0)	(3.9)
<b>Remeasurement gains / (losses) for:</b>		
– Defined pension benefits	52.6	(59.3)

The income statement charge included within operating profit includes interest cost, administration expenses and past service costs.

## 29.1 Defined benefit pension plan

The Company operated a UK registered contributory pension scheme for employees, which had a defined benefit and a defined contribution section. On 31 March 2010 the scheme was closed to new members and with effect from 30 June 2010 the future accrual of benefits for existing members ceased. The Company 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). The Company 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 2019 using the projected unit credit method. The actuarial valuation at 31 March 2019 showed a funding level of 78.2% on an ongoing basis based on a market value of assets of £830m at that date. The most significant assumptions made by the actuary in carrying out this valuation were the assumptions of 2.9% and 0.6% above the gilt curve for the pre retirement and post retirement discount rates respectively. A special employer's contribution of £19.5m was made during the year to 31 March 2022 (2021: £16.2m). The Company is expected to make a contribution of £16.0m by 31 March 2023. The weighted average duration of the defined benefit obligation is 17 years.

The next actuarial valuation is being carried out as at 31 March 2022 but the results will not be available at the date of signing these financial statements.

The valuation position of this scheme was reassessed at 31 March 2022 by a qualified independent actuary for the purposes of IAS 19R 'Employee Benefits'.

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

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

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

	2022	2021
	£'m	£'m
Present value of funded obligations	(1,011.2)	(1,031.8)
Fair value of plan assets	963.8	916.3
<b>Deficit of funded plans</b>	<b>(47.4)</b>	<b>(115.5)</b>

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 2020	(909.6)	841.1	(68.5)
Administration expenses	-	(1.9)	(1.9)
Past service cost (incl. curtailments)	(0.5)	-	(0.5)
Interest (expense) / income	(22.3)	20.8	(1.5)
	<u>(932.4)</u>	<u>860.0</u>	<u>(72.4)</u>
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	-	74.2	74.2
– Gain from change in demographic assumptions	1.1	-	1.1
– Loss from change in financial assumptions	(143.5)	-	(143.5)
– Experience gains	8.9	-	8.9
	<u>(133.5)</u>	<u>74.2</u>	<u>(59.3)</u>
Contributions:			
– Employers	-	16.2	16.2
Payments from plans:			
– Benefit payments	34.1	(34.1)	-
At 31 March 2021	<u>(1,031.8)</u>	<u>916.3</u>	<u>(115.5)</u>
Administration expenses	-	(1.7)	(1.7)
Interest (expense) / income	(21.8)	19.5	(2.3)
	<u>(1,053.6)</u>	<u>934.1</u>	<u>(119.5)</u>
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)
	<u>6.9</u>	<u>45.7</u>	<u>52.6</u>
Contributions:			
– Employers	-	19.5	19.5
Payments from plans:			
– Benefit payments	35.5	(35.5)	-
At 31 March 2022	<u>(1,011.2)</u>	<u>963.8</u>	<u>(47.4)</u>

The significant actuarial assumptions were as follows:

	2022	2021
	%	%
Discount rate	2.8	2.2
Salary growth rate	N/A	N/A
Retail Price Index inflation	3.7	3.2
Consumer Price Index inflation	3.1	2.6
Pension growth rate:		
Pre 88 Guaranteed Minimum Pension	0.0	0.0
Post 88 Guaranteed Minimum Pension	2.3	2.1
NGMP accrued before 1 October 2006 (5%LPI)	3.4	3.0
Pension accrued after 30 September 2006 (2.5%LPI)	2.2	2.0

### 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% per annum. (2021: 105% S3 tables using Core CMI 2020 projections with S=7.0 and A=0.0 allowing for LTR of 1% per annum).

### Cash commutation

25% (2021: 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.

	2022	2021
	Years	Years
Retiring at the end of the financial year:		
Male	22.5	21.4
Female	24.4	23.7
Retiring 20 years after the end of the financial year:		
Male	23.5	22.3
Female	25.5	24.9

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

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)

2021	Increase in assumption	Decrease in assumption
Impact on defined benefit obligation of a 50 basis point change:	%	%
Discount rate	(8.3)	9.6
Inflation rate	6.7	(5.8)
	2022	2021
	%	%
Mortality assumption with a LTR of 1.25% per annum	0.8	0.9

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:

	2022	2021
	£'m	£'m
Global equities	174.8	199.3
DGF / hedge funds	191.8	190.8
Gilts and corporate bonds	96.8	106.1
Alternate credit	46.9	73.1
Liability driven investment	400.7	301.3
Property investments	45.8	39.8
Cash and net current assets	7.0	5.9
	<u>963.8</u>	<u>916.3</u>

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	2022	2021
	Number	Number
Deferred pensioners	3,346	3,433
Pensioners / dependents	1,577	1,532
	<u>4,923</u>	<u>4,965</u>

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 holds 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 trustees.

### 30 Registered addresses of investments in subsidiaries

<b>Name of investment</b>	<b>Registered address</b>	<b>Principal activities</b>
Arup Associates Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Agent
Oasys Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Agent
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
Redcliffe Wharf Limited	8 Fitzroy Street, London, W1T 4BJ, United Kingdom	Property holdings