

ARUP

Arup Gulf Limited

Financial Statements and Reports

For the year ended 31 March 2023

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Strategic report

The directors present their annual strategic report for Arup Gulf Limited (the “Company”) for the year ended 31 March 2023 which was approved by the Board of directors (the “Board”).

The Company is an indirect subsidiary of Arup Group Limited. Arup Group Limited with its subsidiaries is referred to as the “Arup Group”. The Board of directors of Arup Group Limited are referred to as the “Arup Group Board”.

Review of the business

These are the results for the Company for the financial year ended 31 March 2023. The results show a profit for the financial year of £3,602k (2022: £9,255k loss). The net assets as at 31 March 2023 are £1,709k (2022: £3,885k net liabilities).

The performance and development of the Company is in line with the expectations of the directors, notwithstanding the challenging operating environment with rapidly increasing inflation, an energy price shock in Europe driven by the Russian invasion of Ukraine, ongoing supply chain and labour shortages in many geographies, and pandemic-related absenteeism and disruption in some regions. Both the size of the operation and the business have remained broadly stable during the year, and the confirmed work for the Company at the end of the year is consistent with the size and the diversity of the Company.

A prolonged rally in the price of oil has lifted the Middle East economies and accelerated recovery from the pandemic. Confidence has grown across the region as the economic plans in Kingdom of Saudi Arabia and the United Arab Emirates see a rise in investment and the outlook for the construction industry is improving.

Risk management and key performance indicators

Formal risk reporting and management is embedded within Arup Group’s management bodies so that emerging risks can be identified, escalated and addressed as appropriate. The Arup Group Board is ultimately responsible for the oversight of risk of the Arup Group and for maintaining a robust risk management and internal control system. Each region of the Arup Group has a Region Board that is primarily responsible for the management of the Arup Group’s risk and risk framework, and specifically for the Company, it has a Delegated Authority Policy in place which delegates the management of its risk to the UKIMEA Region Board.

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

- Revenue is a key indicator linked to the number of people that we employ or engage as consultants, although quality of work is more important than market share or revenue growth. As a professional services firm, the ability to secure earnings in proportion to the number of members is key to the Company’s ongoing commercial success. Moderate growth in revenue provides development opportunities for our members; rapid growth brings the challenge of acquiring skilled resources and deploying them effectively in delivering projects, in addition to the funding pressures that would typically accompany such growth; and reducing revenue would, if expected to continue, require a reduction in headcount. For the year ended 31 March 2023, revenue was £22,927k (2022: £10,799k).
- Profit before income tax is a key indicator of our ongoing financial resilience. The ability to generate an aggregate profit across our projects is key to our ability to continue to finance our business without recourse to external funding, to invest in the areas that are important to us, and to provide reasonable prosperity for our members. As many of our projects span multiple financial years, the profit reported in any individual year can be distorted by a range of factors, however recurrent annual losses of significant scale would be a cause of concern needing to be addressed. For the year ended 31 March 2023, profit before income tax was £4,813k (2022: loss before income tax £10,261k).

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

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

Section 172(1) statement

The Board considers collectively and individually that they have made decisions during the financial year to 31 March 2023 that 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 Section 172(1) (a) to (f) of the Companies Act 2006 (“S.172(1)”).

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

Stakeholder engagement

The directors recognise that to progress the strategy and achieve long-term sustainable success, they must consider the stakeholders impacted by their decisions and satisfy themselves that those decisions uphold our purpose and values. The Board sets the framework within which day-to-day operational management, including employee and stakeholder engagement, is carried out either by the Board itself or by management teams on its behalf.

How does it work in practice?

- Establishing the purpose, values, strategy, and culture – The Board is responsible for deciding our strategy and for overseeing its implementation. The Board recognises that a positive culture comes from the very top and the Board is responsible for ensuring that our purpose and values are adhered to and lived by the members.
- Decision making – The composition of the Board is a mix of directors with an extensive Arup background, and a diverse set of skills, knowledge, experience, and competence, that are collectively key in the Board’s decision making. The Board provides rigorous evaluation and challenge as part of its decision-making processes to enable the decisions taken to be ones that promote long-term sustainable success.
- Board reporting – To enable informed decision making, the Board receives extensive reports from various business areas which by their nature provide details on the likely long-term impact of a decision and how stakeholders have been considered in relation to the matter presented.
- Monitoring and oversight – The reports to the Board contain regular updates on key decisions and the actions in respect of them. The Board also receive verbal updates on key matters.

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

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

Execution and principal decisions

The Board, via a Delegated Authority Policy, delegates the day-to-day authority to a management team who has overall responsibility for business operations and performance, the delivery of annual business plans, the success and well-being of our members, delivering value to clients and a high quality of service. 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.

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

On behalf of the Board



Paul Dunne

Director

31 October 2023

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

Directors' report

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

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

Principal activities

The Company practices in the field of design and consulting engineering services, in architecture and in other related professional skills principally in the Middle East.

Branches

The Company has registered branches in Abu Dhabi, Dubai and Oman.

General information

The Company is a private limited company registered in England and Wales under company number 1225561 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 Company will continue to operate in similar markets. To ensure that the Company is positioned for long-term success, the Board takes into account a broad range of factors including: the level of committed work and future work prospects; Arup Group's reputation and our ability to attract good quality projects and clients; the diversification of the business by service, business sector and geography; actual and projected cashflow and the sufficiency of access to financial resources; and Arup Group's ability to attract highly talented members.

The business was in a robust financial position at the year end, our future workload looks healthy and a growing range of potential opportunities is encouraging. The recovery in the Company's performance this year is expected to accelerate next year.

Dividends

Any dividends paid or declared in the financial year have been disclosed in note 24 to the financial statements.

Directors

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

Dunne, Paul (Appointed 1 April 2022)
Hunt, Geoffrey Nevil
Lovell, Anthony Frederick

Directors' remuneration

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

Directors' indemnities

As permitted by the Company's Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the UK Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force.

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

Independent auditors

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

Financial risk management

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

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

Note 2 in the notes to the financial statements provides further information on accounting for exchange rate differences.

Going concern

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

Carbon emissions

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

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

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

Statement of directors' responsibilities

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

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

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

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

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

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

Stakeholder engagement and S.172(1) statement

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

Directors' confirmations

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

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

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Paul Dunne', written over a faint horizontal line.

Paul Dunne

Director

31 October 2023

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

Independent auditors' report to the members of Arup Gulf Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arup Gulf Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislations, UK employment legislations and Federal Decree-Law No. (33) of 2021 (the New Labor Law), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the UK Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate results and potential management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Gaining an understanding of the legal and regulatory framework applicable to the company and considering the risk of non-compliance by the company;
- Holding discussions with management, covering its consideration of known or suspected instances of non-compliance with laws and regulation that could give rise to a material misstatement;
- Addressing the risk of management override of controls through the testing of journals which met specific risk criteria, and evaluating whether there was evidence of management bias throughout our audit procedures;
- Reviewing critical accounting estimates in regards to the percentage completion and projected outcomes of projects and the recoverability of trade receivable and contract assets;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Understanding and evaluating management's controls designed to prevent and detect irregularities; and
- Reviewing minutes of meetings of those charged with governance.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

Income statement

For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Revenue	4	22,927	10,799
Employee benefit expense	5	(5,991)	(5,734)
Charges from sub-consultants and other direct project expenses		(10,388)	(8,917)
Depreciation and amortisation expense	10, 11 & 12	(213)	(338)
Accommodation		(15)	(76)
Communications and other overheads		(4,689)	(3,022)
Net reversal of impairment losses / (impairment losses) on financial and contract assets		2,953	(3,006)
		<u>(18,343)</u>	<u>(21,093)</u>
Operating profit / (loss)	7	4,584	(10,294)
Finance income	8	781	209
Finance costs	8	(552)	(176)
Profit / (loss) before income tax		<u>4,813</u>	<u>(10,261)</u>
Income tax (charge) / credit	9	(1,211)	1,006
Profit / (loss) for the financial year		<u>3,602</u>	<u>(9,255)</u>

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

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

Statement of comprehensive income

For the year ended 31 March 2023

	2023	2022
	£'000	£'000
Profit / (loss) for the financial year	3,602	(9,255)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	(77)	(77)
	<u>(77)</u>	<u>(77)</u>
Items that may be reclassified subsequently to profit or loss		
Currency translation gains	2,069	1,504
	<u>2,069</u>	<u>1,504</u>
Other comprehensive income for the year, net of tax	1,992	1,427
Total comprehensive income / (expense) for the year	<u>5,594</u>	<u>(7,828)</u>

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

Balance sheet

As at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Assets			
Non-current assets			
Intangible assets	10	-	-
Property, plant and equipment	11	143	38
Right-of-use assets	12	214	53
Deferred income tax assets	18	400	1,539
		<u>757</u>	<u>1,630</u>
Current assets			
Contract assets	13	785	34
Trade and other receivables	14	7,702	6,397
Cash and cash equivalents	15	10,468	5,351
		<u>18,955</u>	<u>11,782</u>
Total assets		<u><u>19,712</u></u>	<u><u>13,412</u></u>
Liabilities			
Current liabilities			
Trade and other payables	16	5,123	3,329
Contract liabilities	13	11,113	12,675
Current income tax liabilities		398	265
Lease liabilities	12	100	46
Provisions for other liabilities and charges	17	0	45
		<u>16,734</u>	<u>16,360</u>

Balance sheet as at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Non-current liabilities			
Lease liabilities	12	107	-
Deferred income tax liabilities	18	47	54
Post-employment benefit liabilities	19	1,115	883
		<u>1,269</u>	<u>937</u>
Total liabilities		<u>18,003</u>	<u>17,297</u>
Net assets / (liabilities)		<u>1,709</u>	<u>(3,885)</u>
Equity			
Share capital	20	3,500	3,500
Retained deficit		(1,791)	(7,385)
Total equity		<u>1,709</u>	<u>(3,885)</u>

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

The financial statements on pages 10 to 35 were approved and authorised for issue by the Board of directors and signed on its behalf by:



Paul Dunne

Director

31 October 2023

Statement of changes in equity

For the year ended 31 March 2023

	Share capital	Retained profit/ (deficit)	Total equity
	£'000	£'000	£'000
Balance as at 1 April 2021	3,500	443	3,943
Loss for the financial year	-	(9,255)	(9,255)
Remeasurement of post-employment obligations	-	(88)	(88)
Remeasurement of post-employment obligations - tax	-	11	11
Currency translation gains	-	1,504	1,504
Other comprehensive income for the year	-	1,427	1,427
Total comprehensive expense for the year	-	(7,828)	(7,828)
Balance as at 31 March 2022	3,500	(7,385)	(3,885)
Profit for the financial year	-	3,602	3,602
Remeasurement of post-employment obligations	-	(103)	(103)
Remeasurement of post-employment obligations - tax	-	26	26
Currency translation gains	-	2,069	2,069
Other comprehensive income for the year	-	1,992	1,992
Total comprehensive income for the year	-	5,594	5,594
Balance as at 31 March 2023	3,500	(1,791)	1,709

Notes to the financial statements

For the year ended 31 March 2023

1 Incorporation

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

2 Significant accounting policies

2.1 Basis of preparation

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

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Arup Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the preparation of the financial statements are disclosed in note 3.

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

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

2.2 Going concern

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

2.3 Changes in accounting policies and disclosures

New standards, amendments and interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2023 that have a material impact on the Company.

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

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods ending 31 March 2023 and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

2.4 Accounting policies

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

Foreign currency translation

Functional and presentation currency

The Company's functional currency is United Arab Emirates dirham. The financial statements are presented in pound sterling (£), which is the Company's presentation currency.

Transactions and balances

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

Impairment of non-financial assets

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

Financial assets

Classification

The Company classifies its financial assets in the following categories:

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

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

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

Recognition and derecognition

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

Measurement

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

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

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

Offsetting financial instruments

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

Impairment of financial assets**Assets carried at amortised cost**

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

Revenue

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

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

Employee benefits**Global profit-share scheme**

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

Pension obligations

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

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

The defined benefit obligation is calculated annually by independent actuaries using the Projects Unit Credit method (see note 19).

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

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

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

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

Income tax charge

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

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

Property, plant and equipment

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

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

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

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

Contract assets and liabilities

Contract assets

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

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

Pre-contract costs

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

Contract liabilities

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

Trade receivables

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

Cash and cash equivalents

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

Trade and other payables

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

Provisions for other liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The Company is required to perform dilapidation repairs on leased properties prior to the properties being vacated at the end of their lease term. Provision for such costs is made where a legal obligation is identified and the liability can be reasonably quantified.

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

Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Extension and termination options

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

(iii) Variable lease payments

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

Deferred income tax

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

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

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

3 Critical accounting estimates and judgements

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

Contract accounting (estimates and judgements)

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

- Percentage completion: usually calculated by taking 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 Company engages with another joint operator to provide a service to a client, there are additional risks regarding work outside of the Company's direct control. Project teams use their judgement, to estimate their share of any pain and include this in their cost to complete forecasts. Gain share is only recognised in forecast income once it is virtually certain.

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

Projects may contain contingencies in their accounting estimates. These contingencies are for potential additional costs that may be required to complete the project. Such costs are only included when they are deemed more likely than not. Management have reviewed ongoing projects as at 31 March 2023 and are satisfied that it is reasonable to include these contingencies. Based on the information available as at 31 March 2023, management does not consider there to be any significant risks of material change to the estimates that feed into contract accounting within the next financial year.

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

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

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

The Company makes an estimate of the recoverable value of trade receivables and contract assets. When assessing impairment, management considers factors including the credit rating of the receivables, the ageing profile of receivables and historical experience. The Company applies the simplified approach for IFRS 9 when measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See notes 13 and 14 for the net carrying amounts of contract assets and trade receivables and their associated impairment provisions.

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

Defined benefit pension schemes (estimates and judgements)

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

An estimate of the sensitivity to changes in key assumptions is disclosed in note 19.

Lease accounting (judgements)

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

4 Revenue

The total revenue recognised in the year that was included in contract liabilities at the beginning of the year was £10,349k (2022: £3,867k - restated). The comparative figure for the year ended 31 March 2022 have been adjusted to make it consistent with the methodology used for the year ended 31 March 2023 calculation.

The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £13,951k (2022: £12,757k).

	2023	2022
	£'000	£'000
Revenue by destination		
Middle East & Africa	19,732	8,141
United Kingdom	2,685	1,978
Europe	261	186
Australasia	225	233
Americas	14	198
Asia	10	63
	<u>22,927</u>	<u>10,799</u>

5 Employee benefit expense

	2023	2022
	£'000	£'000
Wages and salaries	4,902	4,698
Global profit-share scheme	546	653
Social security costs	14	4
Pension contributions	44	59
Headcount reduction costs	1	8
Post-employment benefit costs	131	127
Other staff costs	353	185
	<u>5,991</u>	<u>5,734</u>
Average monthly number of people employed	Number	Number
Engineering and technical staff	37	40
Administrative staff	7	10
	<u>44</u>	<u>50</u>

6 Directors' remuneration

The directors' remunerations were as follows:

	2023	2022
	£'000	£'000
Aggregate remuneration	304	200
Aggregate contributions paid to defined contribution schemes	-	20
	<u>-</u>	<u>20</u>
Number of directors accruing pension benefits under:	Number	Number
Defined benefit schemes	-	1
	<u>-</u>	<u>1</u>
Highest paid director:	£'000	£'000
Remuneration excluding contributions paid to pension schemes	304	200
Contributions paid to defined contribution schemes	-	20
Accrued annual pension from defined benefit scheme as at 31 March	-	6
	<u>304</u>	<u>226</u>

7 Operating profit / (loss)

	2023	2022
	£'000	£'000
This is stated after charging / (crediting):		
During the year, the Company obtained the following services from the Company's auditors:		
– Audit of Company financial statements	102	39
Loss on disposal of property, plant and equipment	-	1
Loss / (gain) on exchange from trading activities (included in "Communications and other overheads")	2,152	(286)
Impairment of trade receivables	-	15
Amortisation of intangible assets	-	0
Depreciation of property, plant and equipment	52	33
Depreciation of right-of-use assets	161	305
Global and / or regional support costs	1,941	1,322
	<u> </u>	<u> </u>

8 Net finance income

	2023	2022
	£'000	£'000
Interest expense on borrowings	(0)	(0)
Lease liabilities	(10)	(8)
Interest expense - Arup Group undertakings	(510)	(149)
Net finance costs on net post-employment benefit liabilities	(32)	(19)
Total finance costs	<u>(552)</u>	<u>(176)</u>
Interest receivable on short-term bank deposits	178	0
Interest receivable - Arup Group undertakings	603	209
Total finance income	<u>781</u>	<u>209</u>
Net finance income	<u>229</u>	<u>33</u>

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

9 Income tax (charge) / credit

(a) Analysis of total income tax charge / (credit)

	2023	2022
	£'000	£'000
Current income tax		
– UK: current income tax on profits for the year	54	53
– UK: adjustment in respect of prior years	(215)	17
– Non-UK: current income tax on profits for the year	194	118
Total current income tax	<u>33</u>	<u>188</u>
Deferred income tax (note 18)		
– Origination and reversal of temporary differences	10	(846)
– Effect of changes in tax rates	-	(369)
– Under provision of deferred income tax in respect of prior years	1,168	21
Total deferred income tax	<u>1,178</u>	<u>(1,194)</u>
Total income tax charge / (credit)	<u>1,211</u>	<u>(1,006)</u>

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

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

The differences are explained below:

	2023	2022
	£'000	£'000
Profit / (loss) before income tax	<u>4,813</u>	<u>(10,261)</u>
Profit / (loss) before income tax multiplied by the standard rate of corporation tax in the UK	914	(1,950)
Effects of:		
Group relief	(848)	1,103
Income not subject to tax	(17)	-
Expenses not deductible for tax purposes	4	7
Impact of non-UK tax	202	165
Remeasurement of deferred income tax - change in tax rates	2	(369)
Adjustment in respect of prior years	954	38
Total income tax charge / (credit)	<u>1,211</u>	<u>(1,006)</u>

(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.

Disclosure in respect of non-recognition of deferred tax asset amounting to £1,165k on the unused tax losses of £4,659k has not been presented in the financial statement.

10 Intangible assets

	Computer software £'000
Cost	
Balance at 1 April 2022	31
Disposals	(34)
Adjustment for exchange differences	3
Balance at 31 March 2023	<u>-</u>
Accumulated amortisation	
Balance at 1 April 2022	31
Disposals	(34)
Adjustment for exchange differences	3
Balance at 31 March 2023	<u>-</u>
Net book value at 31 March 2023	<u>-</u>
Net book value at 31 March 2022	-

11 Property, plant and equipment

	Furniture, fittings & IT hardware £'000
Cost	
Balance at 1 April 2022	2,027
Additions	159
Disposals	(1,937)
Adjustment for exchange differences	173
Balance at 31 March 2023	<u>422</u>
Accumulated Depreciation	
Balance at 1 April 2022	1,989
Charge for the year	52
Disposals	(1,937)
Adjustment for exchange differences	175
Balance at 31 March 2023	<u>279</u>
Net book value at 31 March 2023	<u>143</u>
Net book value at 31 March 2022	38

12 Leases

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

(i) Amounts recognised in the balance sheet

	2023	2022
	£'000	£'000
Right-of-use assets		
Buildings	214	53
	<u>214</u>	<u>53</u>
Lease liabilities		
Current	100	46
Non-current	107	-
	<u>207</u>	<u>46</u>

Additions to the right-of-use assets during the financial year to 31 March 2023 was £323k (2022: nil).

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2023	2022
	£'000	£'000
Depreciation charge of right-of-use assets		
Buildings	161	305
	<u>161</u>	<u>305</u>
Interest expense (included in finance costs)	10	8
Expense relating to short-term leases (included in communications and other overheads)	14	-
	<u>24</u>	<u>8</u>

The total cash outflow for leases in the year ended 31 March 2023 was £150k (2022: £282k).

13 Contract assets and liabilities

Contract assets	2023	2022
	£'000	£'000
Contract assets	906	146
Loss allowance	(121)	(112)
	<u>785</u>	<u>34</u>
Contract liabilities	2023	2022
	£'000	£'000
Contract liabilities	<u>11,113</u>	<u>12,675</u>

14 Trade and other receivables

	2023	2022
	£'000	£'000
Trade receivables - net	4,634	3,586
Amounts due from Arup Group undertakings	1,846	2,111
UK corporation tax receivable	208	48
Other receivables	931	533
Prepayments and accrued income	83	119
	<u>7,702</u>	<u>6,397</u>

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

Trade receivables	2023	2022
	£'000	£'000
Trade receivables	5,034	6,892
Loss allowance	(400)	(3,306)
	<u>4,634</u>	<u>3,586</u>

Amounts due from Arup Group undertakings

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

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

15 Cash and cash equivalents

	2023	2022
	£'000	£'000
Cash at bank and in hand	10,468	5,351
	<u>10,468</u>	<u>5,351</u>

16 Trade and other payables

	2023	2022
	£'000	£'000
Trade payables	1,132	2,485
Amounts owed to Arup Group undertakings	1,636	162
Accrued expenses	2,234	564
Other payables	121	118
	<u>5,123</u>	<u>3,329</u>

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

Amounts owed to Arup Group undertakings

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

17 Provisions for other liabilities and charges

2023	Onerous contract
	£'000
Current	0
	<u>0</u>

Reconciliation of movement

Balance as at 1 April	45
Provisions charged to the income statement	0
Provisions released to the income statement	(45)
Adjustment for exchange differences	0
Balance as at 31 March	<u>0</u>

2022	Onerous contract £'000
Current	45
	<u>45</u>
Reconciliation of movement	
Balance as at 1 April	-
Provisions charged to the income statement	45
Balance as at 31 March	<u>45</u>

18 Deferred income tax

The offset amounts are as follows:

	2023 £'000	2022 £'000
Deferred income tax assets		
– deferred income tax assets to be recovered after more than 12 months	400	374
– deferred income tax assets to be recovered within 12 months	-	1,165
	<u>400</u>	<u>1,539</u>
Deferred income tax liabilities		
– deferred income tax liabilities to be recovered after more than 12 months	(38)	(45)
– deferred income tax liabilities to be recovered within 12 months	(9)	(9)
	<u>(47)</u>	<u>(54)</u>
Deferred income tax assets - net	<u>353</u>	<u>1,485</u>

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

	2023 £'000	2022 £'000
Balance at the beginning of the financial year	1,485	268
Over / (under) provision of deferred income tax in respect of prior years	(1,168)	(21)
Deferred income tax credited to the income statement	(10)	1,215
Deferred income tax credit relating to components of other comprehensive income	26	11
Adjustment for exchange differences	20	12
Balance at the end of the financial year	<u>353</u>	<u>1,485</u>

Deferred income tax liabilities	Impact of change in accounting standards	Total
	£'000	£'000
At 1 April 2021	45	45
Charged to the income statement	6	6
Adjustment for exchange differences	3	3
At 31 March 2022	<u>54</u>	<u>53</u>
Charged / (credited) to the income statement	(10)	(10)
Charged / (credited) to other comprehensive income	-	-
Adjustment for exchange differences	3	3
At 31 March 2023	<u>47</u>	<u>47</u>

Deferred income tax assets	Unutilised tax depreciation	Retirement benefit obligations	Provisions	Tax losses	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2021	141	153	19	-	313
Credited / (charged) to the income statement	9	47	(22)	1,165	1,199
Credited to other comprehensive income	-	11	-	-	11
Adjustment for exchange differences	7	9	0	-	16
At 31 March 2022	<u>157</u>	<u>220</u>	<u>(3)</u>	<u>1,165</u>	<u>1,539</u>
(Charged) / credited to the income statement	(54)	19	11	(1,165)	(1,189)
Credited to other comprehensive income	-	26	-	-	26
Adjustment for exchange differences	11	13	(0)	-	24
At 31 March 2023	<u>114</u>	<u>278</u>	<u>8</u>	<u>-</u>	<u>400</u>

19 Post-employment benefit liabilities

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

	2023	2022
	£'000	£'000
Balance sheet obligation for:		
– Defined post-employment benefits	(1,115)	(883)
Liability in the balance sheet	<u>(1,115)</u>	<u>(883)</u>
Income statement charge for:		
– Defined post-employment benefits	209	186
Remeasurement losses for:		
– Defined post-employment benefits	(103)	(88)

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

19.1 Unfunded scheme

The Company provides an 'End of Service Benefit' allowance to employees. Provision is made in accordance with the advice of independent qualified actuaries. The most recent valuation was at 31 March 2023 using the projected unit credit method. The most significant assumptions made by the actuary in carrying out this valuation were that the discount rate would be 4.9% (2022: 3.5%) per annum and that salary inflation would be 3.2% (2022: 2.1%) per annum. There was a benefit payment for the year to 31 March 2023 of £131k (2022: £233k).

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

	2023	2022
	£'000	£'000
Present value of unfunded obligations	(1,115)	(883)
Total deficit of defined benefit post-employment plans	<u>(1,115)</u>	<u>(883)</u>
Liability in the balance sheet	<u>(1,115)</u>	<u>(883)</u>

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

	Present value of obligation £'000
At 1 April 2021	(805)
Current service cost	(144)
Past service cost (incl. curtailments)	(23)
Interest expense	(19)
	<u>(991)</u>
Remeasurements:	
– Gain from change in financial assumptions	56
– Experience losses	(144)
	<u>(88)</u>
Adjustment for exchange differences	(37)
Payments from plans:	
– Benefit payments	233
At 31 March 2022	<u>(883)</u>
Current service cost	(177)
Interest expense	(32)
	<u>(1,092)</u>
Remeasurements:	
– Loss from change in demographic assumptions	(7)
– Gain from change in financial assumptions	11
– Experience losses	(107)
	<u>(103)</u>
Adjustment for exchange differences	(51)
Payments from plans:	
– Benefit payments	131
At 31 March 2023	<u>(1,115)</u>

19.2 Significant assumptions

The significant actuarial assumptions were as follows:

	2023	2022
Discount rate	4.90%	3.50%
Salary growth rate	3.20%	2.10%
Demographic assumptions (combining mortality, withdrawal and retirement)	20.20%	11.70%

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

2023	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	50 basis points	(1.60%)	1.67%
Salary growth rate	50 basis points	1.69%	(1.64%)
Demographic assumptions	500 basis points	0.18%	(0.49%)

2022	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	50 basis points	(3.12%)	3.30%
Salary growth rate	50 basis points	3.33%	(3.18%)
Demographic assumptions	500 basis points	(5.44%)	4.40%

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 post-employment benefit liability recognised within the balance sheet.

Membership data

	2023	2022
	Number	Number
Members of defined benefit scheme	45	47

20 Share capital

	2023	2022
	£'000	£'000
Issued, called up and fully paid:		
3,500,000 (2022: 3,500,000) ordinary shares of £1 each	3,500	3,500
	<u>3,500</u>	<u>3,500</u>

21 Contingent liabilities

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

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

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

22 Related parties

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

	2023	2022
	£'000	£'000
Transactions with other related parties		
Sales of services	59	76
Purchases of services	(2)	(166)
Outstanding balances arising from sales / purchases of services		
Net receivable	-	33

23 Controlling party

The immediate parent undertaking of Arup Gulf 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. 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 smallest group to consolidate these financial statements. 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.

24 Dividends

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

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