ARUP

Ove Arup & Partners Hong Kong Limited

Financial Statements and Reports

For the year ended 31 March 2024

Registration number: 1359968

Contents

Strategic report

The directors present their annual strategic report for Ove Arup & Partners Hong Kong Limited (the "Company") for the year ended 31 March 2024 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 2024. The results show a loss for the financial year of £13,117k (2023: a profit of £414k). The net assets as at 31 March 2024 are £16,212k (2023: £29,932k). Included in the loss for the year was a loss from an exceptional item of £24,292k, which is related to the fraud incident detailed in note 8. For the year ended 31 March 2023, exceptional items relating to an income from a government grant and an impairment loss on amounts due from Arup Group undertakings of £5,422k were included in profit.

Outside of the exceptional items, the performance and development of the Company is in line with the expectations of the directors. The financial results were unduly and unexpectedly impacted by a fraud incident that had a direct result in the financial year loss position. We continue to adapt to the changing business climate notwithstanding an operating environment influenced by slower global economic growth. Our business benefited from opportunities for growth in renewable energy, water, technology, building retrofit, and transport, despite a macroeconomic environment characterised by elevated interest rates, curbs on government spending, and geopolitical instability.

Converting opportunities to contracted project work has continued to be slow in some parts of our business, and we have made organisational adjustments to enhance operational efficiency, including aligning our headcount growth accordingly. However, we have continued to successfully invest in those parts of the business which align with our strategy and our opportunity pipeline remains strong. Both the size of the operation and the business have remained broadly stable during the year, the confirmed work for the Company at the end of the year is consistent with the size and the diversity of the Company.

Risk management and key performance indicators

As with any business, the Company faces risks and uncertainties in the course of operation. It is by way of timely identification, effective management and monitoring of these risks that we are able to deliver our strategy and strategic goals. The Arup Group Board is ultimately responsible for the oversight of risk across the Arup Group and that a robust risk management is maintained. Our risk framework includes the identification of risks and, where appropriate, controls to manage and mitigate risks. The risk framework enables the Arup Group Board to provide reasonable, and not absolute, assurance against material misstatement or loss. Regional Risk Committees are established in each of our key operating regions and consist of senior executive and business leaders who meet regularly to discuss and evaluate risks specific to their respective regions. By having localised committees, we can better understand region-specific risks and tailor our risk management strategies accordingly. Regional Risk Committees report to a risk co-ordination group whose function is to co-ordinate mitigation and management activities, identify themes and consolidate regional reports and risk registers for onward reporting to the Group Risk Committee.

Statutory directors of the Company are either members of the management bodies, such as the Arup Group Board, the Operations Executive, the Region Boards, the Regional Risk Committee, or have direct connections to these bodies. The statutory directors are fully informed of the risk management strategies and activities by way of their roles, as risk management reports and management activities are communicated throughout the Arup Group via these governing bodies.

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 were monitored at Arup Group level:

- Revenue is a key indicator linked to the number of people that we employ (our "members") or engage as consultants, although quality of work is more important than market share or revenue growth. As a professional services firm, the ability to secure earnings in proportion to the number of members – whether through its own contracts or as subconsultant to other Arup Group companies in support of their contracts – is key to the Company's ongoing commercial success. Moderate growth in revenue provides development opportunities for our members; rapid growth brings the challenge of acquiring skilled resources and deploying them effectively in delivering projects, in addition to the funding pressures that would typically accompany such growth; and reducing revenue would, if expected to continue, may require a reduction in headcount. For the year ended 31 March 2024, revenue was £293,940k (2023: £292,430k).
- 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 2024, the loss before income tax was £15,478k (2023: profit before income tax of £764k). Included in the loss before income tax for the year was a loss from exceptional item of £24,292k, which is related to a payment for the fraud incident.

In the reporting period, we have continued to monitor the emerging risks, including the global economic outlook and the impact on growth, increasing technological disruption, climate related risks, and increased regulatory requirements. These themes are often interrelated, and an overall consequence is instability of markets. For Arup Group, this manifests most readily in uncertainty of opportunities and the likely volume of secured work and potential impact to on-going projects. An outcome of our increased attention on risk is the modification of the Arup Group Risk Management Framework to align with operational and management structures and ensure we are arranged to optimise our risk management approach, continue to mitigate and manage risks through effective internal controls, and remain agile to shifting dynamics.

Section 172(1) statement

The Board considers collectively and individually that they have made decisions during the financial year ending 31 March 2024 that would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole, having regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006 ("S.172(1)").

Statutory directors of the Company have been appointed due to their roles 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 assures the statutory directors in their responsibilities to perform their duties as directors in accordance with S.172(1).

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

How does it work in practice?

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

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

Execution and principal decisions

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

During the financial year ended 31 March 2024, the Board made several principal decisions (as detailed below), demonstrating their commitment to promoting the long-term success of the Company and taking into account the interests of its stakeholders.

- The Board has conducted a review on the pension service providers in Hong Kong and approved a new pension service provider, Manulife, alongside the existing provider, HSBC, to offer our members in Hong Kong a greater flexibility and choice in managing their pension balances and future contributions. Both Manulife and HSBC are trusted financial institutions with good financial strength and reliability. They offer a diverse range of pension products, ensuring our members have access to comprehensive solutions to meet their retirement planning needs.

- For the financial wellbeing of our members, the Board approved the setup of a company provident fund with Luen Fung Hang Life Limited for our members in Macau. The Company aims to offer our members high-quality retirement planning options and ensuring our members have access to the best possible resources for their future. Offering a pension plan can strengthen the Company's ability to attract and retain talent.

- The Board made a decision to approve an Intragroup Data Transfer Agreement, demonstrating the directors' commitment to compliance, data protection, and operational efficiency. It ensures that the Company adheres to EU and UK data protection laws, safeguards personal data, and maintains seamless global operations. This proactive approach builds trust with clients and showcases the Company's adaptability to regulatory changes.

- The directors reaffirmed the Delegated Authority Policy, ensuring effective handling of matters and reinforcing the existing framework. By endorsing this policy, the Board promotes streamlined decision-making, agility, and responsiveness while maintaining accountability and oversight. This approach benefits stakeholders by ensuring that decisions are made efficiently and transparently, which is crucial for maintaining trust and confidence. Our members benefit from a clear and accountable management structure, which supports a stable and supportive work environment.

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

Employee and other stakeholder engagement

The Board sets the framework within which day-to-day operational management, including employee and stakeholder engagement, is carried out either by the Board itself or by management teams on its behalf. Regular engagement with our stakeholders, listening to them and taking on board any feedback, is key to achieving the long-term success and sustainability of the Arup Group.

Members

Everyone employed by Arup Group is a member. We are a people business, and our current and former members are the primary beneficiaries of the trusts that are shareholders of Arup Group Limited.

Arup Group Board and the Board engagement – The Arup Group Board and the Board engage with the members, directly or indirectly, in a number of different ways, including: reviewing and assessing the regular 'Working at Arup' survey; an annual meeting as well as regular online sessions with the most senior management; Board visits to Arup offices and project sites; regular internal performance reporting; initiative-specific consultation and co-creation; and regular membership events (including 'All Members' calls). Our intranet also provides necessary and useful information, including global, regional and community news. The directors of the Company are a direct part of the engagement by way of their roles in the Arup Group. In addition, management reporting to the Company's Board meetings contains relevant member updates, projects and contracts. This reporting enables the Board to perform their duties as directors.

Collecting members' views and suggestions is a useful and important tool to help the Arup Group in formulating future strategy and priorities. During the year, the Company has been conducting a "One-Year Anniversary Survey" with members who joined the firm for one year to understand their positions and needs, and how the Company can better support new members. Areas of strength were noted as team, leader and culture, with the main area for improvement in the growth and development space. The survey will continue to be held as new members reach their one-year anniversary with the results and areas for action reported to the Board.

During the year, the Board made a principal decision to review the pension benefits provided to our members, which resulted in appointing new pension service providers in Hong Kong and Macau. How the directors considered the members when making the decision is described in the 'Section 172(1) statement' in this report.

Priorities for 2024/2025 – Expanding our focus on Global skills networks. Continued work on the three-year Health, Safety and Wellbeing plan that was introduced in April 2024. Ensuring members wellbeing and the retention of members.

Link to strategy – As a purpose-led business we aim for high levels of member engagement that in turn enable better solutions for clients and for the planet. We aim for Arup to be and be seen as a great employer, and for potential members to understand what we offer should they choose to develop their career here. Ensuring that those expectations are matched by the reality of experience that is provided helps us to retain the talent that we have invested in.

Clients

The clients who contract for services from within Arup Group are integral to who we are as a firm, providing both the income that sustains us and the opportunities to use our skills to deliver solutions. We work with our clients to deliver high quality work and build long-term trusted relationships across all our markets.

Each of our members is responsible for creating and strengthening the relationships with our clients. Building relationships goes beyond the project work we are doing with clients at any one time and calls for us to understand their business, anticipate their needs, and offer solutions they value.

Arup Group Board and the Board engagement – The Arup Group Board and the Board sponsor client relationships and act as a member and convener in partnerships and leading market organisations - for example, World Economic Forum. The Board provides direction and oversight of Arup Managed Clients, a programme designed to shape our sustained investment in driving higher value relationships and becoming our clients' consultant of choice. The programme's objectives are to deliver exceptional client experiences, to develop a client-first mindset, and to be curious, generous and open in conversation with our clients and each other as One Arup. This allows us to shape opportunities to suit our strengths, deliver value for our clients, and realise more sustainable outcomes.

The directors of the Company are a direct part of the engagement by way of their roles in the Arup Group. In addition, management reporting to the Company's Board meetings contains relevant information on projects and contracts. This reporting enables the Board to perform their duties as directors.

The Company hosted events and forums to share insight and knowledge with clients and potential clients. During the year, the Company held a pre-COP28 'Race to Transition' Asia event series which delved into sustainability topics including climate change, sustainable development and circular economy.

The Company has designated a client relationship team to build a long-term relationship with the client organisations that increases our influence and the breadth and depth of services we provide. During the year, the client relationship managers have carried out questionnaires with our key clients to understand their industry, business and strategic priorities. This enables and encourages development of relationships across, and positively influences the clients to achieve sustainable development outcomes.

Priorities for 2024/2025 – This year, our Portfolio Leaders and Region Chairs have assumed a stronger role in shaping the direction of the programme to focus our investment in clients that match Arup's purpose and strategy, emphasising growth in the markets in which we can have the greatest impact with our clients. This means ensuring we are working with clients that will work with us to shape a better world. We aim to understand how we should connect with clients to deliver shared value, ensure we have a client mix that can sustain our business growth and ability to influence in key markets, work to clear client engagement plans that accelerate the achievement of sustainable development commitments and deliver better business and community outcomes, and bring teams to our clients that can deliver on the full potential of our collaboration.

Link to strategy – Each of our client relationships is informed by and linked to the Arup Group strategy through our integrated and annual business planning processes. The Arup Managed Client Programme is a key enabler for our strategy and purpose, as a client centric approach will increase both the value we bring to our clients and our ability to deliver better and more sustainable outcomes for them and for society.

Collaborators and suppliers

We have many close direct relationships including joint ventures partners, contractors, consultants, and industry organisations etc.

Arup Group Board and the Board engagement – The Board has various engagement mechanisms including holding key positions in industry organisations e.g., the Hong Kong Institution of Engineers; attendance at industry events; sub-consultants and supplier engagement on sustainable development approaches; engagement on compliance with Modern Slavery and Human Trafficking legislation. The directors of the Company are a direct part of the engagement by way of their roles in the Arup Group. In addition, management reporting to the Company's Board meetings contains relevant information on projects and contracts. This reporting enables the Board to perform their duties as directors.

To foster innovation and sustain a strong talent pipeline, the Company collaborates with various universities and institutions such as the Hong Kong Polytechnic University, the University of Hong Kong and the Hong Kong University of Science and Technology. These partnerships involve joint courses, research projects and events aimed at bridging the gap between academia and industry. This year, the Company organised an annual Asian Knowledge and Innovation Forum with the Hong Kong Polytechnic University which provided a unique platform for sharing knowledge, expertise and innovative strategies.

The Company has subscribed to the Construction Industry Integrity Charter 2.0 with a commitment to good governance and integrity in the business process. The Company believes that the subscription demonstrates the Company's commitment to ethical dealings and business integrity, and it can further promote and strengthen the integrity management culture in the construction industry in Hong Kong.

Priorities for 2024/2025 – To work with suppliers and collaborators to ensure a continued focus on sustainable development and climate.

Link to strategy – To deliver excellence and achieve our strategy, we need to supplement our own capacity with the expertise of others who share our values.

Community and society

As part of our vision to shape a better world, Arup Group engages with many parts of society: those impacted or influenced by our work including end users and communities local to our projects, charities, future members, and those who we can engage with to extend our influence.

Arup Group Board has committed to direct a proportion of our annual income to the Global Community Engagement programme, which delivers our charitable contribution to a more inclusive, resilient, and sustainable future for all, in particular underserved communities our commercial work might not reach.

Arup Group Board and the Board engagement – The Arup Group Board and the Board engage through the Arup Group's senior positions and participation in policy setting, government and regulatory forums, and partnerships with influencers and wider societal engagement. The directors of the Company are a direct part of the engagement by way of their roles in the Arup Group.

In collaboration with local NGOs and schools, the Company held diverse STEM and education programmes to nurture and inspire the local youths. This year marks the fourth consecutive years of the “Little City Designer programme” which has upheld the Company’s commitment to social usefulness by nurturing young students in Hong Kong. In this year’s programme, 160 underprivileged students from eight local primary schools were encouraged to explore the challenges within their communities and envision their ideal sustainable living environments.

During the year, the Company joined “Girls Go Tech” organised by the Women’s Foundation and led a workshop “Digital Technology Shaping a Sustainable Future”. This programme empowered underprivileged female secondary students by introducing them to digital technology and engineering career opportunities.

Priorities for 2024/2025 – Continue the commitment to the Global Community Engagement programme to ensure further high impact activities, specifically in relation to: reducing inequities, providing access to sustainable and resilient infrastructure, and affordable, resilient, and safe shelter.

Link to strategy – The Community Engagement Strategy focuses on the most disadvantaged and vulnerable communities. It emphasises the importance of longer-term partnering with charities and NGOs to deliver positive impact at scale and help create a more inclusive and equitable society.

On behalf of the Board

Ka Yue Michael Kwok

Director

10 October 2024

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 2024 which was approved by the Board.

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

Principal activities

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

Branches

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

General information

The Company is a private limited company registered in England and Wales under company number 1359968 at registered address 8 Fitzroy Street, London, W1T 4BJ, United Kingdom. The Company's parent company is Ove Arup International (Holdings) Limited registered in Hong Kong under company number 59083823, and the Company's ultimate parent company is Arup Group Limited registered in England and Wales under company number 1312454.

Future developments

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

We continue to adapt to the changing business climate notwithstanding an operating environment influenced by slower global economic growth. Our business benefited from opportunities for growth in renewable energy, water, technology, building retrofit, and transport, despite a macroeconomic environment characterised by elevated interest rates, curbs on government spending, and geopolitical instability.

Dividends

Any dividends paid or declared in the financial year 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 and Reports were as follows:

Ka Yue Michael Kwok
Yuk Nin Andy Lee (Resigned 24 April 2024)
Jason George Simpson (Appointed 14 July 2024)
Wang Cho Sze (Appointed 1 April 2023, resigned 24 April 2024)
Cheuk Fai Peter Wong

Directors' remuneration

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

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

Directors' indemnities

As permitted by the Company's Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the UK Companies Act 2006.

The indemnity was in force throughout the financial year and is currently in force.

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

Independent auditors

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

Financial risk management

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

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

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

Going concern

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

Governance

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

This is implemented through a series of measures including:

- Delegation of authority is in place for the Company with clear levels of delegated responsibility to a management team, including matters reserved by the Board. The management team make the operational decisions and engage with the key stakeholders on behalf of the Board;
- The management team report back to the Board on a quarterly basis or on a needs basis;
- The Company adheres to Arup Group's eight 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;
- Regular board meetings are held for operating subsidiaries, including the Company;
- Agendas are set between the company secretary and the local leadership to a planned timetable of matters that need to be addressed throughout the financial year;
- Governance and compliance reviews are included at quarterly board meetings of the Company;
- Each subsidiary company within the Arup Group keeps a register of directors' interests which is reviewed and updated at every board meeting. Subsidiary directors often hold cross-directorships within the Arup Group so all subsidiary company articles of association contain express provisions that directors may hold such positions without it being considered a conflict of interest; and

- A mandatory statutory directors' duties training module was introduced during 2021 for all statutory directors of Arup Group including the Company, in addition the module is supplemented by a Company specific induction by the company secretary.

Employees

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

All members and prospective members receive equal treatment regardless of factors including, but not limited to, age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation. The Company is committed to the fair treatment of people with disabilities in relation to applications, training, promotion and career development. If an existing member becomes disabled, the Company makes every effort to enable them to continue their employment and career development, and to arrange appropriate training, wherever practical.

Arup Group's policies, and commitments to our members and prospective members, are detailed in the strategic report of the Arup Group Limited financial statements, which can be found on Arup.com.

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

Environmental, social and governance commitments

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. Arup Group became a signatory of the UN Global Compact in 2010, aligning to the initiative and its ten principles with respect to human rights, labour, environment, and anti-corruption and to take actions that advance societal goals.

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

Stakeholder engagement and S.172(1) statement

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

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.

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

Ka Yue Michael Kwok

Director

10 October 2024

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

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its loss 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 2024; 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, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

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

Other than those disclosed in Note 7 to the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Conclusions relating to going concern

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

- assessing the current and historical financial position of this 100% owned subsidiary within the Arup Group;
- understanding the financial performance of significant ongoing projects, including assessing the risk of those becoming loss making;
- assessing the profitability of a further sample of existing projects;
- assessing the appropriateness of the assurances of financial support for the company and ability of an ultimate parent entity to provide this support to the company;

- assessing the appropriateness of the cash flow forecast in the context of the Group's 2024 financial position and evaluating the directors' downside sensitivities against the forecast;
- evaluating the key assumptions in the forecast and considering whether these were supported by the evidence we obtained;
- examining the headroom under the base case in the cash flow forecast, as well as the directors' and our own sensitised cases, and evaluating whether the directors' conclusion that headroom remained in all events was supported by the evidence we obtained;
- obtaining the Group's covenant calculations and assessments of compliance; and
- reviewing the disclosures relating to the going concern basis of preparation.

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Gaining an understanding of the legal and regulatory framework applicable to the company and considering the risk of non-compliance by the company;
- Holding discussions with management, including the Arup Group legal team, covering its consideration of known or suspected instances of non-compliance with laws and regulation that could give rise to a material misstatement;
- Assessing the results of management's and its experts' investigations into the fraud incident reported in note 8, including whether there was any indication that the incident heightened the risk of management override of control;
- 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 including understanding the design and implementation of new controls implemented during the year post the occurrence of the fraud incident reported in note 8; 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
10 October 2024

Income statement

For the year ended 31 March 2024

	Note	2024	2023
		£'000	£'000
Revenue	4	293,940	292,430
Other income		-	2,539
Employee benefit expense	5	(107,507)	(129,806)
Charges from sub-consultants and other direct project expenses		(131,245)	(110,377)
Depreciation and amortisation expense	11, 12 & 13	(7,890)	(9,454)
Accommodation		(578)	(2,994)
Communications and other overheads		(60,580)	(32,368)
Net reversal of impairment losses / (impairment losses) on financial and contract assets		148	(8,500)
		(307,652)	(293,499)
Operating (loss) / profit	7	(13,712)	1,470
Comprising:			
– Underlying operating profit		10,580	6,892
– Exceptional items	8	(24,292)	(5,422)
		(13,712)	1,470
Finance income	9	329	118
Finance costs	9	(2,095)	(824)
(Loss) / profit before income tax		(15,478)	764
Income tax credit / (charge)	10	2,361	(350)
(Loss) / profit for the financial year		(13,117)	414

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 2024

	2024	2023
	£'000	£'000
(Loss) / profit for the financial year	(13,117)	414
Other comprehensive (expense) / income		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	(198)	30
	(198)	30
Items that may be reclassified subsequently to profit or loss		
Currency translation (losses) / gains	(405)	1,667
Other comprehensive (expense) / income for the year, net of tax	(603)	1,697
Total comprehensive (expense) / income for the year	(13,720)	2,111

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

Registration number 1359968

Balance sheet

As at 31 March 2024

	Note	31 March 2024 £'000	31 March 2023 £'000
Assets			
Non-current assets			
Intangible assets	11	61	107
Property, plant and equipment	12	2,741	3,475
Right-of-use assets	13	3,297	9,007
Investments in subsidiaries	14	-	1,198
Deferred income tax assets	22	4,359	1,605
Other non-current assets	15	187	709
		10,645	16,101
Current assets			
Contract assets	16	48,307	51,750
Trade and other receivables	17	70,297	49,356
Current income tax receivables		5,529	4,762
Cash and cash equivalents	18	24,391	16,796
		148,524	122,664
Total assets		159,169	138,765

	Note	31 March 2024 £'000	31 March 2023 £'000
Liabilities			
Current liabilities			
Trade and other payables	19	80,205	48,455
Contract liabilities	16	44,464	45,641
Current income tax liabilities		472	590
Lease liabilities	13	1,216	6,681
Employment benefit liabilities	20	879	-
Provisions for other liabilities and charges	21	11,783	3,501
		139,019	104,868
Non-current liabilities			
Lease liabilities	13	2,148	2,750
Deferred income tax liabilities	22	72	38
Employment benefit liabilities	20	1,311	-
Provisions for other liabilities and charges	21	407	1,177
		3,938	3,965
Total liabilities		142,957	108,833
Net assets		16,212	29,932
Equity			
Share capital	23	3,200	3,200
Currency reserve		854	-
Retained earnings		12,158	26,732
Total equity		16,212	29,932

The above balance sheet should be read in conjunction with the accompanying notes. The financial statements on pages 14 to 42 were approved by the Board of directors on 8 October 2024 and signed on its behalf by:

Cheuk Fai Peter Wong

Director

10 October 2024

Statement of changes in equity

For the year ended 31 March 2024

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

	Share capital	Currency reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance as at 31 March 2023	3,200	-	26,732	29,932
Reclassification of reserves	-	1,259	(1,259)	-
Balance as at 1 April 2023	3,200	1,259	25,473	29,932
Loss for the financial year	-	-	(13,117)	(13,117)
Remeasurement of post-employment obligations	-	-	(264)	(264)
Remeasurement of post-employment obligations - tax	-	-	66	66
Currency translation differences - losses	-	(405)	-	(405)
Other comprehensive expense for the year	-	(405)	(198)	(603)
Total comprehensive expense for the year	-	(405)	(13,315)	(13,720)
Dividends	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-
Balance as at 31 March 2024	3,200	854	12,158	16,212

During the year ended 31 March 2024, the Company has reclassified historic currency transactions from retained earnings to currency reserve.

Notes to the financial statements

For the year ended 31 March 2024

1. Incorporation

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

2. Significant accounting policies

2.1. Basis of preparation

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

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

For the year ended 31 March 2024, the Company has presented currency reserve and retained earnings as separate items on the balance sheet and the statement of changes in equity. For the year ended 31 March 2023, these items had been presented within retained earnings. As the reclassification was not material, the Company has not restated the comparatives rather it has reclassified the reserves as at 1 April 2024 in the statement of changes in equity.

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

- Paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, 'Business Combinations';
- Paragraph 33(c) of IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations';
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers';
- The requirements of paragraph 52, paragraph 58, the second sentence of paragraph 89 and paragraphs 90, 91 and 93 of IFRS 16, 'Leases';
- Paragraph 38 of International Accounting Standard ("IAS") 1, 'Presentation of Financial Statements' comparative information requirements in respect of:

  - 79(a)(iv) of IAS 1, 'Presentation of Financial Statements' (reconciliation of the number of shares outstanding at the beginning and end of the period);
  - 73(e) of IAS 16, 'Property, Plant and Equipment' (reconciliation of the carrying amount at the beginning and end of the period);
  - 118(e) of IAS 38, 'Intangible Assets' (reconciliation of the carrying amount at the beginning and end of the period); and
  - 76 and 79(d) of IAS 40, 'Investment Property' (reconciliation of the carrying amount at the beginning and end of the period).

- The following paragraphs of IAS 1:

  - 10(d) (statement of cash flows);
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with IFRSs);
  - 38A (requirement for minimum of two primary statements including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).

- IAS 7, 'Statement of cash flows';

- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- IAS 24 (disclosure of related party transactions entered into between two or more members of a group providing that the parties are wholly owned by the group).

2.2. Going concern

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

2.3. Changes in accounting policies and disclosures

New standards, amendments and interpretations

There are no amendments to accounting standards, or IFRS Interpretations Committee ("IFRIC") interpretations that are effective for the year ended 31 March 2024 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 2024 and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

2.4. Consolidation

The Company is a wholly owned subsidiary of Ove Arup International (Holdings) Limited and is included in the consolidated financial statements of Arup Group Limited which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

2.5. Accounting policies

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Impairment of non-financial assets

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

Financial assets

Classification

The Company classifies its financial assets in the following categories:

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

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

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

Recognition and derecognition

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

Measurement

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

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

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

Offsetting financial instruments

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

Impairment of financial assets

Assets carried at amortised cost

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

Revenue

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

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

Employee benefits

Global profit-share scheme

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

Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled within 12 months after the end of the period are measured at nominal value. The liability for annual leave is recognised in accrued expenses within trade and other payables.

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 20).

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 administrated 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.

Service milestones

The Company has a discretionary scheme in place to recognise long service employment milestones. Arup members are entitled to either cash benefit or additional paid leave once they reach the various milestones. The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of the expected future payments to be made in respect of service provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salary levels, experience of employee departures, periods of service and retirement age. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in assumptions are recognised in profit and loss.

Long service payment

Employees that have been employed under the Hong Kong branch of the Company continuously for at least five years are entitled to long service payments in accordance with the Hong Kong Employment Ordinance under certain circumstances. In June 2022, the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, the Company can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment in respect of an employee's service from the Transition Date. In addition, the long service payment in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date. The liability recognised in the balance sheet in respect of long service payment is the present value of the amount of future benefit that employees have earned in return for their service in the current and prior years.

The long service payment liabilities is calculated annually by independent actuaries using the Projects Unit Credit method (see note 20).

The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Company's mandatory contributions to the retirement schemes that have been vested with employees, which are deemed to be contributions from the relevant employees. 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.

Exceptional items

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

Income tax charge

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

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

Property, plant and equipment

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

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

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

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

Intangible assets

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

Investments in subsidiaries

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

Contract assets and liabilities

Contract assets

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

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

Pre-contract costs

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

Contract liabilities

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

Trade receivables

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

Property provision

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.

Legal claims

As a part of the ordinary business activities, claims may arise in relation to work undertaken by the Company. Professional indemnity insurance and / or project insurance policies are ordinarily taken out to substantially cover any claim that may arise from time to time. This is disclosed further in note 3.

Onerous Contract provision

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

Leases

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

The Company leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 year to 8 years, but may have extension options as described in (ii) below.

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

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

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

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

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

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

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.

Short-term leases are leases with a lease term of 12 months or less. The Company 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 Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

(iii) Variable lease payments

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

Deferred income tax

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

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

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

3. Critical accounting estimates and judgements

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

Contract accounting (estimates and judgements)

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

- Percentage completion: usually calculated by taking salary expense incurred as a percentage of forecasted salary expense. Estimation is required in determining the forecasted salary expense;
- Profitability of a project: project teams use their judgement to estimate the costs to complete a project. These include an assessment of the need for additional contingencies to cover potential unknown expenses;
- Modifications: where a modification to a contract occurs, judgement is made on whether the modification is distinct, or intrinsically connected to the original contract. Where it is not distinct, the original project is reforecasted for the additional income and costs to complete; and
- Pain / gain share: where the 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 2024 and are satisfied that it is reasonable to include these contingencies. Based on the information available as at 31 March 2024, 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 16 and 17 for the net carrying amounts of contract assets and trade receivables and their associated impairment provisions.

Due to the nature of the Company, it has significant receivables due from Arup Group undertakings. When assessing impairment, management have considered inter-group agreements and historical experience.

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

Lease accounting (judgements)

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

Legal claims (estimates and judgements)

From time to time the Company receives claims from clients with regards to work performed on projects. Professional indemnity insurance and / or project insurance policies are 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 Company 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 Company.

4. Revenue

The total revenue recognised in the year that was included in contract liabilities at the beginning of the year was £44,221k (2023: £58,155k). The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £242,278k (2023: £244,316k).

	2024	2023
	£'000	£'000
Revenue by destination		
Asia	287,358	285,324
United Kingdom	5,747	6,232
Americas	398	390
Australasia	203	309
Middle East & Africa	178	22
Europe	56	153
	293,940	292,430

5. Employee benefit expense

	2024	2023
	£'000	£'000
Wages and salaries	94,548	104,399
Global profit-share scheme	2,108	13,517
Social security costs	1,294	1,459
Pension contributions	4,485	4,988
Headcount reduction costs	258	-
Other staff costs	4,814	5,443
	107,507	129,806

Average monthly number of people employed	Number	Number
Engineering and technical staff	1,373	1,482
Administrative staff	192	279
	1,565	1,761

Government site staff

Average monthly number of government site staff employed by the Company during the year is 857 (2023: 731). The terms of employment contracts for these staff are as per the government regulation and fully rechargeable. The total employee benefit expenses including the salaries and other allowances, in respect of government site staff amounting to £74,489k (2023: £65,189k) are included under ‘charges from sub-consultants and other direct project expense’ in the income statement.

6. Directors’ remuneration

The directors’ remunerations were as follows:

	2024	2023
	£'000	£'000
Aggregate remuneration	1,570	4,165
Aggregate contributions paid to defined contribution schemes	166	271

Highest paid director:	£'000	£'000
Remuneration excluding contributions paid to pension schemes	545	827
Contributions paid to defined contribution schemes	61	63
	606	890

7. Operating (loss) / profit

	2024	2023
	£'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	121	123
Fees payable for other services:		
– Other audit related assurance services	2	5
Loss / (gain) on disposal of property, plant and equipment	16	(2)
Loss on disposal of intangible assets	4	-
Loss on exchange from trading activities	95	728
Amortisation of intangible assets	38	68
Depreciation of property, plant and equipment	1,584	1,836
Depreciation of right-of-use assets	6,268	7,550
Global and / or regional support costs	26,921	26,206
Audit fees borne by another Arup Group subsidiary	52	38

8. Exceptional items

	2024	2023
	£'000	£'000
Fraud incident	(24,292)	-
Government grant	-	2,539
Impairment loss on amounts due from Arup Group undertakings	-	(7,961)
	(24,292)	(5,422)

Fraud incident

During the year ending 31 March 2024 an incident of fraud occurred, committed by an external third party which management believe was a social engineering led attack. On discovering it, management reported the incident and the loss to the police and took steps to investigate and respond to the incident. This included engaging third-party experts to perform a detailed independent investigation and reviewing the facts surrounding the incident, the financial control environment and financial records. Following completion of this review, management are satisfied that this was an isolated incident. Management also took steps to confirm the integrity of the Company's systems and they believe these were not compromised, nor was any personal or project information disclosed or accessed.

Government grant

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

Impairment loss on amounts due from Arup Group undertakings

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

9. Net finance costs

	2024	2023
	£'000	£'000
Interest expense on borrowings	(1,030)	(113)
Lease liabilities	(238)	(519)
Interest expense - Arup Group undertakings	(827)	(192)
Net finance costs on net post-employment benefit liabilities	-	(0)
Total finance costs	(2,095)	(824)
Interest receivable on short-term bank deposits	97	22
Interest receivable - Arup Group undertakings	225	96
Net finance income on net post-employment benefit liabilities	7	-
Total finance income	329	118
Net finance costs	(1,766)	(706)

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

10. Income tax credit /(charge)

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

	2024	2023
	£'000	£'000
Current income tax		
– Non-UK: current income tax on profits for the year	284	423
– Non-UK: adjustment in respect of prior years	-	(139)
Total current income tax	284	284
Deferred income tax (note 22)		
– Origination and reversal of temporary differences	(2,967)	66
– Under provision of deferred income tax in respect of prior years	322	-
Total deferred income tax	(2,645)	66
Total income tax (credit) / charge	(2,361)	350

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

The tax assessed for the year is lower (2023: higher) than the amount computed at the standard rate of corporation tax in the UK 25% (2023: 19%).

The differences are explained below:

	2024	2023
	£'000	£'000
(Loss) / profit before income tax	(15,478)	764
(Loss) / profit before income tax multiplied by the standard rate of corporation tax in the UK	(3,870)	145
Effects of:		
Income not subject to tax	(390)	(453)
Expenses not deductible for tax purposes	843	1,783
Impact of non-UK tax	1,032	(250)
Utilisation of tax losses for which no deferred income tax asset was recognised	(298)	(736)
Adjustment in respect of prior years	322	(139)
Total income tax (credit) / charge	(2,361)	350

(c) Factors affecting current and future income tax charges

For the year ending 31 March 2024, a local tax rate of 16.5% for Hong Kong, 12.0% for Macau, 20.0% for Taiwan and 25.0% for Philippines (2023: 16.5% for Hong Kong, 12.0% for Macau, 20.0% for Taiwan and 25.0% for Philippines) have been used to calculate deferred income tax assets and liabilities.

11. Intangible assets

	Computer software	Total
	£'000	£'000
Cost		
Balance at 1 April 2023	2,494	2,494
Disposals	(23)	(23)
Adjustment for exchange differences	(57)	(57)
Balance at 31 March 2024	2,414	2,414
Accumulated amortisation		
Balance at 1 April 2023	2,387	2,387
Amortisation charge for the year	38	38
Disposals	(19)	(19)
Adjustment for exchange differences	(53)	(53)
Balance at 31 March 2024	2,353	2,353
Net book value at 31 March 2024	61	61
Net book value at 31 March 2023	107	107

12. Property, plant and equipment

	Leasehold improvements	Furniture, fittings & IT hardware	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 April 2023	6,295	14,398	221	20,914
Additions	-	1,085	-	1,085
Disposals	-	(907)	(23)	(930)
Adjustment for exchange differences	(147)	(305)	(6)	(458)
Balance at 31 March 2024	6,148	14,271	192	20,611
Accumulated depreciation				
Balance at 1 April 2023	5,334	11,963	142	17,439
Charge for the year	483	1,073	28	1,584
Disposals	-	(760)	(23)	(783)
Adjustment for exchange differences	(119)	(246)	(5)	(370)
Balance at 31 March 2024	5,698	12,030	142	17,870
Net book value at 31 March 2024	450	2,241	50	2,741
Net book value at 31 March 2023	961	2,435	79	3,475

13. Leases

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

(i) Amounts recognised in the balance sheet

	2024	2023
	£'000	£'000
Right-of-use assets		
Buildings	2,834	8,405
Equipment	436	576
Vehicles	19	-
Other	8	26
	3,297	9,007
Lease liabilities		
Current	1,216	6,681
Non-current	2,148	2,750
	3,364	9,431

Additions to the right-of-use assets during the financial year to 31 March 2024 was £715k (2023: £245k). The movement in right of use assets is further impacted by depreciation (disclosed below), adjustments for exchange differences and disposals.

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2024	2023
	£'000	£'000
Depreciation charge of right-of-use assets		
Buildings	6,069	7,345
Equipment	173	179
Vehicles	9	7
Other	17	19
	6,268	7,550
Interest expense (included in finance costs)	238	519
Expense relating to short-term leases (included in communications and other overheads)	242	207

The total cash outflow for leases in the year ended 31 March 2024 was £6,717k (2023: £7,843k).

14. Investments in subsidiaries

The Company owns ordinary shares in the company noted below. The company was wholly owned subsidiary undertakings of the Company at 31 March 2024 and 2023, and its result is consolidated into the Arup Group financial statements.

A listing of registered addresses and principal activities can be found in note 28.

Direct holdings	Country of incorporation
Arup (Cambodia) Limited	Cambodia

Movement of investment	Cost	Investment impairment	Net value
	£'000	£'000	£'000
Balance as at 1 April 2022	1,129	-	1,129
Adjustment for exchange differences	69	-	69
Balance as at 1 April 2023	1,198	-	1,198
Investment impairments	-	(1,183)	(1,183)
Adjustment for exchange differences	(21)	6	(15)
Balance as at 31 March 2024	1,177	(1,177)	-

15. Other non-current assets

	2024	2023
	£'000	£'000
Other receivables	168	580
Defined pension benefits assets	19	129
	187	709

16. Contract assets and liabilities

Contract assets	2024	2023
	£'000	£'000
Contract assets	48,414	52,086
Loss allowance	(107)	(336)
	48,307	51,750

Contract liabilities	2024	2023
	£'000	£'000
Contract liabilities	44,464	45,641

17. Trade and other receivables

	2024	2023
	£'000	£'000
Trade receivables - net	17,562	19,338
Amounts due from Arup Group undertakings	42,041	26,624
Other receivables	10,376	2,868
Prepayments and accrued income	318	526
	70,297	49,356

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

Trade receivables	2024	2023
	£'000	£'000
Trade receivables	18,253	19,975
Loss allowance	(691)	(637)
	17,562	19,338

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 2-8.25% (2023: 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 (2023: nil).

During the year ending 31 March 2023, the Company made a one-off specific impairment of £7,961k on receivables due from Arup International Consultants (Shanghai) Co., Limited, a related party (note 8). Impairing such an asset is rare and as such it is considered exceptional for the Company.

18. Cash and cash equivalents

	2024	2023
	£'000	£'000
Cash at bank and in hand	24,391	16,796
	24,391	16,796

The Arup Group operates a cash pooling arrangement to centralise funds and enable optimal cash management. The Company is part of this multiple unit group and recognises its own cash pooling in its financial statements. The cash pooling arrangement is managed by a related party within the Arup Group and balances are settled periodically.

19. Trade and other payables

	2024	2023
	£'000	£'000
Trade payables	3,146	5,598
Amounts owed to Arup Group undertakings	61,498	22,980
Accrued expenses	14,161	19,185
Other payables	1,400	692
	80,205	48,455

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 2-8.25% (2023: 1-8%).

20. Employment benefit liabilities

2024	Long service payment	Service milestones	Total
	£'000	£'000	£'000
Current	-	879	879
Non-current	371	940	1,311
	371	1,819	2,190
Reconciliation of movement			
Balance as at 1 April	-	-	-
Employment benefit charged to the income statement	371	1,819	2,190
Balance as at 31 March	371	1,819	2,190

2023	Long service payment	Service milestones	Total
	£'000	£'000	£'000
Current	-	-	-
Non-current	-	-	-
	-	-	-
Reconciliation of movement			
Balance as at 1 April	-	-	-
Employment benefit charged to the income statement	-	-	-
Balance as at 31 March	-	-	-

Long service payment

After the enactment of the "Amendment Ordinance" by the HKSAR Government, the Company will no longer be able to use any of the accrued benefits derived from its mandatory contributions to MPF scheme to reduce the long service payment in respect of an employee's service from the Transition Date. As at 31 March 2024, the long service payment obligation was valued at £371k (2023: nil). As the liability is not material to the Company, no additional disclosure is included within these financial statements.

Service milestones

For the year ended 31 March 2024, the Arup Group introduced a new scheme to recognise the service of employees. The new service awards are in the form of both cash rewards and paid leave after 5, 10, 20, 30, 40 and 50 years of eligible service.

20.1 Defined benefit pension plan

Philippines branch

The Company operates a retirement benefit scheme in the Philippines which requires an actuarial valuation yearly. As at 31 March 2024, the scheme net asset was valued at £19k (2023: £129k) which is recorded within other non-current assets. The total current service cost and interest cost charged to income statement was £120k (2023: £112k). The actuarial loss for the year on this scheme was £264k (2023: gain £40k) which has been recorded in the statement of comprehensive income. As the asset is not material to the Company, no additional disclosure is included within these financial statements.

21. Provisions for other liabilities and charges

2024	Property	Legal claims	Onerous contract	Total
	£'000	£'000	£'000	£'000
Current	444	10,110	1,229	11,783
Non-current	75	-	332	407
	519	10,110	1,561	12,190
Reconciliation of movement				
Balance as at 1 April	2,778	-	1,900	4,678
Provisions charged to the income statement	75	10,159	-	10,234
Provisions released to the income statement	(2,321)	-	(290)	(2,611)
Capitalised in the year	26	-	-	26
Adjustment for exchange differences	(39)	(49)	(49)	(137)
Balance as at 31 March	519	10,110	1,561	12,190

2023	Property	Legal claims	Onerous contract	Total
	£'000	£'000	£'000	£'000
Current	2,288	-	1,213	3,501
Non-current	490	-	687	1,177
	2,778	-	1,900	4,678
Reconciliation of movement				
Balance as at 1 April	2,529	-	-	2,529
Provisions charged to the income statement	97	-	1,943	2,040
Adjustment for exchange differences	152	-	(43)	109
Balance as at 31 March	2,778	-	1,900	4,678

22. Deferred income tax

	2024	2023
	£'000	£'000
Deferred income tax assets		
– deferred income tax assets to be recovered after more than 12 months	4,311	1,575
– deferred income tax assets to be recovered within 12 months	48	30
	4,359	1,605
Deferred income tax liabilities		
– deferred income tax liabilities to be recovered after more than 12 months	(72)	(38)
	(72)	(38)
Deferred income tax assets (net)	4,287	1,567

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

	2024	2023
	£'000	£'000
Balance at the beginning of the financial year	1,567	1,515
Under provision of deferred income tax in respect of prior years	(322)	-
Transfers between current and deferred income tax	73	36
Deferred income tax credited / (charged) to the income statement	2,967	(66)
Deferred income tax credit / (charge) relating to components of other comprehensive income	66	(10)
Adjustment for exchange differences	(64)	92
Balance at the end of the financial year	4,287	1,567

Deferred income tax liabilities	Accelerated tax depreciation	Temporary differences on leases	Other	Total
	£'000	£'000	£'000	£'000
At 1 April 2022	2	-	19	21
Charged to the income statement	10	-	7	17
Adjustment for exchange differences	(0)	-	(0)	(0)
At 31 March 2023	12	-	26	38
Charged / (credited) to the income statement	53	8	(26)	35
Adjustment for exchange differences	(1)	(0)	-	(1)
At 31 March 2024	64	8	-	72

Deferred income tax assets	Unutilised tax depreciation	Retirement benefit obligations	Provisions	Tax losses	Temporary differences on leases	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	299	66	120	-	19	1,032	1,536
(Charged) / credited to the income statement	(3)	(2)	(14)	412	(9)	(397)	(13)
Charged to other comprehensive income	-	(10)	-	-	-	-	(10)
Adjustment for exchange differences	18	1	2	(3)	0	74	92
At 31 March 2023	314	55	108	409	10	709	1,605
(Charged) / credited to the income statement	(311)	(33)	181	3,251	(10)	(325)	2,753
Credited to other comprehensive income	-	66	-	-	-	-	66
Adjustment for exchange differences	(3)	(2)	25	(74)	(0)	(11)	(65)
At 31 March 2024	-	86	314	3,586	-	373	4,359

The deferred tax assets include an amount of £3,586k relating to carried forward tax losses, which are attributable to the business in Hong Kong branch. The branch suffered an exceptional expense item (note 8), leading to a tax loss being incurred in the current year. This is a one-off event and the underlying business remains profitable, and would have been tax-paying absent this event. The Company has concluded that the deferred tax assets will be recoverable in the future. The losses can be carried forward indefinitely and have no expiry date.

23. Share capital

	2024	2023
Issued, called up and fully paid:	£'000	£'000
3,200,000 (2023: 3,200,000) ordinary shares of £1 each	3,200	3,200
	3,200	3,200

24. Contingent liabilities

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

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

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

25. Related parties

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

	2024	2023
	£'000	£'000
Transactions with other related parties		
Sales of services	137	68
Purchases of services	(196)	(242)
Outstanding balances arising from sales / purchases of services		
Net payables	(806)	(845)

26. Controlling party

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

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

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

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

27. Dividends

As at the date of the financial statements the directors do not recommend a dividend for the year ended 31 March 2024 (2023: nil). No dividend was paid in the year ended 31 March 2024 (2023: nil).

28.Registered addresses of investments in subsidiaries

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