Registration number: 08882187

ARUP RIYADH METRO LIMITED

FINANCIAL STATEMENTS AND REPORTS

FOR THE YEAR ENDED 31 MARCH 2020

ARUP RIYADH METRO LIMITED

FINANCIAL STATEMENTS AND REPORTS

FOR THE YEAR ENDED 31 MARCH 2020

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ARUP RIYADH METRO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their strategic report for Arup Riyadh Metro Limited (the "Company") for the year ended 31 March 2020 which has been approved by the board of directors.

The Company is an indirect subsidiary of Arup Group Limited (the "Group"). No employees are directly employed by the Company.

Review of the business

These are the results for the Company for the financial year ended 31 March 2020. The results show a loss for the financial year of £386,589 (2019: profit £80,081).

The net assets as at 31 March 2020 are £19,069,969 (2019: £147,774 net liabilities).

The performance and development of the Company is in line with the expectations of the directors, despite the disruption and uncertainties in the local market during the latter part of the financial year.

Risk Management

Formal risk reporting and management is embedded within the Group's management bodies so that emerging risks can be identified, escalated and addressed as appropriate. Further details are provided within the 'Opportunities and risks' section within the Arup Group Limited Governance Report.

The principal area of risk and operating uncertainty for the business is its ability to continue to secure new projects and deliver the performance of existing projects in line with management's objectives. To monitor these, the directors use the following key performance indicators (KPIs):

- Revenue and profit per person are financial KPIs used to monitor the continued contribution to the Group. In calculating this measure, profit is stated before tax, dividends and staff profit-sharing.

- Staff turnover is a key non-financial measure of business performance.

The ability to continue to secure new projects, particularly in light of COVID-19 and geo-political tensions, remains a key risk going forward. There are uncertainties as to the volume of new work that can be secured as well as in relation to the continuation of existing projects, and new trade barriers may increase the challenges of international trade and mobility of members. The situation is being monitored closely and actions taken as needed to balance costs, staffing and revenue. Current workload remains strong, and the directors expect the business to remain resilient for the foreseeable future.

The Group has recently undertaken a further review of risk themes, current and emerging, that will be priorities for the 2020/2021 financial year. These will be cascaded down and adopted by the Company as applicable.

On behalf of the Board

G N Hunt
Director

17 December 2020
Registered Office: 13 Fitzroy Street, London, W1T 4BQ, UK

ARUP RIYADH METRO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report together with the audited financial statements of the Company for the year ended 31 March 2020 which were approved by the board of directors.

Principal activities

The Company practices in the field of design and consulting engineering services, in architecture and in other related professional skills, in Riyadh, Saudi Arabia.

General information

The Company is a private limited company registered in England and Wales under company number 08882187 at registered address 13 Fitzroy Street, London W1T 4BQ, United Kingdom. The Company's parent company is Ove Arup Holdings Limited registered in England and Wales under company number 07804146 and the Company's ultimate parent company is Arup Group Limited registered in England and Wales under company number 01312454.

Future developments

The performance developments of the Company are in line with the expectations of the directors.

For the year ended 31 March 2020, the Company was not materially impacted by the COVID-19 pandemic. Actions have been taken by the Group to preserve cash and reduce operational costs owing to the uncertain impact on the business and to build in future resilience. At the time of signing the financial statements, the pipeline of work is being proactively monitored.

Dividends

The directors do not recommend a dividend payment for the year ended 31 March 2020 (2019: nil).

Directors

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

P J Chamley
P A Coughlan (Appointed 16 September 2019)
G N Hunt (Appointed 1 April 2019)
M S Tweedie (Resigned 30 August 2019)

Directors' remuneration

Directors' remuneration is borne by other Group subsidiaries and no recharges are made to 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 Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Group also purchased and maintained throughout the financial year Directors' and Officers' Liability Insurance in respect of itself, its directors and officers.

Independent auditors

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

Financial risk management

The Company's financial assets and liabilities comprise cash at bank, trade and other receivables and trade and other payables, whose main purpose is to maintain adequate finance for the Company's operations.

The Company is exposed to a number of financial risks and actively mitigates the risk of financial loss. The key aspects are:

Financial risk management (continued)

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

Note 1 in the notes to the financial statements provides further information on accounting for exchange rate differences.

Employees

No employees are directly employed by the Company. Salary costs are recharged from Group and presented within "charges from sub-consultants and other direct project expenses" in the income statement.

The maintenance of a diverse and highly skilled workforce is key to the future of the Group. Health, safety and wellbeing matters are regularly reviewed by the directors in accordance with the Group's Health, Safety and Wellbeing policy via a number of associated policies, procedures and roles to enable all parts of the Group to comply with that policy and to fulfil all relevant statutory duties and other legal requirements.

It is the Group's policy to ensure that:

- full and fair consideration is given to all applications for employment made by disabled persons, having regard to their capabilities;
- when existing employees become disabled (whether from illness or accident) every reasonable effort is made to continue to provide suitable employment either in the same, or by training, in an alternative job; and
- disabled persons are given equal consideration for training, career development and opportunities for promotion within the Group.

The Group communicates actively with its employees who are encouraged to express their views on major policy issues. 'Working at Arup' surveys are conducted to obtain feedback from employees. This survey is confidential and is used alongside consultation with employees where appropriate.

Twice a year, employees are provided with a performance report containing financial information. Employees are informed of significant business issues via the use of email, discussions with senior management, the Group's intranet and in-house publications.

Employee involvement in the Group's performance is encouraged and maintained via participation in a staff profit-sharing scheme.

Going concern

These financial statements have been prepared on the going concern basis. Note 1 in the notes to the financial statements provides further information.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of directors' responsibilities (continued)

The directors are 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

G N Hunt
Director

17 December 2020

Registered Office: 13 Fitzroy Street, London, W1T 4BQ, UK

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

ARUP RIYADH METRO LIMITED

FOR THE YEAR ENDED 31 MARCH 2020

Report on the audit of the financial statements

Opinion

In our opinion, Arup Riyadh Metro Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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, comprising 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", which comprise: the Balance sheet as at 31 March 2020; the Income statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

The other information comprises all of the information in the "Financial Statements and Reports" 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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

ARUP RIYADH METRO LIMITED (continued)

FOR THE YEAR ENDED 31 MARCH 2020

Reporting on other information (continued)

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 2020 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 set out on pages 3 and 4, 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.

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 received 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.

Craig Skelton (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
17 December 2020

ARUP RIYADH METRO LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £	2019 £
Revenue	3	2,116,666	4,294,355
Charges from sub-consultants and other direct project expenses		(2,099,622)	(4,080,462)
Communications and other overheads		28,622	185,660
		(2,071,000)	(3,894,802)
Operating profit	5	45,666	399,553
Finance income	6	3,065	8,714
Finance costs	6	(350,157)	(83,022)
(Loss) / profit before income tax		(301,426)	325,245
Income tax charge	7	(85,163)	(245,164)
(Loss) / profit for the financial year		(386,589)	80,081

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

No separate statement of comprehensive income has been presented as all comprehensive income has been dealt with in the income statement above.

The notes on pages 10 to 17 are an integral part of these financial statements.

Registration number: 08882187

ARUP RIYADH METRO LIMITED

BALANCE SHEET

AS AT 31 MARCH 2020

	Note	31 March 2020 £	31 March 2019 £
Assets			
Current assets			
Non-UK corporation tax receivable		560,478	614,736
Trade and other receivables	8	19,037,861	19,248,471
Cash and cash equivalents	9	30,578	176,023
		19,628,917	20,039,230
Total assets		19,628,917	20,039,230
Liabilities			
Current liabilities			
Trade and other payables	10	558,948	20,187,004
		558,948	20,187,004
Total liabilities		558,948	20,187,004
Net assets / (liabilities) for the financial year		19,069,969	(147,774)
Equity			
Share capital	11	19,654,332	50,000
Accumulated losses		(584,363)	(197,774)
Total equity		19,069,969	(147,774)

The notes on pages 10 to 17 are an integral part of these financial statements.

The financial statements on pages 7 to 17 were approved and authorised for issue by the board of directors and signed on its behalf by:

G N Hunt

G N Hunt
Director
17 December 2020

ARUP RIYADH METRO LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share capital	Accumulated losses	Total equity
	£	£	£
Balance as at 1 April 2018	50,000	(277,855)	(227,855)
Profit for the financial year	-	80,081	80,081
Total comprehensive income for the year	-	80,081	80,081
Proceeds from shares issued	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-
Balance as at 31 March 2019	50,000	(197,774)	(147,774)
Loss for the financial year	-	(386,589)	(386,589)
Total comprehensive expense for the year	-	(386,589)	(386,589)
Proceeds from shares issued	19,604,332	-	19,604,332
Total transactions with owners, recognised directly in equity	19,604,332	-	19,604,332
Balance as at 31 March 2020	19,654,332	(584,363)	19,069,969

ARUP RIYADH METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 BASIS OF PREPARATION

Arup Riyadh Metro Limited is a private limited company which is incorporated in England and Wales. The address of the registered office is 13 Fitzroy Street, London, W1T 4BQ, UK.

Accounting policies that relate to the financial statements as a whole are set out below, while those that relate to specific areas of the financial statements are shown in the corresponding note. All accounting policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with FRS 101 and the Companies Act 2006.

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 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 2.

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 IFRS);
    - 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).

1 BASIS OF PREPARATION (continued)

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have obtained assurance of financial support from its parent company and other relevant entities within the Group, for a period of at least 12 months from the reporting date. The Group has performed analysis on future projections including a potential scenario that may result from the negative impact of COVID-19 on future trading. The Group are satisfied it has sufficient financial resources and, as such, the Company's financial statements have been prepared on the going concern basis.

Changes in accounting policy and disclosures

New standards, amendments and interpretations

The Company adopted IFRS 16 on 1 April 2019. There was no impact on the Company.

New standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods 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.

Foreign currency translation

Functional and presentation currency

The Company's functional and presentation currency is pound sterling (£).

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.

1 BASIS OF PREPARATION (continued)

Financial assets (continued)

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

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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.

2 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 significant estimates and assumptions over the carrying amounts of assets and liabilities are addressed below.

Contract accounting (estimates and judgements)

The Company's revenue accounting policy (note 3) 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. These forecasts require estimates and judgements to be made on changes in, for example, percentage completion, work scope and costs to completion. 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.

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 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.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 receivable, 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 note 8 for the net carrying amount of the receivables and associated impairment provision.

3 REVENUE

The Company mainly operates in the business of design and consultancy engineering.

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 within trade and other receivables. For contracts on which fees rendered exceed revenue, the excess is included as contract liabilities within trade and other payables. 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.

The total revenue recognised in the year that was included in contract liabilities at the beginning of the year was nil (2019: nil).

The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £2,116,666 (2019: £4,294,355).

	2020	2019
	£	£
Revenue by destination		
Middle East & Africa	2,116,666	4,294,355
	2,116,666	4,294,355

4 DIRECTORS' REMUNERATION

Directors' remuneration is borne by another Group subsidiary.

5 OPERATING PROFIT

	2020	2019
	£	£
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	5,600	5,400
(Profit) on exchange from trading activities	(166,017)	(33,524)

6 NET FINANCE COSTS

	2020	2019
	£	£
Interest expense on borrowings	724	-
Interest expense - Group undertakings	349,433	82,373
Other finance costs	-	649
Total finance costs	350,157	83,022
Interest receivable - Group undertakings	(3,065)	(8,714)
Total finance income	(3,065)	(8,714)
Net finance costs	347,092	74,308

Interest due to / from Group undertakings is in regards to inter-group loans.

ARUP RIYADH METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

7 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.

(a) Analysis of total tax charge	2020	2019
	£	£
Current income tax		
- Non-UK: current income tax on profits for the year	85,163	245,164
Total current income tax	85,163	245,164
Total deferred income tax	-	-
Total tax charge	85,163	245,164

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

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK 19% (2019: 19%).

The differences are explained below:

	2020	2019
	£	£
(Loss) / profit before income tax	(301,426)	325,245
(Loss) / profit multiplied by the standard rate of corporation tax in the UK	(57,271)	61,797
Effects of:		
Group relief	57,271	-
Expenses not deductible for tax purposes	-	30
Impact of non-UK tax	85,163	245,164
Tax (decrease) arising from overseas tax suffered	-	(61,827)
Total tax charge	85,163	245,164

(c) Factors affecting current and future tax charges

The rate of UK corporation tax reflected in these financial statements is 19% (2019: 19%).

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted in September 2016). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had been substantively enacted at the balance sheet date, its effects are included in these financial statements for deferred tax purposes.

As Arup Riyadh Metro Limited is a project specific vehicle, tax is paid in line with an advance agreement obtained from the local tax authority (GAZT), whereby the Company is paying tax at the standard corporation tax rate of 20% (2019: 20%), based on an estimated profit of 40% (2019: 40%) of its revenue.

8 TRADE AND OTHER RECEIVABLES

	2020	2019
	£	£
Trade receivables - net	2,865,845	3,237,956
Contract assets - net	15,693,663	14,462,536
Amounts due from Group undertakings	478,197	1,547,822
Other receivables	156	157
	19,037,861	19,248,471

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

8 TRADE AND OTHER RECEIVABLES (continued)

Trade receivables

	2020	2019
	£	£
Trade receivables	2,865,845	3,237,956
Loss allowance	-	-
	2,865,845	3,237,956

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.

Contract assets	2020	2019
	£	£
Contract assets	15,693,663	14,462,536
Loss allowance	-	-
	15,693,663	14,462,536

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.

Amounts due from Group undertakings

Amounts due from Group undertakings are unsecured, have no date of repayment and are repayable on demand. Interest is accrued on inter-group loans with a rate in the range of 1-10.25% (2019: 0-10%). The Company has assessed the ability of Group companies to meet their inter-group liabilities. Based on this review we deem the expected credit losses of amounts due from Group undertakings to be nil.

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.

9 CASH AND CASH EQUIVALENTS

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

	2020	2019
	£	£
Cash at bank and in hand	30,578	176,023

10 TRADE AND OTHER PAYABLES

	2020	2019
	£	£
Amounts owed to Group undertakings	472,437	20,075,984
Accrued expenses	86,511	111,020
	558,948	20,187,004

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

Amounts owed to Group undertakings

Amounts owed to Group undertakings are unsecured, have no date of repayment and are repayable on demand. Interest is accrued on inter-group loans with a rate in the range of 1-10.25% (2019: 0-10%).

11 SHARE CAPITAL

	2020	2019
	£	£
Issued, called up and fully paid:		
19,654,332 (2019: 50,000) ordinary shares of £1 each	19,654,332	50,000

	2020	2019
	£	£
Balance at 1 April	50,000	50,000
Increase in share capital	19,604,332	-
Balance at 31 March	19,654,332	50,000

On 30 March 2020, 19,604,332 ordinary shares were issued for non-cash consideration. The nominal value of these shares was £1 each. The total consideration was £19,604,332.

12 CONTINGENT LIABILITIES

As a part of the ordinary business activities of the Company, claims may arise in relation to work undertaken by the Company. A Professional Indemnity Insurance policy has been taken to substantially cover any such claims that may arise from time to time. In addition, the Company is party to insurance club arrangements organised by Arup Group Limited. Under these arrangements all liabilities from individual claims exceeding a certain threshold and up to the limit provided by external insurers are incurred by another related entity of the Company.

13 RELATED PARTIES

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

	2020			2019		
Company	Revenue	Expenses	(Payable)	Revenue	Expenses	(Payable)
	£	£	£	£	£	£
Arup (Pty) Ltd	-	-	(131,307)	-	275	(151,261)

14 CONTROLLING PARTY

The immediate parent undertaking of the Company is Ove Arup Holdings Limited, a company incorporated in England and Wales.

Arup Group Limited is the parent undertaking of the largest group to consolidate these financial statements at 31 March 2020. The consolidated financial statements of Arup Group Limited are publicly available at 13 Fitzroy Street, London, W1T 4BQ, UK.

Ove Arup Holdings Limited is the parent undertaking of the smallest group to consolidate these financial statements at 31 March 2020. The consolidated financial statements of Ove Arup Holdings Limited are publicly available at 13 Fitzroy Street, London, W1T 4BQ, UK.

The ultimate 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 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 Group and voting shares that are held by Ove Arup Partnership Charitable Trust.