

OVE ARUP & PARTNERS SCOTLAND LIMITED
FINANCIAL STATEMENTS AND REPORTS
FOR THE YEAR ENDED 31 MARCH 2020



OVE ARUP & PARTNERS SCOTLAND LIMITED
FINANCIAL STATEMENTS AND REPORTS
FOR THE YEAR ENDED 31 MARCH 2020

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OVE ARUP & PARTNERS SCOTLAND LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report together with the audited financial statements of Ove Arup & Partners Scotland Limited (the "Company") for the year ended 31 March 2020 which were approved by the board of directors.

The Company is an indirect subsidiary of Arup Group Limited (the "Group").

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies, therefore the Company has taken the exemption from the requirement to present a strategic report.

Principal activities

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

General Information

The Company is a private limited company registered in Scotland under company number SC062237 at registered address Scotstoun House, South Queensferry, West Lothian, EH30 9SE, United Kingdom. The Company's parent company is Ove Arup & Partners Limited registered in England and Wales under company number 01312453 and the Company's ultimate parent company is Arup Group Limited registered in England and Wales under company number 01312454.

Future developments

The Company will continue to operate in similar markets. To ensure that the firm is positioned for long term success the Group takes into account a broad range of factors including: the level of committed work and future work prospects; Arup'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 cash flow and the sufficiency of access to financial resources and our ability to attract and retain highly talented members.

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:

G N Hunt
A Richmond
M Surridge (Resigned 1 October 2020)
E D Wishlade

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.

OVE ARUP & PARTNERS SCOTLAND LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2020

Financial risk management

The Company's financial assets and liabilities comprise cash in hand, 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:

- 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: the Company does not have a bank account, however other Group companies will receive cash and make payments on behalf of the Company.

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.

OVE ARUP & PARTNERS SCOTLAND LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2020

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.

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.

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.

Governance

As a subsidiary operating within the Group, the Company adopts and applies the Group's corporate governance framework, please refer to the Arup Group Limited Corporate Governance Report (the Company's ultimate parent company) for further details. Arup Group Limited 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. The Group have chosen to report against the Principles and Provisions of the Code in order to fully explain our governance framework against a recognised benchmark while also highlighting our unique trust ownership structure with no external shareholders.

This governance framework is in place for all subsidiary companies including the Company, to ensure that our values, policies and processes are adhered to, with the aim of ensuring that our members and businesses act in a clear, accountable and consistent manner.

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: Scotstoun House, South Queensferry, West Lothian, EH30 9SE, Scotland.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
OVE ARUP & PARTNERS SCOTLAND LIMITED
FOR THE YEAR ENDED 31 MARCH 2020

Report on the audit of the financial statements

Opinion

In our opinion, Ove Arup & Partners Scotland 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 profit 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, and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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 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
OVE ARUP & PARTNERS SCOTLAND LIMITED (continued)
FOR THE YEAR ENDED 31 MARCH 2020

Reporting on other information (continued)

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the 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 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 page 3, 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. 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

OVE ARUP & PARTNERS SCOTLAND LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> £	<u>2019</u> £
Revenue	3	606,493	403,270
Charges from sub-consultants and other direct project expenses		(538,818)	(384,375)
Communications and other overheads		<u>(4,625)</u>	<u>(9,675)</u>
		(543,443)	(394,050)
Operating profit	5	63,050	9,220
Profit before income tax		63,050	9,220
Income tax charge	6	<u>-</u>	<u>-</u>
Profit for the financial year		<u>63,050</u>	<u>9,220</u>

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 other comprehensive income have been dealt with in the income statement above.

The notes on pages 9 to 15 are an integral part of these financial statements.

OVE ARUP & PARTNERS SCOTLAND LIMITED

BALANCE SHEET

AS AT 31 MARCH 2020

	<u>Note</u>	31 March <u>2020</u> £	31 March <u>2019</u> £
Assets			
Current assets			
Trade and other receivables	7	169,688	293,670
Cash and cash equivalents	8	100	100
		<u>169,788</u>	<u>293,770</u>
Total assets		<u>169,788</u>	<u>293,770</u>
Liabilities			
Current liabilities			
Trade and other payables	9	97,418	284,450
		<u>97,418</u>	<u>284,450</u>
Total liabilities		<u>97,418</u>	<u>284,450</u>
Net assets		<u>72,370</u>	<u>9,320</u>
Equity			
Share capital	10	100	100
Retained earnings		<u>72,270</u>	<u>9,220</u>
Total equity		<u>72,370</u>	<u>9,320</u>

Pursuant with section 381 of the Companies Act 2006, these financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The notes on pages 9 to 15 are an integral part of these financial statements.

The financial statements on pages 6 to 15 were approved and authorised for issue by the board of directors and signed on its behalf by:



G N Hunt
Director
17 December 2020

OVE ARUP & PARTNERS SCOTLAND LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	<u>Share capital</u> £	<u>Retained earnings</u> £	<u>Total equity</u> £
Balance as at 1 April 2018	100	-	100
Profit for the financial year	-	9,220	9,220
Total comprehensive income for the year	<u>-</u>	<u>9,220</u>	<u>9,220</u>
Balance as at 31 March 2019	<u>100</u>	<u>9,220</u>	<u>9,320</u>
Profit for the financial year	-	63,050	63,050
Total comprehensive income for the year	<u>-</u>	<u>63,050</u>	<u>63,050</u>
Balance as at 31 March 2020	<u>100</u>	<u>72,270</u>	<u>72,370</u>

OVE ARUP & PARTNERS SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 BASIS OF PREPARATION

Ove Arup & Partners Scotland Limited is a private limited company which is incorporated in Scotland. The address of the registered office is Scotstoun House, South Queensferry, West Lothian, EH30 9SE, Scotland.

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. The financial statements have been prepared in accordance with section 381 of the Companies Act 2006 as applicable to companies subject to the small companies' regime and 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).

OVE ARUP & PARTNERS SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

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 Ove Arup Holdings Limited 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 is no impact of the new standards on the Company. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 March 2020, that have had a material 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 and on foreseeable future transactions.

Foreign currency translation***Functional and presentation currency***

The Company's functional currency and presentational 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.

OVE ARUP & PARTNERS SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

1 BASIS OF PREPARATION (continued)**Financial assets (continued)*****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***

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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**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.

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 7 for the net carrying amount of the receivables and associated impairment provision.

3 REVENUE

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

Revenue represents the value of work performed on contracts in the year. For contracts on which revenue exceeds fees rendered, the excess is included as contract assets 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 £37,539 (2019: nil).

The total revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous years was £455,522 (2019: nil).

	<u>2020</u> £	<u>2019</u> £
Revenue by destination		
United Kingdom	606,493	403,270
	<u>606,493</u>	<u>403,270</u>

4 DIRECTORS' REMUNERATION

Directors' remuneration is borne by another Group subsidiary.

5 OPERATING PROFIT

This is stated after charging / (crediting):

During the year, the Company obtained the following services from the Company's auditors:

	<u>2020</u> £	<u>2019</u> £
Audit of Company financial statements	7,000	7,000
Loss allowance on trade receivables	<u>(2,675)</u>	<u>2,675</u>

OVE ARUP & PARTNERS SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

6 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

	<u>2020</u> £	<u>2019</u> £
Total current income tax	-	-
Total deferred income tax	-	-
Total tax charge	<u>-</u>	<u>-</u>

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

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

The differences are explained below:

	<u>2020</u> £	<u>2019</u> £
Profit before income tax	<u>63,050</u>	<u>9,220</u>
Profit multiplied by the standard rate of corporation tax in the UK	11,980	1,752
Effects of:		
Group relief	<u>(11,980)</u>	<u>(1,752)</u>
Total tax charge	<u>-</u>	<u>-</u>

(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.

OVE ARUP & PARTNERS SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

7 TRADE AND OTHER RECEIVABLES	2020 £	2019 £
Trade receivable - net	157,615	243,570
Contract assets - net	12,073	50,100
	<u>169,688</u>	<u>293,670</u>

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

Trade receivables

	2020 £	2019 £
Trade receivables	157,615	246,245
Loss allowance	-	(2,675)
	<u>157,615</u>	<u>243,570</u>

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	12,073	50,100
Loss allowance	-	-
	<u>12,073</u>	<u>50,100</u>

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.

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.

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand.

	2020 £	2019 £
Cash in hand	<u>100</u>	<u>100</u>

9 TRADE AND OTHER PAYABLES	2020 £	2019 £
Contract liabilities	89,067	37,539
Amounts owed to Group undertakings	1,149	239,140
Accrued expenses	7,202	7,771
	<u>97,418</u>	<u>284,450</u>

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

Contract liabilities

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

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%).

OVE ARUP & PARTNERS SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2020

10 SHARE CAPITAL

	<u>2020</u> £	<u>2019</u> £
Issued, called up and fully paid:		
100 (2019: 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>

11 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.

12 RELATED PARTIES

There were no transactions carried out with related parties that are not 100% owned by Arup Group Limited.

13 CONTROLLING PARTY

The immediate parent undertaking of the Company is Ove Arup & Partners 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 & Partners International Limited is the smallest group to consolidate these financial statements at 31 March 2020. The consolidated financial statements of Ove Arup & Partners International 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.