Mott MacDonald Group Limited

Report and financial statements

31 December 2019

Mott MacDonald Group Limited

Global management, engineering and development consultancy

125+ awards
for innovation and excellence in 2019

16,000+ people

Independent and employee-owned
wholly focused on what's best for our customers and our staff

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Executive Chair's welcome

I am pleased to present to you our annual report for 2019. In a world characterised by uncertainties, including the terms of the departure of the UK from the European Union, global trade disputes and global economic slowdown, we delivered a good performance in all our core sectors and territories.

Our strategy to focus on core geographies, sectors and services is helping us to create a strong, sustainable platform for the business – a platform supported by our technical excellence, our growing digital and data capability, and our commitment to drive better social value from our projects.

Our success is underpinned by our employee ownership model, providing us with independence and a strong culture of ownership, with shareholders committed to the long-term future and a clear purpose. This creates opportunities for all our employees to grow their expertise and their careers and will ensure we hand over to the next generation a business that is stronger and more sustainable.

We are conscious that, through our business and our projects, we have the opportunity to generate positive social outcomes for all our stakeholders – enhancing social value for the communities in which we operate, creating better value for our clients, and providing rewarding careers for our employees.

This focus on excellence and enhancing social value is shared by many of our clients. It is reflected in many of our exciting project wins around the world, such as the Silicon Valley BART extension in Los Angeles, USA, the Client Support Framework for the Environment Agency in the UK, More Trains, More Services for Transport for New South Wales in Australia, and many more.

The importance of data and the opportunities that this brings in our industry continues to grow. To support this, we continue to develop our Digital Ventures business. We are leading the way in enhancing the value of data for our clients through our strong domain knowledge and digital expertise. This is exemplified by products such as Moata, our web-based data management platform, which is used to create data-led infrastructure solutions in the water and transport sectors around the world.

We are committed to influencing our industry through thought leadership. In 2019 we established an infrastructure industry partnership to set out the first steps in creating a net-zero economy. To mark Earth Day 2019, Mott MacDonald led a consortium appointed by the UK Government's Department for Business, Energy & Industrial Strategy (BEIS) to deliver the International 2050 Calculator energy and emissions model programme. These are just two of many initiatives to combat climate change both through our own business activities and through our influence on our projects and the wider industry to create a more sustainable future.

As a business, ethics, health and safety, equality, diversity and inclusion, and the wellbeing of our employees remain at the core of our operations. We continue to be committed to the highest level of performance and compliance in these areas. The Group continues to operate a rigorous governance framework which touches all aspects of how we behave, how we make decisions, how we deliver value and how we manage risk.

Awards provide recognition from clients, peers and the wider communities in which we operate, of excellence, innovation and leadership. In 2019, we won 128 awards from around the world in key areas including sustainability, equality, diversity and inclusion, employment, health and wellbeing, professional excellence and digital innovation.

During the year we adopted the Wates Principles of corporate governance, many of which we already had in place. This reflects the importance we place on management rigour and effective engagement with our clients and wider stakeholders to provide value and build a sustainable business.

During 2019 Keith Howells retired as chairman. Keith played a major role in building the business we have today, and we are extremely grateful for all his efforts. The Executive Board of Directors continues to build on his strong legacy. As part of a planned transition, I have taken over as Executive Chair and James Harris has succeeded me as Managing Director.

On 1 January 2020, Denise Bower joined the Executive Board as External Engagement Director. Denise has had an impressive career in the infrastucture industry, well known through her roles as executive director of the Major Projects Association and as a professor in the School of Engineering at the University of Leeds.

On behalf of the Executive Board, I would like to thank our clients for the opportunities they bring. I also thank all our colleagues for their commitment in the year. It is through their contribution that we make our company stronger and it's through our people and our projects that we generate great social outcomes for our clients and our clients' clients.

Mike Haigh, Executive Chair
27 February 2020

Strategic report

Corporate responsibility

We seek to make a positive difference to the world and improve people's lives across the global communities we work in. We do this by integrating the economic, environmental and social aspects of sustainable development into our culture, our operating model and our deliverables.

The United Nations Sustainable Development Goals are at the heart of our business and closely aligned to our strategy for and approach to sustainability.

Making a difference

As an independent firm we aim to create commercial success while recognising and mitigating our impact on communities and the environment. We pursue growth but put principle before profit.

Our strategy has embraced this wider social purpose for many years, and we have developed a leading position in all aspects of corporate responsibility.

We work together to embed this thinking in our operating model and deliverables. In doing so, we have the advantage of being a single global family with shared values and a common purpose.

The principles of good corporate responsibility are embedded in our behaviours and our ways of working.

In addition, we carry out many specific activities across the Group as part of our commitment to good corporate responsibility, providing opportunity for employees to participate in structured corporate activities or to pursue personal aims and objectives.

In 2019, we focused on the following key initiatives as part of the many things we do:

Tackling climate change

Our climate change initiatives have been running for several years. The company recognises its responsibility to lead the way in setting standards for the delivery of projects and solutions to our clients; its role in setting standards in how it runs its own operations generally; and its role in leading debate and discussion in the wider industry and using thought leadership to be a catalyst for change. Some of the initiatives in 2019 included:

- A commitment to be carbon neutral and free of single-use plastics across our organisation by the end of 2020.
- Develop a clear position on net-zero in early 2020.
- A commitment to decarbonise the projects we work on for clients.
- A project to enable us to use climate assessment to make informed choices in the work we take on, and engage with clients in how they shape projects.
- Leading a coalition of clients and partners to support delivery of the UK Government's pledge to have net-zero greenhouse gas emissions by 2050.

Inclusive social outcomes

We are working extensively with clients globally to think through the social outcomes of projects, and use this thinking to drive different approaches to their design and delivery.

We have a Social Practice that focuses on people. It cross-cuts our global sectors and examines how infrastructure, development, policy and services affect communities and social conditions.

The purpose of the practice is to ensure that all of our projects contribute positively to social development. We want to help our clients deliver growth and outcomes that are socially inclusive, helping to realise fairer, more equitable and more sustainable societies.

Systemic issues in infrastructure

Infrastructure assets and systems have been developed in isolation. But the reality is that they are highly integrated and interdependent. In some cases, this is recognised. However, for the most part, thinking about and management of the built environment is siloed.

As a result, the disruption caused by a cyber attack, physical terrorism or asset failure can cascade rapidly through infrastructure systems for water, energy, mobility and telecoms, causing widespread loss of public services. Such disruption has the potential to cost lives and provoke social unrest.

In most countries there is very limited cross-infrastructure thinking and even less cross-infrastructure governance. It is a large gap, and getting larger with the progressive digital transformation in society.

We have been leading some of the thinking to make improvements in this area and working to bring together the stakeholders to make progress. Some examples include:

- Work on infrastructure systems of systems. This will postulate the emergent standards and practices for integrating engineering, management and information technologies for complex cyber-physical infrastructure systems.
- Chairing the Digital Framework Task Group. Its remit is to steer the successful development and adoption of the information management framework for the built environment. This will allow more data-driven insight, creation and decision-making in real time for UK infrastructure, reducing cost and driving up resilience.

Strategic report

- Involvement with the UK Collaboratorium for Research on Infrastructure & Cities to facilitate the accommodation of more people in urban areas while consuming fewer resources, improving resilience and achieving enhanced quality of life.

Defining and living our People Promise

In 2019 we reflected on how each of us contributes to our unique culture and working environment, and what attracts people to work for us. This has resulted in our People Promise, a commitment between Mott MacDonald and our employees to create a positive and inclusive environment where we feel valued and at our best.

We are winning significant numbers of awards, promoting equality, diversity and inclusion, and supporting colleagues active in their local communities.

Our People Promise is to some degree aspirational, but we are already living it across the organisation, implementing new programmes and initiatives and refreshing existing ones. Some of these are:

- A global employee assistance programme providing employees and their families with counselling and other valuable services to support them in their personal and professional lives.
- Continued investment in our practices – internal networks of colleagues joined together by a common area of professional and technical interest which help bring world-class expertise to our projects and provide a fertile environment for professional development.
- Our Scholarship Fund, aiming to support leading-edge skills and thought leadership through further specialisation, and the Group Excellence and Innovation Fund, encouraging colleagues to generate new ideas, solutions and approaches.

The Group's purpose is consistent with engaging in thought leadership with employees, clients and stakeholders to set the standard for enhancing sustainable social outcomes for the communities we live in.

Managing risk and uncertainty

Business risks

Business risks are managed through directives, systems and processes. Control is exercised through compliance with directives which require appropriate management authority before starting activities that bring risk to the Group. The Group's appetite for risk shapes its activities. Key risks are:

Reputational risk – Directives and procedures cover matters such as ethics, code of conduct, conflict of interest, whistle-blowing and anti-fraud; and there are clear procedures for undertaking due diligence on suppliers and customers. Our strategy determines the markets, countries and sectors we work in and the clients we work with. Risk management starts upfront in advance of doing any work.

IT and digital – Directives and procedures are in place to mitigate cyber attacks and data theft, risks posed in IT support services and failure of communication systems. This helps ensure the quality of our information security systems. Assessment and the updating of controls and investment are constant due to the changing nature of technological risk.

Major market downturn – Contingency plans are used for recession or rapid decline or loss of a core market. They focus on early warning performance indicators and risks affecting order book, sales, overheads, staff utilisation and working capital. They provide insight on managing risk.

Brexit – We have developed risk assessments and contingency plans in response to various scenario models. We believe that this risk-driven scenario planning, together with our geographic, sector and services diversity, will prepare us for the markets that evolve in the UK and Europe going forward.

The leadership team managing this risk reviews the position regularly and provides updates for business managers and staff. Communication and support are essential for staff across the UK and Europe who remain affected by uncertainty.

High level operational risk – Directives and procedures are in place to manage how we target, bid and carry out work that may carry a higher level of risk, such as uncapped liability, uninsured liability, disproportionately high value of liabilities, liquidated damages, fitness-for-purpose clauses and environmental consequences. Working in markets where a high level of economic and political risk may exist, including sanctions, is managed with procedures and approvals required for taking on and delivering work.

Business growth risk – This is managed largely by our ownership model and by a strategy of pursuing growth focused on better quality work, in better quality markets with better quality clients. We have no external shareholders driving for growth beyond our capacity which could create reputational or financial pressures.

People – We aim to attract and retain the best people. Our PRIDE values (see page 10) and ownership culture create an environment of fairness and equal opportunity. Our suite of policies and initiatives on equality, diversity and inclusion, mobility, anti-bullying, agile working and individual and team identity contribute to an environment where people can thrive, develop and take the opportunity to drive their careers.

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A new people agenda is being rolled out in 2020 to provide improvement in the quality of training, development, career planning and succession planning.

Financial risks

The Group is exposed to liquidity risk, credit risk and exchange risk and has a variety of controls and processes in place to manage these risks to minimise financial loss. Key aspects are:

- Investments – counterparties must meet the Group's minimum credit rating of A-1 long term and P-1 short term.
- The Group does not undertake any speculative trades.
- Transactional exchange rate risk – the net exposure would be hedged with foreign exchange forward contracts, where necessary, but only after using natural hedging.
- Translational exchange rate risk – the Group does not use hedging instruments.
- Credit control procedures are carried out on prospective clients during the bidding period and for the duration of the contracts and longer-term relationships.
- Working capital and cash flow targets are monitored and managed daily, with weekly and monthly reporting to the Executive Board.
- Mitigating controls are in place to prevent a credit downgrade or a material reduction of our bank facilities in order to avoid or minimise business disruption.

Any material transaction and translation exposure after matching is monitored by management with action taken as necessary. There is no material interest rate risk at the year end. Interest rate exposures are hedged where necessary.

Corporate and project level risk management processes are set out in the corporate governance report, pages 12 to 13.

Directors' Duties – S172 Companies Act 2006

Directors' duties to promote the long-term success of the company

The directors behave and carry out their activities to promote long-term success for the benefit of the company's shareholders, employees, clients and stakeholders. They focus on the company passing on a stronger, better and more sustainable business to those who follow while maintaining intergenerational fairness.

They engage with shareholders, employees, clients and stakeholders to reflect their insights and views when making decisions on strategy; delivering operational effectiveness; making plans; driving initiatives; and committing to deliver outcomes that enhance social value.

The culture and values promoted by the directors creates a focus across the Group on observing and maintaining the highest standards of business conduct in promoting the long-term success of the company.

The narratives in the corporate governance report and directors' report highlight how the directors have observed these principles and engaged with shareholders, employees, clients and stakeholders in decision-making and in promoting the long-term success of the company.

Business review

Business environment

During 2019, geopolitical pressures and international trade disputes contributed to mixed market conditions for private and public infrastructure around the world.

The UK remained the Group's largest market in 2019. It was sluggish and offered little scope for real growth, mainly due to economic uncertainty stemming from Brexit and a challenging political landscape.

In North America, the US and Canadian infrastructure markets offered good opportunity for growth, with a strong transport sector complemented by the energy sector moving into recovery after its downturn in 2018.

Middle East infrastructure remained a tough market, with the oil price, poor contract terms and slow payments depressing growth. However, markets in South Asia continued to offer opportunity.

Infrastructure markets in Australia, New Zealand and Singapore saw good growth in both public and private sectors.

China, Hong Kong, South Africa and Malaysia continued to be challenging for international firms in the infrastructure sector.

The international development market offered little opportunity for real growth due to political reassessment of priorities in the US and UK, government budget constraints and slow procurement processes.

The Group regularly calibrates its strategy with the market environment it operates in to ensure that its emphasis of focused growth continues to lead us to better markets with better clients and better opportunities to access with connected thinking.

Strategic report

The business review that follows sets out the progress made with that strategy, highlighting the stronger trading opportunities and the areas where we are seeking to control growth or reduce scale.

Business performance

Despite the challenging business environment, gross revenue of £1,784m was 10.1% up on last year (2018 – £1,621m), 8.6% excluding exchange. Revenue in the consulting business was up 12.6%, while contracting fell 0.7%.

The Group performed well in 2019 in a mixed business environment. It continued to use its global diversity to deliver growth using a strategy of selective focus in core geographies, sectors and services, where it has a reputation for effective delivery and quality outcomes.

The rate of growth has been tempered by strategic contraction in poorer quality markets where the Group has focused on reducing scale and repositioning business activity to better markets to improve profit and cash for future investment.

The commentary on the performance of our regional businesses set out below is based on the Group's management accounts. Where the management accounts are materially affected by currency movements in year-on-year variances, this is highlighted to give a balanced view.

UK and Europe

The region represents 50% (2018 – 53%) of the Group's gross revenue. Profit was slightly up on 2018, with an improved margin.

The underlying profit performance in all sectors was satisfactory, with good profit growth in the consulting business partly offset by the effects of a more challenging trading environment in the contracting business this year, where profit and the direct margin fell back after a few years of strong growth.

The UK consulting business benefited from the government's pursuit of infrastructure projects as an engine for economic growth. The regulated asset-based industries also provided opportunity. However, growth and profitability were affected by uncertainty from Brexit and a fragile political landscape, both depressing the infrastructure market.

Working capital remains under firm control. Good progress was made addressing some older contract issues. During the year net working capital days fell to 24.

Despite the current uncertainty, the order book and contracted work for the coming year have both held up well over the past 12 months.

North and South America

The region represents 22% (2018 – 19%) of the Group's gross revenue.

In US dollars, gross revenue and profits grew double-digit, driven by a rebound in the energy business. This was complemented by a good performance in the East and West businesses, where revenue and profits were solid, and margins improved. Canada saw good growth and moved into profit. All four businesses are well placed for growth in 2020.

Working capital drifted up during the year largely due to specific contract issues, but it remains well under control despite an increase to 79 days net. It is expected to return to normal levels in 2020.

The order book and contracted work for the coming year are in a stronger position than this time last year and prospects remain good across all four businesses.

Middle East and South Asia

The region represents 8% of the Group's gross revenue, slightly down on last year (2018 – 9%). Revenues were flat with a fall in the Middle East offset by good growth in India.

The contraction of the business in the Middle East is strategic as we reposition it to seek higher profits and margin improvement from sectors and clients in better quality markets that have a better risk/reward profile.

Working capital in India continued to improve with net days at 31. In the Middle East, working capital at 133 days remains high in Group terms but is within market norms. It is adequately provisioned where necessary.

The order book is higher now compared with last year, while contracted work for 2020 is similar to last year's level.

Asia Pacific and Australasia

The region represents 10% of the Group's gross revenue, slightly up on last year (2018 – 9%). Gross revenue and profits grew double digit, largely due to good markets in Australia, New Zealand and Singapore, where revenue and profits were solid, and margins improved.

The business in Greater China improved to break-even, but continues to be affected by challenging markets and political uncertainty around the China/Hong Kong relationship. Focus is on sustainable profit, acceptable margins and improved working capital rather than revenue growth.

Strategic report

Working capital in Australia and New Zealand is well within market and Group norms with net days below 60. However, Greater China and East Asia are more challenging with net days over 100, due to contract terms across the market.

The order book for 2020 is stronger than last year at a regional level. Contracted work is at a similar level.

Global Development and Africa
The region represents 10% of the Group's gross revenue (2018 – 10%), and comprises businesses focused primarily on infrastructure in South Africa and on the international development sector across the African continent.

In South Africa revenues were down on 2018 due to poor markets and a strategic plan to contain the size of the business and focus on profit improvement until a better trading environment materialises. The 2019 loss was due to provisions prudently taken on specific contracts.

The international development business delivered modest growth. Profit improved after a poor 2018 outturn, but further improvement is needed.

The order book is marginally higher than last year.

Financial review

Results
Gross revenue of £1,784m was 10.1% up on last year (2018 – £1,621m), 8.6% up excluding exchange.

Operating profit was up 14%, on the back of higher volumes and an improvement in overheads and project losses in the year. The margin remains modest, 3%. Improvement plans remain in place for both areas.

In 2019, growth in our core sectors was partly offset by areas of the business where we are seeking profit improvement rather than revenue growth. These include the Middle East, South Africa, Greater China and Malaysia, covered in the previous section of this report – 'Business review'.

The Group's effective tax rate for the year (31%) was lower than 2018 (35%). The reduction is largely due to lower losses in overseas subsidiaries and a lower impact of prior year adjustments.

Return on average capital employed (ROCE) was 49% (2018 – 43%). This was driven by a fall in net working capital, down from 54 to 52 days, and an improvement in the underlying operating profit margin.

Gearing and cash flow
Further improvement is required on the management of work in progress to achieve our target of reducing net working capital below 50 days. That, along with a greater focus on reducing project losses and achieving better value from overheads, are priorities to enable us to further improve the margin and deliver improved ROCE and liquidity across the business.

Cash balances fell from £111m to £103m on a gross basis after a repayment of £13m of bank loans. Net cash increased from £78m to £84m despite a significant IT spend of £13m on license renewals for a three year period and continued investment in growth, people and digital innovation. The business continues to generate adequate cash flow for operational liquidity and organic growth.

Net gearing remained at nil throughout the year. The Group has a £90m committed bank facility in place until December 2022, with a £30m accordion feature available for use as part of the agreement. At 31 December 2019, £19m of this was utilised on historic acquisitions.

The Group also has facilities to provide tender bonds, performance bonds and advance payment bonds in the normal course of business and has a pension bond in place as security for the UK pension scheme.

Covenants
The Group is comfortably in compliance with its financial KPI covenants, with both its core relationship banks and the UK pension scheme. For the latter, the company has an agreed funding plan in place with the Trustees to settle the pension obligation.

Dividend and share price
The directors proposed an interim dividend of 55p per share, paid on 31 December to all shareholders on the register at 5 December. No final dividend is planned.

The share price at the end of 2019 was £12.95, an increase of 25p during the year.

Shareholders' equity
Shareholders' equity fell slightly from £133m to £130m. Increases came from profit transferred to reserves of £31.7m, and a small surplus on share transactions. These increases were more then offset by an FRS 102 accounting pension cost net of tax of £27.8m, a dividend of £5.9m and an exchange loss in reserves of £1.8m.

Strategic report

Looking forward

Our infrastructure markets continue to be affected by political and economic uncertainty. Technology also continues to shape our business and its markets, as well as influence the development of our operating model and our services and deliverables for clients.

We remain confident and proud of our reputation for technical excellence and thought leadership. That enables meaningful engagement with clients and stakeholders on today's innovation for tomorrow's markets.

Our strategy of selective focus on our core sectors is complemented by our expertise in market differentiators like BIM, smart infrastructure, climate resilience, cities and sustainability. Our narrative on social outcomes means we deliver a strong value proposition for our clients – economic value and social value.

This focus and expertise put us in a good position to deal with market uncertainty and to meet the future challenges and aspirations of our clients and stakeholders.

We continue to win exciting projects and enter 2020 with a strong order book and a good contracted work position.

Approved by the Board of Directors and signed on its behalf:

Mike Haigh, Executive Chair
27 February 2020

James Harris, Managing Director
27 February 2020

Corporate governance report

Executive Board

The Board is responsible for establishing the company's purpose, values and strategy, promoting its culture and overseeing its conduct and affairs to create sustainable value. The Board meets regularly, makes decisions on a joint basis and has collective responsibility for its remit and objectives. All directors have equal status and accountability to deliver the strategy, achieve an acceptable operating performance and execute the Board's fiduciary duties.

Committees of the Board

Strategy and Policy – Its purpose is to assist the Board with development of the Group strategy, the continuity of its implementation and the alignment of policies to support it. It drives the growth of the business through sector boards, sector plans and strategic initiatives which govern medium-term policy and position for medium-term opportunity. This committee is chaired by the Group's Strategy Director and meets four times a year.

Operations – Its purpose is to monitor, challenge and improve the business performance of the regions and units, driving for improvement and value. It considers internal and external factors that affect business performance and initiates action to address them. This committee is chaired by the Group's Managing Director and meets four times a year.

Investment and Finance – Its purpose is to evaluate and monitor growth initiatives and to assess post-implementation outcome and performance. It also considers sources of finance, balance sheet risk and the recoverability of the carrying values of Group investments and Group funding balances, with judgements on any impairments required. This committee is chaired by the Group's Finance Director and meets four times a year.

Risk – Its purpose is to monitor and assess the adequacy of risk management across the Group and to consider ways to improve it, taking consideration of systems, policies and practices in the business. The committee is chaired by the Group's Operations Director and meets three times a year.

The Shareholders' Committee

The Shareholders' Committee represents the long-term interests of current and future shareholders. It advises on key issues and approves significant decisions and actions of the Board. It is responsible for oversight of the Board. It is chaired by a member of the Shareholders' Committee and formally meets four times a year, with directors in attendance. It also meets in camera.

Shareholders' Committee sub-committees

Audit and Risk Assurance – Its purpose is to review and assess the adequacy of the risk management processes, the control environment and the corporate governance of the company. It highlights to the Shareholders' Committee material matters concerning business improvement and good practice in respect of internal controls, risk management, business conduct, ethics, effectiveness of internal and external auditors, data security and the risk of fraud. It is chaired by a member of the Shareholders' Committee and formally meets four times a year. It also meets in camera.

Nominations – Its purpose is to approve appointments to the Executive Board and the Shareholders' Committee, as well as other senior appointments and promotions within its remit. Its broader remit is to ensure that its decision-making enables succession planning and retaining and developing key people for long-term career progression. This sub-committee is chaired by a member of the Shareholders' Committee and meets twice a year.

Remuneration and Equity – Its purpose is to approve proposals from the Executive Board on remuneration and equity. These will be approvals for annual pay awards, bonus schemes, share allocations, dividends and increases in the company's share price, as well as proposals for materially changing the principles and policy around such matters. This sub-committee is typically chaired by an independent member of the Shareholders' Committee where one is available, and meets three times a year.

The membership of the Board and committees is on the inside back cover.

Governance

The Executive Board has formally adopted a corporate governance framework for large private companies, appropriate for our size and purpose. The Wates Principles are voluntary principles for large private companies that demonstrate an 'apply and explain' approach over six pillars of corporate governance:

1 Purpose and leadership
2 Board composition
3 Director responsibilities
4 Opportunity and risk
5 Remuneration
6 Stakeholder relationships and engagement

These corporate governance arrangements were adopted with effect from 1 January 2019, embracing our existing governance framework, which already contained or addressed many of the principles and themes contained in the Wates principles.

Corporate governance report

Principle 1 – Purpose and leadership

An effective board develops and promotes the purpose of the company and ensures that its values, strategy and culture align with that purpose.

Our **purpose** is to improve society by considering social outcomes in everything we do, relentlessly focusing on excellence and digital innovation and transforming our clients' businesses, our communities and employee opportunities.

Underpinning our purpose is our **proposition**, 'Opening opportunities with connected thinking'. This is our statement of intent – how we do what we do in delivering our purpose.

We demonstrate **leadership** as an employee-owned company by pursuing success through a strategy and decision-making process which put the long-term interests of clients, employees, external stakeholders and employee shareholders above short-term expediency.

Our leadership principles are focused on passing on a stronger, better and more sustainable business to those who follow us, and to maintain intergenerational fairness.

Underpinning those leadership principles are our values: **Progress, Respect, Integrity, Drive and Excellence (PRIDE)**.

They guide our behaviour, shape our culture and inform our relationships with our clients, our stakeholders and each other. They are the platform from which we deliver our purpose and underpin our employee-ownership model.

We put into practice our values and demonstrate leadership through our actions and behaviours. These together with health and safety and wellbeing are embedded in how we conduct ourselves in running and managing the business and how we value our employees.

The reputation and future success of our business are built on integrity and trust. We provide annual training on ethical behaviour to all staff and enhanced workshop training for staff most at risk of encountering ethical issues.

The culture of our geographically dispersed business is defined both by the top-level leadership and by local line management. Our corporate values inform what is expected of employees' attitudes and behaviours.

Employees are encouraged to report any behaviours that are not in line with our values through their HR representatives or through our independent whistle-blowing hotline. These are all investigated and then acted on where necessary.

We seek feedback from staff through a biennial survey which allows our leadership to monitor trends, gauge how well policies are being implemented and collect employee views. We put in place action plans to address common issues.

The projects we deliver centre on improving people's lives but can have adverse impacts on communities and the environment. We recognise those impacts and mitigate them by embedding sustainability and social outcomes into our project delivery.

We seek feedback from our clients and wider stakeholders on our impact, behaviours and effectiveness. We have various forms of interactive communication channels and thought leadership to share ideas and opinions, promote knowledge and innovation, focus on social outcomes in our project delivery, and promote technical and professional excellence.

Principle 2 – Board composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of the board should be guided by the scale and complexity of the company.

The Board has seven executive directors, with a variety of skills and experience. In the financial statements, the directors and their roles are listed on the inside back cover. Their biographies are on the company's website (www.mottmac.com).

Composition

The size of the Board is limited to eight by the company's articles of association. The structure comprises a mix of executive directors working in central Group roles (Chair, Managing Director, Strategy Director, Operations Director, Finance Director and External Engagement Director) and directors who, while being leaders of material business segments in the Group, also fulfil the role of executive directors on the Board. The directors have a broad range of skills and experience with differential and complementary skill sets. The blend of skills is a key feature in ensuring the Board's effectiveness.

Appointments to the Board follow a formal process. The Board decides what components of the process to use, given the appointment. Applicants can be required to prepare a written submission, attend interviews, make presentations and respond to a formal set of questions. The process also involves a scoring assessment of applicants' attributes and skills, based on their knowledge, skills and experience, using criteria that are reviewed from time to time to reflect changes in the external business environment and changes in the needs of the Board. The Board's final decision on an appointment is then ratified by the Shareholders' Committee.

Corporate governance report

As we have independent members on the Shareholders' Committee, the main governing body of the Board, the directors are assessing the role of non-executive directors on the Board.

Evaluation

Board members' strengths and development areas are reviewed from time to time using the Financial Reporting Council Guidance on Board Effectiveness as the framework, and through peer review of knowledge, skills and experience, using the same criteria as for new applicants. The Board works with external organisations to provide development for directors and leadership training on an individual and collective basis.

The Board's effectiveness is periodically reviewed by independent external assessors, as part of succession planning. The conclusions summarise effectiveness and highlight where complementary or differential skill sets could be better blended to make the Board stronger as a team. An independent review and development programme on the Board as a team was carried out in 2019.

A self-assessment by directors of their own individual performance and attributes and an assessment of those of their fellow directors was carried out in 2018 and 2019. The results were shared with all Board members at a Board meeting and with the Shareholders' Committee to assist them with their ongoing assessment of Board performance and effectiveness.

Diversity

Although the Board is reasonably diverse in terms of knowledge, skills, experience and age, its balance in terms of gender and race can be improved. This is a feature of the engineering sector that is slowly changing with each generation of graduates entering it. Changes in our own corporate culture as well as in the wider industry are slowly improving the retention and career progression of a more diverse workforce. However, the Group recognises its role in improving opportunity and outcomes at all levels, and for leading change.

The Board is committed to diversity and is taking steps to improve practices and processes across the Group. Significant progress on gender and race has already been made across the business up to senior management and leadership positions. That is being developed to deliver a sustainable model for diversity of representation in key senior positions up to and including Executive Board and Shareholders' Committee level, the latter already having a broad range of nationalities, cultures and gender.

Principle 3 – Director responsibilities

The Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.

Accountability and effective decision-making

The Executive Chair is responsible for leading the Board, ensuring that it discharges its duties efficiently and that it delivers the strategy agreed by the Board. The Group Managing Director is responsible for directing and controlling operations, managing the day-to-day business and ensuring it is aligned to the strategy. This distinction in the respective roles of the Executive Chair (strategy) and Managing Director (business operations) is key to governance and accountability.

Significant decisions are generally made by reaching a consensus of the Board. Some decisions require the approval of the Shareholders' Committee, as documented in the company's articles of association. There is a protocol for voting at Board meetings and by the Shareholders' Committee, where voting is required on matters of strategic importance.

Information and advice

The Board is provided with information in a timely manner on matters that are to be considered at Board and committee meetings. Directors have access to the advice of the Group General Counsel and Company Secretary, who are responsible for advising the Board on all governance matters and ensuring that Board procedures are complied with. Directors can seek independent advice on the performance of their duties.

The Board also receives assurances from various in-house technical specialists that the company's financial reporting, risk management, governance and internal control processes, including policies mandating procedural requirements and standards, are operating effectively. It is the Board's responsibility to make sure that this assurance is delivered.

Discharging responsibilities

The directors delegate day-to-day management and decision-making to senior management. However, delegation is subject to financial limits and other restrictions, above which matters must be referred back to the Board. The directors maintain oversight of performance and ensure that management acts in line with the strategy and plans agreed by the Board and its delegated authorities.

Corporate governance report

Our policies and processes embrace our operating practices. Managers have the authority to make decisions and that authority is delegated as far as is practicable – but with clear accountabilities. Some matters involving risk are escalated in accordance with clear guidelines on evaluation and authority to approve.

The Group operates a Business Management System, STEP, that sets out the policies and procedures of the Group and the decision-making and authority framework. This determines our levels of delegated authority and operated workflows.

Committees of the Board

The Board delegates responsibilities and activities to its committees to support the Board in meeting its responsibilities effectively, efficiently and on a timely basis.

The purpose of each committee is explained on page 9 showing how they support the Board to meet its responsibilities. The terms of reference of each committee are reviewed annually, agreed by the Board and ratified by the Shareholders' Committee.

The committees monitor and report to the Board on their remits, making recommendations on policies, strategies and initiatives, with the Board retaining ultimate responsibility for any decisions made.

The Shareholders' Committee

The Shareholders' Committee is responsible for reviewing reports from the Board and contributing to discussion on strategic or operational matters to improve management of the business. It reviews and approves recommendations made by its sub-committees and by the Board, when such approvals are required.

It consists mainly of senior employee shareholders selected with the aim of providing a balanced representation from different parts of the global business. It also typically includes two independent members whose role is to enhance discussion and decision-making.

Executive Board directors are not members of the Shareholders' Committee or its sub-committees. They attend meetings to explain principles, deliver information and provide context to discussion.

The Shareholders' Committee delegates responsibilities and activities to its sub-committees, which support the Shareholders' Committee in meeting its agenda effectively, efficiently and on a timely basis.

The purpose of each sub-committee is set out on page 9 showing how they support the Shareholders' Committee to meet its responsibilities. The terms of reference of each sub-committee are reviewed annually and agreed by the Board and the Shareholders' Committee.

Principle 4 – Opportunity and risk
The Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight to identify and mitigate risks.

Opportunity and value

The Group creates value through developing information for our clients. The processes for developing information are maintained in our STEP business management system. The information we develop takes many forms but typically we generate reports, computer models and designs. We also provide clients with resources to manage programmes of work or to supervise the work of others, which may include construction.

We select the customers we seek to work with through selective focus when we assess where we have a specific strength and a basis to build long-term strategic relationships. Our approach is to focus on clients that offer sustained addressable opportunity in our chosen sectors. We assign client account leaders to have oversight of the client's development plans and to maintain high levels of client satisfaction through our services.

The Board has responsibility for determining the nature and extent of the risk it is willing to take and this is recorded in the Group Risk Appetite. It is also responsible for ensuring that risks are managed effectively across the Group.

Managing business risk

Business risks are treated by the Board's Risk Committee. Each business risk has three levels of escalation identified in a risk treatment plan. The Group's principal risks and uncertainties are noted on pages 4 and 5.

The Group's Risk Principal reports directly to the Group's Operations Director and reports three times a year to the Risk Committee on the level of risk in the business. In addition, risks related to health, safety and security are reported to the Board at each meeting. The Risk Principal prepares a report on business ethics for the Board for six meetings a year.

An overall risk report which summarises salient points for information and action is prepared for the Board once a year.

During the year, we appointed a Compliance Officer for the Group who reports to the Group's General Counsel and who has oversight of investigations into alleged breaches of our code of conduct and any significant process failure.

Corporate governance report

In addition to Board oversight, the Shareholders' Committee has an Audit and Risk Assurance sub-committee which requires an assessment of risk to be presented at each of its quarterly meetings.

Managing project risk before contract

Managing project uncertainty starts at the work winning stage. Client account leaders build a good understanding of clients' business plans, culture and commercial approach and what they want out of their projects.

We then assess each prospect for its complexity to identify the level of control that is required for project delivery and the required competence of the project leadership team. That determines the right mix of project controls specialists and commercial managers needed in the team to support the project manager and project principal. For more complex projects, the project principal is supported by an oversight board.

We undertake due diligence on our supply chain before we contract with them. Where risks related to technical competence, business ethics, modern slavery or safeguarding are high, further work is carried out to seek to ensure that the association with the supplier will enhance, not damage, our reputation.

The Group identifies attributes related to material technical and commercial risks for which special approvals are required to take the risk before a tender can be submitted.

Managing project risk after contract

Project uncertainty is managed through STEP which is ISO 9001:2015 compliant. It defines our approach to project delivery and is mandated for all projects in the Group. STEP is compliant with ISO standards for health and safety, environment, anti-bribery management, risk, information security and collaborative working.

Uncertainty is managed through project risk registers, which record the uncertainty associated with the project. In addition, specific registers assessing risk associated with health, safety and security, as well as environmental, technology and information security matters, can be prepared.

Monthly project review meetings are carried out by the project teams. They monitor risk and uncertainty and update the risk register, project budget and project delivery plan.

Performance is also monitored at a senior management level using exception reports, which identify anomalies that need to be investigated, evaluated and followed up.

Compliance with our quality systems is managed through our quality in-house specialists, who carry out audits and reviews of the application of our system, and through external auditors, who are currently DNV-GL. We have a single contract for the global operation and receive consistent assessment of the quality of our compliance to STEP.

The Group's external and internal financial auditors consider the effectiveness of controls in this area, with matters arising for improvement reported to the Board and the Audit and Risk Assurance sub-committee.

Principle 5 – Remuneration

The Board should promote executive remuneration structures aligned to the long-term sustainable success of the company, taking into account pay and conditions elsewhere in the company.

Consistency and control

We operate a consistent and equitable approach to remuneration, focusing on reward industry benchmarking to ensure individuals are paid competitively and that their pay progresses fairly as their careers advance.

Benchmarking means that we can make compelling and competitive offerings in our chosen markets and locations, which is essential for attracting and retaining the best talent.

Remuneration management is run through our regional structures. Direction, oversight and governance are provided from regional management teams. Oversight of the regional teams and governance for recommendations and proposals, such as the annual pay review, sit with the Board.

Remuneration and Equity sub-committee

A remuneration and equity sub-committee which reports to the Shareholders' Committee reviews and approves Board proposals on remuneration and equity, including:

- Annual staff salary increments by geography and/or sector.
- The size and allocation of the discretionary bonus pool for employees and the criteria for awarding bonuses.
- Compensation proposals (salary and benefits) for the directors of the Board.
- Annual share allocations to business units to use to offer shares to employees and directors to buy.
- The annual dividend and increase in value in company shares.
- The size and allocation of discretionary bonus pools to distribute to employee shareholders.

All such proposals are based on the performance of the Group, the business segment and the individual. Performance is defined and measured with metrics such as revenue growth, profit growth, profitability, working capital, ethics, collaboration and technical excellence. Metrics are commonly measured on a multi-year averaged basis to prevent short-termism.

Corporate governance report

The sub-committee is typically chaired by an independent member of the Shareholders' Committee, wherever possible, and meets three times a year to consider Board proposals.

Directors and independent members

The sub-committee reviews the remuneration of executive directors, as well as the allocation of shares for them to buy. That provides an effective control over their remuneration and equity, ensuring a measured and justified value proposition. Their remuneration and shares allocation to buy is driven by the same performance principles used for staff.

The sub-committee also reviews and appraises the Board's current policies and mechanisms for reward and considers proposals by the Board to change them for the better interests of the company, its employees and stakeholders.

Independent members are remunerated for the services they perform. In line with recommended practice, an important pillar of corporate governance is that they are not given the opportunity to buy shares. This helps to ensure that they are independent and objective.

Equality, diversity and inclusion (EDI)

We support the UK Government's move to address the gender pay gap and although we are confident that men and women are paid equally for doing the same jobs across our UK business, we recognise the need to address the gender pay gap and are resolute in doing so. We apply those principles and that objective across the Group.

EDI dashboards launched in early 2019 provide detailed data and insights into the full employee lifecycle. The dashboards support us in our aim for our EDI efforts to be data-driven and intelligence led across all aspects of diversity. These tools allow us to tailor our efforts to the unique nature of our different business units and focus activity where it will have the most impact. We are also using the dashboard data to inform unit EDI action plans.

Principle 6 – Stakeholder relationships and engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The directors promote effective engagement with stakeholders to inform them of the company's strategies, plans and initiatives and seek feedback on them. This includes thought leadership and other forms of interactive communication to access views and opinions from shareholders, employees, clients and stakeholders.

The directors use these communications to be informed of views, opinions and perceptions of the company, its activities and its strategy and of wider social issues which are relevant to the company and society.

This enables the directors to take these views into account in running the business and to reflect them where appropriate in their decision-making and in ensuring they act in the company's best interest, promoting its long-term success in doing so.

Employees

The directors have regular engagement with employees to ensure that they are informed of the Group's strategy, plans and initiatives and are aware of its performance. They also engage with them to understand their views and ideas on the company's policies, processes, initiatives, work practices and behaviours in the workplace.

Details of this engagement process are set out in the directors' report, page 17.

Employee shareholders

The directors also maintain regular engagement with employee shareholders. The purpose is to align them with the Group's interests, to keep them regularly briefed on the Group's performance, delivery of strategy, material initiatives and company news.

This enables the Board to keep shareholders informed and seek their views and feedback as part of corporate decision-making. It helps to ensure that the directors act in the best interest of the company, promoting its long-term success in doing so. This includes the directors providing:

- An internal share programme for senior employees to buy shares in the company. The aim is to secure and retain employees, aligning with the long-term success of the company.
- Quarterly business reviews for shareholders to brief them on the company's progress, highlighting areas of success and areas for improvement.
- An annual performance review for shareholders to highlight results for the year and areas for improvement. It connects business performance, investment and shareholder return.
- A summarised strategy for shareholders highlighting its key features and the value proposition to deliver to benefit clients and stakeholders and drive the company's success.
- A website for shareholders providing ease of access to corporate and shareholder information.

Corporate governance report

- A presentation at the AGM of the annual results, plans for the coming year and updates on Group initiatives. The aim is to help shareholders understand the plans of the company, relating them to the needs of clients and stakeholders.
- Presentations to shareholders after the AGM to provide interactive updates of initiatives. The aim is to brief shareholders on initiatives that will provide future value for employees, clients and stakeholders.
- A summarised form of the AGM in regional offices to shareholders and management across the Group not able to attend the AGM. This fosters engagement and commitment.
- Regional forums for senior employees and shareholders. The aim is to engage them in the most recent developments and plans in their business and across the Group.

Clients

The directors maintain a programme of regular engagement with clients to foster long-term relationships for mutual benefit. The purpose is to better understand their plans, needs and aspirations to make sure that the company's strategy and decision making is aligned with their aims and objectives. That helps the directors act in the best interest of the company and promote its long-term success. This includes the directors establishing:

- Account Leaders for key clients. Their role is to understand the client's business and ensure that their views and plans are front and centre to our strategy and decision-making.
- Client engagement plans for effective relationship management, allowing us to align our plans to areas of mutual common interest and benefit for clients.
- Information which is targeted at selected clients. This includes printed and digital publications on specific subjects; project case studies and thought leadership. The aim is to promote discussion of industry initiatives and areas of topical interest.
- Visits by the Board to key business locations to meet clients and employees, to get an informed view of local markets, the local business and the quality of our brand. The aim is to enhance focus and performance.
- Satisfaction surveys for individual clients to get their views on service provision. They provide comparative feedback of our standing against our competitors. This enables us to learn, improve and pull their feedback into our development plans and strategies for them.
- Directors' participation in the management of key clients. The aim is to fully understand how we can build their views and thinking into our decisions for future development and to match their aspirations.

Stakeholders

The directors maintain regular engagement with clients and wider stakeholders such as suppliers, business partners, and other market players or academic bodies. This enables them to enhance market focus, improve decision-making and promote the long-term success of the company more effectively. This includes the directors:

- Using PR and social media to share our experts' views and thought leadership on industry topics.
- Issuing the Mott MacDonald Corporate Prospectus which profiles global issues, and our responding capabilities and project delivery.
- Maintaining the Mott MacDonald corporate website and other websites that communicate with clients, stakeholders and wider society to promote our purpose, capabilities and values.
- Running client-focused publications and webinars that profile clients' needs and their views on our project creation and delivery.
- Running client and stakeholder events that provide the opportunity to engage with clients and partners. We use them to build knowledge of future activities and to understand the needs and views of our clients.
- Meeting our relationship banks during the year to brief them on strategy, performance and business themes to give them assurance on the quality of our business performance and our financial bank covenants.
- Meeting the trustees of our larger pension schemes to keep updated on pension funding, the current performance of scheme investments and the sensitivity of economic indicators impacting funding. In return the directors brief the trustees on the Group's performance and prospects.
- Meeting larger suppliers on a regular basis to ensure there is a healthy and fair value proposition for both parties while maintaining quality and rigour in our working arrangements.

Mike Haigh, Executive Chair
27 February 2020

James Harris, Managing Director
27 February 2020

Directors' report

The directors present their report, together with the audited financial statements of the Group and the company for the year ended 31 December 2019.

Registration

Mott MacDonald Group Limited is a company registered in England and Wales with registered number 01110949.

Principal activities

Mott MacDonald is one of the world's leading engineering, management and development consultancies. Its core business sectors are advisory, built environment, energy, international development, transport and water. We are an independent employee-owned company engaged in public and private sector development worldwide.

Our drivers are to add value and deliver benefits for our customers, which include national and local governments, health and education bodies, transport operators, industry, utilities, developers, contractors, banks, commercial companies, funding agencies and non-governmental organisations.

Results and dividends

Profit attributable to shareholders before dividend is £31.7m (2018 – £24.5m).

An interim dividend of £5.9m (2018 – £5.9m) was paid to shareholders on 31 December 2019. The directors do not recommend the payment of a final dividend.

Acquisitions and disposals

There were no material acquisitions or disposals during the year.

Directors and their interests

The directors of the company during the year ended 31 December 2019 and their interests in the share capital of the company were as follows:

Directors	At 31 December 2019 or date of resignation Ordinary shares	At 31 December 2018 Ordinary shares
Nick DeNichilo	92,000	91,000
Ian Galbraith	65,000	61,000
Mike Haigh	100,000	95,000
James Harris	52,500	42,500
Keith Howells	75,000	100,000
Guy Leonard	110,000	110,000
Ed Roud	92,500	90,000

All the directors were members of the Board throughout the year ended 31 December 2019, apart from Keith Howells who retired from the Board on 30 June 2019 and Denise Bower, appointed on 1 January 2020.

Directors' and officers' indemnity and liability insurance

The directors have the benefit under Articles of Association and to the extent permitted by law in respect of liability incurred as a result of their office. The Group has purchased and Maintained directors' and officers' liability insurance during the year. However, this does not cover dishonest or fraudulent acts or omissions.

Statement of corporate governance arrangements

The Executive Board formally adopted a corporate governance framework for large private companies, appropriate for our size and purpose: the Wates Principles. They are voluntary principles for large private companies that demonstrate an 'apply and explain' approach over six fundamental pillars of corporate governance:

1) Purpose and leadership, 2) Board composition, 3) Director responsibilities, 4) Opportunity and risk, 5) Remuneration, 6) Stakeholder relationships and engagement.

These corporate governance arrangements were adopted with effect from 1 January 2019 embracing our existing governance framework, which already contained many of the principles and themes contained in Wates. We have set out in the corporate governance report on pages 9 to 15 how we have satisfied the new legislative requirements for governance under the Companies (Miscellaneous Reporting) Regulations 2018.

Employees

We ended the year with approximately 15,700 employees and a total workforce of around 16,500 including agency and contract workers.

Employment policies

The company actively encourages employees to play a part in developing the Group's business and in enhancing its performance. The Group recognises individual contributions through performance bonuses and annual awards. These include our long-standing Milne Award for Innovation; the Best (technical) Paper Award; and our Community Awards for charitable work.

We also have an award for Opening Opportunities with Connected Thinking, which recognises contribution on what is our core proposition to deliver our purpose. This year we rebranded our Chairman's award as a new award called Account Leader to celebrate the achievements of colleagues who are bringing our account leadership ethos to life in their client relationships.

Equal opportunities

Group policy is to employ, develop and promote staff based solely on aptitude, ability and work ethic. As a result, our staff come from a wide diversity of backgrounds. The Group

Directors' report

wishes to ensure that no discrimination occurs, either directly or indirectly, against individuals with a disability on the grounds of that disability in relation to recruitment, promotion, training, benefits, terms and conditions of employment, and dismissal. Wherever possible, reasonable adjustments will be made to either the workplace, workstation or working environment to help employees to cope with disabilities.

Engagement with employees

The directors deliver a structured programme of engagement with employees. The purpose is to ensure that they are informed of the Group's strategy and plans and aware of its performance. They are engaged to share their views and ideas on initiatives, work practices, behaviours, the workplace and policies. This also extends to external themes relevant to the company and its employees.

The aim of the engagement is to ensure that the directors listen to employees on matters which impact them and listen to their views, opinions and ideas in making decisions. This helps to ensure that they act in the best interests of the company and promote its long-term success. It also aligns employees to that success and encourages them to contribute to it.

This includes the directors:

- Creating a mechanism for employees who do not hold shares to benefit from the company's success by using bonus schemes which distribute profits to them based on their performance and behaviours.
- Using corporate emails or media presentations to brief employees on important matters impacting the company. The aim is to brief them and use feedback to improve policy or decisions.
- Briefing employees on other matters of importance that impact on them, their jobs, the company or society.
- Issuing quarterly performance reports to all employees setting out key metrics on financial performance. The aim is to make them aware of how they can play their part in replicating success and improving performance.
- Using the intranet or social media to access employee opinions on matters affecting them in the workplace and matters impacting their employment. The directors can use these views in decisions to improve the quality of the workplace or work practices.
- Using the intranet or social media to make employees aware of significant operational matters and strategic plans of the company that will shape its success. The aim is to engage them to respond to the challenges.
- Running 'town hall' sessions with employees in offices they visit to give them an understanding of what is happening elsewhere in the business with an opportunity for Q&A sessions.
- Running staff councils in local offices for management and staff to discuss issues in the Group or the workplace. The aim is for the company and employees to benefit from a better and more productive work environment.
- Providing 'Speak Up' hotlines for anonymous reporting of concerns over ethical/behavioural matters. This gives staff the opportunity to anonymously advise the business of things they become aware of that concern them and allows the business to formally investigate any issues.
- Running staff engagement surveys. This allows management to hear back from employees about their thoughts and feelings, and their excitements and disappointments. This allows the directors to focus on matters needing change, development or improvement.

Details of how the directors have engaged with employee shareholders, clients and other stakeholders are set out in the corporate governance report on pages 14 to 15.

Principal risks and uncertainties

Business risks, financial risks and measures to mitigate these risks are described in the strategic report on pages 4 to 5.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report. This includes the strategic report, corporate governance report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

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 and profit or loss of the company and the Group for that period.

In preparing these financial statements, the directors are required to:

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

Directors' report

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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with Section 485 of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf:

Paul Ferguson, Company Secretary
27 February 2020

Independent auditor's report

to the members of Mott MacDonald Group Limited

Opinion

We have audited the financial statements of Mott MacDonald Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the consolidated income statement and statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated and company statement of cash flows, the consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group and company associated with a course of action such as Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's and company's business model, including effects arising from Brexit, and analysed how those risks might affect the group's and company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report, corporate governance report and directors' report set out on pages 2 to 18, and the Group five year summary other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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

Independent auditor's report

inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report, the corporate governance report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report, the corporate governance report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report, corporate governance report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 17 and 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Gamson ACA, Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
27 February 2020

Consolidated income statement and statement of comprehensive income

for the year ended 31 December 2019

Consolidated income statement	Notes	2019 £000	2018 £000
Gross revenue	5	**1,784,003**	1,621,079
Cost of sales		**(1,169,627)**	(1,060,865)
Gross profit		**614,376**	560,214
Administrative expenses		**(566,780)**	(518,499)
Group operating profit	6	**47,596**	41,715
Income from other fixed asset investments		**3**	5
Income/(loss) from current asset investments		**1,490**	(354)
Profit on ordinary activities before interest		**49,089**	41,366
Net interest payable	9	**(988)**	(1,235)
Other finance cost	25(c)	**(1,826)**	(1,405)
Profit on ordinary activities before taxation		**46,275**	38,726
Tax on profit on ordinary activities	10(a)	**(14,252)**	(13,708)
Profit on ordinary activities after taxation		**32,023**	25,018
Profit attributable to:			
Owners of the parent company	22	**31,686**	24,533
Non-controlling interests		**337**	485
		32,023	25,018

The Group's gross revenue and operating profit relate to continuing operations.

Consolidated statement of comprehensive income	Notes	2019 £000	2018 £000
Profit for the financial year		**32,023**	25,018
Exchange adjustments on translation of net assets of overseas subsidiaries		**(1,771)**	4,580
Net actuarial loss on pension schemes	22, 25(c)	**(29,819)**	(14,673)
Deferred tax on net actuarial loss	10(c), 22	**5,066**	2,592
Deferred tax on additional pension contributions	10(c), 22	**(3,008)**	(2,914)
Deferred tax rate change on opening pension scheme deficit	10(c), 22	**(35)**	–
Total other comprehensive loss		**(29,567)**	(10,415)
Total comprehensive income for the year		**2,456**	14,603
Total comprehensive income for the year attributable to:			
Owners of the parent company		**2,137**	14,073
Non-controlling interests		**319**	530
		2,456	14,603

Consolidated statement of financial position

at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets	12	**37,272**	46,407
Tangible assets	13	**48,954**	45,135
Other fixed asset investments	14(a)	**205**	191
		86,431	91,733
Current assets			
Debtors	15	**509,437**	494,076
Investments	14(a)	**26,178**	20,407
Cash at bank and in hand	27(b)	**103,735**	114,898
		639,350	629,381
Creditors: amounts falling due within one year	16	**(456,036)**	(449,130)
Net current assets		**183,314**	180,251
Total assets less current liabilities		**269,745**	271,984
Creditors: amounts falling due after more than one year	17	**(19,274)**	(32,675)
Provisions for liabilities	20	**(25,895)**	(25,136)
Net assets excluding pension liability		**224,576**	214,173
Pension liability	25(c)	**(94,249)**	(80,369)
Net assets including pension liability		**130,327**	133,804
Capital and reserves			
Called up share capital	21	**11,713**	11,713
Share premium account	22	**17,717**	17,717
Revaluation reserve	22	**814**	814
Investment in own shares	22	**(13,703)**	(13,424)
Profit and loss account	22	**113,503**	116,647
Equity attributable to owners of the parent company		**130,044**	133,467
Non-controlling interests		**283**	337
Total capital and reserves		**130,327**	133,804

These financial statements were approved by the board of directors on 27 February 2020.

M D Haigh, Executive Chair

Company statement of financial position

at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Investment in subsidiary undertakings	14(b)	**347,281**	347,281
Current assets			
Debtors	15	**54,392**	51,485
Cash at bank and in hand	27(b)	**51**	30
		54,443	51,515
Creditors: amounts falling due within one year	16	**(38)**	(38)
Net current assets		**54,405**	51,477
Total assets less current liabilities		**401,686**	398,758
Creditors: amounts falling due after more than one year	17	**(250,000)**	(250,000)
Net assets		**151,686**	148,758
Capital and reserves			
Called up share capital	21	**11,713**	11,713
Share premium account	22	**17,717**	17,717
Revaluation reserve	22	**2,733**	2,733
Profit and loss account		**119,523**	116,595
Shareholders' equity		**151,686**	148,758

Mott MacDonald Group Limited reported a profit for the year of £8,840,000 (2018 − £11,745,000).

These financial statements were approved by the board of directors on 27 February 2020.

M D Haigh, Executive Chair

Consolidated and company statement of cash flows

for the year ended 31 December 2019

	Notes	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Operating activities					
Net cash inflow from operations	27(a)	**53,162**	57,852	**12,624**	12,200
Interest paid	9	**(1,777)**	(1,769)	**(7,056)**	(6,694)
Taxation:					
UK corporation tax paid		**(430)**	(1,515)	**–**	–
Overseas tax paid		**(10,944)**	(9,439)	**–**	–
		(13,151)	(12,723)	**(7,056)**	(6,694)
Net cash flow from operating activities		**40,011**	45,129	**5,568**	5,506
Investing activities					
Payments to acquire intangible fixed assets	12	**(2,477)**	(4,062)	**–**	–
Payments to acquire tangible fixed assets		**(22,265)**	(18,122)	**–**	–
Receipts from sales of tangible fixed assets		**1,975**	916	**–**	–
Receipts from sales of intangible fixed assets		**5**	–	**–**	–
Payments to acquire current asset investments	14(a)	**(10,569)**	(6,153)	**–**	–
Receipts from sales of current asset investments		**5,879**	3,900	**–**	–
Payments to acquire other fixed asset investments		**(14)**	(3)	**–**	–
Receipts from sales of other fixed asset investments		**–**	10	**–**	–
Interest received	9	**789**	534	**367**	241
Net cash flow from investing activities		**(26,677)**	(22,980)	**367**	241
Financing activities					
Acquisition of non-controlling interests		**(17)**	–	**–**	–
Dividends paid to non-controlling interests		**(391)**	(469)	**–**	–
Redemption of shares classed as financial liabilities		**(2)**	(4)	**(2)**	(4)
Proceeds of sale of shares		**13,357**	12,545	**–**	–
Repurchases of own shares		**(12,970)**	(11,568)	**–**	–
New loans		**12,655**	7,309	**–**	–
Repayment of loans		**(25,158)**	(17,722)	**–**	–
Repayments of capital element of finance leases and hire purchase contracts		**(578)**	(582)	**–**	–
Equity dividends paid	11	**(5,912)**	(5,888)	**(5,912)**	(5,888)
Net cash flow from financing activities		**(19,016)**	(16,379)	**(5,914)**	(5,892)
(Decrease)/increase in cash and cash equivalents		**(5,682)**	5,770	**21**	(145)
Effect of exchange rates on cash and cash equivalents		**(2,575)**	483	**–**	–
Cash and cash equivalents at 1 January	27(b)	**111,507**	105,254	**30**	175
Cash and cash equivalents at 31 December	27(b)	**103,250**	111,507	**51**	30

Consolidated and company statement of changes in equity

for the year ended 31 December 2019

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Called up share capital (note 21)				
At 1 January and 31 December	**11,713**	11,713	**11,713**	11,713
Share premium account (note 22)				
At 1 January and 31 December	**17,717**	17,717	**17,717**	17,717
Revaluation reserve (note 22)				
At 1 January and 31 December	**814**	814	**2,733**	2,733
Investment in own shares (note 22)				
At 1 January	**(13,424)**	(13,566)	**–**	–
Sale of shares by Employee Trust to employees	**13,357**	12,545	**–**	–
Repurchases of shares by Employee Trust from employees	**(12,970)**	(11,568)	**–**	–
Surplus on disposal of own shares	**(666)**	(835)	**–**	–
At 31 December	**(13,703)**	(13,424)	**–**	–
Profit and loss account (note 22)				
At 1 January	**116,647**	107,627	**116,595**	110,738
Profit for the year	**31,686**	24,533	**8,840**	11,745
Other comprehensive (loss)/income:				
Exchange adjustments on translation of net assets of overseas subsidiaries	**(1,753)**	4,535	**–**	–
Net actuarial loss on pension schemes (note 25(c))	**(29,819)**	(14,673)	**–**	–
Deferred tax on net actuarial loss (note 10(c))	**5,066**	2,592	**–**	–
Deferred tax on additional pension contributions (note 10(c))	**(3,008)**	(2,914)	**–**	–
Deferred tax rate change on opening pension scheme deficit (note 10(c))	**(35)**	–	**–**	–
Total other comprehensive loss for the year	**(29,549)**	(10,460)	**–**	–
Total comprehensive income for the year	**2,137**	14,073	**8,840**	11,745
Surplus on disposal of own shares	**666**	835	**–**	–
Dividends (note 11)	**(5,912)**	(5,888)	**(5,912)**	(5,888)
Acquisition of non-controlling interests	**(35)**	–	**–**	–
At 31 December	**113,503**	116,647	**119,523**	116,595
Equity attributable to owners of the parent company	**130,044**	133,467	**151,686**	148,758

Consolidated and company statement of changes in equity
(continued)

for the year ended 31 December 2019

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Equity attributable to owners of the parent company	**130,044**	133,467	**151,686**	148,758
Non-controlling interests				
At 1 January	**337**	276	**–**	–
Profit for the year	**337**	485	**–**	–
Other comprehensive income:				
Exchange adjustments on translation of net assets of overseas subsidiaries	**(18)**	45	**–**	–
Total comprehensive income for the year	**319**	530	**–**	–
Changes in ownership of non-controlling interests	**18**	–	**–**	–
Dividends	**(391)**	(469)	**–**	–
At 31 December	**283**	337	**–**	–
Total capital and reserves	**130,327**	133,804	**151,686**	148,758
Total capital and reserves				
At 1 January	**133,804**	124,581	**148,758**	142,901
Sale of shares by Employee Trust to employees	**13,357**	12,545	**–**	–
Repurchases of shares by Employee Trust from employees	**(12,970)**	(11,568)	**–**	–
Profit for the year	**32,023**	25,018	**8,840**	11,745
Other comprehensive loss for the year	**(29,567)**	(10,415)	**–**	–
Dividends	**(6,303)**	(6,357)	**(5,912)**	(5,888)
Acquisition of non-controlling interests	**(35)**	–	**–**	–
Changes in ownership of non-controlling interests	**18**	–	**–**	–
At 31 December	**130,327**	133,804	**151,686**	148,758

All transactions other than from profit or loss or other comprehensive income are transactions with owners.

Notes to the financial statements

at 31 December 2019

1. Company information

Mott MacDonald Group Limited is a company registered in England and Wales with registered number 01110949. The registered office is: Mott MacDonald House, 8-10 Sydenham Road, Croydon CR0 2EE, United Kingdom.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The Group and company financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below, and investments in subsidiary undertakings which are held at deemed cost since transition to FRS 102.

Basis of consolidation

The Group financial statements consolidate the financial statements of Mott MacDonald Group Limited and its subsidiary undertakings drawn up to 31 December using the purchase method of accounting. The Group income statement includes the results of subsidiary undertakings acquired for the period from the date of their acquisition.

Where subsidiary undertakings have financial year ends other than 31 December, the Group financial statements consolidate their results and net assets based on management accounts drawn up to 31 December.

The profit attributable to members of the company is stated after deducting the proportion attributable to non-controlling interests.

No company income statement is presented for Mott MacDonald Group Limited as permitted by Section 408 of the Companies Act 2006.

Mott MacDonald Employee Trust

The results, assets and liabilities of the Mott MacDonald Employee Trust ('Employee Trust') have been included in the Group financial statements.

The costs of purchasing own shares held by the Employee Trust are shown as a deduction in arriving at total shareholders' equity. The proceeds from the sale of own shares held increase shareholders' equity. Any gains or losses arising from the sale or repurchase of own shares are reflected directly in reserves and do not affect the consolidated net assets of the Group.

Going concern

After considering the Group's future prospects, its cash flow forecasts and bank facilities available, the directors have full expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and at least for a period of twelve months from the date the financial statements are signed. For this reason they continue to adopt the going concern basis in preparing the financial statements.

3. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Contract accounting and recoverability of receivables

The Group's contract accounting policy is central to how the Group values the work it has carried out in each financial year. This policy requires forecasts to be made on the projected outcomes of projects. These forecasts require assessments and judgements to be made on changes in work scopes, changes in costs, costs to completion and recoverability of debts, for example. While the assumptions made are based on professional judgements, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reported results.

Notes to the financial statements

at 31 December 2019

3. Significant judgements and estimates (continued)

Goodwill and other intangible assets

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five to ten years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Goodwill and other intangibles are disclosed in note 12.

Claims

From time to time the Group receives claims from clients with regards to work performed on projects. The Group insures itself against such claims through policies written by its captive insurance subsidiary and through the external insurance market. Provision is made for such claims by considering the merits of the claims and estimating the likely outflow utilising both internal and external sources, as well as the result of past experience. Any reimbursable that the Group is virtually certain to receive with respect to the likely outflow is recognised as a separate asset but limited to the value of the likely outflow.

Defined benefit pension schemes

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, inflation, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 25.

4. Principal accounting policies

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

Goodwill and intangible assets

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its estimated useful life.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the combination.

Notes to the financial statements

at 31 December 2019

4. Principal accounting policies (continued)

Goodwill and intangible assets (continued)

If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the statement of comprehensive income is taken into account in determining the profit or loss on sale or closure.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Intangible assets, including software, acquired separately from a business are capitalised at cost where they meet the capitalisation criteria of FRS 102.

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred, unless the asset will generate probable future economic benefits and the costs can be reliably measured.

Subsequent to initial recognition, goodwill and intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Goodwill and intangible assets are amortised on a straight line basis over their estimated useful lives. The net book value of goodwill and intangible assets is reviewed for impairment if events or changes in circumstances indicate the net book value may not be recoverable. The useful economic lives of goodwill and intangible assets are as follows:

Software	2 to 10 years
Customer relationships	10 years
Forward order book	6 years
Goodwill	3 to 20 years

Non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as changes in equity. Gains or losses on disposals to non-controlling interests are also recorded as changes in equity.

Tangible fixed assets

Tangible fixed assets are measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives, using the straight line method. The useful economic lives of tangible fixed assets are as follows:

Freehold buildings	50 years
Fixtures, fittings and equipment	3 to 10 years
Motor vehicles	3 to 4 years
Leased assets	duration of lease (3 to 10 years)

Gross revenue

The term 'gross revenue' used in these financial statements is the same as the statutory definition of turnover contained in Section 474 of the Companies Act 2006.

Gross revenue represents the fair value of the consideration receivable in respect of services provided during the year, inclusive of direct expenses incurred but excluding Value Added Tax. Where the company receives and disburses funds on behalf of clients under an agency arrangement but earns no margin, such receipts and disbursements are offset with each other in the financial statements.

Notes to the financial statements

at 31 December 2019

4. Principal accounting policies (continued)

Gross revenue (continued)

Gross revenue is recognised in the income statement by reference to the stage of completion of the contract at the statement of financial position date, provided that a right to consideration has been obtained through performance.

Consideration accrues as contract activity progresses by reference to the value of work performed, which coincides with costs incurred, and this is estimated by reference to costs incurred to date compared to expected lifetime costs. Hence the proportion of revenue recognised in the year equates to the proportion of costs incurred to total anticipated contract costs less amounts recognised in previous years where relevant.

Contract variations and claims are included in revenue where it is probable that the amount, which can be measured reliably, will be recovered from the client.

Full provision is made for losses on all contracts in the year in which they are first foreseen.

Amounts recoverable on contracts represent the excess of revenue earned by reference to work done over the amounts invoiced at the year end. Where the progress payments received and receivable exceed the value of revenue earned to date, the excess is shown within creditors as payments on account.

Jointly controlled operations

The Group has certain contractual arrangements with other participants to engage in joint activities that do not give rise to a jointly controlled entity. The Group includes its share of the assets in such joint ventures, together with the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such agreements are measured in accordance with the terms of each arrangement.

Research and development

Research and development costs are charged to the income statement in the year that they are incurred.

Fixed asset investments including subsidiaries

Fixed asset investments are recognised initially at fair value which is normally the transaction price (including transaction costs). Subsequently, they are measured at cost less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Current asset investments

Current asset investments are held by MHACE Insurance Company Limited, the Group's captive insurance company. Current asset investments are recognised initially at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through profit or loss). Subsequently, they are measured at fair value through profit or loss except for those investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available. If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

The investments are managed on behalf of the Group by external investment advisors and Group management do not actively participate in the investment process. As a result, it is considered inappropriate to classify such investments as cash equivalents in the statement of cash flows.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Notes to the financial statements

at 31 December 2019

4. Principal accounting policies (continued)

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Provisions are measured as the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Provisions are discounted to their present values, where the time value of money is material. No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Taxation

Current tax, including UK corporation tax, is provided on amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences at the statement of financial position date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the statement of financial position date and are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in the income statement, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income). Where additional pension contributions paid relate to past actuarial losses, the deferred tax movement thereon is recorded in other comprehensive income.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to offset current tax assets against current tax liabilities; and

Notes to the financial statements

at 31 December 2019

4. Principal accounting policies (continued)

Deferred taxation (continued)

- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Dividends

Dividends are only reflected in the financial statements to the extent that at the statement of financial position date, they are declared and paid or declared as a final dividend in a general meeting.

Functional and presentation currency

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

Foreign currencies

Transactions in foreign currencies are initially recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken in the income statement.

The assets and liabilities of overseas subsidiary undertakings are translated into sterling at the rate of exchange ruling at the statement of financial position date. Income and expenses for each statement of comprehensive income are translated at the average rate of exchange prevailing throughout the year. All resulting exchange differences are recognised in other comprehensive income or loss.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the statement of financial position and depreciated over the shorter of the lease term and the asset's useful life. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the statement of financial position. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Employee benefits

Short term employee benefits and contributions to defined contribution pension plans are recognised as an expense in the period in which they are incurred.

Pensions

The Group operates a number of pension schemes throughout the world. These are described more fully in note 25. Pension costs charged against operating profit for the defined contribution schemes are the contributions payable in respect of the accounting period. All defined benefit schemes are now closed to future accrual of benefits and the surpluses or deficits are determined by the actuaries.

Scheme assets are measured at fair values. Fair value is based on market price information and in the case of quoted securities is the published bid price. Scheme liabilities are measured on an actuarial basis using the 'Projected Unit' method and are discounted at appropriate high quality corporate bond rates. The surplus or deficit is presented separately from other assets and liabilities on the statement of financial position, with the corresponding deferred tax asset or liability disclosed within debtors or provisions for liabilities. A surplus is recognised only to the extent that it is recoverable by the Group.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the

Notes to the financial statements

at 31 December 2019

4. Principal accounting policies (continued)

Pensions (continued)

current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate at the start of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statement as other finance income or cost. Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income or loss in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.

Derivative financial instruments

The Group uses foreign exchange forward contracts to reduce exposure to foreign exchange rates. The Group also uses interest rate swaps to adjust interest rate exposures.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the foreign exchange forward contracts is calculated by reference to current foreign exchange forward contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by calculating the present value of the estimated future cash flows based on observable yield curves.

5. Gross revenue

Gross revenue is attributable mainly to one continuing activity, the provision of consulting services, except for JN Bentley Limited which is a building and civil engineering contracting business.

Gross revenue is analysed as follows:

Analysis by destination:	**2019 £000**	2018 £000
Europe and Africa	**963,142**	921,661
Americas	**433,109**	361,208
Asia Pacific and Australasia	**206,504**	172,102
Middle East and South Asia	**181,248**	166,108
	1,784,003	1,621,079

Analysis by type of business:	**2019 £000**	As restated 2018 £000
Consulting services	**1,473,708**	1,308,459
Building and civil engineering contracting	**310,295**	312,620
	1,784,003	1,621,079

The prior year presentation has been adjusted to conform with the present year presentation.

Notes to the financial statements

at 31 December 2019

6. Operating profit

This is stated after charging/(crediting):		**2019 £000**	2018 £000
Auditors' remuneration	– audit services – principal auditor for audit of parent company and Group financial statements	**396**	316
	– for audit of subsidiaries by associates of principal auditor	**706**	790
		1,102	1,106
	– audit services – non-principal auditors for audit of subsidiary companies	**170**	155
		1,272	1,261
	– non-audit services – principal auditor of parent company		
	taxation	**144**	132
	other	**24**	3
	– non-audit services – associates of principal auditor		
	taxation	**94**	42
	other	**21**	47
		283	224
Past service costs in pension schemes (note 25(c))		**–**	2,100
Current service costs in pension schemes (note 25(c))		**114**	84
Settlement gain in pension schemes (note 25(c))		**(100)**	–
Foreign exchange losses		**4,982**	1,083
Depreciation (note 13)		**16,664**	14,130
Amortisation of goodwill (note 12)		**3,250**	3,574
Amortisation of software (note 12)		**3,401**	1,317
Amortisation of other intangibles (note 12)		**4,542**	4,789
Impairment of goodwill (note 12)		**400**	250
Operating lease rentals	– vehicles and equipment	**2,132**	2,198
	– land and buildings	**32,356**	31,567

Notes to the financial statements

at 31 December 2019

7. Directors' remuneration

	2019 **£000**	2018 £000
Emoluments (excluding pension contributions)	**4,346**	4,456

The emoluments above relate to 7 directors in 2019 (2018 − 7).

The emoluments (excluding pension contributions) of the highest paid director were £867,767 (2018 − £891,830).

During the year £69,744 (2018 − £76,861) of contributions were paid to defined contribution pension plans in respect of 4 directors (2018 − 4), of which £28,238 (2018 − £19,380) related to the highest paid director. Some of the directors also have benefits under the closed defined benefit schemes. The accrued pension of the highest paid director at 31 December 2019 was £24,639 (2018 − £25,627).

The Scheme provides an option to commute part of this pension for a lump sum, which amounted to £339,342 at 31 December 2019 (2018 − £322,799) for the highest paid director.

8. Staff costs

	2019 **£000**	2018 £000
Salaries	**790,139**	720,302
Social security costs	**60,074**	54,796
Other pension costs	**83,512**	79,093
	933,725	854,191

The average number of persons employed by the Group (including directors) during the year was made up as follows:

	No.	No.
Management	**1,074**	975
Technical staff	**12,393**	12,101
Administrative staff	**1,830**	1,763
	15,297	14,839
The actual number of permanent staff at 31 December was:	**15,722**	14,978

Notes to the financial statements

at 31 December 2019

9. Net interest payable

	2019 £000	2018 £000
Interest receivable	**789**	534
Interest payable:		
Bank loans and overdrafts	**(1,637)**	(1,662)
Finance charges payable under finance leases	**(16)**	(11)
Other	**(124)**	(96)
	(1,777)	(1,769)
Net interest payable	**(988)**	(1,235)

10. Tax

(a) Tax on profit on ordinary activities

	2019 £000	2018 £000
The taxation charge is made up as follows:		
Current tax:		
UK corporation tax	**3,580**	2,645
Non-UK tax	**12,005**	9,045
Capital gains tax – Mott MacDonald Employee Trust	**176**	214
	15,761	11,904
Adjustments in respect of previous years:		
UK corporation tax	**950**	(1,883)
Non-UK tax	**337**	1,051
Capital gains tax – Mott MacDonald Employee Trust	**(2)**	(29)
Total current tax	**17,046**	11,043
Deferred tax:		
Origination and reversal of timing differences	**(2,786)**	318
Adjustments in respect of previous years	**(104)**	2,347
Effect of decreased tax rate on opening balance	**96**	–
Total deferred tax (credit)/charge (note 10(c))	**(2,794)**	2,665
Tax on profit on ordinary activities (note 10(b))	**14,252**	13,708

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £5,066,000 credit (2018 − £2,592,000 credit). In addition deferred tax on additional pension contributions paid amounting to a cost of £3,008,000 (2018 − £2,914,000) is recorded in other comprehensive income.

Notes to the financial statements

at 31 December 2019

10. Tax (continued)

(b) Factors affecting tax charge for the year

The tax provided for the period is higher than the amount computed at the average rate of corporation tax in the UK of 19% (2018 − 19%). The differences are explained below.

A reduction in the UK corporation tax rate, from 19% to 17% with effect from 1 April 2020, was substantively enacted on 15 September 2016. This reduction has been taken into account in calculating the deferred tax assets and liabilities included in the statement of financial position.

	2019 £000	2018 £000
Profit on ordinary activities before taxation	**46,275**	38,726
Profit on ordinary activities before taxation multiplied by the average rate of corporation tax in the UK of 19% (2018 − 19%)	**8,792**	7,358
Effects of:		
Tax losses	**2,905**	4,343
Higher taxes on non-UK earnings	**2,708**	3,708
Adjustments in respect of previous years	**1,181**	1,486
Pension contributions	**(3,278)**	(3,215)
Timing differences not provided	**24**	421
Impact of tax rate changes	**174**	58
Other permanent differences	**1,746**	(451)
Tax on profit on ordinary activities (note 10(a))	**14,252**	13,708

Adjustments in respect of previous years include the effects of changes in tax legislation or interpretations and revisions of estimates used in establishing prior year tax provisions.

Other permanent differences include consolidation adjustments, including goodwill amortisation, as well as permanent tax reliefs and non-deductible items.

The items listed above are likely to impact on tax charges of future years as well, although their exact quantum will vary with time and circumstances.

The Group has tax losses of £108,419,000 (2018 − £98,309,000) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. The losses are mainly in South Africa, India, Ireland, Hong Kong, Canada, Brazil and China. Deferred tax assets have not been recognised in respect of £100,905,000 of these losses as there is significant uncertainty over whether the subsidiary undertakings in which they have arisen will generate sufficient taxable profits in future years to allow the losses to be utilised.

Notes to the financial statements

at 31 December 2019

10. Tax (continued)

(c) Deferred tax

Group

	2019 £000	2018 £000
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 15)	**31,197**	27,883
Included in provisions for liabilities (note 20)	**(3,009)**	(3,872)
	28,188	24,011
The elements of deferred taxation are as follows:		
Excess of book depreciation over tax allowances on fixed assets	**2,055**	2,095
Amortisation of intangible assets	**(3,001)**	(3,753)
Pension liability (note 25(c))	**16,469**	14,202
Accrued expenses and provisions	**11,665**	9,774
Losses	**958**	1,970
Other timing differences	**42**	(277)
	28,188	24,011
The movement in the year was:		
At 1 January	**24,011**	26,872
Deferred tax credit/(charge) in the income statement (note 10(a))	**2,794**	(2,665)
Deferred tax credit/(charge) in the statement of comprehensive income		
− on net actuarial loss in pension schemes (note 22)	**5,066**	2,592
− on additional pension contributions made during the year (note 22)	**(3,008)**	(2,914)
− due to effect of rate change on opening balance of pension scheme (note 22)	**(35)**	–
Exchange and other adjustments	**(640)**	126
At 31 December	**28,188**	24,011

The amount of the net reversal of deferred tax expected to occur next year is £nil (2018 − £nil).

Notes to the financial statements

at 31 December 2019

11. Dividends

	2019 £000	2018 £000
The following dividends were paid during the year:		
Ordinary:		
Interim dividend paid per share (2019 − 55p; 2018 − 55p)	**5,912**	5,888

The trustees of the Mott MacDonald Employee Trust waived the dividend on their 963,262 ordinary shares (held at the relevant date for dividend purposes) amounting to £529,794.

12. Group intangible fixed assets

2019	Goodwill £000	Software £000	Other intangibles £000	Total £000
Cost:				
At 1 January	**96,181**	**20,794**	**42,640**	**159,615**
Exchange adjustments	**32**	**(162)**	**63**	**(67)**
Additions	**–**	**2,477** [1]	**–**	**2,477**
Disposals	**–**	**(344)**	**–**	**(344)**
At 31 December	**96,213**	**22,765**	**42,703**	**161,681**
Amortisation:				
At 1 January	**85,702**	**6,630**	**20,876**	**113,208**
Exchange adjustments	**30**	**(141)**	**59**	**(52)**
Provided during the year	**3,250**	**3,401**	**4,542**	**11,193**
Impairment charges	**400**	**–**	**–**	**400**
Disposals	**–**	**(340)**	**–**	**(340)**
At 31 December	**89,382**	**9,550**	**25,477**	**124,409**
Net book value:				
At 31 December	**6,831**	**13,215**	**17,226**	**37,272**
At 1 January	10,479	14,164	21,764	46,407

The goodwill carrying value at 31 December 2019 is £6,831,000 of which the single largest element relates to the acquisition of Bentley Holdings Limited made in 2014 (£4,433,000).

[1]During the year, a further £1,568,000 has been capitalised in relation to costs of development of a new IT system which was brought into use during the year. The cumulative amount capitalised to 31 December 2019 is £13,471,000.

The £17,226,000 other intangibles comprise customer relationships (£16,665,000) and forward order book (£561,000). These mainly relate to the acquisition of Bentley Holdings Limited.

Notes to the financial statements

at 31 December 2019

13. Group tangible fixed assets

2019	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
Cost:			
At 1 January	**6,360**	**115,166**	**121,526**
Exchange adjustments	**(90)**	**(2,132)**	**(2,222)**
Additions	**1,124**	**21,432**	**22,556**
Disposals	**(1,003)**	**(9,932)**	**(10,935)**
At 31 December	**6,391**	**124,534**	**130,925**
Depreciation:			
At 1 January	**3,185**	**73,206**	**76,391**
Exchange adjustments	**(75)**	**(1,450)**	**(1,525)**
Provided during the year	**1,389**	**15,275**	**16,664**
Disposals	**(975)**	**(8,584)**	**(9,559)**
At 31 December	**3,524**	**78,447**	**81,971**
Net book value:			
At 31 December	**2,867**	**46,087**	**48,954**
At 1 January	3,175	41,960	45,135

The above figures for fixtures, fittings and equipment include plant and machinery held under finance leases with a net book value of £733,000 (2018 − £1,336,000).

Notes to the financial statements

at 31 December 2019

14. Investments

(a) Group

Other fixed asset investments	2019 £000
Cost:	
At 1 January	**191**
Additions	**14**
At 31 December	**205**

The principal activity of the businesses comprising other fixed asset investments is that of consulting engineers.

Current asset investments	2019 £000	2018 £000
Valuation:		
At 1 January	**20,407**	18,872
Additions	**10,569**	6,153
Disposals	**(5,869)**	(3,472)
Fair value adjustments	**1,071**	(1,146)
At 31 December	**26,178**	20,407
Investments:		
Listed on the London Stock Exchange	**26,178**	20,407

Current asset investments are held by MHACE Insurance Company Limited, the Group's captive insurance company. The historical cost of current asset investments is £25,469,000 (2018 − £20,769,000).

(b) Company

Subsidiary undertakings	2019 £000
Cost or deemed cost:	
At 1 January and 31 December	**349,592**
Amounts provided:	
At 1 January and 31 December	**2,311**
Net book value:	
At 1 January and 31 December	**347,281**

The total historical cost of interests in subsidiary undertakings is £346,465,000 (2018 − £346,465,000). Subsidiary undertakings held at cost or written down value amount to £334,073,000 (2018 − £334,073,000). Subsidiary undertakings held at deemed cost amount to £13,208,000 (2018 − £13,208,000), the historical cost of which amounts to £10,081,000 (2018 − £10,081,000).

Notes to the financial statements

at 31 December 2019

14. Investments (continued)

(c) Principal subsidiaries

The company's principal subsidiary undertakings at 31 December 2019 are shown below. All of these undertakings have coterminous year ends with the exception of Mott MacDonald Private Limited which has a year end of 31 March due to local regulations. The main activities of these are almost entirely those of engineering, management and development consultancies, except for MHACE Insurance Company Limited which is an insurance company, Mott MacDonald International Limited which is an investment company and JN Bentley Limited which is a building and civil engineering contractor.

Subsidiary undertaking	% held of ordinary share capital		Country of incorporation/registration
	2019	2018	
JN Bentley Limited	**100**	100	England and Wales
MHACE Insurance Company Limited	**100**	100	Guernsey
Mott MacDonald & Company LLC	**65**	65	Oman
Mott MacDonald (Beijing) Limited	**100**	100	China
Mott MacDonald Africa (Proprietary) Limited[1]	**49**	49	South Africa
Mott MacDonald Australia Pty Limited	**100**	100	Australia
Mott MacDonald B.V.	**100**	100	Netherlands
Mott MacDonald Canada Limited	**100**	100	Canada
Mott MacDonald France SAS	**100**	100	France
Mott MacDonald Group, Inc.	**100**	100	United States of America
Mott MacDonald Hong Kong Limited	**100**	100	China (Hong Kong)
Mott MacDonald International Limited[2]	**100**	100	England and Wales
Mott MacDonald Ireland Limited	**100**	100	Republic of Ireland
Mott MacDonald Limited[2]	**100**	100	England and Wales
Mott MacDonald New Zealand Limited	**100**	100	New Zealand
Mott MacDonald Private Limited	**100**	100	India
Mott MacDonald Singapore Pte Limited	**100**	100	Singapore
PT Mott MacDonald Indonesia	**100**	100	Indonesia

[1]Although the holding in ordinary shares is less than 50%, other indicators of control have been taken into account in determining that this is a subsidiary and in calculating the non-controlling interest.

[2]Investment not held through subsidiary undertaking.

A full list of subsidiary undertakings is separately detailed in note 29.

Notes to the financial statements

at 31 December 2019

15. Debtors

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade debtors	**228,679**	232,646	**–**	–
Amounts recoverable on contracts	**199,746**	187,971	**–**	–
Amount owed by subsidiary undertaking	**–**	–	**54,279**	51,483
Amounts owed by other fixed asset investments	**1,656**	587	**–**	–
Deferred taxation (note 10(c))	**31,197**	27,883	**–**	–
Taxation recoverable	**7,149**	10,733	**–**	–
Other debtors	**11,693**	11,267	**113**	2
Prepayments and accrued income	**29,317**	22,989	**–**	–
	509,437	494,076	**54,392**	51,485

Trade debtors are shown net of a provision for impairment of £31,649,000 (2018 − £33,033,000).

Amount owed by subsidiary undertaking of £54,279,000 in the company statement of financial position is a loan from Mott MacDonald Group Limited to Mott MacDonald Limited. Interest on this loan is charged at Bank Rate. The intention is that this loan will not be called up at short notice if doing so would cause the subsidiary undertaking to be unable to meet its liabilities as they fall due.

Deferred taxation is recoverable after more than one year.

16. Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Current instalments due on unsecured bank and other loans (note 18)	**33**	35	**–**	–
Bank overdrafts (note 27(b))	**485**	3,391	**–**	–
Payments on account	**159,563**	172,970	**–**	–
Amounts due to other fixed asset investments	**25**	25	**–**	–
Trade creditors	**65,219**	60,134	**–**	–
Current UK corporation tax	**3,300**	422	**–**	–
Non-UK taxation	**10,070**	11,443	**–**	–
Other taxes	**12,856**	12,604	**–**	–
Social security	**15,066**	13,719	**–**	–
Shares classed as financial liabilities (note 21)	**27**	29	**27**	29
Obligations under finance leases (note 19)	**295**	450	**–**	–
Other creditors	**20,437**	19,100	**11**	9
Accruals	**168,660**	154,808	**–**	–
	456,036	449,130	**38**	38

Notes to the financial statements

at 31 December 2019

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Unsecured bank loans (note 18)	**19,249**	32,518	**–**	–
Obligations under finance leases (note 19)	**25**	157	**–**	–
Amount owed to subsidiary undertaking	**–**	–	**250,000**	250,000
	19,274	32,675	**250,000**	250,000

Amount owed to subsidiary undertaking of £250,000,000 in the company statement of financial position is a loan from Mott MacDonald Limited to Mott MacDonald Group Limited. Interest on this loan is charged at a rate of LIBOR + 2%.

18. Loans

Loans repayable, included within creditors, are analysed as follows:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Wholly repayable within five years	**19,282**	32,553	**–**	–

The £19.3m loans mainly relate to amounts drawn down on the multi-currency revolving facility agreement which is in place until 15 December 2022 and bears a market floating rate of interest based on LIBOR.

19. Obligations under leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

Group

	Land and buildings		Other	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Amounts payable:				
Within one year	**31,895**	31,750	**1,592**	1,881
In two to five years	**91,068**	93,206	**974**	1,463
Over five years	**50,162**	60,491	**–**	–
	173,125	185,447	**2,566**	3,344

Obligations under finance leases, included within creditors, are analysed as follows:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Wholly repayable within five years	**320**	607	**–**	–

Notes to the financial statements

at 31 December 2019

20. Provisions for liabilities

Group

2019	**Provision for losses on contracts £000**	**Deferred taxation Note 10(c) £000**	**Other provisions £000**	**Total £000**
At 1 January	**6,637**	**3,872**	**14,627**	**25,136**
Exchange adjustments	**(170)**	**(2)**	**–**	**(172)**
Arising during the year	**5,297**	**–**	**2,391**	**7,688**
Utilised	**(3,455)**	**(861)**	**(2,441)**	**(6,757)**
At 31 December	**8,309**	**3,009**	**14,577**	**25,895**

Other provisions are mainly in respect of outstanding claims within MHACE Insurance Company Limited, the Group's captive insurance company.

Due to the nature of provision for losses on contracts and other provisions, the timing of their utilisation varies with the size and complexity of the underlying facts and circumstances. It is not unusual for such matters to take up to five years to be resolved, sometimes longer.

Deferred tax is expected to reverse over six years.

21. Share capital

Allotted, called up and fully paid

	2019 No.	2018 No.	**2019 £000**	2018 £000
Ordinary shares of £1 each	**11,713,212**	11,713,212	**11,713**	11,713
Convertible deferred shares of 1p each (classified as a liability) (note 16)	**2,690,930**	2,922,980	**27**	29
			11,740	11,742

Ownership of the issued ordinary shares is divided between employees and the Mott MacDonald Employee Trust ('Employee Trust').

Ownership of the shares by employees means that the company is independent from external shareholders' influence on the long term development of the company. It is employees who make a major contribution to the company's long term strategy and development and everything earned from developing the company is returned to employees who have worked hard to create it.

The Employee Trust has been in place since 1986. Its purpose is to support the framework of employee share ownership within the Group. The Employee Trust acts as a warehouse to ensure that the internal market for shares can operate fluidly during the year. The Employee Trust sells shares to employees when they are given the opportunity to buy shares at fair value in the company and the Employee Trust buys shares at fair value sold by employee shareholders.

Notes to the financial statements

at 31 December 2019

21. Share capital (continued)

The Employee Trust is not used to make conditional benefits available to employees or employee shareholders.

Shares are not gifted to employees and there are no option schemes that exist. As such, there is no share-based payment arrangement reflected in these financial statements. Shares are only bought and sold at fair value.

The convertible deferred shares were offered for cash at par to former employees of the company or any of its subsidiary undertakings who held ordinary shares of the company for more than five years but who had ceased to be such holders by virtue of a 'Qualifying Sale' as more particularly described in the Articles of Association. On the occurrence of a 'Specified Event' as described in the Articles of Association, the convertible deferred shares (together with a corresponding number of unclassified shares) will be converted into ordinary shares of the company. The convertible deferred shares carry no voting rights and no entitlement to dividends or any surplus on winding up. The convertible deferred shares are disclosed as current liabilities rather than as share capital (see note 16), and are held at fair value, which approximates their nominal value.

From 9 April 2016, the company no longer issues convertible deferred shares. The company instead offers, to a subscriber holding qualifying shares, the right to receive the cash equivalent amount that the subscriber would have been entitled to upon the occurrence of a conversion event had the subscriber been issued with the appropriate number of convertible deferred shares by reason of one or more qualifying events.

22. Reserves

Group

Share premium account
This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Revaluation reserve
This reserve relates to revaluation of current asset investments held by MHACE Insurance Company prior to transition to FRS 102.

Investment in own shares
This reserve records the value of shares held by the Employee Trust, which is consolidated in these financial statements. Shares held by the Employee Trust are shown as a deduction in arriving at total shareholders' equity.

Company

Share premium account
This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Revaluation reserve
This reserve records revaluation of investments in subsidiary undertakings which were held at valuation prior to transition to FRS 102.

Notes to the financial statements

at 31 December 2019

22. Reserves (continued)

Group

Profit and loss account

	2019 Excluding pension deficit £000	2019 Pension deficit £000	2019 Including pension deficit £000	2018 Including pension deficit £000
At 1 January	**181,565**	**(64,918)**	**116,647**	107,627
Exchange adjustments on translation of net assets of overseas subsidiaries	**(1,907)**	**154**	**(1,753)**	4,535
Profit attributable to owners of the parent company	**31,686**	**–**	**31,686**	24,533
Dividends (note 11)	**(5,912)**	**–**	**(5,912)**	(5,888)
Goodwill arising on acquisition of non-controlling interests	**(35)**	**–**	**(35)**	–
Transfer in respect of additional pension contributions (net of deferred tax)	**(14,560)**	**14,560**	**–**	–
Deferred tax on additional pension contributions (note 10(c))	**(3,008)**	**–**	**(3,008)**	(2,914)
Deferred tax rate change on opening scheme deficit (note 10(c))	**–**	**(35)**	**(35)**	–
Net actuarial loss in pension schemes (note 25(c))	**–**	**(29,819)**	**(29,819)**	(14,673)
Deferred tax on net actuarial loss (note 10(c))	**–**	**5,066**	**5,066**	2,592
Other finance cost (net of deferred tax)	**1,523**	**(1,523)**	**–**	–
Current service cost (net of deferred tax)	**99**	**(99)**	**–**	–
Settlement gain (net of deferred tax)	**(83)**	**83**	**–**	–
Surplus on disposal of own shares	**666**	**–**	**666**	835
At 31 December	**190,034**	**(76,531)**	**113,503**	116,647

The pension deficit of £76,531,000 above differs from the pension liability in the statement of financial position of £94,249,000 by £17,718,000. This difference relates to the pre-acquisition elements of the pension deficits in JN Bentley Limited and Multi Design Holdings Limited of £717,000 and £532,000 respectively and the deferred tax arising on the Group pension liability of £16,469,000.

The net cumulative goodwill written off directly against reserves prior to goodwill being capitalised on the statement of financial position amounts to £1,995,000 (2018 – £1,995,000); and that credited to reserves amounts to £2,444,000 (2018 – £2,444,000).

23. Capital commitments

There were no capital commitments contracted and not provided for in the financial statements.

Notes to the financial statements

at 31 December 2019

24. Contingent liabilities

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Guarantee of bank loans and overdrafts in respect of other Group companies	**–**	–	**19,367**	33,474

In addition, in the normal course of business, down payment, performance and tender bonds have been given by certain subsidiary undertakings. In the opinion of the directors, these are not expected to give rise to any significant liability. There are also bank guarantees in respect of the pension scheme as disclosed in note 25.

The Group is a party to claims and litigation arising in the normal course of operations. Due to the inherent uncertainties of litigation or the early stage of certain proceedings, it is not possible to predict the final outcome of all ongoing claims and litigation at any given time or to determine the amount of any potential losses, if any. The Group monitors all claims and takes appropriate insurance to mitigate its risk.

25. Pensions and other retirement benefits

(a) Mott MacDonald Pension Schemes

The Group has operated a number of pension schemes in the UK. The Mott MacDonald Pension Scheme ('MMPS') is trust based which, from 1 January 2001 until 31 December 2011, had both defined benefit and defined contribution sections. On 1 May 2000, the defined benefit section was closed to new entrants. From 1 January 2001, all members were transferred to the defined contribution section. This section was contracted into the State Second Pension, formerly known as the State Earnings Related Pension Scheme ('SERPS') and was closed to new members on 31 December 2004.

From 1 January 2005, new employees were entitled to join the Mott MacDonald Stakeholder Pension Scheme, a contract based scheme. From 1 April 2011, all Stakeholder members were transferred to the Group Personal Pension Plan ('GPP').

From 1 January 2012, all defined contribution members were transferred to the GPP. Contribution structures in MMPS continued in the GPP. From 1 January 2012, all active defined benefit members were made deferred by removing the salary link and offering sliding scale enhancements to their pensions.

From 1 June 2017, all GPP members were transferred to a Master Trust and new employees are now contractually enrolled into the Master Trust. The minimum Master Trust employee contribution level is 4.5%.

The Group contributes to the Master Trust, at the rates specified in the rules of the scheme. From 1 January 2014, all new employees are contractually enrolled. To comply with auto-enrolment law, all current employees who were not in the GPP were contractually enrolled in May 2016, and subsequently a re-enrolment exercise was carried out in May 2019. Total pension contributions were £41.4m (2018 − £39.6m).

Costs relating to the remaining defined benefit section of MMPS were £16.8m (2018 − £16.2m). These costs include both administrative expenses relating to MMPS and an instalment of £16.0m to reduce the deficit. Members' pensions were increased during the year according to the rules of MMPS.

MMPS is funded by means of assets which are held in trustee-administered funds, separated from the Group's own resources. The contributions to MMPS are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the 'Projected Unit' method and a funding agreement between the trustees and the Group.

Notes to the financial statements

at 31 December 2019

25. Pensions and other retirement benefits (continued)

(a) Mott MacDonald Pension Schemes (continued)

The following key assumptions were used to assess the funding level at the last actuarial valuation:

Date of valuation	1 January 2018
Future investment return per annum – pre-retirement	Discount rate yield curve*
– post-retirement	Discount rate yield curve*

*This is equal to the yield on UK Government fixed interest gilts at different terms on the yield curve, with an outperformance allowance of 1.6% over the period to 31 December 2020, 1.4% over the period from 1 January 2021 to 31 December 2023, 0.9% in 2024 and 0.5% thereafter.

At the last actuarial valuation on 1 January 2018, the market value of assets was £595m and the level of funding based on market value of assets was 86%.

The level of funding is the value of the assets expressed as a percentage of MMPS liabilities after allowing for revaluation of benefits to normal pension date.

The valuation position of MMPS was updated to 31 December 2019 by a qualified independent actuary for the purpose of producing these financial statements in accordance with FRS 102.

It should be noted that the calculations and methods under FRS 102 are different from those used by the actuary to determine the funding level of MMPS. The Group and the trustees regularly review the funding level of MMPS with the advice of the actuary. During 2019 minimum contributions of £16.0m were paid to MMPS. Under the current funding plan these will be £16.5m in 2020, and are then predicted to increase at 3.9% per annum.

In agreeing the latest recovery plan with the trustees of the UK defined benefit pension scheme, the Group has agreed with the trustees to provide a minimum security of £19m and a maximum security of £35m throughout the period of the recovery plan.

The level of security is agreed annually with the pension scheme trustees and at 31 December 2019 the level of security in place was £25m in the form of bank guarantees which are renewable on an annual basis.

The security can be called on by the trustees in the event of the Group defaulting on its contributions to MMPS or in the event of a change in control of the company or it being placed in administration. In the view of the directors, such possible events are remote.

(b) Other pension schemes

In the USA, there is the Mott MacDonald Defined Benefit Pension Plan (frozen as of 31 March 1995). This is a defined benefit scheme which is closed to new members and future accrual of benefits. An interim report was prepared by a qualified actuary at 31 December 2019 for disclosure purposes which showed that the total market value of the assets of the scheme was US$14.4m (2018 − US$12.7m) and the liabilities were US$20.2m (2018 − US$19.2m) resulting in a deficit of US$5.8m at 31 December 2019 (2018 − US$6.5m).

In the Republic of Ireland, there is a further defined benefit scheme which is also closed to new members and future accrual of benefits. An interim report was prepared by a qualified actuary at 31 December 2019 for disclosure purposes which showed that the total market value of the assets of the scheme was €10.0m (2018 − €8.5m) and the liabilities were €10.1m (2018 − €9.1m) resulting in a deficit of €0.1m at 31 December 2019 (2018 − €0.6m).

Notes to the financial statements

at 31 December 2019

25. Pensions and other retirement benefits (continued)

(b) Other pension schemes (continued)

The Bentley Holdings Limited group, which is in the UK, includes a defined benefit scheme which is sponsored by its wholly owned subsidiary JN Bentley Limited. It is also closed to new members and future accrual of benefits. An interim report was prepared by a qualified actuary at 31 December 2019 for disclosure purposes which showed that the total market value of the assets of the scheme was £12.1m (2018 − £11.3m) and the liabilities were £17.4m (2018 − £14.7m) resulting in a deficit of £5.3m at 31 December 2019 (2018 − £3.4m).

These pension schemes are not material in the context of the Group financial statements.

(c) Group pension schemes

The assets and liabilities of the Mott MacDonald Pension Scheme ('MMPS') are analysed below:	2019 £m	2018 £m
Change in defined benefit obligation		
Defined benefit obligation at 1 January	**(629.9)**	(663.2)
Interest cost	**(17.7)**	(16.8)
Actuarial (losses)/gains	**(79.3)**	17.5
Benefits paid	**31.0**	34.7
Past service cost	**–**	(2.1)
Settlements	**4.6**	–
Defined benefit obligation at 31 December	**(691.3)**	(629.9)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**(691.3)**	(629.9)
Change in plan assets		
Fair value of plan assets at 1 January	**558.5**	594.8
Interest income on MMPS assets	**15.9**	15.2
Actuarial gains/(losses) on MMPS assets	**51.9**	(32.3)
Employer contributions	**16.0**	15.5
Benefits paid	**(31.0)**	(34.7)
Settlements	**(4.5)**	–
Fair value of plan assets at 31 December	**606.8**	558.5
Funded status of MMPS	**(84.5)**	(71.4)
Net amount recognised in respect of MMPS	**(84.5)**	(71.4)
Deficit in MMPS	**(84.5)**	(71.4)
Deficit in other Group schemes	**(9.7)**	(9.0)
Total deficit in Group schemes excluding deferred tax (as reported in the statement of financial position)	**(94.2)**	(80.4)
Related deferred tax asset (note 10(c))	**16.5**	14.2
Net pension liability	**(77.7)**	(66.2)

Notes to the financial statements

at 31 December 2019

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

Components of pension (cost)/income

Year to 31 December	2019 £m	2018 £m
Total pension cost recognised in administrative expenses in arriving at operating profit		
– for MMPS		
Past service cost	–	(2.1)
Settlement gain	0.1	–
– for other Group schemes	(0.1)	(0.1)
	–	(2.2)

Past service cost of £2.1m in 2018 related to a provision for the impact of Guaranteed Minimum Pension (GMP) equalisation. Settlement gain of £0.1m relates to the bulk transfer exercise carried out during the year.

	2019 £m	2018 £m
Interest cost on MMPS liabilities	(17.7)	(16.8)
Interest income on MMPS assets	15.9	15.2
Net pension interest (cost)/income recognised within other finance cost in the income statement		
– for MMPS	(1.8)	(1.6)
– for other Group schemes	–	0.2
	(1.8)	(1.4)
Actuarial (losses)/gains on MMPS liabilities	(79.3)	17.5
Actuarial gains/(losses) on MMPS assets	51.9	(32.3)
Net actuarial losses immediately recognised for MMPS	(27.4)	(14.8)
Total pension (cost)/income recognised in other comprehensive loss		
– for MMPS	(27.4)	(14.8)
– for other Group schemes	(2.4)	0.1
	(29.8)	(14.7)

Plan assets

The weighted average asset allocation at the year end for MMPS was as follows:	2019 %	2018 %
Asset category		
Liability driven investment	74	74
Diversified growth funds	14	14
Corporate bonds	6	6
Equities	5	5
Cash and other	1	1
	100	100

Notes to the financial statements

at 31 December 2019

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

Actual return on plan assets

Year to 31 December	2019 £m	2018 £m
Interest income on MMPS assets	**15.9**	15.2
Actuarial gains/(losses) on MMPS assets	**51.9**	(32.3)
Actual return on plan assets – for MMPS	**67.8**	(17.1)

The key financial assumptions used to determine the pension liability at 31 December for MMPS are:

	2019 %	2018 %
RPI inflation	**3.1**	3.3
Discount rate for scheme liabilities	**2.0**	2.9
CPI inflation	**2.1**	2.2
Pension increases (inflationary increases with a maximum of 5% p.a.)	**2.1**	2.2
Salary increases	**n/a**	n/a

Weighted average life expectancy for mortality tables used to determine benefit obligations for MMPS at 31 December:

	2019		2018	
	Male Years	Female Years	Male Years	Female Years
Member age 60 (current life expectancy)	**27.7**	**28.9**	27.9	29.0
Member age 40 (life expectancy at age 60)	**28.8**	**30.4**	29.0	30.6

26. Related party transactions

The company has taken advantage of the provisions in Section 33.1A of FRS 102 not to disclose transactions with wholly owned subsidiary undertakings.

Key management personnel

The Group's directors are considered to be its key management personnel. Directors' remuneration is set out in note 7.

Notes to the financial statements

at 31 December 2019

27. Notes to the statement of cash flows

(a) Reconciliation of profit on ordinary activities before taxation to net cash inflow from operations

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Profit on ordinary activities before taxation	**46,275**	38,726	**8,840**	11,745
Adjustments to reconcile profit before taxation for the year to net cash inflow from operations:				
Depreciation	**16,664**	14,130	**–**	–
Amortisation of intangible assets	**11,193**	9,680	**–**	–
Impairment of goodwill	**400**	250	**–**	–
Fair value adjustments on current asset investments	**(1,071)**	1,146	**–**	–
Pension contributions	**(17,568)**	(16,931)	**–**	–
Past service cost	**–**	2,100	**–**	–
Current service cost	**114**	84	**–**	–
Settlement gain	**(100)**	–	**–**	–
Loss on disposal of other fixed asset investments	**–**	17	**–**	–
Profit on disposal of tangible fixed assets	**(599)**	(298)	**–**	–
(Profit)/loss on disposal of intangible fixed assets	**(1)**	1	**–**	–
Profit on disposal of current asset investments	**(10)**	(428)	**–**	–
Net interest payable	**988**	1,235	**6,689**	6,453
Other finance cost	**1,826**	1,405	**–**	–
(Increase)/decrease in debtors	**(15,037)**	2,052	**(2,907)**	(6,002)
Increase in creditors	**8,466**	3,981	**2**	4
Increase in provisions for liabilities	**1,622**	702	**–**	–
Net cash inflow from operations	**53,162**	57,852	**12,624**	12,200

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Group		Company	
At 31 December	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000
Cash at bank and in hand	**103,735**	114,898	**51**	30
Bank overdrafts (note 16)	**(485)**	(3,391)	**–**	–
Cash and cash equivalents	**103,250**	111,507	**51**	30

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Notes to the financial statements

at 31 December 2019

27. Notes to the statement of cash flows (continued)

(c) Analysis of changes in net funds

Group

	1 January 2019 £000	Cash flow £000	Exchange movement £000	Other non-cash changes £000	31 December 2019 £000
Cash at bank and in hand	114,898	(8,577)	(2,586)		103,735
Bank overdrafts	(3,391)	2,895	11		(485)
	111,507	(5,682)	(2,575)		103,250
Debt due after one year (note 17)	(32,518)	12,501	768	–	(19,249)
Debt due within one year (note 16)	(35)	2	–	–	(33)
	(32,553)	12,503	768	–	(19,282)
Finance leases	(607)	578	–	(291)	(320)
Shares classed as financial liabilities	(29)	2	–	–	(27)
Total net funds	78,318	7,401	(1,807)	(291)	83,621

Company

Cash at bank and in hand	30	21	–		51

Notes to the financial statements

at 31 December 2019

28. Financial assets and liabilities

		Group		Company	
		2019	2018	**2019**	2018
	Notes	**£000**	£000	**£000**	£000
Financial assets at fair value through profit or loss					
Listed investments	14(a)	**26,178**	20,407	**–**	–
Financial assets that are equity instruments measured at cost less impairment					
Other fixed asset investments	14(a)	**205**	191	**–**	–
Financial assets that are debt instruments measured at amortised cost[1]					
Trade debtors	15	**228,679**	232,646	**–**	–
Amount owed by subsidiary undertaking	15	**–**	–	**54,279**	51,483
Amounts owed by other fixed asset investments	15	**1,656**	587	**–**	–
Other debtors	15	**11,693**	11,267	**113**	2
Financial liabilities at fair value through profit or loss					
Shares classed as financial liabilities	16, 21	**27**	29	**27**	29
Financial liabilities measured at amortised cost[1]					
Bank overdrafts	16	**485**	3,391	**–**	–
Amounts due to other fixed asset investments	16	**25**	25	**–**	–
Trade creditors	16	**65,219**	60,134	**–**	–
Other creditors	16	**20,437**	19,100	**11**	9
Amount owed to subsidiary undertaking	17	**–**	–	**250,000**	250,000
Loans	18	**19,282**	32,553	**–**	–
Obligations under finance leases	19	**320**	607	**–**	–

The fair values of the assets and liabilities held at fair value through profit or loss at the statement of financial position date are determined using quoted prices.

There were no derivative financial instruments at the year end (2018 − £nil).

[1]Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount (calculated using the effective interest method).

Financial risks

The Group has a variety of controls in place to manage liquidity risk, credit risk and exchange risk, and minimise financial loss. The more important aspects are:

- For investments, where viable, all counterparties must meet the Group's minimum credit rating of A-1 long term and P-1 short term.
- There is no speculative use of derivatives, currency or other instruments.

Notes to the financial statements

at 31 December 2019

29. Subsidiary undertakings

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
United Kingdom		
Bentley Holdings Limited	100	A
Cambridge Education Associates Limited	100	B
Cambridge Education Consultants Limited	100	B
Cambridge Education Limited[1]	100	B
Courtyard Group UK Limited	100	B
Ewbank and Partners Limited[1]	100	B
Ewbank Preece Consulting Limited[1]	100	B
Ewbank Preece Limited[1]	100	B
Franklin & Andrews International Limited	100	B
Franklin & Andrews Limited[1]	100	B
Franklin Osprey Services Limited	100	B
Fulcrum First Limited	100	B
HLSP Limited	100	B
JBA Bentley Limited	75	A
JN Bentley Limited	100	A
John Proctor Travel Limited[1]	100	B
MIME Learning Limited[1]	100	C
MMG Consulting Limited	100	B
MMRA Limited	100	B
Mott Hay & Anderson International Limited[1]	100	B
Mott MacDonald Bentley Limited	100	A
Mott MacDonald Engineering Consultants Limited[1]	100	B
Mott MacDonald Gas Experts Limited	100	B
Mott MacDonald International Limited[1]	100	B
Mott MacDonald Limited[1]	100	B
Mott MacDonald Nominees[1]	100	B
Mott MacDonald SA Limited[1]	100	B
Mott MacDonald Trustees Limited[1]	100	B
MRT Consulting Engineers Limited	100	B
Multi Design Consultants Limited	100	B
Multi Design Holdings Limited[1]	100	B
Needlemans Limited[1]	100	B
Osprey PMI Limited	100	B
Power Ink Limited	100	B
Preece Cardew & Rider Limited[1]	100	B
Procyon Oil & Gas Limited	100	B
Project Management International Limited	100	B
Schema Associates Limited[1]	100	B
Sir M MacDonald & Partners Limited[1]	100	B
Sterling Management Limited[1]	100	B
Teamwork Management Services Limited[1]	100	B
Australia		
AWT Water Pty Limited	100	D
Hughes Trueman Pty Limited	100	D
Mortimer Project Management Pty Limited	100	E
Mott MacDonald Australia Pty Limited	100	D
Botswana		
Merz & McLellan Botswana (Pty) Limited	100	F
PDNA Botswana (Proprietary) Limited[2]	49	G

Notes to the financial statements

at 31 December 2019

29. Subsidiary undertakings (continued)

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
Brazil		
Habtec Engenharia Sanitaria e Ambiental Ltda	100	H
Bulgaria		
Mott MacDonald (Bulgaria) EOOD	100	I
Canada		
Mott MacDonald Canada Limited	100	J
China		
Mott MacDonald (Beijing) Limited	100	K
Mott MacDonald (Shenzhen) Limited	100	L
China (Hong Kong)		
Franklin & Andrews (Hong Kong) Limited	100	M
Mott MacDonald Consultants (HK) Limited	100	M
Mott MacDonald Hong Kong Limited	100	M
China (Macau)		
Mott MacDonald Macau Limited	100	N
Colombia		
Mott MacDonald Colombia SAS	100	O
Czech Republic		
Mott MacDonald CZ, spol. s r.o.	100	P
Congo, Democratic Republic of the		
Mott MacDonald DRC SASU	100	Q
Egypt		
Mott MacDonald (Egypt) Limited	100	R
Finland		
Mott MacDonald Finland Oy	100	S
France		
Mott MacDonald France SAS	100	T
Guernsey		
MHACE Insurance Company Limited	100	U
Hungary		
Mott MacDonald Magyarorszag Kft	100	V
India		
Mott MacDonald Private Limited	100	W
Indonesia		
PT Mott MacDonald Indonesia	100	X
Ireland		
Ewbank Preece O'hEocha Limited	100	Y
Franklin & Andrews (Ireland) Limited	100	Y
Mott MacDonald Ireland Limited	100	Y
Mott MacDonald Pettit Engineering Limited	100	Y
Somin Holdings Limited	100	Y
Italy		
Mott MacDonald Italy S.r.l.	100	Z
Japan		
Mott MacDonald Japan KK	100	AA
Kazakhstan		
Mott MacDonald Kazakhstan LLP	100	AB
Kenya		
Mott MacDonald Kenya Limited	100	AC

Notes to the financial statements

at 31 December 2019

29. Subsidiary undertakings (continued)

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
Malawi		
Mott MacDonald Blantyre Limited	100	AD
Malaysia		
Mott MacDonald (Malaysia) Sdn. Bhd.	100	AE
Mauritius		
PDNA Consulting (Mauritius) Limited[2]	49	AF
PDNA Trading Limited[2]	49	AG
Mongolia		
Mott MacDonald Mongolia Company Limited	100	AH
Mozambique		
Mott MacDonald Mozambique Lda[2]	100	AI
Netherlands		
BMB Mott MacDonald B.V.	100	AJ
Euroconsult Mott MacDonald B.V.	100	AJ
Mott MacDonald B.V.	100	AJ
New Zealand		
Mott MacDonald New Zealand Limited	100	AK
Nigeria		
Cambridge Education Nigeria Limited	100	AL
Mott MacDonald (Nigeria) Limited	100	AM
Norway		
Mott MacDonald Norge AS	100	AN
Oman		
Mott MacDonald & Company LLC	65	AO
Philippines		
Mott MacDonald (Philippines) Inc	100	AP
Poland		
Mott MacDonald Poland Sp. z o.o. w likwidacji	100	AQ
Mott MacDonald Polska Spolka z o.o.	100	AQ
Romania		
Mott MacDonald Romania SRL	100	AR
SC Educatia 2000+ Consulting SRL	100	AS
Russia		
Mott MacDonald R Limited Liability Company	100	AT
Serbia		
Mott MacDonald S d.o.o.	100	AU
Sierra Leone		
Mott MacDonald (SL) Limited	100	AV
Singapore		
Franklin + Andrews Pte Limited	100	AW
Mott MacDonald Singapore Pte Limited	100	AW
Slovakia		
Mott MacDonald Slovensko, s r.o.	100	AX
Spain		
Mott MacDonald Spain Sociedad Limitada	100	AY
South Africa		
Merz & McLellan (Proprietary) Limited	100	AZ
Mott MacDonald Africa (Pty) Limited[2]	49	AZ

Notes to the financial statements

at 31 December 2019

29. Subsidiary undertakings (continued)

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
South Africa (continued)		
Mott MacDonald Contracting (Pty) Limited[2]	49	AZ
Mott MacDonald Development South Africa (Pty) Limited[2]	49	AZ
Mott MacDonald Holdings (South Africa) (Pty) Limited[2]	49	AZ
Mott MacDonald South Africa (Proprietary) Limited[2]	49	AZ
PDNA Holdings (Pty) Limited[2]	49	AZ
Phambili Merz (Proprietary) Limited[2]	49	AZ
Taiwan		
Taiwan Mott MacDonald Limited	100	BA
Tanzania		
Cambridge Education Tanzania Limited	100	BB
Thailand		
Mott MacDonald (Thailand) Limited	100	BC
Thai MM Limited	100	BC
Turkey		
Mott MacDonald T Engineering Consultants Limited	100	BD
Uganda		
Mott MacDonald Uganda Limited	100	BE
United Arab Emirates		
Ewbank International Consultants (Private) Limited	100	BF
United States of America		
Cambridge Education, LLC	100	BG
Coast & Harbor Engineering, Inc.	100	BG
J.B. Trimble, Inc.	100	BH
Keith B. Higgins & Associates, Inc.	100	BI
Mott MacDonald Alabama, LLC	100	BJ
Mott MacDonald Architects, Inc.	100	BK
Mott MacDonald Consultants, Inc.	100	BG
Mott MacDonald Federal, LLC	100	BG
Mott MacDonald Florida, LLC	100	BL
Mott MacDonald Group, Inc.	100	BM
Mott MacDonald Holdings, Inc.	100	BM
Mott MacDonald I&E, LLC	100	BM
Mott MacDonald Massachusetts, LLC	100	BN
Mott MacDonald Michigan, LLC	100	BG
Mott MacDonald NY, Inc.	100	BO
Mott MacDonald Operating Services, LLC	100	BG
Mott MacDonald USA, LLC	100	BP
Mott MacDonald, Inc.	100	BQ
Mott MacDonald, LLC	100	BM
Richard P. Arber Associates, Inc.	100	BR

[1]Investment not held through subsidiary undertakings.

[2]Although the holding in ordinary shares is less than 50%, other indicators of control have been taken into account in determining that this is a subsidiary and in calculating the non-controlling interest.

Notes to the financial statements

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29. Subsidiary undertakings (continued)

Other fixed asset investments by country of incorporation/registration	% held of ordinary share capital	Registered office key
United Kingdom		
BMM JV Limited	**50**	**BS**
Environments for Learning Leeds PSP Limited	**24**	**BT**
M2 (Water) LLP	**50**	**B**
Oman		
Galfar Mott MacDonald LLC	**35**	**AO**

Registered Office	
Snaygill Industrial Estate, Keighley Road, Skipton, North Yorkshire BD23 2QR, United Kingdom	**A**
Mott MacDonald House, 8-10 Sydenham Road, Croydon, Surrey CR0 2EE, United Kingdom	**B**
St. Vincent Plaza, 319 St. Vincent Street, Glasgow G2 5LD, United Kingdom	**C**
Mezzanine Floor, 22 King William Street, Adelaide SA 5000, Australia	**D**
Mott MacDonald Australia Pty Ltd, Level 16, 201 Elizabeth Street, Sydney NSW 2000, Australia	**E**
Plot 50370, Fairgrounds, East Wing, Acumen Park, Gaborone, Botswana	**F**
Plot 776, Extension 2, Gaborone, Botswana	**G**
Avenia Treze de Maio 13, Salas 1.504, 1.505, 1.506, 1.507, 1.508, 1.509, 1.510 e 1.511 (Grupo 1.508) Centro, Rio de Janeiro, Brazil	**H**
13 Floor 2, Damian Gruev Street, Sofia 1606, Bulgaria	**I**
Suite 301, 30 Duncan Street, Toronto ON M5V 2C3, Canada	**J**
Suite 1007 Tower E Global Trade Centre, 36 North 3rd Ring Road East, Beijing, 100013, China	**K**
2302 Block 1, Xinwen Building, 2 Shennan Zhong Road, Futian District, Shenzhen, China	**L**
3/F Mapletree Bay Point, 348 Kwun Tong Road, Kowloon, Hong Kong	**M**
Avenida da Praia Grande 759, 3F, Macau SAR, Macau, China	**N**
Calle 93B No. 12-48, Oficina 308, Edificio Futura, Bogota D.C., Colombia	**O**
Narodni 15, 110 00 Praha 1, Czech Republic	**P**
7eme Etage, Immeuble BCDC, Boulevard du 30 Juin, Commune de la Gombe, Kinshasa, Congo, Democratic Republic of the	**Q**
253 Rabaa El-Adaweya Investment Project, El Akad Mall Ext., 5th Floor, Apartment 53, Nasr City, Cairo, Egypt	**R**
c/o Sweco Industry Oy, PL 75, Helsinki, 00381, Finland	**S**
33 Avenue de la Republique, 75011, Paris, France	**T**
4th Floor, The Albany, South Esplanade, St. Peter Port, Guernsey GY1 4NF	**U**
Vaci Str 45 F/7, Budapest, 1134, Hungary	**V**
101 Nomura, Hiranandani Gardens, Powai, Mumbai 4000076, India	**W**
Gedung Sequis Center, 3rd Floor, Jalan Jenderal Sudirman No 71, Jakarta, 12190, Indonesia	**X**
South Block, Rockfield, Dundrum, Dublin 16, Republic of Ireland	**Y**
Via Enrico Albareto 31, 16154, Genoa, Italy	**Z**
4F Nihonbashi Honcho 1-chrome Building, 1-9-13 Nihonbashi Honcho, Chuo-ku, Tokyo, Japan	**AA**
Office 1114, Syganak Street 29, Esil District, Astana, 010000, Kazakhstan	**AB**
LR no.1870/1/176, 1st Floor, ALN House, Eldama Ravine Close, off Eldama Ravine Road, PO Box 764-00606, Westlands, Kenya	**AC**
Grant Thornton, MASM House, Lower Sclater Road, P. O. Box 508, Blantyre, Malawi	**AD**
Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200, Kuala Lumpar, Malaysia	**AE**
c/o Navitas Corporate Services Ltd, Navitas House, Robinson Road, Floreal, Mauritius	**AF**
c/o Globefin Management Services Ltd, 1st Floor, Anglo Mauritius House, Intendance Street, Port Louis, Mauritius	**AG**
Suite 203, Crystal Business Center, Chinggis Avenue 11/1, Ulaanbaatar, 210628, Mongolia	**AH**
Rua Comandante Joao Belo, Polana Cimento, Maputo, Mozambique	**AI**
Amsterdamseweg 15, 6814 CM Arnhem, Netherlands	**AJ**

Notes to the financial statements

at 31 December 2019

29. Subsidiary undertakings (continued)

Registered Office	Key
Level 1, 23 Union Street, Auckland, 1010, New Zealand	AK
20 Kwame Nkrumah Crescent, Asokoro, Abuja, Nigeria	AL
Sterling Towers, 20 Marina, Lagos, Nigeria	AM
c/o Inforegn AS Misjonsmarka 1, 4024 Stavanger, Norway	AN
PO Box 587, Postal Code 112, Ruwi, Sultanate of Oman	AO
The Regus TEC Inc, 27th Floor Tower 2, The Enterprise Centre, 6766 Ayala Ave. Corner, Paseo de Roxas, 1226, Philippines	AP
Ul. Prosta 68, 00-838, Warszawa, Poland	AQ
246 Traian Street, Floor 3, Ap. 5 District 2, Bucharest, Romania	AR
15 Iancu Capitanu Street, District 2, Bucharest, Romania	AS
4th Floor, 71 Sadovnicheskaya Embankment, 115035, Moscow, Russia	AT
Kneginje Zorke 2, Floor 1, Belgrade, 11000, Serbia	AU
24 Regent Road, Hill Station, Freetown, Sierra Leone	AV
152 Beach Road, #35-00 Gateway East, 189721, Singapore	AW
Sulekova 2, Bratislava 811 06, Slovakia	AX
Paseo de la Castellana, 79 Lexington Azca, Planta 7, 28046, Madrid, Spain	AY
3rd Floor, Building 1, 11 Alice Lane, Sandhurst, Sandton 2196, South Africa	AZ
9F, No. 467, Sec 6, Zhongxiao E. Rd, Nangang District, Taipei, 11557, Taiwan (Republic of China)	BA
11th Floor, Golden Jubilee Towers, Ohio Street, Box 80512, Dar es Salaam, United Republic of Tanzania	BB
19th Floor, Chamnan Phenjati Building, 65/159 and 65/162 Rama 9 Road, Huay-Kwang, Bangkok, 10310, Thailand	BC
Sun Plaza, No. 5 Kat, Maslak Mah. Bilim Sok., 15 Sariyer, Istanbul, 34485, Turkey	BD
c/o Africa Registrars, Plot 2 Bombo Road, City Apartments, 3rd Floor Suite 13, PO Box 31776, Kampala, Uganda	BE
PO Box 11302, Dubai, United Arab Emirates	BF
111 Wood Avenue South, Iselin NJ 08830-4112, United States of America	BG
2000 Riveredge Parkway, Suite 700, Atlanta GA 30328, United States of America	BH
1300 First Street, Suite B, Gilroy CA 95020, United States of America	BI
153 West Interstate, Mobile AL 36608, United States of America	BJ
Suite 177, 2320 Highland Avenue South, Birmingham AL 35205, United States of America	BK
220 West Garden Street, Suite 700, Pensacola FL 32502, United States of America	BL
The Corporation Service Company, 2711 Canterville Road, Suite 400, Wilmington, 19808, Delaware, United States of America	BM
150 Lower Westfield Road, Holyoke MA 01040, United States of America	BN
1400 Broadway, 30th Floor, New York NY 10018, United States of America	BO
101 Station Drive, Suite 130, Westwood MA 02090, United States of America	BP
One University Avenue, Suite 100, North Lobby, Westwood MA 02090, United States of America	BQ
143 Union Boulevard, Suite 1000, Lakewood CO 80228, United States of America	BR
St James House, Knoll Road, Camberley, Surrey, GU15 3XW, United Kingdom	BS
c/o Albany Spc Services Limited, 3rd Floor, 3-5 Charlotte Street, Manchester M1 4HB, United Kingdom	BT

Group five year summary

Years ended 31 December	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Gross revenue	**1,784,003**	1,621,079	1,548,878	1,407,198	1,401,408
Profit on ordinary activities before taxation	**46,275**	38,726	37,397	60,571	63,561
Tax on profit on ordinary activities	**(14,252)**	(13,708)	(16,165)	(9,247)	(22,312)
Non-controlling interests	**(337)**	(485)	(130)	(605)	(14,674)
Dividends	**(5,912)**	(5,888)	(5,816)	(6,469)	(6,045)
Retained profit	**25,774**	18,645	15,286	44,250	20,530
Employment of Group capital					
Fixed assets	**86,431**	91,733	93,363	84,114	89,334
Net current assets (less provisions)	**157,419**	155,115	151,265	180,096	201,165
Excluding pension liability	**243,850**	246,848	244,628	264,210	290,499
Pension liability (excluding deferred tax)	**(94,249)**	(80,369)	(78,737)	(106,867)	(91,285)
Including pension liability	**149,601**	166,479	165,891	157,343	199,214
Group capital employed					
Creditors falling due after more than one year	**19,274**	32,675	41,310	54,085	45,812
Equity attributable to owners of the parent company excluding pension liability	**224,293**	213,836	203,042	209,510	197,480
Non-controlling interests	**283**	337	276	615	47,207
Excluding pension liability	**243,850**	246,848	244,628	264,210	290,499
Pension liability (excluding deferred tax)	**(94,249)**	(80,369)	(78,737)	(106,867)	(91,285)
Including pension liability	**149,601**	166,479	165,891	157,343	199,214
Net funds					
Cash at bank and in hand	**103,735**	114,898	106,092	106,023	122,065
Bank overdrafts	**(485)**	(3,391)	(838)	(111)	(616)
Current instalments due on loans	**(33)**	(35)	(91)	(514)	(440)
Loans falling due after more than one year	**(19,249)**	(32,518)	(41,198)	(53,986)	(45,376)
Obligations under finance leases	**(320)**	(607)	(633)	(870)	(1,613)
Shares classed as financial liabilities	**(27)**	(29)	(33)	(39)	(37)
	83,621	78,318	63,299	50,503	73,983

Mott MacDonald Group – Governance

Executive Board and committees

Executive Board members
Mike Haigh (Executive Chair)
Denise Bower (External Engagement Director)
Nick DeNichilo (Regional General Manager, NASA)
Ian Galbraith (Operations Director)
James Harris (Managing Director)
Guy Leonard (Strategy Director)
Ed Roud (Finance Director)
Paul Ferguson (General Counsel) – in attendance

Executive Board committees

Strategy and Policy members
Guy Leonard (Chair)
Denise Bower
Ian Clarke
David Cox
Nick DeNichilo
Ian Galbraith
Mike Haigh
Simon Harrison
David Johnson
Cathy Travers

Operations members
James Harris (Chair)
Peter Carden
Mark Enzer
Ian Galbraith
Randal Jones
Ed Roud
Doug Wilson

Investment and Finance members
Ed Roud (Chair)
Mike Haigh
James Harris
Simon Harrison
Guy Leonard
Tony Purdon
Clare Rhodes-James
Doug Wilson

Risk members
Ian Galbraith (Chair)
Paul Ferguson
Mike Gennaro
James Harris
Ed Roud

Membership of committees and sub-committees noted above are effective from 1 March 2020.

Shareholders' Committee and sub-committees

Shareholders' Committee members
David White (Chair)
SS Acharya
Jon Barbalich
Jol Bates
Paul Bentley
Steve Canadine
Peter Carden
Ian Clarke
David Cox
Mark Enzer
Mike Gennaro
Simon Harrison
David Johnson
Randal Jones
Anne Kerr
Liz King
Alec Pavitt
Tony Purdon
Clare Rhodes-James
Cathy Travers
Doug Wilson
FookHin You
Bob Prieto (Independent)

Shareholders' Committee sub-committees

Audit and Risk Assurance members
Steve Canadine (Chair)
Jon Barbalich
Paul Bentley
Alec Pavitt
Bob Prieto (Independent)

Nominations members
Anne Kerr (Chair)
SS Acharya
Alec Pavitt
Clare Rhodes-James

Remuneration and Equity members
Liz King (Chair)
Jol Bates
FookHin You
David White

Following Denise Bower's appointment to the Executive Board on 1 January, she stood down as an independent member of the Shareholders' Committee and Remuneration and Equity sub-committee. A new independent member will be appointed this year.

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