Mott MacDonald Group Limited

Report and financial statements
31 December 2021

Mott MacDonald Group Limited

Global management, engineering and development consultancy

85+ awards
for innovation and excellence in 2021

16,000+ people

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

Directors
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Denise Bower (External Engagement Director)
Ian Galbraith (Strategy Director)
James Harris (Managing Director)
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Mike Haigh
Executive Chair – welcome

I am pleased to present our annual report for 2021. This has, once again, been an extraordinary year, still dominated by a pandemic that has been a major disruptor from health, economic and social perspectives, with consequential impacts on our industry.

Nevertheless, we have delivered a good performance. We have learned from the first year of the pandemic and have managed well the varying levels of lockdown across our offices. Wellbeing has continued to be a focus, particularly as we start to move back to office working. Our thoughts continue to be with our colleagues who have been directly affected by the pandemic and particularly and sadly with the families and colleagues of those who have lost their lives.

We continue to deal positively with the issues the pandemic brings and other uncertainties from global trade disputes and significant supply chain disruption. However, many of our core markets remain strong and we are therefore optimistic about our prospects over the next 12 months in our core territories.

The delivery of a strong performance in 2021 has been underpinned by our continued focus on the geographies, sectors and services we believe provide a strong, resilient platform for our business and the agility and commitment of our colleagues around the world. This commitment has been reinforced by our independence which creates a strong sense of responsibility in our colleagues, many of whom are shareholders.

This independence also allows us to be bold in how we approach the future and how we define our role in the broader industry. We are driven by a clear purpose "to improve society by considering social outcomes in everything we do; relentlessly focusing on excellence and digital innovation, transforming our clients' businesses, our communities and employee opportunities."

This focus on Social Outcomes, Professional and Technical Excellence and Digital Innovation already differentiates us in our industry, and it has been instrumental in positioning us for a post-pandemic world in which these themes are already starting to emerge as core trends.

We are involved in some of the world's highest profile infrastructure and development projects from high-speed rail and advanced air mobility to the UK's largest water infrastructure project.

The excellence in the professional and technical work that we do is recognised through our many exciting projects around the world. We are proud to have been appointed as the technical integration and optimisation contractor for the largest green hydrogen project in Europe, NorthH2, and for the structural, civil and façade engineering for Adelaide's Aboriginal Art and Cultures Centre. In a world-first, we are delivering the engineering services for the design of the 250MW Kidston Pumped Storage Hydro Project, converting a disused gold mine into a pumped storage hydroelectric power facility; and our consortium win of the Shenzhen transport hub competition will be a catalyst for the transformation of the east terminal areas into a vibrant, people-oriented commercial and cultural district for Shenzhen. In North America, we saw two major combined sewer overflow tunnel wins in 2021 and our Canada unit continues to drive new revenue as the Ontario Line subway project moves into full gear.

Our commitment to social outcomes – supporting inclusion, accessibility, empowerment, resilience and wellbeing for all people – remains a priority. We are bringing these outcomes alive on many of our infrastructure projects around the world. We are extremely proud of our six-year contract with the UK Foreign, Commonwealth and Development Office to support the Tanzanian government in improving the quality, inclusiveness and safety of learning in Tanzanian primary schools.

We continue to strive to maximise benefit, delivering value by connecting innovation to outcomes. This is where digital innovation comes to the fore. Moata Smart Energy, one of our suite of digital offerings, is designed to meet the needs of our largest renewable energy clients to get the best value from investment. In the UK, we are helping Highways England to transform pavement asset management with artificial intelligence and digital tools, reducing costs and increasing the safety of journeys. Globally, we are supporting governments in developing countries to create their own version of the UK's 2050 energy and emissions model, accelerating the drive for net-zero emissions.

Addressing the causes and effects of climate change is key to our purpose – and why we are committed to working with our clients to plan, build and operate infrastructure that is consistent with net-zero emissions and resilient to the impacts of climate change. We are working on the delivery of some of the world's largest clean infrastructure and renewable energy projects. That is also why we became part of the critical mass behind COP26, participating in the UNFCCC's Resilience Hub, partnering with the Sustainable Innovation Forum and supporting the UK Green Building Council's Built Environment Virtual Pavilion and the World Green Building Council's Advancing Net Zero campaign.

Our excellence has been recognised through awards. In 2021, we won 89 awards (2020 – 85) around the world in key areas including sustainability, equality, diversity and inclusion, employment, health and wellbeing, professional excellence and digital innovation.

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In North America we also welcomed two acquisitions into the Mott MacDonald family which will strengthen the services we offer our clients in the fields of asset management, water and the environment: The Kercher Group, a Delaware-based company that specialises in asset management systems for the transportation and energy sectors, and Pacific Groundwater Group, a Seattle-based company which specialises in hydrogeology, groundwater/surface water interactions, modelling, soil, sediment and water chemistry.

We are committed to influencing our industry through thought leadership. In 2021 we continued to enhance our engagement with the broader industry to help steer our business and test our thoughts and ideas. We also announced our partnership with the World Economic Forum (WEF), which will see us take a lead role in transforming energy, materials and infrastructure, to shape and build a more sustainable future. Becoming a WEF platform partner is by invitation only and is recognition of our contribution to tackling the world's biggest challenges. We believe that addressing those challenges in ways that deliver sustainable and equitable outcomes requires collaboration on a global scale. That is why we are excited to be able to play our part in helping WEF implement the best approaches across our sector, including our own commitments to social outcomes, net zero, tackling climate change and leveraging digital innovation.

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 are committed to the highest level of performance and compliance in these areas. The Group continues to operate a rigorous governance framework that touches all aspects of how we behave, how we make decisions, how we deliver value and how we manage risk.

Nick DeNichilo retired on 31 December 2021. Nick has made a huge contribution to the business both as President of our North American business and as a director of the Group. On 1 January 2022, Cathy Travers was appointed as a director on the Executive Board. Cathy brings a wealth of experience from her extensive time with the Group, most recently in her current role as General Manager of the UK and European business.

On behalf of the Executive Board, I would like to thank once again our clients and partners for the opportunities they bring and particularly for their support during the global pandemic.

I also thank all our colleagues for their commitment in another extraordinary year. It is through their contribution that we make our company stronger, and it is through our people and our projects that we generate great social outcomes for our clients and our clients' clients.

Corporate responsibility

As an employee-owned Group, we are able to find balance between commercial success and a recognition of the impact that our actions can have for people and the world around them.

Our corporate responsibility themes are managed and coordinated across the Group to ensure consistency of approach and implementation while recognising relevant cultural, social and legal differences.

Delivering on Our Purpose

Our Purpose is to improve society by considering social outcomes in everything we do; relentlessly focusing on excellence and digital innovation, transforming our clients' businesses, our communities and employee opportunities. Through our business, we seek to make a positive difference to the world and in the communities in which we work. Our Purpose is a commitment to changing people's lives for the better. These are some of the ways we continue to deliver on that commitment and behave in a way that is accountable for the difference we want to make.

Through Our Code

In September 2021, we launched a new Code of Conduct for our staff and those who work with us. It is called Our Code – Delivering with PRIDE. It sets standards and expectations for the issues most relevant to our Group and is a guide for making good choices and living our PRIDE values (progress, respect, integrity, drive, excellence).

By setting out our commitment to acting with integrity and our expectations of all colleagues and those we work with, Our Code challenges us to work with each other, our partners, clients and communities in a way that builds trust and mutual respect. It sets out our standards and expectations on the issues that matter to us – it is a guide to making good choices.

Our Code helps all those who work for us and with us to improve their understanding of our position on human rights and modern slavery, among other topics, and how to raise concerns, should they come across any. Our Code highlights our desire to work only with those that can meet our standards and expectations.

Through Our People Promise and Inclusive Social Outcomes

Our People Promise describes the characteristics we take pride in demonstrating which are evidence of the powerful culture we are creating together. Our new agile working guidance provides our people with greater flexibility to do what is right for them, their teams and their clients. We have instigated a new health, safety and wellbeing reporting

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process enabling staff to report wellbeing issues and positive interventions – steps they have taken to improve their own or a colleague's wellbeing.

We are committed to delivering socially-inclusive outcomes through our projects, working with our clients to improve accessibility, inclusion, empowerment, resilience and wellbeing for the communities we work with. We have a network in place enabling us to equip our colleagues with the tools and support needed to deliver on our commitments.

Through Corporate Social Responsibility (CSR)

Our approach to CSR continues to mature and was adapted in response to the COVID-19 pandemic. This included increasing our digital and remote engagement with not-for-profit organisations and our communities; signing the Literacy Business Pledge with the National Literacy Trust in the UK to tackle the gap in literacy and improve social mobility; and being awarded a silver medal from EcoVadis in India, placing us in the top 25% of companies for managing 21 issues in four themes (environment, labour practices and human rights, ethics and sustainable development).

We are also pleased to be one of the eleven participants on the Greater London Authority's Design Lab programme, which aims to tackle the underrepresentation of young black men in construction and infrastructure sectors.

Through Equality, Diversity, Inclusion (EDI) and Racial Justice

Over the past 12 months, our dedicated diversity and inclusion programmes continue to create opportunities for those groups facing the highest levels of discrimination. At the same time, our Advance EDI networks have spearheaded work on tackling disability discrimination, including training for our hiring teams on accessible recruitment and launching a 'Not all disabilities are visible' campaign.

To support women's careers and tackle discrimination, stereotyping, conscious and unconscious biases, our EDI networks have worked on improving leadership development and our promotion processes, increasing the visibility of women on days like the International Women in Engineering Day. We are establishing networks aimed at influencing and championing opportunities for change and progress, ensuring that Mott MacDonald continues to be a place where we can be ourselves, feel valued, safe and at our best.

During 2021 we have engaged with colleagues across our organisation to inform the development of a new EDI strategy that will help to enhance our work on this strategic business issue. Fundamental to our new strategy will be the collection of better data and insights on both the demographics of our workforce and their levels of engagement and inclusion. We took steps during 2021 to ensure that we will be in a much better position to do this in 2022 and as a consequence to make evidence-based policy decisions.

We have also reviewed and renewed our commitment to racial justice. We provided safe platforms for colleagues to speak up about their experiences of race and racism and for others to listen, learn and commit to taking action. Regional actions include establishing a Mott MacDonald chapter of the National Society of Black Engineers in the US and, in Australia, producing a second Reconciliation Action Plan, recognising Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationship to the land, water and seas.

Through Excellence and Digital Innovation

Our excellence networks connect our thinking across the globe, driving continuous improvement and unlocking the combined potential of our digital and domain expertise to bring the best technical solutions to our clients and exciting opportunities to our people.

We have more than 40 practices based around sub-sectors, disciplines or some other key area of professional activity, and these are responsible for developing technical capability, knowledge sharing, safeguarding technical quality, innovation and external visibility.

We continue to recognise our role as a multidisciplinary global consultancy in using our breadth of expertise to develop and deploy digital solutions that improve how we create and manage infrastructure and services for the benefit of our clients and society. As part of the Executive Board committees, a Digital Committee is now providing direct oversight of all the elements of the Group's project-related digital activities, including the Digital Delivery Network (DDN) and the Moata Product Development Group (MPDG).

Through Tackling Climate Change and Advancing Sustainability

As a business we recognise our responsibility to transition our operations to a net-zero future. Over the past year, we sought continuous improvement of our carbon management process, updated the Group Travel Policy and initiated behavioural change to support low carbon modes of transport. We are investigating alternative sources for procurement, to ensure only low carbon choices are made, and a carbon incentivisation scheme. We continue to offset our residual emissions, renewed our PAS 2060 Carbon Neutral certification and report on Science Based Targets. Support for regional uptake of renewable energy was also provided with the UK reaching 89%.

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We have joined Race to Zero, a UN initiative to rally leadership and support from businesses, cities, regions and investors for a healthy, resilient, zero-carbon recovery.

We have refreshed our position on net-zero greenhouse gas emissions and confirmed our carbon neutral and net-zero commitments using industry adopted definitions that have become available since our original 2020 declarations. We will continue to actively manage our own carbon emissions, specifically to improve our carbon performance management and drive down our carbon emissions in the short, medium and long term by:

- robustly managing carbon consumption through improved data;
- switching to renewable energy supplies;
- reducing intercontinental travel;
- switching our hired vehicles to a hybrid/electric fleet where fuelling/charging infrastructure exists; and
- maintaining our certification to PAS 2060, the international standard for carbon neutrality.

We are also committed to driving down the need to offset as fast as possible, progressively improving the quality of the offsets we buy, so we lead best practice, and developing partnerships with non-governmental organisations and developing our own projects for offsetting in the longer term (meaning we will no longer pay third parties to cancel our carbon emissions).

We launched new global climate change training as well as working to develop regional-specific sustainability and climate change training for our staff. We continue to improve the sustainability of our offices by improving energy efficiency, switching to renewable energy, minimising our waste and reducing single-use plastics.

Through Our Response to the Impact of Climate Change

We continue, where possible, to help our clients identify, assess, manage and disclose how climate change risks could affect them at the earliest stage of our work. We are a partner of the Coalition for Climate Resilient Investment (CCRI), which is part of Race to Resilience – the sister campaign to Race to Zero. Our engagement with Race to Resilience will build on our role in CCRI and our 'Resilience to the physical impacts of climate change' position paper.

We have joined the Powering Past Coal Alliance – a coalition of national and sub-national governments, businesses and organisations working to advance the transition from carbon emissions-heavy coal power generation to clean energy. This builds on our existing commitment to not work on new coal-fired power projects.

Streamlined energy and carbon reporting

This summary has been prepared as a statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR) and will cover UK energy use, associated greenhouse gas (GHG) emissions and efficiency actions relating to transport, gas, electricity and other fuels.

Reporting boundary

The reporting boundary is the UK offices of Mott MacDonald Limited (MML) and its subsidiaries, including JN Bentley Limited (JNB). Our organisational boundaries are set according to the control approach, under which MML and JNB account for 100% of greenhouse gas (GHG) emissions from UK operations over which the Group has operational control.

Measurement methodology

The carbon footprint presented within this report in table 1 and table 2 covers the period from 1 January 2021 to 31 December 2021. The inventory methodology for MML and its subsidiaries aligns with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, covering:

- Scope 1: direct emissions from sources owned or controlled by us
  - MML: combustion of fuel from office energy;
  - JNB: combustion of fuel from office energy, company-owned vehicles and stationary equipment;
- Scope 2: indirect emissions from the generation of purchased electricity;
- Scope 3: indirect emissions from car travel on business use:
  - MML: from hire vehicles; and
  - JNB: grey fleet.

Emissions are reported in units of carbon dioxide equivalent (CO_2e), using the most recent conversion factors from the Department for Business, Energy and Industrial Strategy (BEIS, 2021).

Measures to improve our energy and carbon performance

Mott MacDonald Group Limited (MMG) is proud to have been the first company in our class to be externally certified carbon neutral, globally. The 2019 and 2020 carbon footprints of MMG were offset through the restoration of peatland in Indonesia. Our 2019 and 2020 global carbon footprints also underwent external verification by the Carbon Trust and were verified ISO 14064 compliant.

In 2020, MMG also committed to Science Based Targets, aligned with a 1.5°C pathway and to continue to offset its carbon footprint and be carbon neutral. In 2021, MML

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including JNB have committed to net zero by 2040 and JNB achieved externally certified carbon neutral status.

To achieve these targets, MMG has a carbon neutral plan which includes the following distinct activities:

- more robust carbon management;
- moving towards renewable energy in our offices globally;
- reduce business travel flights;
- switch hired vehicles to a hybrid/electric fleet;
- investigation of an internal carbon reduction incentivisation scheme;
- investigate alternative sources for procurement to ensure a low carbon supply chain; and
- investigate low carbon choices and mechanisms to ensure staff can reduce their emissions.

The net-zero plan is due for publication by June 2022.

In addition, JNB aspires to:

- be net zero for our scope 1 and 2 (direct) emissions by 2030;
- be net zero across all our operations (scope 1, 2 and 3 emissions) by 2040;
- switch offices over to renewable energy, where possible, as soon as possible;
- continue to invest in greener plant for the JNB plant fleet;
- continue to work closely with plant hire companies and manufacturers to ensure the plant we utilise on site is the most sustainable available; and
- communicate with the wider business and supply chain on the MMBC electrification road map of how the company vehicle fleet will become fully electric in the coming years.

Table 1: MML (engineering, management and development consultancy business)

Current reporting year: Jan-Dec 2021	Quantity (MML)	
	2021[2]	2020[1]
Total energy consumption (kWh)	**10,916,551**	**12,875,888**
Office energy: electricity and fuel (kWh)	9,265,213	10,185,359
Business travel – car (kWh)	1,651,338	2,690,529
Total associated GHG emissions (tCO_2e)	**1,411**	**1,978**
Scope 1: office fuel and fugitive emissions (tCO_2e)	742	902
Scope 2: market-based electricity (tCO_2e)	157	240
Scope 3: business travel – car (tCO_2e)	512	836
GHG emissions intensity (tCO_2e/FTE[3])	**0.21**	**0.30**

Table 2: JNB (building and civil engineering contracting business)

Current reporting year: Jan-Dec 2021	Quantity (JNB)	
	2021[2]	2020[1]
Total energy consumption (kWh)	**44,549,014**	**48,873,071**
Office energy: electricity and gas (kWh)	631,369	707,586
Company vehicles and plant energy: gas oil, diesel and petrol (kWh)	38,471,674	40,923,282
Grey fleet (kWh)	5,445,971	7,242,203
Total associated GHG emissions (tCO_2e)	**11,481**	**11,490**
Scope 1: office gas (tCO_2e)	35	32
Scope 1: plant energy (tCO_2e)	7,548	9,900
Scope 1: company vehicles[4] (tCO_2e)	2,206	Included in plant energy
Scope 2: market-based electricity (tCO_2e)	0	8
Scope 3: grey fleet (tCO_2e)	1,692	1,550
GHG emissions intensity (tCO2e/FTE[3])	**7.29**	**7.30**

[1] As a result of undergoing the verification of our footprint with the Carbon Trust, increasing the emissions scope and reporting market-based figures, the 2020 footprints in tables 1 and 2 slightly differ to what was reported in the previous years' SECR report.
[2] The figures presented for the 2021 footprints in tables 1 and 2 are not finalised at the time the financial statements are produced, but any changes are not expected to be material.
[3] Number of full-time equivalent (FTE) employees.
[4] Company vehicles: includes fuel used from personal vehicles on business use.

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Business and financial review

Business environment
2021 has been another extraordinary year. In January, disruption from the pandemic lockdown was evident across most of our communities. By the middle of 2021, many of those communities had come out of that lockdown and were looking forward to an economic rebound. However, Africa, India and South America demonstrated a continued need for caution in responding to the COVID-19 pandemic.

Other big disruptors included the UK and the EU transitioning to their new trading arrangements, oil and energy prices creating uncertainty for economic recovery, economic and political uncertainty in the US leading to a political stalemate in agreeing a new infrastructure budget, and geopolitical pressures amongst China, Russia and the US.

These disruptors held back the speed of economic recovery and created uncertainty for investment and growth. Commercial opportunity and economic progress were varied.

Although infrastructure markets generally remained sluggish, governments continued to invest in public and social infrastructure which generally provided work across most of our markets. The threat of a prolonged significant economic slump receded. Markets were competitive and on balance provided good opportunity for the business.

Business response
Despite the ongoing economic disruption and uncertainty, we have delivered another good performance in 2021. The Executive Board and regional management teams continued to manage the business with rigour and have been effective in matching resource to workload and in keeping overheads under control.

New investment and a measured growth of overheads have enabled the business to grow with selective focus in markets where it has had good opportunity to do so and seek reduction in or exit from markets where growth, profit and cash returns have been below expectations. Importantly at Group level, profit and cash performance have been stable and resilient.

Our progress with client engagement, project delivery and societal outcomes provides us with good traction in the market and a platform for commercial progress. We have made good progress this year with profit and cash.

Strategic review
During 2021 the Executive Board carried out a landscape review of its strategy. It assessed the progress made with selective focus in the stronger parts of the business to deliver growth in revenues and profits. It also assessed its focus on those parts of the business where KPIs are below Group targets and where corrective action is needed.

The landscape review also assessed progress with our key business initiatives which are important for us as a responsible corporate and because they are a natural part of our suite of service offerings to clients – climate, carbon, social outcomes, digital, sustainability and other environmental factors.

The landscape review has validated the progress made with the strategy and with the initiatives as key differentiators to generate future value. However, there is still progress to be made with the strategy and improvements to deliver in a fast-changing business environment. The regional businesses will use the findings of the landscape review in 2022 to focus on those changes and improvements and build them into their strategies. The Executive Board will oversee this process.

Financial review

Revenue and operating profit
The key financial metrics that are used to monitor business performance are revenue growth, operating profit growth and operating profit margin.

Gross revenue of £1,782m was marginally down from 2020 (£1,806m). Operating profit of £104m was 22% up on 2020 (£85m), with the margin increasing from 4.7% to 5.8%. The consulting businesses in the UK, Australia, Canada, India and parts of the US produced good volumes and good profitability. However, that was partly offset by slower trading in the North American energy business and the International Development business with revenues and profits well down.

Revenue growth in the consulting business was also held back by our strategy to constrain growth where profits and margins are consistently below our strategic targets. Constraining growth in this way in Greater China and the Middle East has led to an improvement in profitability and margin. Overall, such selective focus has produced a strong substitution/mix effect in 2021, in the size and quality of profit and margin generated on a similar revenue across the business.

The increase in profit compared with 2020 also came from building on measures taken in 2020 to control overheads

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and lock efficiencies into work practices. These practices continued in 2021 and helped improve profit by containing costs and improving productivity.

The value of gross working capital, trade debtors and positive work in progress (contract assets), increased 9% compared with 2020, disappointing given revenues were flat and given the improvements in working capital and liquidity achieved last year. Steps have been taken to regain those improvements across certain sectors in certain countries.

There continues to be a strong focus on reviewing lead indicators of future workload, with close monitoring of staff utilisation from the lowest level to the highest level of accountability. Utilisation has been high in 2021 with steps being taken to make sure it is not left to drift too high for too long given the impact on staff wellbeing.

Finally, central projects and services continue to be reviewed and controlled to ensure that investment in this area adds to our capability and efficiency. Non-critical activities have a high threshold for investment acceptance.

The businesses are generally performing well. There are a few underweight performances but generally the businesses have good visibility of their markets and are making good progress delivering growth and improving profitability. The combination of a refreshed Group purpose and a drive on selective focus is providing clarity to the management teams in improving performance.

Other items
In 2020, the Group received £6.3m of government grants, mainly in Hong Kong and Singapore, to preserve jobs as workload was low. These monies were disclosed as 'other income'. In 2021, the Group's response plans were more effective in protecting jobs, and government assistance was not required, other than receipt of £0.7m in Singapore where the company continues to be short of work.

The Group effective tax rate of 20.5% is lower than the 2020 rate of 28.7% (as restated), mainly due to the lower incidence of losses across the Group for which no tax relief is available, increase in profits in branches of Mott MacDonald Limited for which there is a tax exemption, lower disallowable costs on currency revaluations on intercompany balances which are treated as quasi equity and lower profits in countries with higher tax rates (mainly USA).

The nature of the pandemic impacted two of the important non-financial KPIs that we use to manage the business. Average sickness across the Group increased from 22.5 hours per person to 31.0. Voluntary staff turnover increased from 8.2% to 11.9%.

Cash
Cash balances increased from £255m to £273m. Net cash increased from £244m to £263m. The business continues to generate adequate cash flow for operational liquidity and organic growth, although improvement in working capital will be a focus for 2022 to increase liquidity.

During the year £45m of additional pension contributions were paid to the UK pension scheme to improve funding. The scheme has moved from a £66m liability at the start of the year to a £29m surplus at the end. The move to surplus came from the cash contributions and an increase in corporate bond yields, used to value the scheme's obligations. The surplus has not been recognised in the financial statements in line with FRS 102 as access to the surplus is not unconditional and is only with trustee agreement.

Operating cash inflow is £63m, back to a more normal level after the 2020 inflow of £203m. The increase in the 2020 cash inflow came predominantly from the actions taken by the company in its COVID response plan to preserve cash which provided a step change in cash last year – temporary pay reductions, temporary non-UK furlough income and temporary overhead savings.

Bank facilities
The Group started the year with a £90m committed bank facility, in place until December 2022, and a £30m accordion available for use as part of the main facility agreement.

On 17 December 2021, the Group put a new facility in place for five years until 17 December 2026, replacing the previous facility in place. The new facility is £125m with three banks, with an accordion of £25m available for use as part of the main facility agreement to take capacity potentially up to £150m. There are no material changes to the terms of the new facility in comparison with the old one. The financial covenants in the new agreement are unchanged from those in the previous agreement.

The Group also has facilities to provide tender bonds, performance bonds and advance payment bonds in the normal course of business. During the year it cancelled the £25m UK pension bond that was in place, having made the additional contributions to the UK pension scheme noted previously.

Covenants
The Group is comfortably in compliance with the covenants in the principal loan facility arrangement with its core relationship banks described above. It is also comfortably in compliance with the covenants it has with the trustees of the UK defined benefit pension scheme.

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Dividend
The directors declared a dividend of 30p per share in December 2021 and decided not to declare a final dividend. The dividend is modest and represents just over 50% of the dividend declared in 2019. A dividend was not paid in 2020 due to the impact the pandemic was having on broader stakeholders.

Shareholders' equity
Shareholders' equity increased from £196m to £292m. The increase mainly came from profit transferred to reserves and from the FRS 102 actuarial gain from the reduction in the pension liability.

Managing risk and uncertainty

Our Risk Management Framework
Our Risk Management Framework enables the identification and review of principal risks that have the most significant impact on our purpose and strategic objectives.

Detailed risk management reviews are carried out across the business to ensure that emerging risks are identified, escalated where necessary and mitigated at the appropriate level in the Group.

The oversight and management of risk is governed through the Risk Committee and risk sub-committee. Representatives from each of the regions report into the risk sub-committee and individually form regional risk committees to report and manage regional and unit risk. The risk sub-committee reports into the Risk Committee advising on the risk profile of the business against risk appetite and providing assurance on the effective management of their risks.

The impacts and opportunities of principal risks as well as risk interdependencies are reported to the Risk Committee three times a year.

Risk treatment plans (RTPs)
RTPs are used to document a clear understanding of the nature of the risk, the treatment plan, key metrics and the target risk rating.

The management of risks and risk mitigation measures are managed through the three lines of defence to reduce the likelihood of their occurrence or the magnitude of their impact.

Risk owners work collaboratively across the Group with subject matter experts to review and update the RTPs, serving to address the interdependencies between risks and mitigation measures required. The regional businesses cascade and implement the RTPs across units, divisions and at project level, reporting against the principal risks and managing risk mitigations.

Emerging risks and meteors
Emerging risks and risk meteors (risks that are high impact, high velocity) are tracked and reported by each regional business and its units. Through our reporting process at risk sub-committee meetings, interdependencies between emerging risks and meteors across the regions are presented, identifying correlations between risks, and informing the risk landscape and exposure. This enables the Board to make informed and robust decisions, in line with the Group's risk appetite.

Principal Risks
The management of the Group participate in a thorough and robust process annually to identify and assess its principal risks. The Board assesses the results of the exercise and determines the principal risks that would severely impact future performance, resilience and our ability to deliver our strategy.

From those principal risks, the following primary risks were the most significant ones highlighted for oversight and management review during 2021.

Strategic
Major disruption – the continuing market disruption from the COVID-19 pandemic and from Brexit together with disruptions in transport ridership, aviation and energy fundamentals. This is mitigated by contingency plans that have been developed to anticipate the range of actions necessary to manage through disruption. They focus on early warning indicators and risks affecting order book, sales, overheads, staff utilisation, cash and working capital.

Client and opportunity – a diminishing right to win in our core markets. This is mitigated by an account leadership programme and by an understanding and assessment of our primary markets, our key customers and their changing needs. We also track competitor activity and our relative standing and market share. Client engagement plans and regular customer interactions also play a role.

Technology
Information security – the malicious or accidental mishandling, disruption, corruption or theft of information assets. This is mitigated by directives and procedures that are in place to defend against cyberattacks and data theft, risks posed in IT support services and failure of communication systems. Regular training and improvements in raising the cultural awareness of information security are embedded across the Group.

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Operations

People and capacity – inability to develop staff to meet client demand. This is mitigated by processes in place to support effective resource management, recruitment, development and succession planning. Performance management and professional development are better supported through our new global enterprise resource planning system (Connect Business), now in the UK, North America and parts of Europe, which has also enhanced our capabilities in resource planning and management.

Financial

The Group is exposed to **liquidity** risk, **credit** risk and **exchange** risk. These are mitigated by a variety of controls and processes to manage these risks and to minimise financial loss. These are described further in the directors' report on page 24. Any material transaction and translation exchange exposure after matching is monitored by management with action taken when required. There is no material interest rate risk. Interest rate exposures are hedged where necessary.

Corporate and project level risk management processes are outlined in the corporate governance report, pages 17 and 18.

Enterprise Risk Management 2022

In January 2021, the Group appointed a full-time Chief Risk Officer. The Chief Risk Officer, reports to the Risk Committee. She has worked with its members and the wider management teams in the regional businesses to further develop the Risk Management programme for use in 2022. This has now been approved by the Board for implementation.

The principal risks faced by the business are unchanged. The focus of the new programme is one of documentation, description, classification and approach to look at risk more holistically and consistently across the business to produce a better-quality process, a more informed assessment of risk and more effective mitigation.

S172 Companies Act 2006 – Directors' duties to promote the long-term success of the company

This statement sets out how the directors have satisfied the expectations of S172 Companies Act 2006. The narrative is consistent with the size and complexity of the business and covers matters of strategic significance. The disclosures are set out as S172 expects of the directors in promoting the success of the company.

The likely consequences of any decisions in the long term

The directors provide leadership by pursuing success through a strategy and decision-making which put the long-term interests of the company and its stakeholders above short-term expediency. The Shareholders' Committee provides oversight of the Executive Directors in following these principles.

The principles are focused on maintaining a strong and sustainable business for those who follow in the business after us. This needs to be evident in the company's reputation, its standing with clients and key stakeholders and its financial strength.

The directors pursue growth but their strategy embraces a wider social purpose, and they seek to embed this thinking and the principles of corporate responsibility, in all aspects of our business.

In 2021, they:

- carried out a landscape review as part of an exercise to update the Group's five-year strategy with particular emphasis on refining its selective focus on geographies, sectors and subsectors; in 2022 the findings of the landscape review will be taken on board by the regional businesses to shape their views and their strategies; and
- refreshed the Group's focus on decarbonisation, climate change, social and environmental outcomes and sustainability. In our Board meetings and management meetings, the directors engaged with the leaders of these initiatives to focus on long-term trends and drivers. They focused on how our clients and communities need to respond to the challenges across these areas. That is now enabling us to work more effectively to help them deliver their objectives and the right societal outcomes. Our evolving strategies in these areas are set out in the corporate responsibility section on pages 3 to 5.

The interests of the employees

The directors' report explains on page 23 how we engage with our employees to explain the current strategy, current performance and future plans of the Group, as well as listening to them to understand how to improve their working environment, working practices and development. In particular, the directors are currently:

- putting in place a talent identification system and process so we can assess and develop our diverse talent globally. This supports our ability to identify, attract, reward and retain people;
- introducing a mechanism to manage succession planning across the Group, so the business can more easily manage talent pipelines, plan lines of succession and address succession gaps;

Strategic report

- introducing a Group-wide mentoring system for our early career professionals and recently qualified engineers to benefit from mentoring from our experienced technical specialists; and
- enabling managers and employees to take greater ownership of their learning through a Group-wide learning platform called Connect Learning which houses technical and non-technical learning. This supports their technical excellence through their professional development.

The Group has also implemented a new process for discussions between management and staff on objectives, performance and development. Coupled with that, a revised bonus scheme was introduced that rewards the performance of staff more fairly.

Webinars, presentations and blogs for staff were run internally on matters that can impact the physical or mental wellbeing of staff. Topics in 2021 included the impact of remote working; sleep wellbeing; managing stress at work; the pandemic and our wellbeing; five ways to wellbeing in the workplace; work/life balance; and supporting each other with mental health and its importance. This is a valuable way that staff can access support at the right time, express views and share opinions across the Group.

Business relationships with suppliers, customers and others

A strong and effective beneficial relationship with suppliers, customers, joint venture partners and wider business partners is central to delivering strategy and shareholder value.

The corporate governance report on pages 19 to 21 details the directors' approach to regular and purposeful engagement with stakeholders that is supportive of informed decision-making. The Board took further steps this year to increase the investment in our stakeholder relationships:

- Interviews were conducted with clients as part of the landscape review for our strategic refresh. Specific lines of enquiry were around client-side behaviour, commercial alignment and performance.
- A review of our approach to client classification to confirm it supported our strategic imperative and investment in quality relationships.
- Analysis of customer satisfaction questionnaires as potential indicators of market perception.

The directors remain actively engaged in a management capacity with the sectors and markets we work in. They are also actively engaged with projects, clients, partners and suppliers. That gives them an insight into the benefits to be had from these more engaged relationships.

Impact of the company's operations on the community and environment

The directors' actions in 2021 along with their current strategic priorities and thinking in this area are reflected in the corporate responsibility section on pages 3 to 5, along with the Group's achievements.

Maintaining a reputation for high standards of business conduct

The Executive Board is committed to promoting the highest standards of ethical behaviour. This assists in safeguarding our ethical culture and demonstrating that we are a responsible organisation. In addition, we need to ensure that we meet the minimum regulatory requirements and stakeholder expectations in relation to our ethics and compliance risks. Together these are delivered through the Mott MacDonald Ethics and Compliance Programme which was modified this year to keep it relevant to the prevailing business environment.

We also updated our commitment to acting with integrity and our expectations of all colleagues and those we work with. Our Code – Delivering with PRIDE challenges us to work with each other, our partners, clients and communities in a way that builds trust and mutual respect. It sets out our standards and expectations on the issues that matter to us – it is a guide to making good choices. The governance around ethics, business conduct, risk and reputation is described in the corporate governance report on pages 17 and 18.

Acting fairly as between members of the company

The directors focus on fairness among shareholders and there are safeguards to prevent unconscious unfairness:

- The Shareholders' Committee oversees the Board to make sure they act in the best interests of all shareholders. This is an important oversight of the Board.
- The Articles of Association of the company prevent any employee shareholder from holding more than 2% of the equity. This is to avoid self-interest adversely impacting other shareholders who might be less well represented. It also helps avoid any material succession issues which may damage the business.

Looking forward

We are pleased with the 2021 results and the progress made delivering our strategy. The order book is at a healthy level. Our strategy of selective focus has led to profitable growth in our stronger markets while we focus on margin improvement elsewhere. Overall, this is leading to improved profits and better margins.

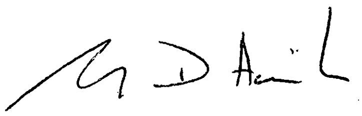
Strategic report

2022 will bring more challenges but we remain confident in our ability to win work in competitive markets through our strategy of selective focus.

We also remain confident in our abilities in technical excellence and thought leadership. That enables meaningful engagement with clients and stakeholders on innovative solutions that deliver on societal outcomes.

Our key responsibilities in 2022 will be in the areas of net-zero carbon, climate change and sustainability, societal outcomes and environmental excellence. Our expertise across these areas is a differentiator we can use to deliver a strong value proposition for clients and ensure we meet our responsibilities for wider stakeholders.

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



Mike Haigh, Executive Chair
11 April 2022

Ed Roud, Finance Director
11 April 2022

Corporate governance report

Executive Board, Management Board and Committees

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 Executive 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. The committee is chaired by the Group's Strategy Director and meets three times a year.

Management Board – In 2022, the Operations Committee has transitioned to a Management Board (MB). It is responsible for overseeing the day-to-day management of the Group, specifically delivery of business plans and budgets, all aligned with the Group strategy and purpose. In doing so it monitors and challenges operational business performance, the performance of the supporting business functions and the adequacy of risk management processes at all levels in the business. The MB is non-statutory and is accountable to the Executive Board. It is chaired by the Group's Managing Director and will meet four times a year.

Investment and Finance – Its purpose is to monitor and evaluate 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. This committee is chaired by the Group's Finance Director and meets three times a year.

Risk – Its purpose is to monitor and assess the adequacy of risk management processes across the Group with a view to improving them, taking consideration of systems, policies and practices in the business. The committee is chaired by the Group's Strategy Director and meets three times a year.

Digital – Its purpose is to provide direction and drive to all the elements of the Group's project-related digital activities, including the Digital Delivery Network and the Product Development Group. The committee is chaired by the Executive Chair and meets three times a year.

The Shareholders' Committee and its sub-committees

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 and the Group General Counsel in attendance. It also meets in camera as is necessary.

Audit and Risk Assurance – Its purpose is to review, assess and challenge the risk management processes, the control environment and the governance of the company. In doing so it considers data security and fraud and the effectiveness of internal and external audit. It also considers business improvement, business conduct and ethics. It is chaired by a member of the Shareholders' Committee and in 2021 formally met four times. It also meets in camera as necessary.

Nominations – Its purpose is to approve appointments to the Executive Board and the Shareholders' Committee, as well as other senior appointments and promotions in its remit. Its broader remit is to ensure that its decision-making enables succession planning and retention and development of key people for long-term career progression. It 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 are approvals for annual pay awards, bonus schemes, share allocations and dividends, as well as proposals for materially changing the principles and policies around such matters. It 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 back inside cover of the financial statements.

Corporate governance report

Governance

The Executive Board has formally adopted a corporate governance framework for large private companies, appropriate for the size and purpose of the company. 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.

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, 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 processes 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 and compliance 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 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, management or through our independent whistleblowing 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.

Composition 2021

During 2021, the Board had six executive directors, with a variety of skills and experience. 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 and directors who, while

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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.

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

At the end of 2021, Nick DeNichilo, who was the Group's General Manager for the North American business, retired from the Board. Cathy Travers was appointed as a director of the Executive Board on 1 January 2022. The resulting Board composition for 2022 is set out at the end of this principle. Also set out is the assessment carried out to determine that the resulting structure and composition of the Board for 2022 continues to have the right balance of competencies and skills, with appropriate experience, knowledge and governance.

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 of and development programme for the Board as a team was carried out in 2019 and again in 2021.

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 and reviewed again in 2021. 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. 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 to improve 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.

This approach 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.

Composition 2022

The Board has six directors. Nick DeNichilo retired from the Board at the end of 2021 and Cathy Travers was appointed in January 2022. The Articles of Association require between four and eight directors.

From 1 January 2022, Cathy will retain her role as General Manager of the UK and European business as well as being an Executive Board director much in the same way as Nick DeNichilo operated as an Executive Board director while being General Manager of the North American business. Denise Bower continues as the External Engagement Director, but her role has been extended with responsibility for sustainability and climate change.

As part of that minor restructuring, the Executive Chair, the Group Head of People and an external advisor analysed the 2022 Board. The analysis and results are set out below:

- Competency Framework – an analysis has been carried out of the collective Board attributes. The analysis shows that there is no material overall difference between 2021 and 2022. The competency framework was developed based on: Lane4 interviews with senior staff; Lane4 advice; the IoD competency framework, Institute of Directors 2016; the Competency Framework for Governance Professionals, The Chartered Governance Institute

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2019 and The Successful Executives Handbook, PDI 1993. Competencies were evaluated as 360° by peers and individual self-assessments.

- Talent Q Dimensions Report analysis carried out by Lane4. The analysis demonstrates that the new Board in 2022 will not be materially affected in terms of composite performance.

In the financial statements, the directors and their roles for 2022 are listed on the inside back cover. The structure comprises executive directors working in central Group roles (Executive Chair, Managing Director, Strategy 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. Their biographies are on the company's website (mottmac.com).

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 and its committees are 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 who in his capacity as Company Secretary is 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 if necessary.

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 and that the means to deliver it is adequately resourced and effectively managed.

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.

Policies and processes embrace the Group's 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 13, showing how they support the Board to meet its responsibilities. The terms of reference and composition 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.

In 2021, to reflect the growing importance of digital innovation in the wider industry and in the company, a Digital Committee of the Board was created and chaired by the Executive Chair. Similarly, to reflect the growing importance of sustainability and climate change a steering group has been established and is chaired by the director for engagement, sustainability and climate change.

Corporate governance report

In the first quarter of 2022, a Management Board has been created to take on the current activities of the Operations Committee and some of the activities of the Strategy and Policy Committee. The purpose of this new structure is to increase the accountability for regional collaboration and generate more efficiency with how support functions assist the business operations. Further details of the Management Board are set out on page 13.

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 13, showing how they support the Shareholders' Committee to meet its responsibilities.

The terms of reference and composition 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 by 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, models and designs. We also support clients by managing programmes of work and providing assurance with respect to the work of others.

We select the markets we seek to work in, through selective focus and where we assess we can build long-term value. 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 clients' 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. This is recorded in the Group Risk Appetite. It is also responsible for ensuring that risks are managed effectively.

Managing business risk

Business risks are treated by the Board's Risk Committee. Each business risk is managed by the Three Lines of Defence Model and mitigations recorded by individual risk treatment plans. The Group's principal risk themes are noted on pages 9 and 10.

The newly appointed Chief Risk Officer reports to the Board's Risk Committee on risk exposure in the business three times a year. In addition, risks related to health, safety and ethics are reported at each meeting of the Board.

An Ethics and Compliance Officer for the Group, who reports through the Group General Counsel to the Executive Chair, has oversight of investigations into alleged breaches of our code of conduct and any significant process failure.

In addition to Board oversight, the Shareholders' Committee has an Audit and Risk Assurance sub-committee which requires an assessment of risks to be presented at each of its three meetings a year and a report on any ethical matters arising.

Managing project risks before contract

Managing project risk starts at the work-winning stage. Achieving the appropriate balance between risk and opportunity is first assessed at the decision to invest in a relationship; secondly at decision to pursue a potential prospect and finally at the point of a decision to submit a proposal for a specific opportunity. These judgements are based upon assessments by client account leaders who build a good understanding of clients' business plans, culture and likely fit with our own risk appetite.

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.

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We undertake due diligence on our supply chain before contracting with them. Where risks related to technical competence, business ethics, modern slavery, sanctions, export controls 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 risk 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.

Our new ERP system, Connect Business, was rolled out across the UK in 2020 after a successful rollout in the US and Canada; thus, now covering two thirds of our global operations by revenue. Connect Business supports improved risk management, providing an integrated risk register within each project. During delivery, the register is live, giving improved visibility of current risks and improved project management. The improved visibility can also inform project support requirements and improve business planning through aggregated views of risks.

Monthly project review meetings together with annual project reviews 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. We have a single contract for our global operations 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. We reward our employees fairly and participate in industry benchmarking to ensure individuals are paid competitively and that their pay progresses fairly and in line with our markets and locations as their careers advance.

Benchmarking means that we can minimise retention risks and ensure we can make attractive and competitive offerings in our chosen markets and locations, which are essential for attracting and retaining the best talent.

Remuneration management, governance and oversight is run through our regional structures with central advice, support and counsel provided by our Group Head of Reward. 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:

- percentage pay review amounts by geography and/or sector;
- the size and allocation of the discretionary bonus pool for employees and the criteria for awarding bonuses;
- compensation proposals for the Directors of the Board;
- annual share allocations to business units to use to offer shares to their employees to buy;
- annual share offers to the executive directors of the company to buy; and
- the annual dividend and 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 with agreed goals and targets and measured via metrics such as revenue growth, profit growth, profitability, working capital, ethics and collaboration, as well as the development and demonstration of professional and technical excellence. Goals are reviewed quarterly via a quarterly review process called 'Connected Conversations'.

Corporate governance report

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 based on the same performance principles as those 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 also 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.

Our ambition is to create a diverse and inclusive workplace and culture and to attract and retain a wide diversity of talent across the Group. We also provide advice, support and counsel to our leaders so they can support greater EDI via regional EDI networks and our Group Head of EDI.

EDI dashboards 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.

Regular engagement with stakeholders ensures that our strategy, plans and initiatives continue to work in the best interest of the Group, and the clients, communities and individuals it serves.

We continue to draw on the insight of our clients, advisors, peers and colleagues (employees and employee shareholders) to inform decision-making. Among other activity highlighted in the following summary, we also engaged a large cross-section of stakeholders, both internal and external to the business, in creating the landscape to use to refresh our corporate strategy in 2022.

The climate conference in Glasgow in November 2021 also presented an opportunity for us to join world leaders to agree immediate, practical steps to halve global emissions over the next decade. With our clients and broader stakeholders, we engaged in the Resilience Hub, partnered with one of the largest business-focused side events in the Sustainable Innovation Forum and supported the UK Green Building Council and World Green Building Council. In line with our pledge to be net zero by 2040 or earlier, we committed to making sure that the opportunities provided by COP26 are leveraged to their fullest.

With our employees
The directors have regular engagement with employees to ensure that they are informed of the Group's strategic direction and are aware of its performance. We are extremely proud that Connected Conversations – our new global approach for supporting progress, performance and development – saw greater than 95% adoption right across the business in its first year. Details of employee engagement are required to be set out in the directors' report and can be found on page 23.

With our employee shareholders
The Board maintains a schedule of engagement with shareholders who, apart from the Employee Trust, are all employees and the only shareholders in the business. There are no external shareholders and there is no external funding from indirect ownership or influence. We are an independent privately owned company. The purpose of engagement with shareholders is to align their interests with the Group's interests, and to keep them briefed on the Group's performance, the delivery of strategy, material initiatives and company news.

It also helps to ensure that the directors take their views into account in making decisions to act in the best interests of the company, its shareholders and wider stakeholders, promoting its long-term success in doing so. This includes the directors providing:

- quarterly business reviews for shareholders to brief them on the company's progress, highlighting success and areas for improvement. The purpose is to recognise their contribution and improve performance;

Corporate governance report

- an annual performance review for shareholders to highlight results for the year and areas for improvement. The purpose is to improve business performance and provide more effective engagement;
- a summarised strategy for shareholders. The purpose is to improve their knowledge of our objectives and value proposition, and enrich the quality of local client and stakeholder engagement;
- three virtual shareholder meetings during the year covering the annual results and business review, strategy and major engagements and initiatives. This includes a 'question and answer' session with the Board; and
- regional forums for shareholders as senior employees. The purpose is to engage with them in recent developments and initiatives either for the Group or their business. This improves engagement and drives better performance and unity.

With our clients

Our ability to understand and respond to the needs of our clients and our clients' clients is core to our business. The directors' strategic and integrated approach to external engagement ensures that we are proactively managing our relationships with the outside world and using intelligence gained to inform decision-making and enable excellence.

In support of this, the senior leadership maintains a diverse programme of engagement with our clients for productive, long-term relationships. The Group external engagement programme includes, but is not limited to, our clients and our clients' clients. It is core to our business. Our external engagement ensures that the directors:

- engage with the broader industry to help steer our business and test our positions as a business;
- progress thought leadership across areas that matter to our clients and Mott MacDonald;
- roll a programme of executive-to-executive engagement with key clients to inform our understanding of potential changes to client needs or client-side behaviour;
- visit key business locations or use alternative engagement such as e-comms, to meet clients and employees, to get an informed view of local markets, the local business and the quality of our brand;
- run client satisfaction questionnaires for individual clients to get their views on service provision supporting us to learn, improve and pull their feedback into our development plans; and
- participate in the pursuit of major prospects and the management of key clients via regional panels or client-facing activity.

With our partners

The directors maintain regular engagement with partners such as suppliers, business partners and other market players or academic bodies to discuss key specific issues with them. This enables all parties to better understand and address key issues and initiatives for the benefit of all concerned and improve decision-making for better quality outcomes on both sides. This includes the directors:

- meeting with our relationship banks during the year to brief them on strategy, performance and relevant themes, to give them assurance on the quality of our management, performance and strategy;
- meeting with the advisers and trustees of our pension schemes to share updates on pension funding and to brief the trustees on the Group's performance and prospects;
- meeting with larger suppliers on a regular basis to ensure that there is a fair value proposition for both parties while maintaining quality and rigour in our working arrangements;
- participating in the activities of academic institutions through governing and advisory boards, and staying in touch with academics relevant to the activities of the business;
- meeting with our key joint venture partners to ensure strong relationships are maintained; and
- meeting with key government bodies to establish and maintain strong relationships and to help inform future strategy.

With wider stakeholders

The directors maintain regular engagement with wider stakeholders to enhance market focus and promote the company effectively. In 2021 we launched our 'This is the future' campaign hub. This purpose-driven campaign seeks to challenge us and our stakeholders to think about how we can bring the widest possible benefit – from the projects we work on, the relationships we build and the ways we invest. It sets out what we see as the big opportunities for transformative change and the areas where we want to engage our stakeholders in inclusive discussion.

Other activities include:

- updating our corporate positions and commitments related to global issues to reflect changes in global targets, aligning either with global campaigns or an improved understanding;
- using different media, contributing our colleagues' knowledge and expertise to discussion and debate on key issues impacting markets and stakeholders;

Corporate governance report

- maintaining the Mott MacDonald corporate website and other websites that communicate with clients, stakeholders and wider society to promote our purpose, capabilities and values; and
- by participating in platforms that seek to influence global agendas such as the Race to Zero, the Coalition for Climate Resilient Investment (CCRI), the Powering Past Coal Alliance and as a platform partner of the World Economic Forum – which includes our champion level recognition in the Alliance of CEO Climate Leaders.

Further, specific examples of how the directors have engaged with employees, clients and wider stakeholders in the course of their duties and having regard to this engagement and their views in making decisions and ensuring the success of the company are set out in the S172 statement in the strategic report on pages 10 and 11.

Mike Haigh, Executive Chair
11 April 2022

Ed Roud, Finance Director
11 April 2022

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 2021.

Registration

Mott MacDonald Group Limited is a company registered in England and Wales, 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 £83.4m (2020 – £63.8m).

An interim dividend of £3.3m (2020 – £nil) was paid to shareholders on 31 December 2021. The directors do not recommend the payment of a final dividend.

Acquisitions and disposals

Our North American region acquired The Kercher Group and Pacific Groundwater Group during the year. Having considered all factors set out in Section 172 of Companies Act 2006, the Board of Directors approved both acquisitions.

Directors and their interests

The directors of the company during the year ended 31 December 2021 and their interests in the share capital of the company were as follows:

Directors	At 31 December 2021 Ordinary shares	At 31 December 2020 Ordinary shares
Denise Bower	25,000	15,000
Nick DeNichilo	92,000	92,000
Ian Galbraith	75,000	70,000
Mike Haigh	100,000	100,000
James Harris	72,500	62,500
Ed Roud	97,500	95,000

All the above directors were members of the Board throughout the year ended 31 December 2021. Nick DeNichilo resigned as a director on 31 December 2021. Cathy Travers was appointed as a director on 1 January 2022.

Directors' and officers' indemnity and liability insurance

The directors have the benefit of an indemnity under the Articles of Association 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.

Post balance sheet events

There were no post balance sheet events requiring disclosure.

Future developments

The various markets of the company are likely to continue to be impacted by the COVID-19 situation and from the resultant economic disruption for the rest of 2022 and the early part of 2023. The main impact is likely to come through any implications for government funding for infrastructure programmes. Business activity levels continue to be sustained at present. Management continues to focus on lead indicators of business activity, such as business confidence, business prospects and the order book, in order to anticipate market trends and to be ready to respond to growth or shrinkage as it occurs.

Statement of corporate governance arrangements

The Board of Directors continues its commitment to a corporate governance framework fitting for a large private company, reflecting our size and purpose: the Wates Principles. We have reported on the voluntary principles for large private companies that demonstrate an 'apply and explain' approach over six high level principles of corporate governance:

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

The corporate governance report on pages 13 to 21 demonstrates how we have satisfied the requirements for governance under the Companies (Miscellaneous Reporting) Regulations 2018 throughout the year ended 31 December 2021.

Employees

We ended the year with approximately 15,900 employees and a total workforce of around 16,900 including agency and contract workers.

Directors' report

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. We refreshed our internal awards in 2021 to reflect our purpose and rescheduled them across the year to allow enhanced opportunity to celebrate colleagues' achievements.

We introduced a new Social Outcomes Award and strengthened our Sustainability and Climate Change Award to recognise exemplary work in responding to societal issues. We celebrate excellence through our Milne Innovation, Thought Leadership and Digital Delivery Awards. The importance of great project management and global teamwork are celebrated by our Project Manager of the Year and One Mott MacDonald Awards respectively.

We recognise the achievements of colleagues who bring all of this to life for our clients through our Client Engagement Award.

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 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 cope with their disabilities.

We apply the same standards and protocols to other areas where discrimination may exist in the workplace and our current initiatives in equality, diversity, inclusion (EDI) and racial justice are set out in the corporate responsibility statement on page 4.

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 are 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 to distribute profit to them based on 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 their 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 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 the directors 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; and
- 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.

Statement of engagement with suppliers, customers and others in a business relationship with the company

Details of how the directors have engaged with employee shareholders, clients, partners and wider stakeholders are set out in the corporate governance report on pages 19 to 21.

Energy consumption and carbon information

The relevant information on energy and carbon is set out in the strategic report on pages 5 and 6.

Directors' report

Principal risks and uncertainties

Business risks and measures to mitigate these risks are described in the strategic report on pages 9 and 10.

The financial risks and mitigation measures are set out below:

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 – where viable, counterparties must meet a 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 company 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; and
- 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.

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 laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. 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 a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Following recent government-led consultations on plans to introduce reforms to strengthen corporate governance and company audits, the Executive Board in consultation with the Shareholders' Committee and the Audit and Risk Assurance sub-committee have reviewed the length of time that Grant Thornton UK LLP has been the independent auditor of the Group's financial statements. As a result of that review, Grant Thornton UK LLP is not to be reappointed following the conclusion of the 2021 audit and BDO LLP is being appointed to undertake the audit of the Group's financial statements for the year ended 31 December 2022.

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

Paul Ferguson, Company Secretary
11 April 2022

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 2021, 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 the 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 2021 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

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

- obtaining management's assessment of the appropriateness of continuing to adopt the going concern basis of preparation of the financial statements;
- obtaining management's base case cash flow forecasts covering the period from 1 January 2022 to 31 December 2023, assessing how these cash flow forecasts were compiled and considering their appropriateness by challenging those assumptions;
- confirming the facilities in place during the period of review and any covenants that attach to those;
- assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the base case cash flow forecast;
- obtaining management's range of alternative potential cash flow projections, where management modelled what they consider to be unlikely downside scenarios. These were prepared by management to assess the potential impact of significant falls in cash receipts on the business. We evaluated management's assumptions regarding the impact on the business of a reduction in revenue. We considered whether the assumptions are consistent with our understanding of the business derived from other audit work undertaken;
- assessing the impact of the mitigating actions set out by management as being both available to them and ones they were prepared to and could implement if required to do so as to address a potential cash deterioration in a way that avoided covenant or facility breach; and
- assessing the adequacy of related disclosures within the annual report.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and COVID-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group's and the parent company's financial resources or ability to continue operations over the going concern period.

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

Independent auditor's report

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 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 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 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 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 statement of directors' responsibilities, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an

Independent auditor's report

unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (Financial Reporting Standard 102, the Companies Act 2006 and the Wates Principles for Corporate Governance);
- We assessed the susceptibility of Mott MacDonald Group Limited's consolidated financial statements to material misstatement, including how fraud might occur, by making enquiries of management, those charged with governance, internal legal counsel, internal audit and the audit and risk assurance sub-committee. We utilised internal and external information to corroborate these enquiries and to perform a fraud risk assessment for the Group. We considered the risk of fraud to be higher within highly judgemental areas of the recognition of revenue, the valuation of certain unquoted pension scheme assets and through the potential for management override of controls. Audit procedures performed by the engagement team included:
  - evaluation and testing of the operating effectiveness of management's project take on controls designed to prevent and detect irregularities;
  - challenging assumptions and judgements made by management within the revenue recognition of contracts deemed significant by the engagement team;
  - performing substantive reviews of service auditors' reports to support the valuation of pension scheme assets;
  - identifying and testing journal entries considered by the engagement team to carry a higher risk of fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Group's operations, including the nature of its revenue sources and revenue recognition policy, the assessment of material judgements made by management and the design of the control environment for the overall financial reporting process for Mott MacDonald Group Limited;
  - the Group's control environment, including the policies and procedures implemented to comply with the requirements of Financial Reporting Standard 102, the Companies Act 2006 and the Wates Principles for Corporate Governance, the adequacy of procedures for authorisation of transactions within the business and the regularity of management's review of management accounts for indicators of material misstatement.
- We enquired of management, those charged with governance, internal legal counsel, internal audit and the audit and risk assurance sub-committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud;
- Where any instances of non-compliance with laws and regulations and/or fraud were identified, we assessed their potential impact and followed up where appropriate;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the client operates;
  - understanding of the requirements of Financial Reporting Standard 102, the Companies Act 2006 and the Wates Principles for Corporate Governance and the application of the legal and regulatory requirements of these to Mott MacDonald Group Limited.

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, Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
11 April 2022

Consolidated income statement and statement of comprehensive income

for the year ended 31 December 2021

Consolidated income statement	Notes	2021 £000	Restated* 2020 £000
Gross revenue	5	**1,781,800**	1,805,503
Cost of sales		**(1,080,602)**	(1,161,462)
Gross profit		**701,198**	644,041
Administrative expenses		**(597,144)**	(559,147)
Group operating profit	6(a)	**104,054**	84,894
Other income	6(b)	**676**	6,341
Income from other fixed asset investments		**2**	2
Income from current asset investments		**496**	1,116
Profit on ordinary activities before interest		**105,228**	92,353
Net interest receivable/(payable)	9	**112**	(894)
Other finance cost	25(c)	**(118)**	(1,324)
Profit on ordinary activities before taxation		**105,222**	90,135
Tax on profit on ordinary activities	10(a)	**(21,551)**	(25,883)
Profit on ordinary activities after taxation		**83,671**	64,252
Profit attributable to:			
Owners of the parent company	22	**83,428**	63,779
Non-controlling interests		**243**	473
		83,671	64,252

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

Consolidated statement of comprehensive income	Notes	2021 £000	Restated* 2020 £000
Profit for the financial year		**83,671**	64,252
Exchange adjustments on translation of net assets of overseas subsidiaries		**1,479**	3,459
Net actuarial gain/(loss) on pension schemes	22, 25(c)	**40,517**	(1,974)
Tax on net actuarial (gain)/loss	22	**(7,810)**	444
Deferred tax rate change on opening pension scheme deficit	10(c), 22	**–**	2,410
Restriction of pension asset recognised – gross	22, 25(c)	**(29,831)**	–
Restriction of pension asset recognised – tax thereon	22	**5,601**	–
Total other comprehensive income		**9,956**	4,339
Total comprehensive income for the year		**93,627**	68,591
Total comprehensive income for the year attributable to:			
Owners of the parent company		**93,388**	68,152
Non-controlling interests		**239**	439
		93,627	68,591

*This relates to a change in accounting policy. Refer to note 10(d).

Consolidated statement of financial position

at 31 December 2021

	Notes	2021 £000	Restated 2020 £000
Fixed assets			
Intangible assets	12	**31,119**	30,379
Tangible assets	13	**43,968**	43,754
Other fixed asset investments	14(a)	**193**	262
		75,280	74,395
Current assets			
Debtors	15	**433,348**	412,117
Current asset investments	14(a)	**26,213**	28,324
Cash at bank and in hand	27(b)	**273,183**	254,720
		732,744	695,161
Creditors: amounts falling due within one year	16	**(480,305)**	(445,359)
Net current assets		**252,439**	249,802
Total assets less current liabilities		**327,719**	324,197
Creditors: amounts falling due after more than one year	17	**(12,284)**	(13,183)
Provisions for liabilities	20	**(21,985)**	(36,680)
Net assets excluding pension liability		**293,450**	274,334
Pension liability	25(c)	**(1,617)**	(78,134)
Net assets including pension liability		**291,833**	196,200
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	**(11,105)**	(16,474)
Profit and loss account	22	**272,434**	182,032
Equity attributable to owners of the parent company		**291,573**	195,802
Non-controlling interests		**260**	398
Total capital and reserves		**291,833**	196,200

These financial statements were approved by the Board of Directors on 11 April 2022.

Mike Haigh, Executive Chair

Company statement of financial position

at 31 December 2021

	Notes	**2021 £000**	2020 £000
Fixed assets			
Investment in subsidiary undertakings	14(b)	**347,281**	347,281
Current assets			
Debtors	15	**59,665**	55,936
Cash at bank and in hand	27(b)	**38**	255
		59,703	56,191
Creditors: amounts falling due within one year	16	**(27)**	(29)
Net current assets		**59,676**	56,162
Total assets less current liabilities		**406,957**	403,443
Creditors: amounts falling due after more than one year	17	**(250,000)**	(250,000)
Net assets		**156,957**	153,443
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		**124,794**	121,280
Shareholders' equity		**156,957**	153,443

Mott MacDonald Group Limited reported a profit for the year of £6,840,000 (2020 – £1,757,000).

These financial statements were approved by the Board of Directors on 11 April 2022.

Mike Haigh, Executive Chair

Consolidated and company statement of cash flows

for the year ended 31 December 2021

	Notes	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Operating activities					
Net cash inflow from operations	27(a)	**63,078**	202,934	**8,233**	6,045
Interest paid	9	**(332)**	(1,392)	**(5,171)**	(5,984)
Taxation:					
UK corporation tax paid		**(4,610)**	(5,005)	**–**	–
Overseas tax paid		**(18,366)**	(15,038)	**–**	–
		(23,308)	(21,435)	**(5,171)**	(5,984)
Net cash flow from operating activities		**39,770**	181,499	**3,062**	61
Investing activities					
Payments to acquire intangible fixed assets	12	**(3,992)**	(4,835)	**–**	–
Payments to acquire tangible fixed assets		**(17,439)**	(11,786)	**–**	–
Receipts from sales of tangible fixed assets		**2,710**	1,884	**–**	–
Payments to acquire current asset investments	14(a)	**(5,656)**	(8,503)	**–**	–
Receipts from sales of current asset investments		**7,848**	7,055	**–**	–
Payments to acquire other fixed asset investments	14(a)	**(1)**	(68)	**–**	–
Payments to acquire subsidiary undertakings	14(d)	**(5,521)**	–	**–**	–
Net cash acquired with subsidiary undertakings	14(d)	**646**	–	**–**	–
Interest received	9	**444**	498	**56**	143
Net cash flow from investing activities		**(20,961)**	(15,755)	**56**	143
Financing activities					
Disposal of subsidiary – net cash disposed		**–**	(92)	**–**	–
Dividends paid to non-controlling interests		**(377)**	(324)	**–**	–
Redemption of shares classed as financial liabilities		**(9)**	–	**(9)**	–
Proceeds of sale of shares to employees		**15,682**	14,184	**–**	–
Repurchases of own shares from employees		**(9,973)**	(16,578)	**–**	–
New loans		**9,448**	60,000	**–**	–
Repayment of loans		**(9,448)**	(69,762)	**–**	–
Repayments of capital element of finance leases and hire purchase contracts		**(796)**	(763)	**–**	–
Equity dividends paid	11	**(3,326)**	–	**(3,326)**	–
Net cash flow from financing activities		**1,201**	(13,335)	**(3,335)**	–
Increase/(decrease) in cash and cash equivalents		**20,010**	152,409	**(217)**	204
Effect of exchange rates on cash and cash equivalents		**(1,547)**	(939)	**–**	–
Cash and cash equivalents at 1 January		**254,720**	103,250	**255**	51
Cash and cash equivalents at 31 December	27(b)	**273,183**	254,720	**38**	255

Consolidated and company statement of changes in equity

for the year ended 31 December 2021

	Group		Company	
	2021	2020	**2021**	2020
	£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	**(16,474)**	(13,703)	**–**	–
Sale of shares by Employee Trust to employees	**15,682**	14,184	**–**	–
Repurchases of shares by Employee Trust from employees	**(9,973)**	(16,578)	**–**	–
Surplus on disposal of own shares	**(340)**	(377)	**–**	–
At 31 December	**(11,105)**	(16,474)	**–**	–
Profit and loss account (note 22)				
At 1 January	**182,032**	113,503	**121,280**	119,523
Profit for the year	**83,428**	63,779	**6,840**	1,757
Other comprehensive income/(loss):				
Exchange adjustments on translation of net assets of overseas subsidiaries	**1,483**	3,493	**–**	–
Net actuarial gain/(loss) on pension schemes (note 25(c))	**40,517**	(1,974)	**–**	–
Tax on net actuarial (gain)/loss	**(7,810)**	444	**–**	–
Deferred tax rate change on opening pension scheme deficit (note 10(c))	**–**	2,410	**–**	–
Restriction of pension asset recognised – gross (note 25(c))	**(29,831)**	–	**–**	–
Restriction of pension asset recognised – tax thereon	**5,601**	–	**–**	–
Total other comprehensive income for the year	**9,960**	4,373	**–**	–
Total comprehensive income for the year	**93,388**	68,152	**6,840**	1,757
Surplus on disposal of own shares	**340**	377	**–**	–
Dividends (note 11)	**(3,326)**	–	**(3,326)**	–
At 31 December	**272,434**	182,032	**124,794**	121,280
Equity attributable to owners of the parent company	**291,573**	195,802	**156,957**	153,443

Consolidated and company statement of changes in equity
(continued)

for the year ended 31 December 2021

	Group		Company	
	2021 £000	2020 £000	**2021 £000**	2020 £000
Equity attributable to owners of the parent company	**291,573**	195,802	**156,957**	153,443
Non-controlling interests				
At 1 January	**398**	283	**–**	–
Profit for the year	**243**	473	**–**	–
Other comprehensive loss:				
Exchange adjustments on translation of net assets of overseas subsidiaries	**(4)**	(34)	**–**	–
Total comprehensive income for the year	**239**	439	**–**	–
Dividends	**(377)**	(324)	**–**	–
At 31 December	**260**	398	**–**	–
Total capital and reserves	**291,833**	196,200	**156,957**	153,443
Total capital and reserves				
At 1 January	**196,200**	130,327	**153,443**	151,686
Sale of shares by Employee Trust to employees	**15,682**	14,184	**–**	–
Repurchases of shares by Employee Trust from employees	**(9,973)**	(16,578)	**–**	–
Profit for the year	**83,671**	64,252	**6,840**	1,757
Other comprehensive income for the year	**9,956**	4,339	**–**	–
Dividends	**(3,703)**	(324)	**(3,326)**	–
At 31 December	**291,833**	196,200	**156,957**	153,443

All transactions other than in income statement or statement of comprehensive income are transactions with owners.

Notes to the financial statements

at 31 December 2021

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.

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 profit for the year. The sponsoring entity for the Mott MacDonald Employee Trust ('Employee Trust') is Mott MacDonald Limited, a wholly owned subsidiary of Mott MacDonald Group Limited, and therefore the results, assets and liabilities of the Employee Trust have also been included in the financial statements of that entity. Further details about the Employee Trust are given in note 21.

Going concern

The directors have a reasonable expectation that the Group and company have adequate resources to continue in operational existence for the foreseeable future, and at least for a period of 12 months from the date the financial statements are signed.

On 17 December 2021, the Group put a new bank facility in place for five years up until December 2026, replacing the previous facility in place. The new facility is for £125m with an accordion of £25m available to use as part of the main facility agreement to take the capacity potentially to £150m, compared with the £120m on maximum possible with the previous facility. There are no material changes to the terms of the new facility in comparison to the old one and the financial covenants in the new agreement remain the same as those in the previous agreement.

The Group has also performed detailed analysis on future cash flow projections through to the end of December 2023, including both a base case and hypothetical downside scenarios that may result from the negative impact of COVID-19 or a severe global recession on future trading and cash flow. The analysis demonstrates that there would be sufficient headroom within the banking covenants and liquidity, even if revenues and cash receipts reduced substantially. The scenario analysis allows for measures that would be implemented as part of a response plan to preserve cash, many of which were implemented effectively during 2020. The directors are therefore satisfied that the Group and the company have sufficient financial resources and a robust response plan in the event of a severe economic downturn. The Group also has a strong cash position at the statement of financial position date. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements

at 31 December 2021

3. Significant judgements and estimates

When preparing the financial statements, management makes a number of estimates, judgements and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses. Management base their assessment for estimates and judgements on historical experience, market insights and other factors, including expectations of future events that are believed to be reasonable in light of known circumstances. Those which have the most significant effect are summarised below.

Critical accounting judgements in applying the Group's accounting policies that have the most significant effect on amounts recognised in the 2021 financial statements are as follows:

Revenue from contracts

Where a change in the scope of work occurs, judgement is exercised to determine if the criteria for revenue recognition are met.

Provisions

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. Significant judgement is required to determine whether a provision should be put in place for these claims, including considering their merits.

Allocation of tax relief on pension contributions

Section 29 of FRS 102 does not specify whether tax relief on pension contributions is recognised in the income statement or goes through changes in other comprehensive income. There are therefore a number of potential treatments permitted. Whilst the treatment adopted in prior years of recognising current tax relief in the income statement is permitted, the extent of the additional pension scheme contributions made this year to address past actuarial losses on schemes closed to future accrual of benefits caused management to revisit the judgement around the treatment. We consider that allocating the majority of the current tax relief to the statement of other comprehensive income provides more relevant and reliable information as the tax impact in the income statement and other comprehensive income is then better matched to the gains and losses to which it relates. We have therefore opted to change our accounting policy and as a result, have retrospectively applied this policy to the prior period, resulting in a restatement of comparatives as disclosed in note 10(d). The financial impact to other comprehensive income in the current year is a credit of £5.7m and this is the amount that would have impacted the income statement if the accounting policy had not been changed.

Estimates that may carry a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are considered as follows:

Revenue from contracts

The Group's revenue 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 current percentage of completion and the projected outcomes of projects. The key estimates relating to determining the revenue and profitability of projects and related assets or liabilities within the Group's financial statements are:

- percentage of completion – usually calculated by taking actual cost incurred as a percentage of forecast total cost. Estimation is required in determining the forecast cost;
- profitability of a project – project teams use their judgement to estimate the costs to complete a project. These include an assessment of the cost of anticipated potential future expenses; and
- pain/gain share – should contracts contain clauses that give rise to reductions in the amounts billable (pain) or additional upside fees billable (gain), project teams use their judgement to estimate their share of any pain/gain and include the impact of such in the percentage of completion assessment, which therefore impacts revenues recognised.

These estimates impact the carrying values of contract assets £154,736,000 (2020 − £144,729,000) and contract liabilities £170,659,000 (2020 − £162,398,000), see notes 15 and 16 respectively. While the estimates made are based on professional judgements, subsequent events may mean that estimates calculated prove to be inaccurate with a consequent effect on the reported result. The Group considers that the level of estimation uncertainty in the financial statements as a whole is mitigated by the size of the Group's portfolio of contracts, which are of various types and at different stages of completion at any point in time.

Notes to the financial statements

at 31 December 2021

3. Significant judgements and estimates (continued)

Provisions

Accounting estimates are made to value these claims 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. Assumptions are used in making these estimates and as such subsequent events may mean that they prove to be inaccurate, with an adjustment made in a future year. These estimates will affect the carrying value of 'other provisions' of £12,736,000 (2020 − £26,235,000), see note 20.

Defined benefit pension schemes

The cost of defined benefit pension plans is determined annually 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, with the valuation being most sensitive to the discount and inflation rate actuarial assumptions used. There is a range of possible values for the assumptions and small changes in these may have a significant impact on the valuation of the defined benefit pension obligations. The assumptions in relation to the UK scheme are set out in note 25, including sensitivity analysis on the two most critical estimates.

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 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 intangible assets as negative 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.

If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the income statement 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.

Prior to 1 January 2019, intangible assets acquired as part of an acquisition of a business were capitalised separately from goodwill in accordance with FRS 102, as it then applied, if the fair value could be measured reliably on initial recognition (see note 12 for details). Following the FRC's triennial review of FRS 102 published in December 2017, for years commencing January 2019 onwards such intangible assets acquired on acquisition are only recognised separately from goodwill if they meet the following three conditions:

- future economic benefits are probable and the cost or value of the asset can be reliably measured;
- the intangible asset arises from contractual or other legal rights; and
- the intangible asset is separable.

Notes to the financial statements

at 31 December 2021

4. Principal accounting policies (continued)

Goodwill and intangible assets (continued)

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.

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; or by reference to the value of services performed as at the year end date, depending on the underlying nature of the contract.

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.

Notes to the financial statements

at 31 December 2021

4. Principal accounting policies (continued)

Gross revenue (continued)

Contract assets 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 contract liabilities.

Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations.

A joint arrangement that provides the Group with rights to the individual assets and obligations arising from the arrangement is classified as a joint operation and a joint arrangement that provides the Group with rights to the net assets of the arrangement is classified as a joint venture.

The Group accounts for a joint operation by recognising its share of assets, liabilities, revenues and expenses of the joint operation and combining them line by line with similar items in the Group consolidated financial statements.

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. The Group had no joint ventures at the statement of financial position date.

Research and development

Research and development costs required to complete projects during the normal course of business are immediately expensed to the income statement. Development costs incurred in developing assets for ongoing use in the business are assessed for capitalisation against the criteria of FRS 102. Where such assets meet the required criteria, they are capitalised and amortised over their estimated useful lives.

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.

Notes to the financial statements

at 31 December 2021

4. Principal accounting policies (continued)

Financial assets

Basic financial assets, including trade debtors, other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the income statement, except for investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably which are measured at cost less impairment.

Financial assets are derecognised when:

- the contractual rights to the cash flows from the asset expire or are settled; or
- substantially all the risks and rewards of the ownership of the asset are transferred to another party; or
- despite having retained some significant risks and rewards of ownership; control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade creditors, other payables, bank loans, loans from fellow Group subsidiary undertakings and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate 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.

Notes to the financial statements

at 31 December 2021

4. Principal accounting policies (continued)

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, statement of 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
- 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.

Notes to the financial statements

at 31 December 2021

4. Principal accounting policies (continued)

Foreign currencies (continued)

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 in the statement of financial position 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 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.

Notes to the financial statements

at 31 December 2021

4. Principal accounting policies (continued)

Government grants and subsidies

Government grants and subsidies are recognised when they are received or it is reasonable to expect that the grants will be received and that all related conditions will be met. Grants and subsidies of a revenue nature are credited to income so as to match the expenditure to which they relate. The Group has no grant or subsidy income of a capital nature.

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:	2021 £000	2020 £000
Europe and Africa	**937,669**	952,805
Americas	**385,630**	458,578
Asia Pacific and Australasia	**316,773**	225,971
Middle East and South Asia	**141,728**	168,149
	1,781,800	1,805,503

Analysis by type of business:	2021 £000	2020 £000
Consulting services	**1,530,595**	1,526,395
Building and civil engineering contracting	**251,205**	279,108
	1,781,800	1,805,503

Notes to the financial statements

at 31 December 2021

6. Operating profit and other income

(a) Operating profit

This is stated after charging/(crediting):		2021 £000	2020 £000
Auditors' remuneration	– audit services – principal auditor for audit of parent company and Group financial statements	**155**	271
	– audit services – principal auditor for audit of subsidiary undertakings	**577**	430
	– audit services – associates of principal auditor for audit of subsidiary undertakings	**664**	658
		1,396	1,359
	– audit services – non-principal auditors for audit of subsidiary undertakings	**209**	185
		1,605	1,544
	– non-audit services – principal auditor of parent company		
	taxation	**–**	156
	other	**3**	2
	– non-audit services – associates of principal auditor		
	taxation	**84**	147
	other	**73**	13
		160	318
Past service credit (including curtailments) in pension schemes (note 25(c))		**–**	(1,100)
Current service costs in pension schemes (note 25(c))		**204**	105
Foreign exchange losses		**2,629**	5,672
Depreciation (note 13)		**16,161**	17,177
Amortisation of goodwill (note 12)		**1,650**	2,469
Amortisation of software (note 12)		**4,705**	4,270
Amortisation of other intangibles (note 12)		**3,571**	4,132
Impairment of goodwill		**–**	95
Operating lease rentals	– vehicles and equipment	**1,381**	1,963
	– land and buildings	**32,369**	33,580

(b) Other income

	2021 £000	2020 £000
Other income	**676**	6,341

Other income in 2020 related to government grants and subsidies received or receivable globally by the Group as part of the COVID-19 mitigation measures, mainly in Hong Kong and Singapore, as disclosed in the 2020 financial statements. The schemes were aimed at providing eligible employers with wage subsidies to retain their local employees. In 2021 the £676,000 relates to receipt of the final tranche of the subsidy in Singapore.

Notes to the financial statements

at 31 December 2021

7. Directors' remuneration

	2021 £000	2020 £000
Emoluments (excluding pension contributions)	**4,085**	4,549

The emoluments above relate to 6 directors in year ended 31 December 2021 (2020 – 7).

The emoluments (excluding pension contributions) of the highest paid director were £961,982 (2020 – £947,179).

During the year £68,909 (2020 – £84,729) of contributions were paid to defined contribution pension plans in respect of 5 directors (2020 – 5), of which £26,161 (2020 – £32,253) related to the highest paid director. Some of the directors also have benefits under the closed defined benefit schemes. The accrued annual pension of the highest paid director at 31 December 2021 was £24,098 (2020 – £23,878).

The Scheme provides an option to commute part of this pension for a lump sum, which amounted to £324,731 at 31 December 2021 (2020 – £342,315) for the highest paid director.

8. Staff costs

	2021 £000	Restated 2020 £000
Salaries	**827,535**	808,511
Social security costs	**65,084**	61,557
Other pension costs	**74,001**	67,963
	966,620	938,031

Other pension costs in 2020 have been restated from £84.5m to £68.0m to exclude contributions paid to closed defined benefit schemes as these payments are allocated against the pension liability rather than being charged to the income statement.

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

	No.	No.
Management	**1,267**	1,155
Technical staff	**12,190**	12,197
Administrative staff	**1,725**	1,755
	15,182	15,107
The actual number of permanent staff at 31 December was:	**15,881**	14,629

Notes to the financial statements

at 31 December 2021

9. Net interest receivable/(payable)

	2021 £000	2020 £000
Interest receivable	**444**	498
Interest payable:		
Bank loans and overdrafts	**(152)**	(1,205)
Finance charges payable under finance leases	**(43)**	(38)
Other	**(137)**	(149)
	(332)	(1,392)
Net interest receivable/(payable)	**112**	(894)

10. Tax

(a) Tax on profit on ordinary activities

	2021 £000	Restated 2020 £000
The taxation charge is made up as follows:		
Current tax:		
UK corporation tax	**7,346**	9,988
Non-UK tax	**16,896**	19,587
Capital gains tax – Mott MacDonald Employee Trust	**108**	121
	24,350	29,696
Adjustments in respect of previous years:		
UK corporation tax	**(824)**	(599)
Non-UK tax	**1,307**	(137)
Capital gains tax – Mott MacDonald Employee Trust	**–**	(18)
Total current tax	**24,833**	28,942
Deferred tax:		
Origination and reversal of timing differences	**(874)**	(3,986)
Adjustments in respect of previous years	**(1,527)**	344
Effect of change in tax rate	**(881)**	583
Total deferred tax credit (note 10(c))	**(3,282)**	(3,059)
Tax on profit on ordinary activities (note 10(b))	**21,551**	25,883

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £2,209,000 charge (2020 − £2,854,000 credit).

Notes to the financial statements

at 31 December 2021

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 standard rate of corporation tax in the UK of 19% (2020 − 19%). The differences are explained below.

An increase in the UK corporation tax rate, from 19% to 25% with effect from 1 April 2023, was announced in the UK Budget speech on 3 March 2021 and was substantively enacted on 24 May 2021. The expected impact of this increase on the deferred tax assets and liabilities included in the statement of financial position at 31 December 2020 has been included in the tax charge for the year ended 31 December 2021.

	2021 **£000**	Restated 2020 £000
Profit on ordinary activities before taxation	**105,222**	90,135
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020 − 19%)	**19,992**	17,126
Effects of:		
Tax losses	**(621)**	1,485
Net higher taxes on non-UK earnings	**5,503**	5,528
Adjustments in respect of previous years	**(1,044)**	(410)
Timing differences not provided	**8**	33
Impact of tax rate changes	**(1,755)**	578
Other permanent differences	**(532)**	1,543
Tax on profit on ordinary activities (note 10(a))	**21,551**	25,883

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 £61,013,000 (2020 − £84,963,000) 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 and Hong Kong. Deferred tax assets have not been recognised in respect 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 2021

10. Tax (continued)

(c) Deferred tax

Group	2021 £000	Restated 2020 £000
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 15)	**27,553**	32,894
Included in provisions for liabilities (note 20)	**(2,138)**	(2,488)
	25,415	30,406
The elements of deferred taxation are as follows:		
Excess of book depreciation over tax allowances on fixed assets	**2,271**	2,620
Amortisation of intangible assets	**(2,585)**	(2,278)
Pension liability (note 25(c))	**443**	15,142
Accrued expenses and provisions	**16,241**	13,356
Losses	**–**	648
Pension spreading	**7,822**	–
Other timing differences	**1,223**	918
	25,415	30,406
The movement in the year was:		
At 1 January	**30,406**	28,188
Deferred tax credit in the income statement (note 10(a))	**3,282**	3,059
Deferred tax (charge)/credit in the statement of comprehensive income		
− on net actuarial (gain)/loss in pension schemes	**(7,810)**	99
− on additional pension contributions made during the year	**(5,686)**	(3,109)
− due to effect of rate change on opening balance of pension schemes (note 22)	**–**	2,410
Deferred tax on restriction of pension asset	**5,597**	–
Exchange and other adjustments	**(374)**	(241)
At 31 December	**25,415**	30,406

The amount of the net reversal of deferred tax expected to occur next year is £4,500,000 (2020 − £nil).

(d) Impact of change in policy on allocation of current tax relief on pension contributions

As stated in the significant judgements and estimates section (note 3), the Group has changed its policy on allocation of current tax relief on pension contributions between the income statement and other comprehensive income. The comparative figures have therefore been restated. The impact of this is that the tax charge for 2020 in the income statement has increased from £21,085,000 to £25,883,000 and the deferred tax charge on additional pension contributions in other comprehensive income has reduced from £3,564,000 to £nil due to the current tax relief on pension contributions being allocated against this charge. The credit in other comprehensive income for 2020, relating to the impact of the tax rate change from 17% to 19%, has also increased from £1,176,000 to £2,410,000.

Overall, the impact is a presentation adjustment between income statement and other comprehensive income with no change to the net assets in the statement of financial position as at 31 December 2020.

Notes to the financial statements

at 31 December 2021

11. Dividends

	2021 £000	2020 £000
The following dividends were paid during the year:		
Ordinary:		
Interim dividend paid per share (2021 − 30p; 2020 − £nil)	**3,326**	–

The trustees of the Mott MacDonald Employee Trust waived the dividend on their 625,641 ordinary shares (held at the relevant date for dividend purposes) amounting to £187,692.

12. Group intangible fixed assets

2021	**Goodwill £000**	**Software £000**	**Other intangibles £000**	**Total £000**
Cost:				
At 1 January	**87,393**	**26,704**	**42,512**	**156,609**
Exchange adjustments	**72**	**(9)**	**16**	**79**
Additions	**6,565** [1]	**3,992** [2]	**–**	**10,557**
Disposals	**(3,154)**	**(1,248)**	**–**	**(4,402)**
At 31 December	**90,876**	**29,439**	**42,528**	**162,843**
Amortisation:				
At 1 January	**83,880**	**12,932**	**29,418**	**126,230**
Exchange adjustments	**(59)**	**(6)**	**16**	**(49)**
Provided during the year	**1,650**	**4,705**	**3,571**	**9,926**
Disposals	**(3,154)**	**(1,229)**	**–**	**(4,383)**
At 31 December	**82,317**	**16,402**	**33,005**	**131,724**
Net book value:				
At 31 December	**8,559**	**13,037**	**9,523**	**31,119**
At 1 January	3,513	13,772	13,094	30,379

[1]Additions to goodwill in the year relate to the acquisition of The Kercher Group, Inc. ('Kercher') and Pacific Groundwater Group, Inc. ('PGG') as disclosed in note 14(d). The goodwill carrying value at 31 December 2021 is £8,559,000 which relates to the acquisition of Bentley Holdings Limited made in 2014 (£2,533,000) and the new acquisitions of Kercher (£4,560,000) and PGG (£1,466,000) in 2021.

[2]During the year, £1,949,000 was spent on the development of a new HR IT system and £491,000 has been capitalised in relation to an ERP system. The carrying value at 31 December 2021 of the HR IT System was £4,076,000 (2020 − £2,769,000) and the ERP was £6,733,000 (2020 − £8,985,000).

The £9,523,000 other intangibles comprise customer relationships. These are amortised over 10 years ending in 2024 and relate to the acquisition of Bentley Holdings Limited.

Notes to the financial statements

at 31 December 2021

13. Group tangible fixed assets

2021	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
Cost:			
At 1 January	**7,065**	**127,867**	**134,932**
Exchange adjustments	**(5)**	**(746)**	**(751)**
Additions	**2,483**	**14,956**	**17,439**
Additions on acquisition	**29**	**20**	**49**
Disposals	**(2,007)**	**(28,105)**	**(30,112)**
At 31 December	**7,565**	**113,992**	**121,557**
Depreciation:			
At 1 January	**4,496**	**86,682**	**91,178**
Exchange adjustments	**–**	**(530)**	**(530)**
Provided during the year	**1,418**	**14,743**	**16,161**
Disposals	**(1,948)**	**(27,272)**	**(29,220)**
At 31 December	**3,966**	**73,623**	**77,589**
Net book value:			
At 31 December	**3,599**	**40,369**	**43,968**
At 1 January	2,569	41,185	43,754

The above figures for fixtures, fittings and equipment include plant and machinery held under finance leases with a net book value of £1,805,000 (2020 – £2,277,000).

14. Investments

(a) Group

Other fixed asset investments	2021 £000	2020 £000
Cost:		
At 1 January	**262**	205
Additions	**1**	68
Disposals	**–**	(9)
Reclassification	**(70)**	(2)
At 31 December	**193**	262

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

Notes to the financial statements

at 31 December 2021

14. Investments (continued)

(a) Group (continued)

Current asset investments	2021 £000	2020 £000
Valuation:		
At 1 January	**28,324**	26,178
Additions	**5,656**	8,503
Disposals	**(7,140)**	(6,973)
Fair value adjustments	**(627)**	616
At 31 December	**26,213**	28,324
Investments:		
Listed on the London Stock Exchange	**26,213**	28,324

Current asset investments are held by MHACE Insurance Company Limited, the Group's captive insurance company. The historical cost of current asset investments is £25,515,000 (2020 – £26,999,000).

(b) Company

Subsidiary undertakings	2021 £000	2020 £000
Cost or deemed cost:		
At 1 January	**348,731**	349,592
Disposals	**–**	(861)
At 31 December	**348,731**	348,731
Amounts provided:		
At 1 January	**1,450**	2,311
On disposals	**–**	(861)
At 31 December	**1,450**	1,450
Net book value:		
At 31 December	**347,281**	347,281
At 1 January	**347,281**	347,281

The total historical cost of interests in subsidiary undertakings is £345,604,000 (2020 – £345,604,000). Subsidiary undertakings held at cost or written down value amount to £334,073,000 (2020 – £334,073,000). Subsidiary undertakings held at deemed cost amount to £13,208,000 (2020 – £13,208,000), the historical cost of which amounts to £10,081,000 (2020 – £10,081,000).

Notes to the financial statements

at 31 December 2021

14. Investments (continued)

(c) Principal subsidiaries

The company's principal subsidiary undertakings at 31 December 2021 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 2021	2020	Country of incorporation/registration
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 Australia Pty Limited	**100**	100	Australia
Mott MacDonald B.V.	**100**	100	Netherlands
Mott MacDonald Canada Limited	**100**	100	Canada
Mott MacDonald CZ, spol. s r.o.	**100**	100	Czech Republic
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[1]	**100**	100	England and Wales
Mott MacDonald Ireland Limited	**100**	100	Republic of Ireland
Mott MacDonald Japan KK	**100**	100	Japan
Mott MacDonald Limited[1]	**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]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 2021

14. Investments (continued)

(d) Acquisitions

To further its operations in North America, the Group acquired 100% holdings in two entities as follows:

Subsidiary undertaking	Country of operation	2021
The Kercher Group, Inc. (Kercher)	United States of America	19 July
Pacific Groundwater Group, Inc. (PGG)	United States of America	19 July

The results of Kercher and PGG have been consolidated since acquisition.

Analysis of all acquisitions:	Book and fair value £000
Net assets at date of acquisition:	
Tangible fixed assets	49
Debtors	1,854
Cash at bank and in hand	646
Creditors	(282)
Net assets	2,267
Goodwill arising on acquisition	6,565
Consideration and costs of acquisitions	8,832
Discharged by:	
Cash consideration	5,521
Deferred purchase consideration	3,311
	8,832
Analysis of net outflow of cash in respect of the acquisitions:	
Cash consideration	5,521
Cash at bank and in hand acquired	(646)
	4,875

Gross revenue and operating loss relating to the acquisitions amount to £2,944,000 and £550,000 respectively. Cost of sales and administration expenses amount to £2,720,000 and £774,000 respectively.

Notes to the financial statements

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15. Debtors

	Group		Company	
		Restated		
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Trade debtors	**201,291**	181,334	**–**	–
Contract assets	**154,736**	144,729	**–**	–
Amount owed by subsidiary undertaking	**–**	–	**59,614**	55,871
Deferred taxation (note 10(c))	**27,553**	32,894	**–**	–
Taxation recoverable	**7,144**	6,785	**–**	–
Other debtors	**15,433**	21,001	**51**	65
Prepayments and accrued income	**27,191**	25,110	**–**	–
Pension asset (note 25(c))	**–**	264	**–**	–
	433,348	412,117	**59,665**	55,936

Trade debtors are shown net of a provision for impairment of £21,078,000 (2020 − £28,834,000).

In 2020, an amount of £11,998,000 received on a contract was recorded as a payment on account in contract liabilities when it should have been allocated to amounts recoverable on contracts in contract assets. The comparative figures for contract assets and liabilities have been restated to adjust for this (see also note 16 below).

Amount owed by subsidiary undertaking of £59,614,000 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	
		Restated		
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Contract liabilities*	**170,659**	162,398	**–**	–
Trade creditors	**55,034**	50,858	**–**	–
Current UK corporation tax	**514**	4,340	**–**	–
Non-UK taxation	**13,874**	13,906	**–**	–
Other taxes	**19,469**	11,262	**–**	–
Social security	**16,682**	16,676	**–**	–
Shares classed as financial liabilities (note 21)	**18**	27	**18**	27
Obligations under finance leases (note 19)	**790**	795	**–**	–
Other creditors	**18,587**	19,068	**9**	2
Accruals	**184,678**	166,029	**–**	–
	480,305	445,359	**27**	29

*see note 15 above.

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at 31 December 2021

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

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Unsecured bank loans (note 18)	**9,229**	9,145	**–**	–
Obligations under finance leases (note 19)	**305**	1,096	**–**	–
Other creditors	**2,750**	2,942	**–**	–
Amount owed to subsidiary undertaking	**–**	–	**250,000**	250,000
	12,284	13,183	**250,000**	250,000

The unsecured bank loans are entirely payable on maturity of the bank facility.

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% up to 31 December 2021. Following the replacement of LIBOR, interest on this loan will be charged at a rate based on SONIA plus a margin. In addition the loan is repayable on mutual agreement of both parties, with no less than 18 months notice.

18. Loans

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

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Wholly repayable within five years	**9,229**	9,145	**–**	–

The £9.2m loan relates to amount drawn down on the multi-currency revolving facility agreement which is in place until 17 December 2026 and bears a market floating rate of interest based on SONIA. Further details of the revolving facility are provided in the financial review section of the strategic report on page 8.

19. Obligations under leases

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

Group	Land and buildings		Other	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Amounts payable:				
Within one year	**31,100**	31,741	**635**	1,021
In two to five years	**74,253**	84,834	**383**	414
Over five years	**43,304**	49,159	**–**	–
	148,657	165,734	**1,018**	1,435

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19. Obligations under leases (continued)

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

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Wholly repayable within five years	**1,095**	1,891	**–**	–

20. Provisions for liabilities

Group

2021	**Provision for losses on contracts £000**	**Deferred taxation Note 10(c) £000**	**Other provisions £000**	**Total £000**
At 1 January	**7,957**	**2,488**	**26,235**	**36,680**
Exchange adjustments	**(106)**	**(1)**	**–**	**(107)**
Arising during the year	**3,897**	**–**	**4,141**	**8,038**
Reversal of provisions	**(1,805)**	**–**	**(4,928)**	**(6,733)**
Utilised	**(2,832)**	**(349)**	**(12,712)**	**(15,893)**
At 31 December	**7,111**	**2,138**	**12,736**	**21,985**

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.

Other provisions are mainly in respect of outstanding claims within MHACE Insurance Company Limited, the Group's captive insurance company. No separate disclosure is made of the detail of such claims as to do so could seriously prejudice the position of the Group.

21. Share capital

Allotted, called up and fully paid

	2021	2020	**2021**	2020
	No.	No.	**£000**	£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)	**1,768,180**	2,690,930	**18**	27
			11,731	11,740

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

Notes to the financial statements

at 31 December 2021

21. Share capital (continued)

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.

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 2021

22. Reserves (continued)

Group

Profit and loss account	**2021 £000**	Restated 2020 £000
At 1 January	**182,032**	113,503
Exchange adjustments on translation of net assets of overseas subsidiaries	**1,483**	3,493
Profit attributable to owners of the parent company	**83,428**	63,779
Dividends (note 11)	**(3,326)**	–
Deferred tax rate change on opening scheme deficit (note 10(c))	**–**	2,410
Net actuarial gain/(loss) on pension schemes (note 25(c))	**40,517**	(1,974)
Tax on net actuarial (gain)/loss	**(7,810)**	444
Restriction of pension asset recognised – gross (note 25(c))	**(29,831)**	–
Restriction of pension asset recognised – tax thereon	**5,601**	–
Surplus on disposal of own shares	**340**	377
At 31 December	**272,434**	182,032

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 (2020 − £1,995,000); and that credited to reserves amounts to £2,444,000 (2020 − £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 2021

24. Contingent liabilities

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Guarantee of bank loans and overdrafts in respect of other Group companies	**–**	–	**9,229**	9,145

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.

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. No separate disclosure is made of the detail of such claims as to do so could seriously prejudice the position of the Group.

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%.

On 31 December 2021, the JN Bentley Pension and Life Assurance Scheme (JNBPS) was merged with MMPS. JNBPS is a defined benefit scheme which was sponsored by JN Bentley Limited, a wholly owned subsidiary of the Bentley Holdings Limited group, which is also closed to new members and future accrual of benefits.

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 the Master Trust in May 2019. Total pension contributions were £47.2m (2020 − £42.3m).

Costs relating to the remaining defined benefit section of MMPS were £65.6m (2020 − £17.3m). These costs include both administrative expenses relating to MMPS and instalments totalling £64.5m (2020 − £16.5m) 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 2021

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 2021
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 1.4% over the period to 31 December 2023, 0.9% in 2024 and 0.5% thereafter.

At the last actuarial valuation on 1 January 2021, the market value of assets was £672m 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 2021 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 2021, minimum contributions of £19.5m were paid to MMPS in accordance with the latest recovery plan. Under the current funding plan, minimum contributions will be £19.5m in 2022 and 2023.

In agreeing the latest recovery plan with the trustees of the defined benefit pension scheme, in June 2021 the Group made an accelerated special contribution of £35m and removed the £25m bank guarantee that had been in place. In December 2021, the company made a further £10m additional contribution, including £5m as part of agreement of merger of JNBPS with MMPS.

(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 2021 for disclosure purposes which showed that the total market value of the assets of the scheme was US$17.3m (2020 − US$16.1m) and the liabilities were US$19.5m (2020 − US$21.4m) resulting in a deficit of US$2.2m at 31 December 2021 (2020 − US$5.3m).

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 2021 for disclosure purposes which showed that the total market value of the assets of the scheme was €11.8m (2020 − €11.2m) and the liabilities were €10.6m (2020 − €10.9m) resulting in a surplus of €1.2m at 31 December 2021 (2020 − €0.3m).

The Bentley Holdings Limited group, which is in the UK, included a defined benefit scheme which was 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 2021 for disclosure purposes which showed that the total market value of the assets of the scheme was £20.6m (2020 − £12.7m) and the liabilities were £15.6m (2020 − 20.7m) resulting in a deficit of £5.0m at 31 December 2021 (2020 − £8.0m). Following the merger of JNBPS with MMPS at the end of 2021, the assets and liabilities of JNBPS are included within the assets and liabilities of MMPS at 31 December 2021 (see note 25(c) below).

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

Notes to the financial statements

at 31 December 2021

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes

The assets and liabilities of the Mott MacDonald Pension Scheme ('MMPS') are analysed below:	2021 £m	2020 £m
Change in defined benefit obligation		
Defined benefit obligation at 1 January	**(736.7)**	(691.3)
Interest cost on MMPS liabilities	**(10.1)**	(13.5)
Actuarial gains/(losses) on MMPS liabilities	**50.9**	(66.2)
Benefits paid	**33.0**	33.2
Past service credit (including curtailments)	**–**	1.1
Transfer from JNBPS	**(20.5)**	–
Defined benefit obligation at 31 December	**(683.4)**	(736.7)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**(683.4)**	(736.7)
Change in plan assets		
Fair value of plan assets at 1 January	**670.5**	606.8
Interest income on MMPS assets	**9.6**	12.0
Actuarial (losses)/gains on MMPS assets	**(15.0)**	68.4
Employer contributions	**64.5**	16.5
Benefits paid	**(33.0)**	(33.2)
Transfer from JNBPS	**15.6**	–
Fair value of plan assets at 31 December	**712.2**	670.5
Funded status of MMPS	**28.8**	(66.2)
Deficit in MMPS	**–**	(66.2)
Deficit in other Group schemes	**(1.6)**	(11.9)
Total deficit in Group schemes excluding deferred tax (as reported in statement of financial position)	**(1.6)**	(78.1)
Related deferred tax asset (note 10(c))	**0.4**	15.1
Net pension liability	**(1.2)**	(63.0)
Surplus in MMPS	**28.8**	–
Surplus in Mott MacDonald Ireland Limited scheme	**1.0**	0.3
	29.8	0.3
Restriction of pension asset recognised*	**(29.8)**	–
Total surplus in Group schemes excluding deferred tax (as reported in statement of financial position)	**–**	0.3
Related deferred tax liability	**–**	–
Net pension asset (note 15)	**–**	0.3

*Since the companies do not have an unconditional right to the surpluses, they have not been recognised this year.

Notes to the financial statements

at 31 December 2021

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

Components of pension (cost)/income

Year to 31 December	2021 £m	2020 £m
Total pension (cost)/income recognised in administrative expenses in arriving at operating profit		
– for MMPS		
Past service credit (including curtailments)	**–**	1.1
– for other Group schemes	**(0.2)**	(0.1)
	(0.2)	1.0

Past service credit (including curtailments) of £1.1m in 2020 related to the bulk pension increase exchange (PIE) exercise which was completed in early 2020.

	2021 £m	2020 £m
Interest cost on MMPS liabilities	**(10.1)**	(13.5)
Interest income on MMPS assets	**9.6**	12.0
Net pension interest (cost)/income recognised within other finance cost in the income statement		
– for MMPS	**(0.5)**	(1.5)
– for other Group schemes	**0.4**	0.2
	(0.1)	(1.3)
Actuarial gains/(losses) on MMPS liabilities	**50.9**	(66.2)
Actuarial (losses)/gains on MMPS assets	**(15.0)**	68.4
Net actuarial gains immediately recognised for MMPS	**35.9**	2.2
Total pension income/(cost) recognised in other comprehensive income		
– for MMPS	**35.9**	2.2
– for other Group schemes	**4.6**	(4.2)
	40.5	(2.0)

Plan assets

The weighted average asset allocation at the year end for MMPS was as follows:	2021 %	2020 %
Asset category		
Liability driven investment	**81**	75
Diversified growth funds	**5**	14
Corporate bonds	**5**	5
Equities	**5**	5
Cash and other	**4**	1
	100	100

Notes to the financial statements

at 31 December 2021

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

Actual return on plan assets

Year to 31 December	**2021 £m**	2020 £m
Interest income on MMPS assets	**9.6**	12.0
Actuarial (losses)/gains on MMPS assets	**(15.0)**	68.4
Actual return on plan assets – for MMPS	**(5.4)**	80.4

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

	2021 %	2020 %
RPI inflation	**3.2**	2.8
Discount rate for MMPS liabilities	**2.0**	1.4
CPI inflation	**2.5**	2.1
Pension increases (inflationary increases with a maximum of 5% p.a.)	**2.5**	2.1
Salary increases	**n/a**	n/a

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

	2021		2020	
	Male Years	**Female Years**	Male Years	Female Years
Member age 60 (current life expectancy)	**27.9**	**29.5**	27.8	29.1
Member age 40 (life expectancy at age 60)	**28.6**	**30.3**	29.0	30.6

Sensitivity to the significant actuarial assumptions

Comparatively small changes in the assumptions used for measuring the defined benefit obligations for MMPS may have a significant effect on the Group's income statement and statement of financial position.

The following table shows the sensitivity of the defined benefit deficit to reasonably possible changes in the key assumptions underlying the valuation, with all other assumptions remaining unchanged.

Change in assumption	Impact on MMPS liabilities
0.1% decrease in discount rate	increase in obligations in the range £6.8m to £13.7m
0.1% increase in inflation rate	increase in obligations in the range £3.4m to £6.8m

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 2021

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	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Profit on ordinary activities before taxation	**105,222**	90,135	**6,840**	1,757
Adjustments to reconcile profit before taxation for the period to net cash inflow from operations:				
Depreciation	**16,161**	17,177	**–**	–
Amortisation of intangible assets	**9,926**	10,871	**–**	–
Impairment of goodwill	**–**	95	**–**	–
Fair value adjustments on current asset investments	**627**	(616)	**–**	–
Pension contributions	**(65,935)**	(18,550)	**–**	–
Past service credit	**–**	(1,100)	**–**	–
Current service cost	**204**	105	**–**	–
Loss on disposal of other fixed asset investments	**–**	9	**–**	–
Profit on disposal of tangible fixed assets	**(1,818)**	(910)	**–**	–
Loss on disposal of intangible fixed assets	**19**	–	**–**	–
Profit on disposal of current asset investments	**(708)**	(82)	**–**	–
Loss on disposal of subsidiary undertakings	**–**	1,353	**–**	–
Net interest (receivable)/payable	**(112)**	894	**5,115**	5,841
Other finance cost	**118**	1,324	**–**	–
(Increase)/decrease in debtors	**(21,314)**	87,204	**(3,729)**	(1,544)
Increase/(decrease) in creditors	**35,033**	3,644	**7**	(9)
(Decrease)/increase in provisions for liabilities	**(14,345)**	11,381	**–**	–
Net cash inflow from operations	**63,078**	202,934	**8,233**	6,045

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Group		Company	
At 31 December	**2021**	2020	**2021**	2020
	£000	£000	**£000**	£000
Cash at bank and in hand	**273,183**	254,720	**38**	255

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

Notes to the financial statements

at 31 December 2021

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

(c) Analysis of changes in net funds

Group

	1 January 2021 £000	Cash flow £000	Exchange movement £000	31 December 2021 £000
Cash at bank and in hand	254,720	20,010	(1,547)	273,183
Debt due after one year (note 17)	(9,145)	–	(84)	(9,229)
Finance leases (notes 16, 17)	(1,891)	796	–	(1,095)
Shares classed as financial liabilities (note 16)	(27)	9	–	(18)
Total net funds	243,657	20,815	(1,631)	262,841

Company

Cash at bank and in hand	255	(217)	–	38

Notes to the financial statements

at 31 December 2021

28. Financial assets and liabilities

		Group		Company	
	Notes	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Financial assets at fair value through profit or loss					
Listed investments	14(a)	**26,213**	28,324	**–**	–
Financial assets that are equity instruments measured at cost less impairment					
Other fixed asset investments	14(a)	**193**	262	**–**	–
Financial assets that are debt instruments measured at amortised cost[1]					
Trade debtors	15	**201,291**	181,334	**–**	–
Amount owed by subsidiary undertaking	15	**–**	–	**59,614**	55,871
Other debtors	15	**15,433**	21,001	**51**	65
Financial liabilities at fair value through profit or loss					
Shares classed as financial liabilities	16, 21	**18**	27	**18**	27
Financial liabilities measured at amortised cost[1]					
Trade creditors	16	**55,034**	50,858	**–**	–
Other creditors	16, 17	**21,337**	22,010	**9**	2
Amount owed to subsidiary undertaking	17	**–**	–	**250,000**	250,000
Loans	18	**9,229**	9,145	**–**	–
Obligations under finance leases	19	**1,095**	1,891	**–**	–

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 (2020 − £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

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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, 2]	100	BF
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 HoldCo Limited[1]	100	B
Mott MacDonald International Limited[1]	100	B
Mott MacDonald 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[1]	100	B
Schema Associates Limited	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
Mott MacDonald Australia Pty Limited	100	D
Botswana		
Merz & McLellan Botswana (Pty) Limited	100	E
Bulgaria		
Mott MacDonald (Bulgaria) EOOD	100	F

Notes to the financial statements

at 31 December 2021

29. Subsidiary undertakings (continued)

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

Notes to the financial statements

at 31 December 2021

29. Subsidiary undertakings (continued)

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
Malaysia		
Mott MacDonald (Malaysia) Sdn. Bhd.	**100**	**AC**
Mauritius		
PDNA Consulting (Mauritius) Limited	**80**	**AD**
Mongolia		
Mott MacDonald Mongolia Company Limited	**100**	**AE**
Mozambique		
Mott MacDonald Mozambique Lda	**80**	**AF**
Netherlands		
BMB Mott MacDonald B.V.	**100**	**AG**
Euroconsult Mott MacDonald B.V.	**100**	**AG**
Mott MacDonald B.V.	**100**	**AG**
New Zealand		
Mott MacDonald New Zealand Limited	**100**	**AH**
Nigeria		
Cambridge Education Nigeria Limited	**100**	**AI**
Mott MacDonald (Nigeria) Limited	**100**	**AJ**
Norway		
Mott MacDonald Norge AS	**100**	**AK**
Oman		
Mott MacDonald & Company LLC	**65**	**AL**
Philippines		
Mott MacDonald (Philippines) Inc	**100**	**AM**
Poland		
Mott MacDonald Polska Spolka z o.o.	**100**	**AN**
Romania		
Mott MacDonald Romania SRL	**100**	**AO**
SC Educatia 2000+ Consulting SRL	**100**	**AO**
Russia		
Mott MacDonald R Limited Liability Company*	**100**	**AP**
Saudi Arabia		
Mott MacDonald Limited LLC for Engineering Consultancy	**100**	**AQ**
Serbia		
Mott MacDonald S d.o.o.	**100**	**AR**
Sierra Leone		
Mott MacDonald (SL) Limited	**100**	**AS**
Singapore		
Franklin + Andrews Pte Limited	**100**	**AT**
Mott MacDonald Singapore Pte Limited	**100**	**AT**
Slovakia		
Mott MacDonald Slovensko, s r.o.	**100**	**AU**
South Africa		
Merz & McLellan (Proprietary) Limited	**100**	**AV**
Mott MacDonald Contracting (Pty) Limited	**80**	**AV**
Mott MacDonald Development South Africa (Pty) Limited	**80**	**AV**
Mott MacDonald Holdings (South Africa) (Pty) Limited	**80**	**AV**
Mott MacDonald South Africa (Proprietary) Limited	**80**	**AV**

*The company is currently not trading. All commercial contracts for this company have been terminated with a view to liquidating the company.

Notes to the financial statements

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29. Subsidiary undertakings (continued)

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
South Africa (continued)		
PDNA Holdings (Pty) Limited	**80**	**AV**
Phambili Merz (Proprietary) Limited	**82**	**AV**
Spain		
Mott MacDonald Spain Sociedad Limitada	**100**	**AW**
Taiwan		
Taiwan Mott MacDonald Limited	**100**	**AX**
Tanzania		
Cambridge Education Tanzania Limited	**100**	**AY**
Thailand		
Mott MacDonald (Thailand) Limited	**100**	**AZ**
Thai MM Limited	**100**	**AZ**
Turkey		
Mott MacDonald T Engineering Consultants Limited	**100**	**BA**
Uganda		
Mott MacDonald Uganda Limited	**100**	**BB**
United Arab Emirates		
Ewbank International Consultants (Private) Limited	**100**	**BC**
United States of America		
Cambridge Education, LLC	**100**	**BD**
Coast & Harbor Engineering, Inc.	**100**	**BD**
J.B. Trimble, Inc.	**100**	**BD**
Mott MacDonald Alabama, LLC	**100**	**BD**
Mott MacDonald Architects, Inc.	**100**	**BD**
Mott MacDonald Consultants, Inc.	**100**	**BD**
Mott MacDonald Federal, LLC	**100**	**BD**
Mott MacDonald Florida, LLC	**100**	**BD**
Mott MacDonald Group, Inc.	**100**	**BD**
Mott MacDonald Holdings, Inc.	**100**	**BD**
Mott MacDonald I&E, LLC	**100**	**BD**
Mott MacDonald Massachusetts, LLC	**100**	**BD**
Mott MacDonald Michigan, LLC	**100**	**BD**
Mott MacDonald NY, Inc.	**100**	**BD**
Mott MacDonald Operating Services, LLC	**100**	**BD**
Mott MacDonald USA, LLC	**100**	**BD**
Mott MacDonald, Inc.	**100**	**BD**
Mott MacDonald, LLC	**100**	**BD**
Pacific Groundwater Group, Inc.	**100**	**BD**
Richard P. Arber Associates, Inc.	**100**	**BD**
The Kercher Group, Inc.	**100**	**BD**

[1]Investment not held through subsidiary undertakings.
[2]In liquidation.

Notes to the financial statements

at 31 December 2021

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**	**BE**
M2 (Water) LLP*	**50**	**B**
Oman		
Galfar Mott MacDonald LLC	**35**	**AL**

*Accounted for as joint operations.

Registered office	
Snaygill Industrial Estate, Keighley Road, Skipton, North Yorkshire BD23 2QR, United Kingdom	**A**
Mott MacDonald House, 8-10 Sydenham Road, Croydon 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**
Plot 50370, Fairgrounds, East Wing, Acumen Park, Gaborone, Botswana	**E**
Office A, 2a Ivan Abadjiev Str, Fl. 4, Sofia 1784 Bulgaria	**F**
Suite 301, 30 Duncan Street, Toronto ON M5V 2C3, Canada	**G**
Suite 1007 Tower E Global Trade Centre, 36 North 3rd Ring Road East, Beijing, 100013, China	**H**
2302 Block 1, Xinwen Building, 2 Shennan Zhong Road, Futian District, Shenzhen, China	**I**
3/F International Trade Tower, 348 Kwun Tong Road, Kowloon, Hong Kong	**J**
Avenida da Praia Grande 759, 3F, Macau SAR, Macau, China	**K**
Calle 93B No. 12-48, Oficina 308, Edificio Futura, Bogota D.C., Colombia	**L**
Narodni 15, 110 00 Praha 1, Czech Republic	**M**
7eme Etage, Immeuble BCDC, Boulevard du 30 Juin, Commune de la Gombe, Kinshasa, The Democratic Republic of the Congo	**N**
253 Rabaa El-Adaweya Investment Project, El Akad Mall Ext., 5th Floor, Apartment 53, Nasr City, Cairo, Egypt	**O**
c/o Sweco Industry Oy, PL 75, Helsinki, 00381, Finland	**P**
15 rue Traversière, 75012, Paris, France	**Q**
Suite 1 North, First Floor, Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AJ	**R**
Mott MacDonald, Atrium Park F7, Vaci ut45 F/7, Budapest, 1134, Hungary	**S**
101 Nomura, Hiranandani Gardens, Powai, Mumbai 4000076, India	**T**
WTC 3, Level 29th, Jl. Jend. Sudirman Kav. 29-31, Jakarta, 12920 Indonesia	**U**
South Block, Rockfield, Dundrum, Dublin 16, D16 R6V0, Republic of Ireland	**V**
Via Enrico Albareto 31, 16154, Genoa, Italy	**W**
4F Nihonbashi Honcho 1-chrome Building, 1-9-13 Nihonbashi Honcho, Chuo-ku, Tokyo, Japan	**X**
Office 1114, Syganak Street 29, Esil District, Astana, 010000, Kazakhstan	**Y**
LR no.1870/1/176, 1st Floor, ALN House, Eldama Ravine Close, off Eldama Ravine Road, PO Box 764-00606, Westlands, Kenya	**Z**
16Fl., Jongro 5 Gil 7, Jongro-Gu, Seoul (Chung Jin Dong), Republic of Korea	**AA**
c/o Grant Thornton Malawi, MASM House, Lower Sclater Road, P. O. Box 508, Blantyre, Malawi	**AB**
Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200, Kuala Lumpar, Malaysia	**AC**
c/o Globefin Management Services Ltd, Rogers House, 5 President John Kennedy Street, Port Louis, Mauritius	**AD**
Suite 203, Crystal Business Center, Chinggis Avenue 11/1, Ulaanbaatar, 210628, Mongolia	**AE**
Av. Orlando Francisco Magumbwe, No. 993, Polana Cimentro, Maputo, Mozambique	**AF**
Amsterdamseweg 15, 6814 CM Arnhem, Netherlands	**AG**
Level 2, 139 Pakenham Street West, Auckland, 1010, New Zealand	**AH**
20 Kwame Nkrumah Crescent, Asokoro, Abuja, Nigeria	**AI**
Sterling Towers, 20 Marina, Lagos, Nigeria	**AJ**
c/o Inforegn AS Misjonsmarka 1, 4024 Stavanger, Norway	**AK**

Notes to the financial statements

at 31 December 2021

29. Subsidiary undertakings (continued)

Registered office	Key
PO Box 587, Postal Code 112, Ruwi, Sultanate of Oman	AL
The Regus TEC Inc, 27th Floor Tower 2, The Enterprise Centre, 6766 Ayala Ave. Corner, Paseo de Roxas, 1226, Philippines	AM
Ul. Prosta 68, Budynek Proxima, 00-838, Warszawa, Poland	AN
246 Traian Street, 3rd Floor, ap 5, sector 2, 024046, Bucharest, Romania	AO
4th Floor, 71 Sadovnicheskaya Embankment, 115035, Moscow, Russia	AP
2239 Al Urubah Rd - Al Olaya Dist., Unit No 1414, Riyadh 12214 - 9597, RHOB2239, Kingdom of Saudi Arabia	AQ
Kneginje Zorke 2, Floor 1, Belgrade, 11000, Serbia	AR
24 Regent Road, Hill Station, Freetown, Sierra Leone	AS
152 Beach Road, #35-00 Gateway East, 189721, Singapore	AT
Sulekova 2, Bratislava 811 06, Slovakia	AU
1st Floor, Lady Brooks Building, No 14, 12th Street, Menlo Park, Pretoria, Gauteng 0081, South Africa	AV
Paseo de la Castellana, 79 Lexington Azca, Planta 7, 28046, Madrid, Spain	AW
5F, No.92, Sec 2 Dun Hua S Rd, Da-An District, Taipei City, 10668, Taiwan	AX
St John University Road, Plot. No. 23, Block G, Kikuyi Kusini, P.O. Box 1587, Dodoma, Tanzania, United Republic of	AY
90 CW Tower, 41st Floor, Room No. A4101-02, Ratchadapisek Road, Kwang Huay Kwang, Khet Huay Kwang, Bangkok, Metropolis, Thailand	AZ
Sun Plaza, No. 5 Kat, Maslak Mah. Bilim Sok., 15 Sariyer, Istanbul, 34485, Turkey	BA
c/o Africa Registrars, Plot 2 Bombo Road, City Apartments, 3rd Floor Suite 13, PO Box 31776, Kampala, Uganda	BB
PO Box 11302, Dubai, United Arab Emirates	BC
c/o Mott MacDonald Group, Inc., 111 Wood Avenue South, 5th floor, Iselin NJ 08830-4112, United States of America	BD
St James House, Knoll Road, Camberley, Surrey GU15 3XW, United Kingdom	BE
c/o Begbies Traynor (London) LLP, 31st Floor, 40 Bank Street, London E14 5NR, United Kingdom	BF

Group five-year summary

This page does not form part of the audited financial statements

Years ended 31 December	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Gross revenue	**1,781,800**	1,805,503	1,784,003	1,621,079	1,548,878
Operating profit	**104,054**	84,894	47,596	41,715	40,144
Profit on ordinary activities before taxation	**105,222**	90,135	46,275	38,726	37,397
Tax on profit on ordinary activities	**(21,551)**	(25,883)[1]	(14,252)	(13,708)	(16,165)
Non-controlling interests	**(243)**	(473)	(337)	(485)	(130)
Dividends	**(3,326)**	–	(5,912)	(5,888)	(5,816)
Retained profit	**80,102**	63,779	25,774	18,645	15,286
Consolidated statement of financial position					
Fixed assets	**75,280**	74,395	86,431	91,733	93,363
Current assets	**732,744**	695,161[2]	639,350	629,381	618,657
Creditors: amounts falling due within one year	**(480,305)**	(445,359)[2]	(456,036)	(449,130)	(441,576)
Net current assets	**252,439**	249,802	183,314	180,251	177,081
Total assets less current liabilities	**327,719**	324,197	269,745	271,984	270,444
Creditors: amounts falling due after more than one year	**(12,284)**	(13,183)	(19,274)	(32,675)	(41,310)
Provisions for liabilities	**(21,985)**	(36,680)	(25,895)	(25,136)	(25,816)
Net assets excluding pension liability	**293,450**	274,334	224,576	214,173	203,318
Pension liability	**(1,617)**	(78,134)	(94,249)	(80,369)	(78,737)
Net assets including pension liability	**291,833**	196,200	130,327	133,804	124,581
Capital and reserves					
Called up share capital	**11,713**	11,713	11,713	11,713	11,713
Share premium account	**17,717**	17,717	17,717	17,717	17,717
Revaluation reserve	**814**	814	814	814	814
Investment in own shares	**(11,105)**	(16,474)	(13,703)	(13,424)	(13,566)
Profit and loss account	**272,434**	182,032	113,503	116,647	107,627
Equity attributable to owners of the parent company	**291,573**	195,802	130,044	133,467	124,305
Non-controlling interests	**260**	398	283	337	276
Total capital and reserves	**291,833**	196,200	130,327	133,804	124,581
Net funds					
Cash at bank and in hand	**273,183**	254,720	103,735	114,898	106,092
Bank overdrafts	**–**	–	(485)	(3,391)	(838)
Current instalments due on loans	**–**	–	(33)	(35)	(91)
Loans falling due after more than one year	**(9,229)**	(9,145)	(19,249)	(32,518)	(41,198)
Obligations under finance leases	**(1,095)**	(1,891)	(320)	(607)	(633)
Shares classed as financial liabilities	**(18)**	(27)	(27)	(29)	(33)
	262,841	243,657	83,621	78,318	63,299

[1]2020 has been restated (see notes 3 and 10(d) for further details), prior years are as previously reported.
[2]2020 has been restated (see notes 15 and 16).

Mott MacDonald Group Governance

Executive Board and committees

Executive Board

Mike Haigh (Executive Chair)
Denise Bower (Group External Engagement Director)
Ian Galbraith (Group Strategy Director)
James Harris (Group Managing Director)
Ed Roud (Group Finance Director)
Cathy Travers (Regional General Manager EUNA)
Paul Ferguson (General Counsel) – in attendance

Executive Board committees

Strategy and Policy

Ian Galbraith (Chair)
Paul Bentley
Denise Bower
David Cox
Mike Haigh
James Harris
Simon Harrison
Mike Isola
David Johnson
Ed Roud
Darren Russell
Cathy Travers

Management Board

James Harris (Chair)
Paul Bentley
David Cox
Ian Galbraith
Mike Isola
David Johnson
Alec Pavitt
Ed Roud
Darren Russell
Cathy Travers

For specific items:

Brenda Begg
Dewesh Dhopatkar
Liz King
Sally Sudworth

Investment and Finance

Ed Roud (Chair)
Denise Bower
Mark Enzer
Mike Haigh
James Harris
Randal Jones
Richard Risdon
FookHin You

In attendance:

Dewesh Dhopatkar

Risk

Ian Galbraith (Chair)
Brenda Begg
Paul Ferguson
James Harris
Randal Jones
Alec Pavitt
Ed Roud

Digital

Mike Haigh (Chair)
David Cox
Ian Galbraith
James Harris
Mike Isola
David Johnson
Richard Risdon
Darren Russell
Richard Shennan
Cathy Travers

Shareholders' Committee and sub-committees

Shareholders' Committee

David White (Chair)
SS Acharya
Frances Badelow
Steve Canadine
Ian Clarke
David Cox
Mark Enzer
Simon Harrison
Mike Isola
David Johnson
Adrian Jones
Randal Jones
Anne Kerr
Liz King
Alec Pavitt
Tony Purdon
Clare Rhodes James
Richard Risdon
Doug Wilson
FookHin You
Mike Brown (Independent)
Bob Prieto (Independent)

Shareholders' Committee sub-committees

Audit and Risk Assurance

Ian Clarke (Chair)
Frances Badelow
Steve Canadine
Bob Prieto (Independent)
Doug Wilson

In attendance:

Brenda Begg, Dewesh Dhopatkar, Paul Ferguson, Ian Galbraith, James Harris, Paul Hockley, Ed Roud, David White

Nominations

Anne Kerr (Chair)
SS Acharya
Mike Brown (Independent)
Tony Purdon
Clare Rhodes James

In attendance:

Denise Bower, Graeme Clarke
Ian Galbraith, Mike Haigh
Cathy Travers, David White

Remuneration and Equity

Mike Brown (Chair and independent)
Adrian Jones
Liz King
David White

In attendance:

Denise Bower, Mike Haigh, James Harris, Ed Roud

Membership of committee and sub-committees are effective from 1 February 2022.

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