Mott MacDonald Group Limited

Report and financial statements
31 December 2020

Mott MacDonald Group Limited

Global management, engineering and development consultancy

80+ awards
for innovation and excellence in 2020

15,000+ people

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

Directors
Mike Haigh (Executive Chair)
Denise Bower (External Engagement Director)
Nick DeNichilo (President and CEO, North America)
Ian Galbraith (Strategy Director)
James Harris (Managing Director)
Ed Roud (Finance Director)

Company Secretary
Paul Ferguson

Auditor
Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG
United Kingdom

Registered office
Mott MacDonald House
8-10 Sydenham Road
Croydon
Surrey CR0 2EE
United Kingdom

Registered No. 01110949

+44 (0)20 8774 2000
mottmac.com

Contents

Strategic report

Mike Haigh
Executive Chair – welcome

I am pleased to present our annual report for 2020. This has been an extraordinary year 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. Our investment in a robust digital operating platform has been critical to enabling an almost seamless transition to remote working when this has been necessary due to regional lockdowns. Our strong culture and values have underpinned an agile approach and a focus on personal wellbeing.

Looking ahead, whilst the pandemic continues, we also face a global recession and other uncertainties, including global trade disputes and how the trade deal agreed as a basis for the UK exiting the European Union will unfold. We will continue to focus on the geographies, sectors and services we believe provide a strong, resilient platform for our business; a business driven by a clear common 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."

Our independence enables us to deliver on that purpose. Our business is led by colleagues, many of whom are shareholders, who are committed to handing a successful, sustainable business over to those future colleagues who will own it, manage it and work in it. This in turn creates opportunities for all our employees to grow their expertise and their careers.

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. In 2019 we adopted the Wates Principles of corporate governance and this reflects the importance that we place on management rigour and effective engagement with our clients and wider stakeholders to provide value and build a sustainable business.

In delivering great outcomes for our clients we draw on what we do best, our technical excellence and our digital innovation. This is reflected in many of our exciting projects around the world including working with Sydney Metro as their engineering, design and assurance partner; supporting the delivery of Singapore's fourth desalination plant, which will provide water to more than 200,000 homes; providing advisory services for a UK hospital trust where our Smart Infrastructure team will drive the digital agenda and as sustainability and net-zero carbon advisor, we will challenge current thinking to build and run healthcare facilities more responsibly.

In North America we are applying our Fieldbook technology to help the New Jersey Department of Transportation (DoT) manage its assets, a project that the DoT has described as transformational in the sector. The importance of data and the opportunities that this brings continue to grow. We are leading the way in enhancing the value of data for our clients through our strong domain knowledge and digital expertise. This is exemplified by Moata, Mott MacDonald's digital twin platform. It hosts a range of solutions and uses the power of data to solve today's most pressing infrastructure problems. For Highways England we have a prestigious new project to deliver a machine learning-based solution that automates detecting concrete pavement defects and assigns repair quantities. They have also appointed us to develop a strategy to achieve net-zero greenhouse gas emissions across their 4,300 mile long road network and to their Regional Delivery Partnership that is integral to helping them deliver the UK Government's £27.4bn Road Investment Strategy.

The UK Government's Department for Business, Energy and Industrial Strategy (BEIS) appointed us to deliver the £3m, three-year 2050 Calculator programme. The programme supports developing country governments to build their own version of the UK's 2050 Calculator energy and emissions model – a tool that allows users to trial different options for reducing emissions at a faster rate and to build a pathway that meets long-term emission targets to 2050. This award-winning programme has a real impact on reducing greenhouse gas emissions by supporting governments to assess technology and development pathways, including with new applications.

Our response to climate change exemplifies our commitment to social outcomes on the projects we work on and our own operations. Our global consultancy business has been certified by the Carbon Trust as carbon neutral to the international standard for carbon neutrality, PAS 2060. We also received certification to ISO 14064, the international standard for carbon reporting, and we were already externally verified to PAS 2080 for including carbon management considerations in the projects that we deliver for clients globally. We have made a commitment to net-zero by 2040 for the whole of the Mott MacDonald Group. The corporate responsibility section of this report sets out some of the activities planned in the next year as part of the journey to achieve that.

Strategic report

Our excellence has been recognised through awards. In 2020, we won 85 awards from 118 entries around the world in key areas including sustainability, equality, diversity and inclusion, employment, health and wellbeing, professional excellence and digital innovation.

We are committed to influencing our industry through thought leadership. In 2020 we enhanced our engagement with the broader industry to help steer our business and test our thoughts and ideas. We have published position papers with commitments and actions on net-zero greenhouse gas emissions, delivering social outcomes, resilience to the physical impacts of climate change and digital innovation.

On 1 January 2020, Denise Bower OBE joined the Executive Board as External Engagement Director. Denise has had an impressive career in the infrastructure industry, well known through her roles as executive director of the Major Projects Association and as a professor in the School of Engineering at the University of Leeds. On 1 August 2020, Mike Brown CBE joined the Shareholders' Committee as an independent member. Mike is the former Commissioner of Transport for London and will provide support, oversight and challenge to the Executive Board. With extensive experience of infrastructure industry leadership, he will also bring insights, knowledge and passion for infrastructure as a means to improving society as we seek to enhance the social outcomes of the communities in which we live and work.

Guy Leonard retired on 31 December 2020. Guy has made a huge contribution to the business over the last 20 years and since 2007 as a director of the Group. The remaining board is unchanged.

On behalf of the Executive Board, I would like to thank 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 this unprecedented 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

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

How we are making a difference

We focus on what we believe is important for our clients, our colleagues and those communities which we work and live in. As an employee-owned business, 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.

We pursue growth but put principle before profit.

Our strategy embraces a wider social purpose, and we work together to embed this thinking, and the principles of corporate responsibility, in all aspects of our business. We have the advantage of being a single global family with shared values and a common purpose. In 2020, we chose to republish our purpose and our commitments to good corporate responsibility, along with providing opportunity for employees to participate in structured corporate activities and pursue personal aims and objectives.

These are some of the ways we are working to fulfil our purpose and to be accountable for the difference we want to make.

By tackling climate change

We recognise our responsibility in working with our clients to transition their projects and operations to a net-zero future. We lead the way in setting standards for the delivery of projects and solutions to our clients; in setting standards in how we run our own operations generally; and in debate and discussion in the wider industry, using thought leadership as a catalyst for change. Our climate change initiatives have been running for several years and in 2020 our global consultancy business was certified carbon neutral by the Carbon Trust.

In 2020, for the global consulting business we committed to:

- undertaking climate risk assessments for our global offices;
- funding contributions to climate science and other international initiatives that bring about transformational action on climate change resilience and adaptation, for example, expanding the Carbon Crunch campaign to our global client base;
- supporting our employees through our employee benefits systems with new initiatives that will enable them to implement low-carbon, climate-resilient actions in their own homes and communities;
- developing partnerships with non-governmental organisations and developing our own Mott MacDonald projects for offsetting in the longer term – enabling us to transition from carbon neutral to net-zero; and
- continuing our leading role in a coalition of clients and partners to support delivery of the UK Government's pledge to have net-zero greenhouse gas emissions by 2050.

Strategic report

In 2021, we will show leadership in our commitment for the whole Mott MacDonald Group to be net-zero by 2040. This is a long-term programme at its formative stages, with the key deliverables/tasks for 2021 being:

- review our current definition of net-zero in light of new authoritative insight that has emerged since we made our commitment in March 2020 (for example, the Science Based Targets initiative);
- develop an underlying roadmap to support the commitment based on three areas of action: our operations, our advocacy, our projects; and
- continue to implement early roadmap activities, including:
  - embed significant carbon reduction into our operational business, reporting and developing in relation to Science Based Targets and carbon neutrality;
  - strengthen advocacy activities, developing the commitment to upskill our own staff as well as advocating externally; and
  - develop our understanding of the implications on the work we do, including projects that may not be appropriate for a net-zero future in the short, medium and long term and the link with the Task Force on Climate-related Financial Disclosures (TCFD) reporting.

By delivering socially inclusive outcomes

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 will continue to demonstrate leadership across the industry through our social practice and tools, such as our social outcomes framework and our social transformation model.

In 2020, we committed to:

- aligning our social outcomes tools and actions with the 17 United Nations Sustainable Development Goals to demonstrate our commitment to this international agenda;
- harnessing the expertise of our internal equality, diversity and inclusion network to take steps to ensure that our major project teams are as diverse and representative of a wide range of social characteristics as possible;
- working with our clients to deliver outcomes-focused projects which, where possible, go beyond legal compliance and demonstrate that we are thinking of our clients' communities and looking for new ways to tackle persistent inequalities; and
- creating a dedicated focal point for socially inclusive talent recruitment and delivery through our centre of technical excellence for social inclusion and development.

By 2022, it will be mandatory for all major bids and prospects across our global business to consider positive social outcomes and how they can be achieved.

By pursuing digital innovation

We recognise that social and economic infrastructure is composed of many interconnected and interdependent assets and systems. We recognise the importance of data and information in managing infrastructure more effectively and delivering better social outcomes, including contributing to the path to net-zero. As industry leaders in this area, we continue to contribute to bringing together the stakeholders to make progress such as our work around digital maturity.

In 2020, we committed to:

- taking measures so that none of our colleagues are digitally excluded for any reason – promoting digital literacy through defined learning paths and training programmes for key digital skills; and
- seeking out, initiating and contributing to initiatives that use digital to enable appropriate societal outcomes.

By fulfilling our People Promise and sharing what makes us special

2020 has been a year that has tested our ways of working and has brought to the fore our commitment to creating a company where people come first. This includes living our People Promise and our new Group corporate social responsibility strategy – offering Group support for charitable giving and our industry knowledge and professional skills to community projects. An example of this, through Payroll Giving our colleagues in the UK donated approximately £160,000 to 213 charities in 2020.

Other examples include:

- additional resources framed around the five ways to wellbeing have been provided to help our colleagues, their families and friends during the ups and downs of the global health crisis;
- a global and industry benchmarked employee engagement survey, enabling us to listen to feedback on global and regional employment experiences;
- investment in new people systems and processes – enabling our employees to have access to e-learning content and regular check-ins with their manager to receive greater clarity of purpose and more frequent feedback on performance; and
- our Engineering Hope project, aiming to leverage multi-sector and multi-agency skills to come up with a humane and sustainable model for housing refugees.

Wellbeing has been a particularly important matter for the directors this year to ensure that staff are properly supported in and outside their normal working hours during the restricted conditions and pressures they have had to deal with in responding to the pandemic.

Strategic report

We have been proactive in providing additional support to colleagues across a wide variety of topics around physical and mental health including suicide awareness, sleep and fatigue, team and individual events and challenges, and access to health professionals and counsellors for individuals as necessary.

We provided access to essential equipment to make sure that colleagues working remotely have what they need to work safely without detriment to their health. Our Connected Conversations programme has been instrumental in keeping us all in touch and globally our IT teams worked hard to make sure that working from home did not prevent team collaboration and informal gatherings with colleagues.

By continuing to work together, using our wellbeing framework as a guide, we can make sure we make the right wellbeing decisions today which will positively impact our future business. To help with this we took the opportunity at the end of 2020 to run an anonymous wellbeing survey. This will directly influence what wellbeing initiatives we target, and how, in 2021 and beyond.

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 energy use, associated greenhouse gas (GHG) emissions and efficiency actions relating to transport, gas, electricity and other fuels.

Reporting boundary

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

Measurement methodology

The carbon footprint presented within this report covers the period from 1 January 2020 to 31 December 2020. The inventory methodology for Mott MacDonald Limited and its subsidiaries aligns with the GHG Protocol Corporate Accounting and Reporting Standard, covering:

- Scope 1: direct emissions from sources owned or controlled by us:
  - Mott MacDonald Limited: combustion of fuel from office energy;
  - JNB: combustion of fuel from office energy, construction plant and grey fleet;
- Scope 2: indirect emissions from the generation of purchased electricity; and
- Scope 3: indirect emissions from car travel on business use[1] (Mott MacDonald Limited only).

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, 2020).

Table 1: Mott MacDonald Limited (UK engineering, management and development consultancy)

Current reporting year: Jan-Dec 2020[2]	Quantity
Total energy consumption (kWh)	**12,427,059**
Office energy: electricity and gas (kWh)	9,734,596
Business travel car (kWh)	2,692,463
Total associated GHG emissions (tCO_2e)	**3,022**
Scope 1: office gas (tCO_2e)	818
Scope 2: location-based electricity (tCO_2e)	1,364
Scope 3: business travel – car (tCO_2e)	840
GHG emissions intensity (tCO_2e/FTE[3])	**0.45**

Table 2: JN Bentley Limited (UK building and civil engineering contractor)

Current reporting year: Jan-Dec 2020[2]	Quantity
Total energy consumption (kWh)	**48,814,080**
Office energy: electricity and gas (kWh)	707,586
Plant energy: gas oil, diesel and petrol (kWh)	40,923,282
Grey fleet (kWh)	7,183,212
Total associated GHG emissions (tCO_2e)	**11,451**
Scope 1: office gas (tCO_2e)	67
Scope 1: plant energy (tCO_2e)	10,061
Scope 1: company vehicles[4] (tCO_2e)	1,208
Scope 2: location-based electricity (tCO_2e)	115
GHG emissions intensity (tCO_2e/FTE[3])	**7.27**

[1] We have a small number of company-owned vehicles. Due to our accounting practice, the fuel for these vehicles is included within our scope 3 footprint.
[2] Year-on-year comparison data for the UK will be included in future reports.
[3] Full-time equivalent (FTE).
[4] Company vehicles: fuel used from personal vehicles on business use.

Measures to improve our energy and carbon performance

Our consultancy business has become the first in our class to be externally certified carbon neutral, globally. The 2019 carbon footprint of Mott MacDonald Group Limited was offset through the restoration of peatland in Indonesia. In 2020, Mott MacDonald Group Limited 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.

Strategic report

To achieve these targets, Mott MacDonald Group Limited has a carbon neutral plan which includes the following distinct activities:

- more robust carbon management;
- moving towards renewable energy in our offices;
- reduce business travel flights;
- switch hired vehicles to a hybrid/electric fleet; and
- explore potential for an internal carbon reduction incentivisation scheme.

In addition, JNB aspires to:

- continue investment and collaboration with companies/ manufacturers to secure sustainable, low-carbon plant; and
- transition to a fully electric company vehicle fleet as set out by the Electrification Roadmap.

Business and financial review

Business environment

2020 was an extraordinary year. COVID-19 fundamentally disrupted our communities, our way of living and the business environment we operate in. The pandemic, together with other disruptors such as international trade disputes, Brexit negotiations, international political tensions and the start of a global recession, created significant uncertainty for our markets. A depressed economic backdrop and a challenged business environment have evolved, stifling confidence and appetite for business investment and restricting the financial means to do so.

The infrastructure market was sluggish given this disruption and the operational constraints described above. However, governments' focus on continued investment in public and social infrastructure provided a good source of work across most of our markets.

Business response

Despite the widespread economic disruption and uncertainty, we have delivered a good performance this year. The Executive Board set out a Covid response plan for the businesses to adopt to reduce costs, reduce non-critical investment, reduce activity in marginal business areas and critically focus on billings and cash to ensure we stayed ahead of the curve matching resource to workload and preserving cash in doing so.

As a result, we have remained agile and responsive in meeting our clients' needs and we have provided an effective working environment for our staff, as we navigate the challenges of disrupted markets and lockdowns and maintain a robust focus on wellbeing, health and safety across the business. We would like to thank our clients, our staff and our business partners for responding as positively as they did to the challenges and difficult decisions that we all faced.

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 margin.

Gross revenue of £1,806m was 1.2% up on 2019 (£1,784m), 1.9% excluding the effects of exchange. Operating profit of £85m was 77% up on 2019 (£48m), with the margin improving from 2.7% to 4.7%. The value of trade debtors and positive work in progress (contract assets) fell 21% in the year, with effective working capital management being a key focus point throughout the year and clients being understanding of the need to settle their supply chain bills promptly, which we reciprocate with our own suppliers.

Revenue growth was constrained by the challenging business environment described above which negatively impacted some of our markets around the world, particularly in energy, water and built environment. Growth was also held back by our strategy to focus on better quality, more profitable work and constrain activity or reduce scale in markets where growth and margins are below our strategic targets. Those constraints offset the good growth coming through our transportation and advisory markets.

The significant increase in 2020 operating profit over 2019 came from the measures in the pandemic response plan aimed at preserving cash and protecting profit by lowering operating costs and focusing on efficiency and productivity. Excluding those factors, the operating profit earned from normal trading activities in 2020 was similar to last year. That was an excellent achievement given the recession and given the significant weakening of corporate sector profits in most countries.

There was 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. Unfortunately, we had to reduce the number of people and cut the cost of the supply chain in parts of the business where growth was constrained, or the business was shrinking. Temporary salary reductions for all staff were also part of the response plan aimed at preserving cash until we had turned our response plan from a statement of intent to a series of decisions with objectives and targets to realise savings.

In parts of the business where there was opportunity to grow, a more measured and focused approach was used to pursue that growth which also helped to reduce costs and preserve cash.

Strategic report

Finally, a review of central projects and services was carried out to stop non-critical activities and initiatives with a view to returning to them in better times if still relevant.

These steps were taken to maintain the strength of the business through a period of significant uncertainty. All measures of the response plan were needed to ensure a quick and effective response to the adverse impact of the pandemic and the global recession.

Other items

In addition to the increase in operating profit that came from the measures above, the Group received £6m of subsidies and grants from governments outside the UK to preserve jobs in some of our overseas operations where work was more thinly spread. These monies are disclosed as 'other income' rather than as 'operating profit' and further details on them can be found in note 6(b) to the financial statements. In the UK amounts initially received under the furlough scheme amounting to approximately £4m were fully repaid to the government by the year end, as the company's response plans have so far been effective in protecting jobs.

The Group's effective tax rate for the year (23%) was lower than 2019 (31%). The reduction is largely due to increased utilisation of brought forward tax losses, a reduction of losses in the period and a lower impact of prior year tax adjustments.

The Group is retaining the surplus cash and extra profit from the salary reductions and overhead savings to increase liquidity of its balance sheet for future investment and growth. It is not being used to fund bonuses or dividends.

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 fell from 24 hours per person to 22.5. Voluntary staff turnover fell from 12% to 8%.

Cash

Cash balances increased from £104m to £255m. Net cash increased from £84m to £244m. The business continues to generate an adequate cash flow for operational liquidity and organic growth.

The improvement in operational cash during the year mainly came from more focus on working capital, tighter control of overheads, a reduction in non-critical investment and the cash generated from temporary salary reductions for three months. By far the biggest elements of the increase were working capital management and prompt invoice settlement by clients.

In the year, there was improved liquidity from a 22% reduction in positive work in progress and a 21% reduction in trade debtors, from better working capital management, resolution on legacy projects and clients prioritising invoice settlement for their supply chain.

Bank facilities

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

When the prospect of significant business disruption became evident, the £30m accordion was converted giving the Group a £120m facility until December 2021, when it reverts back to £90m until December 2022.

As a contingency measure, £60m of the facility was drawn down in March 2020 to be available for immediate use if any temporary liquidity issues arose in the banking sector. The £60m drawn down was put on deposit and ultimately not required during 2020 as the banking sector remained resilient. In September and December 2020, the £60m of temporary loan funds was fully repaid without being used.

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

Covenants

The Group is comfortably in compliance with the financial KPI 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.

Dividend

The directors decided not to declare an interim dividend for 2020 and will not declare a final dividend.

Shareholders' equity

Shareholders' equity increased from £130m to £196m. Increases came from profit transferred to reserves of £68.6m and an exchange gain of £3.5m. These have been partially offset by a £2.4m cost on the share transactions of the Employee Trust and an FRS 102 actuarial loss, net of all related tax movements, of £3.9m.

Managing risk and uncertainty

Business risk

Our holistic approach to the oversight and management of risk and opportunity enables a culture of risk awareness across the organisation, identifying principal and emerging risks and implementing controls which mitigate and manage these risks in line with Mott MacDonald's risk appetite.

Strategic report

The oversight and management of risk is governed through the Risk Committee and risk sub-committee. Representatives from each of Mott MacDonald's regions report into the risk sub-committee and hold 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, regional risk reporting and emerging risks.

Summary of primary risks
Twenty-four Group principal risks are managed and reported making up Mott MacDonald's risk universe, divided into five risk categories of financial; legal and compliance; operations; strategic; and technology. Our key primary risks are as follows:

Major market downturn – the effects of the COVID-19 pandemic and the potential associated global recession, particularly impacting our private sector clients and the aviation sector. Contingency plans have been developed to anticipate and rehearse the range of actions necessary to manage through a recession or loss of a core market. They focus on early warning performance indicators and risks affecting order book, sales, overheads, staff utilisation and working capital.

Brexit – the changes to the European business environment as a consequence of Brexit. Our Brexit working group carried out risk assessments and prepared response plans in the context of two scenario models. It has now moved on to look at the risks around the final agreement reached.

Information security – the malicious or accidental mishandling, disruption, corruption or theft of information assets. Directives and procedures are in place to mitigate 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 is embedded across the organisation. A new security operations centre was established in 2020 to further enhance our assessment and control regime.

Client and opportunity – a diminishing right to win in our core markets. An account leadership programme is in place, understanding and assessing our primary markets and our key customers and their changing needs. We also track competitor activity and our relative standing and market share. The development of client engagement plans, together with regular customer interactions take place in order to more fully appreciate clients' views of our technical excellence, digital innovation and commitment to social outcomes.

People and capacity – inability to develop staff to meet client demand. Processes are in place to support effective resource management, recruitment, development and succession planning. Performance management and professional development is supported by the implementation in 2020 of Connected Conversations across the organisation as part of our People initiative. Our capabilities in resource management have been further enhanced by our new ERP system roll-out across the UK in 2020, having already launched this the previous year in North America.

Identifying and reporting on the interdependencies between risks as well as the impacts and opportunities presented within our principal risks is part of our thrice-yearly risk management reporting to the Risk Committee at operating unit, regional and Group board levels.

Risk treatment plans (RTPs)
RTPs are used to document a clear understanding of the nature of the risk, the effectiveness of mitigation, and any residual risk.

Each principal risk has an RTP assigned to a risk owner. The management of risks and risk mitigation measures are managed through the three lines of defence, in order to reduce the likelihood of their occurrence or the magnitude of their impact. In order to embed responsibility and strengthen risk oversight at a functional level, champions are appointed for each line of defence.

Risk owners work collaboratively across the organisation with subject matter experts to review and update the RTPs, serving to address the interdependencies between risks and mitigation measures required. Collaboration among owners of interconnected risks fosters more strategic and robust risk management practices. Regions are cascading and implementing the RTPs within 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 operating region and unit across the organisation. 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, to enable the Board to make informed and robust decisions, in line with Mott MacDonald's risk appetite.

Current risks include the continuing impact of COVID-19 on market conditions and the ability to reshape services to the dynamics of the market. Risks reported which are meteors include information security risks and the impact of a potential global recession.

Strategic report

Financial risk

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 Group does not use hedging instruments;
- credit control procedures are carried out on prospective clients during the bidding period and for the duration of the contracts and longer-term relationships;
- working capital and cash flow targets are monitored and managed daily, with weekly and monthly reporting to the Executive Board; 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.

Corporate and project level risk management processes are set out in the corporate governance report, pages 16 and 17.

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

This statement sets out how the directors have followed 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 information is provided by considering the purpose, proposition, values and culture of the company. These are the strategic matters on the Board's agenda, set out in the corporate governance report on page 13.

The disclosures are set out under each area that S172 expects the directors to have in mind with their behaviours and actions in promoting the success of the company.

1. The likely consequences of any decisions in the long term

The directors provide leadership of the company by pursuing success through a strategy and decision-making process which put the long-term interests of clients, employees, external stakeholders and employee shareholders above short-term expediency.

These principles are focused on passing on a stronger, better and more sustainable business to those who follow in the business after us, maintaining fairness across generations of shareholders, across stakeholders and across our communities. They are conveyed to employees to guide behaviour and to clients to set expectations.

The directors pursue growth but put principle before profit. 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 2020, they decided to:

- republish our company purpose and our commitments to good corporate responsibility; and
- refresh our technical expert practitioner network to ensure that more focus is put on improving outcomes in a world increasingly impacted by technological change and societal and environmental challenges. The practitioner network is key to strategic thinking, thought leadership and differentiation.

The Board agenda and the agenda of its Strategy and Policy Committee allocate significant time on initiatives and strategic thinking to develop our approach for corporate responsibility, social outcomes, carbon, climate change, cities and digital to ensure that thinking is reflected in client solutions.

At our board meetings, the directors heard from the sponsors of initiatives like these to be able to reflect developments in our strategy and decide how best to continue support for the initiatives and their sponsors.

The corporate responsibility section on pages 3 to 5 sets out some of the strategic outcomes and plans across these areas which are a key strategic differentiator for us.

2. The interests of the employees

The corporate governance report explains on pages 18 and 19 how we engage with our employees to explain to them the current performance, current strategy and future plans of the Group, as well as listen to them to understand how to improve their working environment, working practices and development.

Strategic report

Based on those engagement activities and feedback from them through the employment engagement survey in 2019, the directors decided to implement the initiatives set out below. During 2020:

- a new system and management process have been implemented to enable a richer experience for both employees and managers in setting goals and activities for employees, assessing performance and providing feedback;
- the Board has established principles to be used by the wider business to provide more agility for employees with their working practices. This has been a natural development from the Covid-experience. The wider business will tailor and use them in the best and most appropriate way for the employees' and company's benefit locally; and
- wellbeing has been particularly important as we respond to the COVID-19 pandemic. We have been fortunate to be well positioned to respond to these unprecedented circumstances from Board decisions taken in prior years to establish wellbeing programmes: My Wellbeing and MotivateMe.

  The business has been proactive in providing additional support to colleagues across a wide variety of topics around physical and mental health including suicide awareness, sleep and fatigue, team and individual events and challenges, and access to health professionals and counsellors for individuals as necessary. Further details of the activity in this area are set out in the corporate responsibility report on pages 4 and 5.

3. Business relationships with suppliers, customers and others

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, joint venture partners and wider business partners. A decision made at the start of 2020 to appoint an External Engagement Director reflected the Board's focus on the importance of strategic engagement.

The corporate governance report on pages 19 and 20 explains how we engage with these stakeholders to explain the current performance and plans of the Group and understand from them what their strategy and aspirations are. A better understanding of each other's drivers and views provides more informed decision-making, a more collaborative partnership and a more engaged strategic relationship.

In order to ensure we optimise this benefit for our company, our clients and stakeholders, the Board took steps this year to spend more time investing in strategic relationships with our key clients and partners:

- it refreshed the remit of our account leaders who have responsibility for engagement with our key clients. This was a strategic global exercise to enable maximum investment in our clients and partners and to improve the quality of that engagement;
- it refreshed the strategic imperative for our client engagement – selective focus – a risk and opportunity tool to direct our project teams to work in the right markets with the right clients; and
- it enhanced the quality of our engagement with clients and stakeholders by refreshing how we engage with them and how we assess the wider social purpose they are aiming to reflect in their solutions.

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

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

Our purpose is the driver of our strategy. Our wider social purpose means that the strategic thinking and decision-making of the Board is focused on making our clients and stakeholders more aware of the wider societal and social benefits that can be incorporated in the outcomes they seek.

The directors' actions during the year along with their current strategic priorities and thinking in this area are reflected in the corporate responsibility report on pages 3 to 5, along with the company's achievements and aspirations.

5. Maintaining a reputation for high standards of business conduct

The governance around ethics, business conduct, risk and reputation is described in the corporate governance report on pages 16 and 17. During the year, the directors decided to enhance governance in this area by combining responsibility for ethics and compliance in a new role 'Ethics and Compliance Officer', combining two previous roles to ensure better visibility, focus and development.

The officer appointed to this role has taken the opportunity to refresh thinking and approach and has made a significant impact on the business and given valuable insight to the directors for their consideration.

The company's reputation is of critical importance in ensuring it is a respected player in the market and strategic management of risk in this area is an important matter for the directors to rely on.

Strategic report

6. Acting fairly as between members of the company

The focus for intergenerational fairness leads the directors to make sure they focus on fairness among shareholders:

- the Shareholders' Committee has a remit to ensure that the directors are acting in the best interests of all shareholders;
- the articles of the company prevent any one shareholder holding more than 2% of the equity. This is to avoid self-interest adversely impacting other shareholders who may be less well represented; and
- the six webinars that we have started holding this year with shareholders are set up as presentations with the emphasis almost entirely on a Q&A format for the shareholders to ask anything of the Board. The questions are decided on at the meeting by the shareholders present.

Summary

The Board has a full agenda delivering the strategy and the proposition. The requirements of S172 of the Companies Act provide a framework for the directors to reflect on in linking them to the future delivery of success to the company and its employees, clients and wider stakeholders.

Looking forward

We remain confident in our ability to navigate through the challenges that will come in 2021 which will most likely be another year of significant uncertainty across our markets with little longer-term visibility of future work.

We remain confident in and proud of our reputation for technical excellence and thought leadership. That enables meaningful engagement with clients and stakeholders on innovative solutions to meet their needs.

We remain confident in our ability to win work in competitive markets through our strategy of selective focus and by opening opportunities with connected thinking.

Our expertise, in differentiators like social outcomes, smart infrastructure, climate change and resilience, sustainability, cities, BIM and digital twins, enables us to develop the dialogue with clients to deliver a strong value proposition for them.

This focus and expertise will enable us to deal with market uncertainty and to meet the future challenges and aspirations of our clients and stakeholders.

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

Mike Haigh, Executive Chair
31 March 2021

James Harris, Managing Director
31 March 2021

Corporate governance report

Executive 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 Board

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

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

Investment and Finance – Its purpose is to 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 across the Group and to consider ways to improve it, taking consideration of systems, policies and practices in the business. The committee is chaired by the Group's Strategy Director and meets three times a year.

The Shareholders' Committee

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

Shareholders' Committee sub-committees

Audit and Risk Assurance – Its purpose is to review and assess the adequacy of the risk management processes, the control environment and the corporate governance of the company. It highlights to the Shareholders' Committee material matters concerning business improvement and good practice in respect of internal controls, risk management, business conduct, ethics, effectiveness of internal and external auditors, data security and the risk of fraud. It is chaired by a member of the Shareholders' Committee and in 2020 met four times. It also meets in camera.

Nominations – Its purpose is to approve appointments to the Executive Board and the Shareholders' Committee, as well as other senior appointments and promotions within its remit. Its broader remit is to ensure that its decision-making enables succession planning and retaining and developing key people for long-term career progression. 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 will be approvals for annual pay awards, bonus schemes, share allocations, dividends and increases in the company's share price, as well as proposals for materially changing the principles and 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 inside back cover of the financial statements.

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.

Corporate governance report

Principle 1 – Purpose and leadership

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Principle 2 – Board composition

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

Composition 2020

During 2020, the Board had seven 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 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.

Corporate governance report

At the end of 2020, Guy Leonard, who was the Group's Strategy Director, retired from the Board. The resulting board composition for 2021 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 2021 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 and development programme on the Board as a team was carried out in 2019.

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

Diversity

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

The Board is committed to diversity and is taking steps to improve practices and processes across the Group. Significant progress on gender and race has already been made across the business up to senior management and leadership positions.

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 2021

Guy Leonard retired from the Board at the end of 2020. The resulting Board has six directors. The articles require between four and eight directors.

The Board has been restructured slightly from 1 January 2021. Ian Galbraith, who was the Group's Operations Director, has taken on the role of the Group's Strategy Director. This is a revised role with a focus on developing a consistent forward-looking business strategy which delivers strong profitable growth and continued differentiation.

Denise Bower continues as the External Engagement Director, but her role has been extended with a broader focus on planning and implementing activities to support excellence in client and stakeholder relationships. In that extended role, she is responsible for creating and leading the teams and infrastructure needed to support internal and external communication and engagement including excellence in delivery and thought leadership.

The activities of the role of Group Operations Director have been largely transferred to Managing Director James Harris. James will be supported by Alec Pavitt in a newly created role of Group Operations Manager.

As part of that restructuring, the Executive Chair, the Group Head of People and an external advisor analysed the 2021 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 2020 and 2021. 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 Governance Institute 2018 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 2021 will not be materially affected in terms of composite performance.

In the financial statements, the directors and their roles for 2021 are listed on the inside back cover. The structure continues to comprise a mix of 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).

Corporate governance report

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 and Company Secretary, who are responsible for advising the Board on all governance matters and ensuring that Board procedures are complied with. Directors can seek independent advice on the performance of their duties 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 12, 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.

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 12, showing how they support the Shareholders' Committee effectively, efficiently and on a timely basis to meet its responsibilities.

Corporate governance report

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 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; this may include construction.

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 client's development plans and to maintain high levels of client satisfaction through our services.

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

Managing business risk

Business risks are treated by the Board's Risk Committee. Each business risk has three levels of defence and mitigation as recorded by individual risk treatment plans. The Group's principal risks and uncertainties are noted on pages 7 to 9.

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

An overall risk report which summarises salient points for information and action is prepared by the Risk Principal for the Board three times a year.

An Ethics and Compliance Officer for the Group, who reports through to the Executive Chair, has oversight of investigations into alleged breaches of our code of conduct and any significant process failure. A report on business ethics is prepared for the Board six times a year.

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 quarterly meetings.

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.

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

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

Managing project risk after contract

Project 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; 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. Risk registers detail and justify weighted contingency funds, carrying the risks identified in the WIN phase. During delivery, the register is live, giving improved visibility of current risks, their impact, mitigations, target resolutions, along with owners and due dates.
The improved visibility can also inform project support requirements and improve business planning through aggregate views of risks.

Corporate governance report

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-GL. We have a single contract for the global operation and receive consistent assessment of the quality of our compliance to STEP.

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

Principle 5 – Remuneration

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

Consistency and control

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

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

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

Remuneration and Equity sub-committee

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

- annual staff salary increments by geography and/or sector;
- the size and allocation of the discretionary bonus pool for employees and the criteria for awarding bonuses;
- compensation proposals (salary and benefits) for the directors of the Board;
- annual share allocations to business units to use to offer shares to employees and directors to buy;
- the annual dividend and increase in value in company shares; 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 and measured with metrics such as revenue growth, profit growth, profitability, working capital, ethics, collaboration and technical excellence. Metrics are commonly measured on a multi-year averaged basis to prevent short-termism.

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

Directors and independent members

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

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

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

Equality, diversity and inclusion (EDI)

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

Our ambition is to create a diverse and inclusive workplace and to attract a wider diversity of talent across the Group. We also provide support to our leaders so they can actively support greater 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.

Corporate governance report

Principle 6 – Stakeholder relationships and engagement
Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The directors oversee the effective engagement with stakeholders, to actively seek their contribution to strategies, plans and initiatives; understand how the company is perceived both internally and externally; and stay abreast of global trends that are impacting our relationships. This enables the directors to take stakeholder views into account and reflect them where appropriate, in their decision-making and in ensuring they act in the company's best interest, promoting its long-term success in doing so.

In responding to the views and contributions of stakeholders, the directors recognised the importance of supporting the business to develop and maintain effective stakeholder relationships and created the role of an External Engagement Director on the Executive Board at the beginning of 2020.

Stakeholder engagement takes various forms to ensure both breadth and depth of perspective across our colleagues (employees and employee shareholders), clients, partners and wider stakeholders. Set out below is a summary of the various engagement tools used and their use in taking stakeholder views in helping shape our strategy and decision-making for the longer-term benefit of the company and stakeholders.

With our employees

The directors have regular engagement with employees to ensure that they are informed of the Group's strategy, plans and initiatives and are aware of its performance. They also engage with them through the global employee survey to understand their views and ideas on the company's policies, processes, initiatives, work practices and behaviours in the workplace. Details of employee engagement are required to be set out in the directors' report and can be found on pages 22 and 23. Where relevant, their opinions and views can be taken into account in decision-making for the long term, shaping the strategy and contributing to the long-term success of the company.

With our employee shareholders

The directors maintain regular engagement with our 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 regularly briefed on the Group's performance, delivery of strategy, material initiatives and company news.

This enables the Board to keep shareholders informed and seek their views and feedback as part of corporate decision-making. It helps to ensure that the directors take their views into account in making decisions and act in the best interests of the company, 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 areas of success and areas for improvement. The aim is to recognise their contribution to the successes, and to explain how they can help deliver improved performance to enhance the success of the company. This is a catalyst to exchange views and ideas to improve decision-making for the longer-term benefit of the company and its stakeholders;
- an annual performance review for shareholders to highlight results for the year and areas for improvement. The purpose is to connect business performance, investment and shareholder return. In doing so, it gives them insight as to how to develop their operational plans to improve performance and develop a competitive strategy at a local level. This enhances decision-making at all levels;
- a summarised strategy for shareholders. The purpose is to highlight its key features and the value proposition to deliver benefit to clients and stakeholders. The focus is to improve their knowledge and understanding and enrich the quality of client engagement for the company's continued success;
- a website for shareholders providing ease of access to corporate and shareholder information;
- a presentation at the AGM of the annual results, plans for the coming year and updates on Group core initiatives. The aim is to help shareholders understand the plans of the company, relating these plans to their role as shareholders and employees and to the needs of clients and stakeholders. The Covid restrictions on travel led to the AGM being conducted through a webinar with support material distributed by video. The success of the webinar presentation will be factored into the planning of future events;
- presentations to shareholders after the AGM to provide interactive updates of wider initiatives. The aim is to brief shareholders on initiatives that will provide future value for employees, clients and stakeholders. This helps to harvest relevant ideas and views to build into decisions on how to take them forward for the longer-term benefit of the company and its stakeholders;

Corporate governance report

- regional forums for shareholders as senior employees. The purpose is to engage them in the most recent developments and plans for the business across their region linking that to the Group's strategy for its clients and to their roles and activities. This is another catalyst for better long-term decision-making that reflects relevant local knowledge and views; and
- webinars for shareholders to tune in to recent Group developments on strategy and performance, and also to have a question and answer session with the Group Board on strategic direction and operational performance. Views, opinions and ideas are filtered where relevant for use in future decision-making.

With our clients

Our ability to understand and respond to the needs of our clients and our clients' clients has been a key focus of Group strategy and a driver of the Group's success. As such, the directors maintain a programme of regular engagement with clients to foster long-term relationships for mutual benefit. The purpose is to better understand their plans, needs and aspirations to make sure that the company's strategy and decision-making is aligned with their aims and objectives. This includes the directors establishing or maintaining:

- engagement with the broader industry to help steer our business and test our thoughts and ideas;
- account leaders for key clients. They are responsible for bringing client perspective to our strategic and operational decision-making. Their role is to ensure that we understand their needs and aspirations and reflect that in our plan of engagement and long-term positioning and decision-making;
- client engagement plans for effective relationship management, allowing us to align our plans to areas of mutual common interest and benefit for clients. This enhances our tactical and strategic decision-making by building in client perspective and their plans;
- client-focused publications and webinars that profile clients' needs and their views on our project creation and delivery. This includes publications on specific subjects; project case studies and thought leadership. The aim is to promote discussion of industry initiatives and areas of topical interest to share knowledge, improve understanding and improve decision-making;
- visits (or alternative engagement such as e-comms given the current global health crisis) by the Board to key business locations, including sites, to meet clients and employees, to get an informed view of local markets, the local business and the quality of our brand; updates on key client developments and sector initiatives; and presentations from younger professionals on their roles on projects or in client engagement. The aim is to enhance our focus on and awareness of the views and knowledge of clients and staff and use them to improve our plans and decision-making for the long-term success of the company, its staff and other stakeholders;
- satisfaction surveys for individual clients to get their views on service provision. They provide comparative feedback of our standing against our competitors. This enables us to learn, improve and pull their feedback into our development plans and strategies for them to align our future success; and
- directors' participation in the management of key clients. The aim is to fully understand how we can build their views and thinking into our decisions for future development and to match their aspirations.

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 business themes to give them assurance on the quality of our management, business performance, our future strategy and our financial bank covenants;
- meeting with the advisers and trustees of our largest pension scheme four times a year and with other pension schemes at least once a year to share updates on pension funding, the current performance of scheme investments, the sensitivity of economic indicators impacting the valuation of scheme liabilities, de-risking scheme liabilities and overall scheme funding. The directors also brief the trustees on the Group's performance and prospects. This enables a better mutual understanding of sensitivities and plans for ongoing funding and creates better long-term relationships and decision-making on both sides;
- meeting with larger suppliers on a regular basis to ensure 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, staying in touch with academics relevant to the activities of the business;
- meeting with our key joint venture partners, both contractors and consultants, to ensure strong relationships are maintained; and
- meeting with key government bodies to establish and maintain strong relationships and to help inform future strategy.

Corporate governance report

With wider stakeholders

The directors maintain regular engagement with wider stakeholders to enable them to enhance market focus, improve decision-making and promote the company more effectively. This includes:

- publishing and engaging corporate positions and commitments related to global issues;
- using PR and social media to share our experts' views and thought leadership on industry topics. This ensures we play our part in contributing our knowledge, technical excellence and innovative perspective to ideas, discussion and debate on key issues impacting markets and stakeholders and their communities. Sharing in the discussion improves our knowledge and learning and our decision-making;
- issuing the Mott MacDonald Corporate Prospectus which profiles global issues, and our responding capabilities and project delivery. Improving our profile and presence in this way better communicates to our wider stakeholders what our capabilities are and the potential of the company to make a difference to people's lives;
- maintaining the Mott MacDonald corporate website and other websites that communicate with clients, stakeholders and wider society to promote our purpose, capabilities and values. Our purpose and our proposition are the key day-to-day drivers of our strategy and decision-making for the future success of the company; and
- running stakeholder events that provide the opportunity to engage with clients and partners. We use them to build knowledge of future activities and to understand the needs and views of our clients.

More 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 9 to 11.

Mike Haigh, Executive Chair
31 March 2021

James Harris, Managing Director
31 March 2021

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 2020.

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 £68.6m (2019 – £31.7m).

The directors have retained this profit for future investment. An interim dividend has not been paid (2019 – £5.9m) and the directors do not recommend the payment of a final dividend.

Principal risks and uncertainties

Business risks, financial risks and measures to mitigate them are set out in the strategic report, pages 7 to 9.

Directors and their interests

The directors of the company during the year ended 31 December 2020 and their interests in the share capital of the company were as follows:

Directors	At 31 December 2020 or date of resignation Ordinary Shares	At 31 December 2019 Ordinary Shares
Denise Bower	15,000	nil
Nick DeNichilo	92,000	92,000
Ian Galbraith	70,000	65,000
Mike Haigh	100,000	100,000
James Harris	62,500	52,500
Guy Leonard	110,000	110,000
Ed Roud	95,000	92,500

All the directors were members of the Board throughout the year ended 31 December 2020. Denise Bower was appointed to the Board on 1 January 2020 and Guy Leonard resigned from the Board on 31 December 2020.

Directors' and officers' indemnities 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 company purchased and maintained directors' and officers' liability insurance during the year. However, this does not cover dishonest or fraudulent acts and omissions.

Statement of corporate governance arrangements

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

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

We have set out in the corporate governance report on pages 12 to 20 how we have satisfied the requirements for governance under the Companies (Miscellaneous Reporting) Regulations 2018 throughout the year ended 31 December 2020.

For more information please visit our website mottmac.com/corporate-governance.

Acquisitions and disposals

There were no material acquisitions during the year. The Group did however restructure its operations in South Africa, and as part of this, the Group's direct shareholding in Mott MacDonald Holdings (South Africa) (Pty) Limited (MMHSA) increased from 49% to 80% at the statement of financial position date.

On 31 July 2020, the company's subsidiary, MMHSA sold its interests in Mott MacDonald Africa (Pty) Limited for a nominal value. The Board of Directors considered all factors set out in Section 172 of the Companies Act 2006 during the process. The disposal is not considered to be material in the context of the Group financial statements.

Post balance sheet events

There were no post balance sheet events requiring disclosure.

Future developments

The various markets of the Group will continue to be impacted by the COVID-19 pandemic and the current global recession for the rest of 2021 and into at least the early part

Directors' report

of 2022. The main impact is likely to come through any implications for government funding for infrastructure and government infrastructure programmes, as well as the capex programmes for the regulated sectors. 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, to be ready to respond to growth or shrinkage as it occurs.

Going concern

The directors have a reasonable expectation that the Group has adequate funding to operate for the foreseeable future and for at least a period of 12 months from the date of signing these financial statements. In doing so, they have reviewed the latest cash forecasts.

During 2020, the Group has used its cash reserves to fund its day-to-day operations without relying on its bank loan facilities to do so. Those cash reserves have increased significantly during 2020 and the current forecast is that they will increase further during 2021. The Group has a comfortable level of funding headroom for 2021 on its cash reserves and on its bank loan facilities.

Over the past 12 months, the Group has been resilient through the COVID-19 disruption due to strong long-term stakeholder relationships, loyal and committed employees and a well-funded business, with its clients and projects suitably diversified across different sectors and geographies.

In March 2020, having reviewed a number of scenarios of cash forecasts based on different hypothetical business conditions during the coming year with the pandemic in play, the directors put a pandemic response plan in place to keep employees safe, look out for their wellbeing and ensure they could work effectively from home. As a result, employees were able to work from home, to safely and effectively service our clients, and support the business and its wider stakeholders.

At the start of 2021, the directors refreshed the pandemic response plan to maintain its focus and priorities and they refreshed the scenario reviews done in March 2020. Despite the fact the Group grew its profits and cash significantly during 2020, the directors have reviewed hypothetical cash flow projections for 2021 and 2022 with a range of unlikely scenarios of significant falls in cash receipts modelled. The falls in cash receipts projected in these hypothetical scenarios are well beyond any deterioration that could be considered likely.

The conclusion of the directors is that even in the most severe of these unlikely scenarios, the lead indicators they review at board meetings would enable them to anticipate any decline that might occur and use the response plan to implement mitigation measures decisively and effectively to preserve cash. As such, the Group would continue to have sufficient liquidity to fund its operations for the foreseeable future, and for at least 12 months from the date of signing these financial statements, without needing to draw on its bank facilities or defaulting on the financial covenants that underpin them.

The mitigation measures to preserve cash that were used effectively in 2020, and would be used in 2021 if necessary, are described in the business and financial review on pages 6 and 7.

On the basis of the above, the directors do not consider there to be any material uncertainty in relation to going concern and continue to consider it appropriate to prepare these financial statements on a going concern basis.

Employees

We ended the year with approximately 14,600 employees and a total workforce of around 15,400 including agency and contract workers.

Employment policies

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

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

Equal opportunities

Group policy is to employ, develop and promote staff based solely on aptitude, ability and work ethic. As a result, our staff come from a wide diversity of backgrounds. The Group wishes to ensure that no discrimination occurs, either directly or indirectly, against individuals with a disability on the grounds of that disability in relation to recruitment, promotion, training, benefits, terms and conditions of employment, and dismissal. Wherever possible, reasonable adjustments will be made to either the workplace, workstation or working environment to help employees to cope with disabilities.

Engagement with employees

The directors deliver a structured programme of engagement with employees. The purpose is to ensure that they are informed of the Group's strategy and plans and aware of its performance. They are encouraged to share their views and

Directors' report

ideas on initiatives, work practices, behaviours, the workplace and policies. This also extends to external themes relevant to the company and its employees.

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

This includes the directors:

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

Details of how the directors have engaged with employee shareholders, clients and other stakeholders are set out in the corporate governance report on pages 18 to 20.

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

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and the Group for that period.
In preparing these financial statements, the directors are required to:

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

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
- they 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.

Directors' report

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

Auditor

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

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

Paul Ferguson, Company Secretary
31 March 2021

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 2020, which comprise the consolidated income statement and the statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated and company statement of cash flows, the consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 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 preparation of the financial statements 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 2021 to 30 June 2022, 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 directors' responsibilities statement, 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 group 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 enquires of management, those charged with governance, internal legal counsel, internal audit and the audit and risk assurance 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, in assessing carrying values of Mott MacDonald Group Limited's investments should there be indicators of impairment, the valuation of certain unquoted pension scheme assets and through the potential for management override of controls. Audit procedures performed by the group engagement team and component auditors for those components included in the scope of our audit 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;
  - challenging the assessment by management as to whether there were any indicators of impairment for any of the investments;
  - performing substantive reviews of service auditors' reports to support the valuation of pension scheme assets; and
  - 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 within Mott MacDonald Group Limited; and
  - 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 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;
- for components where audit procedures were performed by component auditors, we requested that those component auditors report to us instances of non-compliance with laws and regulations that may give rise to a risk of material misstatement of the group financial statements; and
- 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
31 March 2021

Consolidated income statement and statement of comprehensive income

for the year ended 31 December 2020

Consolidated income statement	Notes	2020 £000	2019 £000
Gross revenue	5	**1,805,503**	1,784,003
Cost of sales		**(1,161,462)**	(1,169,627)
Gross profit		**644,041**	614,376
Administrative expenses		**(559,147)**	(566,780)
Group operating profit	6(a)	**84,894**	47,596
Other income	6(b)	**6,341**	–
Income from other fixed asset investments		**2**	3
Income from current asset investments		**1,116**	1,490
Profit on ordinary activities before interest		**92,353**	49,089
Net interest payable	9	**(894)**	(988)
Other finance cost	25(c)	**(1,324)**	(1,826)
Profit on ordinary activities before taxation		**90,135**	46,275
Tax on profit on ordinary activities	10(a)	**(21,085)**	(14,252)
Profit on ordinary activities after taxation		**69,050**	32,023
Profit attributable to:			
Owners of the parent company	22	**68,577**	31,686
Non-controlling interests		**473**	337
		69,050	32,023

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

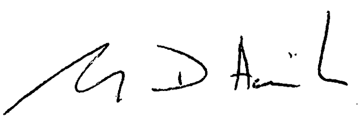
Consolidated statement of comprehensive income	Notes	2020 £000	2019 £000
Profit for the financial year		**69,050**	32,023
Exchange adjustments on translation of net assets of overseas subsidiaries		**3,459**	(1,771)
Net actuarial loss on pension schemes	22, 25(c)	**(1,974)**	(29,819)
Deferred tax on net actuarial loss	10(c), 22	**444**	5,066
Deferred tax on additional pension contributions	10(c), 22	**(3,564)**	(3,008)
Deferred tax rate change on opening pension scheme deficit	10(c), 22	**1,176**	(35)
Total other comprehensive loss		**(459)**	(29,567)
Total comprehensive income for the year		**68,591**	2,456
Total comprehensive income for the year attributable to:			
Owners of the parent company		**68,152**	2,137
Non-controlling interests		**439**	319
		68,591	2,456

Consolidated statement of financial position

at 31 December 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Intangible assets	12	**30,379**	37,272
Tangible assets	13	**43,754**	48,954
Other fixed asset investments	14(a)	**262**	205
		74,395	86,431
Current assets			
Debtors	15	**424,115**	509,437
Investments	14(a)	**28,324**	26,178
Cash at bank and in hand	27(b)	**254,720**	103,735
		707,159	639,350
Creditors: amounts falling due within one year	16	**(457,357)**	(456,036)
Net current assets		**249,802**	183,314
Total assets less current liabilities		**324,197**	269,745
Creditors: amounts falling due after more than one year	17	**(13,183)**	(19,274)
Provisions for liabilities	20	**(36,680)**	(25,895)
Net assets excluding pension liability		**274,334**	224,576
Pension liability	25(c)	**(78,134)**	(94,249)
Net assets including pension liability		**196,200**	130,327
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	**(16,474)**	(13,703)
Profit and loss account	22	**182,032**	113,503
Equity attributable to owners of the parent company		**195,802**	130,044
Non-controlling interests		**398**	283
Total capital and reserves		**196,200**	130,327

These financial statements were approved by the board of directors on 31 March 2021.



M D Haigh, Executive Chair

Company statement of financial position

at 31 December 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Investment in subsidiary undertakings	14(b)	**347,281**	347,281
Current assets			
Debtors	15	**55,936**	54,392
Cash at bank and in hand		**255**	51
		56,191	54,443
Creditors: amounts falling due within one year	16	**(29)**	(38)
Net current assets		**56,162**	54,405
Total assets less current liabilities		**403,443**	401,686
Creditors: amounts falling due after more than one year	17	**(250,000)**	(250,000)
Net assets		**153,443**	151,686
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		**121,280**	119,523
Shareholders' equity		**153,443**	151,686

Mott MacDonald Group Limited reported a profit for the year of £1,757,000 (2019 – £8,840,000).

These financial statements were approved by the board of directors on 31 March 2021.

M D Haigh, Executive Chair

Consolidated and company statement of cash flows

for the year ended 31 December 2020

	Notes	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Operating activities					
Net cash inflow from operations	27(a)	**202,934**	53,162	**6,045**	12,624
Interest paid	9	**(1,392)**	(1,777)	**(5,984)**	(7,056)
Taxation:					
UK corporation tax paid		**(5,005)**	(430)	**–**	–
Overseas tax paid		**(15,038)**	(10,944)	**–**	–
		(21,435)	(13,151)	**(5,984)**	(7,056)
Net cash flow from operating activities		**181,499**	40,011	**61**	5,568
Investing activities					
Payments to acquire intangible fixed assets	12	**(4,835)**	(2,477)	**–**	–
Payments to acquire tangible fixed assets		**(11,786)**	(22,265)	**–**	–
Receipts from sales of tangible fixed assets		**1,884**	1,975	**–**	–
Receipts from sales of intangible fixed assets		**–**	5	**–**	–
Payments to acquire current asset investments	14(a)	**(8,503)**	(10,569)	**–**	–
Receipts from sales of current asset investments		**7,055**	5,879	**–**	–
Payments to acquire other fixed asset investments	14(a)	**(68)**	(14)	**–**	–
Interest received	9	**498**	789	**143**	367
Net cash flow from investing activities		**(15,755)**	(26,677)	**143**	367
Financing activities					
Disposal of subsidiary – net cash disposed		**(92)**	–	**–**	–
Acquisition of non-controlling interests		**–**	(17)	**–**	–
Dividends paid to non-controlling interests		**(324)**	(391)	**–**	–
Redemption of shares classed as financial liabilities		**–**	(2)	**–**	(2)
Proceeds of sale of shares		**14,184**	13,357	**–**	–
Repurchases of own shares		**(16,578)**	(12,970)	**–**	–
New loans		**60,000**	12,655	**–**	–
Repayment of loans		**(69,762)**	(25,158)	**–**	–
Repayments of capital element of finance leases and hire purchase contracts		**(763)**	(578)	**–**	–
Equity dividends paid	11	**–**	(5,912)	**–**	(5,912)
Net cash flow from financing activities		**(13,335)**	(19,016)	**–**	(5,914)
Increase/(decrease) in cash and cash equivalents		**152,409**	(5,682)	**204**	21
Effect of exchange rates on cash and cash equivalents		**(939)**	(2,575)	**–**	–
Cash and cash equivalents at 1 January	27(b)	**103,250**	111,507	**51**	30
Cash and cash equivalents at 31 December	27(b)	**254,720**	103,250	**255**	51

Consolidated and company statement of changes in equity

for the year ended 31 December 2020

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Called up share capital (note 21)				
At 1 January and 31 December	**11,713**	11,713	**11,713**	11,713
Share premium account (note 22)				
At 1 January and 31 December	**17,717**	17,717	**17,717**	17,717
Revaluation reserve (note 22)				
At 1 January and 31 December	**814**	814	**2,733**	2,733
Investment in own shares (note 22)				
At 1 January	**(13,703)**	(13,424)	**–**	–
Sale of shares by Employee Trust to employees	**14,184**	13,357	**–**	–
Repurchases of shares by Employee Trust from employees	**(16,578)**	(12,970)	**–**	–
Surplus on disposal of own shares	**(377)**	(666)	**–**	–
At 31 December	**(16,474)**	(13,703)	**–**	–
Profit and loss account (note 22)				
At 1 January	**113,503**	116,647	**119,523**	116,595
Profit for the year	**68,577**	31,686	**1,757**	8,840
Other comprehensive income/(loss):				
Exchange adjustments on translation of net assets of overseas subsidiaries	**3,493**	(1,753)	**–**	–
Net actuarial loss on pension schemes (note 25(c))	**(1,974)**	(29,819)	**–**	–
Deferred tax on net actuarial loss (note 10(c))	**444**	5,066	**–**	–
Deferred tax on additional pension contributions (note 10(c))	**(3,564)**	(3,008)	**–**	–
Deferred tax rate change on opening pension scheme deficit (note 10(c))	**1,176**	(35)	**–**	–
Total other comprehensive loss for the year	**(425)**	(29,549)	**–**	–
Total comprehensive income for the year	**68,152**	2,137	**1,757**	8,840
Surplus on disposal of own shares	**377**	666	**–**	–
Dividends (note 11)	**–**	(5,912)	**–**	(5,912)
Acquisition of non-controlling interests	**–**	(35)	**–**	–
At 31 December	**182,032**	113,503	**121,280**	119,523
Equity attributable to owners of the parent company	**195,802**	130,044	**153,443**	151,686

Consolidated and company statement of changes in equity
(continued)

for the year ended 31 December 2020

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Equity attributable to owners of the parent company	**195,802**	130,044	**153,443**	151,686
Non-controlling interests				
At 1 January	**283**	337	**–**	–
Profit for the year	**473**	337	**–**	–
Other comprehensive loss:				
Exchange adjustments on translation of net assets of overseas subsidiaries	**(34)**	(18)	**–**	–
Total comprehensive income for the year	**439**	319	**–**	–
Changes in ownership of non-controlling interests	**–**	18	**–**	–
Dividends	**(324)**	(391)	**–**	–
At 31 December	**398**	283	**–**	–
Total capital and reserves	**196,200**	130,327	**153,443**	151,686
Total capital and reserves				
At 1 January	**130,327**	133,804	**151,686**	148,758
Sale of shares by Employee Trust to employees	**14,184**	13,357	**–**	–
Repurchases of shares by Employee Trust from employees	**(16,578)**	(12,970)	**–**	–
Profit for the year	**69,050**	32,023	**1,757**	8,840
Other comprehensive loss for the year	**(459)**	(29,567)	**–**	–
Dividends	**(324)**	(6,303)	**–**	(5,912)
Acquisition of non-controlling interests	**–**	(35)	**–**	–
Changes in ownership of non-controlling interests	**–**	18	**–**	–
At 31 December	**196,200**	130,327	**153,443**	151,686

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

Notes to the financial statements

at 31 December 2020

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, Surrey 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. The Group has performed detailed analysis on future cashflow projections, 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 cashflow. 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 have already been 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. 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 2020

3. Significant judgements and estimates

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

Contract accounting and recoverability of receivables

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

The above judgements and estimates have been applied in arriving at the following significant balances in the statement of financial position:

	2020	2019
	£000	£000
Current assets:		
Contract assets (note 15)	**156,727**	199,746
Current liabilities:		
Contract liabilities (note 16)	**174,396**	159,563

Claims

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

The above judgements and estimates have been applied in arriving at the following significant balance in the statement of financial position:

	2020	2019
	£000	£000
Provisions for liabilities:		
Other provisions (note 20)	**26,235**	14,577

Defined benefit pension schemes

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

The above judgements and estimates have been applied in arriving at the following significant balance in the statement of financial position:

	2020	2019
	£000	£000
Pension liability (note 25)	**78,134**	94,249

Notes to the financial statements

at 31 December 2020

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 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.

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

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.

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

Notes to the financial statements

at 31 December 2020

4. Principal accounting policies (continued)

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.

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

Notes to the financial statements

at 31 December 2020

4. Principal accounting policies (continued)

Jointly controlled operations

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

Research and development

Research and development costs 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.

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.

Notes to the financial statements

at 31 December 2020

4. Principal accounting policies (continued)

Financial assets (continued)

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 companies 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 2020

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 2020

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 2020

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:	**2020** **£000**	2019 £000
Europe and Africa	**952,805**	963,142
Americas	**458,578**	433,109
Asia Pacific and Australasia	**225,971**	206,504
Middle East and South Asia	**168,149**	181,248
	1,805,503	1,784,003

Analysis by type of business:		
Consulting services	**1,526,395**	1,473,708
Building and civil engineering contracting	**279,108**	310,295
	1,805,503	1,784,003

Notes to the financial statements

at 31 December 2020

6. Operating profit and other income

(a) Operating profit

This is stated after charging/(crediting):		**2020 £000**	2019 £000
Auditors' remuneration	– audit services – principal auditor for audit of parent company and Group financial statements	**130**	100
	– audit services – principal auditor for audit of subsidiary undertakings	**430**	381
	– audit services – associates of principal auditor for audit of subsidiaries	**658**	621
		1,218	1,102
	– audit services – non-principal auditors for audit of subsidiary companies	**185**	170
		1,403	1,272
	– non-audit services – principal auditor of parent company		
	taxation	**156**	144
	other	**2**	24
	– non-audit services – associates of principal auditor		
	taxation	**147**	94
	other	**13**	21
		318	283
Past service credit (including curtailments) in pension schemes (note 25(c))		**(1,100)**	–
Current service costs in pension schemes (note 25(c))		**105**	114
Settlement gain in pension schemes (note 25(c))		**–**	(100)
Foreign exchange losses		**5,672**	4,982
Depreciation (note 13)		**17,177**	16,664
Amortisation of goodwill (note 12)		**2,469**	3,250
Amortisation of software (note 12)		**4,270**	3,401
Amortisation of other intangibles (note 12)		**4,132**	4,542
Impairment of goodwill (note 12)		**95**	400
Operating lease rentals	– vehicles and equipment	**1,963**	2,132
	– land and buildings	**33,580**	32,356

(b) Other income

	2020 £000	2019 £000
Other income	**6,341**	–

Other income relates to government grants and subsidies received or receivable globally by the Group as part of the COVID-19 mitigation measures in various countries. These amounts, which were used to protect jobs, were received by some Group companies in Asia, Middle East, South Africa and mainland Europe. The most material of these were in Singapore (£3.9m) and Hong Kong (£1.8m). There were no unfulfilled obligations or contingencies relating to the above income at the statement of financial position date.

Notes to the financial statements

at 31 December 2020

7. Directors' remuneration

	2020 £000	2019 £000
Emoluments (excluding pension contributions)	**4,549**	4,346

The emoluments above relate to 7 directors in year ended 31 December 2020 (2019 – 7).

The emoluments (excluding pension contributions) of the highest paid director were £947,179 (2019 – £867,767).

During the year £84,729 (2019 – £69,744) of contributions were paid to defined contribution pension plans in respect of 5 directors (2019 – 4), of which £32,253 (2019 – £28,238) 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 2020 was £23,878 (2019 – £24,639).

The Scheme provides an option to commute part of this pension for a lump sum, which amounted to £342,315 at 31 December 2020 (2019 – £339,342) for the highest paid director.

8. Staff costs

	2020 £000	2019 £000
Salaries	**808,511**	790,139
Social security costs	**61,557**	60,074
Other pension costs	**84,463**	83,512
	954,531	933,725

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

	No.	No.
Management	**1,155**	1,074
Technical staff	**12,197**	12,393
Administrative staff	**1,755**	1,830
	15,107	15,297
The actual number of permanent staff at 31 December was:	**14,629**	15,722

Notes to the financial statements

at 31 December 2020

9. Net interest payable

	2020 £000	2019 £000
Interest receivable	**498**	789
Interest payable:		
Bank loans and overdrafts	**(1,205)**	(1,637)
Finance charges payable under finance leases	**(38)**	(16)
Other	**(149)**	(124)
	(1,392)	(1,777)
Net interest payable	**(894)**	(988)

10. Tax

(a) Tax on profit on ordinary activities

	2020 £000	2019 £000
The taxation charge is made up as follows:		
Current tax:		
UK corporation tax	**6,838**	3,580
Non-UK tax	**19,283**	12,005
Capital gains tax – Mott MacDonald Employee Trust	**121**	176
	26,242	15,761
Adjustments in respect of previous years:		
UK corporation tax	**(599)**	950
Non-UK tax	**(137)**	337
Capital gains tax – Mott MacDonald Employee Trust	**(18)**	(2)
Total current tax	**25,488**	17,046
Deferred tax:		
Origination and reversal of timing differences	**(4,096)**	(2,786)
Adjustments in respect of previous years	**344**	(104)
Effect of (increased)/decreased tax rate on opening balance	**(651)**	96
Total deferred tax credit (note 10(c))	**(4,403)**	(2,794)
Tax on profit on ordinary activities (note 10(b))	**21,085**	14,252

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £1,620,000 credit (2019 – £5,031,000 credit). In addition deferred tax on additional pension contributions paid amounting to a charge of £3,564,000 (2019 – £3,008,000) is recorded in other comprehensive loss.

Notes to the financial statements

at 31 December 2020

10. Tax (continued)

(b) Factors affecting tax charge for the year

The tax provided for the period is higher than the amount computed at the average rate of corporation tax in the UK of 19% (2019 − 19%). The differences are explained below.

A reduction in the UK corporation tax rate, from 19% to 17% with effect from 1 April 2020, was substantively enacted on 15 September 2016. This reduction has been taken into account in calculating the deferred tax assets and liabilities included in the statement of financial position at 31 December 2019. The cancellation of the reduction was announced in the UK Budget speech on 11 March 2020 and was substantively enacted on 17 March 2020. The cancellation of the reduction is reflected in the results for the year ended 31 December 2020.

	2020	2019
	£000	£000
Profit on ordinary activities before taxation	**90,135**	46,275
Profit on ordinary activities before taxation multiplied by the average rate of corporation tax in the UK of 19% (2019 − 19%)	**17,126**	8,792
Effects of:		
Tax losses	**1,485**	2,905
Higher taxes on non-UK earnings	**5,528**	2,708
Adjustments in respect of previous years	**(410)**	1,181
Pension contributions	**(3,510)**	(3,278)
Timing differences not provided	**(21)**	24
Impact of tax rate changes	**(656)**	174
Other permanent differences	**1,543**	1,746
Tax on profit on ordinary activities (note 10(a))	**21,085**	14,252

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 £84,963,000 (2019 − £93,166,000 − this was erroneously disclosed as £108,419,000 last year) 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 £81,582,000 of these losses as there is significant uncertainty over whether the subsidiary undertakings in which they have arisen will generate sufficient taxable profits in future years to allow the losses to be utilised.

Notes to the financial statements

at 31 December 2020

10. Tax (continued)

(c) Deferred tax

Group

	2020 £000	2019 £000
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 15)	**32,894**	31,197
Included in provisions for liabilities (note 20)	**(2,488)**	(3,009)
	30,406	28,188
The elements of deferred taxation are as follows:		
Excess of book depreciation over tax allowances on fixed assets	**2,620**	2,055
Amortisation of intangible assets	**(2,278)**	(3,001)
Pension liability (note 25(c))	**15,142**	16,469
Accrued expenses and provisions	**13,356**	11,665
Losses	**648**	958
Other timing differences	**918**	42
	30,406	28,188
The movement in the year was:		
At 1 January	**28,188**	24,011
Deferred tax credit in the income statement (note 10(a))	**4,403**	2,794
Deferred tax credit/(charge) in the statement of comprehensive income		
− on net actuarial loss in pension schemes (note 22)	**444**	5,066
− on additional pension contributions made during the year (note 22)	**(3,564)**	(3,008)
− due to effect of rate change on opening balance of pension schemes (note 22)	**1,176**	(35)
Exchange and other adjustments	**(241)**	(640)
At 31 December	**30,406**	28,188

The amount of the net reversal of deferred tax expected to occur next year is £nil (2019 − £nil).

11. Dividends

	2020 £000	2019 £000
The following dividends were paid during the year:		
Ordinary:		
Interim dividend paid per share (2020 − £nil; 2019 − 55p)	**–**	5,912

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

Notes to the financial statements

at 31 December 2020

12. Group intangible fixed assets

2020	Goodwill £000	Software £000	Other intangibles £000	Total £000
Cost:				
At 1 January	**96,213**	**22,765**	**42,703**	**161,681**
Exchange adjustments	**(46)**	**(110)**	**(191)**	**(347)**
Additions	**–**	**4,835** [1]	**–**	**4,835**
Disposal of subsidiary	**(8,774)**	**–**	**–**	**(8,774)**
Disposals	**–**	**(786)**	**–**	**(786)**
At 31 December	**87,393**	**26,704**	**42,512**	**156,609**
Amortisation:				
At 1 January	**89,382**	**9,550**	**25,477**	**124,409**
Exchange adjustments	**(46)**	**(102)**	**(191)**	**(339)**
Provided during the year	**2,469**	**4,270**	**4,132**	**10,871**
Disposal of subsidiary	**(8,020)**	**–**	**–**	**(8,020)**
Impairment charges	**95**	**–**	**–**	**95**
Disposals	**–**	**(786)**	**–**	**(786)**
At 31 December	**83,880**	**12,932**	**29,418**	**126,230**
Net book value:				
At 31 December	**3,513**	**13,772**	**13,094**	**30,379**
At 1 January	6,831	13,215	17,226	37,272

The goodwill carrying value at 31 December 2020 is £3,513,000 of which the single largest element relates to the acquisition of Bentley Holdings Limited made in 2014 (£3,483,000).

[1]During the year, £3,131,000 was spent on development of a new HR IT system and £357,000 has been capitalised in relation to a new ERP system, which was brought into use during the previous year. The carrying value at 31 December 2020 of the HR IT system was £2,769,000 (2019 − £nil) and the ERP was £8,985,000 (2019 − £11,546,000).

The £13,094,000 other intangibles comprise customer relationships. These are amortised over 10 years ending in 2024 and relate to the acquisition of Bentley Holdings Limited. The balance of £17,226,000 at 1 January included £561,000 relating to forward order book, which was also on the Bentley Holdings Limited acquisition and has been fully amortised during the year.

Notes to the financial statements

at 31 December 2020

13. Group tangible fixed assets

2020	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
Cost:			
At 1 January	**6,391**	**124,534**	**130,925**
Exchange adjustments	**41**	**(603)**	**(562)**
Additions	**1,171**	**12,949**	**14,120**
Disposal of subsidiary	**(25)**	**(1,611)**	**(1,636)**
Disposals	**(513)**	**(7,402)**	**(7,915)**
At 31 December	**7,065**	**127,867**	**134,932**
Depreciation:			
At 1 January	**3,524**	**78,447**	**81,971**
Exchange adjustments	**41**	**(117)**	**(76)**
Provided during the year	**1,364**	**15,813**	**17,177**
Disposal of subsidiary	**(21)**	**(932)**	**(953)**
Disposals	**(412)**	**(6,529)**	**(6,941)**
At 31 December	**4,496**	**86,682**	**91,178**
Net book value:			
At 31 December	**2,569**	**41,185**	**43,754**
At 1 January	2,867	46,087	48,954

The above figures for fixtures, fittings and equipment include plant and machinery held under finance leases with a net book value of £2,277,000 (2019 – £733,000).

14. Investments

(a) Group

Other fixed asset investments

	2020 £000	2019 £000
Cost:		
At 1 January	**205**	191
Additions	**68**	14
Disposals	**(9)**	–
Reclassification	**(2)**	–
At 31 December	**262**	205

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

Notes to the financial statements

at 31 December 2020

14. Investments (continued)

(a) Group (continued)

Current asset investments	2020 £000	2019 £000
Valuation:		
At 1 January	**26,178**	20,407
Additions	**8,503**	10,569
Disposals	**(6,973)**	(5,869)
Fair value adjustments	**616**	1,071
At 31 December	**28,324**	26,178
Investments:		
Listed on the London Stock Exchange	**28,324**	26,178

Current asset investments are held by MHACE Insurance Company Limited, the Group's captive insurance company. The historical cost of current asset investments is £26,999,000 (2019 – £25,469,000).

(b) Company

Subsidiary undertakings	2020 £000	2019 £000
Cost or deemed cost:		
At 1 January	**349,592**	349,592
Disposals	**(861)**	–
At 31 December	**348,731**	349,592
Amounts provided:		
At 1 January	**2,311**	2,311
On disposals	**(861)**	–
At 31 December	**1,450**	2,311
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 (2019 – £346,465,000). Subsidiary undertakings held at cost or written down value amount to £334,073,000 (2019 – £334,073,000). Subsidiary undertakings held at deemed cost amount to £13,208,000 (2019 – £13,208,000), the historical cost of which amounts to £10,081,000 (2019 – £10,081,000).

Notes to the financial statements

at 31 December 2020

14. Investments (continued)

(c) Principal subsidiaries

The company's principal subsidiary undertakings at 31 December 2020 are shown below. All of these undertakings have coterminous year ends with the exception of Mott MacDonald Private Limited which has a year end of 31 March due to local regulations. The main activities of these are almost entirely those of engineering, management and development consultancies, except for MHACE Insurance Company Limited which is an insurance company, Mott MacDonald International Limited which is an investment company and JN Bentley Limited which is a building and civil engineering contractor.

Subsidiary undertaking	**% held of ordinary share capital**		**Country of incorporation/registration**
	2020	2019	
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 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 2020

15. Debtors

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Trade debtors	**181,334**	228,679	**–**	–
Contract assets	**156,727**	199,746	**–**	–
Amount owed by subsidiary undertaking	**–**	–	**55,871**	54,279
Amounts owed by other fixed asset investments	**–**	1,656	**–**	–
Deferred taxation (note 10(c))	**32,894**	31,197	**–**	–
Taxation recoverable	**6,785**	7,149	**–**	–
Other debtors	**21,001**	11,693	**65**	113
Prepayments and accrued income	**25,110**	29,317	**–**	–
Pension asset (note 25(c))	**264**	–	**–**	–
	424,115	509,437	**55,936**	54,392

Trade debtors are shown net of a provision for impairment of £28,834,000 (2019 – £31,649,000).

Amount owed by subsidiary undertaking of £55,871,000 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	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Current instalments due on unsecured bank and other loans (note 18)	**–**	33	**–**	–
Bank overdrafts (note 27(b))	**–**	485	**–**	–
Contract liabilities	**174,396**	159,563	**–**	–
Amounts due to other fixed asset investments	**–**	25	**–**	–
Trade creditors	**50,858**	65,219	**–**	–
Current UK corporation tax	**4,340**	3,300	**–**	–
Non-UK taxation	**13,906**	10,070	**–**	–
Other taxes	**11,262**	12,856	**–**	–
Social security	**16,676**	15,066	**–**	–
Shares classed as financial liabilities (note 21)	**27**	27	**27**	27
Obligations under finance leases (note 19)	**795**	295	**–**	–
Other creditors	**19,068**	20,437	**2**	11
Accruals	**166,029**	168,660	**–**	–
	457,357	456,036	**29**	38

Notes to the financial statements

at 31 December 2020

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

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Unsecured bank loans (note 18)	**9,145**	19,249	**–**	–
Obligations under finance leases (note 19)	**1,096**	25	**–**	–
Other creditors	**2,942**	–	**–**	–
Amount owed to subsidiary undertaking	**–**	–	**250,000**	250,000
	13,183	19,274	**250,000**	250,000

Amount owed to subsidiary undertaking of £250,000,000 in the company statement of financial position is a loan from Mott MacDonald Limited to Mott MacDonald Group Limited. Interest on this loan is charged at a rate of LIBOR + 2%. In addition the loan is repayable on mutual agreement of both parties, with no less than 18 months notice. As at the date that the financial statements were signed, no such notice had been received by the company.

18. Loans

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

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Wholly repayable within five years	**9,145**	19,282	**–**	–

The £9.1m loans relate to amounts drawn down on the multi-currency revolving facility agreement which is in place until 15 December 2022 and bears a market floating rate of interest based on LIBOR.

19. Obligations under leases

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

Group	Land and buildings		Other	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Amounts payable:				
Within one year	**31,741**	31,895	**1,021**	1,592
In two to five years	**84,834**	91,068	**414**	974
Over five years	**49,159**	50,162	**–**	–
	165,734	173,125	**1,435**	2,566

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

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Wholly repayable within five years	**1,891**	320	**–**	–

Notes to the financial statements

at 31 December 2020

20. Provisions for liabilities

Group

2020	Provision for losses on contracts £000	Deferred taxation Note 10(c) £000	Other provisions £000	Total £000
At 1 January	8,309	3,009	14,577	25,895
Exchange adjustments	(223)	(1)	–	(224)
On disposals	(75)	–	–	(75)
Arising during the year	4,852	–	16,379	21,231
Reversal of provisions	(1,906)	–	(1,296)	(3,202)
Utilised	(3,000)	(520)	(3,425)	(6,945)
At 31 December	7,957	2,488	26,235	36,680

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.

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

Deferred tax is expected to reverse over six years.

21. Share capital

Allotted, called up and fully paid

	2020 No.	2019 No.	2020 £000	2019 £000
Ordinary shares of £1 each	11,713,212	11,713,212	11,713	11,713
Convertible deferred shares of 1p each (classified as a liability) (note 16)	2,690,930	2,690,930	27	27
			11,740	11,740

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

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

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

Notes to the financial statements

at 31 December 2020

21. Share capital (continued)

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

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

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

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

22. Reserves

Group

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

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

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

Company

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

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

Notes to the financial statements

at 31 December 2020

22. Reserves (continued)

Group

Profit and loss account

	2020 Excluding pension deficit £000	2020 Pension deficit £000	2020 Including pension deficit £000	2019 Including pension deficit £000
At 1 January	**190,034**	**(76,531)**	**113,503**	116,647
Exchange adjustments on translation of net assets of overseas subsidiaries	**3,397**	**96**	**3,493**	(1,753)
Profit attributable to owners of the parent company	**68,577**	**–**	**68,577**	31,686
Dividends (note 11)	**–**	**–**	**–**	(5,912)
Goodwill arising on acquisition of non-controlling interests	**–**	**–**	**–**	(35)
Transfer in respect of additional pension contributions (net of deferred tax)	**(14,986)**	**14,986**	**–**	–
Deferred tax on additional pension contributions (note 10(c))	**(3,564)**	**–**	**(3,564)**	(3,008)
Deferred tax rate change on opening scheme deficit (note 10(c))	**–**	**1,176**	**1,176**	(35)
Net actuarial loss in pension schemes (note 25(c))	**–**	**(1,974)**	**(1,974)**	(29,819)
Deferred tax on net actuarial loss (note 10(c))	**–**	**444**	**444**	5,066
Other finance cost (net of deferred tax)	**476**	**(476)**	**–**	–
Current service cost (net of deferred tax)	**91**	**(91)**	**–**	–
Past service credit including curtailments (net of deferred tax)	**(891)**	**891**	**–**	–
Surplus on disposal of own shares	**377**	**–**	**377**	666
At 31 December	**243,511**	**(61,479)**	**182,032**	113,503

The pension deficit of £61,479,000 above differs from the pension liability in the statement of financial position of £78,134,000 by £16,655,000. This difference relates to the pre-acquisition elements of the pension deficits in JN Bentley Limited and Multi Design Holdings Limited of £717,000 and £532,000 respectively, the deferred tax arising on the Group pension liability of £15,142,000 and the pension asset of £264,000.

The net cumulative goodwill written off directly against reserves prior to goodwill being capitalised on the statement of financial position amounts to £1,995,000 (2019 − £1,995,000); and that credited to reserves amounts to £2,444,000 (2019 − £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 2020

24. Contingent liabilities

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Guarantee of bank loans and overdrafts in respect of other Group companies	**–**	–	**9,145**	19,367

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

The Group is a party to claims and litigation arising in the normal course of operations. Due to the inherent uncertainties of litigation or the early stage of certain proceedings, it is not possible to predict the final outcome of all ongoing claims and litigation at any given time or to determine the amount of any potential losses, if any. The Group monitors all claims and takes appropriate insurance to mitigate its risk. 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 September 2017, all GPP members were transferred to a Master Trust and new employees are now contractually enrolled into the Master Trust. The minimum Master Trust employee contribution level is 4.5%.

The Group contributes to the Master Trust, at the rates specified in the rules of the scheme. From 1 January 2014, all new employees are contractually enrolled. To comply with auto-enrolment law, all employees at the time who were not in the GPP were contractually enrolled in May 2016, and subsequently a re-enrolment exercise was carried out in May 2019. Total pension contributions were £42.3m (2019 − £41.4m).

Costs relating to the remaining defined benefit section of MMPS were £17.3m (2019 − £16.8m). These costs include both administrative expenses relating to MMPS and an instalment of £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 2020

25. Pensions and other retirement benefits (continued)

(a) Mott MacDonald Pension Schemes (continued)

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

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

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

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

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

The valuation position of MMPS was updated to 31 December 2020 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 2020 minimum contributions of £16.5m were paid to MMPS. Under the current funding plan, these will be £17.25m in 2021 and are then predicted to increase at 3.9% per annum.

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

The level of security is agreed annually with the pension scheme trustees and at 31 December 2020 the level of security in place was £25m in the form of bank guarantees which are renewable on an annual basis.

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

(b) Other pension schemes

In the USA, there is the Mott MacDonald Defined Benefit Pension Plan (frozen as of 31 March 1995). This is a defined benefit scheme which is closed to new members and future accrual of benefits. An interim report was prepared by a qualified actuary at 31 December 2020 for disclosure purposes which showed that the total market value of the assets of the scheme was US$16.1m (2019 − US$14.4m) and the liabilities were US$21.4m (2019 − US$20.2m) resulting in a deficit of US$5.3m at 31 December 2020 (2019 − US$5.8m).

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 2020 for disclosure purposes which showed that the total market value of the assets of the scheme was €11.2m (2019 − €10.0m) and the liabilities were €10.9m (2019 − €10.1m) resulting in a surplus of €0.3m at 31 December 2020 (2019 − €0.1m deficit).

Notes to the financial statements

at 31 December 2020

25. Pensions and other retirement benefits (continued)

(b) Other pension schemes (continued)

The Bentley Holdings Limited group, which is in the UK, includes a defined benefit scheme which is sponsored by its wholly owned subsidiary JN Bentley Limited. It is also closed to new members and future accrual of benefits. An interim report was prepared by a qualified actuary at 31 December 2020 for disclosure purposes which showed that the total market value of the assets of the scheme was £12.7m (2019 − £12.1m) and the liabilities were £20.7m (2019 − £17.4m) resulting in a deficit of £8.0m at 31 December 2019 (2019 − £5.3m).

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

(c) Group pension schemes

The assets and liabilities of the Mott MacDonald Pension Scheme ('MMPS') are analysed below:	2020 £m	2019 £m
Change in defined benefit obligation		
Defined benefit obligation at 1 January	**(691.3)**	(629.9)
Interest cost on MMPS liabilities	**(13.5)**	(17.7)
Actuarial losses on MMPS liabilities	**(66.2)**	(79.3)
Benefits paid	**33.2**	31.0
Past service credit (including curtailments)	**1.1**	–
Settlements	**–**	4.6
Defined benefit obligation at 31 December	**(736.7)**	(691.3)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**(736.7)**	(691.3)
Change in plan assets		
Fair value of plan assets at 1 January	**606.8**	558.5
Interest income on MMPS assets	**12.0**	15.9
Actuarial gains on MMPS assets	**68.4**	51.9
Employer contributions	**16.5**	16.0
Benefits paid	**(33.2)**	(31.0)
Settlements	**–**	(4.5)
Fair value of plan assets at 31 December	**670.5**	606.8
Funded status of MMPS	**(66.2)**	(84.5)
Net amount recognised in respect of MMPS	**(66.2)**	(84.5)
Deficit in MMPS	**(66.2)**	(84.5)
Deficit in other Group schemes	**(11.9)**	(9.7)
Total deficit in Group schemes excluding deferred tax (as reported in the statement of financial position)	**(78.1)**	(94.2)
Related deferred tax asset (note 10(c))	**15.1**	16.5
Net pension liability	**(63.0)**	(77.7)

Notes to the financial statements

at 31 December 2019

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

	2020 £m	2019 £m
Change in plan assets (continued)		
Total surplus in Mott MacDonald Ireland Limited scheme	**0.3**	–
Related deferred tax liability (note 10(c))	**–**	–
Net pension asset	**0.3**	–

Components of pension income/(cost)

Year to 31 December	**2020 £m**	2019 £m
Total pension income/(cost) recognised in administrative expenses in arriving at operating profit		
– for MMPS		
Past service credit (including curtailments)	**1.1**	–
Settlement gain	**–**	0.1
– for other Group schemes	**(0.1)**	(0.1)
	1.0	–

Past service credit (including curtailments) of £1.1m relates to the bulk transfer exercise carried out during the year.

Interest cost on MMPS liabilities	**(13.5)**	(17.7)
Interest income on MMPS assets	**12.0**	15.9
Net pension interest (cost)/income recognised within other finance cost in the income statement		
– for MMPS	**(1.5)**	(1.8)
– for other Group schemes	**0.2**	–
	(1.3)	(1.8)
Actuarial losses on MMPS liabilities	**(66.2)**	(79.3)
Actuarial gains on MMPS assets	**68.4**	51.9
Net actuarial gains/(losses) immediately recognised for MMPS	**2.2**	(27.4)
Total pension income/(cost) recognised in other comprehensive loss		
– for MMPS	**2.2**	(27.4)
– for other Group schemes	**(4.2)**	(2.4)
	(2.0)	(29.8)

Notes to the financial statements

at 31 December 2019

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

Plan assets

The weighted average asset allocation at the year end for MMPS was as follows:

	2020 %	2019 %
Asset category		
Liability driven investment	**75**	74
Diversified growth funds	**14**	14
Corporate bonds	**5**	6
Equities	**5**	5
Cash and other	**1**	1
	100	100

Actual return on plan assets

Year to 31 December	2020 £m	2019 £m
Interest income on MMPS assets	**12.0**	15.9
Actuarial gains on MMPS assets	**68.4**	51.9
Actual return on plan assets – for MMPS	**80.4**	67.8

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

	2020 %	2019 %
RPI inflation	**2.8**	3.1
Discount rate for scheme liabilities	**1.4**	2.0
CPI inflation	**2.1**	2.1
Pension increases (inflationary increases with a maximum of 5% p.a.)	**2.1**	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:

	2020		2019	
	Male Years	**Female Years**	Male Years	Female Years
Member age 60 (current life expectancy)	**27.8**	**29.1**	27.7	28.9
Member age 40 (life expectancy at age 60)	**29.0**	**30.6**	28.8	30.4

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 2020

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	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Profit on ordinary activities before taxation	**90,135**	46,275	**1,757**	8,840
Adjustments to reconcile profit before taxation for the year to net cash inflow from operations:				
Depreciation	**17,177**	16,664	**–**	–
Amortisation of intangible assets	**10,871**	11,193	**–**	–
Impairment of goodwill	**95**	400	**–**	–
Fair value adjustments on current asset investments	**(616)**	(1,071)	**–**	–
Pension contributions	**(18,550)**	(17,568)	**–**	–
Past service credit	**(1,100)**	–	**–**	–
Current service cost	**105**	114	**–**	–
Settlement gain	**–**	(100)	**–**	–
Loss on disposal of other fixed asset investments	**9**	–	**–**	–
Profit on disposal of tangible fixed assets	**(910)**	(599)	**–**	–
Profit on disposal of intangible fixed assets	**–**	(1)	**–**	–
Profit on disposal of current asset investments	**(82)**	(10)	**–**	–
Loss on disposal of subsidiary undertakings	**1,353**	–	**–**	–
Net interest payable	**894**	988	**5,841**	6,689
Other finance cost	**1,324**	1,826	**–**	–
Decrease/(increase) in debtors	**87,204**	(15,037)	**(1,544)**	(2,907)
Increase/(decrease) in creditors	**3,644**	8,466	**(9)**	2
Increase in provisions for liabilities	**11,381**	1,622	**–**	–
Net cash inflow from operations	**202,934**	53,162	**6,045**	12,624

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Group		Company	
At 31 December	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000
Cash at bank and in hand	**254,720**	103,735	**255**	51
Bank overdrafts (note 16)	**–**	(485)	**–**	–
Cash and cash equivalents	**254,720**	103,250	**255**	51

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

Notes to the financial statements

at 31 December 2020

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

(c) Analysis of changes in net funds

Group

	1 January 2020 £000	Cash flow £000	Exchange movement £000	Other non-cash changes £000	31 December 2020 £000
Cash at bank and in hand	**103,735**	**151,962**	**(977)**		**254,720**
Bank overdrafts	**(485)**	**447**	**38**		**–**
	103,250	**152,409**	**(939)**		**254,720**
Debt due after one year (note 17)	**(19,249)**	**9,737**	**367**	**–**	**(9,145)**
Debt due within one year (note 16)	**(33)**	**25**	**8**	**–**	**–**
	(19,282)	**9,762**	**375**	**–**	**(9,145)**
Finance leases (notes 16, 17)	**(320)**	**763**	**–**	**(2,334)**	**(1,891)**
Shares classed as financial liabilities (note 16)	**(27)**	**–**	**–**	**–**	**(27)**
Total net funds	**83,621**	**162,934**	**(564)**	**(2,334)**	**243,657**

Company

	1 January 2020 £000	Cash flow £000	Exchange movement £000	Other non-cash changes £000	31 December 2020 £000
Cash at bank and in hand	**51**	**204**	**–**		**255**

Notes to the financial statements

at 31 December 2020

28. Financial assets and liabilities

		Group		Company	
		2020	2019	**2020**	2019
	Notes	**£000**	£000	**£000**	£000
Financial assets at fair value through profit or loss					
Listed investments	14(a)	**28,324**	26,178	**–**	–
Financial assets that are equity instruments measured at cost less impairment					
Other fixed asset investments	14(a)	**262**	205	**–**	–
Financial assets that are debt instruments measured at amortised cost[1]					
Trade debtors	15	**181,334**	228,679	**–**	–
Amount owed by subsidiary undertaking	15	**–**	–	**55,871**	54,279
Amounts owed by other fixed asset investments	15	**–**	1,656	**–**	–
Other debtors	15	**21,001**	11,693	**65**	113
Financial liabilities at fair value through profit or loss					
Shares classed as financial liabilities	16, 21	**27**	27	**27**	27
Financial liabilities measured at amortised cost[1]					
Bank overdrafts	16	**–**	485	**–**	–
Amounts due to other fixed asset investments	16	**–**	25	**–**	–
Trade creditors	16	**50,858**	65,219	**–**	–
Other creditors	16, 17	**22,010**	20,437	**2**	11
Amount owed to subsidiary undertaking	17	**–**	–	**250,000**	250,000
Loans	18	**9,145**	19,282	**–**	–
Obligations under finance leases	19	**1,891**	320	**–**	–

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 (2019 − £nil).

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

Financial risks

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

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

Notes to the financial statements

at 31 December 2020

29. Subsidiary undertakings

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
United Kingdom		
Bentley Holdings Limited	100	A
Cambridge Education Associates Limited	100	B
Cambridge Education Consultants Limited	100	B
Cambridge Education Limited[1]	100	B
Courtyard Group UK Limited	100	B
Ewbank and Partners Limited[1]	100	B
Ewbank Preece Consulting Limited[1]	100	B
Ewbank Preece Limited[1]	100	B
Franklin & Andrews International Limited	100	B
Franklin & Andrews Limited[1]	100	B
Franklin Osprey Services Limited	100	B
Fulcrum First Limited	100	B
HLSP Limited	100	B
JBA Bentley Limited	75	A
JN Bentley Limited	100	A
John Proctor Travel Limited[1]	100	B
MIME Learning Limited[1]	100	C
MMG Consulting Limited	100	B
MMRA Limited	100	B
Mott Hay & Anderson International Limited[1]	100	B
Mott MacDonald Bentley Limited	100	A
Mott MacDonald Engineering Consultants Limited[1]	100	B
Mott MacDonald Gas Experts Limited	100	B
Mott MacDonald HoldCo (formerly Mott MacDonald Nominees)[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	100	B
Schema Associates Limited[1]	100	B
Sir M MacDonald & Partners Limited[1]	100	B
Sterling Management Limited[1]	100	B
Teamwork Management Services Limited[1]	100	B
Australia		
AWT Water Pty Limited	100	D
Mott MacDonald Australia Pty Limited	100	D
Botswana		
Merz & McLellan Botswana (Pty) Limited	100	E
Brazil		
Habtec Engenharia Sanitaria e Ambiental Ltda	100	F
Bulgaria		
Mott MacDonald (Bulgaria) EOOD	100	G

Notes to the financial statements

at 31 December 2020

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

Notes to the financial statements

at 31 December 2020

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	AD
Mauritius		
PDNA Consulting (Mauritius) Limited[2]	80	AE
PDNA Trading Limited	80	AE
Mongolia		
Mott MacDonald Mongolia Company Limited	100	AF
Mozambique		
Mott MacDonald Mozambique Lda	80	AG
Netherlands		
BMB Mott MacDonald B.V.	100	AH
Euroconsult Mott MacDonald B.V.	100	AH
Mott MacDonald B.V.	100	AH
New Zealand		
Mott MacDonald New Zealand Limited	100	AI
Nigeria		
Cambridge Education Nigeria Limited	100	AJ
Mott MacDonald (Nigeria) Limited	100	AK
Norway		
Mott MacDonald Norge AS	100	AL
Oman		
Mott MacDonald & Company LLC	65	AM
Philippines		
Mott MacDonald (Philippines) Inc	100	AN
Poland		
Mott MacDonald Polska Spolka z o.o.	100	AO
Romania		
Mott MacDonald Romania SRL	100	AP
SC Educatia 2000+ Consulting SRL	100	AP
Russia		
Mott MacDonald R Limited Liability Company	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
PDNA Holdings (Pty) Limited	80	AV
Phambili Merz (Proprietary) Limited	82	AV

Notes to the financial statements

at 31 December 2020

29. Subsidiary undertakings (continued)

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
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**
Richard P. Arber Associates, Inc.	**100**	**BD**

[1]Investment not held through subsidiary undertakings.

Notes to the financial statements

at 31 December 2020

29. Subsidiary undertakings (continued)

Other investments with shareholdings greater than 20% by country of incorporation/registration	% held of ordinary share capital	Registered office key
United Kingdom		
BMM JV Limited	**50**	**BE**
Environments for Learning Leeds PSP Limited	**24**	**BF**
M2 (Water) LLP	**50**	**B**
Oman		
Galfar Mott MacDonald LLC	**35**	**AL**

Registered office	
Snaygill Industrial Estate, Keighley Road, Skipton, North Yorkshire BD23 2QR, United Kingdom	**A**
Mott MacDonald House, 8-10 Sydenham Road, Croydon, Surrey CR0 2EE, United Kingdom	**B**
St. Vincent Plaza, 319 St. Vincent Street, Glasgow G2 5LD, United Kingdom	**C**
Mezzanine Floor, 22 King William Street, Adelaide SA 5000, Australia	**D**
Plot 50370, Fairgrounds, East Wing, Acumen Park, Gaborone, Botswana	**E**
Avenia Treze de Maio 13, Salas 1.504, 1.505, 1.506, 1.507, 1.508, 1.509, 1.510 e 1.511 (Grupo 1.508) Centro, Rio de Janeiro, Brazil	**F**
Serdika Centre, 48 Sitnyakovo Blvd., fl.10, ap. Office 1018, Sofia, 1505, Bulgaria	**G**
Suite 301, 30 Duncan Street, Toronto ON M5V 2C3, Canada	**H**
Suite 1007 Tower E Global Trade Centre, 36 North 3rd Ring Road East, Beijing, 100013, China	**I**
2302 Block 1, Xinwen Building, 2 Shennan Zhong Road, Futian District, Shenzhen, China	**J**
3/F International Trade Tower, 348 Kwun Tong Road, Kowloon, Hong Kong	**K**
Avenida da Praia Grande 759, 3F, Macau SAR, Macau, China	**L**
Calle 93B No. 12-48, Oficina 308, Edificio Futura, Bogota D.C., Colombia	**M**
Narodni 15, 110 00 Praha 1, Czech Republic	**N**
7eme Etage, Immeuble BCDC, Boulevard du 30 Juin, Commune de la Gombe, Kinshasa, The Democratic Republic of the Congo	**O**
253 Rabaa El-Adaweya Investment Project, El Akad Mall Ext., 5th Floor, Apartment 53, Nasr City, Cairo, Egypt	**P**
c/o Sweco Industry Oy, PL 75, Helsinki, 00381, Finland	**Q**
33 Avenue de la Republique, 75011, Paris, France	**R**
4th Floor, The Albany, South Esplanade, St. Peter Port, Guernsey GY1 4NF	**S**
Atrium Park ep. F/7, Vaci ut45, Budapest, 1134, Hungary	**T**
101 Nomura, Hiranandani Gardens, Powai, Mumbai 4000076, India	**U**
Graha CIMB Niaga 16th Floor, Jalan Jenderal Sudirman Kav.58, Jakarta, 12190, Indonesia	**V**
South Block, Rockfield, Dundrum, Dublin 16, D16 R6V0, Republic of Ireland	**W**
Via Enrico Albareto 31, 16154, Genoa, Italy	**X**
4F Nihonbashi Honcho 1-chrome Building, 1-9-13 Nihonbashi Honcho, Chuo-ku, Tokyo, Japan	**Y**
Office 1114, Syganak Street 29, Esil District, Astana, 010000, Kazakhstan	**Z**
LR no.1870/1/176, 1st Floor, ALN House, Eldama Ravine Close, off Eldama Ravine Road, PO Box 764-00606, Westlands, Kenya	**AA**
16Fl., Jongro 5 Gil 7, Jongro-Gu, Seoul (Chung Jin Dong), Republic of Korea	**AB**
Grant Thornton Malawi, MASM House, Lower Sclater Road, P. O. Box 508, Blantyre, Malawi	**AC**
Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200, Kuala Lumpar, Malaysia	**AD**
c/o Globefin Management Services Ltd, Rogers House, 5 President John Kennedy Street, Port Louis, Mauritius	**AE**
Suite 203, Crystal Business Center, Chinggis Avenue 11/1, Ulaanbaatar, 210628, Mongolia	**AF**
Av. Orlando Francisco Magumbwe, No. 993, Polana Cimentro, Maputo, Mozambique	**AG**
Amsterdamseweg 15, 6814 CM Arnhem, Netherlands	**AH**
Level 1, 23 Union Street, Auckland, 1010, New Zealand	**AI**
20 Kwame Nkrumah Crescent, Asokoro, Abuja, Nigeria	**AJ**

Notes to the financial statements

at 31 December 2020

29. Subsidiary undertakings (continued)

Registered office	Key
Sterling Towers, 20 Marina, Lagos, Nigeria	**AK**
c/o Inforegn AS Misjonsmarka 1, 4024 Stavanger, Norway	**AL**
PO Box 587, Postal Code 112, Ruwi, Sultanate of Oman	**AM**
The Regus TEC Inc, 27th Floor Tower 2, The Enterprise Centre, 6766 Ayala Ave. Corner, Paseo de Roxas, 1226, Philippines	**AN**
Ul. Prosta 68, Budynek Proxima, 00-838, Warszawa, Poland	**AO**
246 Traian Street, 3rd Floor, ap 5, sector 2, 024046, Bucharest, Romania	**AP**
4th Floor, 71 Sadovnicheskaya Embankment, 115035, Moscow, Russia	**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-1, No. 306, Sec 4, Xinyi Rd, Da-An District, Taipei City, 10679, 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, Kwaeng Huay Kwang, Khet Huay Kwang, Bangkok, 10310, 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 Albany Spc Services Limited, 3rd Floor, 3-5 Charlotte Street, Manchester M1 4HB, United Kingdom	**BF**

Group five year summary

Years ended 31 December	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Gross revenue	**1,805,503**	1,784,003	1,621,079	1,548,878	1,407,198
Profit on ordinary activities before taxation	**90,135**	46,275	38,726	37,397	60,571
Tax on profit on ordinary activities	**(21,085)**	(14,252)	(13,708)	(16,165)	(9,247)
Non-controlling interests	**(473)**	(337)	(485)	(130)	(605)
Dividends	**–**	(5,912)	(5,888)	(5,816)	(6,469)
Retained profit	**68,577**	25,774	18,645	15,286	44,250
Employment of Group capital					
Fixed assets	**74,395**	86,431	91,733	93,363	84,114
Net current assets (less provisions)	**213,122**	157,419	155,115	151,265	180,096
Excluding pension liability	**287,517**	243,850	246,848	244,628	264,210
Pension liability (excluding deferred tax)	**(78,134)**	(94,249)	(80,369)	(78,737)	(106,867)
Including pension liability	**209,383**	149,601	166,479	165,891	157,343
Group capital employed					
Creditors falling due after more than one year	**13,183**	19,274	32,675	41,310	54,085
Equity attributable to owners of the parent company excluding pension liability	**273,936**	224,293	213,836	203,042	209,510
Non-controlling interests	**398**	283	337	276	615
Excluding pension liability	**287,517**	243,850	246,848	244,628	264,210
Pension liability (excluding deferred tax)	**(78,134)**	(94,249)	(80,369)	(78,737)	(106,867)
Including pension liability	**209,383**	149,601	166,479	165,891	157,343
Net funds					
Cash at bank and in hand	**254,720**	103,735	114,898	106,092	106,023
Bank overdrafts	**–**	(485)	(3,391)	(838)	(111)
Current instalments due on loans	**–**	(33)	(35)	(91)	(514)
Loans falling due after more than one year	**(9,145)**	(19,249)	(32,518)	(41,198)	(53,986)
Obligations under finance leases	**(1,891)**	(320)	(607)	(633)	(870)
Shares classed as financial liabilities	**(27)**	(27)	(29)	(33)	(39)
	243,657	83,621	78,318	63,299	50,503

Mott MacDonald Group – Governance

Executive Board and committees

Executive Board members
Mike Haigh (Executive Chair)
Denise Bower (External Engagement Director)
Nick DeNichilo (President and CEO, North America)
Ian Galbraith (Strategy Director)
James Harris (Managing Director)
Ed Roud (Finance Director)
Paul Ferguson (General Counsel) – in attendance

Executive Board committees

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

Operations members
James Harris (Chair)
Ian Galbraith
Randal Jones
Liz King
Alec Pavitt
Ed Roud
Doug Wilson

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

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

Shareholders' Committee and sub-committees

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

Shareholders' Committee sub-committees

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

Nominations members
Anne Kerr (Chair)
S S Acharya
Mike Brown (Independent)
Tony Purdon
Clare Rhodes-James

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

Membership of committees and sub-committees noted above are effective from 1 January 2021.

Head office
Mott MacDonald
Mott MacDonald House
8-10 Sydenham Road
Croydon CR0 2EE
United Kingdom

+44 (0)20 8774 2000
marketing@mottmac.com
mottmac.com

Opening opportunities
with connected thinking.