Mott MacDonald Group Limited

Report and financial statements
31 December 2022

Mott MacDonald Group Limited

Engineering. Management. Development.

Innovation and excellence applied to achieve better outcomes for our clients and society

80+ awards
won in 2022

18,000+ people
providing world-leading expertise

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

150-year heritage
deep domain expertise

Directors
James Harris (Executive Chair)
Denise Bower (External Engagement Director)
Ian Galbraith (Strategy Director)
Ed Roud (Finance Director)
Cathy Travers (Managing Director)

Company Secretary
Paul Ferguson

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James Harris
Executive Chair – welcome

In 2022, I was honoured to begin my role as Mott MacDonald's Executive Chair. It has been another year where we have exceeded expectations. But 2022 was also a year defined by uncertainty over energy supply, the cost of living and the threat of recession in many of our core markets. I am extremely proud of how our colleagues have responded.

We have delivered another good performance. Europe has returned another year of strong profit and revenue growth. Australia continues to perform well and our business in North America shows signs of recovery. We have increased our cash reserves while the funding position of our UK defined benefit pension scheme remains healthy giving us resilience and greater flexibility in the current economic climate.

Our strong performance in 2022 was underpinned by our strategy, focusing on the geographies, sectors and services we believe provide a robust platform for our business, and by the agility and commitment of our colleagues around the world. This commitment is reinforced by our independence which creates a strong sense of responsibility and allows us to face the future with confidence and clarity on the issues that matter most. As does our community of just over 18,000 who every day live our shared values of progress, respect, integrity, drive and excellence.

As a business, we are here to use our expertise to deliver excellence to our clients and to help them to deliver wider benefits for the communities they serve. This gives a clear and compelling sense of purpose to everything that we do and especially in the projects we deliver.

Our focus on social outcomes, technical excellence and digital innovation differentiates us, and it will be instrumental in positioning us in a post-pandemic world in which these are emerging as core trends.

From the innovative use of single-bore tunnelling to minimise physical and economic disruption during the extension of the Bay Area Rapid Transit system in the US, to the development of renewable energy-to-hydrogen energy systems in Europe and advanced air mobility network in the UK, we continue to be involved in some of the world's most challenging and complex infrastructure and development projects.

2022 marked the opening of the Elizabeth Line, transforming travel across London. Mott MacDonald has been involved in its planning and design from the earliest stages and this project has been a true testament to our ability to envision, design and deliver positive social outcomes.

Our efforts to move the industry forward have been recognised in numerous ways. One that particularly marks us out as an industry leader in 2022 is our success in securing the international standard for building information modelling in three parts of our business, illustrative of our global drive to build robust approaches to information management.

As our environment continues to evolve, then so will we, using new skills, digital tools and collaboration to gain a greater understanding of global events and how we respond to climate change.

Mike Haigh retired as Executive Chair on 31 July 2022. Mike made a huge contribution to the business over his 40 years with the company and since 2013 as a director of the Group. I was appointed Executive Chair and Cathy Travers was appointed Group Managing Director. The remaining board is unchanged.

On behalf of the Executive Board, I thank our clients and partners for the opportunities they bring, and all our colleagues for their dedication, innovation and excellence, which make our company stronger and contribute to a better society. I hope and expect that we continue to support each other to address the challenges we face, and achieve strong, positive outcomes in 2023 and beyond.

Corporate responsibility

Our corporate responsibility is managed at board level and co-ordinated across the Group to ensure consistency of approach and implementation while recognising relevant cultural, social and legal differences.

Our approach to running the Group incorporates the United Nations Global Compact principles for responsible and sustainable businesses covering human rights, labour, environment and anti-corruption. This is demonstrated through our purpose, values, policies, positions on key issues and Our Code.

Our purpose is a commitment to changing people's lives for the better. Through our business, we seek to make a positive difference to the world and in the communities in which we work. These are some of the ways we delivered on that commitment in 2022, behaving in a way that is accountable for the difference we want to make.

In our projects

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. In 2022, 1,000 employees attended programmes to discuss how we are making a positive difference through our projects.

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We are taking action to increase resilience in the projects we deliver and in the communities in which we operate and are assessing climate risks on major projects. This year also marked the beginning of our Climate Change Academy. Its aim is to provide training to upskill our technical staff. We will continue to provide mandatory training to all staff, as well as in-depth specialist modules essential to addressing the climate crisis.

With our people

Our people support us in being a good corporate citizen by actively engaging with local people and not-for-profit organisations to help create inclusive, sustainable and cohesive communities. We are contributing to programmes aimed at improving the employment prospects of under-represented and marginalised groups in our communities by sharing our professional knowledge. This includes continuing our relationship with London-based social enterprise Renaisi to provide professional mentorship to unemployed and underemployed refugees.

Our new five-year global equality, diversity and inclusion (EDI) strategy has been developed through collaboration between colleagues across Mott MacDonald. We have intentionally set out one shared global vision, including high-level strategic outcomes for every part of our business to aim for, recognising that different areas of the business have different starting points.

We have updated our Group EDI policy to include a commitment to non-discrimination across a broad range of characteristics, including those not globally enshrined in legislation but intrinsically important to human rights, such as LGBT+.

We have launched our first gender equality capability statement setting out how our internal commitment to gender equality is embedded in our projects and delivering positive social outcomes.

In Australia, we have published a second Reconciliation Action Plan, which is focused on embedding Aboriginal and Torres Strait Islander led practice across our business.

For our planet

As a business, we are committed to the reduction of our greenhouse gas (GHG) emissions, building resilience to the physical impacts of climate change, and managing and disclosing our climate-related risks. In 2022, we published the first methodology to quantify physical climate risks into infrastructure investment decisions – the Physical Climate Risk Assessment Methodology. We also co-authored the update to the PAS 2080 certification, the globally recognised carbon management specification for the infrastructure industry and retained global certification to PAS 2080 by demonstrating effective carbon management systems on our projects.

We are ramping up our efforts to reduce physical waste and environmental impacts by strengthening our capabilities and our approach to the circular economy. Our aim is to achieve more resource-efficient, low-carbon and inclusive designs. We are partnering with the Cradle to Cradle Products Innovation Institute to drive circular product innovation in the built environment.

We have pledged to remove avoidable single-use plastics from our business where there are viable and sustainable market alternatives and published our first ever single-use plastics (SUP) report, highlighting the progress made towards removing SUP from our operations by working across our offices and with suppliers to reduce the top 10 most used SUP by 65%.

Streamlined energy and carbon reporting (SECR)

This summary has been prepared as a statement of carbon emissions in compliance with SECR and will cover the global GHG emissions and efficiency actions relating to transport, gas, electricity and other fuels. The energy use driving the reported UK GHG emissions is also reported.

Reporting boundary

The reporting boundary of our carbon footprint is the global business of Mott MacDonald Group Limited (MMGL) (see table 1) and its subsidiaries and is set according to the control approach, under which MMGL accounts for 100% of GHG emissions from operations over which the Group has operational control.

For the purpose of SECR, the reporting boundary is constrained to our UK business, which comprises of the UK offices of Mott MacDonald Limited (MML) (see table 2) and JN Bentley Limited (JNB) (see table 3).

Measurement methodology

We report our annual carbon footprint for the calendar year (tables 1-3). The inventory methodology aligns with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, covering:

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- Scope 1: direct emissions from sources owned or controlled by us:
  - MML: combustion of fuel from office energy
  - JNB : combustion of fuel from office energy, company-owned vehicles and stationary equipment
- Scope 2: indirect emissions from the generation of purchased electricity
- Scope 3: indirect emissions:
  - Category 1 : Purchased goods and services
  - Category 2: Capital goods
  - Category 3: Fuel and energy related activities
  - Category 4: Upstream transportation and distribution
  - Category 5: Waste generated in operations
  - Category 6: Business travel including car travel and business use
    - MML: from hire vehicles*
    - JNB : grey fleet*
  - Category 7: Employee commuting
- Outside of scopes: biogenic emissions from bioenergy (e.g. biogas and HVO)

* For the purposes of SECR, tables 2 and 3 only display emissions from hire vehicles and grey fleet respectively whereas emissions from all modes are presented in table 1.

Our methodology is aligned to the GHG Protocol and has been verified to ISO 14064. Emissions are reported in tonnes of carbon dioxide equivalent (tCO_2e), using the most recent conversion factors such as from the Department for Business, Energy & Industrial Strategy (BEIS, 2022) and the International Energy Agency (2022). In the absence of more granular activity data or emission factors, the Quantis Scope 3 Evaluator tool has been used.

Measures to improve our energy and carbon performance

We are proud to say that the Science Based Targets initiative (SBTi) has verified our science-based net-zero target by 2040. Our science-based targets are as follows:

- Overall net-zero target: MMGL commits to reach net-zero GHG emissions across the value chain by 2040 from a 2019 base year.
- Near-term targets: MMGL commits to reduce absolute scope 1 and 2 GHG emissions 46.2% by 2030 from a 2019 base year[1]. MMGL also commits to reduce absolute scope 3 GHG emissions from fuel and energy related activities, waste generated in operations, business travel and employee commuting 28% within the same timeframe. MMGL also commits that 70% of its suppliers by spend covering purchased goods and services, capital goods and upstream transportation and distribution will have science-based targets by 2027.
- Long-term targets: MMGL commits to reduce absolute scope 1, 2 and 3 GHG emissions 90% by 2040 from a 2019 base year[1].

[1] The target boundary includes land-related emissions and removals from bioenergy feedstocks.

Our global carbon footprint has undergone external verification and is therefore ISO 14064 compliant. We continue to develop and deliver a robust carbon reduction plan that prioritises deep carbon abatement to achieve our carbon reduction targets. Our Group Carbon Reduction Plan is supplemented by our commitment to support beyond value chain mitigation (BVCM), which is a key requirement on the journey to net zero according to the SBTi. We endeavour to support BVCM through continuing to purchase carbon credits which align to our purpose.

Our Group Carbon Reduction Plan includes the following activities which will be undertaken to drive down our absolute carbon emissions footprint:

- robustly managing our carbon emissions through improved data;
- switching to renewable energy supplies and driving energy efficiency across our offices;
- investigating alternative sources for procurement to ensure a low carbon supply chain;
- investigating behavioural change measures supporting carbon reduction and innovation; and
- investigating low carbon choices and mechanisms to ensure staff can reduce their emissions.

In addition, JNB aspires to:

- embed PAS 2080 across all design and construction projects supported by a training programme;
- continue to invest in low carbon plant for the JNB plant fleet;
- continue to work closely with plant hire companies and manufacturers to ensure the plant we utilise on site is the most sustainable available and trial new innovative technologies such as solar hybrid solutions; and
- communicate with the wider business and supply chain on the Mott MacDonald Bentley Contracting (MMBC) electrification road map of how the company vehicle fleet will become fully electric in the coming years.

The tables below include our emissions reporting for various scopes and reporting entities covering additional categories in line with our science-based net-zero targets, as detailed in the table headers. The years of reporting include our baseline year (2019), the last reporting year (2021) and our most recent year (2022).

As a result of undergoing the verification of our footprint to ISO 14064 and increasing the emissions scope, the previous years' emission footprints slightly differ to what has been reported in previous years.

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Table 1: MMGL (global engineering, management & development consultancy and building & civil engineering contracting businesses)

Current reporting year: Jan-Dec 2022	Quantity (MMGL)		
	2022	2021	2019 – Baseline
Total in-scope GHG emissions (tCO_2e)	**184,449**	**202,046**	**281,779**
Scope 1 : Office gas, fuel and fugitive emissions (tCO_2e)	7,819	13,375	13,947
Scope 2: Market-based electricity (tCO_2e)	3,465	3,188	7,389
Scope 3: Total (tCO_2e)	173,165	185,483	260,443
Category 1 : Purchased goods and services	136,281	162,327	199,446
Category 2: Capital goods	6,354	5,174	5,879
Category 3: Fuel and energy related activities	3,693	4,600	4,807
Category 4: Upstream transportation and distribution	Captured under categories 1 and 2		
Category 5: Waste generated in operations	1,474	2,727	9,940
Category 6: Business travel	15,131	6,280	22,293
Category 7: Employee commuting	10,232	4,375	18,078
Outside of scopes[1] (tCO_2e)	4,729	105	–
GHG emissions intensity (tCO_2e/employee)	**11.19**	**13.31**	**18.42**

Table 2: MML (UK engineering, management & development consultancy business) for the purposes of SECR reporting

Current reporting year: Jan-Dec 2022	Quantity (MML)		
	2022	2021[2]	2019 – Baseline
Total energy consumption (kWh)	**13,006,432**	**11,148,541**	**22,260,542**
Office energy: electricity and fuel (kWh)	8,425,112	8,191,291	15,427,776
Business travel: car (kWh)	4,581,320	2,957,250	6,832,766
Total in-scope GHG emissions (tCO_2e)	**2,195**	**1,627**	**5,658**
Scope 1 : Office gas and fugitive emissions (tCO_2e)	643	639	1,126
Scope 2: Market-based electricity (tCO_2e)	108	66	2,367
Scope 3: Business travel – car (tCO_2e)	1,444	922	2,165
Outside of scopes[1] (tCO_2e)	83	71	–
GHG emissions intensity (tCO_2e/employee)	**0.32**	**0.26**	**0.98**

Table 3: JNB (UK building & civil engineering contracting business) for the purposes of SECR reporting

Current reporting year: Jan-Dec 2022	Quantity (JNB)		
	2022	2021[2]	2019 – Baseline
Total energy consumption (kWh)	**46,851,902**	**49,577,762**	**47,699,299**
Office energy: electricity and gas (kWh)	703,138	631,369	940,245
Company vehicles and plant energy: gas oil, diesel and petrol (kWh)	40,083,066	43,500,406	46,759,054
Grey fleet[3] (kWh)	6,065,698	5,445,987	Not previously calculated
Total in-scope GHG emissions (tCO_2e)	**7,795**	**13,414**	**12,313**
Scope 1 : Office gas and fugitive emissions (tCO_2e)	26	35	22
Scope 1 : Plant energy (tCO_2e)	3,996	9,481	9,766
Scope 1 : Company vehicles (tCO_2e)	1,881	2,206	2,521
Scope 2: Market-based electricity (tCO_2e)	–	–	4
Scope 3: Business travel – grey fleet[3] (tCO_2e)	1,892	1,692	Not previously calculated
Outside of scopes[1] (tCO_2e)	4,645	–	–
GHG emissions intensity (tCO_2e/employee)	**5.81**	**10.44**	**7.92**

[1] Biogenic emissions (eg from the use of HVO fuel in plant equipment used on site).
[2] As a result of undergoing the verification of our footprint to ISO 14064 and increasing the emissions scope, the previous years' emission footprints slightly differ to what has been reported in previous years.
[3] Grey fleet: includes fuel used from personal vehicles on business use.

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Climate-related financial disclosures

Since the Task Force on Climate-Related Financial Disclosure (TCFD) was formed in 2015, we have been strong supporters of its recommendations. In 2022, we continued to leverage our technical expertise to contribute to leading industry initiatives that support TCFD implementation, leading the development of the Physical Climate Risk Assessment Methodology (PCRAM), and co-authoring a TCFD guide for the infrastructure sector with leading law company Pinsent Masons, through the UK Net Zero Infrastructure Industry Coalition.

We also recognise the importance of embedding climate change risks and opportunities into our own business practices. We have made tangible progress towards adopting the recommendations. On governance, we have established interim environmental, social and governance (ESG) steering and working groups to guide our progress and agreed TCFD implementation as a standing agenda item for the Audit & Risk Assurance Sub-committee.

In 2023, we will further strengthen the Board's oversight of climate-related risks and opportunities, as well as TCFD implementation and disclosure. In early 2023, we will conduct a Group climate change risk and opportunity assessment, comprising physical and transition risks across our operations and value chain, under different climate scenarios. This will enable us to identify material climate-related risks and opportunities requiring further in-depth assessment, and to identify measures to improve strategic resilience to identified climate risks.

We recognise climate risk as a significant factor in our business decisions and our designs. We have already reviewed our existing processes, including how climate risks are assessed at project level, and included climate in our Group risk catalogue. As a next step, we will embed the results of the Group climate change risk and opportunity assessment into our enterprise risk processes. We will continuously monitor their effectiveness, ensuring climate risks are identified, assessed and managed appropriately.

As indicated in our SECR statement, we are committed to achieving net zero by 2040 and our emission reduction targets are validated by the SBTi. We continue to disclose GHG emissions and have expanded our public GHG reporting to incorporate our full global carbon footprint. Our Group Carbon Reduction Plan supports the achievement of the science-based targets by prioritising deep carbon abatement. After completing the climate change risks and opportunities assessment, we will identify potential new metrics and targets beyond carbon.

As recognised by the task force, the identification, assessment and management of climate-related risks and opportunities is an iterative and evolving process. We will therefore continue to enhance our disclosures and climate risk management practices over the coming years. We will provide our first full TCFD statement aligned to the UK Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 in our 2023 annual report.

Business and financial review

Business environment

2022 has been another year of economic and geopolitical disruption with a weaker and more unsettled business environment evolving compared to 2021.

Covid was less disruptive to our clients, stakeholders and the communities we work with. However, the war in Ukraine has had a worldwide impact. For people and communities in Ukraine itself the war has been tragic, on a scale beyond anything that could ever have been imagined at the start of 2022. Our thoughts are with those impacted and trying to respond to the situation.

The war has also disrupted oil, energy and food supplies internationally and caused price inflation. This has created issues globally for economic stability, the resilience of supply chains and the cost of living. It has also disrupted the finances of national governments who are trying to mitigate the economic and social hardship that has emerged.

The threat of a sustained period of inflation and global recession has impacted business confidence, which has created uncertainty for investment and growth in our key markets.

Despite activity declining in some sectors during 2022, governments maintained spend on public and social infrastructure, providing work across most of our markets. However, a prolonged and significant economic recession is still a threat as we look forward to 2023.

Business response

Despite these uncertainties and challenges, we have delivered another good performance in 2022. There has been a refreshing purpose and focus with how management and staff have responded to the challenges and taken the business forward. As a result, the business has been more effective with its win and delivery processes, with improvements in both win rates and project profits, as well as a reduction in project losses. However, overhead management has been more challenging due to market disruptions.

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A decision to ease utilisation levels to enable more investment in our technical practices and technical excellence, along with a measured growth of overheads to focus on purpose-led initiatives like digital, climate and carbon, has enabled the business to deliver good organic growth. We have continued to use selective focus in markets where there is opportunity to do so and seek reduction or exit from markets where growth, profit or cash returns continue to fall below expectations.

Our purpose-led strategy and client engagement have been good enablers in meeting our clients' and stakeholders' expectations of us to help them deliver their strategies and initiatives.

Strategic review

During 2022, the Executive Board has progressed the strategy refresh that came from our 2021 landscape review. The North American business, global energy teams, Middle East business and other selected territories have been under review to reassess their potential, market opportunity and competitive advantage, to enable them to respond to that opportunity more effectively.

Progress made with the strategy refresh in 2022 is set out in more detail in the S172 statement on pages 10 to 13. It is an agile and tangible process aimed at keeping the underlying strategy fresh, focused and avoiding a slowdown in business momentum.

The strategy refresh included reference to our key business initiatives which are important for our purpose and a natural part of our service offerings given our purpose-led strategy – climate, carbon, social outcomes, digital, sustainability and other environmental factors.

Financial review

Revenue and operating profit

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

Gross revenue of £2,049.1m was £267.3m (15.0%) up on 2021 (£1,781.8m). Organic growth was £204.6m (11.5%) with exchange contributing £62.7m (3.5%); nearly 70% of this exchange arose in our North American businesses. Operating profit of £109.5m is slightly up on last year (£104.1m), with the operating margin down from 5.8% to 5.3%.

Revenue from consulting remained at around 85% of overall revenue with 15% from contracting. Consulting increased 14% in the year (10% excluding exchange impact), while contracting increased 18%.

Of the £204.6m increase in revenue, which was purely market driven, £158.4m was in the UK consulting and contracting businesses. A geographic analysis of gross revenue by destination is in note 5 to the financial statements.

The consulting businesses in the UK, Australia, Canada, New Zealand and parts of the US produced good volume growth and good profitability, as did the UK contracting business. However, trading was slower in the Middle East and East Asia. The International Development business was also challenged in a difficult market due to governments reassessing funding priorities to mitigate the impact of the geopolitical and economic disruption.

The slower growth in these businesses is shaped by a strategy to reduce the size or constrain the growth of business where profits and margins are consistently below the Group's strategic targets. Constraining growth in this way in the Middle East and International Development has led to an improvement in profit and margin. However, East Asia was impacted by a market slow down and project losses but is expected to return to reasonable profit and margin during 2023.

Most of the business units are performing well. There were a few performances below expectation in 2022, but as we enter 2023 the businesses have good visibility of their markets and are making good progress delivering growth and improving profitability. The strategy refresh and the discipline from the Group's purpose and selective focus is providing clarity to the management teams as to their choice of markets, clients and projects.

Exchange gains of £17.8m provided an exceptional boost to profits but the upside was more than offset by an increase of £19.5m in provisions in the Group's captive insurance company, related to professional indemnity claims and prolonged disability provisions for staff on long-term sickness. The captive also experienced a fall of £2.4m in the value of the investments it holds to fund its operations. The Group injected new equity of £13.8m into it to restore its liquidity and capital.

Profit before tax of £115.8m was £10.1m (10.1%) up on 2021 (£105.2m) with the research and development expenditure credit (see note 6b), interest received on cash deposits and money market placements and other finance income from pension accounting producing close to £9m of non-operating income.

Working capital management has been effective during the year which is reflected in the increase in the cash balance. The increase in net working capital at the year end is partly due to growth in the business and partly timing of transactions.

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There continues to be focus on reviewing lead indicators of workload and the resources required to deliver it. The order book, win rates, prospects and a key focus on staff utilisation are all reported to the Executive Board. Utilisation has been high in 2022, but not as high as in 2021, with a key focus on staff wellbeing.

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

Cash

Cash balances increased £92m from £273m to £365m, including £11m of exchange. The business continues to generate adequate cash flow for operational liquidity and organic growth. The increase in cash in the year is mainly from operations.

Cash inflow from operations was £145m, significantly up on last year (£63m). The increase is mainly explained by growth, a higher level of business activity and better quality cash flow. Additional pension contributions of £45m were paid into the UK defined benefit pension scheme in 2021 which also contributed to the picture of higher operational cash flow in 2022 compared to 2021.

Over the past three years, the business has improved its cash position from £104m to £365m. Despite that improvement in cash and the positive movement in balance sheet liquidity over that period, working capital improvement continues to be a focus for the Board, especially for the businesses in North America, the Middle East and East Asia where gross working capital days are above the Group average. This is mainly due to a need for improvement in operational efficiencies and client focus in those businesses compared to elsewhere in the Group.

There were no unusual or exceptional items in the areas of investing activities or financing activities in the cash flow analysis. Investing activities mainly relate to fixed asset purchases and office fit-outs as well as net investment activity in our captive insurance company, MHACE Insurance Company Limited. Financing activities mainly relate to share warehousing transactions between the Employee Trust and the company, and the annual dividend paid to shareholders.

Debt of £10m at the year end, primarily for hedging, is insignificant in the context of overall liquidity.

UK pension scheme

During the year, £19.5m of pension contributions were paid into the UK pension scheme to continue the journey to full funding. The scheme is in surplus, 106% funded on an accounting valuation basis. The FRS 102 pension scheme asset is £27.1m (2021 – £28.8m), a small fall in the year.

That small fall came from significant movements in both the scheme assets and scheme liabilities that netted out to a fall of £1.7m in the value of the surplus. There is also a £22m actuarial loss in the statement of comprehensive income. The loss of £22m can be explained as follows:

a) the two biggest items were a downward revaluation of scheme assets of £220m due to asset returns falling short of bond yields, offset by a gain of £205m from the downward revaluation of scheme liabilities arising from an increase in bond yields; and
b) other larger items were a £17m loss from the impact of inflation increasing scheme liabilities, offset by a £10m gain from a reduction in scheme liabilities from reduced mortality.

The FRS 102 pension scheme asset has not been recognised in the financial statements as access to the surplus is not unconditional and is only with trustee agreement.

Bank facilities

Just before the start of 2022, the Group put a new bank facility in place for five years until 17 December 2026, replacing the previous facility. The facility now in place is £125m with three banks, with an accordion of £25m available for use as part of the main facility agreement to take capacity potentially up to £150m. The financial covenants in the new agreement are unchanged.

The Group also has facilities to provide tender bonds, performance bonds and advance payment bonds in the normal course of business.

Covenants

The covenants for the £125m multicurrency revolving credit facility assess the Group's debt and interest in relation to its earnings. These covenants have been comfortably met during 2022 as the Group has an insignificant amount of debt currently drawn down and it has a strong earnings position.

The covenants for the UK defined benefit pension scheme assess the gearing of the Group and cash cover for pension contributions in terms of looking at security of funding for pension contributions. The third covenant then assesses the fairness of the amounts being paid as pension contributions to the scheme in relation to the amounts being paid as dividends to shareholders. These covenants have been comfortably met during 2022 as the Group has little gearing, a strong cash position and a well-funded pension scheme.

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At the time of signing the financial statements, the directors are of the view that the covenant position for the banks and UK pension scheme will not change significantly during 2023.

Covenants are reported to the banks four times a year within 60 days of each quarter end while those for the pension scheme are reported annually.

Dividend
The directors declared a dividend of 40p per share in December 2022 (2021 – 30p per share) and decided not to declare a final dividend. The dividend is modest and still below pre-pandemic levels.

Shareholders' equity
Shareholders' equity increased from £292m to £356m. The increase mainly came from profit transferred to reserves of £84m, partially offset by an FRS 102 actuarial loss after tax on pension schemes of £18m in the statement of comprehensive income.

There was also a reduction of £4m due to an increase in the investment in own shares. The increase is the net effect of the Mott MacDonald Employee Trust buying shares from employees when they leave, as required by the company's Articles of Association, and selling shares to employees in an annual share offer in July. The size and direction of movement in any year is down to timing and size of share repurchases.

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. Details of the basis for this are outlined in the basis of preparation section on page 34.

Other items
The effective tax rate of 27.7% is higher than that for 2021, 20.5%. This is mainly due to the loss in the captive insurance company in 2022 for which no deferred tax asset has been recognised, a reduction in branch profits of the UK trading company qualifying for exemption from UK taxes and the impact in 2021 of recognising the future increase in the UK tax rate announced in the UK Budget speech in 2021 in calculating deferred tax assets and liabilities.

Provisions for liabilities have increased by £26.1m in the year, mainly due to professional indemnity (potential claims) and prolonged disability (potential long-term staff sickness).

There are two key non-financial KPIs that we use to manage the business. Average annual sickness across the Group increased from 31.0 to 36.3 hours per person. Voluntary staff turnover increased from 11.9% to 13.4%.

Managing risk and uncertainty

Risk is inherent in our business and we recognise that to deliver our business strategy, we must maintain a careful balance between risk and reward to create the outcomes and value that we seek.

Our risk management framework
The Group's enterprise risk management (ERM) framework enables a consistent and robust approach to the management of risk across the business. It is embedded in the culture, strategy and business planning processes to safeguard our staff and assets, protect and enhance our reputation and improve our overall performance. The process filters out the material risks that require focused management, monitoring and oversight to enable them to be effectively managed within risk appetites and tolerances of the Group.

Governance
The Executive Board, Risk Committee and Audit and Risk Assurance Sub-committee comprise the Group's governance framework to manage our risks.

The Executive Board has overall accountability and responsibility for the management of risks in the Group. The oversight and management of risk are delegated to the Risk Committee. The Risk Committee is chaired by the Strategy Director and is responsible for the implementation of the risk management framework in the business and for overseeing the effectiveness of the risk treatments applied in the regions and through the Group.

The regional risk sub-committees report into the Risk Committee and are comprised of risk management representatives from each of the regions. Quarterly reports are made by the sub-committees to the Risk Committee on the risk profile of the regions against risk appetite, emerging risks and the effectiveness of their treatment plans. Emerging risks are identified and assessed regarding their applicability to the business.

The implementation of the risk management framework and programme is overseen by the Chief Risk Officer, who is also responsible for day-to-day enterprise risk oversight. In 2021, the Risk Committee completed an enterprise risk assessment that evaluated the top enterprise risks across the Group and considered the impact of significant risks on the Group and its business objectives. The results of this assessment were reviewed by the Risk Committee and contributed towards the review and amendment of the Group principal risks.

Strategic report

Group principal risks

In recognition of the non-static nature of risks, the Risk Committee undertakes an annual comprehensive review of the material risks to the organisation. This review is informed by the regional risk sub-committees' risk profiles, business intelligence, external factors and our assurance processes. The principal risks are communicated to the regions and treatment plans are formulated and embedded into business practices. Treatment plans are used to document a clear understanding of the nature of the risk, the actions and activities to enable the risk to be managed, key metrics and the target risk rating.

In December 2021, based upon the Risk Committee's review of the Group's material risks, the Group principal risks were revised and approved by the Executive Board.

The Group has identified six risk categories which are characterised by 14 principal risks. These risks underpin the Group's delivery of its business strategy and their treatment strategies are embedded into our business management systems (BMS), standards and procedures. These elements all support and carefully manage the risks within the risk appetites set out by the Executive Board.

The Group uses a series of tools to analyse its risks and facilitate discussion with the Executive Board and Risk Committee. The Group risk summary on page 72 shows the relative position of the residual risks (post mitigation) and the change in perceived risk from the previous year.

Regional risk engagement

The Group's approach to risk management is modelled upon global standards and adopts the 'three lines of defence' model.

The ERM team, led by the Chief Risk Officer, works closely with the first line of defence – regions and their business units – to integrate risk management tools into commercial decision-making and business planning. Regional risk frameworks containing tools and templates assist the regions in adopting standard and consistent methodologies to assess and report their risks.

The second line of defence – the risk management functions such as data privacy, information security, ethics and compliance, and health, safety and wellbeing including all the support functions such as finance, legal and human resources – work together to collaborate, align and assist the regions to manage risks holistically.

The third line of defence is a crucial piece of the risk management framework and is performed by the Group's internal auditors. The internal audit function provides assurance that the controls and treatments designed to manage the risks are as effective as intended. The audit programme comprises a blend of operational and financial audits that are agreed annually and reported to the Risk Committee and Audit and Risk Assurance Sub-committee. Recommendations are tracked and actioned by the business.

The responsibility for tracking the open items rests with the BMS auditors and the internal audit team, while the responsibility for their remediation and closure, remains with the business. Internal audit reports are presented to the Risk Committee and Audit and Risk Assurance Sub-committee three times a year, highlighting deficiencies discovered, reporting on recommendations and effectiveness of risk mitigation measures across the Group.

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

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

The likely consequences of any decisions in the long term

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

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

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

In 2022, they devoted a significant amount of time in their board meetings and executive team meetings to a refresh of the Group's strategy. This also involved various meetings with regional and business unit management to progress thinking and decisions in looking to the future success of the company.

Strategic report

The strategic review carried out during 2021 enabled the company to clarify its strategic intent and how it would drive growth as a multi-sector business in rapidly changing competitive markets.

In 2022, this has resulted in a series of workstreams to detail what its strategic intent needs to be, including a new growth strategy for North America, an accelerated growth strategy for Energy globally, and enhanced growth plans for the UK and Australia/New Zealand, all of which are now being pursued. Much of the work has been shaped and driven through meetings of the Board and meetings of regional and sector leaders with the directors assessing the key drivers and deciding the strategic changes for the long-term success of the business.

They also decided to establish a programme to reset ambition levels with our most important ('platinum') clients and to implement a further strategic programme in 2023, to reassess the business case for the territories not included in the initial growth plans set out above.

Ownership and implementation of these growth plans are now with the regions to decide how to roll them out and a focus of the Board in 2023 will be to monitor and support implementation, as they seek to realise the benefits of these growth strategies.

During 2022, the business environment has been characterised by an unusual mix of high geopolitical volatility but with continuing strong markets and client demand.

The directors continue to see a growth environment for 2023 and their view is that the strategies they have decided to implement will enable the company to be competitive and resilient in the short term, and progressive with its longer-term growth objectives delivering success for the business, its employees and its stakeholders. Nevertheless, the implications of change produces choices for the business across its operational landscape that may have different impacts on different stakeholders inside and outside the business. The company recognises its responsibility in managing any changes and impacts sensitively.

Acting in the best interests of employees – wellbeing and mental health

The directors have continued to focus on the importance of wellbeing and mental health as long-term factors to benefit employees' welfare and ensure a resilient and successful business. The board meetings offer an opportunity to review statistics and trends, consider initiatives and receive briefings on current priorities. In 2022, the Board decided to implement a new wellbeing strategy. It was adopted by the directors in their annual review on wellbeing and health and safety matters. The intent was to provide a global approach with common themes and local application, creating a step forward in quality, delivery and achievement.

Our vision is to create and maintain a wellbeing culture where our people are happy, healthy and safe, enabling everyone to thrive and achieve their full potential. In creating that long-term culture, our key aims are to:

- reduce wellbeing and mental health risks resulting in reduced sickness and absence; and
- provide a comprehensive wellbeing framework with access to specialist support and resources.

The wellbeing strategy, refreshed in 2022, explains to staff how we plan to deliver the vision set out above.

Our Group wellbeing site advertises all upcoming events and initiatives for the coming year through a wellbeing calendar with recordings, once they have happened, available on our wellbeing stream site. The wellbeing calendar is focused on international events open to everyone and the calendar is split into quarterly themes, with campaigns, events and activities around them. This allows for a consistent approach across the Group, while allowing for regional wellbeing communities to be flexible and tailor activities to local themes.

The calendar of activities also creates a powerful commonality of purpose with local application through notable international events such as – World Cancer Day, World Safety Day, World Wellbeing Week, Suicide Prevention Day and World Mental Health Day.

Staff can make use of their wellbeing portal to keep a record of their priorities, objectives and achievements. The digital portal has been refreshed this year to make it accessible as an app.

We are excited about the impact this is having across the business when looking at ownership of issues, support in resolving them and empowerment for solutions.

Acting in the best interests of employees – other people matters

The directors' report explains on page 23 how we engage with our employees to explain the current strategy, current performance and future plans of the Group, as well as listening to them to understand how to improve their working environment, working practices and development. In looking to maintain our future success, the directors have used the board meetings and executive team meetings during the year to make decisions on a number of key areas and have upgraded systems to support those decisions.

Strategic report

In 2022, the directors have:

- put in place a talent identification system to assess and develop our diverse talent globally. This supports our ability to identify, attract, reward and retain people;
- introduced a mechanism to manage succession across the Group, so the business can more easily manage talent, plan succession and address succession gaps;
- introduced pay benchmarking activities and analysis of reward to ensure we attract, retain and compete for the best talent across technical disciplines and geographies;
- introduced a new employee diversity and inclusion strategy that is aligned to each operating region. This provides a more holistic view of what diversity is and how we can leverage it to best effect in each of our regions;
- shaped thinking on a Group-wide mentoring system for early career professionals and recently qualified engineers to benefit from mentoring from our experienced technical specialists and to benefit from sharing knowledge and ideas with other businesses with active mentoring practices; and
- further developed Connected Learning, a Group-wide learning programme that enables managers and employees to take ownership of their learning through a learning platform which houses technical and non-technical learning. This supports their technical excellence through their professional development.

These developments are of equal interest to all stakeholders. Our staff are obviously directly impacted as their development is enhanced through more effective training and professional progression. Technical excellence and professional development are much sought after by our clients and supply chain and the reputational standing of the company in the broader community enables wider stakeholders to benefit from what the company has to offer.

Business relationships with suppliers, customers and others

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

The corporate governance report on pages 20 and 21 details the directors' approach to regular engagement with stakeholders that is supportive of informed decision-making.

The directors used their board meetings in 2022 to evaluate further investment in those relationships including via:

- regular review of stakeholder engagement performance metrics and Executive Board relationship sponsorship;
- consideration of the membership and terms of our Industry Advisory Group; and
- the initiation of a new classification of 'emerging clients', that may be from new markets or sectors and are in line with our growth and revenue ambition.

The directors remain actively engaged in a management capacity with the sectors and markets we work in.

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

The long-term success of the company is very much dependent on its ability to attract the best talent and work with the best clients. That is shaped by the decisions, actions and achievements of the directors.

The particular focus this year in board meetings and management team meetings has been on carbon, climate, technical excellence and equality, diversity and inclusion (EDI). The directors' strategic priorities and achievements for 2022 are reflected in the corporate responsibility section on pages 2 and 3.

In 2022, the directors approved science-based targets for decarbonising the Group to achieve net-zero emissions by 2040. They also took the decision to localise EDI delivery, underpinning our new five-year EDI strategy, as well as commissioning a review of our approach to sustainability and wider environmental and social governance (ESG) which will lead to a refreshed strategy from 2023-24.

Maintaining a reputation for high standards of business conduct

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

In order to test our knowledge and understanding of ethical challenges, appropriate behaviours and necessary action to deal with such challenges, the Board decided to roll out a suite of 'ethical dilemmas' for management and staff to consider, discuss and respond to as part of their team meetings.

The governance around ethics, business conduct, risk and reputation is described in the corporate governance report on pages 18 and 19. Our behaviour in this area is very much a key factor in determining our long-term success and resilience as a business. Our suite of ethical dilemmas is a key development to put our knowledge and theory 'into

Strategic report

practice'. The Executive Board, Management Board, Regional Boards and Unit Boards have participated in the dilemmas in their meetings with recordings of some of these shared with staff. The dilemmas are also considered across the business in management meetings. The dilemmas examine conflicts within and across different stakeholders and present a problem to be resolved constructively to ensure that staff, shareholders, clients, supply chains and others can have confidence in the ability of the company to respond effectively and manage the impact across different stakeholder groups.

Acting fairly between members of the company

The directors focus on fairness among shareholders. Safeguards exist to prevent unfairness:

- The Shareholders' Committee oversees the Board to make sure they act in the best interests of all shareholders. This is an important oversight of the Board; and
- The Articles of Association of the company prevent any employee shareholder holding more than two percent of the equity. This is to avoid self-interest adversely impacting other shareholders who might be less well represented. It also helps avoid any material succession issues which may damage the business. Currently nobody has a shareholding that exceeds one percent of the equity and that has been the case for many years.

Looking forward

We are pleased with the 2022 results, which reflect the continued successful delivery of our strategy, with technical excellence and a strong practice leadership providing a key differentiator for client engagement and project delivery.

The order book is at a healthy level and the strategy of selective focus has delivered profitable growth in our stronger markets while we focus on margin improvement elsewhere.

The strategic landscape has been characterised by an unusual mix of high geopolitical volatility but with markets and client demand continuing to provide opportunity and good quality growth. The geopolitics has led to significant inflation, interest rate increases and concerns about resilience and cost of energy and food supplies. There is uncertainty over how much this will create recessionary pressures in the global economy and the likely duration of any slowdown.

It is challenging to predict to what extent these pressures might impact our business. Energy investment is likely to be paramount, as most of the world seeks to move away from Russian gas whilst also taking steps towards decarbonisation. Transport investment is proving to have continued support so far, and aviation investment has rebounded strongly. However, in tougher economic times we might see these come under pressure. We see defence investment increasing substantially and water investment being resilient. In international development, the trajectory towards cities and climate change continues.

Overall we continue to see a positive growth environment for 2023, but a need to be alert and responsive to changing economic and market conditions, while demonstrating agility within and across all of our core markets that are likely to be susceptible to change.

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

James Harris, Executive Chair
12 June 2023

Ed Roud, Finance Director
12 June 2023

Corporate governance report

Executive Board, Management Board and Committees

The Executive Board and its 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.

Management Board – It is non-statutory in status and a committee of the Board. Its purpose is to oversee the day-to-day management of the Group, specifically delivery of business plans and budgets, all aligned with the Group strategy and purpose. In doing so it monitors and challenges operational business performance, the performance of the supporting business functions and the adequacy of risk management processes. It is chaired by the Group's Managing Director and meets four times a year.

Investment and Finance – The purpose of this committee is to review and assess the financial structure and liquidity of the business and the resilience of the Group's finances. This also extends to assessing the recoverability of internal investments and loan balances, the adequacy of internal funding and any relevant corporate financial matters. This committee is chaired by the Group's Finance Director and meets three times a year.

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

Digital – This operated as a committee of the Board through 2022. Its purpose was to provide direction and drive to all the elements of the Group's project-related digital activities, including the Digital Delivery Network and the Product Development Group (PDG). The committee was chaired by the Executive Chair and met three times in the year. At the end of the year it was decided that, given the role of the Management Board, it was more appropriate that it links into that board from 1 January 2023 and will do so as a Digital Steering Group.

Strategy and Policy – The committee was chaired by the Group's Strategy Director and met three times in 2022. In preparing for 2023, the Executive Board decided to discontinue the committee, with responsibility for strategic direction and policy matters passed to the Executive Board and responsibility for the oversight of annual business development expenditure and major projects passed to the Management Board.

The Shareholders' Committee and its sub-committees

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

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

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

Remuneration and Equity – Its purpose is to approve proposals from the Executive Board on remuneration and equity. These are approvals for annual pay awards, bonus schemes, share allocations and dividends, as well as proposals for materially changing the principles and policies around such matters. It is chaired by an independent member of the Shareholders' Committee and formally meets three times a year.

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

Corporate governance report

Governance

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

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

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

The arrangements are considered annually and updated as necessary as part of our normal review of procedures and processes and in considering our control environment and governance framework.

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 contribute positively to society through our projects, focusing on excellence and digital innovation to transform our clients' businesses, our communities and employee opportunities.

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

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

Our leadership principles are based on custodianship. We aim to pass on a stronger, better and more sustainable business to those who follow us.

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

They guide our behaviours, 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.

Our **Code (Delivering with PRIDE)** sets out our standards and expectations on the issues that matter to us including respecting our people, conducting our business with integrity, protecting our assets and reputation, and delivering value to society. Our Code explains a number of individual responsibilities for each of us, such as doing our best for each other, our clients, communities and society. It also includes some additional expectations of leaders and managers including being positive role models for Our Code and PRIDE values.

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 training on ethical and compliance behaviour to all staff and enhanced workshop training for staff most at risk of encountering ethical issues.

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

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

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

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

Corporate governance report

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.

Board composition in 2022

Up until the end of July 2022, the responsibilities of the Executive Board were that Mike Haigh was the Executive Chair, James Harris was the Managing Director and Cathy Travers was the Regional General Manager of our business that operates in the UK and Europe. Ed Roud and Ian Galbraith were the Finance Director and Strategy Director of the Group, and Denise Bower was the External Engagement Director.

Following the retirement of Mike Haigh at the end of July 2022, the Board reduced in number to five executive directors. The Articles of Association require between four and eight directors. James Harris was appointed Executive Chair and Cathy Travers replaced James as Group Managing Director. There were no changes to the responsibilities of the other three directors.

The directors have a broad range of skills and experience with differential as well as complementary skill sets. The blend of skills is a key feature in determining the Board's effectiveness.

The directors and their roles are listed on the inside back cover of the financial statements. Biographies can be found on the company's website (mottmac.com).

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.

Evaluation

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

The Board's effectiveness is periodically reviewed by independent external assessors, as part of succession planning. The conclusions summarise effectiveness and highlight where complementary or differential skill sets could be better blended to make the Board stronger as a team. An independent review of and development programme for the Board as a team was carried out in 2019 and again in 2021.

The next assessment of the Board is planned for 2023 and to make sure that the evaluation is fresh in its approach and impact, a different process and provider will be used as the Board seeks to maintain an objective assessment of its effectiveness.

Diversity

The Board is reasonably diverse in terms of knowledge, skills, experience and age. Two of the five Board members are women. We recognise the Board's lack of racial diversity. 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. The Group Board recognises its role to improve opportunity and outcomes for all staff within Mott MacDonald, and for leading change in the markets within which it operates.

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

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.

Corporate governance report

Accountability and effective decision-making

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

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

Information and advice

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

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

Discharging responsibilities

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

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

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

Committees of the Board

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

The purpose of each committee is explained on page 14, showing how they support the Board to meet its responsibilities. The terms of reference and composition of each committee are reviewed annually, agreed by the Board and ratified by the Shareholders' Committee.

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

In the first quarter of 2022, a Management Board was created to take on the activities of the Operations Committee and some of the activities of the Strategy and Policy Committee. The purpose of this new structure was to drive greater regional collaboration and to create more time for the Executive Board to consider strategy and clearer accountability for the business leaders on the Management Board to collectively deliver on the strategy. Further details of the Management Board are set out on page 14.

The work of the Strategy and Policy Committee has now been shared between the Management Board (annual business development expenditure and major projects) and the Executive Board (strategic and policy matters). As a result, the Strategy and Policy Committee has been disbanded with effect from 1 January 2023.

The Board has also decided that from the start of 2023, the Digital Committee will no longer report to the Executive Board as it now has sufficient traction across the business within overall strategy and is now seen as an operational matter. It will now report to the Management Board as the Digital Steering Group.

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.

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

The terms of reference and composition of each sub-committee are reviewed annually and agreed by the Board and the Shareholders' Committee.

Principle 4 – Opportunity and risk

The board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and by establishing oversight to identify and mitigate risks.

Opportunity and value

The Group creates value through developing information for our clients. The processes for developing information are maintained in our STEP business management system. The information we develop takes many forms but typically we generate reports, models and designs. We also support clients by managing programmes of work and providing assurance with respect to the work of others.

We choose the markets we seek to work in, through selective focus and where we assess we can build long-term value. Our approach is to focus on clients that offer sustained addressable opportunity in our chosen sectors. We assign client account leaders to have oversight of the clients' development plans and to maintain high levels of client satisfaction through our services.

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

Managing business risk

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

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

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

The Ethics and Compliance Programme allows the company to manage ethical and legal compliance risks and includes a process to declare gifts, hospitality and conflicts of interest; an anti-bribery management system certified to ISO 37001; enhanced ethics training for all senior managers; counterparty due diligence and screening; and a confidential whistleblowing line 'Speak Up' and case management system. Systems and processes operate effectively but occasionally exceptions occur. Where any investigation cases are substantiated, actions are agreed with a case review team to determine any corrective measures needed and process improvements required, with any lessons learned disseminated.

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

Managing project risks before contract

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

We then assess each prospect for its complexity to identify the level of control that is required for project delivery and the required competence of the project leadership team. This 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.

Corporate governance report

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

The Group identifies attributes related to material technical and commercial risks for which special approvals are required to accept 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 ERP system, Connect Business, now covers around 90% of our global consulting operations by revenue. Connect Business and our Risk Contingency Tool support improved risk management, providing an integrated risk register for each project. The risk register is live, during delivery, giving improved visibility of current risks and enabling improved project management. The improved visibility can also inform project support requirements and improve business planning through aggregated views of risks.

Monthly project control 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 dashboards and exception reports, which identify anomalies that need to be investigated, evaluated and followed up.

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

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

Principle 5 – Remuneration

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

Consistency and control

We operate a consistent and equitable approach to remuneration. We reward our employees fairly and participate in industry benchmarking activities to ensure individuals are paid competitively and that their reward progresses fairly and in line with peers, our markets and our locations, as their careers advance.

Benchmarking means that we can ensure we stay aligned to the market and minimise/mitigate retention risks. As well as retention, this also helps ensure we can provide attractive and competitive offerings for new recruits.

Remuneration governance and oversight is managed through our regional structures with central advice, counsel and co-ordination provided by our Group Head of Reward. Approvals for the annual pay review, bonus proposals and shares scheme sit with the Board.

Remuneration and Equity Sub-committee

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

- percentage pay review amounts;
- the size and allocation of the discretionary bonus pool for employees;
- compensation proposals for the directors of the Board;
- annual share allocations to business units to use to offer shares for purchase by their employees;
- annual share offers for purchase by the executive directors of the company; and
- the annual dividend and the size and allocation of discretionary bonus pools to distribute to employee shareholders.

All such proposals are based on the performance of the Group, the business segment and the individual.

Performance is defined with agreed goals and targets and measured via metrics such as revenue growth, profit growth, profitability, working capital, ethics and collaboration, as well as the development and demonstration of professional and technical excellence. Goals are reviewed via a quarterly process called 'Connected Conversations'.

Corporate governance report

Directors and independent members

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

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

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

Equality, diversity and inclusion (EDI)

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

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

EDI dashboards provide detailed data and insights across the employee lifecycle. The dashboards support us in our aim for our EDI outcomes 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 and regional EDI action plans.

Principle 6 – Stakeholder relationships and engagement

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

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

With our employees

The directors have regular engagement with employees to ensure that they are informed of the Group's strategic direction and are kept informed of its performance. A summary strategy has been issued to all employees to increase awareness of the company's strategic objectives and value proposition. Details of employee engagement are required to be set out in the directors' report and can be found on page 23.

With our employee shareholders

The Board maintains a schedule of engagement with shareholders who, apart from the Employee Trust, are all employees and the only shareholders in the business. There are no external shareholders and there is no external funding from indirect ownership or influence. We are an independent privately owned company. The purpose of engagement with shareholders is to align their interests with the Group's interests, and to keep them briefed on the Group's performance, the delivery of strategy, material initiatives and company news. It also helps to ensure that the directors take their views into account in making decisions to act in the best interests of the company, its shareholders and wider stakeholders, promoting its long-term success in doing so.

This includes the directors providing:

- quarterly and annual business and performance reviews;
- a summarised strategy to shareholders to increase awareness of the company's strategic objectives and value proposition;
- two virtual shareholder meetings every year covering the annual results and business review, strategy and major initiatives – each including a 'question and answer' session with the Executive Board; and
- regional forums for shareholders as senior employees to promote meaningful dialogue around recent developments for the Group or their business and drive performance improvement and unity.

With our clients

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

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

Corporate governance report

- engage with the broader industry to help steer our business and test our positions on key issues;
- progress thought leadership across areas that matter to our clients and Mott MacDonald;
- visit key business locations to meet clients and build an informed view of local markets, the local business and the quality of our brand;
- require the issuance of client satisfaction questionnaires for individual clients so that their view on service provision can be incorporated into our learning and development plans; and
- participate in the pursuit of major prospects and the management of key clients via special interest groups and client-facing activity.

With our partners

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

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

With wider stakeholders

The directors maintain regular engagement with wider stakeholders to enhance market focus and promote the company effectively. Our partnerships with various institutions and industry bodies demonstrate our commitment to engagement across the sectors we work in.

We also relaunched our annual review with the aim of more widely communicating our performance, our progress across areas related to our purpose and recognising the success of our projects and colleagues.

Other activities include:

- updating our corporate positions and commitments related to global issues to reflect changes in global targets, aligning either with global campaigns or an improved understanding;
- participating in steering, chairing or speaking at global initiatives on behalf of the business such as the Coalition for Climate Resilient Investment, the Business of Resilience industry-led taskforce and the World Economic Forum;
- using different media, contribute our colleagues' knowledge and expertise to discussion and debate on key issues impacting markets and stakeholders; and
- maintaining the Mott MacDonald corporate website and other websites that communicate with clients, stakeholders and wider society to promote our purpose, capabilities and values.

Further, specific examples of how the directors have engaged with employees, clients and wider stakeholders in the course of their duties and having regard to this engagement and their views in making decisions and ensuring the success of the company are set out in the S172 statement in the strategic report on pages 10 to 13.

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

James Harris, Executive Chair
12 June 2023

Ed Roud, Finance Director
12 June 2023

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 2022.

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. Our core business sectors are advisory, built environment, energy, transport and water. We are an independent employee-owned company engaged in public and private sector development worldwide.

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

Results and dividends

Profit attributable to shareholders before dividend is £83.7m (2021 – £83.4m).

An interim dividend of £4.3m (2021 – £3.3m) was paid to shareholders on 30 December 2022. The directors do not recommend the payment of a final dividend.

Acquisitions and disposals

On 31 March 2022, the Group sold its interest in Mott MacDonald Uganda 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.

Directors and their interests

The directors of the company during the year ended 31 December 2022 and their interests in the share capital of the company were as follows:

Directors	At 31 December 2022 (or date of resignation) Ordinary shares	At 31 December 2021 (or date of appointment) Ordinary shares
Denise Bower	30,000	25,000
Ian Galbraith	80,000	75,000
Mike Haigh	100,000	100,000
James Harris	82,500	72,500
Ed Roud	100,000	97,500
Cathy Travers	51,000	36,000

Denise Bower, Ian Galbraith, James Harris, Ed Roud and Cathy Travers were members of the Board throughout the year ended 31 December 2022. Cathy Travers was appointed as a director on 1 January 2022 and Mike Haigh resigned as a director on 31 July 2022.

Directors' and officers' indemnity and liability insurance

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

Post balance sheet events

There are no post balance sheet events requiring disclosure.

Future developments

The various markets of the company are likely to continue to be impacted by economic and geopolitical uncertainty which created a more unsettled business environment during 2022. The main potential impact is likely to come from any implications for government funding for infrastructure programmes. Business activity levels continue to be sustained at present. Management continues to focus on lead indicators of business activity, such as business confidence, business prospects and the order book, in order to anticipate market trends and to be ready to respond to growth or contraction as it occurs.

Statement of corporate governance arrangements

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

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

The corporate governance report on pages 14 to 21 demonstrates how we have satisfied the requirements for governance under the Companies (Miscellaneous Reporting) Regulations 2018 throughout the year ended 31 December 2022.

Directors' report

Employees

We ended the year with approximately 17,300 employees and a total workforce of around 18,200 including agency and contract workers.

Employment policies

The company actively encourages employees to play a part in developing the Group's business and in enhancing its performance. The Group recognises individual contributions through performance bonuses and annual awards.

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

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

Equal opportunities

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

We apply the same standards and protocols to other areas where discrimination may exist in the workplace and our current initiatives in equality, diversity and inclusion (EDI) are set out in the corporate responsibility statement on page 3.

Engagement with employees

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

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

This includes the directors:

- creating a mechanism for employees who do not hold shares to benefit from the company's success by using bonus schemes to distribute profit to them based on performance and behaviours;
- using corporate emails or presentations to brief employees on important matters impacting the company and using their feedback to improve policy or decisions;
- briefing employees on other matters of importance that impact on them, their jobs, the company or society;
- issuing quarterly performance reports to employees setting out key metrics on financial performance 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 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 to engage them to respond to the challenges;
- running 'town hall' sessions with employees, in offices the directors visit, to give them an understanding of what is happening elsewhere in the business with an opportunity for Q&A sessions;
- running staff councils in local offices for management and staff to discuss issues in the Group or the workplace, with the aim that the company and employees can benefit from a better and more productive work environment;
- providing 'Speak Up' hotlines for anonymous reporting of concerns over ethical/behavioural matters, allowing the business to formally investigate any issues; and
- running staff engagement surveys, enabling the directors to understand and focus on matters needing change, development or improvement.

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

Details of how the directors have engaged with employee shareholders, clients, partners and wider stakeholders are set out in the corporate governance report on pages 20 and 21.

Energy consumption and carbon information

The relevant information on energy and carbon is set out in the strategic report on pages 3 to 5.

Principal risks and uncertainties

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

Directors' report

The financial risks and mitigation measures are set out below:

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

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

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

Statement of directors' responsibilities

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

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

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

Auditor

BDO LLP was appointed as auditor of the company during the year and 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 by:

Paul Ferguson, Company Secretary
12 June 2023

Independent auditor's report

to the members of Mott MacDonald Group Limited

Opinion on the financial statements

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 2022 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 2022 which comprise the consolidated income statement and statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

During the year, it was identified that BDO Myanmar provided tax services to the Myanmar branch of Mott MacDonald Limited. As such, this constituted a service which was not permitted to be provided to an Other Entity of Public Interest under paragraph 5.40 of the FRC Ethical Standard. The service was provided during the financial year ended 31 December 2022 albeit related to tax matters for the branch for the year ended 31 December 2021. We have assessed the threats to independence arising from the provision of this non-audit service and we do not consider that our independence has been compromised as a result of this breach of FRC Ethical Standard. The Audit and Risk Assurance Sub-committee has concurred with this view.

Other than the matter noted above, no other non-audit services prohibited by the FRC Ethical Standard were provided to the Group.

Conclusions relating to going concern

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.

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 or parent company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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.

Independent auditor's report

to the members of Mott MacDonald Group Limited

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.

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

As explained more fully in the statement of responsibilities of directors for the financial statements, 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.

Extent to which the audit was 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. 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 Mott MacDonald Group Limited and determined the most significant laws and regulations to be:

  - those that relate to the reporting framework (Financial Reporting Standard 102, the Companies Act 2006 and the Wates Principles for Corporate Governance);
  - laws and regulations relating to employee matters such as health and safety, equality, bribery, and corruption practices; and
  - relevant tax compliance regulations in the jurisdictions in which the entity operates.

- We understood how Mott MacDonald Group Limited is complying with the relevant legal and regulatory frameworks by making enquiries with management and those charged with governance, internal audit and those responsible for legal and compliance procedures. We corroborated our enquires through our review of board minutes, legal correspondence and correspondence received from regulatory bodies and we agreed the financial statement disclosures through to underlying supporting documentation.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where it is considered there was a susceptibility to fraud. We also considered potential fraud drivers including financially linked performance targets or other pressures, opportunity and personal or corporate motivations. We obtained an understanding of the programmes and controls that the Group has established to address risks identified or that otherwise prevent, deter, or detect fraud, and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals by identifying journals which met a defined criteria and corroborating these on a sample basis through to

Independent auditor's report

to the members of Mott MacDonald Group Limited

supporting documentation and management explanations and testing key areas of estimation uncertainty or judgement for example; determining the revenue and profitability of projects for which we sampled projects using a risk based approach and assessed and challenged management's estimated costs to complete against budgets and also assessed and challenged to completeness of provisions for works in progress, trade receivables, contract losses and contract liabilities, and valuation of the defined benefit scheme and annuities for which we consulted with external experts to gain an understanding of the estimates and judgements used and assessed the reasonableness of these in the context of our understanding of the entity and its environment.

- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with law and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nicholas Carter-Pegg, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
London, UK
12 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement and statement of comprehensive income

for the year ended 31 December 2022

Consolidated income statement	Notes	2022 £000	2021 £000
Gross revenue	5	**2,049,094**	1,781,800
Cost of sales		**(1,231,755)**	(1,080,602)
Gross profit		**817,339**	701,198
Administrative expenses		**(707,817)**	(597,144)
Operating profit	6(a)	**109,522**	104,054
Other income	6(b)	**6,111**	676
Income from other fixed asset investments		**5**	2
(Loss)/income from current asset investments		**(2,428)**	496
Profit on ordinary activities before interest		**113,210**	105,228
Net interest receivable	9	**1,228**	112
Other finance income/(cost)	25(c)	**1,368**	(118)
Profit on ordinary activities before taxation		**115,806**	105,222
Tax on profit on ordinary activities	10(a)	**(32,028)**	(21,551)
Profit on ordinary activities after taxation		**83,778**	83,671
Profit attributable to:			
Owners of the parent company	22	**83,659**	83,428
Non-controlling interests		**119**	243
		83,778	83,671

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

Consolidated statement of comprehensive income	Notes	2022 £000	2021 £000
Profit for the financial year		**83,778**	83,671
Exchange adjustments on translation of net assets of overseas subsidiaries		**6,108**	1,479
Net actuarial (loss)/gain on pension schemes	22, 25(c)	**(21,758)**	40,517
Tax on net actuarial loss/(gain)	22	**4,175**	(7,810)
Change in restriction of pension asset recognised – gross	22	**564**	(29,831)
Change in restriction of pension asset recognised – tax thereon	22	**(181)**	5,601
Total other comprehensive (loss)/income		**(11,092)**	9,956
Total comprehensive income for the year		**72,686**	93,627
Total comprehensive income for the year attributable to:			
Owners of the parent company		**72,537**	93,388
Non-controlling interests		**149**	239
		72,686	93,627

Consolidated statement of financial position

at 31 December 2022

Registered No. 01110949	Notes	2022 £000	2021 £000
Fixed assets			
Intangible assets	12	**21,448**	31,119
Tangible assets	13	**48,096**	43,968
Other fixed asset investments	14(a)	**189**	193
		69,733	75,280
Current assets			
Debtors	15	**527,681**	433,348
Current asset investments	14(a)	**33,628**	26,213
Cash at bank and in hand	27(b)	**364,731**	273,183
		926,040	732,744
Creditors: amounts falling due within one year	16	**(578,068)**	(480,305)
Net current assets		**347,972**	252,439
Total assets less current liabilities		**417,705**	327,719
Creditors: amounts falling due after more than one year	17	**(12,062)**	(12,284)
Provisions for liabilities	20	**(48,121)**	(21,985)
Net assets excluding pension liability		**357,522**	293,450
Pension liability	25(c)	**(1,514)**	(1,617)
Net assets including pension liability		**356,008**	291,833
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	**(15,281)**	(11,105)
Profit and loss account	22	**340,854**	272,434
Equity attributable to owners of the parent company		**355,817**	291,573
Non-controlling interests		**191**	260
Total capital and reserves		**356,008**	291,833

The financial statements on pages 28 to 70 were approved and authorised for issue by the Board of Directors on 12 June 2023 and signed on its behalf by:

James Harris, Executive Chair

Company statement of financial position

at 31 December 2022

Registered No. 01110949	Notes	2022 £000	2021 £000
Fixed assets			
Investment in subsidiary undertakings	14(b)	**347,281**	347,281
Current assets			
Debtors	15	**63,689**	59,665
Cash at bank and in hand		**112**	38
		63,801	59,703
Creditors: amounts falling due within one year	16	**(25)**	(27)
Net current assets		**63,776**	59,676
Total assets less current liabilities		**411,057**	406,957
Creditors: amounts falling due after more than one year	17	**(250,000)**	(250,000)
Net assets		**161,057**	156,957
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		**128,894**	124,794
Shareholders' equity		**161,057**	156,957

Mott MacDonald Group Limited reported a profit for the year of £8,424,000 (2021 − £6,840,000).

The financial statements on pages 28 to 70 were approved and authorised for issue by the Board of Directors on 12 June 2023 and signed on its behalf by:

James Harris, Executive Chair

Consolidated statement of cash flows

for the year ended 31 December 2022

	Notes	**2022 £000**	2021 £000
Operating activities			
Net cash inflow from operations	27(a)	**144,932**	63,078
Interest paid	9	**(1,002)**	(332)
Taxation:			
UK corporation tax paid		**(4,116)**	(4,610)
Overseas tax paid		**(22,744)**	(18,366)
		(27,862)	(23,308)
Net cash flow from operating activities		**117,070**	39,770
Investing activities			
Payments to acquire intangible fixed assets	12	**(1,454)**	(3,992)
Payments to acquire tangible fixed assets	13	**(20,489)**	(17,439)
Receipts from sales of tangible fixed assets		**2,911**	2,710
Payments to acquire current asset investments	14(a)	**(21,783)**	(5,656)
Receipts from sales of current asset investments		**11,540**	7,848
Payments to acquire other fixed asset investments	14(a)	**(1)**	(1)
Disposal of subsidiary – net cash disposed		**(62)**	–
Net cash on acquisition of subsidiary undertakings		**–**	(4,875)
Interest received	9	**2,230**	444
Net cash flow used in investing activities		**(27,108)**	(20,961)
Financing activities			
Dividends paid to non-controlling interests		**(218)**	(377)
Redemption of shares classed as financial liabilities		**(4)**	(9)
Proceeds from sale of shares to employees		**13,971**	15,682
Repurchases of own shares from employees		**(17,940)**	(9,973)
New loans		**15,000**	9,448
Repayment of loans		**(15,000)**	(9,448)
Repayments of capital element of finance leases		**(1,095)**	(796)
Equity dividends paid	11	**(4,324)**	(3,326)
Net cash flow (used in)/from financing activities		**(9,610)**	1,201
Increase in cash and cash equivalents		**80,352**	20,010
Effect of exchange rates on cash and cash equivalents		**11,196**	(1,547)
Cash and cash equivalents at 1 January		**273,183**	254,720
Cash and cash equivalents at 31 December	27(b)	**364,731**	273,183

Consolidated and company statement of changes in equity

for the year ended 31 December 2022

	Group		Company	
	2022	2021	**2022**	2021
	£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	**(11,105)**	(16,474)	**–**	–
Sale of shares by Employee Trust to employees	**13,971**	15,682	**–**	–
Repurchases of shares by Employee Trust from employees	**(17,940)**	(9,973)	**–**	–
Surplus on disposal of own shares	**(207)**	(340)	**–**	–
At 31 December	**(15,281)**	(11,105)	**–**	–
Profit and loss account (note 22)				
At 1 January	**272,434**	182,032	**124,794**	121,280
Profit for the year	**83,659**	83,428	**8,424**	6,840
Other comprehensive income/(loss):				
Exchange adjustments on translation of net assets of overseas subsidiaries	**6,078**	1,483	**–**	–
Net actuarial (loss)/gain on pension schemes (note 25(c))	**(21,758)**	40,517	**–**	–
Tax on net actuarial loss/(gain)	**4,175**	(7,810)	**–**	–
Change in restriction of pension asset recognised – gross	**564**	(29,831)	**–**	–
Change in restriction of pension asset recognised – tax thereon	**(181)**	5,601	**–**	–
Total other comprehensive (loss)/income for the year	**(11,122)**	9,960	**–**	–
Total comprehensive income for the year	**72,537**	93,388	**8,424**	6,840
Surplus on disposal of own shares	**207**	340	**–**	–
Dividends (note 11)	**(4,324)**	(3,326)	**(4,324)**	(3,326)
At 31 December	**340,854**	272,434	**128,894**	124,794
Equity attributable to owners of the parent company	**355,817**	291,573	**161,057**	156,957

Consolidated and company statement of changes in equity
(continued)

for the year ended 31 December 2022

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Equity attributable to owners of the parent company	**355,817**	291,573	**161,057**	156,957
Non-controlling interests				
At 1 January	**260**	398	**–**	–
Profit for the year	**119**	243	**–**	–
Other comprehensive income/(loss):				
Exchange adjustments on translation of net assets of overseas subsidiaries	**30**	(4)	**–**	–
Total comprehensive income for the year	**149**	239	**–**	–
Dividends	**(218)**	(377)	**–**	–
At 31 December	**191**	260	**–**	–
Total capital and reserves	**356,008**	291,833	**161,057**	156,957
Total capital and reserves				
At 1 January	**291,833**	196,200	**156,957**	153,443
Sale of shares by Employee Trust to employees	**13,971**	15,682	**–**	–
Repurchases of shares by Employee Trust from employees	**(17,940)**	(9,973)	**–**	–
Profit for the year	**83,778**	83,671	**8,424**	6,840
Other comprehensive (loss)/income for the year	**(11,092)**	9,956	**–**	–
Dividends	**(4,542)**	(3,703)	**(4,324)**	(3,326)
At 31 December	**356,008**	291,833	**161,057**	156,957

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

Notes to the financial statements

at 31 December 2022

1. Company information

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

2. Basis of preparation

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

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

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available to qualifying entities under FRS 102:

- no cash flow statement or net funds reconciliation has been presented for the parent company; and
- no financial instruments disclosure has been presented for the parent company.

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 and for the period from the start of the year to the date of disposal for subsidiary undertakings disposed of during the year.

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

Mott MacDonald Employee Trust ('Employee Trust')

The results, assets and liabilities of the 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 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 cash flow projections up to 31 December 2024, including both a base case and hypothetical downside scenarios that may result from the negative impact of a severe global recession on future trading and cash flow. The analysis demonstrates that there would be sufficient headroom within the banking covenants and liquidity even if revenue and cash receipts reduced substantially. The scenario analysis allows for measures that would be implemented as part of a response plan to preserve cash, many of which were implemented effectively during 2020. The directors are therefore satisfied that the Group and the company have sufficient financial resources and a robust response plan in the event of a severe economic downturn. The Group also has a strong cash position at the statement of financial position date and a bank facility is in place up until December 2026 for £125m with an accordion of £25m available to use as part of the main facility agreement. 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 2022

3. Significant judgements and estimates

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

Critical accounting judgements in applying the Group's accounting policies that have the most significant effect on amounts recognised in the 2022 financial statements are as follows:

Revenue from contracts

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

Provisions

From time to time the Group receives claims from clients with regards to work performed on projects. The Group insures itself against such claims through policies written by its captive insurance subsidiary and through the external insurance market. Significant judgement is required to determine whether a provision should be put in place for these claims, including considering their merits.

Defined benefit pension schemes

Section 28 of FRS 102 permits an entity to recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. In the opinion of the directors, the Group does not have an unconditional right to the surplus and therefore no surplus has been recognised.

Certain significant judgements were disclosed in the 2021 financial statements but having reassessed, management have concluded that they no longer meet the requirements for disclosure.

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

Revenue from contracts

The Group's revenue accounting policy is central to how the Group values the work it has carried out in each financial year. This policy requires forecasts to be made on the current percentage of completion and the projected outcomes of projects. The key estimates relating to determining the revenue and profitability of projects and related assets or liabilities within the Group's financial statements are:

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

Projects may contain contingencies in their accounting estimates. The contingencies can be for potential costs to complete (cost contingencies) the project and for potential clawback or disallowance of fees (revenue contingencies) where work has been done or is planned to be done.

Such cost and revenue contingencies are only included in the estimates in project budgets if they are deemed 'more likely than not to occur' when the financial statements are prepared. Management have reviewed project budgets at 31 December 2022 and are satisfied that contingencies that are included in project budgets reflect this methodology and the criteria set out above. There is however uncertainty in respect of the extent and magnitude of the contingencies, most notably whether the amounts recognised will fully crystallise. Due to their nature, revenue contingencies tend to require more judgement than cost contingencies. Revenue contingencies totalled c£46m at 31 December 2022, the majority of which relates to 21 projects.

Notes to the financial statements

at 31 December 2022

3. Significant judgements and estimates (continued)

Revenue from contracts (continued)

The classifications in the statement of financial position impacted by the above factors are contract assets (£176,741k) and contract liabilities (£190,845k).

Based on the information available as at 31 December 2022, management do not consider there to be any significant risk of a material change to the estimates and contingencies that feed into contract accounting on projects within the next financial year. However, future events and circumstances which cannot be foreseen at this stage may require significant changes to be necessary to these estimates and contingencies at some future point.

Management are content that its project budgeting, contract management and risk management processes will reasonably result in any such future changes to a project being absorbed in future project budgets without creating a specific material unfunded project loss.

The company considers that the level of estimation uncertainty in the financial statements as a whole is mitigated by the size of the company's portfolio of contracts, which are of various types and at different stages of completion at any point in time.

Provisions

Accounting estimates are made to value these claims estimating the likely outflow utilising both internal and external sources, as well as the result of past experience. Any reimbursable that the Group is virtually certain to receive with respect to the likely outflow is recognised as a separate asset but limited to the value of the likely outflow. Assumptions are used in making these estimates and as such subsequent events may mean that they prove to be inaccurate, with an adjustment made in a future year. These estimates will affect the carrying value of 'other provisions' of £32,189,000 (2021 − £12,736,000), see note 20.

Defined benefit pension schemes

The cost of defined benefit pension plans is determined annually using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, inflation, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty, with the valuation being most sensitive to the discount and inflation rate actuarial assumptions used. There is a range of possible values for the assumptions and small changes in these may have a significant impact on the valuation of the defined benefit pension obligations. The assumptions in relation to the UK scheme are set out in note 25, including sensitivity analysis on the two most critical estimates.

4. Principal accounting policies

Business combinations

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

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

Notes to the financial statements

at 31 December 2022

4. Principal accounting policies (continued)

Goodwill and intangible assets

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

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

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

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

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

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

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 with the amortisation being charged to administrative expenses in the income statement. 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:

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

Non-controlling interests

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

Notes to the financial statements

at 31 December 2022

4. Principal accounting policies (continued)

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:

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. In recognising revenue, consideration is given to the contractual terms within individual contracts to determine whether the Group is engaging in the arrangement as a principal or as an agent. Determining whether the Group is acting as a principal or as an agent is based on an assessment of the contract in line with the factors set out in Section 23 of FRS 102, being, primary responsibility for delivery of goods or services, inventory risk, credit risk and latitude to establish prices. In addition to these factors, consideration is also given to any other relevant facts specific to the circumstances of the contract to decide whether the Group has exposure to the significant risks and rewards associated with the transaction. Where it is determined that the Group is acting as an agent, the related revenue and costs are offset with each other in the financial statements.

Gross revenue on fixed price or lump sum contracts 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.

Gross revenue for time and materials contracts is recorded over time in the income statement based on the value of the Group's work performed for the client.

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 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.

Notes to the financial statements

at 31 December 2022

4. Principal accounting policies (continued)

Joint arrangements

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

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

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

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

Research and development

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

Fixed asset investments including subsidiaries

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

Cash and cash equivalents

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

Current asset investments

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

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

Notes to the financial statements

at 31 December 2022

4. Principal accounting policies (continued)

Financial assets

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

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

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

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

Financial assets are derecognised when:

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

Financial liabilities

Basic financial liabilities, including trade creditors, other payables, bank loans, loans from fellow Group subsidiary undertakings and convertible deferred 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.

Notes to the financial statements

at 31 December 2022

4. Principal accounting policies (continued)

Taxation

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

Deferred taxation

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

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

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

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

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

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

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in the income statement, 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.

Notes to the financial statements

at 31 December 2022

4. Principal accounting policies (continued)

Foreign currencies

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

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

Leasing 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, 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 which 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 in 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 occurs, the changes in the present value of the scheme liabilities and the fair value of the plan assets reflect 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 2022

4. Principal accounting policies (continued)

Government grants and subsidies

Government grants and subsidies are recognised, as other income in the income statement, 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.

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:	**2022 £000**	2021 £000
Europe	**1,060,433**	876,560
Americas	**452,294**	385,700
Australia and New Zealand	**236,684**	217,962
Middle East and Africa	**156,779**	161,529
Asia	**142,904**	140,049
	2,049,094	1,781,800

Analysis by type of business:		
Consulting services	**1,752,293**	1,530,595
Building and civil engineering contracting	**296,801**	251,205
	2,049,094	1,781,800

Notes to the financial statements

at 31 December 2022

6. Operating profit and other income

(a) Operating profit

This is stated after charging/(crediting):		2022 £000	2021 £000
Auditors' remuneration	– audit services – principal auditor for audit of parent company and Group financial statements[1]	**165**	155
	– audit services – principal auditor for audit of subsidiary undertakings[1]	**628**	577
	– audit services – associates of principal auditor for audit of subsidiary undertakings[1]	**711**	664
		1,504	1,396
	– audit services – non-principal auditors for audit of subsidiary undertakings	**331**	209
		1,835	1,605
	– other non-audit services – principal auditor	**–**	3
	– non-audit services – associates of principal auditor		
	taxation	**2**	84
	other	**13**	73
		15	160

[1]In 2022 the fees for principal auditor relate to BDO LLP, and in 2021 they related to Grant Thornton UK LLP, following a change of auditor during the year.

		2022 £000	2021 £000
Current service costs in pension schemes (note 25(c))		**104**	204
Foreign exchange (gains)/losses		**(17,811)**	2,629
Depreciation (note 13)		**16,707**	16,161
Amortisation of goodwill (note 12)		**2,458**	1,650
Amortisation of software (note 12)		**5,954**	4,705
Amortisation of other intangibles (note 12)		**3,571**	3,571
Operating lease rentals	– vehicles and equipment	**672**	1,381
	– land and buildings	**33,815**	32,369

(b) Other income

	2022 £000	2021 £000
Research and Development Expenditure Credit (RDEC)[1]	**5,256**	–
Government grants[2]	**855**	676
	6,111	676

[1]In 2021 this was included as a reduction in the tax charge. The amount for 2021 was not considered material to the financial statements, therefore the comparative has not been restated.
[2]In 2022, the government grants relate to post-pandemic schemes aimed at retaining and hiring local employees in Hong Kong (£770,000) and Singapore (£85,000). In 2021, the £676,000 related to the final tranche of a COVID-19 wage subsidy in Singapore.

Notes to the financial statements

at 31 December 2022

7. Directors' remuneration

	2022 £000	2021 £000
Emoluments (excluding pension contributions)	**3,885**	4,085

The emoluments above relate to 6 directors in the year ended 31 December 2022 (2021 − 6).

The emoluments (excluding pension contributions) of the highest paid director were £947,418 (2021 − £961,982).

During the year £77,948 (2021 − £68,909) of contributions were paid to defined contribution pension plans in respect of 5 directors (2021 − 5), of which £nil (2021 − £26,161) 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 2022 was £4,236 (2021 − £24,098).

The Scheme provides an option to commute part of this pension for a lump sum, which amounted to £22,583 at 31 December 2022 (2021 − £324,731) for the highest paid director.

8. Staff costs

	2022 £000	2021 £000
Salaries	**960,655**	827,535
Social security costs	**79,142**	65,084
Other pension costs (defined contribution schemes)	**85,825**	74,001
	1,125,622	966,620

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

	No.	No.
Management	**1,317**	1,267
Technical staff	**13,278**	12,190
Administrative staff	**1,883**	1,725
	16,478	15,182
The actual number of permanent staff at 31 December was:	**17,312**	15,881

There are no staff employed directly by the parent company, Mott MacDonald Group Limited.

Notes to the financial statements

at 31 December 2022

9. Net interest receivable

	2022 £000	2021 £000
Interest receivable	**2,230**	444
Interest payable:		
Bank loans and overdrafts	**(759)**	(152)
Finance charges payable under finance leases	**(11)**	(43)
Other	**(232)**	(137)
	(1,002)	(332)
Net interest receivable	**1,228**	112

10. Tax

(a) Tax on profit on ordinary activities

	2022 £000	2021 £000
The taxation charge is made up as follows:		
Current tax:		
UK corporation tax	**11,333**	7,346
Non-UK tax	**20,684**	16,896
Capital gains tax – Mott MacDonald Employee Trust	**43**	108
	32,060	24,350
Adjustments in respect of previous years:		
UK corporation tax	**1,452**	(824)
Non-UK tax	**229**	1,307
Capital gains tax – Mott MacDonald Employee Trust	**(11)**	–
Total current tax	**33,730**	24,833
Deferred tax:		
Origination and reversal of timing differences	**(2,723)**	(874)
Adjustments in respect of previous years	**1,026**	(1,527)
Effect of change in tax rate on opening balance	**(5)**	(881)
Total deferred tax credit (note 10(c))	**(1,702)**	(3,282)
Tax on profit on ordinary activities (note 10(b))	**32,028**	21,551

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is a credit of £3,994,000 (2021 − £2,209,000 charge).

Notes to the financial statements

at 31 December 2022

10. Tax (continued)

(b) Factors affecting tax charge for the year

The tax provided for the period is higher than the amount computed at the standard rate of corporation tax in the UK of 19% (2021 − 19%). The differences are explained below.

An increase in the UK corporation tax rate, from 19% to 25% with effect from 1 April 2023, was announced in the UK Budget speech on 3 March 2021 and was substantively enacted on 24 May 2021. The expected impact of this increase has been taken into account in computing the deferred tax assets and liabilities included in the statement of financial position at 31 December 2021 and 31 December 2022.

	2022 **£000**	2021 £000
Profit on ordinary activities before taxation	**115,806**	105,222
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021 − 19%)	**22,003**	19,992
Effects of:		
Tax losses	**2,424**	(621)
Higher taxes on non-UK earnings	**6,841**	5,503
Adjustments in respect of previous years	**2,696**	(1,044)
Timing differences not provided	**(538)**	8
Impact of tax rate changes	**440**	(1,755)
Other permanent differences	**(1,838)**	(532)
Tax on profit on ordinary activities (note 10(a))	**32,028**	21,551

Adjustments in respect of previous years include the effects of changes in tax legislation or interpretations and revisions of estimates used in establishing prior period 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 £80,961,000 (2021 − £61,013,000) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. The losses are mainly in South Africa, Guernsey and Hong Kong. Deferred tax assets have not been recognised in respect of any 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 2022

10. Tax (continued)

(c) Deferred tax

Group	2022 £000	2021 £000
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 15)	**31,840**	27,553
Included in provisions for liabilities (note 20)	**(5,123)**	(2,138)
	26,717	25,415
The elements of deferred taxation are as follows:		
(Shortfall)/excess of book depreciation over tax allowances on fixed assets	**(643)**	2,271
Amortisation of intangible assets	**(1,298)**	(2,585)
Pension liability (note 25(c))	**415**	443
Accrued expenses and provisions	**12,598**	16,241
Pension spreading	**5,620**	7,822
Other timing differences	**10,025**	1,223
	26,717	25,415
The movement in the year was:		
At 1 January	**25,415**	30,406
Deferred tax credit in the income statement (note 10(a))	**1,702**	3,282
Deferred tax credit/(charge) in the statement of comprehensive income		
− on net actuarial loss/(gain) on pension schemes (note 22)	**4,175**	(7,810)
− on defined benefit pension contributions	**(6,034)**	(5,686)
Deferred tax on change in restriction of pension asset recognised	**(181)**	5,597
Exchange and other adjustments	**1,640**	(374)
At 31 December	**26,717**	25,415

The amount of the net reversal of deferred tax expected to occur next year is £7,500,000 (2021 − £4,500,000).

Notes to the financial statements

at 31 December 2022

11. Dividends

	2022 £000	2021 £000
The following dividends were paid during the year:		
Ordinary:		
Interim dividend paid per share (2022 − 40p; 2021 − 30p)	**4,324**	3,326

The trustees of the Mott MacDonald Employee Trust waived the dividend on their 901,595 ordinary shares (held at the relevant date for dividend purposes) amounting to £360,638.

12. Group intangible fixed assets

2022	Goodwill £000	Software £000	Other intangibles £000	Total £000
Cost:				
At 1 January	**90,876**	**29,439**	**42,528**	**162,843**
Exchange adjustments	**969**	**405**	**222**	**1,596**
Additions	**–**	**1,454**	**–**	**1,454**
Disposals	**(4,652)**	**(111)**	**–**	**(4,763)**
At 31 December	**87,193**	**31,187**	**42,750**	**161,130**
Amortisation:				
At 1 January	**82,317**	**16,402**	**33,005**	**131,724**
Exchange adjustments	**210**	**306**	**222**	**738**
Provided during the year	**2,458**	**5,954**	**3,571**	**11,983**
Disposals	**(4,652)**	**(111)**	**–**	**(4,763)**
At 31 December	**80,333**	**22,551**	**36,798**	**139,682**
Net book value:				
At 31 December	**6,860**	**8,636**	**5,952**	**21,448**
At 1 January	8,559	13,037	9,523	31,119

The goodwill carrying value at 31 December 2022 is £6,860,000 which relates to the acquisition of Bentley Holdings Limited (£1,583,000) in 2014 and the acquisitions of The Kercher Group, Inc. (£3,993,000) and Pacific Groundwater Group, Inc. (£1,284,000) in 2021.

The £5,952,000 other intangibles comprise customer relationships. These are amortised over 10 years ending in 2024 and relate to the acquisition of Bentley Holdings Limited.

Notes to the financial statements

at 31 December 2022

13. Group tangible fixed assets

2022	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
Cost:			
At 1 January	**7,565**	**113,992**	**121,557**
Exchange adjustments	**117**	**5,231**	**5,348**
Additions	**1,351**	**19,138**	**20,489**
Disposal of subsidiary	**(74)**	**(187)**	**(261)**
Disposals	**(859)**	**(8,138)**	**(8,997)**
At 31 December	**8,100**	**130,036**	**138,136**
Depreciation:			
At 1 January	**3,966**	**73,623**	**77,589**
Exchange adjustments	**107**	**3,612**	**3,719**
Provided during the year	**1,556**	**15,151**	**16,707**
Disposal of subsidiary	**(74)**	**(140)**	**(214)**
Disposals	**(854)**	**(6,907)**	**(7,761)**
At 31 December	**4,701**	**85,339**	**90,040**
Net book value:			
At 31 December	**3,399**	**44,697**	**48,096**
At 1 January	3,599	40,369	43,968

The above figures for fixtures, fittings and equipment include plant and machinery held under finance leases with a net book value of £nil (2021 − £1,805,000).

14. Investments

(a) Group

Other fixed asset investments

	2022 £000	2021 £000
Cost:		
At 1 January	**193**	262
Additions	**1**	1
Disposals	**(4)**	–
Exchange adjustments	**(1)**	–
Reclassification	**–**	(70)
At 31 December	**189**	193

Other fixed asset investments are those assets which do not meet the criteria for being accounted as subsidiary undertakings, associates or joint ventures. The principal activity of the businesses comprising other fixed asset investments is that of consulting engineers.

Notes to the financial statements

at 31 December 2022

14. Investments (continued)

(a) Group (continued)

Current asset investments	2022 £000	2021 £000
Valuation:		
At 1 January	**26,213**	28,324
Additions	**21,783**	5,656
Disposals	**(12,231)**	(7,140)
Fair value adjustments	**(2,137)**	(627)
At 31 December	**33,628**	26,213
Investments:		
Held at fair value	**33,628**	26,213

Current asset investments are held by MHACE Insurance Company Limited, the Group's captive insurance company. Current asset investments are comprised of 80% fixed interest securities and 20% managed equity funds. The investments are carried at market value based on mid-market price at the close of business or the valuation date. The historical cost of current asset investments is £35,067,000 (2021 – £25,515,000).

(b) Company

Subsidiary undertakings	2022 £000	2021 £000
Cost or deemed cost:		
At 1 January and 31 December	**348,731**	348,731
Amounts provided:		
At 1 January and 31 December	**1,450**	1,450
Net book value:		
At 1 January and 31 December	**347,281**	347,281

The total historical cost of interests in subsidiary undertakings is £345,604,000 (2021 – £345,604,000).
Subsidiary undertakings held at cost or written down value amount to £334,073,000 (2021 – £334,073,000).
Subsidiary undertakings held at deemed cost amount to £13,208,000 (2021 – £13,208,000), the historical cost of which amounts to £10,081,000 (2021 – £10,081,000).

Notes to the financial statements

at 31 December 2022

14. Investments (continued)

(c) Principal subsidiaries

The company's principal subsidiary undertakings at 31 December 2022 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
	2022	2021	
JN Bentley Limited	**100**	100	England and Wales
MHACE Insurance Company Limited	**100**	100	Guernsey
Mott MacDonald & Company LLC	**65**	65	Oman
Mott MacDonald (Beijing) Limited	**100**	100	China
Mott MacDonald Australia Pty Limited	**100**	100	Australia
Mott MacDonald B.V.	**100**	100	Netherlands
Mott MacDonald Canada Limited	**100**	100	Canada
Mott MacDonald CZ, spol. s r.o.	**100**	100	Czech Republic
Mott MacDonald France SAS	**100**	100	France
Mott MacDonald Group, Inc.	**100**	100	United States of America
Mott MacDonald Hong Kong Limited	**100**	100	China (Hong Kong)
Mott MacDonald International Limited[1]	**100**	100	England and Wales
Mott MacDonald Ireland Limited	**100**	100	Republic of Ireland
Mott MacDonald Japan KK	**100**	100	Japan
Mott MacDonald Limited[1]	**100**	100	England and Wales
Mott MacDonald New Zealand Limited	**100**	100	New Zealand
Mott MacDonald Private Limited	**100**	100	India
Mott MacDonald Singapore Pte Limited	**100**	100	Singapore
PT Mott MacDonald Indonesia	**100**	100	Indonesia

[1]Investment not held through subsidiary undertaking.

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

Notes to the financial statements

at 31 December 2022

15. Debtors

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Trade debtors	**250,318**	201,291	**–**	–
Contract assets	**176,741**	154,736	**–**	–
Amount owed by subsidiary undertaking	**–**	–	**63,659**	59,614
Deferred taxation (note 10(c))	**31,840**	27,553	**–**	–
Taxation recoverable	**10,464**	7,144	**–**	–
Other debtors	**16,570**	15,433	**30**	51
Prepayments	**41,748**	27,191	**–**	–
	527,681	433,348	**63,689**	59,665

Trade debtors are shown net of a provision for impairment of £15,266,000 (2021 – £21,078,000).

Amount owed by subsidiary undertaking of £63,659,000 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 a rate based on SONIA plus a margin. 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 recoverable after more than one year amounts to £24,340,000.

16. Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Contract liabilities	**190,845**	170,659	**–**	–
Trade creditors	**65,322**	55,034	**–**	–
Current UK corporation tax	**–**	514	**–**	–
Non-UK taxation	**18,955**	13,874	**–**	–
Other taxes	**20,183**	19,469	**–**	–
Social security	**18,077**	16,682	**–**	–
Shares classed as financial liabilities (note 21)	**14**	18	**14**	18
Obligations under finance leases (note 19)	**–**	790	**–**	–
Other creditors	**41,364**	18,587	**11**	9
Accruals	**223,308**	184,678	**–**	–
	578,068	480,305	**25**	27

Notes to the financial statements

at 31 December 2022

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

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Unsecured bank loans (note 18)	**10,392**	9,229	**–**	–
Obligations under finance leases (note 19)	**–**	305	**–**	–
Other creditors	**1,670**	2,750	**–**	–
Amount owed to subsidiary undertaking	**–**	–	**250,000**	250,000
	12,062	12,284	**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 based on SONIA plus a margin. In addition the loan is repayable with an 18 month notice period and has a maturity date of 31 December 2026.

18. Loans

Bank loans repayable, included within creditors, are analysed as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Wholly repayable within five years	**10,392**	9,229	**–**	–

The £10.4m loan relates to amount drawn down on the multi-currency revolving facility agreement which is in place until 17 December 2026 and bears a market floating rate of interest based on the daily SOFR rate. Amounts drawn down on the facility are required to be repaid at the end of the facility period.

19. Obligations under leases

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

Group	Land and buildings		Other	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Amounts payable:				
Within one year	**33,458**	31,100	**625**	635
In two to five years	**70,342**	74,253	**418**	383
Over five years	**37,967**	43,304	**–**	–
	141,767	148,657	**1,043**	1,018

Notes to the financial statements

at 31 December 2022

19. Obligations under leases (continued)

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

	Group		Company	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Wholly repayable within five years	**–**	1,095	**–**	–

20. Provisions for liabilities

Group

2022	**Provisions for losses on contracts £000**	**Deferred taxation Note 10(c) £000**	**Other provisions £000**	**Total £000**
At 1 January	**7,111**	**2,138**	**12,736**	**21,985**
Exchange adjustments	**484**	**(1)**	**–**	**483**
Arising during the year	**7,923**	**2,986**	**22,150**	**33,059**
Reversal of provisions	**(2,119)**	**–**	**(2,187)**	**(4,306)**
Utilised	**(2,590)**	**–**	**(510)**	**(3,100)**
At 31 December	**10,809**	**5,123**	**32,189**	**48,121**

Deferred tax is expected to reverse over six years.

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

Due to the nature of provisions 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 three to five years to be resolved. A reasonable expected range of potential outcomes would not materially impact the provisions. This includes a provision for claims incurred but not yet reported in the captive insurance company and is based on information available at the statement of financial position date.

21. Share capital

Allotted, called up and fully paid

	2022 No.	2021 No.	**2022 £000**	2021 £000
Ordinary shares of £1 each	**11,713,212**	11,713,212	**11,713**	11,713
Convertible deferred shares of 1p each (classified as a liability) (note 16)	**1,359,380**	1,768,180	**14**	18
			11,727	11,731

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

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21. Share capital (continued)

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

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

The Employee Trust held 1,147,780 shares in the company at the statement of financial position date.

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.

Notes to the financial statements

at 31 December 2022

22. Reserves (continued)

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.

Group

Profit and loss account	2022 £000	2021 £000
At 1 January	**272,434**	182,032
Exchange adjustments on translation of net assets of overseas subsidiaries	**6,078**	1,483
Profit attributable to owners of the parent company	**83,659**	83,428
Dividends (note 11)	**(4,324)**	(3,326)
Net actuarial (loss)/gain on pension schemes (note 25(c))	**(21,758)**	40,517
Tax on net actuarial loss/(gain)	**4,175**	(7,810)
Change in restriction of pension asset recognised – gross	**564**	(29,831)
Change in restriction of pension asset recognised – tax thereon	**(181)**	5,601
Surplus on disposal of own shares	**207**	340
At 31 December	**340,854**	272,434

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 (2021 − £1,995,000); and that credited to reserves amounts to £2,444,000 (2021 − £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 2022

24. Contingent liabilities

	Group		Company	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Guarantee of bank loans and overdrafts in respect of other Group companies	**–**	–	**10,392**	9,229

In addition, in the normal course of business, down payment, performance and tender bonds have been given by certain subsidiary undertakings. In the opinion of the directors, these are not expected to give rise to any significant liability.

The Group is a party to claims and litigation arising in the normal course of operations. Due to the inherent uncertainties of litigation or the early stage of certain proceedings, it is not possible to predict the final outcome of all ongoing claims and litigation at any given time or to determine the amount of potential losses, if any. The Group monitors all claims and takes appropriate insurance to mitigate its risk. Provisions for such claims made at the statement of financial position date are set out in note 20.

25. Pensions and other retirement benefits

(a) UK pension schemes

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

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

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

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

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

The Group contributes to the Master Trust, at the rates specified in the rules of the scheme. From 1 January 2014, all new employees are contractually enrolled. To comply with auto-enrolment law, all current employees who were not in the GPP were contractually enrolled in May 2016, and subsequently re-enrolment exercises were carried out in the Master Trust in May 2019 and May 2022. Total pension contributions were £54.5m (2021 − £47.2m).

Costs relating to the remaining defined benefit section of MMPS were £20.4m (2021 − £65.6m). These costs include both administrative expenses relating to MMPS and instalments totalling £19.5m (2021 − £64.5m) 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 2022

25. Pensions and other retirement benefits (continued)

(a) UK pension schemes (continued)

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

Date of valuation	1 January 2021
Future investment return per annum – pre-retirement	Discount rate yield curve*
– post-retirement	Discount rate yield curve*

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

At the last actuarial valuation on 1 January 2021, the market value of assets was £672m and the level of funding based on market value of assets was 86%.

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

The valuation position of MMPS was updated to 31 December 2022 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 2022, minimum contributions of £19.5m were paid to MMPS in accordance with the latest recovery plan. Under the current funding plan, minimum contributions will be £19.5m in 2023 and 2024.

(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 2022 for disclosure purposes which showed that the total market value of the assets of the scheme was US$13.4m (2021 − US$17.3m) and the liabilities were US$15.2m (2021 − US$19.5m) resulting in a deficit of US$1.8m at 31 December 2022 (2021 − US$2.2m).

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 2022 for disclosure purposes which showed that the total market value of the assets of the scheme was €8.9m (2021 − €11.8m) and the liabilities were €6.4m (2021 − €10.6m) resulting in a surplus of €2.5m at 31 December 2022 (2021 − €1.2m). Since the company does not have an unconditional right to the surplus, it has not been recognised in the Group financial statements.

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

Notes to the financial statements

at 31 December 2022

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes

The assets and liabilities of the Mott MacDonald Pension Scheme ('MMPS') are analysed below:	2022 £m	2021 £m
Change in defined benefit obligation		
Defined benefit obligation at 1 January	**(683.4)**	(736.7)
Interest cost on MMPS liabilities	**(13.4)**	(10.1)
Actuarial gains on MMPS liabilities	**198.5**	50.9
Benefits paid	**32.2**	33.0
Transfer from JNBPS	**–**	(20.5)
Defined benefit obligation at 31 December	**(466.1)**	(683.4)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**(466.1)**	(683.4)
Change in plan assets		
Fair value of plan assets at 1 January	**712.2**	670.5
Interest income on MMPS assets	**14.2**	9.6
Actuarial losses on MMPS assets	**(220.5)**	(15.0)
Employer contributions	**19.5**	64.5
Benefits paid	**(32.2)**	(33.0)
Transfer from JNBPS	**–**	15.6
Fair value of plan assets at 31 December	**493.2**	712.2
Pension asset/funded status of MMPS	**27.1**	28.8
Pension surplus not recognised (excluding tax)*	**(27.1)**	(28.8)
Pension asset recognised in the statement of financial position (excluding tax)	**–**	–
Deficit in MMPS	**–**	–
Deficit in other Group schemes	**(1.5)**	(1.6)
Total deficit in Group schemes excluding deferred tax (as reported in statement of financial position)	**(1.5)**	(1.6)
Related deferred tax asset (note 10(c))	**0.4**	0.4
Net pension liability	**(1.1)**	(1.2)
Surplus in MMPS	**27.1**	28.8
Surplus in Mott MacDonald Ireland Limited scheme	**2.2**	1.0
	29.3	29.8
Restriction of pension asset recognised*	**(29.3)**	(29.8)
Total surplus in Group schemes excluding deferred tax (as reported in statement of financial position)	**–**	–

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

Notes to the financial statements

at 31 December 2022

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

Components of pension (cost)/income

Year to 31 December	2022 £m	2021 £m
Total pension cost recognised in administrative expenses in arriving at operating profit		
– for MMPS	–	–
– for other Group schemes	(0.1)	(0.2)
	(0.1)	(0.2)
Interest cost on MMPS liabilities	(13.4)	(10.1)
Interest income on MMPS assets	14.2	9.6
Net pension interest recognised within other finance income/(cost) in the income statement		
– for MMPS	0.8	(0.5)
– for other Group schemes	0.6	0.4
	1.4	(0.1)
Actuarial gains on MMPS liabilities	198.5	50.9
Actuarial losses on MMPS assets	(220.5)	(15.0)
Net actuarial (losses)/gains immediately recognised for MMPS	(22.0)	35.9
Total pension (cost)/ income recognised in other comprehensive (loss)/income		
– for MMPS	(22.0)	35.9
– for other Group schemes	0.2	4.6
	(21.8)	40.5

Plan assets

The weighted average asset allocation at the year end for MMPS was as follows:	2022 %	2021 %
Asset category		
Liability driven investment	81	81
Hedge funds/diversified growth funds	6	5
Corporate bonds	6	5
Equities	6	5
Cash and other	1	4
	100	100

Notes to the financial statements

at 31 December 2022

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

Actual return on plan assets

Year to 31 December	**2022 £m**	2021 £m
Interest income on MMPS assets	**14.2**	9.6
Actuarial losses on MMPS assets	**(220.5)**	(15.0)
Actual return on plan assets – for MMPS	**(206.3)**	(5.4)

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

	2022 %	2021 %
Discount rate for MMPS liabilities	**4.9**	2.0
RPI inflation	**3.2**	3.2
CPI inflation	**2.5**	2.5
Pension increases (inflationary increases with a maximum of 5% p.a.)	**2.5**	2.5
Salary increases	**n/a**	n/a

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

	2022		2021	
	Male Years	**Female Years**	Male Years	Female Years
Member age 60 (current life expectancy)	**27.7**	**29.3**	27.9	29.5
Member age 40 (life expectancy at age 60)	**28.8**	**30.6**	28.6	30.3

Sensitivity to the significant actuarial assumptions

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

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

Change in assumption	**Impact on MMPS liabilities**
0.1% decrease in discount rate	increase in obligations in the range 1% to 1.5%
0.1% increase in inflation rate	increase in obligations in the range 0% to 0.5%

26. Related party transactions

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

During the year, the Group made sales of £15,411,000 (2021 – £22,062,000) to joint ventures. The net balance owed by joint ventures at 31 December 2022 was £99,000 (2021 – £317,000).

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 2022

27. Notes to the statement of cash flows

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

	2022 £000	2021 £000
Profit on ordinary activities before taxation	**115,806**	105,222
Adjustments to reconcile profit before taxation for the year to net cash inflow from operations:		
Depreciation	**16,707**	16,161
Amortisation of intangible assets	**11,983**	9,926
Unrealised foreign exchange gains	**(5,109)**	–
Fair value adjustments on current asset investments	**2,137**	627
Pension contributions	**(20,191)**	(65,935)
Current service cost	**104**	204
Loss on disposal of other fixed asset investments	**4**	–
Profit on disposal of tangible fixed assets	**(1,675)**	(1,818)
Loss on disposal of intangible fixed assets	**–**	19
Loss/(profit) on disposal of current asset investments	**691**	(708)
Loss on disposal of subsidiary undertakings	**1,017**	–
Net interest receivable	**(1,228)**	(112)
Other finance (income)/cost	**(1,368)**	118
Increase in debtors	**(72,677)**	(21,314)
Increase in creditors	**76,064**	35,033
Increase/(decrease) in provisions for liabilities	**22,667**	(14,345)
Net cash inflow from operations	**144,932**	63,078

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following:

At 31 December	**2022 £000**	2021 £000
Cash at bank and in hand	**364,731**	273,183

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

(c) Analysis of changes in net funds

Group

	1 January 2022 £000	**Cash flow £000**	**Exchange movement £000**	**31 December 2022 £000**
Cash at bank and in hand	**273,183**	**80,352**	**11,196**	**364,731**
Debt due after more than one year (note 17)	**(9,229)**	**–**	**(1,163)**	**(10,392)**
Finance leases (notes 16, 17)	**(1,095)**	**1,095**	**–**	**–**
Shares classed as financial liabilities (note 16)	**(18)**	**4**	**–**	**(14)**
Total net funds	**262,841**	**81,451**	**10,033**	**354,325**

Notes to the financial statements

at 31 December 2022

28. Financial assets and liabilities

	Notes	2022 £000	2021 £000
Financial assets at fair value through profit or loss			
Listed investments	14(a)	**33,628**	26,213
Financial assets that are equity instruments measured at cost less impairment			
Other fixed asset investments	14(a)	**189**	193
Financial assets that are debt instruments measured at amortised cost[1]			
Trade debtors	15	**250,318**	201,291
Other debtors	15	**16,570**	15,433
Financial liabilities at fair value through profit or loss			
Shares classed as financial liabilities	16, 21	**14**	18
Financial liabilities measured at amortised cost[1]			
Trade creditors	16	**65,322**	55,034
Other creditors	16, 17	**43,034**	21,337
Loans	18	**10,392**	9,229
Obligations under finance leases	19	**–**	1,095

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.

[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 2022

29. Subsidiary undertakings

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
United Kingdom		
Bentley Holdings Limited	100	A
Cambridge Education Associates Limited	100	B
Cambridge Education Consultants Limited	100	B
Cambridge Education Limited[1]	100	B
Courtyard Group UK Limited	100	B
Ewbank and Partners Limited[1]	100	B
Ewbank Preece Consulting Limited[1]	100	B
Ewbank Preece Limited[1]	100	B
Franklin & Andrews International Limited	100	B
Franklin & Andrews Limited[1]	100	B
Franklin Osprey Services Limited	100	B
Fulcrum First Limited	100	B
HLSP Limited	100	B
JBA Bentley Limited	75	A
JN Bentley Limited	100	A
John Proctor Travel Limited[1,2]	100	BD
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 HoldCo Limited[1]	100	B
Mott MacDonald International Limited[1]	100	B
Mott MacDonald Limited[1]	100	B
Mott MacDonald Trustees Limited[1]	100	B
MRT Consulting Engineers Limited	100	B
Multi Design Consultants Limited	100	B
Multi Design Holdings Limited[1]	100	B
Needlemans Limited[1]	100	B
Osprey PMI Limited	100	B
Preece Cardew & Rider Limited[1]	100	B
Procyon Oil & Gas Limited[2]	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		
Mott MacDonald Australia Pty Limited	100	D
Botswana		
Merz & McLellan Botswana (Pty) Limited	100	E
Bulgaria		
Mott MacDonald (Bulgaria) EOOD	100	F
Canada		
Mott MacDonald Canada Limited	100	G

Notes to the financial statements

at 31 December 2022

29. Subsidiary undertakings (continued)

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

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at 31 December 2022

29. Subsidiary undertakings (continued)

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
Mongolia		
Mott MacDonald Mongolia Company Limited	100	AD
Mozambique		
Mott MacDonald Mozambique Lda	100	AE
Netherlands		
BMB Mott MacDonald B.V.	100	AF
Euroconsult Mott MacDonald B.V.	100	AF
Mott MacDonald B.V.	100	AF
New Zealand		
Mott MacDonald New Zealand Limited	100	AG
Nigeria		
Cambridge Education Nigeria Limited	100	AH
Mott MacDonald (Nigeria) Limited	100	AI
Norway		
Mott MacDonald Norge AS	100	AJ
Oman		
Mott MacDonald & Company LLC	65	AK
Philippines		
Mott MacDonald (Philippines) Inc	100	AL
Poland		
Mott MacDonald Polska Spolka z o.o.	100	AM
Romania		
Mott MacDonald Romania SRL	100	AN
SC Educatia 2000+ Consulting SRL	100	AN
Russia		
Mott MacDonald R Limited Liability Company[3]	100	AO
Saudi Arabia		
Mott MacDonald Limited LLC for Engineering Consultancy	100	AP
Serbia		
Mott MacDonald S d.o.o.	100	AQ
Sierra Leone		
Mott MacDonald (SL) Limited	100	AR
Singapore		
Franklin + Andrews Pte Limited	100	AS
Mott MacDonald Singapore Pte Limited	100	AS
Slovakia		
Mott MacDonald Slovensko, s r.o.	100	AT
South Africa		
Merz & McLellan (Proprietary) Limited	100	AU
Mott MacDonald Contracting (Pty) Limited	100	AU
Mott MacDonald Development South Africa (Pty) Limited	100	AU
Mott MacDonald Holdings (South Africa) (Pty) Limited	100	AU
Mott MacDonald South Africa (Proprietary) Limited	100	AU
PDNA Holdings (Pty) Limited	100	AU
Spain		
Mott MacDonald Spain Sociedad Limitada	100	AV

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at 31 December 2022

29. Subsidiary undertakings (continued)

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
Taiwan		
Taiwan Mott MacDonald Limited	100	AW
Tanzania		
Cambridge Education Tanzania Limited	100	AX
Thailand		
Mott MacDonald (Thailand) Limited	100	AY
Thai MM Limited	100	AY
Turkey		
Mott MacDonald T Engineering Consultants Limited	100	AZ
United Arab Emirates		
Ewbank International Consultants (Private) Limited	100	BA
United States of America		
Coast & Harbor Engineering, Inc.	100	BB
J.B. Trimble, Inc.	100	BB
Mott MacDonald Alabama, LLC	100	BB
Mott MacDonald Architects, Inc.	100	BB
Mott MacDonald Consultants, Inc.	100	BB
Mott MacDonald Federal, LLC	100	BB
Mott MacDonald Florida, LLC	100	BB
Mott MacDonald Group, Inc.	100	BB
Mott MacDonald I&E, LLC	100	BB
Mott MacDonald Massachusetts, LLC	100	BB
Mott MacDonald Michigan, LLC	100	BB
Mott MacDonald NY, Inc.	100	BB
Mott MacDonald Operating Services, LLC	100	BB
Mott MacDonald USA, LLC	100	BB
Mott MacDonald, Inc.	100	BB
Mott MacDonald, LLC	100	BB
Pacific Groundwater Group, Inc.	100	BB
The Kercher Group, Inc.	100	BB

[1] investment not held through subsidiary undertakings
[2] in liquidation
[3] The company is currently not trading. All commercial contracts for this company have been terminated with a view to liquidating the company

Notes to the financial statements

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29. Subsidiary undertakings (continued)

Other fixed asset investments by country of incorporation/registration	% held of ordinary share capital	Registered office key
United Kingdom		
BMM JV Limited	**50**	**BC**
M2 (Water) LLP	**50**	**B**
Oman		
Galfar Mott MacDonald LLC	**35**	**AK**

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**
Office A, 2a Ivan Abadjiev Str, Fl. 4, Sofia 1784 Bulgaria	**F**
Suite 301, 30 Duncan Street, Toronto ON M5V 2C3, Canada	**G**
Suite 1007 Tower E Global Trade Centre, 36 North 3rd Ring Road East, Beijing, 100013, China	**H**
2302 Block 1, Xinwen Building, 2 Shennan Zhong Road, Futian District, Shenzhen, China	**I**
3/F International Trade Tower, 348 Kwun Tong Road, Kowloon, Hong Kong	**J**
Carrera 14 No. 89-48, Oficina 403, Edificio Novanta, Bogota D.C., Colombia	**K**
Narodni 15, 110 00 Praha 1, Czech Republic	**L**
7eme etage, Immeuble BCDC, Boulevard du 30 Juin, Commune de la Gombe, Kinshasa, The Democratic Republic of the Congo	**M**
253 Rabaa El-Adaweya Investment Project, El Akad Mall Ext., 5th Floor, Apartment 53, Nasr City, Cairo, Egypt	**N**
c/o Sweco Industry Oy, PL 75, Helsinki, 00381, Finland	**O**
15 Rue Traversière, 75012, Paris, France	**P**
Suite 1 North, First Floor, Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AJ	**Q**
Mott MacDonald, Atrium Park F7, Vaci ut45 F/7, Budapest, 1134, Hungary	**R**
Unit No 101, First Floor, NOMURA Building, Hiranandani Gardens, Powai, Mumbai 400076, India	**S**
WTC 3, Level 29th, Jl. Jend. Sudirman Kav. 29-31, Jakarta, 12920 Indonesia	**T**
South Block, Rockfield, Dundrum, Dublin 16, Republic of Ireland Eircode: D16 R6V0	**U**
Via Enrico Albareto 31, 16154, Genoa, Italy	**V**
4F Nihonbashi Honcho 1-chome Building, 1-9-13 Nihonbashi Honcho, Chuo-ku, Tokyo, 103-0023, Japan	**W**
Office 1114, Syganak Street 29, Esil district, Astana, 010000, Kazakhstan	**X**
LR no.1870/1/176, 1st Floor, ALN House, Eldama Ravine Close, off Eldama Ravine Road, PO Box 764-00606, Westlands, Kenya	**Y**
16Fl., Jongro 5 Gil 7, Jongro-Gu, Seoul (Chung Jin Dong), Republic of Korea	**Z**
Grant Thornton Malawi, MASM House, Lower Sclater Road, P. O. Box 508, Blantyre, Malawi	**AA**
Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200, Kuala Lumpar, Malaysia	**AB**
c/o Rogers Capital Corporate Services Ltd, Rogers House, 5 President John Kennedy Street, Port Louis, Mauritius	**AC**
Suite 203, Crystal Business Center, Chinggis Avenue 11/1, Ulaanbaatar, 210628, Mongolia	**AD**
Av. Orlando Francisco Magumbwe, No. 993, Polana Cimentro, Maputo, Mozambique	**AE**
Amsterdamseweg 15, 6814 CM Arnhem, Netherlands	**AF**
Level 2, 139 Pakenham Street, West Auckland, 1010, New Zealand	**AG**
20 Kwame Nkrumah Crescent, Asokoro, Abuja, Nigeria	**AH**
Sterling Towers, 20 Marina, Lagos, Nigeria	**AI**
c/o Inforegn AS Misjonsmarka 1, 4024 Stavanger, Norway	**AJ**
PO Box 587, Postal Code 112, Ruwi, Sultanate of Oman	**AK**

Notes to the financial statements

at 31 December 2022

29. Subsidiary undertakings (continued)

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

Group five-year summary

This page does not form part of the audited financial statements

Years ended 31 December	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Gross revenue	**2,049,094**	1,781,800	1,805,503	1,784,003	1,621,079
Operating profit	**109,522**	104,054	84,894	47,596	41,715
Profit on ordinary activities before taxation	**115,806**	105,222	90,135	46,275	38,726
Tax on profit on ordinary activities	**(32,028)**	(21,551)	(25,883)	(14,252)	(13,708)
Non-controlling interests	**(119)**	(243)	(473)	(337)	(485)
Dividends	**(4,324)**	(3,326)	–	(5,912)	(5,888)
Retained profit	**79,335**	80,102	63,779	25,774	18,645
Consolidated statement of financial position					
Fixed assets	**69,733**	75,280	74,395	86,431	91,733
Current assets	**926,040**	732,744	695,161	639,350	629,381
Creditors: amounts falling due within one year	**(578,068)**	(480,305)	(445,359)	(456,036)	(449,130)
Net current assets	**347,972**	252,439	249,802	183,314	180,251
Total assets less current liabilities	**417,705**	327,719	324,197	269,745	271,984
Creditors: amounts falling due after more than one year	**(12,062)**	(12,284)	(13,183)	(19,274)	(32,675)
Provisions for liabilities	**(48,121)**	(21,985)	(36,680)	(25,895)	(25,136)
Net assets excluding pension liability	**357,522**	293,450	274,334	224,576	214,173
Pension liability	**(1,514)**	(1,617)	(78,134)	(94,249)	(80,369)
Net assets including pension liability	**356,008**	291,833	196,200	130,327	133,804
Capital and reserves					
Called up share capital	**11,713**	11,713	11,713	11,713	11,713
Share premium account	**17,717**	17,717	17,717	17,717	17,717
Revaluation reserve	**814**	814	814	814	814
Investment in own shares	**(15,281)**	(11,105)	(16,474)	(13,703)	(13,424)
Profit and loss account	**340,854**	272,434	182,032	113,503	116,647
Equity attributable to owners of the parent company	**355,817**	291,573	195,802	130,044	133,467
Non-controlling interests	**191**	260	398	283	337
Total capital and reserves	**356,008**	291,833	196,200	130,327	133,804
Net funds					
Cash at bank and in hand	**364,731**	273,183	254,720	103,735	114,898
Bank overdrafts	**–**	–	–	(485)	(3,391)
Current instalments due on loans	**–**	–	–	(33)	(35)
Loans falling due after more than one year	**(10,392)**	(9,229)	(9,145)	(19,249)	(32,518)
Obligations under finance leases	**–**	(1,095)	(1,891)	(320)	(607)
Shares classed as financial liabilities	**(14)**	(18)	(27)	(27)	(29)
	354,325	262,841	243,657	83,621	78,318

Group risk summary

↑ Increasing ↓ Decreasing ⊖ Stable

Risk category	Principal risks	Risk description	Impact	Risk treatment	Threat perception
Financial	**Financial Health and Economic Uncertainty**	External economic factors could have a negative impact on financial results and the ability to achieve objectives.	Inability to meet revenue targets and achieve strategic objectives.	Continued engagement with clients about markets and focus on diverse opportunities. Review and update of Financial Resilience Plans.	↑
Legal and Compliance	**Contract Risk**	The risk of non-compliance with contracts or changing laws and the inability to enforce contractual agreements.	The inability to consummate important transactions resulting in lost business.	The use of special commitments and contract reviews embedded within the Process Management Estate. Utilisation of experience within Commercial Teams around the business to drive lessons learnt.	⊖
	Governance Risk	Inability to create organisational transparency and adherence to established processes and policies.	Reputational damage, fines, claims and disputes and a negative impact on the culture of the organisation.	The business management processes contain checks and approvals throughout various stages of the projects. These are subject to annual reviews and management system audits.	⊖
	Ethics and Compliance Risk	The risk of an ethical breach and a lack of corporate compliance culture.	Reputational damage, fines, claims and loss of business.	The Ethics and Compliance Programme, which includes Our Code, policies, declarations, channels for reporting and investigations. These programmes prevent, detect and respond to misconduct, build an ethical culture and ensure compliance with the law.	⊖
Operations	**Process and Efficiency Risk**	Inefficient operations and processes could threaten the provision of services.	Dissatisfied clients, uncompetitive pricing and loss of business opportunities.	Regular reviews of Business Management Systems to improve efficiency of use and accuracy of information.	⊖
	Project Delivery Risk	Underperformance in the delivery of external and internal projects.	Loss of market reputation, dissatisfied clients, increased claims and profit deterioration.	Review and further development of Enhanced Project Controls embedded in processes managing the risks and opportunities to deliver projects.	↓
	External Engagement Risk	Weak external engagement and relationships may hinder the ability to increase business opportunities.	Underachievement of growth targets and revenue shortfalls.	Effective Account Leadership Programmes, the Practice Network and Global Sector Leads provide a quality delivery programme and maintain close relationships to key clients and markets.	⊖
Strategic	**Capability and Innovation Risk**	Inability to match the market's technical and technological needs and failure to develop new innovative offerings.	Loss of presence in growth areas and obsolescence of services and technical solutions.	Investments in Thought Leadership, Technical Excellence and Digital Innovation along with close monitoring of our markets and clients contribute to developing cost effective digital delivery models for projects.	⊖
	Portfolio Risk	Overdependence on specific geographic markets or sectors.	Lack of presence in growth markets and lost business opportunities.	The Practice Network and Global Sector Leaders review size and profitability of work in key markets and track trends over time.	⊖
	Market Share Risk	New entrants in the market could threaten the organisation's competitive advantage.	Inability to meet revenue targets and loss of market presence.	Review of new developments in markets. Account Leaders and Business Development Managers collaborate to maintain relationships with clients and monitor the market.	⊖
Talent	**Succession Risk**	Inability to develop and enhance leadership skills with a sufficient succession pipeline.	Adverse impact on technical excellence, project delivery and organisation culture.	Implementation of Leadership Development Initiatives, Performance Management Programmes and Development Pathways for successors.	↑
	Capacity and Capability Risk	Inability to attract, develop and retain sufficient talent.	Adverse impact on project delivery, culture, business pipeline and management of business operations.	Processes that support clear leadership incentives, strategic resourcing, resource management and succession planning.	↑
Technology	**New Technology Adoption Risk**	Failure to create a technology culture.	Technical obsolescence, erosion in efficiency and inability to bring new digital services to market.	The Digital Delivery Programme is accountable for delivering digital products, services and business models.	⊖
	Cyber Security Risk	The risk of network attacks by malicious insiders and outsiders.	Business disruption, reputational damage, loss of data and business.	Training and cultural awareness, enhancement of Group Information Security Procedures and security of data.	↑

Mott MacDonald Group Governance

Executive Board and committees

Executive Board
James Harris (Executive Chair)
Denise Bower
(External Engagement Director)
Ian Galbraith (Strategy Director)
Ed Roud (Finance Director)
Cathy Travers (Managing Director)
Paul Ferguson (General Counsel) – in attendance

Executive Board committees

Management Board
Cathy Travers (Chair)
Paul Bentley
Graeme Clarke
David Cox
Mike Isola
David Johnson
Alec Pavitt
Richard Risdon
Darren Russell

For specific items:
Brenda Begg
Dewesh Dhopatkar
Stephen Flanagan
Laura Hague

Investment and Finance
Ed Roud (Chair)
Denise Bower
Mark Enzer
James Harris
Richard Risdon
Claudio Tassistro
Cathy Travers

In attendance:
Dewesh Dhopatkar

Risk
Ian Galbraith (Chair)
David Boyland
Paul Ferguson
Simon Harrison
Alec Pavitt
Ed Roud
Cathy Travers

Shareholders' Committee and sub-committees

Shareholders' Committee
David White (Chair)
SS Acharya
Frances Badelow
David Boyland
Ian Clarke
David Cox
Rachel Ellison
Mark Enzer
Simon Harrison
Mike Isola
David Johnson
Adrian Jones
Anne Kerr
Ken Norbury
Alec Pavitt
Tony Purdon
Clare Rhodes James
Richard Risdon
Claudio Tassistro
Doug Wilson
Mike Brown (Independent)
Erin Flaherty (Independent)

Shareholders' Committee sub-committees

Audit and Risk Assurance
Ian Clarke (Chair)
Frances Badelow
Erin Flaherty (Independent)
Ken Norbury
Doug Wilson

In attendance:
Brenda Begg
Dewesh Dhopatkar
Paul Ferguson
Ian Galbraith
Ed Roud
Cathy Travers
David White

Shareholders' Committee sub-committees
(continued)

Nominations
Anne Kerr (Chair)
Mike Brown (Independent)
Rachel Ellison
Tony Purdon
Clare Rhodes James

In attendance:
Denise Bower
Graeme Clarke
Ian Galbraith
James Harris
Cathy Travers
David White

Remuneration and Equity
Mike Brown (Chair and independent)
SS Acharya
Adrian Jones
David White

In attendance:
Denise Bower
James Harris
Ed Roud
Cathy Travers

Membership of committees and sub-committees are effective from 1 February 2023.

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