



# Mott MacDonald Limited

Report and financial statements  
31 December 2020

# Mott MacDonald Limited

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# Strategic report

## James Harris Managing Director – welcome

I am pleased to present our annual report for 2020. This has been an extraordinary year dominated by a pandemic that has been a major disruptor from health, economic and social perspectives, with consequential impacts on our industry. Nevertheless, we have delivered a good performance. Our investment in a robust digital operating platform has been critical to enabling an almost seamless transition to remote working when this has been necessary due to lockdowns. Our strong culture and values have underpinned an agile approach and a focus on personal wellbeing.

Looking ahead, whilst the pandemic continues, we also face a global recession and other uncertainties, including global trade disputes and the basis on which the Brexit trade deal agreement unfolds. We will continue to focus on sectors and services we believe provide a strong, resilient platform for our business; a business driven by a clear common purpose “to improve society by considering social outcomes in everything we do; relentlessly focusing on excellence and digital innovation, transforming our clients’ businesses, our communities and employee opportunities.”

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

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

In delivering great outcomes for our clients we draw on what we do best, our technical excellence and our digital innovation. This is reflected in many of our exciting projects, such as providing advisory services for a UK hospital trust where our Smart Infrastructure team will drive the digital agenda and as sustainability and net-zero carbon advisor, we will challenge current thinking to build and run healthcare facilities more responsibly.

We are leading the way in enhancing the value of data for our clients through our strong domain knowledge and digital expertise. This is exemplified by Moata, Mott MacDonald’s digital twin platform. It hosts a range of solutions and uses the power of data to solve today’s most pressing infrastructure

problems. For Highways England we have a prestigious new project to deliver a machine learning-based solution that automates detecting concrete pavement defects and assigns repair quantities. They have also appointed us to develop a strategy to achieve net-zero greenhouse gas emissions across their 4,300 mile long road network and to their Regional Delivery Partnership that is integral to helping them deliver the UK Government’s £27.4bn Road Investment Strategy.

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

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

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

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

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

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Guy Leonard retired on the 31st December 2020. Guy has made a huge contribution since he became part of the business in 2002 and particularly as a director of the Group since 2007. The remaining board is unchanged.

I would like to thank our clients and partners for the opportunities they bring and particularly for their support during the global pandemic. I also thank all our colleagues for their commitment in this unprecedented year. It is through their contribution that we make our company stronger and it is through our people and our projects that we generate great social outcomes for our clients and our clients' clients.

## Corporate responsibility

Corporate responsibility themes are managed and coordinated across the Group to ensure there is consistency of approach and implementation while recognising any cultural, social and legal differences. As such the narrative on corporate responsibility reflects the Group's activity of which the company is approximately 50% in terms of revenue, profit and headcount.

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

### How we are making a difference

We focus on what we believe is important for our clients, our colleagues and those communities which we work and live in. As part of an employee-owned Group, we are able to find balance between commercial success and a recognition of the impact that our actions can have for people and the world around them.

We pursue growth but put principle before profit.

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

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

### By tackling climate change

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

In 2020, we committed to:

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

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

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

# Strategic report

## By delivering socially inclusive outcomes

We are committed to supporting inclusion, accessibility, empowerment, resilience and wellbeing for all people, working with our clients to define the social outcomes that we want to contribute through our projects. We will continue to demonstrate leadership across the industry through our social practice and tools such as our social outcomes framework and our social transformation model.

In 2020, we committed to:

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

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

## By pursuing digital innovation

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

In 2020, we committed to:

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

## By fulfilling our People Promise and sharing what makes us special

2020 has been a year that has tested our ways of working and has brought to the fore our commitment to creating

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

Other examples include:

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

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

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

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

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

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## Streamlined energy and carbon reporting

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

### Reporting boundary

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

### Measurement methodology

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

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

Emissions are reported in units of carbon dioxide equivalent (CO<sub>2</sub>e), using the most recent conversion factors from the Department for Business, Energy and Industrial Strategy (BEIS, 2020).

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

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

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

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

<sup>1</sup> We have a small number of company-owned vehicles. Due to our accounting practice, the fuel for these vehicles is included within our scope 3 footprint.

<sup>2</sup> Year-on-year comparison data for the UK will be included in future reports.

<sup>3</sup> Full-time equivalent (FTE).

<sup>4</sup> Company vehicles: fuel used from personal vehicles on business use.

### Measures to improve our energy and carbon performance

Our consultancy business has become the first in our class to be externally certified carbon neutral, globally. The 2019 carbon footprint of Mott MacDonald Group Limited was offset through the restoration of peatland in Indonesia. In 2020, Mott MacDonald Group Limited also committed to Science Based Targets, aligned with a 1.5°C pathway and to continue to offset its carbon footprint and be carbon neutral.

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

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

In addition, JNB aspires to:

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

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## Business and financial review

### Business environment

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

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

### Business response

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

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

### Financial review

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

Gross revenue of £799m was 4% up on 2019 (£771m). Operating profit of £43m was well up on last year (£13m), with the margin improving from 1.7% to 5.4%.

This was an excellent achievement given the recession and the significant weakening of the corporate sector in the UK due to COVID-19. Most of the increase in the 2020 operating profit over 2019 came from the measures in the pandemic response plan aimed at preserving cash and protecting profit by lowering operating costs and focusing on efficiency and productivity.

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

In parts of the business where opportunity to grow was still evident, a more measured and selective approach to pursue that growth was adopted given the adverse economic environment. That more measured approach also helped to reduce costs and preserve cash.

These steps were taken to maintain the strength of the business through a period of significant uncertainty. All measures of the response plan were needed to ensure a quick and effective response to the adverse impact of the pandemic and the global recession. The company is retaining the surplus cash and profit generated by this response plan to further strengthen the business and improve resilience with liquidity for investment and growth. It is not being used to fund performance bonuses or dividends.

In addition to the steps taken to proactively reduce costs, the impact of lockdowns and of restrictions on travel impacted work practices and that indirectly also resulted in the business benefiting from a reduction in costs and a reduction in cash outflow.

Amounts initially received under the furlough scheme amounting to approximately £3m were fully repaid to the government by the year end, as the company's response and other factors mentioned above have so far been effective in protecting jobs.

The nature of the pandemic impacted some of our non-financial KPIs that we use to manage the business. Average sickness in hours per person across the company fell from 22.5 to 20.8, while staff turnover fell from 10% to 5%.

The company's effective tax rate for the year (14%) was unchanged from 2019.

### Gearing and cash flow

Working capital remains under firm control. Good progress was made in addressing some older contract issues. Positive work in progress (contract assets) and trade debtors reduced by £31m (19%) in the year despite a 4% growth in revenues, with effective working capital management being a key focus point throughout the year, and clients being understanding of the need to settle their supply chain bills promptly. We do reciprocate in this area with payments to our own suppliers.



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The company remained in a net cash position throughout the year with no bank debt. At the end of the year net cash was £166m, up from £44m due to the improvement in cash flow noted above.

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

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

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

The parent company also has facilities in place for Group subsidiaries like Mott MacDonald Limited to use to provide tender bonds, performance bonds and advance payment bonds in the normal course of business. It also has a pension bond in place as security for the UK pension scheme.

## Covenants

The parent company is comfortably in compliance with its financial KPI covenants, with its core relationship banks for the loan facility and has plenty of headroom for future use given the current low level of utilisation.

It is also comfortably in compliance with the financial covenants in place with the trustees of the scheme for the UK defined benefit pension scheme, now closed. Details of the pension scheme funding are set out in note 23 to the financial statements.

## Dividend

The company did not pay an interim or final dividend to its parent company Mott MacDonald Group Limited. The directors decided to retain the extra cash generated during the year for future investment.

## Shareholders' equity

Shareholders' equity increased from £311m to £356m. The increases mainly came from profit transferred to reserves of £45m. The FRS 102 accounting for pension cost was not material.

## Contracted work

Despite the current uncertainty, the order book and contracted work are stronger than 12 months ago.

## Managing risk and uncertainty

### Business risks

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

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

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

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

**Information security** – the malicious or accidental mishandling, disruption, corruption or theft of information assets. Directives and procedures are in place to mitigate cyberattacks and data theft, risks posed in IT support services and failure of communication systems. Regular training and improvements in raising the cultural awareness of information security is embedded across the organisation. A new security operations centre was established in 2020 to further enhance our assessment and control regime.

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



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

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

## Risk treatment plans (RTPs)

RTPs are used to document a clear understanding of the nature of the risks, the effectiveness of mitigation and any residual risk.

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

Risk owners work collaboratively across the organisation with subject matter experts to review and update the RTPs, serving to address the interdependencies between risks and mitigation measures required. Collaboration among owners of interconnected risks fosters more strategic and robust risk management practices. Regions are cascading and implementing the RTPs within units, divisions and at project level, reporting against the principal risks and managing risk mitigations.

## Emerging risks and meteors

Emerging risks and risk meteors (risks that are high impact, high velocity) are tracked and reported by each operating region and unit across the organisation. Through our reporting process at risk sub-committee meetings, interdependencies between emerging risks and meteors across the regions are presented, identifying correlations between risks and informing the risk landscape and exposure, to enable the board to make informed and robust decisions, in line with Mott MacDonald's risk appetite.

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

## Financial risk

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

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

Corporate and project level risk management processes are set out in the corporate governance report, pages 13 and 14.

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

This statement sets out how the directors have followed the expectations of S172 Companies Act 2006. The narrative is consistent with the size and complexity of the business and covers matters of strategic significance.

The information is provided by considering the purpose, proposition, values and culture of the company. These are the strategic matters for the Board's agenda, set out in the corporate governance report on page 11.

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

The governance of the Group is managed and coordinated by the parent Mott MacDonald Group Limited. The matters referred to below relate to those matters relevant to the agenda of the company's directors.

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

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

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

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

In 2020, they decided to:

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

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

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

The corporate responsibility section on pages 3 and 4 sets out some of the strategic outcomes and plans across these areas which are a key strategic differentiator for us.

## 2. The interests of the employees

The corporate governance report explains on page 16 how we engage with our employees to explain to them the current performance, current strategy and future plans of the Group, as well as listen to them to understand how to improve their working environment and working practices and development.

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

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

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

## 3. Business relationships with suppliers, customers and others

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

The corporate governance report on pages 16 to 18 explains how we engage with these stakeholders to explain the current performance and plans of the company and understand from them what their strategy and aspirations are. A better understanding of each other's drivers and views provides more informed decision-making, a more collaborative partnership and a more engaged strategic relationship.

# Strategic report

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

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

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

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

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

The directors' actions during the year along with their current strategic priorities and thinking in this area are reflected in the corporate responsibility report on pages 3 and 4 along with the company's achievements and aspirations.

## 5. Maintaining a reputation for high standards of business conduct

The governance around ethics, business conduct, risk and reputation is described in the corporate governance report on pages 13 and 14. During the year, the directors decided to enhance governance in this area by combining responsibility for ethics and compliance in a new role 'Ethics and Compliance Officer', combining two previous roles to ensure better visibility, focus and development.

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

The company's reputation is of critical importance in ensuring it is a respected player in the market and strategic

management of risk in this area is an important matter for the directors to rely on.

## Summary

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

## Looking forward

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

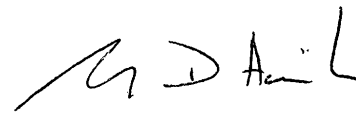
We remain confident in and proud of our reputation for technical excellence and thought leadership. That enables meaningful engagement with clients and stakeholders on innovative solutions to meet their needs.

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

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

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

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



**Mike Haigh**, Executive Chair  
31 March 2021



**James Harris**, Managing Director  
31 March 2021

# Corporate governance report

## Governance

Mott MacDonald Group Limited, the parent company, sets the governance framework for its subsidiaries to comply with when conducting business.

Some of that governance is designed and delivered through directives, processes and systems that are rolled out across the Group for use by the business operations in the Group's trading subsidiaries, like Mott MacDonald Limited.

Some of that governance is also managed by Mott MacDonald Group Limited, which as parent, has responsibility to oversee, approve or authorise practices and decisions by its trading subsidiaries, such as Mott MacDonald Limited.

The Executive Board of Mott MacDonald Group Limited has formally adopted a corporate governance framework for large private companies, which is appropriate for our size and purpose.

The Wates Principles are voluntary principles for large private companies that demonstrate an 'apply and explain' approach over six pillars of corporate governance:

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

These corporate governance arrangements were adopted with effect from 1 January 2019.

As a large private company and in line with Mott MacDonald Group Limited's direction, Mott MacDonald Limited is also following the Wates Principles as described below:

### Principle 1 – Purpose and leadership

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

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

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

We demonstrate **leadership** as part of an independent employee-owned group by pursuing success through a strategy which puts the long-term interests of clients, employees, external stakeholders and employee shareholders above short-term expediency.

Our leadership principles focus on passing a stronger and more sustainable business to those who follow us, while seeking to maintain intergenerational fairness.

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

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

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

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

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

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

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

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

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

# Corporate governance report

## Principle 2 – Board composition

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

### Composition 2020

During 2020, the Board comprised six executive directors. The structure comprised a mix of executive directors working as Chair, Managing Director, Strategy Director, Operations Director, Finance Director and External Engagement Director. 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.

Appointments to the Board of the company are drawn from the directors of the parent company to ensure an effective and efficient governance structure for the company and the Group.

Appointments to the Board of the parent company follow a formal process, with the Board deciding what components of the process to use given the circumstances of the appointment. The process is robust and is described in detail in the governance statement of the parent company.

At the end of 2020, Guy Leonard, retired from the Board. The resulting board composition for 2021 is set out at the end of this principle. Also set out is the assessment carried out to determine that the resulting structure and composition of the Board for 2021 continues to have the right balance of competencies and skills, with appropriate experience, knowledge and governance.

### Evaluation

Board members' strengths and development areas are reviewed from time to time using the Financial Reporting Council guidance on board effectiveness as the framework, and through peer review of knowledge, skills and experience, using the same criteria as for new applicants.

The Board of the parent company works with external organisations to provide development for directors and leadership training on an individual and collective basis.

That assessment covers their roles and responsibilities as directors of the global business, including the parent company and their responsibilities for other Group trading companies where applicable.

The Board's effectiveness is periodically reviewed by independent external assessors as part of succession

planning. The conclusions summarise effectiveness and highlight where complementary or differential skill sets could be better blended to make the Board stronger as a team. An independent review and development programme on the Board members as a team was carried out in 2019. A self-assessment by directors of their own individual performance and attributes and an assessment of those of their fellow directors was carried out in 2018 and 2019.

### Diversity

Although the Board is reasonably diverse in terms of knowledge, skills, experience and age, its balance in terms of gender and race can be improved.

This is a feature of the engineering sector that is slowly changing with each generation of graduates entering. That, and changes in our own corporate culture as well as in the wider industry, are slowly improving the retention and career progression of a more diverse workforce. However, the Group recognises its role in improving opportunity and outcomes at all levels, and for leading change.

The Board is committed to diversity and is taking steps to improve practices and processes across the Group. Significant progress on gender and race has already been made across the business up to senior management and leadership positions. That is being developed to deliver a sustainable model for diversity of representation in key senior positions up to and including the Board.

### Composition 2021

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

As part of that restructuring, the Executive Chair, the Group Head of People and an external advisor analysed the 2021 board. The analysis and results are set out below:

- **Competency Framework.** An analysis has been carried out of the collective board attributes. The analysis shows that there is no material overall difference between 2020 and 2021. The competency framework was developed based on: Lane4 interviews with senior staff; Lane4 advice; the IoD competency framework, Institute of Directors 2016; the Competency Framework for Governance Professionals, The Governance Institute 2018 and The Successful Executives Handbook, PDI 1993. Competencies were evaluated as 360° by peers and individual self-assessments.
- **Talent Q Dimensions Report analysis** carried out by Lane4. The analysis demonstrates that the new board in 2021 will not be materially affected in terms of composite performance.

# Corporate governance report

## Principle 3 – Director responsibilities

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

As with Principle 2 above, the governance structure reflects the governance in place for the Executive Board of the parent company who carry out their roles and responsibilities as directors for the parent company and certain material trading subsidiaries of which Mott MacDonald Limited is one.

### Accountability and effective decision-making

The roles of the directors are as described in Principle 2. Significant decisions of the Board are generally made by reaching a consensus. Decisions can also require ratification or subsequent approval from the Board of the parent company or the Shareholders' Committee of the parent company, whenever required by our internal management governance or the parent company's articles of association.

The Shareholders' Committee of the parent company represents the long-term interests of current and future shareholders of the Group. It advises on key issues and approves significant decisions and actions of the Board of the parent company. It is responsible for oversight and supervision of that Board. It is chaired by a member of the Shareholders' Committee. Board directors are not members of this committee.

### Information and advice

The Board is provided with information in a timely manner on matters that need to be considered in running the business. Directors have access to the advice of the Group General Counsel and Company Secretary, who are responsible for advising the Board of the parent company and the Group's business operations on material governance matters. Directors can seek independent advice on the performance of their duties.

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

### Discharging responsibilities

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

This governance framework sets out how we do business across the Group and captures our values, policies and processes, together with clear levels of delegated responsibility. It is aimed at ensuring that all employees and businesses act in a clear, accountable and consistent manner.

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

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

## Principle 4 – Opportunity and risk

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

As noted in the introduction to governance above, Mott MacDonald Group Limited, the parent company, sets the governance framework for the Group's business operations to comply with when conducting business through the trading subsidiaries of the Group.

The narrative set out below is a summary of the Group's general risk management process that is used by Mott MacDonald Limited.

### Opportunity and value

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

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

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



# Corporate governance report

## Managing business risk

Business risks are treated by the Board's Risk Committee. Each business risk has three levels of defence and mitigation as recorded by individual risk treatment plans. The Group's principal risks and uncertainties are noted on pages 7 and 8.

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

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

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

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

## Managing project risk before contract

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

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

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

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

## Managing project risk after contract

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

Our new ERP system, Connect Business, was rolled out across the UK in 2020 and thus now covers two thirds of our global operations by revenue. Connect Business supports improved risk management, providing an integrated risk register within each project. Risk registers detail and justify weighted contingency funds, carrying the risks identified in the WIN phase. During delivery, the register is live, giving improved visibility of current risks, their impact, mitigations, target resolutions, along with owners and due dates. The improved visibility can also inform project support requirements and improve business planning through aggregate views of risks.

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

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

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

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

## Principle 5 – Remuneration

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

## Consistency and control

We operate a consistent and equitable approach to remuneration, focusing on reward industry benchmarking to



# Corporate governance report

ensure individuals are paid competitively and that their pay progresses fairly as their careers advance.

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

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

## Remuneration and Equity sub-committee

To assist with this process, there is a Remuneration and Equity sub-committee in the parent company which reports to the Shareholders' Committee of that company. This sub-committee is responsible for reviewing and approving Board proposals on remuneration and equity, including but not limited to the following:

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

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

Performance is defined and measured with metrics such as revenue growth, profit growth, profitability, working capital, ethics, collaboration and technical excellence. Metrics are commonly measured on a multi-year averaged basis to prevent short-termism.

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

## Directors and independent members

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

The company has no independent directors or members. Governance is managed from the parent company and the position with independent members of the parent company is described and disclosed in the accounts of that company.

## Equality, diversity and inclusion (EDI)

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

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

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

## Principle 6 – Stakeholder relationships and engagement

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

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

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

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

# Corporate governance report

## With our employees

The directors have regular engagement with employees to ensure that they are informed of the Group's strategy, plans and initiatives and are aware of its performance. They also engage with them through the global employee survey to understand their views and ideas on the company's policies, processes, initiatives, work practices and behaviours in the workplace. Details of employee engagement are required to be set out in the directors' report and can be found on page 20. Where relevant, their opinions and views can be taken into account in decision-making for the long term, shaping the strategy and contributing to the long-term success of the company.

## With our employee shareholders

The directors maintain regular engagement with employees who are shareholders of the parent company. Apart from the Employee Trust, employee shareholders are 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 interests of the parent company and the Group, and to keep them regularly briefed on the Group's performance, delivery of strategy, material initiatives and company news.

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

- quarterly business reviews for shareholders to brief them on the company's progress, highlighting areas of success and areas for improvement. The aim is to recognise their contribution to the successes, and to explain how they can help deliver improved performance to enhance the success of the company. This is a catalyst to exchange views and ideas to improve decision-making for the longer-term benefit of the company and its stakeholders;
- an annual performance review for shareholders to highlight results for the year and areas for improvement. The purpose is to connect business performance, investment and shareholder return. In doing so, it gives them insight as to how to develop their operational plans to improve performance and develop a competitive strategy at a local level. This enhances decision-making at all levels;

- a summarised strategy for shareholders. The purpose is to highlight its key features and the value proposition to deliver benefit to clients and stakeholders. The focus is to improve their knowledge and understanding and enrich the quality of client engagement for the company's continued success;
- a website for shareholders providing ease of access to corporate and shareholder information;
- a presentation at the AGM of the annual results, plans for the coming year and updates on Group core initiatives. The aim is to help shareholders understand the plans of the company, relating these plans to their role as shareholders and employees and to the needs of clients and stakeholders. The Covid restrictions on travel led to the AGM being conducted through a webinar with support material distributed by video. The success of the webinar presentation will be factored into the planning of future events;
- presentations to shareholders after the AGM to provide interactive updates of wider initiatives. The aim is to brief shareholders on initiatives that will provide future value for employees, clients and stakeholders. This helps to harvest relevant ideas and views to build into decisions on how to take them forward for the longer-term benefit of the company and its stakeholders;
- regional forums for shareholders as senior employees. The purpose is to engage them in the most recent developments and plans for the business across their region linking that to the Group's strategy for its clients and to their roles and activities. This is another catalyst for better long-term decision-making that reflects relevant local knowledge and views; and
- webinars for shareholders to tune in to recent Group developments on strategy and performance, and also to have a question and answer session with the Group Board on strategic direction and operational performance. Views, opinions and ideas are filtered where relevant for use in future decision-making.

## With our clients

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

- engagement with the broader industry to help steer our business and test our thoughts and ideas;

# Corporate governance report

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

## With our partners

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

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

## With wider stakeholders

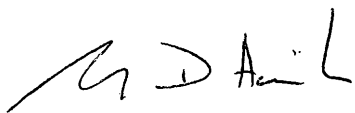
The directors maintain regular engagement with wider stakeholders to enable them to enhance market focus, improve decision-making and promote the company more effectively. This includes:

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

# Corporate governance report

- running stakeholder events that provide the opportunity to engage with clients and partners. We use them to build knowledge of future activities and to understand the needs and views of our clients.

More specific examples of how the directors have engaged with employees, clients and wider stakeholders in the course of their duties and having regard to this engagement and their views in making decisions and ensuring the success of the company are set out in the S172 statement in the strategic report on pages 8 to 10.



**Mike Haigh**, Executive Chair

31 March 2021



**James Harris**, Managing Director

31 March 2021

# Directors' report

The directors present their report, together with the audited financial statements of the company for the year ended 31 December 2020.

## Registration

Mott MacDonald Limited is a company registered in England and Wales with registered number 01243967.

## Principal activities

Mott MacDonald is one of the world's leading engineering, management and development consultancies. Its core business sectors are advisory, built environment, energy, international development, transport and water.

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

The profit for the year after taxation amounts to £45.4m (2019 – £22.0m). This profit is much higher than usual this year due to cost savings made in responding to the Covid pandemic. Further details can be found in the strategic report on page 6. The directors have retained that excess profit for future investment and do not propose an interim (2019 – £12.5m) or final dividend.

## Principal risks and uncertainties

Business risks, financial risks and measures to mitigate them are described in the strategic report on pages 7 and 8.

## Directors

The following were directors of the company during the year ended 31 December 2020:

Denise Bower (appointed on 1 January 2020)  
 Ian Galbraith  
 Mike Haigh  
 James Harris  
 Guy Leonard (resigned on 31 December 2020)  
 Ed Roud

## Directors' and officers' indemnities and liability insurance

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

## Statement of corporate governance arrangements

During the year, Mott MacDonald Limited continues to embrace our existing corporate governance framework adopted by the Executive Board of Mott MacDonald Group Limited. Our detailed governance framework is applied throughout the Group and sets out how the company conducts business. It captures our values, policies and processes together with clear levels of delegated responsibility aimed at ensuring that our employees and businesses act in a clear, accountable and consistent manner. The adopted framework is in line with the legislative requirements under The Companies (Miscellaneous Reporting) Regulations 2018 and Section 172 of the Companies Act 2006.

For more information please see Mott MacDonald Group Limited financial statements or visit our website [mottmac.com/corporate-governance](http://mottmac.com/corporate-governance).

## Shareholder engagement

Mott MacDonald Limited as main trading entity of the Mott MacDonald Group, the company is controlled by the ultimate parent Mott MacDonald Group Limited. The ultimate parent company has disclosed in the Group financial statements different ways of engagement with shareholders who are also employees of the company.

## Employment policies

The company actively encourages employees to play a part in developing the company's business and in enhancing its performance. Increasing share ownership worldwide in the ultimate parent undertaking, Mott MacDonald Group Limited, is a key element of this policy. In addition, the company recognises individual contributions through bonuses and annual awards. These include our long-standing Milne Award for Innovation, the Best (technical) Paper Award and our Community Awards for charitable work.

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

Company 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 company 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 disabilities.

# Directors' report

## Engagement with employees

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

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

This includes the directors:

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

- running staff engagement surveys. This allows management to hear back from employees about their thoughts and feelings, and their excitements and disappointments. This allows the directors to focus on matters needing change, development or improvement.

Details of how the directors have engaged with employee shareholders, clients and other stakeholders are set out in the corporate governance report on pages 16 to 18.

## Post balance sheet events

There were no post balance sheet events requiring disclosure.

## Future developments

The various markets of the company will continue to be impacted by the COVID-19 pandemic and the current global recession for the rest of 2021 and into at least the early part of 2022. The main impact is likely to come through any implications for government funding for infrastructure and government infrastructure programmes, as well as the capex programmes for the regulated sectors. Business activity levels continue to be sustained at present. Management continues to focus on lead indicators of business activity such as business confidence, business prospects and the order book in order to anticipate market trends, to be ready to respond to growth or shrinkage as it occurs.

## Going concern

The directors have a reasonable expectation that the company has adequate funding to operate for the foreseeable future and for at least a period of 12 months from the date of signing these financial statements. In doing so, they have reviewed the latest cash forecasts of the Group of which the company is the most significant trading entity generating approximately 50% of the Group's revenues, profits and cash.

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

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



# Directors' report

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

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

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

The mitigation measures to preserve cash that were used effectively in 2020 and would be used in 2021 if necessary are set out in the business and financial review on page 6.

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

## Statement of directors' responsibilities

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

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

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

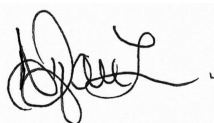
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware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

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

## Auditor

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

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



**Diana Zivko**, Company Secretary  
31 March 2021



# Independent auditor's report

to the members of Mott MacDonald Limited

## Opinion

We have audited the financial statements of Mott MacDonald Limited for the year ended 31 December 2020, which comprise the income statement and statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of preparation of the financial statements included:

- obtaining management's assessment of the appropriateness of continuing to adopt the going concern basis of preparation of the financial statements;
- obtaining management's base case cash flow forecasts covering the period from 1 January 2021 to 30 June 2022, assessing how these cash flow forecasts were compiled and considering their appropriateness by challenging those assumptions;
- confirming the facilities in place during the period of review and any covenants that attach to those;
- assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the base case cash flow forecast;
- obtaining management's range of alternative potential cash flow projections, where management modelled what they consider to be unlikely downside scenarios. These were prepared by management to assess the potential impact of significant falls in cash receipts on the business. We evaluated management's assumptions regarding the impact on the business of a reduction in revenue. We considered whether the assumptions are consistent with our understanding of the business derived from other audit work undertaken;
- assessing the impact of the mitigating actions set out by management as being both available to them and ones they were prepared to and could implement if required to do so as to address a potential cash deterioration in a way that avoided covenant or facility breach; and
- assessing the adequacy of related disclosures within the annual report.

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

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

# Independent auditor's report

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

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

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

## Matters on which we are required to report by exception

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

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

## Responsibilities of directors for the financial statements

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

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# Independent auditor's report

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

- we obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (Financial Reporting Standard 102, the Companies Act 2006 and the Wates Principles for Corporate Governance);
- we assessed the susceptibility of Mott MacDonald Limited's financial statements to material misstatement, including how fraud might occur, by making enquiries of management, those charged with governance, internal legal counsel, internal audit and the audit and risk assurance committee. We utilised internal and external information to corroborate these enquiries and to perform a fraud risk assessment for the company. We considered the risk of fraud to be higher within highly judgemental areas of the recognition of revenue, the valuation of certain unquoted pension scheme assets and through the potential for management override of controls. Audit procedures performed by the engagement team included:
  - evaluation and testing of the operating effectiveness of management's project take on controls designed to prevent and detect irregularities;
  - challenging assumptions and judgements made by management within the revenue recognition of contracts deemed significant by the engagement team;
  - performing substantive reviews of service auditor's reports to support the valuation of pension scheme assets; and
  - identifying and testing journal entries considered by the engagement team to carry a higher risk of fraud.
- in assessing the potential risks of material misstatement, we obtained an understanding of:
  - the company's operations, including the nature of its revenue sources and revenue recognition policy, the assessment of material judgements made by management and the design of the control environment for the overall financial reporting process for Mott MacDonald Limited; and

- the company's control environment, including the policies and procedures implemented to comply with the requirements of Financial Reporting Standard 102, the Companies Act 2006 and the Wates Principles for Corporate Governance, the adequacy of procedures for authorisation of transactions within the business and the regularity of management's review of management accounts for indicators of material misstatement.
- we enquired of management, those charged with governance, internal legal counsel, internal audit and the audit and risk assurance committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud;
- where any instances of non-compliance with laws and regulations and/or fraud were identified we assessed their potential impact and followed up where appropriate; and
- the assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the client operates;
  - understanding of the requirements of Financial Reporting Standard 102, the Companies Act 2006 and the Wates Principles for Corporate Governance and the application of the legal and regulatory requirements of these to Mott MacDonald Limited.

## Use of our report

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

**Peter Gamson**, Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
31 March 2021

# Income statement and statement of comprehensive income

for the year ended 31 December 2020

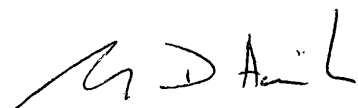
Income statement	Notes	2020 £000	2019 £000
<b>Gross revenue</b>	5	<b>799,142</b>	771,067
Cost of sales		<b>(501,654)</b>	(493,288)
Gross profit		<b>297,488</b>	277,779
Administrative expenses		<b>(254,730)</b>	(264,451)
<b>Operating profit</b>	6	<b>42,758</b>	13,328
Fair value adjustments	14	<b>198</b>	290
Dividends received from subsidiary undertakings		<b>–</b>	3,500
<b>Profit on ordinary activities before interest</b>		<b>42,956</b>	17,118
Net interest receivable	9	<b>10,993</b>	10,208
Other finance cost	23	<b>(1,500)</b>	(1,800)
<b>Profit on ordinary activities before taxation</b>		<b>52,449</b>	25,526
Tax on profit on ordinary activities	10(a)	<b>(7,086)</b>	(3,563)
<b>Profit on ordinary activities after taxation</b>		<b>45,363</b>	21,963
The company's gross revenue and operating profit relate to continuing operations.			
Statement of comprehensive income	Notes	2020 £000	2019 £000
Profit for the financial year		<b>45,363</b>	21,963
Actuarial gain/(loss) on pension scheme	20, 23	<b>2,200</b>	(27,400)
Deferred tax on actuarial (gain)/loss	10(c), 20	<b>(418)</b>	4,658
Deferred tax on additional pension contributions	10(c), 20	<b>(3,135)</b>	(2,720)
Deferred tax rate change on opening pension scheme deficit	10(c)	<b>1,070</b>	–
Total other comprehensive loss		<b>(283)</b>	(25,462)
<b>Total comprehensive income/(loss) for the year</b>		<b>45,080</b>	(3,499)

# Statement of financial position

at 31 December 2020

	Notes	2020 £000	2019 £000
<b>Fixed assets</b>			
Intangible assets	12	13,054	12,474
Tangible assets	13	9,115	10,332
Investments	14	82,697	80,286
		<b>104,866</b>	103,092
<b>Current assets</b>			
Debtors	15	493,943	568,259
Cash at bank and in hand		166,075	44,175
		<b>660,018</b>	612,434
<b>Creditors:</b> amounts falling due within one year	16	<b>(332,284)</b>	(317,519)
		<b>327,734</b>	294,915
<b>Total assets less current liabilities</b>			
		<b>432,600</b>	398,007
<b>Provisions for liabilities</b>			
	18	<b>(9,887)</b>	(2,074)
<b>Net assets excluding pension liability</b>			
		<b>422,713</b>	395,933
<b>Pension liability</b>			
	23	<b>(66,194)</b>	(84,494)
<b>Net assets including pension liability</b>			
		<b>356,519</b>	311,439
<b>Capital and reserves</b>			
Called up share capital	19	10,000	10,000
Profit and loss account	20	346,519	301,439
<b>Shareholders' equity</b>			
		<b>356,519</b>	311,439

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



Mike Haigh, Executive Chair

# Statement of changes in equity

for the year ended 31 December 2020

	Notes	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2019		10,000	321,463	331,463
Profit for the year	20	–	21,963	21,963
Other comprehensive (loss)/income:				
Actuarial loss on pension scheme	20, 23	–	(27,400)	(27,400)
Deferred tax on actuarial loss	10(c), 20	–	4,658	4,658
Deferred tax on additional pension contributions	10(c), 20	–	(2,720)	(2,720)
Total other comprehensive loss for the year		–	(25,462)	(25,462)
Dividends paid	11, 20	–	(12,530)	(12,530)
Distributions to fellow subsidiary undertakings	20	–	(3,995)	(3,995)
At 31 December 2019/1 January 2020		<b>10,000</b>	<b>301,439</b>	<b>311,439</b>
Profit for the year	20	–	<b>45,363</b>	<b>45,363</b>
Other comprehensive income/(loss):				
Actuarial gain on pension scheme	20, 23	–	<b>2,200</b>	<b>2,200</b>
Deferred tax on actuarial gain	10(c), 20	–	<b>(418)</b>	<b>(418)</b>
Deferred tax on additional pension contributions	10(c), 20	–	<b>(3,135)</b>	<b>(3,135)</b>
Deferred tax rate change on opening pension scheme deficit	10(c), 20	–	<b>1,070</b>	<b>1,070</b>
Total other comprehensive loss for the year		–	<b>(283)</b>	<b>(283)</b>
<b>At 31 December 2020</b>		<b>10,000</b>	<b>346,519</b>	<b>356,519</b>

# Notes to the financial statements

at 31 December 2020

## 1. Company information

Mott MacDonald Limited is a company registered in England and Wales with registered number 01243967. The registered office is: Mott MacDonald House, 8-10 Sydenham Road, Croydon, Surrey CR0 2EE, United Kingdom.

## 2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’), and with the Companies Act 2006. The 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.

The company is exempt from preparing consolidated financial statements on the grounds that it qualifies as an intermediate parent company under Section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The company has adopted the exemption from disclosing a statement of cash flows and the related notes in accordance with Section 1.11 of FRS 102. The equivalent disclosure is included in the consolidated financial statements of the company’s ultimate parent undertaking, Mott MacDonald Group Limited.

### Mott MacDonald Employee Trust

Mott MacDonald Limited is the sponsoring entity for the Mott MacDonald Employee Trust (‘Employee Trust’).

The Employee Trust has been in place since 1986. Its purpose is to support the framework of employee share ownership in the ultimate parent company, Mott MacDonald Group Limited. The Employee Trust acts as a warehouse to ensure that the internal market for shares in the parent company, Mott MacDonald Group Limited, 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 parent company and the Employee Trust buys shares in the parent company at fair value when they are sold by employee shareholders.

The results, assets and liabilities of the Employee Trust have been included in these financial statements.

### Going concern

The directors have a reasonable expectation that the Group and company have adequate resources to continue in operational existence for the foreseeable future, and at least for a period of 12 months from the date the financial statements are signed. The Group has performed detailed analysis on future cashflow projections, including both a base case and hypothetical downside scenarios that may result from the negative impact of COVID-19 or a severe global recession on future trading and cashflow. The analysis demonstrates that there would be sufficient headroom within the banking covenants and liquidity even if revenues and cash receipts reduced substantially. The scenario analysis allows for measures that would be implemented as part of a response plan to preserve cash, many of which have already been implemented effectively during 2020. The directors are therefore satisfied that the Group and the company have sufficient financial resources and a robust response plan in the event of a severe economic downturn. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

### Ultimate parent undertaking

The company’s ultimate parent undertaking is Mott MacDonald Group Limited, a company registered in England and Wales. Copies of the Group financial statements can be obtained from the company’s website, [mottmac.com](http://mottmac.com).

The largest and smallest group of undertakings for which group financial statements have been drawn up is that headed by Mott MacDonald Group Limited.



# Notes to the financial statements

at 31 December 2020

## 3. Significant judgements and estimates

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

### Contract accounting and recoverability of receivables

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

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

	2020	2019
	£000	£000
<b>Current assets:</b>		
Contract assets (note 15)	<b>57,926</b>	65,549
<b>Current liabilities:</b>		
Contract liabilities (note 16)	<b>100,802</b>	99,978

### Defined benefit pension scheme

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, inflation, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 23.

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

	2020	2019
	£000	£000
Pension liability (note 23)	<b>66,194</b>	84,494

### Investment in parent undertaking

Management determines the fair value of shares bought by employees from the Employee Trust and sold by employees to the Employee Trust in accordance with the parent company's Articles of Association. Management uses its judgement to verify this value is a reasonable estimate of the fair value of the parent company's shares.

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

	2020	2019
	£000	£000
<b>Investments:</b>		
Investment in parent undertaking at fair value (note 14)	<b>16,996</b>	14,488

# Notes to the financial statements

at 31 December 2020

## 3. Significant judgements and estimates (continued)

### Impairment of investments and intercompany balances

The company determines whether there are indicators of impairment of investments in subsidiaries on at least an annual basis. Where there are indicators of impairment, the company performs impairment tests which require an estimation of the value-in-use of the relevant cash-generating units ('CGUs') to which investments in subsidiaries are allocated. Estimating a value-in-use amount requires management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Recoverability of intercompany balances is also considered at least annually, taking into account the expected future cash flows of the relevant CGUs.

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

	2020 £000	2019 £000
<b>Investments:</b>		
Investment in subsidiary undertakings at cost (note 14)	65,701	65,798
<b>Current assets:</b>		
Amounts owed by fellow subsidiary undertakings (note 15)	64,983	107,569

## 4. Principal accounting policies

### Business combinations

Acquisitions of 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 company in exchange for control of the acquiree plus costs directly attributable to the business combination.

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

### Goodwill and intangible assets

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

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

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

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

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

# Notes to the financial statements

at 31 December 2020

## 4. Principal accounting policies (continued)

### Goodwill and intangible assets (continued)

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill only if they meet the following three conditions:

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

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred, unless the asset will generate probable future economic benefits and the costs can be reliably measured. Subsequent to initial recognition, goodwill and intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Goodwill and intangible assets are amortised on a straight line basis over their estimated useful lives. The net book value of goodwill and intangible assets is reviewed for impairment if events or changes in circumstances indicate the net book value may not be recoverable. The useful economic lives of goodwill and intangible assets are as follows:

Goodwill	5 to 20 years
Software	2 to 10 years

### Tangible fixed assets

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

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

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

### Gross revenue

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

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

Gross revenue is recognised in the income statement by reference to the stage of completion of the contract at the statement of financial position date, provided that a right to consideration has been obtained through performance; or by reference to the value of services performed as at the year end date, depending on the underlying nature of the contract.

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

# Notes to the financial statements

at 31 December 2020

## 4. Principal accounting policies (continued)

### Gross revenue (continued)

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 clients.

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

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

### Jointly controlled operations

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

### Research and development

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

### Fixed asset investments

Investments in subsidiary undertakings 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.

Investment in the parent undertaking, Mott MacDonald Group Limited, is measured at fair value with changes in fair value recognised in the income statement.

### 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.

### 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.

# Notes to the financial statements

at 31 December 2020

## 4. Principal accounting policies (continued)

### Financial assets (continued)

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

Financial assets are derecognised when:

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

### Financial liabilities

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

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

### Provisions

Provisions are recognised when the company 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 company 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 company is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

### Taxation

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

### Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting 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.

# Notes to the financial statements

at 31 December 2020

## 4. Principal accounting policies (continued)

### Deferred taxation (continued)

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 company 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 have been enacted or substantively enacted by the statement of financial position date and that 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 company 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.

### 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 to the income statement.

Foreign operations which are conducted through foreign branches are accounted for in accordance with the nature of the business operations concerned. Where such a branch operates as a separate business with local finance, it is accounted for using the closing rate method. Where the foreign branch operates as an extension of the company's trade and its cash flows have direct impact upon those of the company, the temporal method is used.

### Leasing and hire purchase commitments

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

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

# Notes to the financial statements

at 31 December 2020

## 4. Principal accounting policies (continued)

### 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 company has operated a number of pension schemes in the UK. These are described more fully in note 23.

Pension costs charged against operating profit for the defined contribution scheme are the contributions payable in respect of the accounting period.

The defined benefit scheme is now closed to future accrual of benefits and the surplus or deficit is determined by the actuary.

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

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

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

### Derivative financial instruments

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

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

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



# Notes to the financial statements

at 31 December 2020

## 5. Gross revenue

Gross revenue is attributable to one continuing activity, the provision of consulting services.

### Gross revenue by destination:

	2020 £000	2019 £000
Europe and Africa	626,608	599,436
Middle East and South Asia	137,391	149,513
Americas	17,712	15,366
Asia Pacific and Australasia	17,431	6,752
	<b>799,142</b>	<b>771,067</b>

## 6. Operating profit

This is stated after charging/(crediting):

	2020 £000	2019 £000
Auditors' remuneration – audit services – principal auditor for audit of company	336	296
– associates of principal auditor for audit of branches	29	28
	<b>365</b>	<b>324</b>
– non-audit services		
taxation	156	144
other	4	24
	<b>160</b>	<b>168</b>
Past service credit (including curtailments) in pension scheme (note 23)	(1,100)	–
Settlement gain in pension scheme (note 23)	–	(100)
Foreign exchange losses	6,063	5,376
Depreciation (note 13)	3,517	3,767
Amortisation of software (note 12)	3,614	2,704
Operating lease rentals – land and buildings	12,204	11,864

## 7. Directors' remuneration

	2020 £000	2019 £000
Emoluments (excluding pension contributions)	<b>3,601</b>	<b>3,382</b>

The emoluments (excluding pension contributions) of the highest paid director were £827,306 (2019 – £765,636).

During the year £52,476 (2019 – £41,506) of contributions were paid to the Master Trust in respect of 4 directors (2019 – 3), of which £nil (2019 – £nil) related to the highest paid director. Some of these directors also have benefits under the closed defined benefit section of the Mott MacDonald Pension Scheme ('MMPS').

# Notes to the financial statements

at 31 December 2020

## 8. Staff costs

	2020 £000	2019 £000
Salaries	350,358	349,164
Social security costs	32,901	32,369
Other pension costs	63,049	61,928
	<b>446,308</b>	<b>443,461</b>

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

	No.	No.
Management	644	606
Technical staff	5,456	5,511
Administrative staff	823	831
	<b>6,923</b>	<b>6,948</b>
The actual number of permanent staff at 31 December was:	<b>6,731</b>	<b>7,166</b>

## 9. Net interest receivable

	2020 £000	2019 £000
Interest receivable:		
Interest due from parent undertaking	5,984	7,056
Interest due from fellow subsidiary undertakings	5,841	3,935
Other interest	266	394
	<b>12,091</b>	<b>11,385</b>
Interest payable:		
Bank interest	(692)	(513)
Interest due to parent undertaking	(139)	(366)
Interest due to fellow subsidiary undertakings	(216)	(207)
Other interest	(51)	(91)
	<b>(1,098)</b>	<b>(1,177)</b>
Net interest receivable	<b>10,993</b>	<b>10,208</b>

# Notes to the financial statements

at 31 December 2020

## 10. Tax

### (a) Tax on profit on ordinary activities

	2020 £000	2019 £000
The taxation charge is made up as follows:		
Current tax:		
UK corporation tax	6,463	2,357
Non-UK tax	959	705
Capital gains tax – Mott MacDonald Employee Trust	121	176
	<b>7,543</b>	<b>3,238</b>
Adjustments in respect of previous years:		
UK corporation tax	(631)	868
Non-UK tax	902	32
Capital gains tax – Mott MacDonald Employee Trust	(18)	(2)
Total current tax	<b>7,796</b>	<b>4,136</b>
Deferred tax:		
Origination and reversal of timing differences	237	(553)
Effect of increased tax rate on opening balance	(963)	–
Adjustments in respect of previous years	16	(20)
Total deferred tax credit (note 10(c))	<b>(710)</b>	<b>(573)</b>
Tax on profit on ordinary activities (note 10(b))	<b>7,086</b>	<b>3,563</b>

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

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £652,000 credit (2019 – £4,658,000 credit). In addition deferred tax on additional pension contributions paid amounting to a charge of £3,135,000 (2019 – £2,720,000) is recorded in other comprehensive loss.

# Notes to the financial statements

at 31 December 2020

## 10. Tax (continued)

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

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

	<b>2020</b>	2019
	<b>£000</b>	£000
Profit on ordinary activities before taxation	<b>52,449</b>	25,526
Profit on ordinary activities before taxation multiplied by the average rate of corporation tax in the UK of 19% (2019 – 19%)	<b>9,965</b>	4,850
Effects of:		
Net higher tax on non-UK earnings	<b>958</b>	705
Non-UK branch profits	<b>(731)</b>	(160)
Adjustments in respect of previous years	<b>269</b>	878
Non-tax deductible expense (foreign exchange loss on foreign branches)	<b>612</b>	442
Non-taxable income (UK dividends received)	<b>–</b>	(665)
Expenses not deductible for tax purposes	<b>308</b>	303
Research and development relief	<b>(826)</b>	(778)
Pension contribution and other items	<b>(3,135)</b>	(3,040)
Effect of rate change	<b>(963)</b>	65
Effect of group reliefs	<b>(1,583)</b>	(1,747)
Tax attributable to Mott MacDonald Employee Trust	<b>121</b>	176
Other permanent differences	<b>2,091</b>	2,534
Tax on profit on ordinary activities (note 10(a))	<b>7,086</b>	3,563

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

Other permanent differences include 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 company has no tax losses (2019 – £nil) that are available indefinitely for offset against future taxable profits in those countries in which the losses arose.

# Notes to the financial statements

at 31 December 2020

## 10. Tax (continued)

### (c) Deferred tax

	2020 £000	2019 £000
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 15)	15,635	17,411
The elements of deferred taxation are as follows:		
Excess of book depreciation over tax allowances on fixed assets	3,336	2,757
Other timing differences	(278)	290
Pension liability (notes 15, 23)	12,577	14,364
	<b>15,635</b>	<b>17,411</b>
The movement in the year was:		
At 1 January	17,411	14,904
Deferred tax credit recognised in the income statement (note 10(a))	710	573
Deferred tax (charge)/credit recognised in other comprehensive loss		
– on actuarial (gain)/loss in pension scheme (note 20)	(418)	4,658
– on additional pension contributions made during the year (note 20)	(3,135)	(2,720)
– due to effect of rate change on opening balance of pension scheme (note 20)	1,070	–
Exchange and other adjustments	(3)	(4)
At 31 December	<b>15,635</b>	<b>17,411</b>
The amount of the net reversal of deferred tax expected to occur next year is £nil (2019 – £nil).		

## 11. Dividends

	2020 £000	2019 £000
The following dividends were paid during the year:		
Interim dividend paid	–	12,530

# Notes to the financial statements

at 31 December 2020

## 12. Intangible fixed assets

2020	Goodwill £000	Software £000	Total £000
<hr/>			
Cost:			
At 1 January	2,496	17,014	19,510
Exchange adjustments	–	(3)	(3)
Additions	–	4,195 <sup>1</sup>	4,195
	<hr/>		
At 31 December	2,496	21,206	23,702
	<hr/>		
Amortisation:			
At 1 January	2,496	4,540	7,036
Exchange adjustments	–	(2)	(2)
Provided during the year	–	3,614	3,614
	<hr/>		
At 31 December	2,496	8,152	10,648
	<hr/>		
Net book value:			
At 31 December	–	13,054	13,054
	<hr/>		
At 1 January	–	12,474	12,474
	<hr/>		

<sup>1</sup>In 2020, additions include £3,131,000 spent on a new HR IT system and £357,000 capitalised in relation to an existing ERP system. The carrying value at 31 December 2020 of the HR IT system was £2,769,000 (2019 – £nil) and the ERP was £8,985,000 (2019 – £11,546,000). These are being amortised over 3 and 5 years respectively.

# Notes to the financial statements

at 31 December 2020

## 13. Tangible fixed assets

2020

	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
<hr/>			
Cost:			
At 1 January	1,067	54,087	55,154
Exchange adjustments	(26)	(127)	(153)
Additions	–	2,318	2,318
Disposals	(17)	(719)	(736)
	<hr/>		
At 31 December	1,024	55,559	56,583
	<hr/>		
Depreciation:			
At 1 January	1,029	43,793	44,822
Exchange adjustments	(18)	(117)	(135)
Provided during the year	12	3,505	3,517
Disposals	(17)	(719)	(736)
	<hr/>		
At 31 December	1,006	46,462	47,468
	<hr/>		
Net book value:			
At 31 December	18	9,097	9,115
	<hr/>		
At 1 January	38	10,294	10,332
	<hr/>		



# Notes to the financial statements

at 31 December 2020

## 14. Investments

2020	Investment in parent undertaking at fair value £000	Investments in subsidiary undertakings at cost £000	Other fixed asset investments at cost £000	Total £000
At 1 January	14,488	71,774	275	86,537
Additions	16,494	223	–	16,717
Disposals	(14,184)	–	–	(14,184)
Fair value adjustments	198	–	–	198
At 31 December	16,996	71,997	275	89,268
Amounts provided:				
At 1 January	–	5,976	275	6,251
Provided during the year	–	320	–	320
At 31 December	–	6,296	275	6,571
Net book value:				
At 31 December	16,996	65,701	–	82,697
At 1 January	14,488	65,798	–	80,286

The profit on disposal of shares in the parent undertaking was £nil (2019 – £nil).

The historical cost of the investment in the parent undertaking was £16,474,000 (2019 – £13,703,000).

# Notes to the financial statements

at 31 December 2020

## 14. Investments (continued)

### Subsidiary undertakings and other fixed asset investments

A full list of undertakings is given below:

Name of undertaking	% held of ordinary share capital		Registered office key
	2020	2019	
<b>Subsidiary undertakings</b>			
Bentley Holdings Limited	100	100	A
Cambridge Education Associates Limited	100	100	B
Cambridge Education Consultants Limited	100	100	B
Courtyard Group UK Limited	100	100	B
Franklin & Andrews International Limited	100	100	B
Franklin Osprey Services Limited	100	100	B
Fulcrum First Limited	100	100	B
HLSP Limited	100	100	B
JBA Bentley Limited <sup>1</sup>	75	75	A
JN Bentley Limited <sup>1</sup>	100	100	A
MMG Consulting Limited	100	100	B
Mott MacDonald Bentley Limited <sup>1</sup>	100	100	A
Mott MacDonald Colombia SAS	100	100	C
Mott MacDonald Gas Experts Limited	100	100	B
Multi Design Consultants Limited	100	100	B
Osprey PMI Limited	100	100	B
Power Ink Limited	100	100	B
Procyon Oil & Gas Limited	100	100	B
Project Management International Limited	100	100	B
<b>Other fixed asset investments</b>			
BMM JV Limited	50	50	D
Environments for Learning Leeds PSP Limited	24	24	E
M2 (Water) LLP	50	50	B

<sup>1</sup>Investment held wholly or partly through subsidiary undertaking.

#### 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
Calle 93B No. 12-48, Oficina 308, Edificio Futura, Bogota D.C., Colombia	C
St James House, Knoll Road, Camberley, Surrey GU15 3XW, United Kingdom	D
c/o Albany Spc Services Limited, 3rd Floor, 3-5 Charlotte Street, Manchester M1 4HB, United Kingdom	E

# Notes to the financial statements

at 31 December 2020

## 15. Debtors

	2020 £000	2019 £000
Trade debtors	70,670	94,049
Contract assets	57,926	65,549
Amount owed by parent undertaking	250,000	250,000
Amounts owed by fellow subsidiary undertakings	64,983	107,569
Amounts owed by other fixed asset investments	–	1,597
Deferred taxation (note 10(c))	15,635	17,411
Taxation recoverable	1,699	2,322
Other debtors	11,764	4,137
Prepayments and accrued income	21,266	25,625
	<b>493,943</b>	<b>568,259</b>

Trade debtors are shown net of a provision for impairment of £21,970,000 (2019 – £25,584,000).

Amount owed by parent undertaking of £250,000,000 is a loan from Mott MacDonald Limited to Mott MacDonald Group Limited. Interest on this loan is charged at a rate of LIBOR + 2%.

The intention is that amounts owed by parent undertaking and fellow subsidiary undertakings will not be called up at short notice if doing so would mean that the parent or subsidiary undertaking would be unable to meet its liabilities as they fall due.

Included within deferred taxation is a balance of £12,577,000 (2019 – £14,364,000) in relation to the pension liability (notes 10(c), 23). Deferred taxation is recoverable after more than one year.

## 16. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Contract liabilities	100,802	99,978
Amount due to parent undertaking	55,871	54,279
Amounts due to fellow subsidiary undertakings	40,881	34,970
Trade creditors	14,583	12,332
Current UK corporation tax	2,510	388
Non-UK taxation	6,922	6,243
Other taxes	6,234	8,254
Social security	8,644	8,710
Other creditors	8,966	10,415
Accruals	86,871	81,950
	<b>332,284</b>	<b>317,519</b>

Interest is paid on amounts owed to parent and fellow subsidiary undertakings based on the Bank Rate.

# Notes to the financial statements

at 31 December 2020

## 17. Obligations under leases

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

	Land and buildings		Other	
	2020 £000	2019 £000	2020 £000	2019 £000
Amounts payable:				
Within one year	12,527	12,394	–	–
In two to five years	38,185	41,835	–	–
Over five years	32,494	32,136	–	–
	<b>83,206</b>	<b>86,365</b>	<b>–</b>	<b>–</b>

## 18. Provisions for liabilities

2020	Provision for losses on contracts £000	Other provisions £000	Total £000
At 1 January	2,074	–	2,074
Exchange adjustments	(12)	–	(12)
Arising during the year	2,703	6,175	8,878
Reversed during the year	(451)	–	(451)
Utilised	(602)	–	(602)
At 31 December	<b>3,712</b>	<b>6,175</b>	<b>9,887</b>

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

Other provisions are mainly in respect of outstanding claims. No separate disclosure is made of the detail of such claims as to do so could seriously prejudice the position of the company.

## 19. Share capital

	2020 No.	2019 No.	2020 £000	2019 £000
<b>Authorised</b>				
Ordinary shares of £1 each	<b>260,000,000</b>	260,000,000	<b>260,000</b>	260,000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	<b>10,000,000</b>	10,000,000	<b>10,000</b>	10,000

# Notes to the financial statements

at 31 December 2020

## 20. Reserves

Profit and loss account	2020		2019	
	Excluding pension deficit £000	Pension deficit £000		Including pension deficit £000
At 1 January	370,791	(69,352)	301,439	321,463
Profit on ordinary activities after taxation	45,363	–	45,363	21,963
Dividends (note 11)	–	–	–	(12,530)
Distributions to fellow subsidiary undertakings	–	–	–	(3,995)
Transfer in respect of additional pension contributions (net of deferred tax)	(13,365)	13,365	–	–
Deferred tax on additional pension contributions (note 10(c))	(3,135)	–	(3,135)	(2,720)
Actuarial gain/(loss) on pension scheme (note 23)	–	2,200	2,200	(27,400)
Deferred tax on actuarial (gain)/loss (note 10(c))	–	(418)	(418)	4,658
Deferred tax rate change on opening pension scheme deficit (note 10(c))	–	1,070	1,070	–
Other finance cost (net of deferred tax)	595	(595)	–	–
Past service credit (including curtailments) (net of deferred tax)	(891)	891	–	–
At 31 December	399,358	(52,839)	346,519	301,439

Included in this profit and loss account is an undistributable profit of £57,190,000 relating to the profit on transfer of the company's investment in Mott MacDonald International Limited in 2005 to Mott MacDonald Group Limited at market value.

The pension deficit of £52,839,000 above differs from the pension liability in the statement of financial position of £66,194,000. This difference relates to the deferred tax asset of £12,577,000 in debtors plus the pre-divisionalisation element of the pension deficit in Multi Design Holdings Limited of £778,000.

## 21. Capital commitments

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

## 22. Contingent liabilities

	2020 £000	2019 £000
Guarantee of bank loans and overdrafts in respect of other group companies	9,145	19,250

In addition, in the normal course of business, down payment, performance and tender bonds have been given by the company. In the opinion of the directors, these are not expected to give rise to any significant liability. There are also bank guarantees in respect of the pension scheme as disclosed in note 23.

The company is a party to claims and litigation arising in the normal course of operations. Due to the inherent uncertainties of litigation or the early stage of certain proceedings, it is not possible to predict the final outcome of all ongoing claims and litigation at any given time or to determine the amount of any potential losses, if any. The company monitors all claims and takes appropriate insurance to mitigate its risk. No separate disclosure is made of the detail of such claims as to do so could seriously prejudice the position of the company.

# Notes to the financial statements

at 31 December 2020

## 23. Pensions and other retirement benefits

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

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

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

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

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

Costs relating to the remaining defined benefit section of MMPS were £17.3m (2019 – £16.8m). These costs include both administrative expenses relating to MMPS and an instalment of £16.5m to reduce the deficit. Members' pensions were increased during the year according to the rules of MMPS.

MMPS is funded by means of assets which are held in trustee-administered funds, separated from the company'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 company.

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

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

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

At the last actuarial valuation on 1 January 2018, the market value of assets was £595m and the level of funding based on market value of assets was 86%. The level of funding is the value of the assets expressed as a percentage of MMPS liabilities after allowing for revaluation of benefits to normal pension date.

The valuation position of MMPS was updated to 31 December 2020 by a qualified independent actuary for the purpose of producing these financial statements in accordance with FRS 102.

It should be noted that the calculations and methods under FRS 102 are different from those used by the actuary to determine the funding level of MMPS. The company and the trustees regularly review the funding level of MMPS with the advice of the actuary. During 2020 minimum contributions of £16.5m were paid to MMPS. Under the current funding plan, these will be £17.25m in 2021 and are then predicted to increase at 3.9% per annum.

# Notes to the financial statements

at 31 December 2020

## 23. Pensions and other retirement benefits (continued)

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

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

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

<b>The assets and liabilities of MMPS as at 31 December are analysed below:</b>	<b>2020</b>	2019
	<b>£m</b>	£m
<b>Change in defined benefit obligation</b>		
Defined benefit obligation at 1 January	<b>(691.3)</b>	(629.9)
Interest cost on MMPS liabilities	<b>(13.5)</b>	(17.7)
Actuarial losses on MMPS liabilities	<b>(66.2)</b>	(79.3)
Benefits paid	<b>33.2</b>	31.0
Settlements	–	4.6
Past service credit (including curtailments)	<b>1.1</b>	–
Defined benefit obligation at 31 December	<b>(736.7)</b>	(691.3)
<b>Analysis of defined benefit obligation</b>		
Plans that are wholly or partly funded	<b>(736.7)</b>	(691.3)
<b>Change in plan assets</b>		
Fair value of plan assets at 1 January	<b>606.8</b>	558.5
Interest income on MMPS assets	<b>12.0</b>	15.9
Actuarial gains on MMPS assets	<b>68.4</b>	51.9
Employer contributions	<b>16.5</b>	16.0
Benefits paid	<b>(33.2)</b>	(31.0)
Settlements	–	(4.5)
Fair value of plan assets at 31 December	<b>670.5</b>	606.8
Pension liability (excluding deferred tax)	<b>(66.2)</b>	(84.5)
Related deferred tax asset included within debtors (notes 10(c), 15)	<b>12.6</b>	14.4

## Components of pension income/(cost)

<b>Year to 31 December</b>	<b>2020</b>	2019
	<b>£m</b>	£m
Past service credit (including curtailments)	<b>1.1</b>	–
Settlement gain	–	0.1
Total pension income recognised in administrative expenses in arriving at operating profit	<b>1.1</b>	0.1

Past service credit (including curtailments) of £1.1m relates to the bulk pension increase exchange (PIE) exercise which was completed in early 2020. The £0.1m settlement gain in 2019 relates to the bulk transfer exercise carried out during the year.



# Notes to the financial statements

at 31 December 2020

## 23. Pensions and other retirement benefits (continued)

### Components of pension income/(cost) (continued)

Year to 31 December	2020 £m	2019 £m
Interest cost on MMPS liabilities	(13.5)	(17.7)
Interest income on MMPS assets	12.0	15.9
Net interest cost recognised in other finance cost in the income statement	(1.5)	(1.8)
Actuarial losses on MMPS liabilities	(66.2)	(79.3)
Actuarial gains on MMPS assets	68.4	51.9
Net actuarial gains/(losses) recognised in other comprehensive loss	2.2	(27.4)

### Plan assets

The weighted average asset allocation at the year end was as follows:	2020 %	2019 %
<b>Asset category</b>		
Liability driven investment	75	74
Diversified growth funds	14	14
Corporate bonds	5	6
Equities	5	5
Cash and other	1	1
	100	100

### Actual return on plan assets

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

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

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

# Notes to the financial statements

at 31 December 2020

## 23. Pensions and other retirement benefits (continued)

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

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

## 24. Related party transactions

The company has taken advantage of the provisions in Section 33.1A of FRS 102 which exempt subsidiary undertakings from disclosing transactions with other wholly owned subsidiary undertakings within the Group.

During the year, the company made sales of £4,239,000 (2019 – £4,419,000) to non-wholly owned fellow subsidiary undertakings and purchases of £2,338,000 (2019 – £3,011,000) from non-wholly owned fellow subsidiary undertakings. The net balance owed by non-wholly owned fellow subsidiary undertakings at 31 December 2020 was £42,012,000 (2019 – £53,323,000).

During the year, the company made only sales of £21,733,000 (2019 – £18,040,000) to other fixed asset investments. The net balance owed by other fixed asset investments at 31 December 2020 was £2,635,000 (2019 – £905,000).

## 25. Financial assets and liabilities

	2020 £000	2019 £000
<b>Financial assets at fair value through profit or loss</b>		
Investment in parent undertaking (note 14)	16,996	14,488
<b>Financial assets that are debt instruments measured at amortised cost<sup>1</sup></b>		
Trade debtors (note 15)	70,670	94,049
Amount owed by parent undertaking (note 15)	250,000	250,000
Amounts owed by fellow subsidiary undertakings (note 15)	64,983	107,569
Amounts owed by other fixed asset investments (note 15)	–	1,597
Other debtors (note 15)	11,764	4,137
<b>Financial liabilities measured at amortised cost<sup>1</sup></b>		
Trade creditors (note 16)	14,583	12,332
Amounts due to parent undertaking (note 16)	55,871	54,279
Amounts due to fellow subsidiary undertakings (note 16)	40,881	34,970
Other creditors (note 16)	8,966	10,415

There were no derivative financial instruments at the year end (2019 – £nil).

<sup>1</sup>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).

## Five year summary

Years ended 31 December	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
<b>Gross revenue</b>	<b>799,142</b>	<b>771,067</b>	<b>740,215</b>	<b>707,964</b>	<b>675,105</b>
<b>Operating profit</b>	<b>42,758</b>	<b>13,328</b>	<b>10,796</b>	<b>13,311</b>	<b>35,444</b>
Provision for impairment of investments	–	–	–	–	(2,114)
Fair value adjustments	<b>198</b>	290	579	622	962
Dividends received from subsidiary undertakings	–	3,500	2,500	6,000	6,000
<b>Profit on ordinary activities before interest</b>	<b>42,956</b>	<b>17,118</b>	<b>13,875</b>	<b>19,933</b>	<b>40,292</b>
Net interest receivable	<b>10,993</b>	10,208	13,110	12,049	9,683
Other finance cost	<b>(1,500)</b>	(1,800)	(1,600)	(2,500)	(3,000)
<b>Profit on ordinary activities before taxation</b>	<b>52,449</b>	<b>25,526</b>	<b>25,385</b>	<b>29,482</b>	<b>46,975</b>
Tax on profit on ordinary activities	<b>(7,086)</b>	(3,563)	(2,048)	(1,391)	(5,129)
<b>Profit on ordinary activities after taxation</b>	<b>45,363</b>	<b>21,963</b>	<b>23,337</b>	<b>28,091</b>	<b>41,846</b>
Dividends	–	(12,530)	(14,198)	(13,414)	(15,246)
Distributions to fellow subsidiary undertakings	–	(3,995)	(105)	(709)	(381)
<b>Retained profit</b>	<b>45,363</b>	<b>5,438</b>	<b>9,034</b>	<b>13,968</b>	<b>26,219</b>
<b>Employment of capital</b>					
Fixed assets	<b>104,866</b>	103,092	103,661	102,881	90,251
Net current assets less provisions	<b>317,847</b>	292,841	306,196	314,861	340,555
<b>Excluding pension liability</b>	<b>422,713</b>	<b>395,933</b>	<b>409,857</b>	<b>417,742</b>	<b>430,806</b>
Pension liability (excluding deferred tax)	<b>(66,194)</b>	(84,494)	(71,394)	(68,394)	(95,494)
<b>Including pension liability</b>	<b>356,519</b>	<b>311,439</b>	<b>338,463</b>	<b>349,348</b>	<b>335,312</b>
<b>Capital employed</b>					
Creditors falling due after more than one year	–	–	7,000	12,000	22,000
Capital and reserves excluding pension liability	<b>422,713</b>	395,933	402,857	405,742	408,806
<b>Excluding pension liability</b>	<b>422,713</b>	<b>395,933</b>	<b>409,857</b>	<b>417,742</b>	<b>430,806</b>
Pension liability (excluding deferred tax)	<b>(66,194)</b>	(84,494)	(71,394)	(68,394)	(95,494)
<b>Including pension liability</b>	<b>356,519</b>	<b>311,439</b>	<b>338,463</b>	<b>349,348</b>	<b>335,312</b>
<b>Net funds</b>					
Cash at bank and in hand	<b>166,075</b>	44,175	58,018	49,330	49,523
Bank loans	–	–	(7,000)	(12,000)	(22,000)
	<b>166,075</b>	<b>44,175</b>	<b>51,018</b>	<b>37,330</b>	<b>27,523</b>



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