MOTT MACDONALD

Mott MacDonald Limited

Report and financial statements
31 December 2022

Mott MacDonald Limited

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Contents

Strategic report

Cathy Travers
Managing Director – welcome

I am pleased to present our annual report for 2022, another year where we have exceeded expectations.

2022 was a year impacted by uncertainty over energy supply, the cost of living and the threat of recession in many of our core markets. Against that backdrop, we have delivered another good performance; returning strong profit and revenue growth. We have increased our cash reserves while the funding position of our defined benefit pension scheme remains healthy, giving us more resilience and liquidity for the business to continue its agenda for growth and meaningful delivery of its purpose.

Our strong performance in 2022 was underpinned by our strategy, focusing on sectors and services that provide opportunity aligned to our purpose, and by the agility and commitment of our colleagues across the company and the broader group. This commitment is reinforced by our independence which creates a strong sense of responsibility and allows us to face the future with confidence and clarity on the issues that matter most.

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

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

From delivery of enhanced carbon savings and biodiversity with an innovative data-rich federated model for the National Highways A428 scheme, to development of renewable energy-to-hydrogen energy systems in Europe and advanced air mobility network in the UK, we continue to be involved in some of the world's most challenging and complex infrastructure and development projects.

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

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

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

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

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

Corporate responsibility

Our corporate responsibility is managed at board level and co-ordinated across the Group to ensure consistency of approach and implementation while recognising relevant cultural, social and legal differences. The commentary on corporate responsibility reflects the Group's activity of which Mott MacDonald Limited is approximately 45% by revenue and headcount.

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

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

In our projects
We are committed to delivering socially-inclusive outcomes through our projects, working with our clients to improve accessibility, inclusion, empowerment, resilience and wellbeing for the communities we work with. In 2022, 1,000 employees attended programmes to discuss how we are making a positive difference through our projects.

Strategic report

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

With our people

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

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

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

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

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

For our planet

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

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

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

Streamlined energy and carbon reporting (SECR)

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

Reporting boundary

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

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

Measurement methodology

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

Strategic report

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

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

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

Measures to improve our energy and carbon performance

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

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

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

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

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

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

In addition, JNB aspires to:

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

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

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

Strategic report

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

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

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

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

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

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

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

Strategic report

Climate-related financial disclosures

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

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

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

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

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

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

Business and financial review

Business environment

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

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

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

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

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

Business response

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

A decision to ease utilisation levels to enable more investment in our technical practices and technical excellence, along with a measured growth of overheads to focus on purpose-led initiatives like digital, climate and

Strategic report

carbon, has enabled the business to deliver good organic growth. We have continued to use selective focus in markets where there is opportunity to do so and seek reduction or exit from markets where growth, profit or cash returns continue to fall below expectations.

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

Strategic review

During 2022, the Executive Board has progressed the strategy refresh that came from our 2021 landscape review. Selected territories and sectors have been under review to reassess their potential, market opportunity and competitive advantage to enable them to respond to that opportunity more effectively and optimise their performance.

Progress made with the strategy refresh in 2022 is set out in more detail in the S172 statement on pages 10 to 12. It is an agile and tangible process aimed at keeping the underlying strategy fresh, focused and avoiding a slowdown in business momentum.

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

Financial review

Revenue and operating profit

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

Gross revenue of £911.0m was 15.7% up on 2021 (£787.2m). This was mostly organic growth with insignificant currency impact. Operating profit of £61.3m was 16.3% up on 2021 (£52.7m), with the margin of 6.7% remaining similar to 2021. Revenue is attributable to one activity, the provision of consulting services.

Although operating profit was up £8.6m on last year, that was after gains from currency of £11.6m. Excluding currency in both years, profit was £5.4m lower in 2022. Staff costs have increased at a similar rate as the increase in revenue.

Selective focus continues to be the key filter used by the business in converting strategy into business opportunity and winning and delivering work. Revenue growth in Europe, principally the UK, was strong increasing by £138m to £738m (up 23%) reflecting a disciplined sector focus and strong operational delivery. Business activity of the company in Asia, Americas and Australasia is much smaller and revenue declined, with management focus and resources primarily directed at opportunities in the UK.

All core sectors, advisory, built environment, energy, transportation and water, responded well to the uncertainty in their markets, delivering double digit growth in revenues and profits, while maintaining or improving margins, and generating good quality cash flow.

The business continues to focus on the value created from overheads to understand how to improve the efficiency and effectiveness of functional and management overheads to release more value from the investment being made in them.

Other income of £4.1m relates to the research and development expenditure credit (RDEC). In 2021, this was included as a reduction in the tax charge. The amount for 2021 was not considered material to the financial statements and the comparative has not been restated.

Net interest receivable of £13.1m has increased by £5.9m and comprises mainly of intercompany interest (£12.0m) and bank interest (£1.2m). The increase is mainly due to increases in interest rates and in internal loan balances.

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

The business units are generally performing well. The strategy refresh and the drive from the Group's purpose and selective focus is providing clarity to the management teams in their choice of markets, clients and projects, aimed at improving outcomes for the communities they serve and for the business itself. Generally, all business units are performing strongly against their core KPIs.

Cash

Cash balances increased from £188m to £248m. The business continues to generate good quality cash flow for operational liquidity and organic growth. It will continue to put focus on working capital in 2023 to drive cash balances and liquidity higher still. The company has no debt.

Pension scheme

During the year, £19.5m of pension contributions were paid into the pension scheme to continue the journey to full funding. The scheme is in surplus, 106% funded on an accounting valuation basis. The FRS 102 pension scheme asset is £27.1m (2021 – £28.8m), a small fall in the year. That small fall came from significant movements in both the scheme assets and scheme liabilities that netted out to a fall of £1.7m in the value of the surplus. There is also a £22m actuarial loss in the statement of comprehensive income.

Strategic report

The loss of £22m can be explained as follows:

a) the two biggest items were a downward revaluation of scheme assets of £220m due to asset returns falling short of bond yields, offset by a gain of £205m from the downward revaluation of scheme liabilities arising from an increase in bond yields; and

b) other larger items were a £17m loss from the impact of inflation increasing scheme liabilities, offset by a £10m gain from a reduction in scheme liabilities from reduced mortality.

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

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

The company is a party to borrow using this facility and is also a guarantor under a group cross guarantee arrangement.

The parent company also has facilities in place for Group companies like Mott MacDonald Limited to use to provide tender bonds, performance bonds and advance payment bonds in the normal course of business.

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

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

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

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

Dividend
The directors declared a dividend of £7.5m in December 2022 (2021 – £5m) and decided not to declare a final dividend.

Shareholders' equity
Shareholders' equity increased from £409m to £452m. The increase mainly came from profit transferred to reserves of £66m less the impact of FRS 102 pension accounting in the statement of comprehensive income of £16m and the dividend of £8m.

Going concern
The directors have a reasonable expectation that the Group and company have adequate resources to continue in operational existence for the foreseeable future. Details of the basis for this are outlined in the basis of preparation section on page 29.

Other items
The effective tax rate of 16.6% is 3.2% higher than 2021. The increase is mainly due to the change in treatment of the tax credit for research and development costs (RDEC) noted above and an adjustment in respect of the prior years, relating to branch profits exemptions claimed in 2017/18.

There are two key non-financial KPIs that we use to manage the business. Average annual sickness across the company increased from 31.8 to 38.3 hours per person. Voluntary staff turnover increased from 9.9% to 10.9%.

Managing risk and uncertainty

The Group's approach to risk management is set out below which is a framework for all business operations to follow in principal but to shape and tailor to their own local requirements given the business environment, risks and control environment they work with.

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

Strategic report

Our risk management framework

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

Governance

The Executive Board, Risk Committee and Audit and Risk Assurance Sub-committee comprise the Group's governance framework to manage our risks. The Executive Board has overall accountability and responsibility for the management of risks in the Group. The oversight and management of risk are delegated to the Risk Committee. The Risk Committee is chaired by the Strategy Director and is responsible for the implementation of the risk management framework in the business and for overseeing the effectiveness of the risk treatments applied in the regions and through the Group.

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

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

Group principal risks

In recognition of the non-static nature of risks, the Risk Committee undertakes an annual comprehensive review of the material risks to the organisation. This review is informed by the regional risk sub-committees' risk profiles, business intelligence, external factors and our assurance processes. The principal risks are communicated to the regions and treatment plans are formulated and embedded into business practices. Treatment plans are used to document a clear understanding of the nature of the risk, the actions and activities to enable the risk to be managed, key metrics and the target risk rating. In December 2021, based upon the Risk Committee's review of the Group's material risks, the Group principal risks were revised and approved by the Executive Board. The Group has identified six risk categories which are characterised by 14 principal risks. These risks underpin the Group's delivery of its business strategy and their treatment strategies are embedded into our business management systems (BMS), standards and procedures. These elements all support and carefully manage the risks within the risk appetites set out by the Executive Board.

The Group uses a series of tools to analyse its risks and facilitate discussion with the Executive Board and Risk Committee. The Group risk summary on page 54 shows the relative position of the residual risks (post mitigation) and the change in perceived risk from the previous year.

Regional risk engagement

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

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

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

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

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

Strategic report

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

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

The 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.

The likely consequences of any decisions in the long term

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Strategic report

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

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

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

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

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

Acting in the best interests of employees – other people matters

The directors' report explains on page 21 how we engage with our employees to explain the current strategy, current performance and future plans of the Group, as well as listening to them to understand how to improve their working environment, working practices and development. In looking to maintain our future success, the directors have used the board meetings and executive team meetings during the year to make decisions on a number of key areas and have upgraded systems to support those decisions.

In 2022, the directors have:

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

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

Business relationships with suppliers, customers and others

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

The corporate governance report on pages 17 to 19 details the directors' approach to regular engagement with stakeholders that is supportive of informed decision-making.

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

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

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

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

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

Strategic report

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

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

Maintaining a reputation for high standards of business conduct

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

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

The governance around ethics, business conduct, risk and reputation is described in the corporate governance report on pages 15 and 16. Our behaviour in this area is very much a key factor in determining our long-term success and resilience as a business. Our suite of ethical dilemmas is a key development to put our knowledge and theory 'into practice'.

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

Looking forward

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

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

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

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

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

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

Cathy Travers, Managing Director
19 May 2023

Ed Roud, Finance Director
19 May 2023

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.

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

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

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 in the Group's principles set out below:

Principle 1 – Purpose and leadership
An effective board develops and promotes the purpose of the company and ensures that its values, strategy and culture align with that purpose.

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

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

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

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

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

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

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

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

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

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

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

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

Corporate governance report

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

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

Principle 2 – Board composition

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

Board composition in 2022

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

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

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

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

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.

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

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

Diversity

The Board is reasonably diverse in terms of knowledge, skills, experience and age. Two of the five Board members are women. We recognise the Board's lack of racial diversity. Changes in our own corporate culture as well as in the wider industry are slowly improving the retention and career progression of a more diverse workforce. The Group Board recognises its role to improve opportunity and outcomes for all staff within Mott MacDonald, and for leading change in the markets within which it operates.

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

Principle 3 – Director responsibilities

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

Corporate governance report

As with principle 2 above, the governance structure reflects the governance in place for the Executive Board of the parent company who carry out roles and responsibilities as directors of 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 of that Board and 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 are to be considered at Board meetings. Directors have access to the advice of the Group General Counsel who in his capacity as Company Secretary is responsible for advising the Board on all governance matters and ensuring that Board procedures are complied with. Directors can seek independent advice on the performance of their duties if necessary.

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

Discharging responsibilities

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

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

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

Principle 4 – Opportunity and risk

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

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.

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

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

Managing business risk

Business risks are treated by the Board's Risk Committee. Each business risk is managed by the three lines of defence model and mitigations recorded by individual risk treatment plans. The Group's principal risk themes are noted on pages 8 and 9.

Corporate governance report

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

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

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

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

Managing project risks before contract

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

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

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

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

Managing project risk after contract

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

Our ERP system, Connect Business, now covers around 90% of our global consulting operations by revenue. Connect Business and our Risk Contingency Tool support improved risk management, providing an integrated risk register for each project. The risk register is live during delivery, giving improved visibility of current risks and enabling improved project management. The improved visibility can also inform project support requirements and improve business planning through aggregated views of risks.

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

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

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

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

Principle 5 – Remuneration

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

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.

Corporate governance report

The narrative set out below is a summary of the Group's governance framework and principles in managing processes and controls in the area of reward across the Group of which Mott MacDonald Limited is the principal trading company in the UK in consulting engineering.

Consistency and control

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

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

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

Remuneration and Equity Sub-committee

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

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

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

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

Directors and independent members

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

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

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

Equality, diversity and inclusion (EDI)

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

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

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

Principle 6 – Stakeholder relationships and engagement

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

The narrative set out below is a summary of the Group's general approach to stakeholder engagement that is used across Mott MacDonald Limited, either as an imperative for its operations or as a member of the Mott MacDonald Group.

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

Corporate governance report

In addition to the engagement planned and delivered locally, there is a structured engagement process across the Group run through the governance of the parent company.

With our employees

The directors have regular engagement with employees to ensure that they are informed of the Group's strategic direction and are kept informed of its performance. A summary strategy has been issued to all employees to increase awareness of the company's strategic objectives and value proposition. Details of employee engagement are required to be set out in the directors' report and can be found on page 21.

With our employee shareholders

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

This includes the directors providing:

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

With our clients

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

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

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

With our partners

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

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

Corporate governance report

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

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

Other activities include:

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

Further, specific examples of how the directors have engaged with employees, clients and wider stakeholders in the course of their duties and having regard to this engagement and their views in making decisions and ensuring the success of the company are set out in the S172 statement in the strategic report on pages 10 to 12.

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

Cathy Travers, Managing Director
19 May 2023

Ed Roud, Finance Director
19 May 2023

Directors' report

The directors present their report, together with the audited financial statements of the company for the year ended 31 December 2022.

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, transport and water.

Results and dividends

The profit for the year after taxation amounts to £66.5m (2021 – £51.7m). The directors propose an interim dividend of £7.5m (2021 – £5.0m). The directors do not recommend the payment of a final dividend.

Directors

The following were directors of the company during the year ended 31 December 2022:

Denise Bower
Ian Galbraith
Mike Haigh
James Harris
Ed Roud
Cathy Travers

Cathy Travers was appointed as a director on 1 January 2022 and Mike Haigh resigned as a director on 31 July 2022.

Directors' and officers' 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 or omissions.

Statement of corporate governance arrangements

Mott MacDonald Limited continues its strong commitment to our existing corporate governance framework adopted by the Executive Board of Mott MacDonald Group Limited during 2022. Our detailed governance framework is applied throughout the Group and sets out how the company conducts business across the Group. 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.

The corporate governance report on pages 13 to 19 demonstrates how we have satisfied the requirements for governance under the Companies (Miscellaneous Reporting) Regulations 2018 throughout the year ended 31 December 2022.

For more information, please see the financial statements of Mott MacDonald Group Limited or visit our website mottmac.com/corporate-governance.

Shareholder engagement

Mott MacDonald Limited is the main trading entity of the Mott MacDonald group and is controlled by the ultimate parent company Mott MacDonald Group Limited. Different ways of engagement with shareholders of the ultimate parent company, who are also employees of the company, are disclosed in the corporate governance report on page 18.

Employees

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 performance bonuses and annual awards.

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

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

Equal opportunities

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

We apply the same standards and protocols to other areas where discrimination may exist in the workplace and our current initiatives in equality, diversity, inclusion (EDI) are set out in the corporate responsibility statement on pages 2 and 3.

Engagement with employees

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

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

This includes the directors:

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

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

Details of how the directors have engaged with employee shareholders, clients, partners and wider stakeholders are set out in the corporate governance report on pages 17 to 19.

Energy consumption and carbon information

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

Principal risks and uncertainties

Business risks and measures to mitigate these risks are described in the strategic report on pages 8 and 9. The financial risks and mitigation measures are set out below:

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 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.

Post balance sheet events

There were no post balance sheet events requiring disclosure.

Directors' report

Future developments

The various markets of the company are likely to continue to be impacted by economic and geopolitical disruption which have created a more unsettled business environment during 2022. The infrastructure market has remained resilient through the worst of the Covid experience and has remained resilient through the evolving uncertainty over future trends in economic and political factors. However, unless market capacity grows steadily in the first six months of 2023, there is a potential risk that the regional or global economies slip into recession. The company remains focused on monitoring the future anticipated trends through its monthly review of lead indicators.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. 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
- the directors 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 company's auditor is aware of that information.

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

Auditor

BDO LLP was appointed as auditor of the company during the year and offer themselves for reappointment as auditor in accordance with Section 485 of the Companies Act 2006.

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

J. Porter

John Porter, Company Secretary
19 May 2023

Independent auditor's report

to the members of Mott MacDonald Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mott MacDonald Limited ('the company') for the year ended 31 December 2022 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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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.

Independent auditor's report

to the members of Mott MacDonald Limited

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Mott MacDonald Limited and determined the most significant laws and regulations to be:

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

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

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where it is considered there was a susceptibility to fraud. We also considered potential fraud drivers including financially linked performance targets or other pressures, opportunity and personal or corporate motivations. We obtained an understanding of the programmes and controls that the company has established to address risks identified or that otherwise prevent, deter, or detect fraud, and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals by identifying journals which met a defined criteria and corroborating these on a sample basis through to supporting documentation and management explanations and testing key areas of estimation uncertainty or judgement for example; determining the revenue and profitability of projects for which we sampled projects using a risk based approach and assessed and challenged management's estimated costs to complete against budgets and also assessed and challenged the completeness of provisions for works in progress, trade receivables, contract losses and contract liabilities, and valuation of the defined benefit scheme and annuities for which we consulted with external experts to gain an understanding of the estimates and judgements used and assessed the reasonableness of these in the context our understanding of the entity and its environment.

Independent auditor's report

to the members of Mott MacDonald Limited

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

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

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

Use of our report

This report is made solely to the 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.

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

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

Income statement and statement of comprehensive income

for the year ended 31 December 2022

Income statement	Notes	2022 £000	2021 £000
Gross revenue	5	**911,028**	787,195
Cost of sales		**(538,391)**	(462,165)
Gross profit		**372,637**	325,030
Administrative expenses		**(311,332)**	(272,308)
Operating profit	6(a)	**61,305**	52,722
Other income	6(b)	**4,100**	–
Fair value adjustments on investment in parent undertaking	14	**408**	259
Profit on ordinary activities before interest		**65,813**	52,981
Net interest receivable	9	**13,101**	7,249
Other finance income/(cost)	23	**800**	(500)
Profit on ordinary activities before taxation		**79,714**	59,730
Tax on profit on ordinary activities	10(a)	**(13,220)**	(7,999)
Profit on ordinary activities after taxation		**66,494**	51,731

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

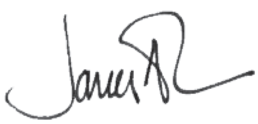
Statement of comprehensive income	Notes	2022 £000	2021 £000
Profit for the financial year		**66,494**	51,731
Other comprehensive (loss)/income			
Net actuarial (loss)/gain on pension scheme	20, 23	**(22,000)**	35,900
Tax on net actuarial loss/(gain)	20	**4,180**	(6,821)
Change in restriction of pension asset recognised – gross	20	**1,700**	(28,790)
Change in restriction of pension asset recognised – tax thereon	10(c), 20	**(323)**	5,470
Total other comprehensive (loss)/income		**(16,443)**	5,759
Total comprehensive income for the year		**50,051**	57,490

Statement of financial position

at 31 December 2022

Registered No. 01243967	Notes	**2022 £000**	2021 £000
Fixed assets			
Intangible assets	12	**7,607**	11,872
Tangible assets	13	**7,158**	8,652
Investments	14	**81,483**	77,196
		96,248	97,720
Current assets			
Debtors	15	**544,689**	493,395
Cash at bank and in hand		**248,341**	187,573
		793,030	680,968
Creditors: amounts falling due within one year	16	**(424,990)**	(365,498)
Net current assets		**368,040**	315,470
Total assets less current liabilities		**464,288**	413,190
Provisions for liabilities	18	**(12,728)**	(4,181)
Net assets		**451,560**	409,009
Capital and reserves			
Called up share capital	19	**10,000**	10,000
Profit and loss account	20	**441,560**	399,009
Shareholders' equity		**451,560**	409,009

The financial statements on pages 26 to 52 were approved and authorised for issue by the Board of Directors on 19 May 2023 and signed on its behalf by:



James Harris, Executive Chair

Statement of changes in equity

for the year ended 31 December 2022

	Notes	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2021		10,000	346,519	356,519
Profit for the year	20	–	51,731	51,731
Other comprehensive income/(loss):				
Net actuarial gain on pension scheme	20, 23	–	35,900	35,900
Tax on net actuarial gain	20	–	(6,821)	(6,821)
Change in restriction of pension asset recognised – gross	20	–	(28,790)	(28,790)
Change in restriction of pension asset recognised – tax thereon	10(c), 20	–	5,470	5,470
Total other comprehensive income for the year		–	5,759	5,759
Dividends paid	11, 20	–	(5,000)	(5,000)
At 31 December 2021/1 January 2022		**10,000**	**399,009**	**409,009**
Profit for the year	20	**–**	**66,494**	**66,494**
Other comprehensive (loss)/income:				
Net actuarial loss on pension scheme	20, 23	**–**	**(22,000)**	**(22,000)**
Tax on net actuarial loss	20	**–**	**4,180**	**4,180**
Change in restriction of pension asset recognised – gross	20	**–**	**1,700**	**1,700**
Change in restriction of pension asset recognised – tax thereon	10(c), 20	**–**	**(323)**	**(323)**
Total other comprehensive loss for the year		**–**	**(16,443)**	**(16,443)**
Dividends paid	11, 20	**–**	**(7,500)**	**(7,500)**
At 31 December 2022		**10,000**	**441,560**	**451,560**

Notes to the financial statements

at 31 December 2022

1. Company information

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

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The 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 cash flow projections up to 31 December 2024, including both a base case and hypothetical downside scenarios that may result from the negative impact of a severe global recession on future trading and cash flow. The analysis demonstrates that there would be sufficient headroom within the banking covenants and liquidity even if revenue and cash receipts reduced substantially. The scenario analysis allows for measures that would be implemented as part of a response plan to preserve cash, many of which were implemented effectively during 2020. The directors are therefore satisfied that the Group and the company have sufficient financial resources and a robust response plan in the event of a severe economic downturn. The company also has a strong cash position at the statement of financial position date and a bank facility in place up until December 2026 for £125m with an accordion of £25m available to use as part of the main facility agreement. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

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.

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 2022

3. Significant judgements and estimates

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

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

Revenue from contracts

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

Provisions

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

Defined benefit pension scheme

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

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

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

Revenue from contracts

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

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

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

Such cost and revenue contingencies are only included in the estimates in project budgets if they are deemed 'more likely than not to occur' when the financial statements are prepared. Management have reviewed project budgets at 31 December 2022 and are satisfied that contingencies that are included in project budgets reflect this methodology and the criteria set out above. There is however uncertainty in respect of the extent and magnitude of the contingencies, most notably whether the amounts recognised will fully crystallise. Due to their nature, revenue contingencies tend to require more judgement than cost contingencies. Revenue contingencies totalled c£42m at 31 December 2022, the majority of which relates to 12 projects.

Notes to the financial statements

at 31 December 2022

3. Significant judgements and estimates (continued)

Revenue from contracts (continued)

The classifications in the statement of financial position impacted by the above factors are contract assets (£60,721k) and contract liabilities (£109,509k).

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

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

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

Defined benefit pension scheme

The cost of defined benefit pension plans is determined annually using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, inflation, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty, with the valuation being most sensitive to the discount and inflation rate actuarial assumptions used. There is a range of possible values for the assumptions and small changes in these may have a significant impact on the valuation of the defined benefit pension obligations. The assumptions in relation to the scheme are set out in note 23, including sensitivity analysis on the two most critical estimates.

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 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 intangible assets as negative goodwill.

Goodwill and intangible assets

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

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

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.

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 2022

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 future economic benefits and the costs can be reliably measured.

Goodwill and intangible assets are amortised on a straight line basis over their estimated useful lives with the amortisation being charged to administrative expenses in the income statement. The net book value of goodwill and intangible assets is reviewed for impairment if events or changes in circumstances indicate the net book value may not be recoverable. The useful economic lives of goodwill and intangible assets are as follows:

Goodwill	5 to 10 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:

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

Gross revenue

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

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

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

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

Notes to the financial statements

at 31 December 2022

4. Principal accounting policies (continued)

Gross revenue (continued)

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

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

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

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

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 2022

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 and loans from fellow Group companies 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.

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.

Notes to the financial statements

at 31 December 2022

4. Principal accounting policies (continued)

Deferred taxation (continued)

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, the 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 set off 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 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, 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 2022

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 which 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 in the statement of financial position, with the corresponding deferred tax asset or liability disclosed within debtors or provisions for liabilities. A surplus is recognised only to the extent that it is recoverable by the 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 occurs, the changes in the present value of the scheme liabilities and the fair value of the plan assets reflect the gain or loss which is recognised in the income statement during the period in which it occurs.

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

Government grants and subsidies

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

Notes to the financial statements

at 31 December 2022

5. Gross revenue

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

Gross revenue by destination:	2022 £000	2021 £000
Europe	**738,222**	600,361
Middle East and Africa	**131,007**	127,274
Asia	**26,960**	39,548
Americas	**11,938**	15,907
Australia and New Zealand	**2,901**	4,105
	911,028	787,195

6. Operating profit and other income

(a) Operating profit

This is stated after charging/(crediting):	2022 £000	2021 £000
Auditors' remuneration – audit services – principal auditor for audit of company[1]	**353**	378
– associates of principal auditor for audit of branches[1]	**97**	50
	450	428
– other non-audit services – principal auditor	**–**	3
Foreign exchange (gains)/losses	**(11,627)**	2,313
Depreciation (note 13)	**3,357**	2,893
Amortisation of software (note 12)	**5,062**	4,093
Operating lease rentals – land and buildings	**11,969**	11,820

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

(b) Other income

	2022 £000	2021 £000
Other income	**4,100**	–

Other income in 2022 relates to Research and Development Expenditure Credit (RDEC). In 2021 this was included as a reduction in the tax charge. The amount for 2021 was not considered material to the financial statements, therefore the comparative has not been restated.

Notes to the financial statements

at 31 December 2022

7. Directors' remuneration

	2022 £000	2021 £000
Emoluments (excluding pension contributions)	**3,885**	3,123

The emoluments above relate to 6 directors in the year ended 31 December 2022 (2021 − 5).

The emoluments (excluding pension contributions) of the highest paid director were £947,418 (2021 − £820,068).

During the year £77,948 (2021 − £42,748) of contributions were paid to the Master Trust in respect of 5 directors (2021 − 4), of which £nil (2021 − £9,318) 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'). The accrued pension at 31 December 2022 for the highest paid director was £4,236 (2021 − £30,928).

The Scheme provides an option to commute part of this pension for a lump sum, which amounted to £22,583 at 31 December 2022 (2021 − £168,829) for the highest paid director. The lump sum is calculated in accordance with HM Revenue & Customs rules using a Scheme-specific formula.

8. Staff costs

	2022 £000	2021 £000
Salaries	**415,139**	361,901
Social security costs	**44,930**	36,725
Other pension costs (defined contribution schemes)	**57,673**	50,487
	517,742	449,113

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

	No.	No.
Management	**807**	705
Technical staff	**6,050**	5,498
Administrative staff	**823**	804
	7,680	7,007
The actual number of permanent staff at 31 December was:	**8,093**	7,295

Notes to the financial statements

at 31 December 2022

9. Net interest receivable

	2022 £000	2021 £000
Interest receivable:		
Interest due from parent undertaking	**10,060**	5,171
Interest due from fellow subsidiary undertakings	**2,930**	2,265
Bank interest	**1,623**	59
	14,613	7,495
Interest payable:		
Bank interest	**(399)**	(1)
Interest due to parent undertaking	**(783)**	(54)
Interest due to fellow subsidiary undertakings	**(249)**	(185)
Other interest	**(81)**	(6)
	(1,512)	(246)
Net interest receivable	**13,101**	7,249

10. Tax

(a) Tax on profit on ordinary activities

	2022 £000	2021 £000
The taxation charge is made up as follows:		
Current tax:		
UK corporation tax	**12,390**	7,763
Non-UK tax	**1,088**	1,025
Capital gains tax – Mott MacDonald Employee Trust	**43**	108
	13,521	8,896
Adjustments in respect of previous years:		
UK corporation tax	**1,876**	83
Non-UK tax	**(694)**	(30)
Capital gains tax – Mott MacDonald Employee Trust	**(11)**	–
Total current tax	**14,692**	8,949
Deferred tax:		
Origination and reversal of timing differences	**(61)**	(401)
Effect of increased tax rate on opening balance	**(3)**	(883)
Adjustments in respect of previous years	**(1,408)**	334
Total deferred tax credit (note 10(c))	**(1,472)**	(950)
Tax on profit on ordinary activities (note 10(b))	**13,220**	7,999

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is a credit of £3,857,000 (2021 − £1,351,000 charge).

Notes to the financial statements

at 31 December 2022

10. Tax (continued)

(b) Factors affecting tax charge for the year

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

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

	2022 £000	2021 £000
Profit on ordinary activities before taxation	**79,714**	59,730
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021 − 19%)	**15,146**	11,349
Effects of:		
Net higher tax on non-UK earnings	**1,120**	1,025
Non-UK branch profits	**(500)**	(1,060)
Adjustments in respect of previous years	**(237)**	387
Non-tax deductible expense (foreign exchange gain on foreign branches)	**(349)**	(78)
Expenses not deductible for tax purposes	**369**	258
Research and development relief	**–**	(842)
Effect of rate change	**(62)**	(1,905)
Effect of group reliefs	**(2,555)**	(1,446)
Tax attributable to Mott MacDonald Employee Trust	**43**	108
Other permanent differences	**245**	203
Tax on profit on ordinary activities (note 10(a))	**13,220**	7,999

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, which explain why the tax charge for the current year is lower than the standard corporation tax rate in the UK, 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 (2021 − £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 2022

10. Tax (continued)

(c) Deferred tax

	2022 £000	2021 £000
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 15)	**10,033**	10,615
The elements of deferred taxation are as follows:		
Excess of book depreciation over tax allowances on fixed assets	**3,728**	3,390
Pension spreading	**5,620**	7,822
Other timing differences	**685**	(597)
	10,033	10,615
The movement in the year was:		
At 1 January	**10,615**	15,635
Deferred tax credit recognised in the income statement (note 10(a))	**1,472**	950
Deferred tax credit/(charge) recognised in the statement of comprehensive income		
– on net actuarial loss/(gain) on pension scheme (note 20)	**4,180**	(6,821)
– on defined benefit pension contributions	**(5,907)**	(5,555)
– on change in restriction of pension asset recognised (note 20)	**(323)**	5,470
Exchange and other adjustments	**(4)**	2
Transfer from subsidiary undertaking	**–**	934
At 31 December	**10,033**	10,615

The amount of the net reversal of deferred tax expected to occur next year is £3,200,000 (2021 − £3,100,000).

11. Dividends

	2022 £000	2021 £000
The following dividends were paid during the year:		
Interim dividend paid	**7,500**	5,000

Notes to the financial statements

at 31 December 2022

12. Intangible fixed assets

2022	Goodwill £000	Software £000	Total £000
Cost:			
At 1 January	**2,496**	**24,045**	**26,541**
Additions	**–**	**797**	**797**
At 31 December	**2,496**	**24,842**	**27,338**
Amortisation:			
At 1 January	**2,496**	**12,173**	**14,669**
Provided during the year	**–**	**5,062**	**5,062**
At 31 December	**2,496**	**17,235**	**19,731**
Net book value:			
At 31 December	**–**	**7,607**	**7,607**
At 1 January	–	11,872	11,872

13. Tangible fixed assets

2022	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
Cost:			
At 1 January	**330**	**42,990**	**43,320**
Exchange adjustments	**38**	**474**	**512**
Additions	**–**	**1,773**	**1,773**
Disposals	**(67)**	**(38)**	**(105)**
At 31 December	**301**	**45,199**	**45,500**
Depreciation:			
At 1 January	**318**	**34,350**	**34,668**
Exchange adjustments	**37**	**378**	**415**
Provided during the year	**5**	**3,352**	**3,357**
Disposals	**(67)**	**(31)**	**(98)**
At 31 December	**293**	**38,049**	**38,342**
Net book value:			
At 31 December	**8**	**7,150**	**7,158**
At 1 January	12	8,640	8,652

Notes to the financial statements

at 31 December 2022

14. Investments

2022	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	**11,495**	**71,997**	**275**	**83,767**
Additions	**17,850**	**–**	**–**	**17,850**
Disposals	**(13,971)**	**(496)**	**–**	**(14,467)**
Fair value adjustments	**408**	**–**	**–**	**408**
At 31 December	**15,782**	**71,501**	**275**	**87,558**
Amounts provided:				
At 1 January	**–**	**6,296**	**275**	**6,571**
On disposal	**–**	**(496)**	**–**	**(496)**
At 31 December	**–**	**5,800**	**275**	**6,075**
Net book value:				
At 31 December	**15,782**	**65,701**	**–**	**81,483**
At 1 January	11,495	65,701	–	77,196

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

The profit on disposal of shares in the parent undertaking was £nil (2021 − £nil).

The historical cost of the investment in the parent undertaking was £15,281,000 (2021 − £11,105,000).

Notes to the financial statements

at 31 December 2022

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 2022	2021	Registered office key
Subsidiary undertakings			
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[1]	**75**	75	**A**
JN Bentley Limited[1]	**100**	100	**A**
MMG Consulting Limited	**100**	100	**B**
Mott MacDonald Bentley Limited[1]	**100**	100	**A**
Mott MacDonald Colombia SAS	**100**	100	**C**
Multi Design Consultants Limited	**100**	100	**B**
Osprey PMI Limited	**100**	100	**B**
Procyon Oil & Gas Limited[2]	**100**	100	**B**
Schema Associates Limited	**100**	100	**B**
Other fixed asset investments			
BMM JV Limited	**50**	50	**D**
M2 (Water) LLP	**50**	50	**B**

[1]investment held wholly or partly through subsidiary undertaking
[2]in liquidation

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**
Carrera 14 No. 89-48, Oficina 403, Edificio Novanta, Bogota D.C., Colombia	**C**
St James House, Knoll Road, Camberley, Surrey GU15 3XW, United Kingdom	**D**

Notes to the financial statements

at 31 December 2022

15. Debtors

	2022 £000	2021 £000
Trade debtors	**101,823**	69,409
Contract assets	**60,721**	58,847
Amount owed by parent undertaking	**250,000**	250,000
Amounts owed by fellow subsidiary undertakings	**65,481**	71,105
Deferred taxation (note 10(c))	**10,033**	10,615
Taxation recoverable	**2,572**	2,840
Other debtors	**16,034**	6,578
Prepayments	**38,025**	24,001
	544,689	493,395

Trade debtors are shown net of a provision for impairment of £12,602,000 (2021 – £17,326,000).

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 based on SONIA plus a margin.

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.

Deferred taxation recoverable after more than one year amounts to £6,833,000.

16. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Contract liabilities	**109,509**	109,441
Amount due to parent undertaking	**63,659**	59,614
Amounts due to fellow subsidiary undertakings	**45,634**	38,718
Trade creditors	**26,159**	22,699
Current UK corporation tax	**398**	1,585
Non-UK taxation	**8,042**	8,192
Other taxes	**8,168**	7,115
Social security	**10,361**	8,836
Other creditors	**30,357**	9,885
Accruals	**122,703**	99,413
	424,990	365,498

Interest is paid on amounts owed to parent and fellow subsidiary undertakings based on the three month average reference rate plus a margin.

Notes to the financial statements

at 31 December 2022

17. Obligations under leases

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

	Land and buildings	
	2022	2021
	£000	£000
Amounts payable:		
Within one year	**11,097**	11,803
In two to five years	**22,068**	30,589
Over five years	**29,416**	31,026
	62,581	73,418

18. Provisions for liabilities

2022	**Provisions for losses on contracts £000**	**Other provisions £000**	**Total £000**
At 1 January	**3,631**	**550**	**4,181**
Exchange adjustments	**132**	**–**	**132**
Arising during the year	**2,668**	**8,536**	**11,204**
Reversed during the year	**(1,396)**	**(124)**	**(1,520)**
Utilised	**(1,228)**	**(41)**	**(1,269)**
At 31 December	**3,807**	**8,921**	**12,728**

Other provisions are mainly in respect of outstanding claims.

Due to the nature of provisions for losses on contracts and other provisions, the timing of their utilisation varies with the size and complexity of the underlying facts and circumstances. It is not unusual for such matters to take three to five years to be resolved. A reasonable expected range of potential outcomes would not materially impact the provisions. This includes a provision for claims incurred but not yet reported in the captive insurance company and is based on information available at the statement of financial position date.

19. Share capital

	2022	2021	**2022**	2021
	No.	No.	**£000**	£000
Authorised				
Ordinary shares of £1 each	**260,000,000**	260,000,000	**260,000**	260,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10,000**	10,000

Notes to the financial statements

at 31 December 2022

20. Reserves

Profit and loss account	2022 £000	2021 £000
At 1 January	**399,009**	346,519
Profit on ordinary activities after taxation	**66,494**	51,731
Dividends (note 11)	**(7,500)**	(5,000)
Net actuarial (loss)/gain on pension scheme (note 23)	**(22,000)**	35,900
Tax on net actuarial loss/(gain)	**4,180**	(6,821)
Change in restriction of pension asset recognised – gross	**1,700**	(28,790)
Change in restriction of pension asset recognised – tax thereon (note 10(c))	**(323)**	5,470
At 31 December	**441,560**	399,009

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.

21. Capital commitments

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

22. Contingent liabilities

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

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

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 potential losses, if any. The company monitors all claims and takes appropriate insurance to mitigate its risk. Provisions for such claims made at the statement of financial position date are set out in note 18.

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 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').

Notes to the financial statements

at 31 December 2022

23. Pensions and other retirement benefits (continued)

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 active GPP members were transferred to a Master Trust and new employees are now contractually enrolled into the Master Trust. The minimum Master Trust employee contribution level is 4.5%.

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

The 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 current employees who were not in the GPP were contractually enrolled in May 2016, and subsequently re-enrolment exercises were carried out in the Master Trust in May 2019 and May 2022. Total pension contributions were £54.5m (2021 − £47.2m).

Costs relating to the remaining defined benefit section of MMPS were £20.4m (2021 − £65.6m). These costs include both administrative expenses relating to MMPS and instalments totalling £19.5m (2021 − £64.5m) to reduce the deficit. Members' pensions were increased during the year according to the rules of MMPS.

MMPS is funded by means of assets which are held in trustee-administered funds, separated from the 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 2021
Future investment return per annum – pre-retirement	Discount rate yield curve*
– post-retirement	Discount rate yield curve*

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

At the last actuarial valuation on 1 January 2021, the market value of assets was £672m and the level of funding based on market value of assets was 86%. The level of funding is the value of the assets expressed as a percentage of MMPS liabilities after allowing for revaluation of benefits to normal pension date.

The valuation position of MMPS was updated to 31 December 2022 by a qualified independent actuary for the purpose of producing these financial statements in accordance with FRS 102.

It should be noted that the calculations and methods under FRS 102 are different from those used by the actuary to determine the funding level of MMPS. The company and the trustees regularly review the funding level of MMPS with the advice of the actuary.

During 2022, minimum contributions of £19.5m were paid to MMPS in accordance with the latest recovery plan. Under the current funding plan, minimum contributions will be £19.5m in 2023 and 2024.

Notes to the financial statements

at 31 December 2022

23. Pensions and other retirement benefits (continued)

The assets and liabilities of MMPS as at 31 December are analysed below:	2022 £m	2021 £m
Change in defined benefit obligation		
Defined benefit obligation at 1 January	**(683.4)**	(736.7)
Interest cost on MMPS liabilities	**(13.4)**	(10.1)
Actuarial gains on MMPS liabilities	**198.5**	50.9
Benefits paid	**32.2**	33.0
Transfer from JNBPS	**–**	(20.5)
Defined benefit obligation at 31 December	**(466.1)**	(683.4)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**(466.1)**	(683.4)
Change in plan assets		
Fair value of plan assets at 1 January	**712.2**	670.5
Interest income on MMPS assets	**14.2**	9.6
Actuarial losses on MMPS assets	**(220.5)**	(15.0)
Employer contributions	**19.5**	64.5
Benefits paid	**(32.2)**	(33.0)
Transfer from JNBPS	**–**	15.6
Fair value of plan assets at 31 December	**493.2**	712.2
Pension asset (excluding tax)	**27.1**	28.8
Pension surplus not recognised (excluding tax)*	**(27.1)**	(28.8)
Pension asset recognised in the statement of financial position (excluding tax)	**–**	–

*Since the company does not have an unconditional right to the surplus, it has not been recognised.

Notes to the financial statements

at 31 December 2022

23. Pensions and other retirement benefits (continued)

Components of pension (cost)/income

Year to 31 December	2022 £m	2021 £m
Interest cost on MMPS liabilities	**(13.4)**	(10.1)
Interest income on MMPS assets	**14.2**	9.6
Net interest recognised in other finance income/(cost) in the income statement	**0.8**	(0.5)
Actuarial gains on MMPS liabilities	**198.5**	50.9
Actuarial losses on MMPS assets	**(220.5)**	(15.0)
Net actuarial (losses)/gains recognised in other comprehensive (loss)/income	**(22.0)**	35.9

Plan assets

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

Actual return on plan assets

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

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

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

Notes to the financial statements

at 31 December 2022

23. Pensions and other retirement benefits (continued)

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

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

Sensitivity to the significant actuarial assumptions

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

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

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

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 £1,590,000 (2021 − £2,142,000) to non-wholly owned fellow subsidiary undertakings and purchases of £3,299,000 (2021 − £2,474,000) from non-wholly owned fellow subsidiary undertakings. The net balance owed to non-wholly owned fellow subsidiary undertakings at 31 December 2022 was £409,000 (2021 − owed by £38,814,000).

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

Notes to the financial statements

at 31 December 2022

25. Financial assets and liabilities

	2022 **£000**	2021 £000
Financial assets at fair value through profit or loss		
Investment in parent undertaking (note 14)	**15,782**	11,495
Financial assets that are debt instruments measured at amortised cost[1]		
Trade debtors (note 15)	**101,823**	69,409
Amount owed by parent undertaking (note 15)	**250,000**	250,000
Amounts owed by fellow subsidiary undertakings (note 15)	**65,481**	71,105
Other debtors (note 15)	**16,034**	6,578
Financial liabilities measured at amortised cost[1]		
Trade creditors (note 16)	**26,159**	22,699
Amount due to parent undertaking (note 16)	**63,659**	59,614
Amounts due to fellow subsidiary undertakings (note 16)	**45,634**	38,718
Other creditors (note 16)	**30,357**	9,885

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

Five-year summary

This page does not form part of the audited financial statements

Years ended 31 December	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Gross revenue	**911,028**	787,195	799,142	771,067	740,215
Operating profit	**61,305**	52,722	42,758	13,328	10,796
Profit on ordinary activities before taxation	**79,714**	59,730	52,449	25,526	25,385
Tax on profit on ordinary activities	**(13,220)**	(7,999)	(11,455)	(3,563)	(2,048)
Dividends	**(7,500)**	(5,000)	–	(12,530)	(14,198)
Distributions to fellow subsidiary undertakings	**–**	–	–	(3,995)	(105)
Retained profit	**58,994**	46,731	40,994	5,438	9,034
Statement of financial position					
Fixed assets	**96,248**	97,720	104,866	103,092	103,661
Current assets	**793,030**	680,968	660,018	612,434	622,844
Creditors: amounts falling due within one year	**(424,990)**	(365,498)	(332,284)	(317,519)	(314,407)
Net current assets	**368,040**	315,470	327,734	294,915	308,437
Total assets less current liabilities	**464,288**	413,190	432,600	398,007	412,098
Creditors: amounts falling due after more than one year	**–**	–	–	–	(7,000)
Provisions for liabilities	**(12,728)**	(4,181)	(9,887)	(2,074)	(2,241)
Net assets excluding pensions liability	**451,560**	409,009	422,713	395,933	402,857
Pension liability	**–**	–	(66,194)	(84,494)	(71,394)
Net assets including pension liability	**451,560**	409,009	356,519	311,439	331,463
Capital and reserves					
Called up share capital	**10,000**	10,000	10,000	10,000	10,000
Profit and loss account	**441,560**	399,009	346,519	301,439	321,463
Shareholders' equity	**451,560**	409,009	356,519	311,439	331,463
Net funds					
Cash at bank and in hand	**248,341**	187,573	166,075	44,175	58,018
Bank loans	**–**	–	–	–	(7,000)
	248,341	187,573	166,075	44,175	51,018

Group risk summary

↑ Increasing ↓ Decreasing ⊖ Stable

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

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