Mott MacDonald Limited

Report and financial statements
31 December 2023

Mott MacDonald Limited

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Cathy Travers
Managing Director – welcome

I am very pleased to present our annual report for 2023 and I am also extremely proud of another year's strong performance. Our performance is underpinned by our strategy, focusing on the sectors, services and geographies we believe provide a robust platform for the business, and by the excellence, ingenuity and commitment of our amazing work colleagues across the whole business.

This commitment is reinforced by our independence, which creates a strong sense of collective responsibility and allows us to face the future with confidence and clarity on the issues that matter the most. It is also reinforced by our community of around 9,000 people who every day live our shared values of progress, respect, integrity, drive and excellence. Our continued strong performance has enabled us to continue to build resilience and grow the company.

In July we welcomed David Johnson to the Group Board as Development Director. In this new role he will guide our strategic initiatives in digital, defence and buildings across the Group including the UK business, while supporting growth in Asia, Australia, New Zealand and North America as a director of the Group's Executive Board. He was appointed as a director of Mott MacDonald Limited on 1 January 2024.

At the heart of our business is a commitment to excellence and contributing to the communities we serve through the projects we deliver. This year we became the first engineering, management and development consultancy to be awarded the Social Value Management Certificate by Social Value International. The award recognises the work we do to manage and maximise social value – including our impact on and our role in society.

As a business we are united in the pride we take in the work we do every day to help our clients globally to act sustainably and reduce their impact on the planet. This is demonstrated through our work with our clients such as Heathrow Airport. As programme designers we are working with Heathrow to plan and design projects that will help reduce its carbon footprint by 2.3 million tonnes by the end of 2026. Taking action to deliver our own climate change ambition is more urgent than ever. We appreciate the need to shift from ambition to action and we are taking the steps to do so.

2023 highlighted some of the realities of the skills shortage across our industry. That is why I am particularly pleased by our place on Glassdoor's best places to work in the UK list, the only company of our nature to appear in the top ten. This was a fantastic endorsement of Mott MacDonald and recognition of our belief in and commitment to creating a great place to work and grow talent.

2023 also marked some major appointments, including the UK Foreign, Commonwealth and Development Office Green Cities and Infrastructure programme, which is intended to harness UK capabilities to drive positive social and environmental outcomes in low and middle-income countries.

On behalf of the Board, I thank our clients and partners for the opportunities they bring, and all our colleagues for their dedication, innovation and excellence, which makes our company strong and our communities and environment better. I am looking forward to continuing this journey together in 2024 and beyond.

Strategic report

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.

The Group Executive Board supervises the development and implementation of our Environment, Social and Governance (ESG) strategy and our Group policy statements. Our policies are reviewed and updated annually and are available on the company's website (mottmac.com).

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 values, our policies and Our Code. The refresh of Our Code of Conduct in May 2023 included mandatory training for all employees covering bribery and corruption.

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 2023, 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 serve. At project level, an assessment tool is deployed to determine the complexity of a project, including for Health and Safety, Ethics and Sustainability. Risk assessments are also embedded in our project development processes.

In 2023, we made improvements to our project risk management processes, including on modern slavery, and are taking external advice to assist us in moving forward with our approach to counter modern slavery issues.

With our people

Our people support us in being a good corporate citizen by actively engaging with local schools, communities, charities and not-for-profit organisations to help create inclusive, sustainable and cohesive communities. These partnerships exemplify the spirit of collective action.

In 2023, we continued our engagement with Bridges to Prosperity to deliver essential infrastructure for a community in Rwanda. Through this collaboration we have seen the impact that can be achieved including uplifts in enrolment in education, healthcare provision, local business and the employment of women.

We have also partnered with Wageningen University and Wageningen Research Foundation to sponsor future engineers to create nature-based solutions in parts of the world where climate change will affect them most.

In North America, our approach to corporate social responsibility focuses on long-term engagement and investment in the communities where our projects are located with a particular focus on introducing people in the communities to engineering and related professions.

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Our people support our safety and wellbeing programme by reporting positive interventions that they make in the workplace. This could be an unsafe situation, an unsafe act or related to wellbeing. Following the improvements to our incident reporting system, we have seen record numbers of reported interventions. We updated our employee assistance provision to include a wider range of services for our people and their households, including bespoke counselling, life coaching and assistance for new parents returning to work. We have also expanded our internal global network of 'Privacy Practitioners' to include 73 local privacy champions and advocates across 35 countries.

We are committed to translating our global ambition for equality, diversity and inclusion (EDI) into meaningful action on the ground. In 2023, we worked to embed the regional versions of our global EDI strategy which included the launch of a regional strategy for the UK and Europe. In the UK and Europe, we have seen an increase in gender and ethnicity representation in 2023.

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. We have recognised the need to shift from ambitions to action and in 2023, moved from having climate change position papers to embedding these in Group policy.

We have also embedded our Carbon Reduction Plan in all our regions to achieve our near and long-term science-based targets, as well as integrated climate risks into our Governance and Enterprise Risk Management processes. As a result, in 2023 we have introduced Climate Change as a principal risk – see managing risk and uncertainty section on page 13.

In April 2023, a major revision of PAS 2080 was launched to reflect best practice in carbon management. We have been independently verified for the carbon management specification PAS 2080:2023. Verification not only validates our own approach but our ability to support our clients with embedding carbon management systems into their own organisations.

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 undertaken across the Group. The energy use driving the reported UK GHG emissions is also reported.

GHG emissions constitute the key performance indicator used to assess progress against our identified climate-related risks and opportunities. As the Group now falls in scope of the UK Government's Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, this first full climate-related financial disclosure is included in the 2023 report and financial statements for Mott MacDonald Group Limited (MMGL) and describes our governance, strategy, risk management, metrics and targets in relation to climate change across the Group.

Reporting boundary

The reporting boundary of our carbon footprint is the global business of MMGL (see table 1 on page 7) and its subsidiaries. It 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 on page 8) and JN Bentley Limited (JNB) (see table 3 on page 8).

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Measurement methodology

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

- Scope 1: direct emissions from sources owned or controlled by us, including:
  - combustion of fuel from office energy
  - refrigerant gases
  - combustion of fuel from company-owned vehicles
  - combustion of fuel from plant used on site (JNB only)

- 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[2]
  - Category 7: Employee commuting

Our global carbon footprint has undergone external verification to ISO 14064. Emissions are reported in tonnes of carbon dioxide equivalent (tCO_2e), using the most recent conversion factors such as from the UK Department for Energy Security and Net Zero, the US Environmental Protection Agency and the International Energy Agency. In the absence of more granular activity data or emission factors, a spend-based method has been applied, including the use of conversion factors by spend provided by Defra. Our methodology is documented within detailed statements for each emission source; these method statements are used to support the verification of our carbon footprint to ISO 14064.

Measures to improve our energy and carbon performance

We are proud that the Science Based Targets initiative (SBTi) verified our net-zero science-based targets in 2023. In summary, our overarching target is to reduce carbon emissions from our global business (MMGL) to net zero by 2040, with a reduction in scope 1, 2 and 3 emissions of 90% by 2040 (from a 2019 base year).

[1] Outside of scopes biogenic emissions and removals are also included within our inventory. Outside of scopes emissions are not reported in tables 1-3 as the net impact of this is 0 tCO_2e. Further information is available in our external Group Carbon Footprint Report, available at mottmac.com/climate-change.
[2] 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.

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In the short term, we aim to reduce by 2030 our scope 1 and 2 GHG emissions by 46.2% and relevant scope 3 emissions[3] by 28% from a 2019 base year. We will also work with our supply chain to set science-based targets[4].

To achieve our targets, we have developed a Group carbon reduction plan to drive deep reductions across the business. This will be updated annually to reflect emerging priority areas where required. In the 2023 reporting year, we achieved the following successes:

- **Data optimisation:** We have developed an in-house solution to optimise our data collection and calculation processes. This tool has been used for the first time in 2023 to calculate our carbon footprint. The data processing, validation and outputs were verified as part of the independent ISO 14064 verification. This has resulted in increased accuracy and robustness of our data. These improvements, alongside updates to emissions factors used in the calculation, have led to a recalculation of previous year emissions to ensure consistency. The data displayed in tables 1-3 include the improved baseline (2019) and performance data for 2022 and 2023.
- **Transition to low carbon energy:** We have continued to increase procurement of renewable energy for our offices, driven by our regional targets to achieve 100% renewable electricity. Our contracting business, JNB, has also generated significant energy efficiency improvements through switching to higher energy performance rated site cabins (e.g. A/B Energy Performance Certificate (EPC) ratings).
- **Low carbon procurement:** A key element of delivering on our near-term science-based target is engaging more closely with our suppliers on carbon reduction. We have started this process by appointing a supplier to facilitate communications, engagement and data gathering from our supply chain around carbon. We have also added additional questions into our due diligence processes across the Group to gain more information directly from our suppliers. These actions will help us to embed carbon reduction into our decision making.
- **Behaviour change:** We have started to encourage low-carbon behaviours through investigating and implementing new policies which are informed by our carbon footprint. For example, non-compliance when booking flights travelling within mainland Britain was introduced in 2023 as the first policy measure to reduce emissions from business travel. Other measures will be introduced in the future and will be determined through our regional carbon reduction plans.
- **PAS 2080:** We have been certified to PAS 2080 (the international specification for carbon management in buildings and infrastructure) as a designer since 2017. In 2023, we set up a working group within our contracting business, JNB, to pave the way towards also becoming a PAS 2080 certified contractor. Embedding and following the principles of PAS 2080 in decision making is a key element of the net-zero plan for our contracting business.

[3] Scope 3 GHG emissions from fuel & energy related activities, waste generated within our operations, business travel and employee commute.
[4] We aim for 70% of suppliers by spend to have science-based targets by 2027.

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Emissions performance

Table 1 below includes our carbon emissions for the Mott MacDonald Group Limited (our global company including all reporting entities). The years of reporting include our target baseline year (2019), the previous reporting year (2022) and our latest reporting year (2023). The scope of emissions in table 1 covers all those included within our science-based targets.

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

Current reporting year: Jan-Dec 2023	Quantity (MMGL)		
	2023	2022	2019 – Baseline
Total in-scope GHG emissions (tCO_2e)	**236,897**	**193,079**	**296,091**
Scope 1: Office gas, fuel and fugitive emissions (tCO_2e)	10,479	7,618	13,784
Scope 2: Market-based electricity (tCO_2e)	4,246	3,841	9,031
Scope 3: Total (tCO_2e)	222,172	181,620	273,276
Category 1: Purchased goods and services	164,680	137,485	183,278
Category 2: Capital goods	5,043	3,391	3,504
Category 3: Fuel and energy related activities[5]	4,441	3,768	5,286
Category 4: Upstream transportation and distribution	16,814	10,632	24,588
Category 5: Waste generated in operations[5]	2,312	1,907	2,723
Category 6: Business travel[5]	19,907	15,919	39,147
Category 7: Employee commuting[5]	8,975	8,518	14,750
GHG emissions intensity (tCO_2e/employee)	**13.09**	**11.72**	**19.36**

From 2019 to 2023, our total emissions from scope 1, scope 2 and all reported scope 3 categories for MMGL reduced 20% compared to the 2019 base year. Over the same period the Group saw a growth of 33% in total revenues. Despite this growth our emissions intensity per FTE has decreased by 32% since 2019. When considering only the scope of emissions included within our near-term absolute reduction targets (which exclude emissions covered by our supplier engagement target) in 2023 our combined scope 1 and 2 emissions decreased by 35% and scope 3 by 42% from 2019.

The reduction in scope 1 and 2 emissions is due to our programme of moving our office energy to renewable and low-carbon sources. Our scope 3 emissions have reduced due to the steps we have put in place, as described above, to reduce business travel, alongside reduced commuting to offices.

To further bring down our emissions in line with our target trajectory we are putting in place additional measures, including engaging with our supply chain to reduce scope 3 emissions. We are firmly committed to continuing to reduce our emissions in line with what is required to meet our carbon reduction targets. We continue to monitor our emissions to inform appropriate strategies and initiatives to reduce the carbon impact of our business.

Tables 2 and 3 below are provided for the purpose of SECR reporting. The tables disaggregate the emissions for our UK entities: Mott MacDonald Limited (table 2) and JN Bentley Limited (table 3). The scope of emissions and energy consumption provided in these tables aligns to the requirements of SECR.

[5] The scope 3 emissions covered within our near-term absolute reduction target are from categories 3, 5, 6 and 7.

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

Current reporting year: Jan-Dec 2023	Quantity (MML)		
	2023	2022	2019 – Baseline
Total energy consumption (kWh)	**15,257,782**	**15,424,807**	**23,010,685**
Office energy: electricity and gas (kWh)	7,603,267	7,705,111	15,720,825
Business travel: car (kWh)	7,654,515	7,719,696	7,289,860
Total in-scope GHG emissions (tCO_2e)	**3,043**	**3,073**	**6,762**
Scope 1: Office gas and fugitive emissions (tCO_2e)	659	566	1,078
Scope 2: Market-based electricity (tCO_2e)	137	230	2,261
Scope 3: Business travel – car (tCO_2e)	2,247	2,277	3,423
GHG emissions intensity (tCO_2e/employee)	**0.40**	**0.44**	**1.17**

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

Current reporting year: Jan-Dec 2023	Quantity (JNB)		
	2023	2022	2019 – Baseline
Total energy consumption (kWh)	**53,620,845**	**47,147,904**	**54,346,391**
Office energy: electricity and gas (kWh)	890,945	999,140	1,307,934
Company vehicles and plant energy: gas oil, diesel and petrol (kWh)	45,272,087	40,083,066	46,759,054
Business travel: car (kWh)	7,457,813	6,065,698	6,279,403
Total in-scope GHG emissions (tCO_2e)	**10,733**	**7,969**	**15,534**
Scope 1: Office gas and fugitive emissions (tCO_2e)	60	72	39
Scope 1: Plant energy (tCO_2e)	6,679	3,996	9,766
Scope 1: Company vehicles (tCO_2e)	2,162	1,881	2,521
Scope 2: Market-based electricity (tCO_2e)	106	128	191
Scope 3: Business travel – car (tCO_2e)	1,726	1,892	3,017
GHG emissions intensity (tCO_2e/employee)	**6.52**	**5.94**	**10.00**

Note: As a result of the outcomes of our data optimisation project, the data displayed in tables 1-3 may differ to what has been reported in previous years. In order to compare emissions progress on an annual basis, each year has been recalculated using the 2023 footprint methodology. The primary changes are due to the avoidance of manual error through the introduction of the automated tool, changes in emission factor libraries where required (such as due to the discontinuation of the scope 3 evaluator tool) and improvements to assumptions and estimation methods as better-quality data is available. Increasing the robustness and accuracy of our carbon reporting has been and will continue to be a priority on our carbon reduction journey.

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Business and financial review

Business environment

Economic uncertainty and geopolitical tensions continued to disrupt the markets we operated in during 2023. Although inflation fell, it remained relatively high for most of the year. Interest rates further increased during the year and showed little signs of easing quickly. Public and private sector funding remained tight. Those factors continued to bring uncertainty to our markets, with our clients being selective with their priorities and timescales in bringing projects to market.

Our clients looked for demonstrable value in the contract terms they offered, reflecting the pressures they faced with available funding, investment options and the strategies they needed to deliver for their stakeholders. The market place was tough with pressure on prices and less longer-term visibility of future work than normal. The threat of a sustained period of inflation and global recession continued to impact general business confidence, but so far, the threat has not materialised.

We continued to work constructively with our clients to meet their plans within their budgets. That has demonstrated resilience in our business and an understanding of working in a more agile way with our clients to help them deliver on their strategies.

Business response

Despite the uncertainties and challenges in the business environment, we have delivered another good performance in 2023. The business continued to be focused on its target markets and on its key clients and continued to increase its project win rates and its project profits. However, overhead management has been more challenging given the uncertainty and unpredictability with the order book and volumes.

We have continued to use selective focus to good effect and seek reduction or exit from markets where growth, profit or cash returns continue to fall below expectations. There has been a refreshing purpose with how management and staff have responded to market challenges to take the business forward.

Our purpose-led strategy and market enablers – social outcomes, digital, carbon, climate and sustainability – served us well and resonated with our clients, helping us meet their expectations and delivery to their stakeholders.

Strategic review

During 2023, the Executive Board brought the strategic review of the global business to a close and now has a list of strategic priorities across the regions to deliver over the next few years. It is committed to building scale in key markets that provides us both the growth and market diversity that we seek. The review has been done alongside the management teams of the regional businesses and has brought more focus and strength to the purpose of those management teams who will now deliver it.

The S172 statement on pages 14 to 16 sets out some more detail to the review. It has been an agile and purpose-led process that has been carried out with pace. It is aimed at keeping the business fresh, focused and responsive, using its core strengths to evolve as its markets and clients evolve, changing their focus and priorities.

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Financial review

Revenue and 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 £997.0m was 9.4% up on 2022 (£911.0m). This was mostly organic growth with insignificant currency impact. Operating profit of £28.4m was 53.7% down on 2022 (£61.3m), with the operating margin of 2.8% down from 2022 (6.7%). Revenue is attributable to one activity, the provision of consulting services.

Although operating profit was down by £32.9m, 43.2% of the movement was due to a negative swing in unrealised currency, with a gain of £11.6m in 2022 moving to a loss of £2.6m in 2023 (note 6). These swings in currency were primarily caused by the impact of geopolitical pressures in the UK in the second half of 2022 which impacted sterling, the UK investment markets and interest rates. The directors are comfortable that such a volatile movement and swing in currency is unrepresentative of generally experienced market conditions and is an exception to normal patterns and ranges. Excluding currency in both years, operating profit was £18.7m lower in 2023.

Operating profit excluding currency is down on last year due to excess overheads from managing utilisation around growth and an increase in investment in people related initiatives such as training and professional excellence. The underlying business fundamentals are sound as are profitability and margins.

Profit before tax stated on a comparable basis excluding this unrepresentative impact of currency in both years is similar at £67.0m (2022 – £68.1m), underlining the strength of non-operating income in the business, which has almost doubled in 2023, increasing up to £36.0m.

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 £70.6m to £808.8m (up 9.6%) reflecting a disciplined sector focus and strong operational delivery. Growth in both the Middle East and Africa (9.0%), and North and South America (53.2%) is good progress but reflects much lower volumes than the core European business, with management focus and resources primarily directed at opportunities in the UK market.

The strategy refresh and selective focus continue to provide clear direction to the management teams to better quality markets, clients and projects.

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. Generally, all business units are performing strongly.

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 £5.0m (2022 – £4.1m) relates to the Research and Development Expenditure Credit (RDEC).

Net interest receivable of £27.6m has increased by £14.5m (110.8%) and comprises principally of intercompany interest (£18.2m) and bank interest (£9.5m). The increase is mainly due to increases in interest rates as well as the benefit of higher yields from longer-term deposits now going out to more than 12 months.

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Working capital management has been more challenging this year, mainly due to the high revenue growth and the need to get better alignment between billing and revenue recognition and then get better conversion of those billings into cash. Billing has not kept pace with increase in gross revenue, and this is seen as an operational inefficiency that will be addressed rather than it being due to any challenges with bad credit risk or recovery of working capital. It has resulted in a flat cash profile over the past 12 months.

Cash
Cash balances increased from £248m to £251m. The business continues to generate good quality cash flow for operational liquidity and organic growth. We will continue to put focus on working capital in 2024 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 has a surplus of £38m, 108% funded on an accounting valuation basis (2022 – 106%). The FRS 102 pension scheme asset is £38.0m (2022 – £27.1m), an increase in the year. That increase came from small increases in both the scheme assets (3.0%) and scheme liabilities (0.9%) that netted out to an increase of £10.9m in the value of the surplus. There is also a £10.4m (2022 – £22.0m) actuarial loss in the statement of comprehensive income.

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
The parent company, Mott MacDonald Group Limited, has a five-year multi-currency revolving credit facility in place until 17 December 2026. The facility is £125m with three banks, with an accordion of £25m available for use as part of the main facility agreement to take capacity potentially up to £150m. There is no security on Group assets.

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 credit facility assess the Group's debt and interest in relation to its earnings. These covenants have been comfortably met during 2023 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 2023 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 2024.

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.

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Dividend

The directors declared a dividend of £12.8m in December 2023 (2022 – £7.5m) and decided not to declare a final dividend.

Shareholders' equity

Shareholders' equity increased from £452m to £474m. The increase mainly came from profit transferred to reserves of £51.8m less the impact of FRS 102 pension accounting in the statement of comprehensive income of £16.3m and the dividend of £12.8m.

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 41.

Other items

The effective tax rate of 19.6% is 3.0% higher than 2022 mainly due to the increase in the standard rate of corporation tax in the UK from 19% to 25% effective 1 April 2023, partly offset by the impact of group reliefs.

There are two key non-financial KPIs that we use to manage the business. Average annual sickness across the company decreased from 38.3 to 35.3 hours per person. Voluntary staff turnover decreased from 10.9% to 7.9%.

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.

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 throughout the Group.

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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 the day-to-day enterprise risk oversight.

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 committees' risk profiles, business intelligence, external factors and our assurance processes. The Group has identified six risk categories which are characterised by 13 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) requirements and procedures. These elements all support and carefully manage the risks within the risk appetites set out by the Executive Board.

The review in 2023 led to changes in the principal risks; project delivery, contract, external engagement, corporate governance, and process and efficiency risks were removed from the list based on the level of assurance in the controls in place to manage these risks. These risks are still tracked and monitored in the Corporate Risk Register. The new risks that have been included as principal risks are information governance; compensation and reward; equality, diversity and inclusion; climate change; and reputation risks.

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 risk appetite, metrics to track and monitor the risks, and roles and responsibilities to enable the risk to be managed adequately and appropriately to the risk appetite.

The Group uses a series of tools to analyse its risks and facilitate discussions with the Executive Board and Risk Committee. The Group risk summary on page 68 shows the relative status 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 Model.

The ERM team, led by the Chief Risk Officer, works closely with the first line – 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 standardised and consistent methodologies to assess and report their risks.

The second line – the risk management functions such as data privacy, information security, ethics and compliance, and health, safety and wellbeing including all the support functions – work together to collaborate, align, and develop policies and procedures to assist the regions to manage risks holistically.

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

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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 the effectiveness of risk mitigation measures across the Group.

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

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

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 pursue success through strategic thinking and decision making that put the long-term success of the company and its stakeholders above short-term expediency. The Shareholders' Committee provides oversight of the directors 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 stakeholders, and its financial strength.

In pursuing growth, the directors' strategy embraces a wider social purpose. They seek to embed this thinking and the principles of corporate responsibility in all aspects of the business.

During 2023, through a series of special executive meetings and board meeting reviews, the Board finished the Group's strategic review started in 2021, making a number of strategic decisions to deliver on.

The priority for 2024 is to deliver our growth plans for the UK and Ireland, USA and Canada, and Australia and New Zealand. As well as focusing on our key clients in our key sectors, we will be pursuing accelerated growth in defence, health, energy and advisory. We will also be prioritising the continued growth of a global low carbon energy portfolio. Beyond our core markets, we will be seeking growth in Hong Kong and Saudi Arabia.

The strategy also reflects a decision to maintain the high investment in technical excellence and world class technical leadership alongside more investment in applying our digital capabilities to projects and accelerating the application of artificial intelligence (AI) across the business. These are key building blocks that touch all parts of the business, essential to the Group's future success.

Finally, the strategy focuses on the further development of our leading position in climate, environment and social outcomes – a differentiator in the business today and it is important that it remains so in the future.

Acting in the best interests of employees – creating a safe space – wellbeing and mental health

The directors have continued to focus on the importance of wellbeing and mental health as long-term factors to benefit employees' welfare and ensure a resilient and successful business. The board meetings offer an opportunity to review wellbeing data and trends, and receive briefings on current issues and priorities, so that the Board can develop its wellbeing strategy for delivering better outcomes for staff.

Strategic report

Our vision in the strategy 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. 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.

A key focus over the last few years has been around personal wellbeing – encouraging staff to focus on their own wellbeing and providing tools and resources to increase resilience and support. In 2023 we decided to focus more on organisational wellbeing – looking at how we plan and manage work impacts colleagues. We have embedded wellbeing risk management processes into project delivery and have provided specific guidance and resources to assist our project teams to address wellbeing risk alongside safety risk.

A key initiative to mark World Safety Day in 2023 was the decision to produce and launch a film to promote:

- the accountability that we all have for creating a safe and healthy environment;
- the different emotional/mental states that can create physical risks when we are at work; and
- understanding that there is support for anyone who says 'no' in the interest of their safety or wellbeing.

Acting in the best interests of employees – employee engagement survey

The 2023 employee engagement survey undertaken in July provided insight in a number of areas where the Board made decisions to create improved outcomes for employee experience and development and an employee offering that contributes to the future success of the business:

- We have enhanced our leadership development programme in 2023 with a new programme to be launched in 2024. It aims to make current and future leaders more progressive and people focused.
- We have enhanced our talent systems and processes to ensure we are looking at succession for the key roles in the company at every level, identifying those we feel can go on to lead different parts of the company, and identifying the talent and skills needed.
- We are updating our reward practices, moving to a global reward system, and moving everyone to the same standards in terms of benchmarking to better understand hot markets and employment nuances in particular geographies. This is helping us to understand attrition, stay competitive and make competitive offers to attract the right people.
- We are encouraging more local surveys and a listening philosophy across our management teams.

Our employee engagement scores have gone up 10% (compared to previous survey in November 2021). We exceeded the generic benchmark and the global professional services benchmark.

Business relationships with suppliers, customers and others

A strong and effective relationship with suppliers, customers, joint venture partners and wider business partners is central to delivering our strategy for our stakeholders and value to our shareholders.

The corporate governance report on pages 25 and 26 sets out the directors' approach to regular engagement with stakeholders that is supportive of informed decision making.

More specifically, the Board sees Digital and AI as a holistic way of engaging with our supply chain, customers and broader stakeholders. The decision in 2023 to refresh our structure and strategy in these areas reflects a move to make sure that the future success of the Group embraces this vision for Digital and AI to be used as a seamless way of operating across the business with all such stakeholders. We will operate a centrally sponsored and mandated business model with the regional operating businesses having responsibility for local development and evolution based on their local markets and client/stakeholder needs.

Strategic report

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

In 2023, the Board decided to include climate as one of the Group's principal risks. It then provided oversight of a further assessment of climate-related risks and opportunities. This assessment considered both transition and physical climate risks.

It sought to identify specific risks aligned to the TCFD (Task Force on Climate-related Financial Disclosures) risks, taking into consideration different climate-related scenarios and various short, medium and long-term scenarios. The output is summarised in the Group financial statements.

Based on that exercise, our assessment of the Group's business resilience indicates that the substantive impacts of the identified risks are likely to materialise over the medium term. This will allow for continued implementation and enhancement of the identified mitigations to manage these risks. We are already undertaking Group-wide initiatives to respond to our highest rated risks, for example developing our Climate Change Academy to build capacity and capability.

Our assessment from the exercise also shows that we have significant climate-related opportunities. We consider our core civil engineering skillset to be closely aligned to delivering the decarbonisation and resilience needed to manage future climate change. We also continue to expand our services across climate change resilience and transition and strengthen our technical capabilities.

Risk mitigation and embracing opportunities in climate change will be central to the Group's future success and as such the Board will continue to monitor the evolution of our risk, work and opportunity in this area.

Maintaining a progressive business with a high level of governance

During 2023, the Board took the decision to create the role of the Chief Governance Officer (CGO). The CGO is responsible for the effectiveness of our business infrastructure, specifically the need to remain abreast of statutory requirements, good business practice and a business architecture able to deliver our strategic objectives.

The CGO promotes activities that strengthen our delivery model and the running of our corporate services estate, together with oversight of compliance with our systems and processes. The role of the CGO will ensure that we remain a contemporary and progressive business.

Strong governance is an essential foundation for the future success of the business and will consume more time and focus from the Board going forward.

Maintaining a reputation for high standards of business conduct

The Board is committed to promoting the highest standards of ethical behaviour through its Ethics and Compliance Programme. This helps ensure that the Group meets the minimum regulatory requirements and stakeholder expectations in relation to management of our ethics and compliance risks.

The Board decided to enhance the programme this year through the integration of enterprise risk management practices into the risk assessment process. This has helped to produce risk registers and treatment plans for key risks allowing us to better understand and manage our ethics and compliance risks.

The Board has overseen the development of the programme across the regions, with representatives of each business unit being engaged to monitor gifts and hospitality, and conflicts of interest. Ethical dilemma discussions remain a core feature of unit and regional board meetings, and refreshment of the 'Our Code' training module includes two new video dilemmas to keep staff learning fresh and relevant.

The decisions made, actions taken and progress made are all focused on being fair and ethically sound to the highest standard. In doing so, they will provide a solid foundation for the future success of the business.

Strategic report

Looking forward

The directors were satisfied with the 2023 performance given prevailing uncertainties around macroeconomic indicators such as economic growth, high inflation and rising interest rates.

We finished the year with a positive set of lead indicators for business confidence, order book, business prospects and profitability of projects recently bid and/or recently won.

2024 is unlikely to be much different when we look at the macro dynamics – global economic uncertainty, geopolitical disruptors and a lack of visibility for market volumes all look set to dominate the markets we operate in.

However, we are confident that the business is fit for the year ahead in balancing resource with workload and we are ready to respond to the market as it moves positively or negatively in the coming year. The business is resilient and our staff show great commitment and passion with the work they have and the challenges in front of them. We are well prepared in taking the business forward.

Overall, we anticipate a positive growth environment for 2024, albeit at lower levels than 2023. We need to be alert and responsive to changing economic and market conditions, while demonstrating agility 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
28 March 2024

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; and
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.

Corporate governance report

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

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

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

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

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

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

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 2023

The board comprised James Harris, Cathy Travers, Ian Galbraith, Ed Roud and Denise Bower. At the end of 2023, having spent four years on the Board, rather than seek re-election for a further four years, Denise moved off the Board to spend more time for the business in key areas that will define it in the market over the next five years – Climate, Carbon and ESG. She will continue to work with the Board in making these areas true differentiators across its markets.

On 1 January 2024, David Johnson, a member of the Group's Executive Board, was appointed as the Development Director. The roles of the Board for 2024 are set out on page 1.

The directors have a broad range of skills and experience with differential as well as complementary skillsets. The blend of skills is a key feature in 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.

Corporate governance report

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

Evaluation

Board members' strengths and development areas are reviewed from time to time using psychometric profiling tools for personal, team and leadership development, most recently the Team Management Profile (early 2023). Skills and attributes are mapped to the UK CBI's Board Competencies to ensure team effectiveness. The Board also works with external organisations to provide development for directors and leadership training on an individual and collective basis.

Diversity

The Board is reasonably diverse in terms of knowledge, skills, experience and age. During 2023, 40% of the Board members were women and this representation is currently at 20%. We recognise the Board's lack of racial diversity. Changes in our own corporate culture as well as in the wider industry are slowly improving the retention and career progression of a more diverse workforce. The Group Board recognises its role to improve opportunity and outcomes for all staff within Mott MacDonald, and for leading change in the markets within which it operates.

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

Principle 3 – Director responsibilities

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

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

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

The Shareholders' Committee of the parent company represents the long-term interests of the current and future shareholders of the Group. It approves significant decisions and actions of the Board of the parent company.

Corporate governance report

Information and advice

The Board and its committees are provided with information in a timely manner on matters that are to be considered at board and committee meetings. Directors have access to the advice of the Group General Counsel who in his capacity as Group 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 business management system. The information we develop takes many forms but typically we generate reports, models and designs, together with supporting clients by managing programmes of work and providing assurance with respect to the work of others.

The Group chooses the markets we seek to work in through selective focus and where we assess we can build long-term value.

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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 Executive 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 considered by the Executive Board's Risk Committee. Where business risks are considered to be material, they are treated by an individual risk treatment plan, which consists of a three lines of defence model. The Group's principal risk themes are noted on page 13.

The Executive Board considers risk related to health, safety, wellbeing and ethics at each executive board meeting. The Executive Board's Risk Sub-committees which sit in each of the regional businesses meet triannually to consider material risk exposure and receive and consider Group risk reporting from the Chief Risk Officer. They report to the Group Risk Committee.

The Group Senior Ethics and Compliance Officer, a direct report of 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 capability allows the Group to manage ethical and legal compliance risks in accordance with our anti-bribery management system certified to ISO 37001. This includes processes to declare gifts, hospitality and conflicts of interest, ethics training for all senior managers, counterparty due diligence, screening, confidential whistleblowing line and case management system. Investigation cases are substantiated, actions are agreed, any corrective measures needed, and process improvements required are implemented, with any lessons learned disseminated.

The Shareholders' Committee's Audit and Risk Assurance Sub-committee meets triannually to discharge its purpose of:

- Gaining assurance that the Group has appropriate policies, procedures, controls and systems in place governing operations, finance, risk, ethics and compliance. Such governance policies, procedures, controls and systems need to be compliant with all applicable covenants, regulations, laws and what the Group considers to be elective recommended/good practice or mandatory best practice.
- Reviewing evidence that those governance policies, procedures, controls and systems are being implemented by appropriately qualified and experienced parties (including where independence is required) and that the findings from reporting such implementation are being appropriately acted upon.

Managing project risks before entering into contracts

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 client relationship stage; secondly at the decision to pursue a potential client prospect and finally at the point of a decision to submit a client 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.

Each prospect is assessed 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 capability needed in the team to support the project manager and project principal. For more complex projects, the project principal is supported by an oversight board.

Corporate governance report

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

Managing project risk during contract delivery

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

Our ERP systems and associated risk tools 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 informs project support requirements and improves business planning through an aggregated view 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 as required.

Performance is monitored at management levels through exception reports, which identify anomalies that need to be investigated, evaluated and followed up.

Compliance with our quality systems is managed through our quality specialists, who carry out audits and reviews of the application of our business management systems, and through our globally appointed external quality assurance auditors, DNV.

External and internal auditors consider the effectiveness of our governance controls, with matters arising for improvement reported to the Executive Board and the Shareholders' Committee's Audit and Risk Assurance Sub-committee.

Managing supply chain risk

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

Principle 5 – Remuneration

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

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 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.

Corporate governance report

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 coordination 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, in the parent company, a Remuneration and Equity Sub-committee which reports to the Shareholders' Committee reviews and approves all Board proposals across the Group 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 pool 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

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

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

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

Equality, diversity and inclusion (EDI)

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

Our ambition is to create a diverse and inclusive workplace and culture, and to attract and retain a wide diversity of talent across the Group. We also provide support and counsel to our leaders and managers so they can support EDI via our regional EDI managers who possess regional EDI subject matter expertise.

Corporate governance report

Principle 6 – Stakeholder relationships and engagement

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

The 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.

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, plans, initiatives and general news. It also keeps them informed and kept up to date on the Group's financial performance. In 2023, this included an employee engagement survey, measuring the current state of engagement and work experiences that impact engagement and other outcomes.

A 2024 strategic statement has been shared with all employees to increase awareness of the company's strategic objectives and value proposition.

We have also produced a range of guidance documents for all colleagues with a view to providing greater transparency on how salary review and bonus decisions are made, along with full information on all benefits available.

An expanded narrative covering details of employee engagement is set out in the directors' report on pages 29 and 30.

With our employee shareholders

The Board maintains a schedule of engagement with shareholders who, apart from the Employee Trust, are all employees and the only shareholders in the business. There are no external shareholders and there is no external funding from indirect ownership or influence. We are an independent, privately-owned company.

The purpose of engagement with shareholders is to align their interests with the Group's interests, and to keep them briefed on the Group's performance, the delivery of strategy, material initiatives and company news. It also helps to ensure that the directors take their views into account in making decisions to act in the best interests of the company, its shareholders and wider stakeholders, promoting its long-term success in doing so.

This includes the directors providing:

- quarterly and annual business and performance reviews;
- a summarised strategy to shareholders to increase awareness of the Group's strategic objectives and value proposition;
- two 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.

Corporate governance report

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 the knowledge gained to inform decision making and enable excellence.

In support of this, the senior leadership across the business maintains a diverse programme of engagement with our clients for productive, long-term relationships. This includes but is not limited to:

- visits to key business locations to meet clients and build an informed view of local markets, the local business and the quality of our brand;
- media communication and thought leadership across areas that matter to our clients and to Mott MacDonald;
- a requirement for 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
- participation 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 peers, suppliers, other market and industry players and academic bodies to discuss specific issues with them. This enables all parties to better understand common interests and differences to improve decision making on routine business matters and key issues to achieve better quality outcomes.

This includes the directors:

- meeting with key government and other bodies to establish and maintain effective relationships and to help inform future strategy;
- meeting with our key joint venture partners to ensure open and informative relationships are maintained;
- 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;
- meeting with our relationship banks during the year to brief them on strategy, performance and relevant business matters;
- 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;
- engagement with the broader industry through business networks, briefings and roundtables to help steer our business and test our positions on key issues; and
- 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.

With wider stakeholders

The directors maintain regular engagement with wider stakeholders to enhance market focus and promote the company effectively. They do this through:

- our annual review, reflecting changes in global trends, providing commentary on our performance and our progress against business commitments;
- participating in steering, chairing or speaking at global initiatives on behalf of the business such as the World Economic Forum and the Engineering Leadership Group; and
- sponsorship of Mott MacDonald's digital presence that communicates with clients, stakeholders and wider society.

Corporate governance report

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 to ensure the success of the company, are set out in the S172 statement in the strategic report on pages 14 to 16.

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

Cathy Travers, Managing Director
28 March 2024

Ed Roud, Finance Director
28 March 2024

Directors' report

The directors present their report, together with the audited financial statements of the company for the year ended 31 December 2023.

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. Our core business sectors are advisory, built environment, energy, transport and water.

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

Results and dividends

The profit for the year after taxation amounts to £51.8m (2022 – £66.5m). The directors propose an interim dividend of £12.8m (2022 – £7.5m). 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 2023:

Denise Bower
Ian Galbraith
James Harris
Ed Roud
Cathy Travers

Denise Bower resigned as a director on 31 December 2023 and David Johnson was appointed as a director on 1 January 2024.

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

During 2023, Mott MacDonald Limited continued its strong commitment to our existing corporate governance framework adopted by the Executive Board of Mott MacDonald Group Limited. Our detailed governance framework is applied throughout the Group and sets out how the company conducts business 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 18 to 27 demonstrates how we have satisfied the requirements for governance under the Companies (Miscellaneous Reporting) Regulations 2018 throughout the year ended 31 December 2023.

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

Directors' report

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 25.

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, by considering social outcomes and sustainability in everything we do, through our People and the Planet 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.

We apply the same standards and protocols to other areas where discrimination may exist in the workplace and in 2023, we worked to embed the regional versions of our global EDI strategy.

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;

Directors' report

- 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 25 to 27.

Energy consumption and carbon information

The relevant information on energy and carbon is set out in the strategic report on pages 4 to 8.

Principal risks and uncertainties

Business risks and measures to mitigate these risks are described in the strategic report on pages 13 and 14. 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;
- investment limits are assigned to counterparties based on their ratings and reviewed regularly;
- 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.

Directors' report

Post balance sheet events
There were no post balance sheet events requiring disclosure.

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

Mott MacDonald Limited branches outside of the UK
The company has registered branch operations in a number of international territories.

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.

Directors' report

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 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:

Diana Zivko, Company Secretary
28 March 2024

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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mott MacDonald Limited ('the company') for the year ended 31 December 2023 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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 twelve 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.

Climate change

Our work on the assessment of potential impacts of climate-related risks on the company's operations and financial statements included:

- enquiries and challenge of management and the Environmental, Social and Governance (ESG) Steering Group to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- our own qualitative risk assessment taking into consideration the sector in which the company operates and how climate change affects this particular sector; and
- review of the minutes of Board, Audit and Risk Assurance Sub-committee and ESG Steering Group meetings and other papers related to climate change and performed a risk assessment as to how the impact of the company's commitment, as set out in the company's Carbon Reduction Plan, may affect the financial statements and our audit.

Independent auditor's report

to the members of Mott MacDonald Limited

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments, have been reflected, where appropriate, in the directors' going concern assessment.

We also assessed the consistency of managements disclosures included as statutory other information on pages 4 to 8 with the financial statements and with our knowledge obtained from the audit.

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.

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, 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.

Independent auditor's report

to the members of Mott MacDonald Limited

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:

Non-compliance with laws and regulations

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations.

We considered the most significant laws and regulations to be the financial reporting framework, including:

- Financial Reporting Standard 102;
- the Companies Act 2006; and
- the Wates Principles for corporate governance.

The company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

We identified such laws and regulations to be:

- UK and international corporate and sales tax regulations;
- employee-related regulations including health and safety and equality; and
- anti-bribery and corruption guidance.

Our procedures in respect of the above included:

- review of minutes or meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- enquiries with management, those charged with governance, legal counsel and internal audit to identify any known, suspected or alleged instances of non-compliance with laws and regulations;
- review of correspondence with tax authorities and other regulatory bodies for any instances of non-compliance with laws and regulations;
- review of financial statement disclosures and agreeing to supporting documentation;
- involvement of tax specialists in the audit; and
- review of legal expenditure accounts to understand the nature of expenditure incurred.

Independent auditor's report

to the members of Mott MacDonald Limited

Fraud
We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- obtaining an understanding of the company's policies and procedures relating to:
  - detecting and responding to the risks of fraud; and
  - internal controls established to mitigate risks related to fraud.
- review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of control within the financial reporting close process and revenue recognition related to judgements and estimates in the timing of revenue earned.

Our procedures in respect of the above included:

- testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- assessing significant estimates made by management for bias in revenue recognition, including percentage completion based on estimated costs to complete and profitability of projects; and
- assessing other significant estimates and judgements made by management for bias within the revenue cycle, including completeness of provisions for contract assets, trade receivables, contract losses and contract liabilities.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws 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 FRC's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report

to the members of Mott MacDonald Limited

Use of our report

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

Nicholas Carter-Pegg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
28 March 2024

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 2023

Income statement	Notes	**2023 £000**	2022 £000
Gross revenue	5	**997,014**	911,028
Cost of sales		**(574,950)**	(538,391)
Gross profit		**422,064**	372,637
Administrative expenses		**(393,704)**	(311,332)
Operating profit	6(a)	**28,360**	61,305
Other income	6(b)	**5,015**	4,100
Fair value adjustments on investment in parent undertaking	14	**594**	408
Dividends received from subsidiary undertakings		**1,012**	–
Profit on ordinary activities before interest		**34,981**	65,813
Net interest receivable	9	**27,622**	13,101
Other finance income	23	**1,800**	800
Profit on ordinary activities before taxation		**64,403**	79,714
Tax on profit on ordinary activities	10(a)	**(12,591)**	(13,220)
Profit on ordinary activities after taxation		**51,812**	66,494

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

Statement of comprehensive income	Notes	**2023 £000**	2022 £000
Profit for the financial year	20	**51,812**	66,494
Other comprehensive (loss)/income			
Net actuarial loss on pension schemes	20, 23	**(10,400)**	(22,000)
Tax on net actuarial loss	10(c), 20	**2,444**	4,180
Change in restriction of pension asset recognised – gross	20	**(10,901)**	1,700
Change in restriction of pension asset recognised – tax thereon	10(c), 20	**2,562**	(323)
Total other comprehensive loss		**(16,295)**	(16,443)
Total comprehensive income for the year		**35,517**	50,051

Statement of financial position

at 31 December 2023

Registered No. 01243967	Notes	2023 £000	2022 £000
Fixed assets			
Intangible assets	12	**3,102**	7,607
Tangible assets	13	**12,903**	7,158
Investments	14	**81,122**	81,483
		97,127	96,248
Current assets			
Debtors	15	**545,526**	544,689
Cash at bank and in hand		**251,084**	248,341
		796,610	793,030
Creditors: amounts falling due within one year	16	**(397,308)**	(424,990)
Net current assets		**399,302**	368,040
Total assets less current liabilities		**496,429**	464,288
Provisions for liabilities	18	**(22,102)**	(12,728)
Net assets		**474,327**	451,560
Capital and reserves			
Called up share capital	19	**10,000**	10,000
Profit and loss account	20	**464,327**	441,560
Shareholders' equity		**474,327**	451,560

The financial statements on pages 38 to 66 were approved and authorised for issue by the Board of Directors on 28 March 2024 and signed on its behalf by:

James Harris, Executive Chair

Statement of changes in equity

for the year ended 31 December 2023

	Notes	Called up share capital £000	Profit and loss account £000	Total £000
At 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	10(c), 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 2022/1 January 2023		**10,000**	**441,560**	**451,560**
Profit for the year	20	**–**	**51,812**	**51,812**
Other comprehensive (loss)/income:				
Net actuarial loss on pension scheme	20, 23	**–**	**(10,400)**	**(10,400)**
Tax on net actuarial loss	10(c), 20	**–**	**2,444**	**2,444**
Change in restriction of pension asset recognised – gross	20	**–**	**(10,901)**	**(10,901)**
Change in restriction of pension asset recognised – tax thereon	10(c), 20	**–**	**2,562**	**2,562**
Total other comprehensive loss for the year		**–**	**(16,295)**	**(16,295)**
Dividends paid	11, 20	**–**	**(12,750)**	**(12,750)**
At 31 December 2023		**10,000**	**464,327**	**474,327**

Notes to the financial statements

at 31 December 2023

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 2025, 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 in response to the global pandemic.
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.

Notes to the financial statements

at 31 December 2023

2. Basis of preparation (continued)

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.

3. Significant judgements and estimates

When preparing the financial statements, management makes a number of estimates, judgements and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses. Management bases its 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 2023 financial statements are as follows:

Revenue from contracts

Where a change in the scope of work occurs, judgement is exercised on a contract-to-contract basis to determine whether the criteria for revenue recognition are met. The most important criteria are that the revenue and costs can be measured reliably and that it is probable that billings associated with the change in scope will be collected.

Provisions

From time to time the company receives claims from clients or other parties 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 schemes

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

Notes to the financial statements

at 31 December 2023

3. Significant judgements and estimates (continued)

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 the project (cost contingencies) and for potential clawback or disallowance of fees where work has been done or is planned to be done (revenue contingencies).

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 has reviewed project budgets at 31 December 2023 and is 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£61m at 31 December 2023 (2022 – c£42m), the majority of which relates to 14 projects (2022 – 12 projects).

The classifications in the statement of financial position impacted by the above factors are contract assets £68,165,000 (2022 – £60,721,000) and contract liabilities £102,032,000 (2022 – £109,509,000).

Based on the information available as at 31 December 2023, management does 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 is 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.

Notes to the financial statements

at 31 December 2023

3. Significant judgements and estimates (continued)

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.

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.

Notes to the financial statements

at 31 December 2023

4. Principal accounting policies (continued)

Goodwill and intangible assets (continued)

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 values of goodwill and intangible assets are 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 leaving only the company's fee as income in the financial statements. Principal versus agency considerations are typically applied to contracts where a significant portion of the contract relates to funds that are disbursed by the company on behalf of the client.

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.

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

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

Notes to the financial statements

at 31 December 2023

4. Principal accounting policies (continued)

Gross revenue (continued)

Contract variations and claims are included in revenue where it is probable that the amount, which can be measured reliably, will be recovered from the 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 2023

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 payments discounted at a market rate of interest.

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

Provisions
Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the company and amounts can be estimated reliably. Provisions are measured as the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Provisions are discounted to their present values, where the time value of money is material. No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

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

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

Deferred taxation
Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

Notes to the financial statements

at 31 December 2023

4. Principal accounting policies (continued)

Deferred taxation (continued)

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

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

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

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and 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 have been 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.

Notes to the financial statements

at 31 December 2023

4. Principal accounting policies (continued)

Leasing commitments (continued)

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

Employee benefits

Short-term employee benefits and contributions to defined contribution pension plans are recognised as an expense in the period in which they are incurred.

Pensions

The 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 company has no grant or subsidy income of a capital nature.

Notes to the financial statements

at 31 December 2023

5. Gross revenue

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

Gross revenue by destination:	2023 £000	2022 £000
Europe	**808,846**	738,222
Middle East and Africa	**142,753**	131,007
Asia	**25,335**	26,960
Americas	**18,289**	11,938
Australia and New Zealand	**1,791**	2,901
	997,014	911,028

6. Operating profit and other income

(a) Operating profit

This is stated after charging/(crediting):	2023 £000	2022 £000
Auditors' remuneration – audit services:		
– principal auditor for audit of company	**658**	323
– principal auditor of UK-based subsidiary investments	**40**	30
– principal auditor prior year	**319**	–
– associates of principal auditor for audit of branches	**97**	97
	1,114	450

There were no non-audit services provided during the year (2022 – £nil).

	2023	2022
Foreign exchange losses/(gains)	**2,597**	(11,627)
Depreciation (note 13)	**4,079**	3,357
Amortisation of software (note 12)	**4,505**	5,062
Operating lease rentals – land and buildings	**11,949**	11,969

(b) Other income

	2023 £000	2022 £000
Research and Development Expenditure Credit (RDEC)	**5,015**	4,100

Notes to the financial statements

at 31 December 2023

7. Directors' remuneration

	2023 £000	2022 £000
Emoluments (excluding pension contributions)	**3,860**	3,885

The emoluments above relate to 5 directors in the year ended 31 December 2023 (2022 – 6).

The emoluments (excluding pension contributions) of the highest paid director were £1,008,025 (2022 – £947,418).

During the year £83,160 (2022 – £77,948) of contributions were paid to the Master Trust in respect of 4 directors (2022 – 5), of which £nil (2022 – £nil) related to the highest paid director. Some of these directors also have benefits under the closed defined benefit section of the Mott MacDonald Pension Scheme ('MMPS'). The accrued pension at 31 December 2023 for the highest paid director was £4,516 (2022 – £4,236).

The Scheme provides an option to commute part of this pension for a lump sum, which amounted to £22,895 at 31 December 2023 (2022 – £22,583) 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

	2023 £000	2022 £000
Salaries	**476,507**	415,139
Social security costs	**51,604**	44,930
Other pension costs (defined contribution schemes)	**68,249**	57,673
	596,360	517,742

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

	No.	No.
Management	**897**	807
Technical staff	**6,612**	6,050
Administrative staff	**901**	823
	8,410	7,680
The actual number of permanent staff at 31 December was:	**8,593**	8,093

Notes to the financial statements

at 31 December 2023

9. Net interest receivable

	2023 £000	2022 £000
Interest receivable:		
Interest due from parent undertaking	**18,041**	10,060
Interest due from fellow subsidiary undertakings	**4,273**	2,930
Bank interest	**9,518**	1,623
	31,832	14,613
Interest payable:		
Interest due to parent undertaking	**(2,643)**	(783)
Interest due to fellow subsidiary undertakings	**(1,425)**	(249)
Bank interest	**–**	(399)
Other interest	**(142)**	(81)
	(4,210)	(1,512)
Net interest receivable	**27,622**	13,101

10. Tax

(a) Tax on profit on ordinary activities

	2023 £000	2022 £000
The taxation charge is made up as follows:		
Current tax:		
UK corporation tax	**9,710**	12,390
Non-UK tax	**329**	1,088
Capital gains tax – Mott MacDonald Employee Trust	**66**	43
	10,105	13,521
Adjustments in respect of previous years:		
UK corporation tax	**753**	1,876
Non-UK tax	**41**	(694)
Capital gains tax – Mott MacDonald Employee Trust	**(1)**	(11)
Total current tax	**10,898**	14,692
Deferred tax:		
Origination and reversal of timing differences	**1,700**	(61)
Effect of change in tax rate on opening balance	**–**	(3)
Adjustments in respect of previous years	**(7)**	(1,408)
Total deferred tax charge/(credit) (note 10(c))	**1,693**	(1,472)
Tax on profit on ordinary activities (note 10(b))	**12,591**	13,220

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive loss is a credit of £5,006,000 (2022 – £3,857,000 credit).

Notes to the financial statements

at 31 December 2023

10. Tax (continued)

(b) Factors affecting tax charge for the year

The tax provided for the year is lower (2022 – lower) than the amount computed at the average rate of corporation tax in the UK of 23.5% (2022 – 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 2022 and 31 December 2023.

	2023 £000	2022 £000
Profit on ordinary activities before taxation	**64,403**	79,714
Profit on ordinary activities before taxation multiplied by the average rate of corporation tax in the UK of 23.5% (2022 – 19%)	**15,135**	15,146
Effects of:		
Net higher tax on non-UK earnings	**329**	1,120
Non-UK branch losses/(profits)	**436**	(500)
Adjustments in respect of previous years	**786**	(237)
Non-tax deductible/(chargeable) – foreign exchange loss/(gain) on foreign branches	**218**	(349)
Non-taxable income (UK dividends received)	**(238)**	–
Expenses not deductible for tax purposes	**310**	369
Effect of rate change	**77**	(62)
Effect of group reliefs	**(6,000)**	(2,555)
Tax attributable to Mott MacDonald Employee Trust	**66**	43
Other permanent differences	**1,472**	245
Tax on profit on ordinary activities (note 10(a))	**12,591**	13,220

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 average 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 (2022 – £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 2023

10. Tax (continued)

(c) Deferred tax

	2023 £000	2022 £000
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 15)	6,033	10,033
The elements of deferred taxation are as follows:		
Excess of book depreciation over tax allowances on fixed assets	2,845	3,728
Pension spreading	2,897	5,620
Other timing differences	291	685
	6,033	10,033
The movement in the year was:		
At 1 January	10,033	10,615
Deferred tax (charge)/credit recognised in the income statement (note 10(a))	(1,693)	1,472
Deferred tax credit/(charge) recognised in the statement of comprehensive income		
– on net actuarial loss on pension scheme (note 20)	2,444	4,180
– on defined benefit pension contributions made during the year	(7,306)	(5,907)
– on change in restriction of pension asset recognised (note 20)	2,562	(323)
Exchange and other adjustments	(7)	(4)
At 31 December	6,033	10,033

The amount of the net reversal of deferred tax expected to occur next year is £4,174,000 (2022 – £3,200,000).

(d) International tax reform – Pillar Two model rules

Deferred tax

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) published the Pillar Two model rules designed to address the tax challenges arising from the digitalisation of the global economy.

It is unclear if the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, in July 2023, the FRC issued amendments to FRS 102 introducing a mandatory temporary exception to the requirements of FRS 102 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules. The company applied the temporary exception at 31 December 2023.

Current tax

Pillar Two legislation has been enacted in the UK. The legislation will be effective for the company's financial year beginning 1 January 2024. The company is in the process of assessing the potential exposure arising from Pillar Two legislation.

The assessment that is being carried out is based on the latest available tax filings and country-by-country reporting for 2022, and the latest financial information for 2023. Information required for the assessment is still being gathered and, therefore, the assessment is not complete.

Notes to the financial statements
at 31 December 2023

10. Tax (continued)

(d) International tax reform – Pillar Two model rules (continued)

Current tax (continued)
Based on the assessment carried out so far, the company has not identified any potential exposure to Pillar Two income taxes on profits earned in the United Kingdom.

The company continues to progress on the assessment and expects to complete the assessment in the second half of financial year 2024.

11. Dividends

The following dividends were paid during the year:	**2023 £000**	2022 £000
Interim dividend paid	**12,750**	7,500

12. Intangible fixed assets

2023	**Goodwill £000**	**Software £000**	**Total £000**
Cost:			
At 1 January	**2,496**	**24,842**	**27,338**
Disposals	**–**	**(93)**	**(93)**
At 31 December	**2,496**	**24,749**	**27,245**
Amortisation:			
At 1 January	**2,496**	**17,235**	**19,731**
Provided during the year	**–**	**4,505**	**4,505**
Disposals	**–**	**(93)**	**(93)**
At 31 December	**2,496**	**21,647**	**24,143**
Net book value:			
At 31 December	**–**	**3,102**	**3,102**
At 1 January	–	7,607	7,607

Notes to the financial statements

at 31 December 2023

13. Tangible fixed assets

2023

	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
Cost:			
At 1 January	301	45,199	45,500
Exchange adjustments	(30)	(242)	(272)
Additions	–	9,891	9,891
Disposals	(173)	(7,329)	(7,502)
At 31 December	98	47,519	47,617
Depreciation:			
At 1 January	293	38,049	38,342
Exchange adjustments	(30)	(205)	(235)
Provided during the year	–	4,079	4,079
Disposals	(173)	(7,299)	(7,472)
At 31 December	90	34,624	34,714
Net book value:			
At 31 December	8	12,895	12,903
At 1 January	8	7,150	7,158

Notes to the financial statements

at 31 December 2023

14. Investments

2023	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	15,782	71,501	275	87,558
Additions	15,228	–	–	15,228
Disposals	(16,183)	(5,426)	–	(21,609)
Fair value adjustments	594	–	–	594
At 31 December	15,421	66,075	275	81,771
Amounts provided:				
At 1 January	–	5,800	275	6,075
On disposal	–	(5,426)	–	(5,426)
At 31 December	–	374	275	649
Net book value:				
At 31 December	15,421	65,701	–	81,122
At 1 January	15,782	65,701	–	81,483

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 (2022 – £nil).

The historical cost of the investment in the parent undertaking is £14,695,000 (2022 – £15,281,000).

Notes to the financial statements

at 31 December 2023

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 2023	Registered office key
Subsidiary undertakings		
Bentley Holdings Limited	100	A
Cambridge Education Associates Limited (formerly Osprey PMI Limited)	100	B
Courtyard Group UK Limited	100	B
Franklin & Andrews International Limited	100	B
Fulcrum First Limited	100	B
HLSP Limited	100	B
JBA Bentley Limited[1]	75	A
JN Bentley Limited[1]	100	A
Mott MacDonald Bentley Limited[1]	100	A
Mott MacDonald Colombia SAS	100	C
Multi Design Consultants Limited	100	B
Osprey PMI Limited (formerly Cambridge Education Associates Limited)	100	B
Procyon Oil & Gas Limited[2]	100	B
Schema Associates Limited	100	B
Other fixed asset investments		
BMM JV Limited	50	D
M2 (Water) LLP	50	B

[1] investment not held 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 2023

15. Debtors

	2023 £000	2022 £000
Trade debtors	**95,649**	101,823
Contract assets	**68,165**	60,721
Amount owed by parent undertaking	**250,000**	250,000
Amounts owed by fellow subsidiary undertakings	**60,899**	65,481
Deferred taxation (note 10(c))	**6,033**	10,033
Taxation recoverable	**8,677**	2,572
Other debtors	**17,954**	16,034
Prepayments	**38,149**	38,025
	545,526	544,689

Trade debtors are shown net of a provision for impairment of £13,383,000 (2022 – £12,602,000).

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 the three month average SONIA rate 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 £1,859,000 (2022 – £6,833,000).

16. Creditors: amounts falling due within one year

	2023 £000	2022 £000
Contract liabilities	**102,032**	109,509
Amount due to parent undertaking	**70,322**	63,659
Amounts due to fellow subsidiary undertakings	**31,113**	45,634
Trade creditors	**26,790**	26,159
Current UK corporation tax	**108**	398
Non-UK taxation	**8,102**	8,042
Other taxes	**9,906**	8,168
Social security	**11,981**	10,361
Other creditors	**16,617**	30,357
Accruals	**120,337**	122,703
	397,308	424,990

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

Notes to the financial statements

at 31 December 2023

17. Obligations under leases

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

	Land and buildings	
	2023 **£000**	2022 £000
Amounts payable:		
Within one year	**11,112**	11,097
In two to five years	**27,859**	22,068
Over five years	**67,377**	29,416
	106,348	62,581

18. Provisions for liabilities

2023	**Provisions for losses on contracts £000**	**Other provisions £000**	**Total £000**
At 1 January	**3,807**	**8,921**	**12,728**
Exchange adjustments	**(125)**	**–**	**(125)**
Arising during the year	**9,464**	**5,065**	**14,529**
Reversed during the year	**(348)**	**(1,704)**	**(2,052)**
Utilised	**(1,740)**	**(1,238)**	**(2,978)**
At 31 December	**11,058**	**11,044**	**22,102**

Other provisions are mainly in respect of outstanding claims. These claims generally result from disputes on projects with clients or other parties relating to our work done. These claims are settled, where applicable, via remediation works or by the payment of monetary amounts.

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.

Notes to the financial statements

at 31 December 2023

19. Share capital

	2023 No.	2022 No.	2023 £000	2022 £000
Allotted, called up and fully paid				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10,000**	10,000

20. Reserves

Profit and loss account	2023 £000	2022 £000
At 1 January	**441,560**	399,009
Profit on ordinary activities after taxation	**51,812**	66,494
Dividends (note 11)	**(12,750)**	(7,500)
Net actuarial loss on pension scheme (note 23)	**(10,400)**	(22,000)
Tax on net actuarial loss (note 10(c))	**2,444**	4,180
Change in restriction of pension asset recognised – gross	**(10,901)**	1,700
Change in restriction of pension asset recognised – tax thereon (note 10(c))	**2,562**	(323)
At 31 December	**464,327**	441,560

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

	2023 £000	2022 £000
Guarantee of bank loans and overdrafts in respect of other group companies	**9,805**	10,392

In addition, in the normal course of business, down payment, performance and tender bonds have been given by the company. In the opinion of the directors, these are not expected to give rise to any significant liability. There are no contingent liabilities at year end in relation to bonds (2022 – £nil).

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 out appropriate insurance to mitigate its risk. Provisions for such claims made at the statement of financial position date are set out in note 18. There are no contingent liabilities at the year end in relation to claims (2022 – £nil).

Notes to the financial statements

at 31 December 2023

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').

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 £66.0m (2022 – £54.5m).

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. Members' pensions were increased during the year according to the rules of MMPS.

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.

Notes to the financial statements

at 31 December 2023

23. Pensions and other retirement benefits (continued)

The valuation position of MMPS was updated to 31 December 2023 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 trustee regularly review the funding level of MMPS with the advice of the actuary.

During 2023, 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 2024.

The assets and liabilities of MMPS as at 31 December are analysed below:	**2023 £000**	2022 £000
Change in defined benefit obligation		
Defined benefit obligation at 1 January	**(466.1)**	(683.4)
Interest cost on MMPS liabilities	**(22.1)**	(13.4)
Actuarial (losses)/gains on MMPS liabilities	**(11.8)**	198.5
Benefits paid	**29.8**	32.2
Defined benefit obligation at 31 December	**(470.2)**	(466.1)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**(470.2)**	(466.1)
Change in plan assets		
Fair value of plan assets at 1 January	**493.2**	712.2
Interest income on MMPS assets	**23.9**	14.2
Actuarial gains/(losses) on MMPS assets	**1.4**	(220.5)
Employer contributions	**19.5**	19.5
Benefits paid	**(29.8)**	(32.2)
Fair value of plan assets at 31 December	**508.2**	493.2
Pension asset/funded status of MMPS (excluding tax)	**38.0**	27.1
Pension surplus not recognised (excluding tax)*	**(38.0)**	(27.1)
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 2023

23. Pensions and other retirement benefits (continued)

Components of pension (cost)/income

Year to 31 December	2023 £000	2022 £000
Interest cost on MMPS liabilities	(22.1)	(13.4)
Interest income on MMPS assets	23.9	14.2
Net interest recognised as other finance income in the income statement	1.8	0.8
Actuarial (losses)/gains on MMPS liabilities	(11.8)	198.5
Actuarial gains/(losses) on MMPS assets	1.4	(220.5)
Net actuarial losses recognised in other comprehensive loss	(10.4)	(22.0)

Plan assets

The weighted average asset allocation at the year end was as follows:	2023 %	2022 %
Asset category		
Liability driven investment	89	81
Hedge funds/diversified growth funds	6	6
Corporate bonds	4	6
Cash and other	1	1
Equities	–	6
	100	100

Actual return on plan assets

Year to 31 December	2023 £m	2022 £m
Interest income on MMPS assets	23.9	14.2
Actuarial gains/(losses) on MMPS assets	1.4	(220.5)
Actual return on plan assets	25.3	(206.3)

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

	2023 %	2022 %
Discount rate for MMPS liabilities	4.6	4.9
RPI inflation	3.0	3.2
CPI inflation	2.3	2.5
Pension increases (inflationary increases with a maximum of 5% p.a.)	2.3	2.5
Salary increases	n/a	n/a

Notes to the financial statements

at 31 December 2023

23. Pensions and other retirement benefits (continued)

Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 December:	**2023**		2022	
	Male Years	**Female Years**	Male Years	Female Years
Member age 60 (current life expectancy)	**27.4**	**29.2**	27.7	29.3
Member age 40 (life expectancy at age 60)	**28.6**	**30.4**	28.8	30.6

Sensitivity to the significant actuarial assumptions

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

The following table shows the sensitivity of the defined benefit pension 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 0% to 1.0%
0.1% increase in inflation rates	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 exempts subsidiary undertakings from disclosing transactions with other wholly owned subsidiary undertakings within the Group.

During the year, the company made sales of £1,177,000 (2022 – £1,590,000) to non-wholly owned fellow subsidiary undertakings and purchases of £411,000 (2022 – £3,299,000) from non-wholly owned fellow subsidiary undertakings. The net balance owed by non-wholly owned fellow subsidiary undertakings at 31 December 2023 was £511,000 (2022 – owed to £409,000).

During the year, the company made sales of £16,335,000 (2022 – £15,411,000) to joint ventures. The net balance owed by joint ventures at 31 December 2023 was £941,000 (2022 – £99,000).

Notes to the financial statements
at 31 December 2023

25. Financial assets and liabilities

	Notes	2023 £000	2022 £000
Financial assets at fair value through profit or loss			
Investment in parent undertaking	14	**15,421**	15,782
Financial assets that are debt instruments measured at amortised cost[1]			
Trade debtors	15	**95,649**	101,823
Amount owed by parent undertaking	15	**250,000**	250,000
Amounts owed by fellow subsidiary undertakings	15	**60,899**	65,481
Other debtors	15	**17,954**	16,034
Financial liabilities measured at amortised cost[1]			
Trade creditors	16	**26,790**	26,159
Amount due to parent undertaking	16	**70,322**	63,659
Amounts due to fellow subsidiary undertakings	16	**31,113**	45,634
Other creditors	16	**16,617**	30,357

[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

Pages 67 and 68 do not form part of the audited financial statements

Years ended 31 December	2023 £000	2022 £000	2021 £000	2020 £000	2019 £000
Gross revenue	**997,014**	911,028	787,195	799,142	771,067
Operating profit	**28,360**	61,305	52,722	42,758	13,328
Profit on ordinary activities before taxation	**64,403**	79,714	59,730	52,449	25,526
Tax on profit on ordinary activities	**(12,591)**	(13,220)	(7,999)	(11,455)	(3,563)
Dividends	**(12,750)**	(7,500)	(5,000)	–	(12,530)
Distributions to fellow subsidiary undertakings	**–**	–	–	–	(3,995)
Retained profit	**39,062**	58,994	46,731	40,994	5,438
Statement of financial position					
Fixed assets	**97,127**	96,248	97,720	104,866	103,092
Current assets	**796,610**	793,030	680,968	660,018	612,434
Creditors: amounts falling due within one year	**(397,308)**	(424,990)	(365,498)	(332,284)	(317,519)
Net current assets	**399,302**	368,040	315,470	327,734	294,915
Total assets less current liabilities	**496,429**	464,288	413,190	432,600	398,007
Provisions for liabilities	**(22,102)**	(12,728)	(4,181)	(9,887)	(2,074)
Net assets excluding pension liability	**474,327**	451,560	409,009	422,713	395,933
Pension liability	**–**	–	–	(66,194)	(84,494)
Net assets including pension liability	**474,327**	451,560	409,009	356,519	311,439
Capital and reserves					
Called up share capital	**10,000**	10,000	10,000	10,000	10,000
Profit and loss account	**464,327**	441,560	399,009	346,519	301,439
Shareholders' equity	**474,327**	451,560	409,009	356,519	311,439
Net funds					
Cash at bank and in hand	**251,084**	248,341	187,573	166,075	44,175

Group risk summary

↑ Increasing ↓ Decreasing — Stable

Risk category	Principal risks	Risk description	Impact	Risk treatment	Threat perception
Financial	**Financial Health and Economic Uncertainty**	The risk that 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. Regional recession resilience plans in place and regularly updated.	↑
Legal	**Ethics and Regulatory Compliance Risk**	The risk of an ethical breach and a lack of corporate compliance culture.	Reputational damage, fines, claims and loss of business.	Delivery and embedment of 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	**Information Governance Risk**	The risk that records and information are not collected, stored and lawfully used, or protected from loss, unauthorised access and release.	Reputational damage, fines, claims and disputes, and a negative impact on the culture of the organisation.	Strengthen data management governance, policy and process. Set adequate classifications and permissions management system audits.	—
Strategic	**Portfolio Risk**	The risk of 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.	↑
	Climate Change Risk	The risk of failing to respond effectively to fast-evolving requirements driven by climate change on our projects, markets and operations.	Decline in revenue, loss of growth opportunities and loss of reputation.	Continually enhance climate change competencies and strengthen governance of physical climate risks. Proactively monitor evolving climate-related regulations, standards and best practices. Conduct climate transition and physical risks scenario analysis.	—
	Reputation Risk	The risk of not managing and responding adequately to negative publicity.	Loss of revenue, litigation, brand deterioration or loss of stakeholder confidence.	Review and update of relevant processes, brand and media guidelines, and response plans. Increase in listening and benchmarking capability.	↓
	Market Share Risk	The risk of new entrants in the market threatening 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**	The risk of being unable 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.	—
	Compensation and Reward	The risk of inadequately compensating and not providing rewards and incentives that align with employees expectations and market environment.	Failure to attract talent, failure to retain talent and employee dissatisfaction.	Regular global benchmarking and review of global reward approach.	—
	Equality, Diversity and Inclusion	The risk of inadequately delivering equality, diversity and inclusion objectives in line with internal and external stakeholder expectations.	Adverse impact on ability to bid for work, loss of reputation, employee dissatisfaction and deteriorating retention.	Improve data gathering capabilities and determine key metrics; communicate key EDI health and safety considerations; develop a global EDI comms plan; and update the Group EDI strategy.	—
	Capacity and Capability Risk	The risk of being unable 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**	The risk of failing to adopt new technology to be competitive.	Technical obsolescence, erosion in efficiency and inability to bring new digital services to market.	The Digital Delivery Programme is accountable for delivering digital product, 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.	↑

Engineering.
Management.
Development.

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