



Mott MacDonald Group Limited

Report and financial statements
31 December 2023



Mott MacDonald Group Limited

Engineering. Management.
Development.

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

85+ Awards
won in 2023

19,000+ people
providing world-leading expertise

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

150-years heritage
deep domain expertise

Directors

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Ian Galbraith (Strategy Director)
David Johnson (Development Director)
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Strategic report

James Harris Executive Chair – welcome

I am pleased to present our annual report for 2023. As the Executive Chair of Mott MacDonald, I am extremely proud of our strong performance which is underpinned by our strategy, focusing on the geographies, sectors and services we believe provide a robust platform for the business, and by the agility and commitment of our colleagues around the world.

This commitment is reinforced by our independence which creates a strong sense of responsibility and allows us to face the future with confidence and clarity on the issues that matter the most. As does our community of over 19,000 who every day live our shared values of progress, respect, integrity, drive and excellence. Our continued strong performance has enabled us to build resilience and grow the company.

In July we welcomed David Johnson to the Executive Board as Development Director for the global business. In this new role he will guide our strategic initiatives in digital, defence and buildings, while supporting growth in Asia, Australia, New Zealand and North America.

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 and around the world. That is why I am so pleased by our place on Glassdoor's best places to work in the UK list. This was a fantastic endorsement of Mott MacDonald and recognition of our staff's belief in our 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.

In Canada, we were chosen to design the Scarborough Subway Extension project as part of the Scarborough Transit Connect partnership and we were appointed as detailed design consultant for Elias Station and Tunnels on the Singapore Cross Island Line extension.

We are proud to announce significant milestones in our renewable energy efforts including the completion of the landfall horizontal directional drill to connect the offshore export cable on the South Fork Wind project in New York, and the financial close on the Kitakyushu Hibikinada Offshore Windfarm project in western Japan.

On behalf of the Executive Board, I thank our clients and partners for the opportunities they bring, and all our colleagues for their dedication, innovation and excellence, which make our company 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 coordinated across the Group to ensure consistency of approach and implementation, while recognising relevant cultural, social and legal differences. The 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 in 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.

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.

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.

Strategic report

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 16.

In April 2023, a major revision of PAS 2080 was launched to reflect best practice in carbon management and 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.

Climate-related financial disclosures

The Group has taken steps to address both climate change mitigation and resilience across the business over a number of years. As the company 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 communicates our further progress and describes our governance, strategy, risk management, metrics and targets in relation to climate change. The content of the statement is structured according to the reporting requirements set out in the regulations and accompanying non-binding guidance.

Governance

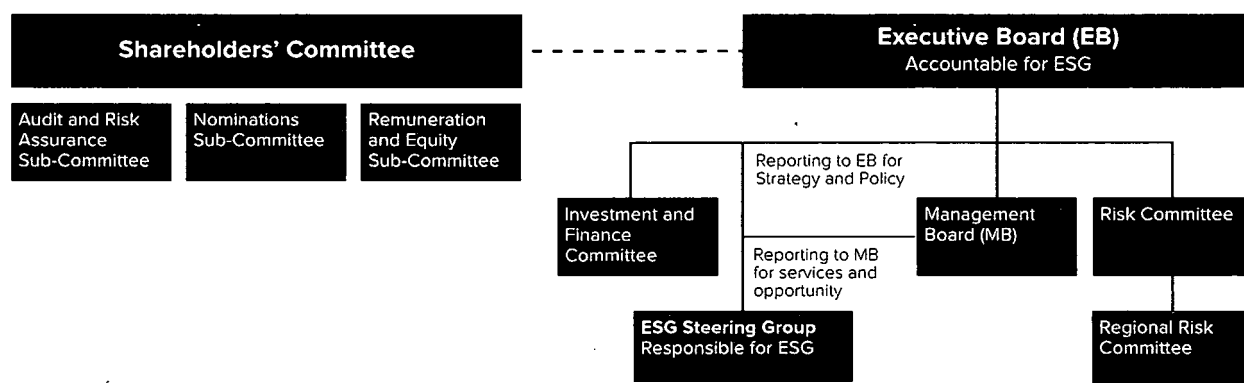
The Group has established an integrated approach to governance of Environment, Social and Governance (ESG) matters, inclusive of climate-related risks and opportunities. The Executive Board has overall accountability for ESG and signs off Group-level mandatory disclosures, including Climate-related Financial Disclosure and Streamlined Energy and Carbon Reporting (SECR) through the annual report and financial statements. The Executive Board delegates responsibility for oversight of ESG matters to the ESG Steering Group whose purpose is to ensure that an appropriate governance environment is in place, implemented by appropriately qualified and experienced parties, and is effective. The ESG Steering Group reports to the Executive Board as required on progress. In 2023 we introduced our climate change policy, which sets out our commitments on carbon reduction and climate resilience, with responsibilities and actions to deliver those within our business.

Alongside these dedicated ESG governance arrangements, relevant responsibilities are also embedded within the terms of reference of the committees of the Executive Board. The Management Board manages business performance and from 2024 that will include performance targets and metrics to deliver our science-based targets for greenhouse gas emissions. The Risk Committee provides a framework to identify, assess and manage risks. As a principal risk, climate is embedded across the Enterprise Risk Management framework.

Strategic report

The Shareholders' Committee supports and challenges the Executive Board. The Shareholders' Committee's Audit and Risk Assurance Sub-committee (ARASC) is responsible for reviewing and challenging the risk management and control environment of the Group and receives a quarterly update on implementation of the Climate-related Financial Disclosure regulations.

A detailed overview of the Group's corporate governance arrangements, outlining the roles and responsibilities of each committee, is provided on page 22.



Risk management

The Group takes an integrated approach to risk management, with climate change identified as one of the risks on the risk catalogue in the Enterprise Risk Management (ERM) framework. This is an integral part of the risk assessment process utilised by the functions, units and regions. As part of this process, climate risks will routinely be identified and assessed by each region and, where required, escalated to the Risk Committee. Refer to 'managing risk and uncertainty' on page 16 of this report for a detailed outline of the Risk Management framework.

In 2023, the Executive Board reviewed the Group's principal risks and determined that climate change should be included as one of the Group principal risks. Please refer to page 90 for our Group principal risks, including our principal climate change risk.

To support this, in 2023 a Group-level assessment of climate risks and opportunities was undertaken to identify specific risks aligned to the risk types recommended by the Task Force on Climate-related Financial Disclosures (TCFD) framework while taking into consideration different climate-related scenarios. The outputs of this assessment are summarised in the strategy – principal risks and opportunities section of this disclosure statement.

The Group operates a business management system STEP, which sets out the policies and procedures that are applied across the organisation. Mott MacDonald has taken measures to ensure that climate risks are specifically embedded within the STEP process, commencing at a project level. For further detail on the management of project risks, please refer to page 28.

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Strategy – principal risks & opportunities

As outlined under risk management, in 2023 we conducted further assessment of climate-related risks and opportunities at a Group level only. This assessment considered both transition and physical climate risk types for the Group. We have followed a five-step process for determining and assessing the material risks and opportunities posed by climate to the business:

1. Definition of risks and opportunities by considering climate change in the business risk catalogue and prioritising key risks and opportunities for the business;
2. Definition of time horizons and climate scenarios to guide the qualitative assessment of the identified risks;
3. Qualitative assessment of the identified risks against time horizons and scenarios, to generate a qualitative risk or opportunity rating (low, medium or high);
4. Qualitative analysis of the impacts of such risks on business strategy, business model and operations; and
5. Validation and summary of risks and opportunities identification and assessment.

As a result of this process, in 2023 we introduced climate change as a principal risk. As outlined on page 16 of this report, principal risks are reviewed annually alongside their individual risk treatment plan.

Risks were assessed under three time horizons as follows:

- **Short term:** 1-2 years – aligned to our annual business planning and enterprise risk management processes;
- **Medium term:** 3-10 years – aligned to our five-year business strategy; and
- **Long term:** 11-30 years – aligned to infrastructure project lifespan and our carbon reduction plan.

Three climate change scenarios were considered qualitatively in the assessment across the three time horizons. Suitable public climate data sources were utilised to select the scenarios. The Intergovernmental Panel on Climate Change's (IPCC) Shared Socioeconomic Pathways (SSP) scenarios from the Sixth Assessment Report were identified as the most relevant resource, a choice which is consistent with the Group approach to align to the latest climate science.

The key parameters and assumptions for each scenario can be summarised as follows:

- **Paris-aligned:** A gradual but pervasive shift towards a more sustainable path with global population peaking mid-century. Emphasis on economic growth shifts towards a broader emphasis on human wellbeing. Reduced inequality and consumption oriented towards lower resource and energy intensity. Broadly commensurate with delivering upon the Paris Agreement, higher transition risk and lower physical risk.
- **Middle of the road:** Medium emissions scenario, where social economic trends do not shift markedly from historical patterns. Uneven development and income growth and slow progress in achieving the sustainable development goals. Moderate global population growth levelling off in latter part of the century. Broadly commensurate with medium transition and physical risks.
- **Reasonable worst case:** Continued integration of global markets, with continued exploitation of fossil fuel resources to support rapid economic growth. Further proliferation of resource and energy-intensive lifestyles globally and faith in technological progress to manage ecological systems. Broadly commensurate with lower transition risk and higher physical risk.

A summary of the risks and opportunities identified for our business, their impacts and risk management measures is provided in the tables on pages 90 and 91. A qualitative risk or opportunity rating (low, medium or high) is provided under each of the three climate scenarios, which considers the estimated likelihood and severity of the risk. The nearest expected time horizon for the substantive impacts of the risk to materialise is noted, aligned to the short, medium and long-term timescales outlined.

Strategic report

Analysis of resilience

As an employee-owned organisation that primarily provides consulting services, our business model is inherently adaptive and our service offering evolves alongside our markets and clients. Our annual strategic statement outlines additional areas we wish to focus on and informs our regional business plans and our global sectors' strategies.

It is assumed that climate change will have implications for sectors in which Mott MacDonald Group operates as our clients transition their assets, operations and business models to align with the latest climate science recommendations. The speed of this transition differs under the different scenarios and creates both risks and opportunities. In all scenarios, the risk that our capabilities will not match the requirements of our clients in our core and emerging markets is expected to be low. We consider our core civil engineering skillset to be closely aligned to delivering the decarbonisation and resilience efforts needed to manage future climate change. We are already undertaking Group-wide initiatives that strengthen our technical capabilities to meet the growing demand for climate-related services, for example developing our Climate Change Academy, and we continue to expand our services across decarbonisation, climate change resilience and the energy transition.

We also consider our exposure to a range of transition risks, including policy and legal, to be medium and more likely to impact the business in the short-term horizon and in a Paris-aligned scenario as a result of rapidly evolving standards and enhanced climate regulations. We are implementing actions and activities to support our business transition, including establishing greenhouse gas (GHG) emissions reduction targets and plans, described in detail in our SECR statement on pages 8 to 11. We are working to further enhance our regulatory foresight capabilities and compliance through our Environmental Management System (EMS). It is assumed that the risk will lower in longer time horizons as the business will adapt to new climate-related requirements, or that less stringent regulation will be introduced in a middle of the road or worst-case scenario.

We expect the physical risks of climate change (acute and chronic) to have limited impact on our business operations. As an organisation with no significant owned capital assets, the financial impact of climate change is unlikely to be material on our financial statements. Physical risks are expected to be higher in a medium/long-term horizon especially in the worst-case scenario as the frequency and severity of extreme weather events continue to increase. Our ability to continue operating safely in the event of acute climate change events is supported by business continuity planning activities, where contingency plans and/or response plans are developed and maintained to minimise harm, damage and disruption to our assets and people.

Metrics & targets

GHG emissions constitute the key performance indicator used to assess progress against our identified climate-related risks and opportunities. Aligned to SECR, we report upon our energy consumption, GHG emissions and progress against our near-term (2027 and 2030) and long-term (2040) carbon reduction targets, which were verified by the Science Based Targets initiative (SBTi) in 2023. For a full description of our targets and the performance against them refer to our SECR statement on page 9.

Our transition planning has to date focused on the development of our carbon reduction targets and implementing our carbon reduction plans throughout our business. We will further review the potential to develop additional risk-aligned metrics and targets. This will also take into consideration the climate disclosure standard of the International Sustainability Standards Board (ISSB) and any further developments in UK regulatory guidance.

Strategic report

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.

Reporting boundary

The reporting boundary of our carbon footprint is the global business of Mott MacDonald Group Limited (MMGL) (see table 1 on page 10) 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 11) and JN Bentley Limited (JNB) (see table 3 on page 11).

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 Standard¹, 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 travel²
 - Category 7: Employee commuting

Our global carbon footprint has undergone external verification to ISO 14064. Emissions are reported in tonnes of carbon dioxide equivalent (tCO₂e), 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.

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 tCO₂e. 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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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). In the short term, we aim to reduce by 2030 our scope 1 and 2 GHG emissions by 46.2% and relevant scope 3 emissions³ by 28% from a 2019 base year. We will also work with our supply chain to set science-based targets⁴.

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.

Strategic report

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 (tCO₂e)	236,897	193,079	296,091
Scope 1: Office gas, fuel and fugitive emissions (tCO ₂ e)	10,479	7,618	13,784
Scope 2: Market-based electricity (tCO ₂ e)	4,246	3,841	9,031
Scope 3: Total (tCO ₂ e)	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 (tCO₂e/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 business 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.

Strategic report

**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 (tCO₂e)	3,043	3,073	6,762
Scope 1: Office gas and fugitive emissions (tCO ₂ e)	659	566	1,078
Scope 2: Market-based electricity (tCO ₂ e)	137	230	2,261
Scope 3: Business travel – car (tCO ₂ e)	2,247	2,277	3,423
GHG emissions intensity (tCO₂e/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 (tCO₂e)	10,733	7,969	15,534
Scope 1: Office gas and fugitive emissions (tCO ₂ e)	60	72	39
Scope 1: Plant energy (tCO ₂ e)	6,679	3,996	9,766
Scope 1: Company vehicles (tCO ₂ e)	2,162	1,881	2,521
Scope 2: Market-based electricity (tCO ₂ e)	106	128	191
Scope 3: Business travel – car (tCO ₂ e)	1,726	1,892	3,017
GHG emissions intensity (tCO₂e/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.

Strategic report

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 grow profitably and 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 17 and 18 sets out some more detail of 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.

Strategic report

Financial review

Revenue and profit

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

Gross revenue of £2,373.8m was £324.7m (15.8%) up on 2022 (£2,049.1m). Organic growth was 16.9%, with the impact from exchange 1.1% adverse. Operating profit of £91.9m was 16.1% down on 2022 with the operating margin down from 5.3% to 3.9%. This was mainly due to an unfavourable currency swing (£26.7m) and partly due to excessive overheads not recovered in slower parts of the business. The Board is comfortable with the level of profitability and growth in a strong set of results. The swing in exchange was largely due to the domestic political disruptors impacting UK currency and investment markets in 2022, and the negative movements in interest rates and inflation during 2023.

Revenue from consulting was 82% of overall revenue with 18% from contracting, compared to 86%/14% respectively in 2022. Both businesses have enjoyed good growth in the year. Consulting, which is a global business, grew 11.0% in the year while contracting, which is a UK business, grew 44.6%; both benefiting from markets with good growth opportunity.

The £324.7m increase in Group gross revenue was partly down to inflation but mostly market driven, with £192.4m (59%) of the growth coming from the consulting business and £132.3m (41%) of the growth from the contracting business. Within consulting, the European business grew at 11.1% while the North American business grew 14.1%. The contracting business is a UK business and grew 44.6%. A geographic analysis of gross revenue by destination is in note 5 to the financial statements.

Revenue was lower than expected in the International Development business, which continued to be more challenging in a difficult market, with governments still continuing to focus on funding domestic needs over foreign aid, to deal with the impact of ongoing domestic economic pressures and social needs.

The strategy to direct or constrain the growth of businesses where profits and margins are below the Group's strategic targets continues to have a positive effect. Both Greater China and East Asia have benefitted from more selective focus in bidding activity with both revenues and profits making excellent progress. However, there is more to do to make an impact in International Development and the Middle East.

Most of the business units performed well in 2023. There were a few performances below expectations, but as we enter 2024 most of the businesses have reasonable visibility of their markets and are making good progress delivering growth and maintaining or improving profitability. The strategy refresh, the discipline from the Group's purpose and selective focus are all providing clarity to the businesses as to choice of markets, clients and projects.

Operating profit is stated after £8.9m of unrealised exchange losses (2022 – £17.8m gain) and a one-off lease termination cost of £2.7m in the US. The Group's captive insurance company reported a profit of £4.8m this year bouncing back after a loss of £14.6m last year, caused by a higher level of professional indemnity claims on projects, prolonged disability claims from staff on long-term sickness and a fall in the value of its investments that fund the business.

Non-operating income from the research and development expenditure credit, income received on investments, interest received on cash deposits and money market placements, and other finance income from pension accounting was £21.0m (2022 – £6.3m). Most of the improvement in this area is £9.2m of additional interest received on deposits compared to last year and £4.6m on current asset investments held by the Group's captive insurance company.

Strategic report

There continues to be focus on reviewing lead indicators of workload and the resources required to deliver it. The order book, win rates, prospects and staff utilisation are all reported to the Executive Board. Utilisation has been high in 2023, but not as high as in 2022, and not a concern at this stage.

Finally, special projects and initiatives with an investment implication continue to be reviewed and controlled to ensure that investment adds to our capability and efficiency.

Cash

Over the past five years, the business has improved its net cash position from £78m to £380m. Despite that improvement in cash and the positive movement in balance sheet liquidity over that period, working capital improvement continues to be a focus for the Board, especially for the businesses in North America, the Middle East and East Asia where gross working capital days still remain above the Group average. This is mainly due to a need for improvement in operational efficiencies and client focus in those businesses compared to elsewhere in the Group.

There is no evidence of material credit risk in the higher working capital in these businesses. It just reflects a slower payment profile that the local businesses need to address. In 2023, the Group has grown revenues by 15.8%, and against that trade debtors and contract assets have only increased by 8%, a good result even after taking inflation into account which was falling as the year progressed.

There were no unusual or exceptional items in the areas of investing activities or financing activities in the cash flow analysis. Investing activities mainly relate to fixed asset purchases and office fit-outs as well as net investment activity in our captive insurance company, MHACE Insurance Company Limited. Financing activities mainly relate to share warehousing transactions between the Mott MacDonald Employee Trust and the company, and the annual dividend paid to shareholders. Debt of £10m at the year end, primarily for hedging, is insignificant in the context of overall liquidity.

UK pension scheme

During the year, £19.5m of pension contributions were paid into the UK pension scheme to continue the journey to full funding. The scheme is in surplus on an accounting valuation basis. The FRS 102 pension scheme asset is £38.0m (2022 – £27.1m), a small increase in the year in funding, up from 106% to 108%.

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.

The triennial actuarial valuation at 1 January 2024 on a technical provision basis is expected to put the scheme at 100.4% funded, achieving fully funded status 12 months ahead of plan. The valuation is expected to be finalised and signed in April 2024, at which point the company and the trustee will discuss future funding plans, given the company's wish to move to being fully funded on a solvency basis and then to look at options around buy-in with potentially buy-out to follow.

The company has made £151.5m of pension contributions to the UK scheme over the past six years in moving the scheme to fully-funded status 12 months ahead of plan.

Bank facilities

There is a five-year multi-currency revolving credit facility of £125m in place with three banks until 17 December 2026, with an accordion of £25m in the main facility agreement to take capacity potentially up to £150m. The Group also has facilities to provide tender bonds, performance bonds and advance payment bonds in the normal course of business.

Strategic report

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 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.

Dividend

The directors declared a dividend of 55p per share in November 2023 (December 2022 – 40p per share) and decided not to declare a final dividend. The dividend is now back at pre-pandemic levels.

Shareholders' equity

Shareholders' equity increased from £355.8m to £417.4m. The increase mainly came from profit transferred to reserves of £85.8m, partially offset by:

- an FRS 102 actuarial loss after tax on pension schemes of £7.7m;
- restriction on recognition of the pension asset after tax of £8.6m;
- an exchange loss on the translation of the net assets of overseas subsidiaries of £2.9m; and
- the dividend paid to shareholders of £6.0m.

There was also an increase of £0.6m in the investment in own shares. The increase is the net effect of the Mott MacDonald Employee Trust buying shares from employees when they leave, as required by the company's Articles of Association, and selling shares to employees mainly in an annual share offer in July. The size and direction of movement in any year is down to timing and size of share transactions.

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 49.

Other items

The effective tax rate is 24.0% compared with the 2022 rate of 27.7%. The reduction is due to the impact of an increase in the UK corporation tax rate from 19% to 25% being more than offset by recognition of deferred tax assets for losses in subsidiaries which were previously not recognised due to their financial performance, lower prior year adjustments and a reduction in current year losses in subsidiaries for which no deferred tax asset is recognised.

There are two key non-financial KPIs (key performance indicators) that we use to manage the business. Average annual sickness across the Group decreased from 36.3 hours to 32.9 hours per person. Voluntary staff turnover decreased from 13.4% to 10.3%.

Strategic report

Managing risk and uncertainty

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

Our risk management framework

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

Governance

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

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

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

The implementation of the risk management framework and programme is overseen by the Chief Risk Officer, who is also responsible for 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 89 shows the relative status of the residual risks (post mitigation) and the change in perceived risk from the previous year.

Strategic report

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.

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 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.

Strategic report

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.

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.

Strategic report

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 30 to 32 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.

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 on pages 91 and 92.

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.

Strategic report

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

2023 was another good year for the Group with growth in revenue and profit in all its core countries despite the uncertain economic growth indicators, high inflation and rising interest rates.

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

DocuSigned by:

James Harris

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James Harris, Executive Chair

28 March 2024

DocuSigned by:

Ed Roud

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Ed Roud, Finance Director

28 March 2024

Corporate governance report

Executive Board, Management Board and Committees

The Executive Board and its committees

Executive Board

The Board is responsible for establishing the Group's purpose, values and strategy, promoting its culture, and overseeing its conduct and affairs to create sustainable value. It makes decisions on a joint basis and has collective responsibility for its remit and objectives. All directors have equal status and accountability to deliver the strategy, achieve an acceptable operating performance and execute the Board's fiduciary duties. It meets regularly throughout the year.

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

Investment and Finance – The purpose of this committee is to review and assess the adequacy of the financial structure, capital funding and liquidity of the business and the resilience of the Group's operational finances. It also assesses the carrying values of internal investments and the recoverability of internal loan balances. It is chaired by the Group's Finance Director and meets three times a year.

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

The Shareholders' Committee and its sub-committees

Shareholders' Committee

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

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

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

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

The membership of the Board and its committees, with effect from 1 April 2024, is on the back inside cover of the financial statements.

Corporate governance report

Governance

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

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

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

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

Principle 1 – Purpose and leadership

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

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

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

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

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

Underpinning those leadership principles are our values: **Progress, Respect, Integrity, Drive and Excellence (PRIDE)**. They guide our behaviours, shape our culture, and inform our relationships with our clients, our stakeholders and each other. They are the platform from which we deliver our purpose and underpin our employee-ownership model.

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

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

Corporate governance report

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 of:

James Harris - Executive Chair

Cathy Travers - Managing Director

Ian Galbraith - Strategy Director

Ed Roud - Finance Director

Denise Bower - External Engagement Director (resigned on 31 December 2023)

David Johnson - Development Director (appointed on 1 July 2023)

At the end of 2023, having spent four years on the Board, rather than seek re-election for a further four years, Denise Bower 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.

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. Biographies can be found on the company's website (mottmac.com).

Appointments to the Board follow a formal process. The Board decides what components of the process to use, given the appointment. Applicants can be required to prepare a written submission, attend interviews, make presentations and respond to a formal set of questions. The process also involves a scoring assessment of applicants' attributes and skills, based on their knowledge, skills and experience, using criteria that are reviewed from time to time to reflect changes in the external business environment and changes in the needs of the Board. The Board's final decision on an appointment is then ratified by the Shareholders' Committee.

Corporate governance report

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, the proportion of Board members that were women varied from 33% to 40%, but with Denise Bower not seeking re-election, at the year end it was 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 in improving 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. At Shareholders' Committee level, with effect from 1 April 2024, 30% of the members are women and 45% are non-UK citizens.

Principle 3 – Director responsibilities

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

Accountability and effective decision making

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

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

Information and advice

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

Directors can seek independent advice on the performance of their duties if necessary.

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

Corporate governance report

Discharging responsibilities

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

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

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

Committees of the Board

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

The purpose of each committee is explained on page 22, showing how they support the Board to meet its responsibilities. The terms of reference and composition of each committee are reviewed annually, agreed by the Board and ratified by the Shareholders' Committee.

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

The Shareholders' Committee

The Shareholders' Committee is responsible for reviewing reports from the Board and contributing to discussion on strategic or operational matters to improve management of the business. It reviews and approves recommendations made by its sub-committees and by the Board when such approvals are required.

It consists mainly of senior employee shareholders selected with the aim of providing a balanced representation from different parts of the global business. It also typically includes two independent members whose role is to enhance discussion and decision making. Executive Board directors are not members of the Shareholders' Committee or its sub-committees. They attend meetings to explain principles, deliver information and provide context to discussion.

The Shareholders' Committee delegates responsibilities and activities to its sub-committees, which support the Shareholders' Committee in meeting its agenda effectively, efficiently and on a timely basis. The purpose of each sub-committee is set out on page 22, showing how they support the Shareholders' Committee to meet its responsibilities.

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

Corporate governance report

Principle 4 – Opportunity and risk

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

Opportunity and value

The Group creates value through developing information for our clients. The processes for developing information are maintained in our 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.

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 16.

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.

Corporate governance report

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.

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.

Corporate governance report

Principle 5 – Remuneration

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

Consistency and control

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

Benchmarking means that we can ensure we stay aligned to the market and minimise/mitigate retention risks. As well as retention, this also helps ensure we can provide attractive and competitive offerings for new recruits. Remuneration governance and oversight is managed through our regional structures with central advice, counsel and coordination provided by our Group Head of Reward. Approvals for the annual pay review, bonus proposals and shares scheme sit with the Board.

Remuneration and Equity Sub-committee

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

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

Corporate governance report

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.

Principle 6 – Stakeholder relationships and engagement

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

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

With our employees

The directors have regular engagement with employees to ensure that they are informed of the Group's strategic direction, 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 Group'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 page 35.

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 Group 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.

Corporate governance report

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.

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.

Corporate governance report

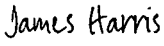
With wider stakeholders

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.

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 17 to 20.

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

DocuSigned by:

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James Harris, Executive Chair
28 March 2024

DocuSigned by:

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Ed Roud, Finance Director
28 March 2024

Directors' report

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

Registration

Mott MacDonald Group Limited is a company registered in England and Wales, registered number 01110949.

Principal activities

Mott MacDonald is one of the world's leading engineering, management and development consultancies. Our core business sectors are advisory, built environment, energy, transport and water. We are an independent employee-owned company engaged in public and private sector development worldwide.

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

Results and dividends

Profit attributable to shareholders before dividend is £85.8m (2022 – £83.7m).

An interim dividend of £6.0m (2022 – £4.3m) was paid to shareholders on 30 November 2023. The directors do not recommend the payment of a final dividend.

Acquisitions and disposals

On 28 February 2023, the Group acquired Engevity Advisory Pty Limited via its subsidiary in Australia which was approved by the Board of Directors on the recommendation of the Investment and Finance Committee. In the directors' opinion, it aligns with the Group business strategy and is focused on the Group seeking more growth in Western Australia and across the energy sector. The acquisition is not considered to be material in the context of the Group financial statements.

Directors and their interests

The directors of the company during the year ended 31 December 2023 and their interests in the share capital of the company were as follows:

	At 31 December 2023	At 31 December 2022 (or date of appointment)
Directors	Ordinary shares	Ordinary shares
Denise Bower	33,000	30,000
Ian Galbraith	85,000	80,000
James Harris	92,500	82,500
David Johnson	77,000	75,000
Ed Roud	100,000	100,000
Cathy Travers	65,000	51,000

All the directors have held office throughout the year, with the exception of David Johnson who was appointed as a director on 1 July 2023. Denise Bower resigned as a director on 31 December 2023.

Directors' and officers' indemnity and liability insurance

The directors continue to have the benefit of an indemnity under the Articles of Association of the company to the extent permitted by law in respect of liability incurred as a result of their office with the company. The Group has purchased and maintained directors' and officers' liability insurance during the year which excludes dishonest or fraudulent acts or omissions.

Directors' report

Post balance sheet events

There are no post balance sheet events requiring disclosure.

Valuation of company's shares

The fair value of the company's shares increased by 55p per share from £13.75 to £14.30 at 31 December 2023. The fair value is based on the net assets of the company's statement of financial position at that date as set out by the company's articles. Having considered matters relevant to the company's share valuation that are set out in its articles, there is no intent by the directors to change the valuation of the shares to any other basis for the foreseeable future.

Future developments

The various markets of the company are likely to continue to be impacted by economic and geopolitical uncertainty, 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.

Statement of corporate governance arrangements

The Board of Directors continues to endorse the Wates Principles; a corporate governance framework which it believes is the most appropriate for a large private company of our size and purpose. The Board continues to report on the voluntary principles for large private companies that illustrate an 'apply and explain' approach over six core principles of corporate governance:

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

The corporate governance report on pages 22 to 32 demonstrates how we have satisfied the requirements for governance under the Companies (Miscellaneous Reporting) Regulations 2018 throughout the year ended 31 December 2023.

Employees

We ended the year with approximately 18,600 employees and a total workforce of around 19,500 including agency and contract workers.

Employment policies

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

We recognise exemplary work in responding to societal issues, 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.

Directors' report

Equal opportunities

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

We apply the same standards and protocols to other areas where discrimination may exist in the workplace and 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;
- briefing employees on other matters of importance that impact on them, their jobs, the company, or society;
- issuing quarterly performance reports to employees setting out key metrics on financial performance to make them aware of how they can play their part in replicating success and improving performance;
- using the intranet or social media to access employee opinions on matters affecting them in the workplace and impacting their employment; the directors can use these views in decisions to improve the quality of the workplace or work practices;
- using the intranet or social media to make employees aware of significant operational matters and strategic plans to engage them to respond to the challenges;
- running 'town hall' sessions with employees in offices the directors visit, to give them an understanding of what is happening elsewhere in the business with an opportunity for Q&A sessions;
- running staff councils in local offices for management and staff to discuss issues in the Group or the workplace, with the aim that the company and employees can benefit from a better and more productive work environment;
- providing 'Speak Up' hotlines for anonymous reporting of concerns over ethical/behavioural matters, allowing the business to formally investigate any issues; and
- running staff engagement surveys, enabling the directors to understand and focus on matters needing change, development or improvement.

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

Details of how the directors have engaged with employee shareholders, clients, partners and wider stakeholders are set out in the corporate governance report on pages 30 to 32.

Directors' report

Energy consumption and carbon information

The relevant information on energy and carbon is set out in the strategic report on pages 8 to 11.

Principal risks and uncertainties

Business risks and measures to mitigate these risks are described in the strategic report on pages 16 and 17.

The financial risks and mitigation measures are set out below:

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

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

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

Statement of directors' responsibilities

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

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

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

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

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

Directors' report

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

The directors confirm that:


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

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

Auditor

BDO LLP 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:

DocuSigned by:

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Paul Ferguson, Company Secretary
28 March 2024

Independent auditor's report

to the members of Mott MacDonald Group Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mott MacDonald Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2023 which comprise the consolidated income statement and statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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 Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Independent auditor's report

to the members of Mott MacDonald Group Limited

Climate change

Our work on the assessment of potential impacts of climate-related risks on the Group'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 Group 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, if any, of the Group's commitment, as set out in the Group's Carbon Reduction Plan, may affect the financial statements and our audit.

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

We also assessed the consistency of management's disclosures included as statutory other information on pages 4 to 11 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Independent auditor's report

to the members of Mott MacDonald Group Limited

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Non-compliance with laws and regulations

We gained an understanding of the legal and regulatory framework applicable to the Group, its subsidiaries and the industry in which it operates, and considered the risk of acts by the Group 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 Group 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.

Independent auditor's report

to the members of Mott MacDonald Group Limited

Our procedures in respect of the above included:

- review of minutes of 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.

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 Group'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 and judgements made by management for bias in revenue recognition, including percentage of 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.

Independent auditor's report

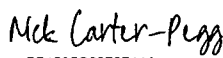
to the members of Mott MacDonald Group Limited

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.

Use of our report

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

DocuSigned by:

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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).

Consolidated income statement and statement of comprehensive income

for the year ended 31 December 2023

Consolidated income statement	Notes	2023 £000	2022 £000
Gross revenue	5	2,373,827	2,049,094
Cost of sales		(1,451,690)	(1,231,755)
Gross profit		922,137	817,339
Administrative expenses		(830,208)	(707,817)
Operating profit	6(a)	91,929	109,522
Other income	6(b)	6,632	6,111
Income from other fixed asset investments		3	5
Income/(loss) from current asset investments		2,136	(2,428)
Profit on ordinary activities before interest		100,700	113,210
Net interest receivable	9	10,205	1,228
Other finance income	25(c)	2,007	1,368
Profit on ordinary activities before taxation		112,912	115,806
Tax on profit on ordinary activities	10(a)	(27,066)	(32,028)
Profit on ordinary activities after taxation		85,846	83,778
Profit attributable to:			
Owners of the parent company	22	85,828	83,659
Non-controlling interests		18	119
		85,846	83,778

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

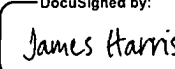
Consolidated statement of comprehensive income	Notes	2023 £000	2022 £000
Profit for the financial year		85,846	83,778
Exchange adjustments on translation of net assets of overseas subsidiaries		(2,932)	6,108
Net actuarial loss on pension schemes	22, 25(c)	(9,970)	(21,758)
Tax on net actuarial loss	10(c), 22	2,318	4,175
Tax on additional pension contributions	22	(42)	-
Change in restriction of pension asset recognised – gross	22	(11,151)	564
Change in restriction of pension asset recognised – tax thereon	10(c), 22	2,593	(181)
Total other comprehensive loss		(19,184)	(11,092)
Total comprehensive income for the year		66,662	72,686
Total comprehensive income for the year attributable to:			
Owners of the parent company		66,653	72,537
Non-controlling interests		9	149
		66,662	72,686

Consolidated statement of financial position

at 31 December 2023

Registered No. 01110949	Notes	2023 £000	2022 £000
Fixed assets			
Intangible assets	12	12,067	21,448
Tangible assets	13	67,170	48,096
Other fixed asset investments	14(a)	190	189
		<u>79,427</u>	<u>69,733</u>
Current assets			
Debtors	15	581,427	527,681
Current asset investments	14(a)	36,121	33,628
Cash at bank and in hand	27(b)	389,389	364,731
		<u>1,006,937</u>	<u>926,040</u>
Creditors: amounts falling due within one year	16	<u>(607,022)</u>	<u>(578,068)</u>
Net current assets		<u>399,915</u>	<u>347,972</u>
Total assets less current liabilities		<u>479,342</u>	<u>417,705</u>
Creditors: amounts falling due after more than one year	17	(10,119)	(12,062)
Provisions for liabilities	20	<u>(51,072)</u>	<u>(48,121)</u>
Net assets excluding pension liability		<u>418,151</u>	<u>357,522</u>
Pension liability	25(c)	<u>(593)</u>	<u>(1,514)</u>
Net assets including pension liability		<u>417,558</u>	<u>356,008</u>
Capital and reserves			
Called up share capital	21	11,713	11,713
Share premium account	22	17,717	17,717
Revaluation reserve	22	814	814
Investment in own shares	22	(14,695)	(15,281)
Profit and loss account	22	401,810	340,854
Equity attributable to owners of the parent company		<u>417,359</u>	<u>355,817</u>
Non-controlling interests		<u>199</u>	<u>191</u>
Total capital and reserves		<u>417,558</u>	<u>356,008</u>

The financial statements on pages 43 to 87 were approved and authorised for issue by the Board of Directors on 28 March 2024 and signed on its behalf by:

DocuSigned by:

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James Harris, Executive Chair

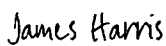
Company statement of financial position

at 31 December 2023

Registered No. 01110949	Notes	2023 £000	2022 £000
Fixed assets			
Investment in subsidiary undertakings	14(b)	347,221	347,281
Current assets			
Debtors	15	70,333	63,689
Cash at bank and in hand		1	112
		70,334	63,801
Creditors: amounts falling due within one year	16	(57)	(25)
Net current assets		70,277	63,776
Total assets less current liabilities		417,498	411,057
Creditors: amounts falling due after more than one year	17	(250,000)	(250,000)
Net assets		167,498	161,057
Capital and reserves			
Called up share capital	21	11,713	11,713
Share premium account	22	17,717	17,717
Revaluation reserve	22	2,733	2,733
Profit and loss account		135,335	128,894
Shareholders' equity		167,498	161,057

Mott MacDonald Group Limited reported a profit for the year of £12,430,000 (2022 – £8,424,000).

The financial statements on pages 43 to 87 were approved and authorised for issue by the Board of Directors on 28 March 2024 and signed on its behalf by:

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James Harris, Executive Chair

Consolidated statement of cash flows

for the year ended 31 December 2023

	Notes	2023 £000	2022 £000
Operating activities			
Net cash inflow from operations	27(a)	100,855	144,932
Interest paid	9	(1,225)	(1,002)
Taxation:			
UK corporation tax paid		(1,511)	(4,116)
Overseas tax paid		(28,836)	(22,744)
		(31,572)	(27,862)
Net cash flow from operating activities		69,283	117,070
Investing activities			
Payments to acquire intangible fixed assets	12	(448)	(1,454)
Payments to acquire tangible fixed assets	13	(38,963)	(20,489)
Receipts from sales of tangible fixed assets		1,746	2,911
Payments to acquire current asset investments	14(a)	(22,656)	(21,783)
Receipts from sales of current asset investments		21,645	11,540
Payments to acquire other fixed asset investments	14(a)	(2)	(1)
Interest received		10,379	2,230
Acquisition of subsidiary – payments made		(1,836)	-
Acquisition of subsidiary – net cash acquired		4	-
Disposal of subsidiary – net cash disposed		-	(62)
Net cash flow used in investing activities		(30,131)	(27,108)
Financing activities			
Dividends paid to non-controlling interests		(1)	(218)
Redemption of shares classed as financial liabilities		(6)	(4)
Proceeds from sale of shares to employees		16,183	13,971
Repurchases of own shares from employees		(15,305)	(17,940)
New loans		-	15,000
Repayment of loans		-	(15,000)
Repayments of capital element of finance leases		-	(1,095)
Equity dividends paid	11	(5,989)	(4,324)
Net cash flow used in financing activities		(5,118)	(9,610)
Increase in cash and cash equivalents		34,034	80,352
Effect of exchange rates on cash and cash equivalents		(9,407)	11,196
Cash and cash equivalents at 1 January		364,731	273,183
Cash and cash equivalents at 31 December	27(b)	389,358	364,731

Consolidated and company statement of changes in equity

for the year ended 31 December 2023

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Called up share capital (note 21)				
At 1 January and 31 December	11,713	11,713	11,713	11,713
Share premium account (note 22)				
At 1 January and 31 December	17,717	17,717	17,717	17,717
Revaluation reserve (note 22)				
At 1 January and 31 December	814	814	2,733	2,733
Investment in own shares (note 22)				
At 1 January	(15,281)	(11,105)	-	-
Sale of shares by Employee Trust to employees	16,183	13,971	-	-
Repurchases of shares by Employee Trust from employees	(15,305)	(17,940)	-	-
Surplus on disposal of own shares	(292)	(207)	-	-
At 31 December	(14,695)	(15,281)	-	-
Profit and loss account (note 22)				
At 1 January	340,854	272,434	128,894	124,794
Profit for the year	85,828	83,659	12,430	8,424
Other comprehensive (loss)/income:				
Exchange adjustments on translation of net assets of overseas subsidiaries	(2,923)	6,078	-	-
Net actuarial loss on pension schemes (note 25(c))	(9,970)	(21,758)	-	-
Tax on net actuarial loss (note 10(c))	2,318	4,175	-	-
Tax on additional pension contributions	(42)	-	-	-
Change in restriction of pension asset recognised – gross	(11,151)	564	-	-
Change in restriction of pension asset recognised – tax thereon	2,593	(181)	-	-
Total other comprehensive loss for the year	(19,175)	(11,122)	-	-
Total comprehensive income for the year	66,653	72,537	12,430	8,424
Surplus on disposal of own shares	292	207	-	-
Dividends (note 11)	(5,989)	(4,324)	(5,989)	(4,324)
At 31 December	401,810	340,854	135,335	128,894
Equity attributable to owners of the parent company	417,359	355,817	167,498	161,057

Consolidated and company statement of changes in equity

(continued)

for the year ended 31 December 2023

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Equity attributable to owners of the parent company	417,359	355,817	167,498	161,057
Non-controlling interests				
At 1 January	191	260	-	-
Profit for the year	18	119	-	-
Other comprehensive (loss)/income:				
Exchange adjustments on translation of net assets of overseas subsidiaries	(9)	30	-	-
Total comprehensive income for the year	9	149	-	-
Dividends	(1)	(218)	-	-
At 31 December	199	191	-	-
Total capital and reserves	417,558	356,008	167,498	161,057
Total capital and reserves				
At 1 January	356,008	291,833	161,057	156,957
Sale of shares by Employee Trust to employees	16,183	13,971	-	-
Repurchases of shares by Employee Trust from employees	(15,305)	(17,940)	-	-
Profit for the year	85,846	83,778	12,430	8,424
Other comprehensive loss for the year	(19,184)	(11,092)	-	-
Dividends	(5,990)	(4,542)	(5,989)	(4,324)
At 31 December	417,558	356,008	167,498	161,057

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

Notes to the financial statements

at 31 December 2023

1. Company information

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

2. Basis of preparation

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

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

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

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

Basis of consolidation

The Group financial statements consolidate the financial statements of Mott MacDonald Group Limited and its subsidiary undertakings drawn up to 31 December using the purchase method of accounting. The Group income statement includes the results of subsidiary undertakings acquired for the period from the date of their acquisition and for the period from the start of the year to the date of disposal for subsidiary undertakings disposed of during the year.

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

Mott MacDonald Employee Trust ('Employee Trust')

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

The costs of purchasing own shares held by the Employee Trust are shown as a deduction in arriving at total shareholders' equity. The proceeds from the sale of own shares held increase shareholders' equity. Any gains or losses arising from the sale or repurchase of own shares are reflected directly in reserves and do not affect the consolidated profit for the year. The sponsoring entity for the Employee Trust is Mott MacDonald Limited, a wholly owned subsidiary of Mott MacDonald Group Limited, and therefore the results, assets and liabilities of the Employee Trust have also been included in the financial statements of that entity. Further details about the Employee Trust are given in note 21.

Going concern

The directors have a reasonable expectation that the Group and company have adequate resources to continue in operational existence for the foreseeable future, and at least for a period of 12 months from the date the financial statements are signed.

Notes to the financial statements

at 31 December 2023

2. Basis of preparation (continued)

Going concern (continued)

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 Group also has a strong cash position at the statement of financial position date and a bank facility is in place up until December 2026 for £125m with an accordion of £25m available to use as part of the main facility agreement. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

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 Group'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 to the change in scope will be collected.

Provisions

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

Defined benefit pension schemes

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

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

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

Projects may contain contingencies in their accounting estimates. The contingencies can be for potential costs to complete 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£70m at 31 December 2023 (2022 – c£46m), the majority of which relates to 31 projects (2022 – 21 projects).

The classifications in the statement of financial position impacted by the above factors are contract assets £195,453,000 (2022 – £176,741,000) and contract liabilities £197,810,000 (2022 – £190,845,000).

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 Group considers that the level of estimation uncertainty in the financial statements as a whole is mitigated by the size of the Group'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)

Provisions

Accounting estimates are made to value these claims estimating the likely outflow utilising both internal and external sources, as well as the result of past experience. Any reimbursable that the Group is virtually certain to receive with respect to the likely outflow is recognised as a separate asset but limited to the value of the likely outflow. Assumptions are used in making these estimates and as such subsequent events may mean that they prove to be inaccurate, with an adjustment made in a future year. These estimates will affect the carrying value of 'other provisions' of £24,232,000 (2022 – £32,189,000), see note 20.

Defined benefit pension schemes

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

4. Principal accounting policies

Business combinations

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

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

Goodwill and intangible assets

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

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

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

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

Notes to the financial statements

at 31 December 2023

4. Principal accounting policies (continued)

Goodwill and intangible assets (continued)

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

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

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred, unless the asset will generate probable future economic benefits and the costs can be reliably measured.

Subsequent to initial recognition, goodwill and intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Goodwill and intangible assets are amortised on a straight line basis over their estimated useful lives with the amortisation being charged to administrative expenses in the income statement. The net book 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	3 to 10 years
Software	2 to 10 years
Customer relationships	10 years
Forward order book	6 years

Non-controlling interests

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

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.

Notes to the financial statements

at 31 December 2023

4. Principal accounting policies (continued)

Gross revenue (continued)

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

Consulting services revenue (see note 5) is recognised by either of the methods above depending on the type of contract, while building and civil engineering contracting revenue is recognised by reference to the stage of completion.

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.

Joint arrangements

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

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

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

Notes to the financial statements

at 31 December 2023

4. Principal accounting policies (continued)

Joint arrangements (continued)

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

Research and development

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

Fixed asset investments including subsidiaries

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

Cash and cash equivalents

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

Current asset investments

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

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

Financial assets

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

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

Notes to the financial statements

at 31 December 2023

4. Principal accounting policies (continued)

Financial assets (continued)

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

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

Financial assets are derecognised when:

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

Financial liabilities

Basic financial liabilities, including trade creditors, other payables, bank loans, loans from fellow Group subsidiary undertakings and convertible deferred shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future 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 Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Provisions are measured as the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

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

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

Taxation

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

Deferred taxation

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

Notes to the financial statements

at 31 December 2023

4. Principal accounting policies (continued)

Deferred taxation (continued)

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

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

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

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

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

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in the income statement, statement of comprehensive income or equity depending on the transaction that resulted in the tax expense (income). Where additional pension contributions paid relate to past actuarial losses, the deferred tax movement thereon is recorded in other comprehensive income.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to offset current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Dividends

Dividends are only reflected in the financial statements to the extent that at the statement of financial position date, they are declared and paid or declared as a final dividend in a general meeting.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in pound sterling (£), which is the company's and Group's presentation currency.

Foreign currencies

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

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

Notes to the financial statements

at 31 December 2023

4. Principal accounting policies (continued)

Leasing commitments

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

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

Employee benefits

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

Pensions

The Group operates a number of pension schemes throughout the world which are described more fully in note 25. Pension costs charged against operating profit for the defined contribution schemes are the contributions payable in respect of the accounting period. All defined benefit schemes are now closed to future accrual of benefits and the surpluses or deficits are determined by the actuaries.

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

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

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

Government grants and subsidies

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

Notes to the financial statements

at 31 December 2023

5. Gross revenue

Gross revenue is attributable mainly to one continuing activity, the provision of consulting services, except for JN Bentley Limited which is a building and civil engineering contracting business.

Gross revenue is analysed as follows:

Analysis by destination:	2023	2022
	£000	£000
Europe	1,277,823	1,060,433
Americas	516,093	452,294
Australia and New Zealand	251,524	236,684
Middle East and Africa	169,313	156,779
Asia	159,074	142,904
	<u>2,373,827</u>	<u>2,049,094</u>
Analysis by type of business:		
Consulting services	1,944,733	1,752,293
Building and civil engineering contracting (construction contracts)	429,094	296,801
	<u>2,373,827</u>	<u>2,049,094</u>

Notes to the financial statements

at 31 December 2023

6. Operating profit and other income

(a) Operating profit

This is stated after charging/(crediting):	2023	2022
	£000	£000
Auditors' remuneration – audit services – principal auditor for audit of parent company and Group financial statements	327	165
– audit services – principal auditor for audit of subsidiary undertakings	1,048	628
– audit services – principal auditor prior year	319	–
– audit services – associates of principal auditor for audit of subsidiary undertakings	820	711
– audit services – associates of principal auditor prior year	70	–
	<u>2,584</u>	<u>1,504</u>
– audit services – non-principal auditors for audit of subsidiary undertakings	247	331
	<u>2,831</u>	<u>1,835</u>
– non-audit services – principal auditor	2	–
– non-audit services – associates of principal auditor:		
taxation	2	2
assurance	1	–
other	29	13
	<u>34</u>	<u>15</u>
Current service costs in pension schemes (note 25(c))	121	104
Foreign exchange losses/(gains)	8,889	(17,811)
Depreciation (note 13)	18,422	16,707
Amortisation of goodwill (note 12)	2,856	2,458
Amortisation of software (note 12)	5,377	5,954
Amortisation of other intangibles (note 12)	3,571	3,571
Operating lease rentals – land and buildings	36,420	33,815
– vehicles and equipment	484	672

(b) Other income

	2023	2022
	£000	£000
Research and Development Expenditure Credit (RDEC)	6,632	5,256
Government grants ¹	–	855
	<u>6,632</u>	<u>6,111</u>

¹ In 2022, the government grants related to post-pandemic schemes aimed at retaining and hiring local employees in Hong Kong (£770,000) and Singapore (£85,000).

Notes to the financial statements

at 31 December 2023

7. Directors' remuneration

	2023 £000	2022 £000
Emoluments (excluding pension contributions)	4,239	3,885

The emoluments above relate to 6 directors in 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 £90,485 (2022 – £77,948) of contributions were paid to defined contribution pension plans in respect of 5 directors (2022 – 5), of which £nil (2022 – £nil) related to the highest paid director. Some of the directors also have benefits under the closed defined benefit schemes. The accrued annual pension of the highest paid director at 31 December 2023 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.

8. Staff costs

	2023 £000	2022 £000
Salaries	1,097,181	960,655
Social security costs	92,552	79,142
Other pension costs (defined contribution schemes)	100,410	85,825
	1,290,143	1,125,622

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

	No.	No.
Management	1,404	1,317
Technical staff	14,545	13,278
Administrative staff	2,149	1,883
	18,098	16,478
The actual number of permanent staff at 31 December was:	18,586	17,312

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

Notes to the financial statements

at 31 December 2023

9. Net interest receivable

	2023 £000	2022 £000
Interest receivable	11,430	2,230
Interest payable:		
Bank loans and overdrafts	(747)	(759)
Finance charges payable under finance leases	-	(11)
Other	(478)	(232)
	(1,225)	(1,002)
Net interest receivable	10,205	1,228

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	10,655	11,333
Non-UK tax	20,914	20,684
Capital gains tax – Mott MacDonald Employee Trust	66	43
	31,635	32,060
Adjustments in respect of previous years:		
UK corporation tax	995	1,452
Non-UK tax	(480)	229
Capital gains tax – Mott MacDonald Employee Trust	(1)	(11)
Total current tax	32,149	33,730
Deferred tax:		
Origination and reversal of timing differences	(2,881)	(2,723)
Adjustments in respect of previous years	(2,202)	1,026
Effect of change in tax rate on opening balance	-	(5)
Total deferred tax credit (note 10(c))	(5,083)	(1,702)
Tax on profit on ordinary activities (note 10(b))	27,066	32,028

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive loss is a credit of £4,869,000 (2022 – £3,994,000 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 higher 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 and liabilities 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	112,912	115,806
Profit on ordinary activities before taxation multiplied by the average rate of corporation tax in the UK of 23.5% (2022 – 19%).	26,534	22,003
Effects of:		
Tax losses	(878)	2,424
Higher taxes on non-UK earnings	4,099	6,841
Adjustments in respect of previous years	(1,688)	2,696
Timing differences not provided	9	(538)
Impact of tax rate changes	211	440
Other permanent differences	(1,221)	(1,838)
Tax on profit on ordinary activities (note 10(a))	27,066	32,028

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

Other permanent differences include consolidation adjustments, including goodwill amortisation, as well as permanent tax reliefs and non-deductible items.

The items listed above are likely to impact on tax charges of future years as well, although their exact quantum will vary with time and circumstances.

The Group has tax losses of £67,564,000 (2022 – £80,961,000) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. The losses are mainly in South Africa, Guernsey, Singapore, Hong Kong and Ireland. Deferred tax assets have not been recognised in respect of £56,979,000 (2022 – £80,961,000) of these losses as there is significant uncertainty over whether the subsidiary undertakings in which they have arisen will generate sufficient taxable profits in future years to allow the losses to be utilised.

Notes to the financial statements

at 31 December 2023

10. Tax (continued)

(c) Deferred tax

Group	2023 £000	2022 £000
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 15)	35,271	31,840
Included in provisions for liabilities (note 20)	(7,167)	(5,123)
	<u>28,104</u>	<u>26,717</u>
The elements of deferred taxation are as follows:		
Shortfall of book depreciation over tax allowances on fixed assets	(3,285)	(643)
Amortisation of intangible assets	(453)	(1,298)
Pension liability (note 25(c))	163	415
Accrued expenses and provisions	16,547	12,598
Losses	1,841	–
Pension spreading	2,897	5,620
Other timing differences	10,394	10,025
	<u>28,104</u>	<u>26,717</u>
The movement in the year was:		
At 1 January	26,717	25,415
Deferred tax credit in the income statement (note 10(a))	5,083	1,702
Deferred tax credit/(charge) in the statement of comprehensive income		
– on net actuarial loss on pension schemes (note 22)	2,318	4,175
– on defined benefit pension contributions made during the year	(7,412)	(6,034)
– on change in restriction of pension asset recognised (note 22)	2,593	(181)
Exchange and other adjustments	(1,195)	1,640
At 31 December	<u>28,104</u>	<u>26,717</u>

The amount of the net reversal of deferred tax expected to occur next year is £7,297,000 (2022 – £7,500,000).

(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 Group applied the temporary exception at 31 December 2023.

Notes to the financial statements

at 31 December 2023

10. Tax (continued)

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

Current tax

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group 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. In certain jurisdictions, information required for the assessment is still being gathered and, therefore, the assessment is not complete.

Based on the assessment carried out so far, the Group has identified potential exposure to Pillar Two income taxes on profits earned in Ireland where the expected Pillar Two effective tax rate is likely to be lower than 15%. The potential exposure is expected to come from the constituent entities (mainly operating subsidiaries) in this jurisdiction. However, exposure may also exist in other jurisdictions where the assessment is in progress.

Quantitative information to indicate potential exposure to Pillar Two income taxes is currently not known or reasonably estimable. The Group 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
Ordinary:		
Interim dividend paid per share (2023 – 55p; 2022 – 40p)	5,989	4,324

The trustees of the Mott MacDonald Employee Trust waived the dividend on their 825,010 ordinary shares (held at the relevant date for dividend purposes) amounting to £453,756.

Notes to the financial statements

at 31 December 2023

12. Group intangible fixed assets

2023

	Goodwill £000	Software £000	Other intangibles £000	Total £000
Cost:				
At 1 January	87,193	31,187	42,750	161,130
Exchange adjustments	(584)	(247)	(112)	(943)
Additions	2,414	448	–	2,862
Disposals	(4,573)	(2,627)	(1,878)	(9,078)
At 31 December	84,450	28,761	40,760	153,971
Amortisation:				
At 1 January	80,333	22,551	36,798	139,682
Exchange adjustments	(192)	(200)	(112)	(504)
Provided during the year	2,856	5,377	3,571	11,804
Disposals	(4,573)	(2,627)	(1,878)	(9,078)
At 31 December	78,424	25,101	38,379	141,904
Net book value:				
At 31 December	6,026	3,660	2,381	12,067
At 1 January	6,860	8,636	5,952	21,448

Goodwill additions of £2,414,000 relate to the acquisition on 28 February 2023 of Engevity Advisory Pty Limited which is incorporated in Australia. This has not had any material impact on the Group's results or its net assets.

The goodwill carrying value at 31 December 2023 is £6,026,000 which relates to the acquisition of Bentley Holdings Limited (£633,000) made in 2014, the acquisitions of The Kercher Group, Inc. (£2,691,000) and Pacific Groundwater Group, Inc. (£866,000) in 2021, and the acquisition of Engevity Advisory Pty Limited (£1,836,000) in 2023.

The £2,381,000 other intangibles comprise customer relationships. These are amortised over 10 years ending in 2024 and relate to the acquisition of Bentley Holdings Limited.

Notes to the financial statements

at 31 December 2023

13. Group tangible fixed assets

2023

	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
Cost:			
At 1 January	8,100	130,036	138,136
Exchange adjustments	(54)	(3,501)	(3,555)
Additions	5,123	33,840	38,963
Disposals	(1,567)	(10,406)	(11,973)
At 31 December	11,602	149,969	161,571
Depreciation:			
At 1 January	4,701	85,339	90,040
Exchange adjustments	(51)	(2,468)	(2,519)
Provided during the year	1,945	16,477	18,422
Disposals	(1,268)	(10,274)	(11,542)
At 31 December	5,327	89,074	94,401
Net book value:			
At 31 December	6,275	60,895	67,170
At 1 January	3,399	44,697	48,096

14. Investments

(a) Group

Other fixed asset investments	2023 £000	2022 £000
Cost:		
At 1 January	189	193
Additions	2	1
Disposals	(1)	(4)
Exchange adjustments	-	(1)
At 31 December	190	189

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

Notes to the financial statements

at 31 December 2023

14. Investments (continued)

(a) Group (continued)

Current asset investments	2023 £000	2022 £000
Valuation:		
At 1 January	33,628	26,213
Additions	22,656	21,783
Disposals	(21,964)	(12,231)
Fair value adjustments	1,801	(2,137)
At 31 December	36,121	33,628
Investments:		
Held at fair value	36,121	33,628

Current asset investments are held by MHACE Insurance Company Limited, the Group's captive insurance company. Current asset investments are comprised of 80% fixed interest securities and 20% managed equity funds. The investments are carried at market value based on mid-market price at the close of business or the valuation date. The historical cost of current asset investment is £35,759,000 (2022 – £35,067,000).

(b) Company

Subsidiary undertakings	2023 £000	2022 £000
Cost or deemed cost:		
At 1 January	348,731	348,731
Disposals	(60)	–
At 31 December	348,671	348,731
Amounts provided:		
At 1 January and 31 December	1,450	1,450
Net book value:		
At 31 December	347,221	347,281
At 1 January	347,281	347,281

The total historical cost of interests in subsidiary undertakings is £345,544,000 (2022 – £345,604,000). Subsidiary undertakings held at cost or written down value amount to £334,013,000 (2022 – £334,073,000). Subsidiary undertakings held at deemed cost amount to £13,208,000 (2022 – £13,208,000), the historical cost of which amounts to £10,081,000 (2022 – £10,081,000).

Notes to the financial statements

at 31 December 2023

14. Investments (continued)

(c) Principal subsidiaries

The company's principal subsidiary undertakings at 31 December 2023 are shown below. All of these undertakings have coterminous year ends with the exception of Mott MacDonald Private Limited which has a year end of 31 March due to local regulations. The main activities of these are almost entirely those of engineering, management and development consultancies, except for MHACE Insurance Company Limited which is an insurance company, Mott MacDonald International Limited which is an investment company and JN Bentley Limited which is a building and civil engineering contractor.

Subsidiary undertaking	% held of ordinary share capital 2023	Country of incorporation/registration
JN Bentley Limited	100	England and Wales
MHACE Insurance Company Limited	100	Guernsey
Mott MacDonald & Company LLC	65	Oman
Mott MacDonald (Beijing) Limited	100	China
Mott MacDonald Australia Pty Limited	100	Australia
Mott MacDonald B.V.	100	Netherlands
Mott MacDonald Canada Limited	100	Canada
Mott MacDonald CZ, spol. s r.o.	100	Czechia
Mott MacDonald France SAS	100	France
Mott MacDonald Group, Inc.	100	United States of America
Mott MacDonald Hong Kong Limited	100	China (Hong Kong)
Mott MacDonald International Limited ¹	100	England and Wales
Mott MacDonald Ireland Limited	100	Republic of Ireland
Mott MacDonald Japan KK	100	Japan
Mott MacDonald Limited ¹	100	England and Wales
Mott MacDonald New Zealand Limited	100	New Zealand
Mott MacDonald Private Limited	100	India
Mott MacDonald Singapore Pte Limited	100	Singapore
PT Mott MacDonald Indonesia	100	Indonesia

¹ Investment not held through subsidiary undertaking.

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

15. Debtors

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Trade debtors	267,589	250,318	–	–
Contract assets	195,453	176,741	–	–
Amount owed by subsidiary undertaking	–	–	70,323	63,659
Deferred taxation (note 10(c))	35,271	31,840	–	–
Taxation recoverable	16,362	10,464	–	–
Other debtors	20,901	16,570	10	30
Prepayments	45,851	41,748	–	–
	581,427	527,681	70,333	63,689

Trade debtors are shown net of a provision for impairment of £13,929,000 (2022 – £15,266,000).

Notes to the financial statements

at 31 December 2023

15. Debtors (continued)

Amount owed by subsidiary undertaking of £70,323,000 in the company statement of financial position is a loan from Mott MacDonald Group Limited to Mott MacDonald Limited. Interest on this loan is charged at a rate based on the three month average SONIA rate plus a margin. The intention is that this loan will not be called up at short notice if doing so would cause the subsidiary undertaking to be unable to meet its liabilities as they fall due.

Deferred taxation recoverable after more than one year amounts to £27,974,000 (2022 – £24,340,000).

16. Creditors: amounts falling due within one year

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Bank overdrafts (note 27(b))	31	–	31	–
Contract liabilities	197,810	190,845	–	–
Trade creditors	71,663	65,322	–	–
Current UK corporation tax	904	–	–	–
Non-UK taxation	11,346	18,955	–	–
Other taxes	27,620	20,183	–	–
Social security	18,378	18,077	–	–
Shares classed as financial liabilities (note 21)	8	14	8	14
Other creditors	34,443	41,364	18	11
Accruals	244,819	223,308	–	–
	607,022	578,068	57	25

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

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Unsecured bank loans (note 18)	9,805	10,392	–	–
Other creditors	314	1,670	–	–
Amount owed to subsidiary undertaking	–	–	250,000	250,000
	10,119	12,062	250,000	250,000

Amount owed to subsidiary undertaking of £250,000,000 in the company statement of financial position is a loan from Mott MacDonald Limited to Mott MacDonald Group Limited. Interest on this loan is charged at a rate based on the three month average SONIA rate plus a margin. In addition the loan is repayable with an 18 month notice period and has a maturity date of 31 December 2026.

Notes to the financial statements

at 31 December 2023

18. Loans

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

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Wholly repayable within five years	9,805	10,392	–	–

The £9.8m loan relates to amount drawn down on the multi-currency revolving credit facility agreement which is in place until 17 December 2026 and bears a market floating rate of interest based on the daily SOFR rate. Amounts drawn down on the facility are required to be repaid at the end of the facility period.

19. Obligations under leases

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

Group	Land and buildings		Other	
	2023	2022	2023	2022
	£000	£000	£000	£000
Amounts payable:				
Within one year	32,438	33,458	564	625
In two to five years	75,592	70,342	361	418
Over five years	84,599	37,967	–	–
	192,629	141,767	925	1,043

20. Provisions for liabilities

Group	Provisions for losses on contracts	Deferred taxation	Other provisions	Total
2023	£000	Note 10(c) £000	£000	£000
At 1 January	10,809	5,123	32,189	48,121
Exchange adjustments	(467)	(9)	–	(476)
Arising during the year	13,936	2,920	12,222	29,078
Reversal of provisions	(1,039)	(28)	(16,958)	(18,025)
Utilised	(3,566)	(839)	(3,221)	(7,626)
At 31 December	19,673	7,167	24,232	51,072

Deferred tax is expected to reverse over six years.

Notes to the financial statements

at 31 December 2023

20. Provisions for liabilities (continued)

Other provisions are mainly in respect of outstanding claims within MHACE Insurance Company Limited, the Group's captive insurance company. This includes a provision for claims incurred but not yet reported in the captive insurance company and is based on information available at the statement of financial position date. These claims generally result from disputes on projects with clients or other parties relating to our work. 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.

21. Share capital

Allotted, called up and fully paid

	2023 No.	2022 No.	2023 £000	2022 £000
Ordinary shares of £1 each	11,713,212	11,713,212	11,713	11,713
Convertible deferred shares of 1p each (classified as a liability) (note 16)	810,470	1,359,380	8	14
			<u>11,721</u>	<u>11,727</u>

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

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

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

The Employee Trust held 1,078,395 shares in the company at the statement of financial position date.

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

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

Notes to the financial statements

at 31 December 2023

21. Share capital (continued)

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

From 9 April 2016, the company no longer issues convertible deferred shares. The company instead offers, to a subscriber holding qualifying shares, the right to receive the cash equivalent amount that the subscriber would have been entitled to upon the occurrence of a conversion event had the subscriber been issued with the appropriate number of convertible deferred shares by reason of one or more qualifying events. No liability has been recorded in the statement of financial position at 31 December 2023 (2022 – none) as the directors consider the likelihood of such a conversion event being remote.

22. Reserves

Group

Share premium account

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

Revaluation reserve

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

Investment in own shares

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

Company

Share premium account

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

Revaluation reserve

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

Notes to the financial statements

at 31 December 2023

22. Reserves (continued)

Group

Profit and loss account	2023	2022
	£000	£000
At 1 January	340,854	272,434
Exchange adjustments on translation of net assets of overseas subsidiaries	(2,923)	6,078
Profit attributable to owners of the parent company	85,828	83,659
Dividends (note 11)	(5,989)	(4,324)
Tax on additional pension contributions	(42)	–
Net actuarial loss on pension schemes (note 25(c))	(9,970)	(21,758)
Tax on net actuarial loss (note 10(c))	2,318	4,175
Change in restriction of pension asset recognised – gross	(11,151)	564
Change in restriction of pension asset recognised – tax thereon (note 10(c))	2,593	(181)
Surplus on disposal of own shares	292	207
At 31 December	401,810	340,854

The net cumulative goodwill written off directly against reserves prior to goodwill being capitalised on the statement of financial position amounts to £1,995,000 (2022 – £1,995,000); and that credited to reserves amounts to £2,444,000 (2022 – £2,444,000).

23. Capital commitments

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

24. Contingent liabilities

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£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 certain subsidiary undertakings. In the opinion of the directors, these are not expected to give rise to any significant liability. There are no contingent liabilities at the year end in relation to bonds (2022 – £nil).

The Group is a party to claims and litigation arising in the normal course of operations. Due to the inherent uncertainties of litigation or the early stage of certain proceedings, it is not possible to predict the final outcome of all ongoing claims and litigation at any given time or to determine the amount of potential losses, if any. The Group monitors all claims and takes out appropriate insurance to mitigate its risk. Provisions for such claims made at the statement of financial position date are set out in note 20. There are no contingent liabilities at the year end in relation to claims (2022 – £nil).

Notes to the financial statements

at 31 December 2023

25. Pensions and other retirement benefits

(a) UK pension schemes

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

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

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

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

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

The Group contributes to the Master Trust, at the rates specified in the rules of the scheme. From 1 January 2014, all new employees are contractually enrolled. To comply with auto-enrolment law, all current employees who were not in the GPP were contractually enrolled in May 2016, and subsequently re-enrolment exercises were carried out in the Master Trust in May 2019 and May 2022. Total pension contributions were £66.0m (2022 – £54.5m).

MMPS is funded by means of assets which are held in trustee-administered funds, separated from the Group's own resources. The contributions to MMPS are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the 'Projected Unit' method and a funding agreement between the trustee and the Group. 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*

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%.

*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.

Notes to the financial statements

at 31 December 2023

25. Pensions and other retirement benefits (continued)

(a) UK pension schemes (continued)

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

The valuation position of MMPS was updated to 31 December 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 Group 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.

(b) Other pension schemes

In the USA, there is the Mott MacDonald Defined Benefit Pension Plan (frozen as of 31 March 1995). This is a defined benefit scheme which is closed to new members and future accrual of benefits. An interim report was prepared by a qualified actuary at 31 December 2023 for disclosure purposes which showed that the total market value of the assets of the scheme was US\$14.3m (2022 – US\$13.4m) and the liabilities were US\$15.1m (2022 – US\$15.2m) resulting in a deficit of US\$0.8m at 31 December 2023 (2022 – US\$1.8m).

In the Republic of Ireland, there is a further defined benefit scheme which is also closed to new members and future accrual of benefits. An interim report was prepared by a qualified actuary at 31 December 2023 for disclosure purposes which showed that the total market value of the assets of the scheme was €9.9m (2022 – €8.9m) and the liabilities were €7.1m (2022 – €6.4m) resulting in a surplus of €2.8m at 31 December 2023 (2022 – €2.5m). Since the company does not have an unconditional right to the surplus, it has not been recognised in the Group financial statements.

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

Notes to the financial statements

at 31 December 2023

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes

The assets and liabilities of the Mott MacDonald Pension Scheme ('MMPS')

are analysed below:

	2023 £m	2022 £m
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	<u>(470.2)</u>	<u>(466.1)</u>
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	<u>(470.2)</u>	<u>(466.1)</u>
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	<u>508.2</u>	<u>493.2</u>
Pension asset/funded status of MMPS	38.0	27.1
Pension surplus not recognised (excluding tax)*	<u>(38.0)</u>	<u>(27.1)</u>
Pension asset recognised in the statement of financial position (excluding tax)	<u>-</u>	<u>-</u>

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

Notes to the financial statements

at 31 December 2023

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

	2023 £m	2022 £m
Deficit in MMPS	-	-
Deficit in other Group schemes	(0.6)	(1.5)
Total deficit in Group schemes excluding deferred tax (as reported in statement of financial position)	(0.6)	(1.5)
Related deferred tax asset (note 10(c))	0.2	0.4
Net pension liability	(0.4)	(1.1)
Surplus in MMPS	38.0	27.1
Surplus in Mott MacDonald Ireland Limited scheme	2.4	2.2
	40.4	29.3
Restriction of pension asset recognised*	(40.4)	(29.3)
Total surplus in Group schemes excluding deferred tax (as reported in statement of financial position)	-	-

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

Components of pension (cost)/income

Year to 31 December

	2023 £m	2022 £m
Total pension cost recognised in administrative expenses in arriving at operating profit		
– for MMPS	-	-
– for other Group schemes	(0.1)	(0.1)
	(0.1)	(0.1)
Interest cost on MMPS liabilities	(22.1)	(13.4)
Interest income on MMPS assets	23.9	14.2
Net pension interest recognised as other finance income in the income statement		
– for MMPS	1.8	0.8
– for other Group schemes	0.2	0.6
	2.0	1.4
Actuarial (losses)/gains on MMPS liabilities	(11.8)	198.5
Actuarial gains/(losses) on MMPS assets	1.4	(220.5)
Net actuarial losses immediately recognised for MMPS	(10.4)	(22.0)
Total pension (cost)/income recognised in other comprehensive loss		
– for MMPS	(10.4)	(22.0)
– for other Group schemes	0.4	0.2
	(10.0)	(21.8)

Notes to the financial statements

at 31 December 2023

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

Plan assets

The weighted average asset allocation at the year end for MMPS was as follows:	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	2022
	£m	£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 – for MMPS	25.3	(206.3)

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

Weighted average life expectancy for mortality tables used to determine benefit obligations for MMPS 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 Group'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%

Notes to the financial statements

at 31 December 2023

26. Related party transactions

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

During the year, the Group made sales of £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).

Key management personnel

The Group's directors are considered to be its key management personnel. Directors' remuneration is set out in note 7.

27. Notes to the statement of cash flows

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

	2023	2022
	£000	£000
Profit on ordinary activities before taxation	112,912	115,806
Adjustments to reconcile profit before taxation for the year to net cash inflow from operations:		
Depreciation	18,422	16,707
Amortisation of intangible assets	11,804	11,983
Other income	(6,632)	–
Unrealised foreign exchange losses/(gains)	2,258	(5,109)
Fair value adjustments on current asset investments	(1,801)	2,137
Pension contributions	(20,071)	(20,191)
Current service costs in pension schemes	121	104
Loss on disposal of other fixed asset investments	1	4
Profit on disposal of tangible fixed assets	(1,315)	(1,675)
Loss on disposal of current asset investments	319	691
Loss on disposal of subsidiary undertakings	–	1,017
Net interest receivable	(10,205)	(1,228)
Other finance income	(2,007)	(1,368)
Increase in debtors	(51,110)	(72,677)
Increase in creditors	46,785	76,064
Increase in provisions for liabilities	1,374	22,667
Net cash inflow from operations	100,855	144,932

Notes to the financial statements

at 31 December 2023

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

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following:

At 31 December	2023 £000	2022 £000
Cash at bank and in hand	389,389	364,731
Bank overdrafts (note 16)	(31)	-
Cash and cash equivalents	389,358	364,731

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

(c) Analysis of changes in net funds

Group	1 January 2023 £000	Cash flow £000	Exchange movement £000	31 December 2023 £000
Cash at bank and in hand	364,731	34,065	(9,407)	389,389
Bank overdrafts (note 16)	-	(31)	-	(31)
	364,731	34,034	(9,407)	389,358
Debt due after more than one year (note 17)	(10,392)	-	587	(9,805)
Shares classed as financial liabilities (note 16)	(14)	6	-	(8)
Total net funds	354,325	34,040	(8,820)	379,545

28. Financial assets and liabilities

	Notes	2023 £000	2022 £000
Financial assets at fair value through profit or loss			
Current asset investments	14(a)	36,121	33,628
Financial assets that are equity instruments measured at cost less impairment			
Other fixed asset investments	14(a)	190	189
Financial assets that are debt instruments measured at amortised cost¹			
Trade debtors	15	267,589	250,318
Other debtors	15	20,901	16,570
Financial liabilities at fair value through profit or loss			
Shares classed as financial liabilities	16, 21	8	14
Financial liabilities measured at amortised cost¹			
Trade creditors	16	71,663	65,322
Other creditors	16, 17	34,757	43,034
Loans	18	9,805	10,392

The fair values of the assets and liabilities held at fair value through profit or loss at the statement of financial position date are determined using quoted prices.

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

Notes to the financial statements

at 31 December 2023

28. Financial assets and liabilities (continued)

Financial risks

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

The more important aspects are:

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

Notes to the financial statements

at 31 December 2023

29. Subsidiary undertakings

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
United Kingdom		
Bentley Holdings Limited	100	A
Cambridge Education Associates Limited (formerly Osprey PMI Limited)	100	B
Cambridge Education Limited ¹	100	B
Courtyard Group UK Limited	100	B
Ewbank and Partners Limited ¹	100	B
Ewbank Preece Consulting Limited ¹	100	B
Ewbank Preece Limited ¹	100	B
Franklin & Andrews International Limited	100	B
Franklin & Andrews Limited ¹	100	B
Fulcrum First Limited	100	B
HLSP Limited	100	B
JBA Bentley Limited	75	A
JN Bentley Limited	100	A
John Proctor Travel Limited ^{1,2}	100	BD
MIME Learning Limited ¹	100	C
MMRA Limited	100	B
Mott Hay & Anderson International Limited ¹	100	B
Mott MacDonald Bentley Limited	100	A
Mott MacDonald Engineering Consultants Limited ¹	100	B
Mott MacDonald HoldCo Limited ¹	100	B
Mott MacDonald International Limited ¹	100	B
Mott MacDonald Limited ¹	100	B
Mott MacDonald Pension Trustees Limited	100	B
Mott MacDonald Trustees Limited ¹	100	B
Multi Design Consultants Limited	100	B
Multi Design Holdings Limited ¹	100	B
Needlemans Limited ¹	100	B
Osprey PMI Limited (formerly Cambridge Education Associates Limited)	100	B
Preece Cardew & Rider Limited ¹	100	B
Procyon Oil & Gas Limited ²	100	B
Project Management International Limited	100	B
Schema Associates Limited ¹	100	B
Sir M MacDonald & Partners Limited ¹	100	B
Sterling Management Limited ¹	100	B
Teamwork Management Services Limited ¹	100	B
Australia		
Mott MacDonald Australia Pty Limited	100	D
Engevity Advisory Pty Limited	100	D
Engevity Pty Limited	100	D
Botswana		
Merz & McLellan Botswana (Pty) Limited	100	E
Bulgaria		
Mott MacDonald (Bulgaria) EOOD	100	F
Canada		
Mott MacDonald Canada Limited	100	G
China		
Mott MacDonald (Beijing) Limited	100	H
Mott MacDonald (Shenzhen) Limited ²	100	I

Notes to the financial statements

at 31 December 2023

29. Subsidiary undertakings (continued)

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
China (Hong Kong)		
Franklin & Andrews (Hong Kong) Limited	100	J
Mott MacDonald Consultants (HK) Limited	100	J
Mott MacDonald Hong Kong Limited	100	J
Colombia		
Mott MacDonald Colombia SAS	100	K
Czechia		
Mott MacDonald CZ, spol. s r.o.	100	L
Democratic Republic of the Congo		
Mott MacDonald DRC SASU	100	M
Egypt		
Mott MacDonald Egypt Limited	100	N
Finland		
Mott MacDonald Finland Oy	100	O
France		
Mott MacDonald France SAS	100	P
Guernsey		
MHACE Insurance Company Limited	100	Q
Hungary		
Mott MacDonald Magyarország Kft	100	R
India		
Mott MacDonald Private Limited	100	S
Indonesia		
PT Mott MacDonald Indonesia	100	T
Ireland		
Ewbank Preece OhEocha Limited	100	U
Franklin & Andrews (Ireland) Limited	100	U
Mott MacDonald Ireland Limited	100	U
Mott MacDonald Pettit Engineering Limited	100	U
Somin Holdings Limited	100	U
Italy		
Mott MacDonald Italy S.r.l.	100	V
Japan		
Mott MacDonald Japan KK	100	W
Kazakhstan		
Mott MacDonald Kazakhstan LLP	100	X
Kenya		
Mott MacDonald Kenya Limited	100	Y
Korea, South		
Mott MacDonald Korea Ltd.	100	Z
Malawi		
Mott MacDonald Blantyre Limited	100	AA
Malaysia		
Mott MacDonald (Malaysia) Sdn. Bhd.	100	AB
Mauritius		
PDNA Consulting (Mauritius) Limited	100	AC
Mongolia		
Mott MacDonald Mongolia Company Limited	100	AD
Mozambique		
Mott MacDonald Mozambique Lda	100	AE
Netherlands		
Euroconsult Mott MacDonald B.V.	100	AF
Mott MacDonald B.V.	100	AF

Notes to the financial statements

at 31 December 2023

29. Subsidiary undertakings (continued)

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
New Zealand		
Mott MacDonald New Zealand Limited	100	AG
Nigeria		
Cambridge Education Nigeria Limited	100	AH
Mott MacDonald (Nigeria) Limited	100	AI
Norway		
Mott MacDonald Norge AS	100	AJ
Oman		
Mott MacDonald & Company LLC	65	AK
Philippines		
Mott MacDonald (Philippines) Inc	100	AL
Poland		
Mott MacDonald Polska Spolka z o.o.	100	AM
Romania		
Mott MacDonald Romania SRL	100	AN
SC Educatia 2000+ Consulting SRL	100	AN
Russia		
Mott MacDonald R Limited Liability Company ²	100	AO
Saudi Arabia		
Mott MacDonald Limited LLC for Engineering Consultancy	100	AP
Serbia		
Mott MacDonald S d.o.o.	100	AQ
Sierra Leone		
Mott MacDonald (SL) Limited	100	AR
Singapore		
Mott MacDonald Singapore Pte Limited	100	AS
Slovakia		
Mott MacDonald Slovensko, s r.o. ²	100	AT
South Africa		
Merz & McLellan (Proprietary) Limited	100	AU
Mott MacDonald Contracting (Pty) Limited	100	AU
Mott MacDonald Development South Africa (Pty) Limited	100	AU
Mott MacDonald Holdings (South Africa) (Pty) Limited	100	AU
PDNA Holdings (Pty) Limited	100	AU
Spain		
Mott MacDonald Spain Sociedad Limitada	100	AV
Taiwan		
Taiwan Mott MacDonald Limited	100	AW
Tanzania		
Cambridge Education Tanzania Limited	100	AX
Thailand		
Mott MacDonald (Thailand) Limited	100	AY
Thai MM Limited	100	AY
Turkey		
Mott MacDonald T Engineering Consultants Limited	100	AZ
United Arab Emirates		
Ewbank International Consultants (Private) Limited	100	BA

Notes to the financial statements

at 31 December 2023

29. Subsidiary undertakings (continued)

Subsidiary undertaking by country of incorporation/registration	% held of ordinary share capital	Registered office key
United States of America		
Coast & Harbor Engineering, Inc. ²	100	BB
J.B. Trimble, Inc.	100	BB
Mott MacDonald Alabama, LLC	100	BB
Mott MacDonald Architects, Inc.	100	BB
Mott MacDonald Consultants, Inc.	100	BB
Mott MacDonald Federal, LLC	100	BB
Mott MacDonald Florida, LLC	100	BB
Mott MacDonald Group, Inc.	100	BB
Mott MacDonald I&E, LLC	100	BB
Mott MacDonald Massachusetts, LLC	100	BB
Mott MacDonald Michigan, LLC	100	BB
Mott MacDonald NY, Inc.	100	BB
Mott MacDonald Operating Services, LLC	100	BB
Mott MacDonald USA, LLC	100	BB
Mott MacDonald, Inc.	100	BB
Mott MacDonald, LLC	100	BB
Pacific Groundwater Group, Inc.	100	BB
The Kercher Group, Inc.	100	BB

Other fixed asset investments by country of incorporation/registration

United Kingdom		
BMM JV Limited	50	BC
M2 (Water) LLP	50	B
Oman		
Galfar Mott MacDonald LLC ²	35	AK

¹ investment not held through subsidiary undertakings

² in liquidation

Registered Office	Registered office key
Snaygill Industrial Estate, Keighley Road, Skipton, North Yorkshire BD23 2QR, United Kingdom	A
Mott MacDonald House, 8-10 Sydenham Road, Croydon, Surrey CR0 2EE, United Kingdom	B
St. Vincent Plaza, 319 St. Vincent Street, Glasgow G2 5LD, United Kingdom	C
Level 17 One Festival Tower, Station Road, Adelaide SA 5000, Australia	D
Plot 50370, Fairgrounds, East Wing, Acumen Park, Gaborone, Botswana	E
Office A, 2a Ivan Abadjiev Str, Fl. 4, Sofia 1784 Bulgaria	F
Suite 301, 30 Duncan Street, Toronto ON M5V 2C3, Canada	G
Suite 1007 Tower E Global Trade Centre, 36 North 3rd Ring Road East, Beijing, 100013, China	H
2302 Block 1, Xinwen Building, 2 Shennan Zhong Road, Futian District, Shenzhen, China	I
3/F International Trade Tower, 348 Kwun Tong Road, Kowloon, Hong Kong	J
Carrera 14 No. 89-48, Oficina 403, Edificio Novanta, Bogota D.C., Colombia	K
Narodni 15, 110 00 Praha 1, Czechia	L
7eme etage, Immeuble BCDC, Boulevard du 30 Juin, Commune de la Gombe, Kinshasa, The Democratic Republic of the Congo	M
253 Rabaa El-Adaweya Investment Project, El Akad Mall Ext., 5th Floor, Apartment 53, Nasr City, Cairo, Egypt	N
c/o Sweco Industry Oy, PL 75, Helsinki, 00381, Finland	O
15 Rue Traversière, 75012, Paris, France	P
Suite 1 North, First Floor, Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AJ	Q
Mott MacDonald, Atrium Park F7, Vaci ut45 F/7, Budapest, 1134, Hungary	R

Notes to the financial statements

at 31 December 2023

29. Subsidiary undertakings (continued)

Registered Office (continued)

Registered office key

Unit No 101, First Floor, NOMURA Building, Hiranandani Gardens, Powai, Mumbai 400076, India	S
WTC 3, Level 29th, Jl. Jend. Sudirman Kav. 29-31, Jakarta, 12920 Indonesia	T
South Block, Rockfield, Dundrum, Dublin 16, Republic of Ireland Eircode: D16 R6V0	U
Via Enrico Albareto 31, 16154, Genoa, Italy	V
4F Nihonbashi Honcho 1-chome Building, 1-9-13 Nihonbashi Honcho, Chuo-ku, Tokyo, 103-0023, Japan	W
Office 1114, Syganak Street 29, Esil district, Astana, 010000, Kazakhstan	X
LR no.1870/1/176, 1st Floor, ALN House, Eldama Ravine Close, off Eldama Ravine Road, PO Box 764-00606, Westlands, Kenya	Y
16Fl., Jongro 5 Gil 7, Jongno-Gu, Seoul (Chung Jin Dong), Republic of Korea	Z
Likongwe and Company offices, 12/30, Area 12, Lilongwe, Off Dunduzu Street, Chimutu, Lilongwe Urban, Malawi	AA
Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South City No.8, Jalan Kerinchi, 59200 Kuala Lumpur Wilayah Persekutuan, Malaysia	AB
c/o Rogers Capital Corporate Services Ltd, Rogers House, 5 President John Kennedy Street, Port Louis, Mauritius	AC
Suite 203, Crystal Business Center, Chinggis Avenue 11/1, Ulaanbaatar, 210628, Mongolia	AD
Av. Orlando Francisco Magumbwe, No. 993, Polano Cimentro, Maputo, Mozambique	AE
Velperplein 23, 6811AH, Arnhem, Netherlands	AF
Level 2, 139 Pakenham Street, West Auckland, 1010, New Zealand	AG
2nd Floor, Sterling Towers, 20 Marina, Lagos, Nigeria	AH
Sterling Towers, 20 Marina, Lagos, Nigeria	AI
c/o Inforegn AS Misjonsmarka 1, 4024 Stavanger, Norway	AJ
PO Box 587, Postal Code 112, Ruwi, Sultanate of Oman	AK
The Regus Tec Inc, 27th Floor Tower 2, The Enterprise Centre, 6766 Ayala Ave. Corner, Paseo de Roxas, 1226, Philippines	AL
Ul. Prosta 68, Budynek Proximo, 00-838, Warsaw, Poland	AM
246 Traian Street, 3rd Floor, Apartment no. 5, room no. 3, District 2, Bucharest, Romania	AN
4th Floor, 71 Sadovnicheskaya Embankment, 115035, Moscow, Russia	AO
2239 Al Urubah Rd - Al Olaya Dist., Unit No 1414, Riyadh 12214 - 9597, RHOB2239, Kingdom of Saudi Arabia	AP
Kneginje Zorke 2, Floor 1, Belgrade, 11000, Serbia	AQ
24 Regent Road, Hill Station, Freetown, Sierra Leone	AR
152 Beach Road, #35-00 Gateway East, Singapore, 189721, Singapore	AS
Sulekova 2, Bratislava 811 06, Slovakia	AT
5th Floor, Bloukrans Building, Lynnwood Bridge, Pretoria, Gauteng, 0081, South Africa	AU
Paseo de Castellana 77, Planta 9, 28046, Madrid, Spain	AV
5F, No.92, Sec 2 Dun Hua S Rd, Da-An District, Taipei City, 10668, Taiwan	AW
House No 1, Plot No 178/9, Kilimani Road, Kilimani Area, Kilimani Ward, Dodoma CBD, PA Box 1587, Dodoma, Tanzania	AX
90 CW Tower, 41st Floor, Room No. A4101-02, Ratchadapisek Road, Kwang Huay Kwang, Khet Huay Kwang, Bangkok, Metropolis, Thailand	AY
Mesa Koz, Sahrayicedit Mah. Atatürk Cad No:69/255 34734, Kadıköy / İstanbul, Turkey	AZ
PO Box 11302, Dubai, United Arab Emirates	BA
c/o Mott MacDonald Group, Inc., 111 Wood Avenue South, 5th floor, Iselin NJ 08830-4112, United States of America	BB
St James House, Knoll Road, Camberley, Surrey GU15 3XW, United Kingdom	BC
Begbies Traynor LLP, 31st Floor, 40 Bank Street, London E14 5NR, United Kingdom	BD














Group five-year summary

Pages 88 to 91 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	2,373,827	2,049,094	1,781,800	1,805,503	1,784,003
Operating profit	91,929	109,522	104,054	84,894	47,596
Profit on ordinary activities before taxation	112,912	115,806	105,222	90,135	46,275
Tax on profit on ordinary activities	(27,066)	(32,028)	(21,551)	(25,883)	(14,252)
Non-controlling interests	(18)	(119)	(243)	(473)	(337)
Dividends	(5,989)	(4,324)	(3,326)	-	(5,912)
Retained profit	79,839	79,335	80,102	63,779	25,774
Consolidated statement of financial position					
Fixed assets	79,427	69,733	75,280	74,395	86,431
Current assets	1,006,937	926,040	732,744	695,161	639,350
Creditors: amounts falling due within one year	(607,022)	(578,068)	(480,305)	(445,359)	(456,036)
Net current assets	399,915	347,972	252,439	249,802	183,314
Total assets less current liabilities	479,342	417,705	327,719	324,197	269,745
Creditors: amounts falling due after more than one year	(10,119)	(12,062)	(12,284)	(13,183)	(19,274)
Provisions for liabilities	(51,072)	(48,121)	(21,985)	(36,680)	(25,895)
Net assets excluding pension liability	418,151	357,522	293,450	274,334	224,576
Pension liability	(593)	(1,514)	(1,617)	(78,134)	(94,249)
Net assets including pension liability	417,558	356,008	291,833	196,200	130,327
Capital and reserves					
Called up share capital	11,713	11,713	11,713	11,713	11,713
Share premium account	17,717	17,717	17,717	17,717	17,717
Revaluation reserve	814	814	814	814	814
Investment in own shares	(14,695)	(15,281)	(11,105)	(16,474)	(13,703)
Profit and loss account	401,810	340,854	272,434	182,032	113,503
Equity attributable to owners of the parent company	417,359	355,817	291,573	195,802	130,044
Non-controlling interests	199	191	260	398	283
Total capital and reserves	417,558	356,008	291,833	196,200	130,327
Net funds					
Cash at bank and in hand	389,389	364,731	273,183	254,720	103,735
Bank overdrafts	(31)	-	-	-	(485)
Current instalments due on loans	-	-	-	-	(33)
Loans falling due after more than one year	(9,805)	(10,392)	(9,229)	(9,145)	(19,249)
Obligations under finance leases	-	-	(1,095)	(1,891)	(320)
Shares classed as financial liabilities	(8)	(14)	(18)	(27)	(27)
	379,545	354,325	262,841	243,657	83,621

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.	

Principal climate-related risks identified for Mott MacDonald Group



Risk	Risk description	Potential business impact (uncontrolled risk)	Time horizon	Risk rating under each climate scenario			Potential risk mitigation measures
				Paris-aligned	Middle of the road	Reasonable worst case	
Alignment to Climate Targets Risk	The risk that we will be unable to meet requirements under current and emerging climate regulation, including carbon reduction targets and climate change risk disclosure.	Potential non-compliance leading to penalties or reputational damage. Failure to meet client selection criteria leading to loss of revenue.	Short-Medium	⊖	⊖	⊕	Commenced: Strengthening our EMS organisation and accountabilities. Commenced: Delivering our carbon reduction plan to achieve net-zero target.
Failure to Meet Client Selection Criteria Leading to Loss of Revenue.	The risk that our capabilities may not match the requirements of our clients in our core and emerging markets.	Loss of strategic opportunity to support transition growth sectors. Loss of revenue from existing clients. Inability to win new project work. Increased resourcing costs, impacting project profitability. Reputational damage due to investment in the wrong capabilities or technologies leading to increased costs. Loss of knowledge and skills through attrition.	Short-Medium	⊕	⊕	⊕	Ongoing: Supporting our clients on their climate transition journey. Ongoing: Building capabilities and upskilling our staff through training and development.
Physical Impacts of Climate Change Risk	The risk of significant harm and damage to our workforce and assets due to physical impacts of climate change on our operations.	Disruption of our business and our supply chain. Personnel health and safety risks. Reduced productivity. Damage to physical assets and infrastructure. Limitations on project operating locations. Increased operating costs. Inability to gain, or increased costs of, insurance coverage	Medium-Long	⊕	⊖	⊕	Plans in place: Considering physical climate impacts on project and office locations. Not started: Considering exposure to climate change risks across our supply chain.

Principal climate-related opportunities identified for Mott MacDonald Group



Opportunity	Opportunity description	Potential business impact	Time horizon	Opportunity rating under each climate scenario			Potential opportunity realisation measures
				Paris-aligned	Middle of the road	Reasonable worst case	
Growth in Decarbonisation and Resilience Services	The opportunity for Mott MacDonald to grow decarbonisation and resilience technical services to its clients.	High client retention. Increased revenues. Positive brand differentiation. Increased demand for engineering and project management skillsets in delivery of decarbonisation and resilience. Increased revenue from new technologies and markets. Improved employee attraction and retention. Increased business resilience.	Short-Medium	⬆️	⊖	⬇️	Ongoing: Capability building to scale up capacity to deliver services. Plans in place: Capability building for climate consideration and decision making.

Mott MacDonald Group Governance

The Executive Board and its committees

Executive Board

James Harris (Executive Chair)
Ian Galbraith (Strategy Director)
David Johnson (Development
Director)
Ed Roud (Finance Director)
Cathy Travers (Managing Director)

Board attendance

Paul Ferguson (General Counsel)
Alec Pavitt (Chief Governance
Officer)

Management Committee¹

Cathy Travers (Chair)
Paul Bentley
Mike Isola
Adrian Jones
Alec Pavitt
Richard Risdon
Doug Wilson

In attendance

Brenda Begg

Investment and Finance Committee

Ed Roud (Chair)
James Harris
Richard Risdon
Claudio Tassistro
Cathy Travers

In attendance

Dewesh Dhopatkar

Risk Committee

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

In attendance

Brenda Begg

The Shareholders' Committee and its sub-committees

Shareholders' Committee

Mike Brown² (Chair)
Frances Badelow
Aimee Barwick
David Boyland
Ian Clarke
Rachel Ellison
Erin Flaherty²
Kerry Hancock
Simon Harrison
Mike Isola
Adrian Jones
Chris Mealing
Ken Norbury
Alec Pavitt
Dean Radeloff
Clare Rhodes James
Richard Risdon
KaiYea Soh
Claudio Tassistro
Steve Tetlow

In attendance

Paul Ferguson
Ian Galbraith
James Harris
David Johnson
Ed Roud
Cathy Travers

Audit and Risk Assurance Sub-committee

Ian Clarke (Chair)
Erin Flaherty²
Ken Norbury
Clare Rhodes James
Steve Tetlow

In attendance

Brenda Begg
Dewesh Dhopatkar
Paul Ferguson
Ian Galbraith
Ed Roud
Cathy Travers

The Shareholders' Committee and its sub-committees (continued)

Nominations Sub-committee

Frances Badelow (Chair)
Aimee Barwick
Mike Brown²
Rachel Ellison
Chris Mealing
Dean Radeloff

In attendance

Ian Galbraith
James Harris
David Johnson
Cathy Travers

Remuneration and Equity Sub-committee

Mike Brown² (Chair)
Kerry Hancock
Adrian Jones
KaiYea Soh

In attendance

James Harris
David Johnson
Ed Roud
Cathy Travers

Membership of committees and sub-committees is effective from 1 April 2024.

¹ The Management Board has been renamed to Management Committee in 2024.

² Independent member

Engineering.
Management.
Development.

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

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