Mott MacDonald Limited

Report and financial statements
31 December 2017

Mott MacDonald Limited

Directors
Keith Howells
Ian Galbraith
Mike Haigh
James Harris
Guy Leonard
Ed Roud

Company Secretary
Diana Zivko

Auditor
Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG
United Kingdom

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

Registered No. 1243967

+44 (0)20 8774 2000
mottmac.com

Strategic report

Market overview

During 2017, economic recovery continued across most major economies. The global mining and metals sector showed a modest recovery and oil prices stabilised. Political uncertainty including Brexit has contributed to mixed market conditions for private and public infrastructure across the world.

Despite this, the UK provided good opportunities for growth in all our core sectors. Central Europe has limited opportunities and while Africa provides opportunity for International Development work, South African infrastructure markets remain depressed. The Middle East remains challenging, but South America is offering scope for projects in our core sectors.

The outlook for 2018 continues to reflect the uncertainties around the world, however there continue to be strong prospects in our core markets and sectors. As well as remaining focused on the UK and our key non-UK trading territories, we also support other parts of the Group with delivery of key projects.

Performance

Gross revenue of £708m was 5% up on 2016 (£675m). The UK business continued to benefit from a good pipeline of government infrastructure projects. In addition, the Advisory business delivered strong growth for the company while the Water business continued to see good volumes from UK water companies on their current investment programmes. Markets were tighter in Energy and Buildings.

Headline profit before tax of £29m was down on 2016 (£47m). However, this is due to an unrepresentative unrealised foreign exchange gain (£23m) on intercompany balances in 2016, as sterling weakened following the EU referendum. Underlying performance was good, with improvement in profits and margin. Current year profits and margins are more representative of normal trading.

Net interest receivable increased from £9.7m to £12.0m, largely due to intercompany interest from Group companies. Excluding intercompany interest on internal funding, the net position is interest payable on bank loans of £0.6m (2016 – £0.9m).

The effective tax rate is 4.7% (2016 – 10.9%). The decrease is largely due to lower intercompany provisions this year compared to 2016 for which no tax relief is available.

The key non-financial indicators that are used to measure performance are set out and described in the Corporate responsibility statement.

Statement of financial position

Net assets have increased from £313m to £337m. This is mainly due to profit after taxation of £28m and the impact of FRS 102 pension accounting of £10m being partially offset by dividends of £13m.

Trade debtors and amounts recoverable on contracts, on a combined basis, have been flat this year compared to sizeable growth in prior years. There has been good progress in controlling working capital and managing project risk to address some older problematic contracts and to manage newer contracts more effectively.

The gross pension liability decreased by £27m due to contributions during the year and the impact of the actuarial valuation. The net pension liability has now fallen to £56.8m. A recovery plan is in place, approved by the Trustees and Pension Regulator.

Gearing and cash flow

The business continues to generate sufficient cash flow to maintain its liquidity at acceptable levels and to fund organic growth. Cash balances were unchanged at £49m after repayment of £10m of the bank loan in place, now down to £12m. Net cash increased from £28m to £37m.

Liquidity ratios remain strong and the company has moved from a net debt position of £20m at the end of 2014, to a net cash position which has grown to £37m at the end of 2017.

The parent company, Mott MacDonald Group Limited, has £90m of committed facilities in place until December 2022. It also has bond facilities to provide tender bonds, performance bonds and advance payment bonds in the normal course of business.

Strategic report

Contracted work

The order book continues to be robust and our core markets should provide good opportunity for us to pursue growth. It is expected that the UK will continue to provide opportunity. The Middle East remains competitive and uncertain.

Principal risks and uncertainties

Business risks

Business risks are managed through appropriate directives, systems and processes. Control is exercised through staff compliance with mandatory directives which require appropriate management authority to be gained before starting activities which may bring risk to the company. In particular, clearance to commit the company to activities which may subject the business to unlimited liability requires the written authority of the Group managing director.

The Business Management System (BMS) is designed to be fully compliant with international ISO standards or British standards where international standards are not available. These standards cover quality, safety, ethics, security and environment. Operational risk control was further enhanced by the continued roll out and development of process management software, which is mandatory in its application across the Group.

Supporting the directives, systems and process control, are the risk management committees at both Group and business unit level. These committees consider the effectiveness of our directives and systems, and the likelihood and impact of risks facing the business. Mitigation measures are developed by these committees and cascaded throughout the business.

We have comprehensive professional indemnity, public liability and employers' liability insurance policies in place to mitigate the impact of risk realisation.

Financial risks

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

- For investments, where viable, all counterparties must meet a minimum credit rating of A-1 long term and P-1 short term.
- The company does not undertake any speculative trades.
- In evaluating transactional exchange rate risk, the net exposure would be hedged with forward currency contracts, where necessary.
- In evaluating translational exchange rate risk, the company does not use hedging instruments.
- Credit control procedures are undertaken during the bidding period, and for the duration of the contracts.
- Working capital and cash flow targets are monitored and managed on a daily basis, with weekly reporting to the executive team and monthly reporting to the Executive Board.

Any material transaction and translation exposure after matching is monitored by management with appropriate action taken if necessary. There is no material interest rate risk at the year end. The company hedges interest rate exposures where necessary.

Looking forward

The company is well positioned to pursue growth in its core markets. The current macroeconomic pressures may create uncertainty in the short term, particularly from speculation around the way that Britain leaves the EU. However, the continuing resilience of the UK economy will provide a platform for growth given the strength of our core sectors.

Approved by the board of directors and signed on its behalf:

Mike Haigh, Managing Director
27 February 2018

Corporate responsibility

The company has strategies, policies and initiatives which are driven from the Group's overall approach to corporate responsibility.

Running a responsible, sustainable business

Running a business responsibly is key to its long-term sustainability. Whether it's our own governance and strategy, or the planning, finance, design and delivery of the projects we work on, we recognise that the decisions we make have economic, social and environmental consequences.

On all our projects, our aim is to pursue the best possible outcomes for our clients, the customers they serve and our communities. The aims of many of our projects are aligned with the United Nations' Sustainable Development Goals (SDGs) which set stretching targets for us, our clients and our delivery partners. We promote many of the SDGs through our own behaviours as an organisation. We have a long and proud ethos of opposing bribery and corruption; respecting the people and environments we work with; and of pursuing equality, diversity and inclusion – through our own activities and through responsible procurement of goods and services.

The principles supporting our corporate sustainability are enshrined in our core values of:
Progress, Respect, Integrity, Drive, Excellence – PRIDE.

Non-financial key performance indicators we monitor are summarised below.

Better outcomes for customers

- We work with clients to understand their needs and develop solutions that contribute to sound commercial performance allied with better social and environmental outcomes. Relationships with major clients are led by account leaders, responsible for responding to their clients' needs and ensuring the company provides the best possible service.
- We maintain ISO 9001, ISO 14001, and ISO 18001 certification for quality, environmental and safety management to support better and consistent outcomes.
- We are on track to be 'digital by default' by the end of 2018 in project design, delivery, communication and documentation, making it easier for staff to collaborate and share information, both internally and externally. We use Building Information Modelling (BIM) and common data environments for delivering large engineering projects, helping to contribute to improved performance against quality, cost, time, carbon and safety indicators.
- We have introduced sustainability considerations into our decision-making, and consider the impact projects might have on the environment, people and economies before bidding for work. We are committed to assessing capital and operational carbon, and the climate change risk, of every large infrastructure project we undertake.
- We promote technical excellence and innovation through our practice networks, as exemplified by our six internal awards schemes, to improve outcomes for our clients.

Environmental performance

Through our project work, we are involved in realising improvements across all our core disciplines. In addition, we have acted to promote the core messages of the UK Government's Infrastructure Carbon Review (ICR) and fulfil our pledges to:

- **Show industry leadership in influencing customers and partners to reduce carbon:** we held our fifth 'Carbon Crunch' event in 2017, looking at the pros and cons of mandatory targets for carbon reduction on infrastructure projects; we also held low carbon leadership events in the United Arab Emirates and India.
- **Champion lean solutions including BIM and offsite construction:** using our carbon modelling tool, we are highlighting the potential of offsite construction to cut waste and drive efficiency. We modelled carbon on 38% of projects in 2017, and are committed to using it on all large projects going forward.
- **Reduce energy use and carbon:** our Group carbon footprint was 2.59tCO_2e per employee for 2016 (2017 figures in preparation). We are committed to reducing per capita emissions by 25% by 2021. Our carbon management strategy and climate risk assessment were submitted to the Carbon Disclosure Project.

Developing talent

We continue to equip our managers with skills for identifying, nurturing and harnessing talent.

- Our Emerging Leaders programme, an initiative to accelerate the development of future leaders, is now in its second year, and we are about to launch a new development programme for senior leaders.
- We encourage staff mobility, allowing our people to grow professionally by working in new environments and cultures.

Corporate responsibility

- We are providing added emphasis on health and well-being, including on work-related stress, safe driving and cycling.
- Our 'Advance' network in the UK continues to promote equality, diversity and inclusion through its regional champions, training and awareness building, and is now increasingly working internationally.

Contributing to our communities

- We support staff with financial contributions to help their charitable and voluntary activities. We believe this is important for the engagement of our staff, but we also gain as a business since individuals develop skills and experience that they bring into the Group for the benefit of clients, colleagues and projects.
- With clients and delivery partners, we seek opportunities to create local employment, improved access to jobs, better health and education, skills training and transfer, and environmental improvements.
- We encourage young people to consider careers in our industries. For example:
  - Senior staff contribute to academic programmes and research at numerous universities across the globe.
  - We provide summer internships and industrial placements. In the UK, we sponsor two students per year through the Institution of Civil Engineers' QUEST programme.
  - Graduates and apprentices accounted for 20% of our workforce in 2017, and we are aiming to increase this to 25% by 2021. We are a founder member of the Engineering Technician Apprenticeships Programme and have recruited and trained more than 120 apprentices to date.
  - Each year we organise work experience placements for schoolchildren, and we are working with schools and non-governmental organisations to promote science, technology, engineering and mathematics subjects. Many staff attend school careers events.

Managing risk, safety, and ethics

- The Group's approach to all areas of risk management adopts many aspects of ISO 31000 – Risk Management, and we comply with national legislation and regulations in the countries where we deliver projects. Our 'CLASS' risk management approach has been communicated afresh to all staff.
- Our accident incidence rate (AIR) was 1.6 in 2017 (2016 – 1.5) with 9% of staff reporting an incident. Actions are being taken to monitor and reduce the impact of work-related ill health.
- We do not tolerate unethical behaviour. Ethics is led from the top of the organisation and provides industry leadership on the importance of upholding strong ethical values. Business ethics training is a mandatory component of the induction process for all staff. Our territory managers are selected for their local knowledge of ethical risks and their promotion of our zero-tolerance approach. All reports received through our whistle-blowing process are treated confidentially and are fully investigated and documented. Our global approach to managing risks related to bribery and corruption is certificated as compliant with British Standard 10500.
- Project managers are required to analyse any potential for social and environmental harm on their projects to help mitigate material and reputational risk.
- Information quality and security are supported through our integrated management system and aligned with ISO 27001, the international standard for information management.

K. G. Howells.

Keith Howells, Chairman
27 February 2018

Directors' report

The directors present their report, together with the audited financial statements of the company for the year ended 31 December 2017.

Registration

Mott MacDonald Limited is a company registered in England and Wales with registered number 1243967.

Results and dividends

The profit for the year after taxation amounts to £28.1m (2016 – £41.8m). The prior year profit was inflated with an unrealised exchange gain of £23.0m caused by sterling weakening after the EU referendum. This year's profit is back to more representative operating levels with good profit growth and margin improvement. The directors recommended an interim dividend of £13.4m (2016 – £15.2m) and this was paid on 15 December 2017. The directors do not propose a final dividend.

Principal activities

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

Directors

The following were directors of the company during the year ended 31 December 2017:

Mike Barker
Chris Davis
Ian Galbraith
Mike Haigh
James Harris
Keith Howells
Guy Leonard
Ed Roud

Chris Davis resigned as a director on 31 March 2017 and Mike Barker resigned as a director on 15 December 2017. Ian Galbraith and James Harris were appointed as directors on 15 December 2017.

Employment policies

The company actively encourages employees to play a part in developing the company's business and in enhancing its performance. Increasing share ownership worldwide in the ultimate parent undertaking, Mott MacDonald Group Limited, is a key element of this policy. In addition, the company recognises individual contributions through bonuses and annual awards.

The company proactively informs staff on general, financial and economic factors influencing the company, as well as on all matters affecting them directly. This is achieved through our intranet, staff councils and briefings, chairman's emails, local and regional staff newsletters and copies of all the company's corporate magazines and reports.

Company policy is to employ, develop and promote staff based solely on aptitude, ability and work ethic. As a result, our staff come from a wide diversity of backgrounds.

The company wishes to ensure that no discrimination occurs, either directly or indirectly, against individuals with a disability on the grounds of that disability in relation to recruitment, promotion, training, benefits, terms and conditions of employment and dismissal. Wherever possible, reasonable adjustments will be made to either the workplace, workstation or working environment to help employees cope with disabilities.

Principal risks and uncertainties

Business risks, financial risks and factors to mitigate the risks are described in the Strategic report.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period.

Directors' report

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

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

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

The directors confirm that:

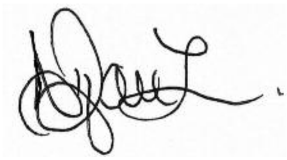
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor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

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

Auditor

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

Approved by the board of directors and signed on its behalf:



Diana Zivko, Company Secretary
27 February 2018

Independent auditor's report

to the members of Mott MacDonald Limited

Opinion

We have audited the financial statements of Mott MacDonald Limited (the 'company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic report, Corporate responsibility and Directors' report set out on pages 2 to 7, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 6 and 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Peter Gamson ACA, Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
27 February 2018

Statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Gross revenue	5	**707,964**	675,105
Cost of sales		**(450,210)**	(417,709)
Gross profit		**257,754**	257,396
Administrative expenses		**(244,443)**	(221,952)
Operating profit	6	**13,311**	35,444
Provision for impairment of investments		**–**	(2,114)
Fair value adjustments	14	**622**	962
Dividends received from subsidiary undertakings		**6,000**	6,000
Profit on ordinary activities before interest		**19,933**	40,292
Net interest receivable	9	**12,049**	9,683
Other finance cost	25	**(2,500)**	(3,000)
Profit on ordinary activities before taxation		**29,482**	46,975
Tax on profit on ordinary activities	10(a)	**(1,391)**	(5,129)
Profit on ordinary activities after taxation		**28,091**	41,846
Other comprehensive income/(loss)			
Net actuarial gain/(loss) on pension scheme	25	**15,100**	(21,600)
Deferred tax on net actuarial (gain)/loss	10(c)	**(2,567)**	3,672
Deferred tax on additional pension contributions	10(c)	**(2,465)**	(2,380)
Deferred tax rate change on opening pension scheme deficit	10(c)	**–**	(465)
Total other comprehensive income/(loss)		**10,068**	(20,773)
Total comprehensive income for the year		**38,159**	21,073

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

Statement of financial position

at 31 December 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Intangible assets	12	**10,169**	3,055
Tangible assets	13	**11,885**	8,993
Investments	14	**80,827**	78,203
		102,881	90,251
Current assets			
Debtors	15	**579,971**	585,284
Cash at bank and in hand		**49,330**	49,523
		629,301	634,807
Creditors: amounts falling due within one year	16	**(312,793)**	(292,324)
Net current assets		**316,508**	342,483
Total assets less current liabilities		**419,389**	432,734
Creditors: amounts falling due after more than one year	17	**(12,000)**	(22,000)
Provisions for liabilities	20	**(1,647)**	(1,928)
Net assets excluding pension liability		**405,742**	408,806
Pension liability	25	**(68,394)**	(95,494)
Net assets including pension liability		**337,348**	313,312
Capital and reserves			
Called up share capital	21	**10,000**	10,000
Profit and loss account	22	**327,348**	303,312
Shareholders' equity		**337,348**	313,312

These financial statements were approved by the board of directors on 27 February 2018.

K. J. Howells.

K J Howells, Chairman

Statement of changes in equity

for the year ended 31 December 2017

	Notes	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2016		10,000	297,866	307,866
Profit for the year	22	–	41,846	41,846
Other comprehensive loss:				
Actuarial loss on pension scheme	22, 25	–	(21,600)	(21,600)
Deferred tax on actuarial loss	10(c), 22	–	3,672	3,672
Deferred tax on additional pension contributions	10(c), 22	–	(2,380)	(2,380)
Deferred tax rate change on opening pension scheme deficit	10(c), 22	–	(465)	(465)
Total other comprehensive loss for the year		–	(20,773)	(20,773)
Dividends paid	11	–	(15,246)	(15,246)
Distributions to fellow subsidiary undertakings		–	(381)	(381)
At 31 December 2016/1 January 2017		**10,000**	**303,312**	**313,312**
Profit for the year	22	**–**	**28,091**	**28,091**
Other comprehensive income:				
Actuarial gain on pension scheme	22, 25	**–**	**15,100**	**15,100**
Deferred tax on actuarial gain	10(c), 22	**–**	**(2,567)**	**(2,567)**
Deferred tax on additional pension contributions	10(c), 22	**–**	**(2,465)**	**(2,465)**
Total other comprehensive income for the year		**–**	**10,068**	**10,068**
Dividends paid	11	**–**	**(13,414)**	**(13,414)**
Distributions to fellow subsidiary undertakings		**–**	**(709)**	**(709)**
At 31 December 2017		**10,000**	**327,348**	**337,348**

Notes to the financial statements

at 31 December 2017

1. Company information

Mott MacDonald Limited is a company registered in England and Wales with registered number 1243967. The registered office is: Mott MacDonald House, 8-10 Sydenham Road, Croydon, CR0 2EE, United Kingdom.

2. Basis of preparation

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

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

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

Mott MacDonald Employee Trust

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

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

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

Going concern

After considering the company's future prospects, its cash flow forecasts and bank facilities available, the directors have full expectation that the company has adequate resources to continue in operational existence for the foreseeable future and at least for a period of twelve months from the date of approval of these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Ultimate parent undertaking

The company's ultimate parent undertaking is Mott MacDonald Group Limited, a company registered in England and Wales. Copies of the Group financial statements can be obtained at a nominal cost from the registered office, Mott MacDonald House, 8-10 Sydenham Road, Croydon, CR0 2EE, United Kingdom.

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

3. Significant judgements and estimates

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

Notes to the financial statements

at 31 December 2017

3. Significant judgements and estimates (continued)

Contract accounting and recoverability of receivables

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

Goodwill and other intangible assets

The company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Where there are indicators of impairment of individual assets, the company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five to ten years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Goodwill and other intangibles are disclosed in note 12.

Claims

The company from time to time receives claims in respect of professional service matters. It defends such claims where appropriate and makes provision for the possible amounts considered likely to be payable, up to the deductible under the company's related insurance arrangements. A different assessment of the likely outcome of each case or of the possible cost involved may result in a different provision and cost.

Defined benefit pension scheme

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, inflation, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 25.

Investment in parent undertaking

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

Impairment of investments and intercompany balances

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

Notes to the financial statements

at 31 December 2017

4. Principal accounting policies

Business combinations

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

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised separately on the face of the statement of financial position immediately below 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 statement of comprehensive income is taken into account in determining the profit or loss on sale or closure.

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

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

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred, unless the asset will generate probable future economic benefits and the costs can be reliably measured.

Subsequent to initial recognition, goodwill and intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Goodwill and intangible assets are amortised on a straight line basis over their estimated useful lives. The net book value of goodwill and intangible assets is reviewed for impairment if events or changes in circumstances indicate the net book value may not be recoverable. The useful economic lives of goodwill and intangible assets are as follows:

Goodwill	5 to 20 years
Software	2 to 10 years

Tangible fixed assets

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

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

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

Gross revenue

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

Notes to the financial statements

at 31 December 2017

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. Where the company receives and disburses funds on behalf of clients under an agency arrangement but earns no margin, such funds and disbursements are offset with each other in the financial statements.

Gross revenue is recognised in the statement of comprehensive income 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.

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

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

Jointly controlled operations

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

Research and development

Research and development costs are charged to the statement of comprehensive income in the year that they are incurred.

Fixed asset investments

Investments in subsidiary undertakings are recognised initially at fair value which is normally the transaction price (including transaction costs). Subsequently, they are measured at cost less any provision for impairment.

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

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.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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.

Notes to the financial statements

at 31 December 2017

4. Principal accounting policies (continued)

Deferred taxation

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

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

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

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

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

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

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in the statement of comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

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

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

Dividends

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

Foreign currencies

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

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

Leasing and hire purchase commitments

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

Notes to the financial statements

at 31 December 2017

4. Principal accounting policies (continued)

Leasing and hire purchase commitments (continued)

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

Employee benefits

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

Pensions

The company has operated a number of pension schemes in the UK. These are described more fully in note 25.

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

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

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

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

Derivative financial instruments

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

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

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

Notes to the financial statements

at 31 December 2017

5. Gross revenue

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

Gross revenue by destination:

	2017 £000	2016 £000
Europe and Africa	**530,470**	493,619
Middle East and South Asia	**157,920**	158,909
Americas	**11,465**	9,982
Asia Pacific and Australasia	**8,109**	12,595
	707,964	675,105

6. Operating profit

This is stated after charging/(crediting):

	2017 £000	2016 £000
Auditors' remuneration – audit services – principal auditor for audit of company	**307**	296
– associates of principal auditor for audit of branches	**22**	3
	329	299
– other non-audit services	**41**	33
Foreign exchange losses/(gains)	**5,735**	(22,964)
Depreciation (note 13)	**3,646**	4,150
Amortisation of software (note 12)	**394**	96
Operating lease rentals – vehicles and equipment	**9**	14
– land and buildings	**12,583**	12,914

7. Directors' remuneration

	2017 £000	2016 £000
Emoluments (excluding pension contributions)	**3,541**	2,718

The emoluments (excluding pension contributions) of the highest paid director were £828,132 (2016 − £729,428).

During the year £42,967 (2016 − £130,341) of contributions were paid to the Group Personal Pension Plan or Master Trust in respect of 2 directors (2016 − 5), of which £nil related to the highest paid director. Some of these directors also have benefits under the closed defined benefit section of the Mott MacDonald Pension Scheme ('MMPS').

Notes to the financial statements

at 31 December 2017

8. Staff costs

	2017 £000	2016 £000
Salaries	**327,135**	320,584
Social security costs	**28,869**	27,738
Other pension costs	**56,449**	54,430
	412,453	402,752

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

	No.	No.
Management	**527**	517
Technical staff	**5,284**	5,241
Administrative staff	**808**	854
	6,619	6,612
The actual number of permanent staff at 31 December was:	**6,663**	6,578

9. Net interest receivable

	2017 £000	2016 £000
Interest receivable:		
Interest due from parent undertaking	**5,835**	6,324
Interest due from fellow subsidiary undertakings	**7,625**	5,016
Other interest	**85**	135
	13,545	11,475
Interest payable:		
Bank interest	**(621)**	(928)
Interest due to parent undertaking	**(33)**	(78)
Interest due to fellow subsidiary undertakings	**(806)**	(732)
Other interest	**(36)**	(54)
	(1,496)	(1,792)
Net interest receivable	**12,049**	9,683

Notes to the financial statements

at 31 December 2017

10. Tax

(a) Tax on profit on ordinary activities

	2017 £000	2016 £000
The taxation charge is made up as follows:		
Current tax:		
UK corporation tax	**943**	5,627
Non-UK tax	**518**	414
Capital gains tax – Mott MacDonald Employee Trust	**237**	149
	1,698	6,190
Adjustments in respect of previous years:		
UK corporation tax	**933**	(3,897)
Non-UK tax	**(464)**	2,606
Capital gains tax – Mott MacDonald Employee Trust	**(86)**	(583)
Total current tax	**2,081**	4,316
Deferred tax:		
Origination and reversal of timing differences	**113**	63
Effect of decreased tax rate on opening balance	**–**	589
Adjustments in respect of previous years	**(803)**	161
Total deferred tax (credit)/charge (note 10(c))	**(690)**	813
Tax on profit on ordinary activities (note 10(b))	**1,391**	5,129

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is a £2,567,000 charge (2016 − £3,207,000 credit).

Notes to the financial statements

at 31 December 2017

10. Tax (continued)

(b) Factors affecting tax charge for the year

The tax provided for the year is lower than the amount computed at the average rate of corporation tax in the UK of 19.25% (2016 – 20%). The differences are explained below. The average rates reflect the reduction substantively enacted on 18 November 2015 from 20% to 19% with effect from 1 April 2017.

A further reduction in the UK corporation tax rate, from 19% to 17% with effect from 1 April 2020, was substantively enacted on 15 September 2016. This reduction has been taken into account in calculating the deferred tax assets and liabilities included in the statement of financial position.

	2017 £000	2016 £000
Profit on ordinary activities before taxation	**29,482**	46,975
Profit on ordinary activities before taxation multiplied by the average rate of corporation tax in the UK of 19.25% (2016 – 20%).	**5,675**	9,395
Effects of:		
Net higher tax on non-UK earnings	**518**	414
Non-UK branch profits	**(991)**	(1,228)
Adjustments in respect of previous years	**(420)**	(1,713)
Non-taxable expense/(income) (foreign exchange loss/(gain) on foreign branches)	**683**	(1,409)
Non-taxable income (UK dividends received)	**(1,155)**	(1,200)
Expenses not deductible for tax purposes	**239**	347
Research and development relief	**(1,146)**	(840)
Pension contribution and other items	**(2,791)**	(2,800)
Effect of rate change	**(15)**	578
Effect of group reliefs	**(1,376)**	(1,409)
Tax attributable to Mott MacDonald Employee Trust	**237**	149
Other permanent differences	**1,933**	4,845
Tax on profit on ordinary activities (note 10(a))	**1,391**	5,129

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

Other permanent differences include permanent tax reliefs and non-deductible items.

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

The company has no tax losses (2016 – £nil) that are available indefinitely for offset against future taxable profits in those countries in which the losses arose.

Notes to the financial statements

at 31 December 2017

10. Tax (continued)

(c) Deferred tax

	2017 £000	2016 £000
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 15)	**14,824**	19,166
The elements of deferred taxation are as follows:		
Excess of book depreciation over tax allowances on fixed assets	**2,528**	2,361
Other timing differences	**669**	571
Pension liability (notes 15, 25)	**11,627**	16,234
	14,824	19,166
The movement in the year was:		
At 1 January	**19,166**	19,152
Deferred tax credit/(charge) recognised in income (note 10(a))	**690**	(813)
Deferred tax (charge)/credit recognised in other comprehensive income/(loss)		
– on net actuarial (gain)/loss in pension scheme (note 22)	**(2,567)**	3,672
– on additional pension contributions made during the year (note 22)	**(2,465)**	(2,380)
– due to effect of rate change on opening balance of pension scheme (note 22)	**–**	(465)
At 31 December	**14,824**	19,166

The amount of the net reversal of deferred tax expected to occur next year is £nil (2016 − £nil).

11. Dividends

	2017 £000	2016 £000
The following dividends were paid during the year:		
Interim dividend paid	**13,414**	15,246

Notes to the financial statements

at 31 December 2017

12. Intangible fixed assets

2017	Goodwill £000	Software £000	Total £000
Cost:			
At 1 January	**2,496**	**3,991**	**6,487**
Exchange adjustments	**–**	**(9)**	**(9)**
Additions	**–**	**7,510**[1]	**7,510**
Disposals	**–**	**(30)**	**(30)**
At 31 December	**2,496**	**11,462**	**13,958**
Amortisation:			
At 1 January	**2,496**	**936**	**3,432**
Exchange adjustments	**–**	**(7)**	**(7)**
Provided during the year	**–**	**394**	**394**
Disposals	**–**	**(30)**	**(30)**
At 31 December	**2,496**	**1,293**	**3,789**
Net book value:			
At 31 December	**–**	**10,169**	**10,169**
At 1 January	–	3,055	3,055

[1] During the year, £6,361,000 has been capitalised in relation to costs of development of a new IT system which had not been brought into use by the end of the year.

Notes to the financial statements

at 31 December 2017

13. Tangible fixed assets

2017	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
Cost:			
At 1 January	**1,287**	**45,238**	**46,525**
Exchange adjustments	**(54)**	**(655)**	**(709)**
Additions	**58**	**6,549**	**6,607**
Disposals	**(81)**	**–**	**(81)**
At 31 December	**1,210**	**51,132**	**52,342**
Depreciation:			
At 1 January	**1,195**	**36,337**	**37,532**
Exchange adjustments	**(46)**	**(601)**	**(647)**
Provided during the year	**47**	**3,599**	**3,646**
Disposals	**(74)**	**–**	**(74)**
At 31 December	**1,122**	**39,335**	**40,457**
Net book value:			
At 31 December	**88**	**11,797**	**11,885**
At 1 January	92	8,901	8,993

Notes to the financial statements

at 31 December 2017

14. Investments

2017	**Investment in parent undertaking at fair value £000**	**Investments in subsidiary undertakings at cost £000**	**Total £000**
At 1 January	**12,460**	**71,719**	**84,179**
Additions	**12,325**	**–**	**12,325**
Disposals	**(10,300)**	**(23)**	**(10,323)**
Fair value adjustments	**622**	**–**	**622**
At 31 December	**15,107**	**71,696**	**86,803**
Amounts provided:			
At 1 January and at 31 December	**–**	**5,976**	**5,976**
Net book value:			
At 31 December	**15,107**	**65,720**	**80,827**
At 1 January	12,460	65,743	78,203

The profit on disposal of shares in the parent undertaking was £nil.

The historical cost of the investment in the parent undertaking was £13,566,000 (2016 − £10,602,000).

Notes to the financial statements

at 31 December 2017

14. Investments (continued)

Subsidiary undertakings and other fixed asset investments

A full list of undertakings is given below:

Name of undertaking	% held of ordinary share capital 2017	2016	Registered office key
Subsidiary undertakings			
Bentley Holdings Limited	**100**	100	**A**
Cambridge Education Associates Limited	**100**	100	**B**
Cambridge Education Consultants Limited	**100**	100	**B**
CCMS Software Limited	**–**	100	**B**
Courtyard Group UK Limited	**100**	100	**B**
Franklin & Andrews International Limited	**100**	100	**B**
Franklin Osprey Services Limited	**100**	100	**B**
Fulcrum First Limited	**100**	100	**B**
HLSP Limited	**100**	100	**B**
JBA Bentley Limited[1]	**75**	75	**A**
JN Bentley Limited[1]	**100**	100	**A**
MMG Consulting Limited	**100**	100	**B**
Mott MacDonald Bentley Limited[1]	**100**	100	**A**
Mott MacDonald Gas Experts Limited	**100**	100	**B**
Multi Design Consultants Limited	**100**	100	**B**
Osprey PMI Limited	**100**	100	**B**
Power Ink Limited	**100**	100	**B**
Procyon Oil & Gas Limited	**100**	100	**C**
Project Management International Limited	**100**	100	**B**
Other fixed asset investments			
BMM JV Limited	**50**	50	**D**
Environments for Learning Leeds PSP Limited	**24**	50	**E**
M2 (Water) LLP	**50**	50	**B**

[1]investment held wholly or partly through subsidiary undertaking

Registered Office	
Snaygill Industrial Estate, Keighley Road, Skipton, North Yorkshire, BD23 2QR, United Kingdom	**A**
Mott MacDonald House, 8-10 Sydenham Road, Croydon, Surrey, CR0 2EE, United Kingdom	**B**
Hays House, Millmead, Guildford, Surrey, GU2 4HJ, United Kingdom	**C**
St James House, Knoll Road, Camberley, Surrey, GU15 3XW, United Kingdom	**D**
Interserve House, Ruscombe Park, Twyford, Reading, Berkshire, RG10 9JU, United Kingdom	**E**

Notes to the financial statements

at 31 December 2017

15. Debtors

	2017 **£000**	2016 £000
Trade debtors	**106,262**	97,308
Amounts recoverable on contracts	**93,292**	105,435
Amounts owed by parent undertaking	**250,000**	250,000
Amounts owed by fellow subsidiary undertakings	**85,416**	83,627
Amounts owed by other fixed asset investments	**616**	1,030
Deferred taxation (note 10(c))	**14,824**	19,166
Taxation recoverable	**7,028**	4,240
Other debtors	**4,916**	4,871
Prepayments and accrued income	**17,617**	19,607
	579,971	585,284

Trade debtors are shown net of a provision for impairment of £10,706,000 (2016 – £12,583,000).

Included within deferred taxation is a balance of £11,627,000 (2016 – £16,234,000) in relation to the pension liability (notes 10(c), 25). Deferred taxation is recoverable after more than one year.

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

16. Creditors: amounts falling due within one year

	2017 **£000**	2016 £000
Payments on account	**108,433**	92,276
Amounts due to parent undertaking	**45,462**	39,773
Amounts due to fellow subsidiary undertakings	**34,830**	36,616
Amounts due to other fixed asset investments	**–**	27
Trade creditors	**10,609**	12,523
Current UK corporation tax	**300**	149
Non-UK taxation	**7,461**	6,495
Other taxes	**9,535**	7,610
Social security	**7,150**	6,930
Other creditors	**8,439**	7,160
Accruals	**80,574**	82,765
	312,793	292,324

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

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

	2017 **£000**	2016 £000
Unsecured bank loans (note 18)	**12,000**	22,000

Notes to the financial statements

at 31 December 2017

18. Loans

Loans repayable, included within creditors, are analysed as follows:

	2017 **£000**	2016 £000
Wholly repayable within five years (note 17)	**12,000**	22,000

The £12.0m loan relates to amounts drawn down on the committed secured revolving credit facility which is in place until 15 December 2022 and bears a market floating rate of interest based on LIBOR.

19. Obligations under leases

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

	Land and buildings		**Other**	
	2017 **£000**	2016 £000	**2017** **£000**	2016 £000
Amounts payable:				
Within one year	**10,799**	11,478	**6**	10
In two to five years	**44,025**	41,667	**2**	8
Over five years	**48,660**	47,977	**–**	–
	103,484	101,122	**8**	18

20. Provisions for liabilities

Provision for losses on contracts:	**2017** **£000**
At 1 January	**1,928**
Exchange adjustments	**(79)**
Arising during the year	**1,100**
Utilised	**(1,302)**
At 31 December	**1,647**

21. Share capital

	2017 **No.**	2016 No.	**2017** **£000**	2016 £000
Authorised				
Ordinary shares of £1 each	**260,000,000**	260,000,000	**260,000**	260,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10,000**	10,000

Notes to the financial statements

at 31 December 2017

22. Reserves

Profit and loss account	2017 Excluding pension deficit £000	2017 Pension deficit £000	2017 Including pension deficit £000	2016 Including pension deficit £000
At 1 January	**381,794**	**(78,482)**	**303,312**	297,866
Profit on ordinary activities after taxation	**28,091**	**–**	**28,091**	41,846
Dividends (note 11)	**(13,414)**	**–**	**(13,414)**	(15,246)
Distributions to fellow subsidiary undertakings	**(709)**	**–**	**(709)**	(381)
Transfer in respect of additional pension contributions (net of deferred tax)	**(12,035)**	**12,035**	**–**	–
Deferred tax on additional pension contributions (note 10(c))	**(2,465)**	**–**	**(2,465)**	(2,380)
Net actuarial gain/(loss) on pension scheme (note 25)	**–**	**15,100**	**15,100**	(21,600)
Deferred tax on net actuarial (gain)/loss (note 10(c))	**–**	**(2,567)**	**(2,567)**	3,672
Deferred tax rate change (note 10(c))	**–**	**–**	**–**	(465)
Other finance cost (net of deferred tax)	**2,075**	**(2,075)**	**–**	–
At 31 December	**383,337**	**(55,989)**	**327,348**	303,312

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

The pension deficit of £55,989,000 above differs from the pension liability in the statement of financial position of £68,394,000. This difference relates to the deferred tax asset of £11,627,000 in debtors plus the pre-divisionalisation element of the pension deficit in Multi Design Holdings Limited of £778,000.

23. Capital commitments

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

24. Contingent liabilities

	2017 £000	2016 £000
Guarantee of bank loans and overdrafts in respect of other group companies	**29,199**	31,966

In addition, in the normal course of business, down payment, performance and tender bonds have been given by the company. In the opinion of the directors, these are not expected to give rise to any significant liability. There are also bank guarantees in respect of the pension scheme as disclosed in note 25.

Notes to the financial statements

at 31 December 2017

25. Pensions and other retirement benefits

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

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

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

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

The Company contributes to the Master Trust, at the rates specified in the rules of the scheme. From 1 January 2014, all new employees are contractually enrolled. To comply with auto-enrolment law, all current employees who were not in the GPP were contractually enrolled in May 2016. Total pension contributions were £37.1m (2016 − £34.8m).

Costs relating to the remaining defined benefit section of MMPS were £15.2m (2016 − £15.2m). These costs include both administrative expenses relating to MMPS and an instalment of £14.5m to reduce the deficit. Members' pensions were increased during the year according to the rules of MMPS.

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

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

Date of valuation	1 January 2015
Future investment return per annum – pre-retirement	Discount rate yield curve*
– post-retirement	Discount rate yield curve*

*This is equal to the yield on UK Government fixed interest gilts at different terms on the yield curve, with an outperformance allowance decreasing from 2.40% p.a. to 0.45% p.a. linearly over the period from 1 January 2015 to 1 January 2024, and remaining at 0.45% p.a. thereafter.

At the last actuarial valuation on 1 January 2015, the market value of assets was £519m and the level of funding based on market value of assets was 81%. 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 2017 by a qualified independent actuary for the purpose of producing these financial statements in accordance with FRS 102.

It should be noted that the calculations and methods under FRS 102 are different from those used by the actuary to determine the funding level of MMPS. The company and the trustees regularly review the funding level of MMPS with the advice of the actuary. During 2017 minimum contributions of £14.5m were paid to MMPS. Under the current funding plan these will be £15.1m in 2018, and are then predicted to increase at 3.9% per annum.

Notes to the financial statements

at 31 December 2017

25. Pensions and other retirement benefits (continued)

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

The level of security is agreed annually with the pension scheme trustees and at 31 December 2017 the level of security in place was £35m in the form of bank guarantees which are renewable on an annual basis.

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

The assets and liabilities of MMPS as at 31 December are analysed below:	2017 £m	2016 £m
Change in defined benefit obligation		
Defined benefit obligation at 1 January	**(669.8)**	(592.2)
Interest cost	**(18.3)**	(21.9)
Actuarial losses	**(9.5)**	(87.7)
Benefits paid	**34.4**	32.0
Defined benefit obligation at 31 December	**(663.2)**	(669.8)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**(663.2)**	(669.8)
Change in plan assets		
Fair value of plan assets at 1 January	**574.3**	507.3
Interest income on MMPS assets	**15.8**	18.9
Actuarial gains on MMPS assets	**24.6**	66.1
Employer contributions	**14.5**	14.0
Benefits paid	**(34.4)**	(32.0)
Fair value of plan assets at 31 December	**594.8**	574.3
Pension liability (excluding deferred tax)	**(68.4)**	(95.5)
Related deferred tax asset included within debtors (notes 10(c),15)	**11.6**	16.2

Components of pension (cost)/income

Year to 31 December	2017 £m	2016 £m
Interest cost on MMPS liabilities	**(18.3)**	(21.9)
Interest income on MMPS assets	**15.8**	18.9
Net interest cost recognised in other finance cost in the statement of comprehensive income	**(2.5)**	(3.0)
Actuarial losses on MMPS liabilities	**(9.5)**	(87.7)
Actuarial gains on MMPS assets	**24.6**	66.1
Net actuarial gains/(losses) recognised in other comprehensive income/(loss)	**15.1**	(21.6)

Notes to the financial statements

at 31 December 2017

25. Pensions and other retirement benefits (continued)

Components of pension (cost)/income (continued)

Plan assets

The weighted average asset allocation at the year end was as follows:	**2017** **%**	2016 %
Asset category		
Liability driven investment	**57**	58
Diversified growth funds	**32**	37
Equities	**5**	5
Corporate bonds	**5**	–
Cash and other	**1**	–
	100	100

Actual return on plan assets

Year to 31 December	**2017** **£m**	2016 £m
Interest income on MMPS assets	**15.8**	18.9
Actuarial gains on MMPS assets	**24.6**	66.1
Actual return on plan assets	**40.4**	85.0

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

	2017 **%**	2016 %
RPI inflation	**3.2**	3.2
Discount rate for scheme liabilities	**2.6**	2.8
CPI inflation	**2.1**	2.1
Pension increases (inflationary increases with a maximum of 5% p.a.)	**2.1**	2.1
Salary increases	**n/a**	n/a

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

	2017		2016	
	Male Years	**Female Years**	Male Years	Female Years
Member age 60 (current life expectancy)	**28.4**	**29.5**	28.6	29.8
Member age 40 (life expectancy at age 60)	**29.5**	**31.1**	29.9	31.8

Notes to the financial statements

at 31 December 2017

26. Related party transactions

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

During the year, the company made sales of £19,079,000 (2016 − £14,695,000) to non-wholly owned fellow subsidiary undertakings and purchases of £2,880,000 (2016 − £372,000) from non-wholly owned fellow subsidiary undertakings. The net balance due from non-wholly owned fellow subsidiary undertakings at 31 December 2017 was £43,926,000 (2016 − £2,375,000).

27. Financial assets and liabilities

	2017 £000	2016 £000
Financial assets at fair value through profit or loss		
Investment in parent undertaking (note 14)	**15,107**	12,460
Financial assets that are debt instruments measured at amortised cost[1]		
Trade debtors (note 15)	**106,262**	97,308
Amounts owed by parent undertaking (note 15)	**250,000**	250,000
Amounts owed by fellow subsidiary undertakings (note 15)	**85,416**	83,627
Amounts owed by other fixed asset investments (note 15)	**616**	1,030
Other debtors (note 15)	**4,916**	4,871
Financial liabilities measured at amortised cost[1]		
Trade creditors (note 16)	**10,609**	12,523
Amounts due to parent undertaking (note 16)	**45,462**	39,773
Amounts due to fellow subsidiary undertakings (note 16)	**34,830**	36,616
Amounts due to other fixed asset investments (note 16)	**–**	27
Other creditors (note 16)	**8,439**	7,160
Loans (note 18)	**12,000**	22,000

There were no derivative financial instruments at the year end (2016 − £nil).

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

Five year summary

Years ended 31 December	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Gross revenue	**707,964**	675,105	642,610	579,295	547,402
Operating profit	**13,311**	35,444	36,020	28,029	12,433
Provision for impairment of investments	**–**	(2,114)	(1,785)	(392)	(521)
Income from other fixed asset investments	**–**	–	35	35	35
Profit from disposal of investments	**–**	–	–	–	7,010
Fair value adjustments	**622**	962	935	1,182	–
Dividends received from subsidiary undertakings	**6,000**	6,000	–	600	521
Profit on ordinary activities before interest	**19,933**	40,292	35,205	29,454	19,478
Net interest receivable	**12,049**	9,683	7,915	9,781	302
Other finance (cost)/income	**(2,500)**	(3,000)	(2,400)	(2,500)	2,800
Profit on ordinary activities before taxation	**29,482**	46,975	40,720	36,735	22,580
Tax on profit on ordinary activities	**(1,391)**	(5,129)	(7,454)	(9,690)	(5,831)
Profit on ordinary activities after taxation	**28,091**	41,846	33,266	27,045	16,749
Dividends	**(13,414)**	(15,246)	(12,964)	(23,255)	(12,686)
Distributions to fellow subsidiary undertakings	**(709)**	(381)	(1,019)	(458)	–
Retained profit	**13,968**	26,219	19,283	3,332	4,063
Employment of capital					
Fixed assets	**102,881**	90,251	87,123	100,862	49,145
Net current assets less provisions	**314,861**	340,555	345,437	338,388	324,872
Excluding pension liability	**417,742**	430,806	432,560	439,250	374,017
Pension liability (excluding deferred tax)	**(68,394)**	(95,494)	(84,894)	(74,695)	(47,001)
Including pension liability	**349,348**	335,312	347,666	364,555	327,016
Capital employed					
Creditors falling due after more than one year	**12,000**	22,000	39,800	55,300	–
Capital and reserves excluding pension liability	**405,742**	408,806	392,760	383,950	374,017
Excluding pension liability	**417,742**	430,806	432,560	439,250	374,017
Pension liability (excluding deferred tax)	**(68,394)**	(95,494)	(84,894)	(74,695)	(47,001)
Including pension liability	**349,348**	335,312	347,666	364,555	327,016
Net funds/(debt)					
Cash at bank and in hand	**49,330**	49,523	44,541	35,221	27,681
Bank loans	**(12,000)**	(22,000)	(39,800)	(55,300)	(5,500)
	37,330	27,523	4,741	(20,079)	22,181

The year 2013 is stated under previously extant UK GAAP. However pension liability has been shown gross of deferred tax for comparability purposes with years 2014 and later which have been reported under FRS 102.

Opening opportunities with connected thinking.

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

+44 (0)20 8774 2000
marketing@mottmac.com
mottmac.com