Mott MacDonald Group Limited

Report and financial statements
31 December 2016

Mott MacDonald Group Limited

Global management, engineering and development consultancy

+100 awards
for innovation and excellence in 2016

16,000 people

Independent and employee-owned
– so wholly focused on what's best for our customers and our staff

Directors
Keith Howells
Mike Haigh
Guy Leonard
Ed Roud
Nick DeNichilo

Company Secretary
Paul Ferguson

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Chairman’s statement

Keith Howells, Chairman

Performance

2016 saw the start of a new chapter in our global strategic development as we pressed ahead with some fundamental initiatives.

We implemented a new sector based, customer centred, strategy to better connect with key customers in our core markets and sectors. This together with our new branding will bring more focus to our delivery model for customers and better alignment of our expertise with their needs.

After 20 years, our joint venture in North America came to a natural end and an orderly transition of this trading arrangement has resulted in a new wholly owned regional business in North America with over 2,000 staff.

Our group revenues of £1,407m were marginally ahead of last year with the upside from growth and exchange of 8%, offset by a fall in revenue from cessation of the joint venture.

Profit before taxation of £60.6m was down 5% on last year, again partly reflecting the cessation of the joint venture. Underlying performance was generally good with our businesses in the UK, Australia and North America strong and our core sectors performing well despite the economic and market challenges. Profits were held back by difficult market conditions in South Africa and Asia, and by the impact of low oil prices on our Middle East business.

Dividend and fair value

A dividend of 60 pence per share was paid in December 2016, and the fair value of shares increased by 90 pence to £11.70.

Customers

Placing our customers at the centre of all we do drives our pursuit of new ways to deliver better long-term value. As design/build, integrated delivery models and public private partnerships become more common means of procuring infrastructure and services, we are evolving our approaches so that we can respond swiftly and effectively. We are also exploiting the latest technologies to improve efficiency and harness ingenuity through global collaboration.

Recognition

Awards provide recognition from customers and peers of excellence, innovation and leadership. 2016 was a good year, with 104 wins and commendations around the world. At the NCE100 Companies of the Year Awards, we won the Contribution to the Profession and Diversity Champion categories. Our work on equality, diversity and inclusion in the UK also secured the Diversity Awards and the Construction Investing in Talent Awards. In the British Construction Industry Awards, we were civil and structural designer for Hebburn Central community centre, which won the Low Carbon Construction category, and were detailed designer for London’s Lee Tunnel, which was Civil Engineering Project of the Year. The Lee Tunnel was also named Global Best Water/Wastewater Project by the United States’ Engineering News Record (ENR), while Hong Kong International Airport’s Midfield Concourse won ENR’s Global Best Airport/Port Award – illustrating both projects’ excellence on a global stage.

People

As well as providing strong motivation for our staff to deliver best possible outcomes for our customers, our employee-ownership model and culture continue to help us attract and retain the best talent. We have put a concerted focus on succession planning and leadership training, on increasing staff mobility for servicing growth markets, on expanding career opportunities, and on enhancing equality, diversity and inclusion.

We ended the year with just over 16,000 employees, including agency staff and independent consultants, the numbers again reflecting the termination of our JV in North America.

Chairman's statement

Looking ahead

Global challenges such as population growth, climate change and urbanisation, coupled with the potential offered by rapidly evolving technology, play to our multisector strengths and bring rising demand for our expertise. We are positioning to win more work through measures encompassing the professional development of our people, putting the best digital communication and delivery tools into the hands of our staff, streamlining our internal structures to drive customer-focus, optimising project delivery models to bring value, improving systems for the management of knowledge and business processes, and promoting a new brand that differentiates us in our markets.

These steps, together with our freedom to act as we believe best serves our customers and staff, feed into the strategy we have in place to advance business growth over the next five years. There is much to do and the benefits of the changes we are making to our business will only be fully realised in the medium term. However, our outlook for 2017 is one of confidence and optimism, despite the ongoing global economic and political uncertainty.

Keith Howells, Chairman
1 March 2017

"2016 saw the start of a new chapter in our global strategic development as we pressed ahead with some fundamental initiatives."

Corporate responsibility

Keith Howells, Chairman

Running a responsible, sustainable business

Running a business responsibly is key to its long term sustainability. Whether it's our corporate 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, we pursue the best possible outcomes for our clients, their clients – our ultimate customers – and our communities. The aims of many of our projects are aligned with those of the United Nations' Sustainable Development Goals (SDGs) which set stretching targets for us, our clients and our delivery partners. We also support many of the SDGs through our culture and behaviour as an organisation: we have a long and proud ethos of combating 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 fundamental principles supporting our corporate sustainability are enshrined in our core values of Progress, Respect, Integrity, Drive, Excellence – PRIDE.

Non-financial key performance indicators which we measure are summarised below.

Better outcomes for customers

- We are working with clients to understand their needs and develop solutions from the starting point that advancing sustainability will deliver not just 'least harm solutions', but will contribute to enhanced commercial performance allied with better social and environmental outcomes.
- Care for major clients is led by key account leaders who are responsible for co-ordinating Mott MacDonald's relationships with them, positioning the company to provide the best possible service, and responding to their needs.
- We maintained ISO 9001 and ISO 14001 certification for quality management and environmental management.
- Building Information Modelling (BIM) and the use of a common data environment is now standard for delivering large engineering projects and we've led the infrastructure industry in implementing Level 2 BIM, contributing to stronger performance against cost, time, carbon, and safety indicators.
- We are moving swiftly to being 'digital by default' in project development and delivery, communication and record keeping, making it easier for staff to collaborate and share information internally and externally.
- We have introduced sustainability risk management into our decision making processes. We consider the impact all projects might have on the environment, people and economies before bidding for work.
- We promote technical excellence and innovation through our practice network, and exemplified by six Group-level internal awards schemes. Externally, over 100 awards were won in 2016.

Environmental performance

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

- **Show industry leadership in influencing customers and partners to reduce carbon:** we held our fourth 'Carbon Crunch' event looking at how companies are getting on with their ICR pledges and how carbon management can be better integrated through the PAS 2080 standard.
- **Champion lean solutions including BIM and offsite construction:** assisted by Carbon Portal, our carbon and cost modelling tool, which was launched in 2016, we are highlighting the potential for BIM and design for manufacture and assembly to cut waste and drive efficiency.
- **Reduce energy use and carbon:** our 2015 carbon footprint was 2.33tCO_2 equivalent per employee. We achieved a 3.4% reduction on 2014 figures for our group carbon footprint. Our carbon management strategy and climate risk assessment were submitted to the Carbon Disclosure Project and awarded a score B- in the first year under a new rating system. Our 2016 figures are under compilation.

Developing talent, taking care of our people

We are continuing to equip managers with skills for identifying, nurturing and harnessing talent.

- We have launched Emerging Leaders – a global initiative to accelerate the development of future leaders.
- We are enabling global staff mobility, allowing our people to grow professionally by working in new environments and cultures.

Corporate responsibility

- We are providing added focus 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 in 2016 began to extend the principles to other regions.
- We remain a member of The 5% Club, an initiative focused on recruiting apprentices and graduates to the UK workforce. Members of the club commit to ensuring that 5% of their UK workforce consists of apprentices, graduates or sponsored students; ours is 13%.

Contributing to our communities

- Globally, we support staff with financial contributions and in kind to help charitable and voluntary activities they are involved in. Not only do we believe it is important for the engagement and wellbeing of our staff; we also gain, since individuals develop skills and experience while volunteering that they bring into the group for the benefit of their clients, colleagues and projects.
- We nurture new talent and encourage young people to consider careers in our industries:
  - Senior staff contribute to academic programmes and research at numerous universities across the globe.
  - In the UK, we sponsor two students per year through the Institution of Civil Engineers' Quest programme.
  - We provided 114 summer internships and 31 industrial placements in 2016.
  - We recruited 21 apprentices through the Engineering Technician Apprenticeships Programme in 2016, bringing the number of young people recruited as apprentices to date to 101.
  - 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.
- With customers 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.

Managing risk, safety, and ethics

- We do not tolerate unethical behaviour. Leadership on ethics is led from the top of the organisation by our chairman and provides industry leadership on upholding strong ethical values.
- Our global approach to managing risks related to bribery and corruption are certificated as compliant with British Standard 10500 – Anti-Bribery.
- Business ethics training is a mandatory component of the induction process for all staff and is repeated regularly.
- All reports received through our whistle-blowing process are treated confidentially and are fully investigated and documented.
- Sustainability risks are now considered on all projects. Project managers will be required to analyse a project's potential for social and environmental harm. This helps us to mitigate material and reputational risks.
- Our country managers are selected for their local knowledge of ethical risks and their ability to promote our zero tolerance approach.
- Our 'CLASS' risk management approach has been communicated afresh to all staff.
- In terms of health and safety, 936 near misses – now termed as positive interventions – were logged in 2016, up from 632 in 2015, while the number of accidents fell from 279 in 2015 to 242. These figures show significant year on year improvement in awareness of safety risk. However, the number of days lost due to accidents rose from 159 in 2015 to 182 in 2016 – all resulting from 20 accidents. There were 101 reported cases of work-related ill health resulting in 1,271 lost days. There is action being taken to monitor and reduce the impact of work-related ill health and it is a major focus for 2017.
- The Group's approach to all areas of risk management adopts many aspects of ISO 31000 – Risk Management.
- We comply with national legislation and regulations in the countries where we deliver projects.
- Information quality and security are supported through our integrated management system and aligned with ISO 27001, the international standard for information management.

K. J. Howells.

Keith Howells, Chairman
1 March 2017

Strategic report

Mike Haigh, Managing Director

Financial performance

Gross revenue of £1,407m was in line with last year (£1,401m), the growth in the business and upside from exchange (7.5%) was offset by the fall in revenue from the transaction in North America (7.1%) which is explained in the business performance section below.

Profit before taxation of £60.6m and earnings before interest, taxation, depreciation and amortisation of £85.6m were both down about 5% on last year. Underlying business performance was generally good, but profit was held back by costs relating to the North American transaction and by exceptional project losses elsewhere, both described below.

The effective tax rate for the year at 15% was significantly down on 2015 (35%). The decrease is largely due to the recognition of the savings in previous years from the introduction in the UK of an overseas branch profits exemption, and recognition of deferred tax assets in certain overseas entities which have returned to a profitable position. The termination of the joint venture (JV) in North America also contributed to the lower effective rate.

Return on average capital employed was 42% after adjusting for exchange. Average net working capital levels throughout the year were between 55 and 60 days, 56 at the year end. The downside on profit from the exceptional costs noted above was to an extent offset by unrealised exchange gains from a weak sterling compared to other major currencies.

Business environment

During 2016, economic recovery continued slowly across most major economies. This together with the ongoing decline in the global mining and metals sector, depressed oil prices and uncertainty caused by Brexit have all contributed to uncertainty and mixed market conditions for private and public infrastructure across the world.

Despite this, the UK, USA and Australia provided opportunities for growth in all our core sectors. The outlook for 2017 continues to reflect the uncertainties around the world, however there continue to be strong prospects in our core markets and sectors.

The UK provided opportunities for growth in all our core sectors. Central Europe has limited opportunities, but there is a growing market for our advisory business.

In North America, the Canadian economy continued to be challenging and markets competitive. The US economy improved with good opportunities in all sectors, although the oil and gas sector slowed significantly during 2016.

The South African economy continued to be impacted by the depressed mining sector, which affected both private investment and tax receipts for funding public infrastructure. Other African markets generally continued to be impacted by political instability, while the market for aid funded projects in Africa was strong.

The picture in the Middle East was mixed. Oil and gas projects were delayed or cancelled due to depressed oil prices. However, the market for large public infrastructure projects held up reasonably well in the circumstances.

The Asian economies were adversely impacted by the macroeconomic pressures outlined above, and this restricted opportunity for growth. However, the infrastructure markets in Australia and New Zealand and more recently Singapore provided good opportunities in both public and private sectors. China, Hong Kong and Taiwan were more challenging.

Business performance

The Group has performed well in 2016 in this mixed business environment, with its geographic and sectoral diversity providing a platform for growth.

Strategic report

The key non-financial indicators used to measure performance are set out in the corporate responsibility statement. The commentary on regional business performance set out below is based on the Group's management accounts.

As part of general business improvement, we have in 2016 carried out a detailed review of our business strategy resulting in a comprehensive Group strategy with more focus on our key markets and that is now being implemented. The new strategy, together with our new branding, will bring much more focus on our clients and our staff and ensure that we are as well placed as possible in our core markets and sectors.

Europe and Africa
The region represents 61% of the Group's gross revenue which grew 7% over 2015 with 5% organic growth and 2% from currency. Overall profit was down 18% on 2015, due to two exceptional project losses. The underlying profit performance in all sectors was up 6% excluding these exceptional items.

All UK sectors delivered good profits, except Transportation, impacted by project losses in the UK roads market, and International Development, impacted by pursuing investment in new work opportunities.

The UK business continued to benefit from the government's pursuit of infrastructure projects as an engine for economic growth. The regulated asset-based industries, particularly water, also provided opportunity, as clients continued delivery of their investment programmes.

Our offices in Central Europe continued to provide skilled engineering resources for projects elsewhere and there is a growing advisory business across Continental Europe. The business in South Africa made a sizable loss, impacted by the depressed mining sector, a lack of work in the public infrastructure markets and project losses. However, our aid-funded international development business in Africa performed strongly.

Working capital performance continued to be a challenge, and deteriorated in all parts of the business, particularly outside the UK. However, the business made progress in addressing specific issues. Overall net working capital days deteriorated marginally during the year but are still at an acceptable level, below 40 days.

Overall the business sees 2017 with an element of uncertainty. However, notwithstanding this, the current order book is reasonable, slightly weaker than 12 months ago, but with strong prospects across the sectors.

North and South America
In early 2016 our JV trading arrangement in North America came to an end after a very successful period of profitable growth. In closing out the trading arrangement, the JV's Canadian infrastructure business joined our JV partner's group while the USA infrastructure business and the oil and gas pipelines business (about two thirds of the total) joined our Group.

The businesses which joined Mott MacDonald, together with other operations that the Group already had in the US and Canada which traded outside the JV arrangement, came together to form a new 100% Group-owned business, trading in North and South America. It is approximately 70% of the size of the former JV, and now represents 20% of the Group's revenue.

The core North American business that now sits within the Group had revenues and profits in 2016 similar to last year in US dollar terms. A good project performance was offset by the costs of carrying excess short term overheads following the split of the JV and by the transaction costs of splitting it. The costs of growing the less mature parts of the business also impacted short term profits, with the business now set up with a much wider remit going forward.

There was strong growth in revenues in the US East business with profit growth matching it. There has been good success with major project wins particularly in the transport sector.

Revenues in the Oil and Gas business were largely unchanged despite markets slowing and becoming more competitive in 2016. However, the business responded to the slower market conditions and managed the impact of this slowdown on profit well.

The US West business faces some challenges in a competitive market. Revenues and profit were down on 2015, but the business is focused on responding to this in 2017.

Strategic report

Net working capital days improved and are below 60 days with a clear focus on working capital management and settlement of old debts. East had a particularly strong performance but that was offset by a deterioration in the West. The order book and contracted work for 2017 are in a stronger position than this time last year.

Middle East and South Asia
The region represents 11% of the Group's gross revenue and was flat year on year. A 10% increase from currency was offset by a net 10% shrinkage in the overall size of the business across its sectors.

Profits grew 15% year on year in the region, with a 12% increase from currency and 3% coming from growth.

The Middle East and Indian businesses continued to improve their performance whilst the Oil, Gas and Petrochemicals (OGP) business saw a 20% reduction in revenues and a sharp decline in profit in what is a very challenging market. Despite those market challenges, the business has controlled costs well and delivered a good performance in the circumstances, remaining profitable and focused on winning work.
The region continued to experience challenges with working capital. Improvements in the Middle East and India were offset by deteriorations in Pakistan and OGP. Working capital ended the year on 121 days, remaining too high given our expectations and performance elsewhere in the Group.

Contracted work and the order book for 2017 are in a weaker position than this time last year with the Middle East and OGP businesses well down. The challenge for the OGP business which forms the largest part of the region is to win work and make profit in an uncertain and difficult market.

Asia Pacific and Australasia
The region represents 8% of the Group's gross revenue. 2016 was a disappointing year for the region, although there were successes in certain markets. Gross revenue was 13% up on 2015, but significantly assisted by currency translation, with little real growth in the business at a regional level. Revenues in Australia and New Zealand grew significantly but were offset by falls in Asia.

Profits were down significantly compared with 2015. Australia and New Zealand had good profit growth, but that was more than offset by falls in profitability and in some cases by losses across the businesses in Asia.

There was a decline in revenues and profits in South East Asia, with North East Asia also down in revenues and in loss. This was due to project losses and overheads not being recovered due to the depressed volumes in challenging markets.

Working capital performance remains disappointing with net working capital days at 102, well above the Group target. Again, Australia and New Zealand have performed well with improvement during the year but the performance in the Asian businesses was generally weak, particularly in North East Asia.

The Australian and New Zealand businesses continued to grow in strong markets particularly New South Wales and Victoria, and the challenge for 2017 is to continue to build on this success. Singapore has a strong pipeline of opportunity. A focus for 2017 is to improve business performance in Hong Kong and China.

The order book for 2017 is at a similar level to last year at a regional level and across the main geographies.

Market position
Mott MacDonald is ranked as the 9th largest international design firm by the USA's Engineering News Record (ENR) magazine, up from 14th in the previous year. In the Infrastructure Journal's technical advisors league table, we are ranked first for the total number of transactions for the fifth consecutive year.

Corporate governance
In reviewing its corporate governance arrangements, changes were introduced at the start of 2016 to make the Executive Board more accountable to the Shareholders' Committee for delivering strategy and operational performance. The Committee has three sub-committees for Audit and Risk; Remuneration and Equity; and Nominations in order to ensure that there is sufficient independent input by senior shareholders and independent advisors in these areas. Executive Board directors are not members of the Shareholders' Committee or its sub-committees, but attend meetings, as required.

Strategic report

Managing risks and uncertainties

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

Our Business Management System (BMS) is designed to be fully compliant with international standards or British standards where international standards are not yet available. These standards cover quality, safety, ethics, security and environment. Operational risk control was further enhanced by the roll out of new process management software to better manage risk and deliver operational efficiencies. The use of this is mandatory across the Group.

Supporting the directives, systems and process controls are the risk management committees at both Group and business unit level. These committees consider the effectiveness of our 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 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. 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.
- The Group 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 Group 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, including monthly targets and forecasts.

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

Our outsourced internal audit function has just completed its initial 3 year contract and has been re-appointed to continue its role as one of the Board's component parts of corporate governance. It will continue to review business operations and assess the adequacy and effectiveness of financial controls and procedures in place to mitigate the more significant areas of financial risk. It will also play a role in reviewing corporate governance around significant change projects such as IT system and procurement projects.

During 2016 the main area of focus brought to managements' attention by internal audit was the need for improvement in the areas of credit checks and ongoing credit review procedures; approval processes for payments; general cash and banking procedures; IT controls and project control meetings.

Gearing and cash flow

Net working capital days are unchanged at 56 days and there is focus to reduce this in 2017 to improve ROCE and liquidity across all parts of the business but especially in the more challenging markets noted above.

Cash balances fell from £122.1m to £106.0m after repayment of £18.4m of bank loans. The business continues to generate adequate cash flow for operational liquidity and organic growth. Group net cash at 31 December 2016 was £50.5m, significantly down from the 2015 figure of £74.0m, mainly due to the termination of the JV in North America, the result of which was to increase Group debt and reduce cash.

Net gearing remained at nil throughout the year. The Group has £90m of committed facilities in place until June 2018 for funding growth. At 31 December £54m of this was utilised. The Group also has bond facilities to provide tender bonds,

Strategic report

performance bonds and advance payment bonds in the normal course of business and has a pension bond in place as security for the UK pension scheme.

Shareholders' equity

Shareholders' equity fell from £106.2m to £102.6m. Increases came from profit transferred to reserves of £50.7m and a fresh share issue of £18.2m made as part of the North America transaction. These increases in equity were offset in the main by a £35.4m charge to reserves relating to the North America transaction; an FRS 102 accounting pension cost of £24.9m; a dividend of £6.5m and a translation exchange loss of £4.1m in reserves.

Looking forward

The Group is well positioned for growth in its core markets. The current macroeconomic pressures may create uncertainty in 2017 particularly from speculation around Britain leaving the EU. However, the continuing, albeit slow, recovery of major economies will provide a platform for growth given our geographic and sector diversity. The order book is strong and our core markets should provide good opportunity for us to drive the business forward.

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

Mike Haigh, Managing Director
1 March 2017

Directors' report

Paul Ferguson, Company Secretary

The directors present their report, together with the audited financial statements of the Group and the company for the year ended 31 December 2016.

Date of Annual General Meeting: 8 April 2017.

Registration

Mott MacDonald Group Limited is a company registered in England and Wales with registered number 1110949.

Principal activities

Mott MacDonald is one of the world's leading engineering, management and development consultancies.

Its core business sectors are the built environment, energy, transport, water, advisory, and international development.

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 £50.7m (2015 – £26.6m).

An interim dividend of £6.5m (2015 – £6.0m) was paid to shareholders on 30 December 2016. The directors do not recommend the payment of a final dividend.

Acquisitions and disposals

There were no acquisitions during the year. During the year, our operations in North America were restructured as described in note 14(d) to the financial statements.

Directors and their interests

The directors of the company during the year ended 31 December 2016 and their interests in the share capital of the company were as follows:

	At 31 December 2016 (or date of resignation) Ordinary Shares	At 31 December 2015 (or date of appointment) Ordinary Shares
Nick DeNichilo	90,000	45,000
Kevin Dixon	100,000	100,000
Mike Haigh	85,000	77,500
Keith Howells	125,000	125,000
Guy Leonard	110,000	105,000
Ed Roud	80,000	72,500

Kevin Dixon resigned as a director on 31 March 2016 and Nick DeNichilo was appointed as a director on 27 April 2016.

Employment policies

The company actively encourages employees to play a part in developing the Group's business and in enhancing its performance.

Increasing share ownership worldwide is a key element of this policy. At the end of 2016 the total number of employee shareholders was 2,753 (2015 – 2,534).

In addition, the Group recognises individual contributions through performance bonuses and annual awards. These include our long-standing Milne Award for innovation, the Best Paper Award, the Chairman's Award for customer care and our Community Awards for charitable work.

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

Directors' report

corporate magazines and reports plus our strategic plan summary.

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 very 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 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, 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 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 the 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 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

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:

Paul Ferguson, Company Secretary
1 March 2017

Independent auditor's report

to the members of Mott MacDonald Group Limited

We have audited the financial statements of Mott MacDonald Group Limited for the year ended 31 December 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated and parent company statement of cash flows, the consolidated and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and 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 group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Stephen Maslin, Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
1 March 2017

Consolidated income statement

for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Gross revenue	5	**1,407,198**	1,401,408
Cost of sales		**(884,087)**	(870,770)
Gross profit		**523,111**	530,638
Administrative expenses		**(460,170)**	(463,140)
Group operating profit	6	**62,941**	67,498
Income from other fixed asset investments		**4**	38
Income from current asset investments		**1,366**	256
Profit on ordinary activities before interest		**64,311**	67,792
Net interest payable	9	**(888)**	(1,035)
Other finance cost	25(c)	**(2,852)**	(3,196)
Profit on ordinary activities before taxation		**60,571**	63,561
Tax on profit on ordinary activities	10(a)	**(9,247)**	(22,312)
Profit on ordinary activities after taxation		**51,324**	41,249
Profit attributable to:			
Owners of the parent company	22	**50,719**	26,575
Non-controlling interests		**605**	14,674
		51,324	41,249

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

Consolidated statement of comprehensive income

for the year ended 31 December 2016

	Notes	**2016 £000**	2015 £000
Profit for the financial year		**51,324**	41,249
Exchange adjustments on translation of net assets of overseas subsidiaries		**(2,643)**	(390)
Actuarial loss on pension schemes	22, 25(c)	**(26,291)**	(19,942)
Deferred tax on actuarial loss	10(c), 22	**4,296**	3,601
Deferred tax on additional pension contributions	10(c), 22	**(2,487)**	(2,656)
Deferred tax rate change on opening pension scheme deficit	10(c), 22	**(465)**	(787)
Total other comprehensive loss		**(27,590)**	(20,174)
Total comprehensive income for the year		**23,734**	21,075
Total comprehensive income for the year attributable to:			
Owners of the parent company		**21,672**	8,187
Non-controlling interests		**2,062**	12,888
		23,734	21,075

Consolidated statement of financial position

at 31 December 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Intangible assets	12	**53,648**	62,092
Tangible assets	13	**30,204**	26,952
Other fixed asset investments	14(a)	**262**	290
		84,114	89,334
Current assets			
Debtors	15	**500,742**	441,566
Investments	14(a)	**18,902**	18,652
Cash at bank and in hand	27(b)	**106,023**	122,065
		625,667	582,283
Creditors: amounts falling due within one year	16	**(419,517)**	(356,821)
Net current assets		**206,150**	225,462
Total assets less current liabilities		**290,264**	314,796
Creditors: amounts falling due after more than one year	17	**(54,085)**	(45,812)
Provisions for liabilities	20	**(26,054)**	(24,297)
Net assets excluding pension liability		**210,125**	244,687
Pension liability	25(c)	**(106,867)**	(91,285)
Net assets including pension liability		**103,258**	153,402
Capital and reserves			
Called up share capital	21	**11,713**	10,032
Share premium account	22	**17,717**	1,242
Revaluation reserve	22	**814**	814
Capital redemption reserve	22	**–**	–
Investment in own shares	22	**(10,602)**	(8,158)
Profit and loss account	22	**83,001**	102,265
Equity attributable to owners of the parent company		**102,643**	106,195
Non-controlling interests		**615**	47,207
Total capital and reserves		**103,258**	153,402

These financial statements were approved by the board of directors on 1 March 2017.

K J Howells, Chairman

Company statement of financial position

at 31 December 2016

	Notes	**2016 £000**	2015 £000
Fixed assets			
Investment in subsidiary undertakings	14(b)	**347,299**	347,299
Current assets			
Debtors	15	**39,779**	10,941
Cash at bank and in hand	27(b)	**43**	147
		39,822	11,088
Creditors: amounts falling due within one year	16	**(76)**	(40)
Net current assets		**39,746**	11,048
Total assets less current liabilities		**387,045**	358,347
Creditors: amounts falling due after more than one year	17	**(250,000)**	(250,000)
Net assets		**137,045**	108,347
Capital and reserves			
Called up share capital	21	**11,713**	10,032
Share premium account	22	**17,717**	1,242
Revaluation reserve	22	**2,733**	2,733
Capital redemption reserve	22	**–**	–
Profit and loss account		**104,882**	94,340
Shareholders' equity		**137,045**	108,347

These financial statements were approved by the board of directors on 1 March 2017.

K. J. Howells.

K J Howells, Chairman

Consolidated and company statement of cash flows

for the year ended 31 December 2016

	Notes	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Operating activities					
Net cash inflow from operations	27(a)	**80,533**	89,549	**6,363**	6,129
Taxation:					
Corporation tax paid		**(3,760)**	(9,969)	**–**	–
Overseas tax paid		**(14,274)**	(17,840)	**–**	–
		(18,034)	(27,809)	**–**	–
Net cash flow from operating activities		**62,499**	61,740	**6,363**	6,129
Investing activities					
Payments to acquire intangible fixed assets	12	**(3,804)**	(1,261)	**–**	–
Payments to acquire tangible fixed assets		**(13,720)**	(12,753)	**–**	–
Receipts from sales of tangible fixed assets		**851**	630	**–**	–
Payments to acquire current asset investments	14(a)	**(20,537)**	(13,758)	**–**	–
Receipts from sales of current asset investments		**21,271**	20,454	**–**	–
Receipts from sales of other fixed asset investments		**36**	–	**–**	–
Payments to acquire other fixed asset investments		**–**	(2)	**–**	–
Net cash flow from investing activities		**(15,903)**	(6,690)	**–**	–
Financing activities					
Net cash movement on change in ownership of non-controlling interests	14(d)	**(57,359)**	–	**–**	–
Dividends paid to non-controlling interests		**(10,287)**	(10,282)	**–**	–
Issue of shares classed as financial liabilities		**2**	4	**2**	4
Proceeds of sale of shares		**16,546**	9,648	**–**	–
Repurchases of own shares		**(10,402)**	(8,105)	**–**	–
Repurchase of shares from employees in subsidiary undertaking		**(5,930)**	(120)	**–**	–
New loans		**22,286**	31	**–**	–
Repayment of loans		**(18,394)**	(16,314)	**–**	–
Repayments of capital element of finance leases and hire purchase contracts		**(1,536)**	(1,232)	**–**	–
Equity dividends paid	11	**(6,469)**	(6,045)	**(6,469)**	(6,045)
Net cash flow from financing activities		**(71,543)**	(32,415)	**(6,467)**	(6,041)
(Decrease)/increase in cash and cash equivalents		**(24,947)**	22,635	**(104)**	88
Effect of exchange rates on cash and cash equivalents		**9,410**	(4,479)	**–**	–
Cash and cash equivalents at 1 January	27(b)	**121,449**	103,293	**147**	59
Cash and cash equivalents at 31 December	27(b)	**105,912**	121,449	**43**	147

Consolidated and company statement of changes in equity

for the year ended 31 December 2016

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Called up share capital				
At 1 January	**10,032**	11,282	**10,032**	11,282
Issue of ordinary shares (note 21)	**1,681**	–	**1,681**	–
Redemption of ordinary shares	**–**	(1,250)	**–**	(1,250)
At 31 December (note 21)	**11,713**	10,032	**11,713**	10,032
Share premium account				
At 1 January	**1,242**	12,242	**1,242**	12,242
Issue of ordinary shares (note 21)	**16,475**	–	**16,475**	–
Transfer to profit and loss account on capital reduction	**–**	(11,000)	**–**	(11,000)
At 31 December	**17,717**	1,242	**17,717**	1,242
Revaluation reserve				
At 1 January and at 31 December	**814**	814	**2,733**	2,733
Capital redemption reserve				
At 1 January	**–**	–	**–**	–
Transfer from profit and loss account on cancellation of own shares	**–**	1,250	**–**	1,250
Transfer to profit and loss account on capital reduction	**–**	(1,250)	**–**	(1,250)
At 31 December	**–**	–	**–**	–
Investment in own shares				
At 1 January	**(8,158)**	(17,576)	**–**	–
Shares sold back by Employee Trust to Mott MacDonald Group Limited	**–**	12,250	**–**	–
Sale of shares by Employee Trust to employees	**8,940**	9,648	**–**	–
Repurchases of shares by Employee Trust from employees	**(10,402)**	(8,105)	**–**	–
Surplus on disposal of own shares	**(982)**	(4,375)	**–**	–
At 31 December	**(10,602)**	(8,158)	**–**	–

Consolidated and company statement of changes in equity
(continued)

for the year ended 31 December 2016

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Profit and loss account				
At 1 January	**102,265**	95,809	**94,340**	84,311
Profit for the year	**50,719**	26,575	**17,011**	16,135
Other comprehensive (loss)/income:				
Exchange adjustments on translation of net assets of overseas subsidiaries	**(4,100)**	1,396	**–**	–
Actuarial loss on pension schemes (notes 22, 25(c))	**(26,291)**	(19,942)	**–**	–
Deferred tax on actuarial loss (notes 10(c), 22)	**4,296**	3,601	**–**	–
Deferred tax on additional pension contributions (notes 10(c), 22)	**(2,487)**	(2,656)	**–**	–
Deferred tax rate change on opening pension scheme deficit (notes 10(c), 22)	**(465)**	(787)	**–**	–
Total other comprehensive loss for the year	**(29,047)**	(18,388)	**–**	–
Total comprehensive income for the year	**21,672**	8,187	**17,011**	16,135
Adjustment in respect of transaction with non-controlling interests (note 14(d))	**(3,465)**	–	**–**	–
Shares sold back by Employee Trust to Mott MacDonald Group Limited	**–**	(12,250)	**–**	(12,250)
Surplus on disposal of own shares	**982**	4,375	**–**	–
Transfer to profit and loss account on capital reduction	**–**	12,250	**–**	12,250
Stamp duty on repurchase of shares from Employee Trust	**–**	(61)	**–**	(61)
Dividends paid (note 11)	**(6,469)**	(6,045)	**(6,469)**	(6,045)
Acquisition of non-controlling interests (note 14(d))	**(31,984)**	–	**–**	–
At 31 December	**83,001**	102,265	**104,882**	94,340
Equity attributable to owners of the parent company	**102,643**	106,195	**137,045**	108,347

Consolidated and company statement of changes in equity
(continued)

for the year ended 31 December 2016

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Non-controlling interests				
At 1 January	**47,207**	44,721	**–**	–
Profit for the year	**605**	14,674	**–**	–
Other comprehensive income/(loss):				
Exchange adjustments on translation of net assets of overseas subsidiaries	**1,457**	(1,786)	**–**	–
Total comprehensive income for the year	**2,062**	12,888	**–**	–
Repurchases of shares from employees in subsidiary company for cash	**(5,930)**	(120)	**–**	–
Redemptions of shares in subsidiary company (note 14(d))	**(25,548)**	–	**–**	–
Purchase of shares from employees in subsidiary company in exchange for shares in ultimate parent undertaking	**(10,354)**	–	**–**	–
Changes in ownership of non-controlling interest	**(41,832)**	(120)	**–**	–
Adjustment in respect of transaction with non-controlling interests (note 14(d))	**3,465**	–	**–**	–
Dividends	**(10,287)**	(10,282)	**–**	–
At 31 December	**615**	47,207	**–**	–
Total capital and reserves	**103,258**	153,402	**137,045**	108,347
Total capital and reserves				
At 1 January	**153,402**	147,292	**108,347**	110,568
Issue of ordinary shares (note 21)	**18,156**	–	**18,156**	–
Sale of shares by Employee Trust to employees	**8,940**	9,648	**–**	–
Repurchases of shares by Employee Trust from employees	**(10,402)**	(8,105)	**–**	–
Profit for the year	**51,324**	41,249	**17,011**	16,135
Other comprehensive loss for the year	**(27,590)**	(20,174)	**–**	–
Changes in ownership of non-controlling interest	**(41,832)**	(120)	**–**	–
Stamp duty on repurchase of shares from Employee Trust	**–**	(61)	**–**	(61)
Dividends	**(16,756)**	(16,327)	**(6,469)**	(6,045)
Premium on shares repurchased	**–**	–	**–**	(11,000)
Shares redeemed	**–**	–	**–**	(1,250)
Acquisition of non-controlling interests (note 14(d))	**(31,984)**	–	**–**	–
At 31 December	**103,258**	153,402	**137,045**	108,347

All transactions other than from profit or loss or other comprehensive income are transactions with owners.

Notes to the financial statements

at 31 December 2016

1. Company information

Mott MacDonald Group Limited is a company registered in England and Wales with registered number 1110949. 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.

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.

Where subsidiary undertakings have financial year ends other than 31 December, the Group financial statements consolidate their results and net assets based on management accounts drawn up to 31 December.

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

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

Mott MacDonald Employee Trust

The results, assets and liabilities of the Mott MacDonald Employee Trust ('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 net assets of the Group.

Going concern

After considering the Group's future prospects, its cash flow forecasts and bank facilities available, the directors have full expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

3. Significant judgements and estimates

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

Contract accounting and recoverability of receivables

The Group's contract 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 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, 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.

Notes to the financial statements

at 31 December 2016

3. Significant judgements and estimates (continued)

Goodwill and other intangible assets

The Group 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 usual 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 Group 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 Group 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 Group 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 Group'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.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. The Group provides for potential liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures.

Share valuation

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 company's Articles of Association. Management uses its judgement to verify this value is a reasonable estimate of the fair value of the company's shares.

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 goodwill.

Notes to the financial statements

at 31 December 2016

4. Principal accounting policies (continued)

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 acquired separately from a business are capitalised at cost.

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:

Software	2 to 10 years
Customer relationships	10 years
Forward order book	6 years
Goodwill	5 to 20 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 equity. Gains or losses on disposals to non-controlling interests are also recorded 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:

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

Gross revenue

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

Notes to the financial statements

at 31 December 2016

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 are excluded from gross revenue. Similarly, disbursements are excluded from cost of sales.

Gross revenue is recognised in the income statement by reference to the stage of completion of the contract at the statement of financial position date, provided that a right to consideration has been obtained through performance.

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 revenue represents the cost appropriate to the stage of completion of each contract plus attributable profits, 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 work done to date including attributable profit over cumulative progress payments received and receivable. Where the progress payments received and receivable exceed the value of the work done to date, the excess is shown within creditors as payments on account.

Jointly controlled operations

The Group has certain contractual arrangements with other participants to engage in joint activities that do not give rise to a jointly controlled entity. The Group 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 income statement in the year that they are incurred.

Fixed asset investments

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, which approximates to fair value.

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 do 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.

Notes to the financial statements

at 31 December 2016

4. Principal accounting policies (continued)

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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences at the statement of financial position 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 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 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, other 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 Group 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.

Notes to the financial statements

at 31 December 2016

4. Principal accounting policies (continued)

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 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. All resulting exchange differences are recognised in other comprehensive income or loss.

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 Group, 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 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. These 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 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 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 occur, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

Notes to the financial statements

at 31 December 2016

4. Principal accounting policies (continued)

Pensions (continued)

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

Derivative financial instruments

The Group uses foreign exchange forward contracts to reduce exposure to foreign exchange rates. The Group 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.

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:

	2016 £000	2015 £000
Europe and Africa	**721,948**	684,086
Americas	**327,268**	393,630
Middle East and South Asia	**211,668**	190,130
Asia Pacific and Australasia	**146,314**	133,562
	1,407,198	1,401,408

Analysis by type of business:

	2016 £000	2015 £000
Consulting services	**1,238,479**	1,267,461
Building and civil engineering contracting	**168,719**	133,947
	1,407,198	1,401,408

Notes to the financial statements

at 31 December 2016

6. Operating profit

This is stated after charging/(crediting):

		2016 £000	2015 £000
Auditors' remuneration	– audit services – principal auditor for audit of parent company and Group financial statements	**296**	267
	– for audit of subsidiaries by associates of principal auditor	**619**	463
		915	730
	– audit services – non-principal auditors for audit of subsidiary companies	**82**	277
		997	1,007
	– non-audit services – principal auditor of parent company other	**33**	27
	– non-audit services – associates of principal auditor taxation	**41**	16
	other	**18**	7
		92	50
Current service costs in pension schemes (note 25(c))		**76**	47
Foreign exchange (gains)/losses		**(25,523)**	3,418
Depreciation (note 13)		**11,602**	11,697
Amortisation of goodwill (note 12)		**4,135**	5,470
Amortisation of software (note 12)		**776**	745
Amortisation of other intangibles (note 12)		**4,800**	4,737
Impairment of goodwill (note 12)		**1,973**	2,007
Operating lease rentals	– vehicles and equipment	**2,399**	2,610
	– land and buildings	**31,429**	31,662

7. Directors' remuneration

	2016 £000	2015 £000
Emoluments (excluding pension contributions)	**3,086**	4,863

The emoluments (excluding pension contributions) of the highest paid director were £729,428 (2015 − £1,231,312).

During the year £130,385 (2015 − £129,866) of contributions were paid to defined contribution pension plans in respect of 5 directors (2015 − 4), of which £nil related to the highest paid director. Some of the directors also have benefits under the closed defined benefit section of the Mott MacDonald Pension Scheme ('MMPS').

During 2015, £471,950 was paid to one director on taking early retirement. There were no such payments in 2016.

Notes to the financial statements

at 31 December 2016

8. Staff costs

	2016 £000	2015 £000
Salaries	**673,058**	626,841
Social security costs	**47,658**	43,295
Other pension costs	**71,203**	65,758
	791,919	735,894

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

	No.	No.
Management	**917**	868
Technical staff	**12,173**	12,622
Administrative staff	**1,914**	2,041
	15,004	15,531
The actual number of permanent staff at 31 December was:	**14,926**	15,736

9. Net interest payable

	2016 £000	2015 £000
Interest receivable	**877**	501
Interest payable:		
Bank loans and overdrafts	**(1,579)**	(1,436)
Finance charges payable under finance leases	**(58)**	(33)
Other	**(128)**	(67)
	(1,765)	(1,536)
Net interest payable	**(888)**	(1,035)

Notes to the financial statements

at 31 December 2016

10. Tax

(a) Tax on profit on ordinary activities

	2016 £000	2015 £000
The taxation charge is made up as follows:		
Current tax:		
UK corporation tax	**7,495**	1,584
Non-UK tax	**13,919**	15,323
Capital gains tax – Mott MacDonald Employee Trust	**149**	583
	21,563	17,490
Double taxation relief	**(6)**	(11)
	21,557	17,479
Adjustments in respect of previous years:		
UK corporation tax	**(4,161)**	5,354
Non-UK tax	**2,458**	(1,074)
Capital gains tax – Mott MacDonald Employee Trust	**(583)**	–
Total current tax	**19,271**	21,759
Deferred tax:		
Origination and reversal of timing differences	**(5,032)**	(2,056)
Adjustments in respect of previous years	**(1,614)**	729
Deferred tax on unremitted earnings	**(3,922)**	744
Effect of decreased tax rate on opening balance	**544**	1,136
Total deferred tax (credit)/charge (note 10(c))	**(10,024)**	553
Tax on profit on ordinary activities (note 10(b))	**9,247**	22,312

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £1,512,000 credit (2015 − £3,022,000 credit).

Notes to the financial statements

at 31 December 2016

10. Tax (continued)

(b) Factors affecting tax charge for the year

The tax provided for the year is lower (2015 – higher) than the amount computed at the average rate of corporation tax in the UK of 20% (2015 − 20.25%). The differences are explained below. The average rates reflect the reduction substantively enacted on 2 July 2013 from 21% to 20% with effect from 1 April 2015.

Further reductions in UK corporation tax rates, from 20% to 19% with effect from 1 April 2017, and from 19% to 17% with effect from 1 April 2020, were substantively enacted on 18 November 2015 and 15 September 2016 respectively. These reductions have been taken into account in calculating the deferred tax assets and liabilities included in the statement of financial position.

	2016 £000	2015 £000
Profit on ordinary activities before taxation	**60,571**	63,561
Profit on ordinary activities before taxation multiplied by the average rate of corporation tax in the UK of 20% (2015 − 20.25%).	**12,114**	12,871
Effects of:		
Tax losses	**6,317**	307
Higher taxes on non-UK earnings	**(1,101)**	6,929
Adjustments in respect of previous years	**(3,900)**	5,009
Pension contributions	**(2,856)**	(2,864)
Timing differences not provided	**72**	26
Impact of tax rate change	**569**	1,238
Other permanent differences	**(1,968)**	(1,204)
Tax on profit on ordinary activities (note 10(a))	**9,247**	22,312

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 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 £57,382,000 (2015 − £11,761,000) 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, India, Hong Kong, Ireland, Brazil, Canada and China. Deferred tax assets have not been recognised in respect of £42,561,000 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 2016

10. Tax (continued)

(c) Deferred tax

Group

	2016 £000	2015 £000
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 15)	**39,935**	28,031
Included in provisions for liabilities (note 20)	**(6,096)**	(9,201)
	33,839	18,830
The elements of deferred taxation are as follows:		
Excess of book depreciation over tax allowances on fixed assets	**2,379**	2,566
Amortisation of intangible assets	**(4,792)**	(6,745)
Pension liability (note 25(c))	**19,402**	17,547
Accrued expenses and provisions	**14,329**	6,975
Unremitted earnings	**–**	(3,610)
Losses	**4,150**	2,479
Other timing differences	**(1,629)**	(382)
	33,839	18,830
The movement in the year was:		
At 1 January	**18,830**	19,318
Deferred tax credit/(charge) in the consolidated income statement (note 10(a))	**10,024**	(553)
Deferred tax credit/(charge) in the statement of comprehensive income		
– on actuarial loss in pension schemes (note 22)	**4,296**	3,601
– on additional pension contributions made during the year (note 22)	**(2,487)**	(2,656)
– due to effect of rate change on opening balance of pension scheme (note 22)	**(465)**	(787)
Impact of disposals	**922**	–
Exchange and other adjustments	**2,719**	(93)
At 31 December	**33,839**	18,830

The amount of the net reversal of deferred tax expected to occur next year is £nil (2015 − £nil).

Notes to the financial statements

at 31 December 2016

11. Dividends

	2016 £000	2015 £000
The following dividends were paid during the year:		
Ordinary:		
Interim dividend paid per share (2016 − 60p; 2015 − 65p)	**6,469**	6,045

The trustees of the Mott MacDonald Employee Trust waived the dividend on their 931,288 ordinary shares (held at the relevant date for dividend purposes) amounting to £558,773.

12. Group intangible fixed assets

2016	**Goodwill £000**	**Software £000**	**Other intangibles £000**	**Total £000**
Cost:				
At 1 January	**99,526**	**5,592**	**42,384**	**147,502**
Exchange adjustments	**172**	**836**	**313**	**1,321**
Additions	**–**	**3,804**	**–**	**3,804**
Disposal of subsidiary	**(3,711)**	**(260)**	**–**	**(3,971)**
Disposals	**–**	**(38)**	**–**	**(38)**
At 31 December	**95,987**	**9,934**	**42,697**	**148,618**
Amortisation:				
At 1 January	**74,870**	**4,115**	**6,425**	**85,410**
Exchange adjustments	**57**	**651**	**104**	**812**
Provided during the year	**4,135**	**776**	**4,800**	**9,711**
Disposal of subsidiary	**(2,714)**	**(186)**	**–**	**(2,900)**
Impairment charges	**1,973**	**–**	**–**	**1,973**
Disposals	**–**	**(36)**	**–**	**(36)**
At 31 December	**78,321**	**5,320**	**11,329**	**94,970**
Net book value:				
At 31 December	**17,666**	**4,614**	**31,368**	**53,648**
At 1 January	24,656	1,477	35,959	62,092

The £31,368,000 other intangibles include customer relationships (£28,282,000) and forward order book (£3,086,000). The impairment charge of £1,973,000 is included within administrative expenses in the consolidated income statement.

Notes to the financial statements

at 31 December 2016

13. Group tangible fixed assets

2016	Freehold land & buildings £000	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
Cost:				
At 1 January	**102**	**4,310**	**84,788**	**89,200**
Exchange adjustments	**17**	**368**	**7,720**	**8,105**
Additions	**–**	**1,446**	**13,062**	**14,508**
Disposal of subsidiary	**–**	**(249)**	**(5,169)**	**(5,418)**
Disposals	**–**	**(957)**	**(4,929)**	**(5,886)**
At 31 December	**119**	**4,918**	**95,472**	**100,509**
Depreciation:				
At 1 January	**62**	**2,775**	**59,411**	**62,248**
Exchange adjustments	**10**	**313**	**5,754**	**6,077**
Provided during the year	**8**	**853**	**10,741**	**11,602**
Disposal of subsidiary	**–**	**(160)**	**(3,979)**	**(4,139)**
Disposals	**–**	**(915)**	**(4,568)**	**(5,483)**
At 31 December	**80**	**2,866**	**67,359**	**70,305**
Net book value:				
At 31 December	**39**	**2,052**	**28,113**	**30,204**
At 1 January	40	1,535	25,377	26,952

Included in the above figures for motor vehicles are vehicles held under finance leases with a net book value of £39,000 (2015 − £15,000). In addition, the above figures for fixtures, fittings and equipment include plant and machinery held under finance leases with a net book value of £2,309,000 (2015 − £2,634,000).

Notes to the financial statements

at 31 December 2016

14. Investments

(a) Group

Other fixed asset investments	2016 £000
Cost:	
At 1 January	**290**
Disposals	**(28)**
At 31 December	**262**

The principal activity of the businesses comprising other fixed asset investments is that of consulting engineers.

Current asset investments	2016 £000	2015 £000
Valuation:		
At 1 January	**18,652**	25,520
Additions	**20,537**	13,758
Disposals	**(20,398)**	(20,098)
Fair value adjustments	**111**	(528)
At 31 December	**18,902**	18,652
Investments:		
Listed on the London Stock Exchange	**18,902**	18,652

Current asset investments are held by MHACE Insurance Company Limited, the Group's captive insurance company.
The historical cost of current asset investments is £18,060,000 (2015 − £17,921,000).

Notes to the financial statements

at 31 December 2016

14. Investments (continued)

(b) Company

Subsidiary undertakings	2016 £000
Deemed cost:	
At 1 January	**349,647**
Diminution in value	**(10)**
At 31 December	**349,637**
Amounts provided:	
At 1 January	**2,348**
Release of provision	**(10)**
At 31 December	**2,338**
Net book value:	
At 31 December	**347,299**
At 1 January	347,299

The total historical cost of interests in subsidiary undertakings is £346,510,000 (2015 − £346,520,000).
Subsidiary undertakings held at cost or written down value amount to £334,091,000 (2015 − £334,091,000).
Subsidiary undertakings held at valuation amount to £13,208,000 (2015 − £13,208,000), the historical cost of which amounts to £10,081,000 (2015 − £10,081,000).

Notes to the financial statements

at 31 December 2016

14. Investments (continued)

(c) Principal subsidiaries

The company's principal subsidiary undertakings at 31 December 2016 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	Controlling interest 2016 %	Controlling interest 2015 %	Country of incorporation/registration
Habtec Engenharia Sanitaria e Ambiental Ltda	**100**	100	Brazil
JN Bentley Limited	**100**	100	England and Wales
MHACE Insurance Company Limited	**100**	100	Guernsey
Mott MacDonald & Company LLC	**65**	65	Oman
Mott MacDonald (Beijing) Limited	**100**	100	China
Mott MacDonald (Malaysia) Sdn. Bhd.[1]	**100**	100	Malaysia
Mott MacDonald Africa (Proprietary) Limited	**100**	100	South Africa
Mott MacDonald Australia Pty Limited	**100**	100	Australia
Mott MacDonald B.V.	**100**	100	The Netherlands
Mott MacDonald Canada Limited	**100**	100	Canada
Mott MacDonald CZ, spol. s r.o.	**100**	100	Czech Republic
Mott MacDonald Group, Inc. (formerly Hatch Mott MacDonald Group, Inc.)	**100**	55.3	United States of America
Mott MacDonald Hong Kong Limited	**100**	100	China (Hong Kong)
Mott MacDonald International Limited[1]	**100**	100	England and Wales
Mott MacDonald Ireland Limited	**100**	100	Republic of Ireland
Mott MacDonald Limited[1]	**100**	100	England and Wales
Mott MacDonald New Zealand Limited	**100**	100	New Zealand
Mott MacDonald Polska Spolka z o.o.	**100**	100	Poland
Mott MacDonald Private Limited	**100**	100	India
Mott MacDonald Singapore Pte Limited	**100**	100	Singapore
Mott MacDonald, Inc.	**100**	100	United States of America

[1]investment not held through subsidiary undertaking

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

Notes to the financial statements

at 31 December 2016

14. Investments (continued)

(d) Acquisition of non-controlling interests

Mott MacDonald Group, Inc. (formerly Hatch Mott MacDonald Group, Inc.) ('HMM') was created in partnership by Mott MacDonald Group Limited ('MMG') and Hatch Associates, Inc. ('Hatch') providing engineering and professional services to the North American infrastructure market. HMM grew to serve the transportation, water/wastewater, tunnelling, and oil and gas pipelines markets. With the joint operation having more than fulfilled its original intent, MMG and Hatch agreed that the route to achieving their respective global growth ambitions now was to move forward as two separate businesses across North America. To this end, a separation agreement was signed between Hatch and MMG on 8 April 2016 with completion taking place on 26 April 2016. The key aspects of the separation were:

1) HMM's interest in its Canadian subsidiary, Hatch Mott MacDonald Limited ('HMML') excluding the pipelines element was transferred to Hatch in consideration for Hatch giving up its interest in the ownership of HMM.

2) The separation was effective from 1 January 2016. Negotiations had commenced prior to 1 January 2016 and the US and Canadian operations were effectively being controlled and managed under the revised structure from 1 January 2016 while the formalities of the separation agreement were being completed. MMG is not entitled to any of HMML's earnings from 1 January 2016. Consequently, the separation has been treated as effective from 1 January 2016 for Group consolidation purposes. The results of HMML between 1 January 2016 and the completion date of 26 April 2016 are not considered material to the Group financial statements.

3) The HMM shares held by employees of HMM were either redeemed or exchanged for shares in MMG where applicable.

On this basis, the disposal of HMML and the increase in MMG's ownership in HMM have been accounted for as transactions between equity holders in accordance with FRS 102. Accordingly, the carrying amount of the non-controlling interest has been adjusted to reflect the change in MMG's interest in HMM's net assets. Any difference between the adjustment to the non-controlling interest and the fair value of the consideration paid or received, has been recognised directly in equity and attributed to equity holders of MMG. No gain or loss has been recognised in the consolidated income statement on these changes. The disposal of HMML has been accounted for as a distribution to equity holders under FRS 102 Section 22.17 and the value of the distribution is considered to be the book value of the net assets transferred.

The separation of the Canadian operation in HMM is not considered to be a discontinued operation as the Group's strategy is to continue to grow its operations in Canada through Mott MacDonald Canada Limited, a wholly owned subsidiary.

Net assets of HMML transferred to Hatch:

	£000
Intangible fixed assets	1,071
Tangible fixed assets	1,279
Debtors	13,208
Cash at bank and in hand	57,359
Creditors due within one year	(14,196)
Provisions	(1,189)
Net assets transferred at book value*	57,532
Fair value of shares held in HMM, cancelled on separation by Hatch	(25,548)
Acquisition of non-controlling interests	31,984

*Fair value of the assets transferred is not considered to be materially different to their book value.

Notes to the financial statements

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15. Debtors

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade debtors	**218,292**	211,578	**–**	–
Amounts recoverable on contracts	**191,698**	159,665	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**39,773**	10,935
Amounts owed by other fixed asset investments	**1,089**	1,029	**–**	–
Deferred taxation (note 10(c))	**39,935**	28,031	**–**	–
Taxation recoverable	**11,110**	12,860	**–**	–
Other debtors	**11,994**	9,645	**6**	6
Prepayments and accrued income	**26,624**	18,647	**–**	–
Pension asset (note 25(c))	**–**	111	**–**	–
	500,742	441,566	**39,779**	10,941

Deferred taxation is recoverable after more than one year. Amounts owed by subsidiary undertakings will not be called up at short notice. Amounts owed by subsidiary undertakings of £39,773,000 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 equal to LIBID.

16. Creditors: amounts falling due within one year

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Current instalments due on unsecured bank and other loans (note 18)	**514**	440	**–**	–
Bank overdrafts	**111**	616	**–**	–
Payments on account	**164,797**	141,923	**–**	–
Amounts due to other fixed asset investments	**27**	27	**–**	–
Trade creditors	**56,680**	52,110	**–**	–
Current UK corporation tax	**149**	2,482	**–**	–
Non-UK taxation	**11,319**	7,619	**–**	–
Other taxes	**11,587**	9,467	**–**	–
Social security	**11,482**	10,070	**–**	–
Shares classed as financial liabilities (note 21)	**39**	37	**39**	37
Obligations under finance leases (note 19)	**771**	1,177	**–**	–
Other creditors	**17,636**	16,304	**37**	3
Accruals	**144,405**	114,549	**–**	–
	419,517	356,821	**76**	40

Notes to the financial statements

at 31 December 2016

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

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Unsecured bank loans (note 18)	**53,966**	44,888	**–**	–
Unsecured other loans (note 18)	**20**	488	**–**	–
Obligations under finance leases (note 19)	**99**	436	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**250,000**	250,000
	54,085	45,812	**250,000**	250,000

Amounts owed to subsidiary undertakings 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 of LIBOR + 2%.

18. Loans

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

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Wholly repayable within five years	**54,500**	45,816	**–**	–

The £54.5m loans mainly relate to amounts drawn down on the committed secured revolving credit facility which is in place until June 2018 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:

Group

	Land and buildings		Other	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Amounts payable:				
Within one year	**29,572**	29,882	**2,269**	2,205
In two to five years	**84,397**	75,338	**1,781**	2,855
Over five years	**76,260**	79,622	**–**	–
	190,229	184,842	**4,050**	5,060

Obligations under finance leases, included within creditors, are analysed as follows:

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Wholly repayable within five years	**870**	1,613	**–**	–

Notes to the financial statements

at 31 December 2016

20. Provisions for liabilities

Group

2016	Provision for losses on contracts £000	Deferred taxation Note 10(c) £000	Other provisions £000	Total £000
At 1 January	3,081	9,201	12,015	24,297
Exchange adjustments	534	(28)	–	506
On disposals	(267)	(922)	–	(1,189)
Arising during the year	4,325	–	5,078	9,403
Utilised	(1,288)	(2,155)	(3,520)	(6,963)
At 31 December	6,385	6,096	13,573	26,054

Other provisions are mainly in respect of outstanding claims within MHACE Insurance Company Limited, the Group's captive insurance company. Due to their nature, it is not possible to predict the precise timing of their utilisation.

21. Share capital

Allotted, called up and fully paid

	2016 No.	2015 No.	2016 £000	2015 £000
Ordinary shares of £1 each	11,713,212	10,032,124	11,713	10,032
Convertible deferred shares of 1p each (classified as a liability) (note 16)	3,868,780	3,678,730	39	37
			11,752	10,069

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 and 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 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 2016

21. Share capital (continued)

During the year the company issued 1,681,088 ordinary shares of £1 each fully paid for £18,156,000 of which 704,218 were issued fully paid for cash of £7,606,000 and 976,870 were issued fully paid as consideration for shares in Mott MacDonald Group, Inc. (formerly Hatch Mott MacDonald Group, Inc.) to former employee shareholders of Mott MacDonald Group, Inc. (see note 14(d)).

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.

Pursuant to a special resolution passed at the Annual General Meeting on 9 April 2016, and to paragraph 25 of Schedule A of the Articles, the Company determined that no further issues of convertible deferred shares should be made from the date of the meeting and instead the Company would offer 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. Terms used in this special resolution should have the same meaning as defined in the Articles before they were amended by Resolution 4.

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.

Capital redemption reserve
This reserve records the nominal value of shares repurchased by the company.

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.

Capital redemption reserve
This reserve records the nominal value of shares repurchased by the company.

Notes to the financial statements

at 31 December 2016

22. Reserves (continued)

Group

Profit and loss account

	2016 Excluding pension deficit £000	2016 Pension deficit £000	2016 Including pension deficit £000	2015 Including pension deficit £000
At 1 January	**174,643**	**(72,378)**	**102,265**	95,809
Stamp duty on repurchase of shares from Employee Trust	**–**	**–**	**–**	(61)
Premium on shares repurchased	**–**	**–**	**–**	(11,000)
Transfer from share premium account on capital reduction	**–**	**–**	**–**	11,000
Transfer to capital redemption reserve on repurchase and cancellation of own shares	**–**	**–**	**–**	(1,250)
Transfer from capital redemption reserve on capital reduction	**–**	**–**	**–**	1,250
Exchange adjustments on translation of net assets of overseas subsidiaries	**(3,318)**	**(782)**	**(4,100)**	1,396
Profit attributable to owners of the parent company	**50,719**	**–**	**50,719**	26,575
Dividends (note 11)	**(6,469)**	**–**	**(6,469)**	(6,045)
Transfer in respect of additional pension contributions (net of deferred tax)	**(12,260)**	**12,260**	**–**	–
Deferred tax on additional pension contributions (note 10(c))	**(2,487)**	**–**	**(2,487)**	(2,656)
Deferred tax rate change on opening scheme deficit (note 10(c))	**–**	**(465)**	**(465)**	(787)
Adjustment in respect of transaction with non-controlling interests (note 14(d))	**(3,465)**	**–**	**(3,465)**	–
Actuarial loss on pension schemes (note 25(c))	**–**	**(26,291)**	**(26,291)**	(19,942)
Deferred tax on actuarial loss (note 10(c))	**–**	**4,296**	**4,296**	3,601
Acquisition of non-controlling interests	**(31,984)**	**–**	**(31,984)**	–
Other finance cost (net of deferred tax)	**2,791**	**(2,791)**	**–**	–
Service cost (net of deferred tax)	**66**	**(66)**	**–**	–
Surplus on disposal of own shares	**982**	**–**	**982**	4,375
At 31 December	**169,218**	**(86,217)**	**83,001**	102,265

The pension deficit of £86,217,000 above differs from the pension liability in the statement of financial position of £106,867,000 by £20,650,000. This difference relates to the pre-acquisition elements of the pension deficits in JN Bentley Limited and Multi Design Holdings Limited of £717,000 and £532,000 respectively and the deferred tax arising on the Group pension liability of £19,401,000.

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 (2015 − £1,995,000); and that credited to reserves amounts to £2,444,000 (2015 − £2,444,000).

Notes to the financial statements

at 31 December 2016

23. Capital commitments

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

24. Contingent liabilities

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Guarantee of bank loans and overdrafts in respect of other Group companies	**–**	–	**54,030**	45,074

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 also bank guarantees in respect of the pension scheme as disclosed in note 25.

25. Pensions and other retirement benefits

(a) Mott MacDonald 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') and new employees are now contractually enrolled into the GPP. The minimum GPP employee contribution level is 4.5%.

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.

The Group contributes to the GPP, 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 costs for the GPP were £34.8m (2015 − £30.4m).

Costs relating to the remaining defined benefit section of MMPS were £15.2m (2015 − £14.7m). These costs include both administrative expenses relating to MMPS and an instalment of £14.0m 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 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 trustees and the Group.

Notes to the financial statements

at 31 December 2016

25. Pensions and other retirement benefits (continued)

(a) Mott MacDonald Pension Schemes (continued)

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 an outperformance allowance of 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 2016 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 trustees regularly review the funding level of MMPS with the advice of the actuary. During 2016 minimum contributions of £14.0m were paid to MMPS. Under the current funding plan these will be £14.5m in 2017 and are then predicted to increase at 3.9% per annum.

In agreeing the latest recovery plan with the trustees of the UK defined benefit pension scheme, the Group 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 2016 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 Group defaulting on its contributions to MMPS or in the event of a change in control of the company or it being placed in administration. In the view of the directors, such possible events are remote.

(b) Other pension schemes

In the USA, there is the Hatch Mott MacDonald Defined Benefit Pension Plan. 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 2016 for disclosure purposes which showed that the total market value of the assets of the scheme was US$13.4m (2015 − US$13.5m) and the liabilities were US$20.3m (2015 − US$21.2m) resulting in a deficit of US$6.9m at 31 December 2016 (2015 − US$7.7m).

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 2016 for disclosure purposes which showed that the total market value of the assets of the scheme was €8.7m (2015 − €7.8m) and the liabilities were €11.0m (2015 − €9.4m) resulting in a deficit of €2.3m at 31 December 2016 (2015 − €1.6m).

Notes to the financial statements

at 31 December 2016

25. Pensions and other retirement benefits (continued)

(b) Other pension schemes (continued)

The Bentley Holdings Limited group, which is in the UK, includes a defined benefit scheme which is sponsored by its wholly owned subsidiary JN Bentley Limited. It is also closed to new members and future accrual of benefits. An interim report was prepared by a qualified actuary at 31 December 2016 for disclosure purposes which showed that the total market value of the assets of the scheme was £8.4m (2015 – £7.8m) and the liabilities were £12.2m (2015 – £7.7m) resulting in a deficit of £3.8m at 31 December 2016 (2015 – £0.1m surplus).

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

(c) Group pension schemes

The assets and liabilities of the Mott MacDonald Pension Scheme ('MMPS') are analysed below:

	2016 £m	2015 £m
Change in defined benefit obligation		
Defined benefit obligation at 1 January	**(592.2)**	(593.3)
Interest cost	**(21.9)**	(20.8)
Actuarial losses	**(87.7)**	(6.2)
Benefits paid	**32.0**	28.1
Defined benefit obligation at 31 December	**(669.8)**	(592.2)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**(669.8)**	(592.2)
Change in plan assets		
Fair value of plan assets at 1 January	**507.3**	518.6
Interest income on MMPS assets	**18.9**	18.4
Actuarial gains/(losses) on MMPS assets	**66.1**	(15.1)
Employer contributions	**14.0**	13.5
Benefits paid	**(32.0)**	(28.1)
Fair value of plan assets at 31 December	**574.3**	507.3
Funded status of MMPS	**(95.5)**	(84.9)
Net amount recognised in respect of MMPS	**(95.5)**	(84.9)
Deficit in MMPS	**(95.5)**	(84.9)
Deficit in other Group schemes	**(11.4)**	(6.4)
Total deficit in Group schemes excluding deferred tax (as reported in the statement of financial position)	**(106.9)**	(91.3)
Related deferred tax asset (note 10(c))	**19.4**	17.5
Net pension liability	**(87.5)**	(73.8)

Notes to the financial statements

at 31 December 2016

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

	2016 **£m**	2015 £m
Total surplus in JN Bentley scheme	**–**	0.1
Related deferred tax liability	**–**	–
Net pension asset (note 15)	**–**	0.1

Components of pension (cost)/income

Year to 31 December	**2016** **£m**	2015 £m
Total pension cost recognised in administrative expenses in arriving at operating profit		
– for MMPS	**–**	–
– for other Group schemes	**(0.1)**	–
	(0.1)	–
Interest cost on MMPS liabilities	**(21.9)**	(20.8)
Interest income on MMPS assets	**18.9**	18.4
Net pension interest (cost)/income recognised within other finance cost in the income statement		
– for MMPS	**(3.0)**	(2.4)
– for other Group schemes	**0.1**	(0.8)
	(2.9)	(3.2)
Actuarial losses on MMPS liabilities	**(87.7)**	(6.2)
Actuarial gains/(losses) on MMPS assets	**66.1**	(15.1)
Actuarial losses immediately recognised for MMPS	**(21.6)**	(21.3)

Notes to the financial statements

at 31 December 2016

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

Components of pension (cost)/income (continued)

Year to 31 December	2016 £m	2015 £m
Total pension (cost)/income recognised in other comprehensive loss		
– for MMPS	**(21.6)**	(21.3)
– for other Group schemes	**(4.7)**	1.4
	(26.3)	(19.9)

Plan assets

The weighted average asset allocation at the year end for MMPS was as follows:	2016 %	2015 %
Asset category		
Liability driven investment	**58**	10
Diversified growth funds	**37**	40
Equities	**5**	29
Corporate bonds	**–**	20
Cash	**–**	1
	100	100

Actual return on plan assets

Year to 31 December	2016 £m	2015 £m
Interest income on MMPS assets	**18.9**	18.4
Actuarial gains/(losses) on MMPS assets	**66.1**	(15.1)
Actual return on plan assets – for MMPS	**85.0**	3.3

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

	2016 %	2015 %
RPI inflation	**3.2**	3.0
Discount rate for scheme liabilities	**2.8**	3.8
CPI inflation	**2.1**	1.9
Pension increases (inflationary increases with a maximum of 5% p.a.)	**2.1**	1.9
Salary increases	**n/a**	n/a

Notes to the financial statements

at 31 December 2016

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

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

	2016		2015	
	Male Years	**Female Years**	Male Years	Female Years
Member age 60 (current life expectancy)	**28.6**	**29.8**	28.7	30.1
Member age 40 (life expectancy at age 60)	**29.9**	**31.8**	30.1	30.6

26. Related party transactions

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

Key management personnel

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

Notes to the financial statements

at 31 December 2016

27. Notes to the statement of cash flows

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

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Profit on ordinary activities before taxation	**60,571**	63,561	**17,011**	16,135
Adjustments to reconcile profit before taxation for the year to net cash inflow from operations:				
Depreciation	**11,602**	11,697	**–**	–
Amortisation of intangible assets	**9,711**	10,952	**–**	–
Impairment of goodwill	**1,973**	2,007	**–**	–
Fair value adjustments on current asset investments	**(111)**	528	**–**	–
Stamp duty on repurchase of shares from Employee Trust	**–**	(61)	**–**	(61)
Pension contributions	**(14,747)**	(14,447)	**–**	–
Current service cost	**76**	47	**–**	–
Profit on disposal of other fixed asset investments	**(8)**	–	**–**	–
Profit on disposal of tangible fixed assets	**(448)**	(127)	**–**	–
Loss on disposal of intangible fixed assets	**2**	2	**–**	–
Profit on disposal of current asset investments	**(873)**	(356)		
Other finance cost	**2,852**	3,196	**–**	–
(Increase)/decrease in debtors	**(71,157)**	6,336	**(10,682)**	(9,925)
Increase/(decrease) in creditors	**75,961**	7,455	**34**	(20)
Increase/(decrease) in provisions for liabilities	**5,129**	(1,241)	**–**	–
Net cash inflow from operations	**80,533**	89,549	**6,363**	6,129

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Group		Company	
At 31 December	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000
Cash at bank and in hand	**106,023**	122,065	**43**	147
Bank overdrafts	**(111)**	(616)	**–**	–
Cash and cash equivalents	**105,912**	121,449	**43**	147

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

Notes to the financial statements

at 31 December 2016

28. Financial assets and liabilities

		Group		Company	
	Notes	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Financial assets at fair value through profit or loss					
Listed investments	14(a)	**18,902**	18,652	**–**	–
Financial assets that are equity instruments measured at cost less impairment					
Other fixed asset investments	14(a)	**262**	290	**–**	–
Investments in subsidiary undertakings	14(b)	**–**	–	**347,299**	347,299
Financial assets that are debt instruments measured at amortised cost[1]					
Trade debtors	15	**218,292**	211,578	**–**	–
Amounts owed by subsidiary undertakings	15	**–**	–	**39,773**	10,935
Amounts owed by other fixed asset investments	15	**1,089**	1,029	**–**	–
Other debtors	15	**11,994**	9,645	**6**	6
Financial liabilities at fair value through profit or loss					
Shares classed as financial liabilities	16, 21	**39**	37	**39**	37
Financial liabilities measured at amortised cost[1]					
Bank overdrafts	16	**111**	616	**–**	–
Amounts due to other fixed asset investments	16	**27**	27	**–**	–
Trade creditors	16	**56,680**	52,110	**–**	–
Other creditors	16	**17,636**	16,304	**37**	3
Amounts owed to subsidiary undertakings	17	**–**	–	**250,000**	250,000
Loans	18	**54,500**	45,816	**–**	–
Finance leases	19	**870**	1,613	**–**	–

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.

There were no derivative financial instruments at the year end (2015 − £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).

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 most 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 2016

29. Subsidiary undertakings

Subsidiary undertaking	Controlling interest 2016 %	Controlling interest 2015 %	Country of incorporation/registration
AWT Water Pty Limited	**100**	100	Australia
Bentley Holdings Limited	**100**	100	England and Wales
BMB Mott MacDonald B.V.	**100**	100	The Netherlands
Cambridge Education (Assessment) Company Limited	**100**	100	Thailand
Cambridge Education Associates Limited	**100**	100	England and Wales
Cambridge Education Consultants Limited	**100**	100	England and Wales
Cambridge Education Limited[1]	**100**	100	England and Wales
Cambridge Education LLC	**100**	100	United States of America
Cambridge Education Nigeria Limited	**100**	100	Nigeria
Cambridge Education Tanzania Limited	**100**	100	Tanzania
CCMS Software Limited	**100**	100	England and Wales
Coast & Harbor Engineering, Inc.	**100**	55.3	United States of America
Consortium Services Limited[1]	**100**	100	England and Wales
Courtyard Group UK Limited	**100**	100	England and Wales
Econogistics (Pty) Limited	**100**	100	South Africa
Engineering Northwest Limited	**–**	55.3	Canada
Euroconsult Mott MacDonald B.V.	**100**	100	The Netherlands
Ewbank and Partners Limited[1]	**100**	100	England and Wales
Ewbank International Consultants (Private) Limited	**100**	100	United Arab Emirates
Ewbank Preece Consulting Limited[1]	**100**	100	England and Wales
Ewbank Preece Limited[1]	**100**	100	England and Wales
Ewbank Preece O'hEocha Limited	**100**	100	Republic of Ireland
Franklin & Andrews (Ireland) Limited	**100**	100	Republic of Ireland
Franklin & Andrews International Limited	**100**	100	England and Wales
Franklin & Andrews Limited[1]	**100**	100	England and Wales
Franklin + Andrews Pte Limited	**100**	100	Singapore
Franklin Osprey Services Limited	**100**	100	England and Wales
Fulcrum First Limited	**100**	100	England and Wales
Habtec Engenharia Sanitaria e Ambiental Ltda	**100**	100	Brazil
Hatch Mott MacDonald Limited	**–**	55.3	Canada
HLSP Limited	**100**	100	England and Wales
J.B. Trimble, Inc.	**100**	55.3	United States of America
JN Bentley Limited	**100**	100	England and Wales
John Proctor Travel Limited[1]	**100**	100	England and Wales
Keith B. Higgins & Associates, Inc.	**100**	55.3	United States of America
Merz & McLellan (Proprietary) Limited	**100**	100	South Africa
Merz & McLellan Botswana (Pty) Limited	**100**	100	Botswana
MHACE Insurance Company Limited	**100**	100	Guernsey
MIME Learning Limited[1]	**100**	100	Scotland
MM Architects, P.C. (formerly HMM Architects, P.C.)	**100**	55.3	United States of America
MM Pakistan (Private) Limited	**100**	100	Pakistan
MMG Consulting Limited	**100**	100	England and Wales
MMRA Limited	**100**	100	England and Wales
Mortimer Project Management Pty Limited	**100**	100	Australia
Mott Hay & Anderson International Limited[1]	**100**	100	England and Wales
Mott MacDonald & Company LLC	**65**	65	Oman
Mott MacDonald (Beijing) Limited	**100**	100	China
Mott MacDonald (Bulgaria) EOOD	**100**	100	Bulgaria
Mott MacDonald (Egypt) Limited	**100**	100	Egypt

Notes to the financial statements

at 31 December 2016

29. Subsidiary undertakings (continued)

Subsidiary undertaking	Controlling interest		Country of incorporation/registration
	2016	2015	
	%	%	
Mott MacDonald (Malaysia) Sdn. Bhd.[1]	**100**	100	Malaysia
Mott MacDonald (Nigeria) Limited	**100**	100	Nigeria
Mott MacDonald (Philippines) Inc	**100**	100	Philippines
Mott MacDonald (Shenzhen) Limited	**100**	100	China
Mott MacDonald (SL) Limited	**100**	–	Sierra Leone
Mott MacDonald (Thailand) Limited	**100**	100	Thailand
Mott MacDonald Africa (Pty) Limited	**100**	100	South Africa
Mott MacDonald Alabama, LLC (formerly Hatch Mott MacDonald Alabama, LLC)	**100**	55.3	United States of America
Mott MacDonald Australia Pty Limited	**100**	100	Australia
Mott MacDonald B.V.	**100**	100	The Netherlands
Mott MacDonald Bentley Limited	**100**	100	England and Wales
Mott MacDonald Blantyre Limited	**100**	100	Malawi
Mott MacDonald Canada Limited	**100**	100	Canada
Mott MacDonald Consultants (HK) Limited	**100**	100	China (Hong Kong)
Mott MacDonald Consultants, Inc. (formerly Hatch Mott MacDonald Consultants, Inc.)	**100**	55.3	United States of America
Mott MacDonald Contracting (Pty) Limited	**100**	100	South Africa
Mott MacDonald CZ, spol. s r.o.	**100**	100	Czech Republic
Mott MacDonald Development South Africa (Pty) Limited	**100**	100	South Africa
Mott MacDonald DRC SASU	**100**	100	Democratic Republic of Congo
Mott MacDonald Engineering Consultants Limited[1]	**100**	100	England and Wales
Mott MacDonald Federal, LLC (formerly Hatch Mott MacDonald Federal, LLC)	**100**	55.3	United States of America
Mott MacDonald Finland Oy	**100**	100	Finland
Mott MacDonald Florida, LLC (formerly Hatch Mott MacDonald Florida, LLC)	**100**	55.3	United States of America
Mott MacDonald France SAS	**100**	100	France
Mott MacDonald Gas Experts Limited	**100**	100	England and Wales
Mott MacDonald Global Resources Limited	**100**	100	China (Hong Kong)
Mott MacDonald Group, Inc. (formerly Hatch Mott MacDonald Group, Inc.)	**100**	55.3	United States of America
Mott MacDonald Holdings (South Africa) (Pty) Limited	**100**	100	South Africa
Mott MacDonald Holdings, Inc. (formerly Hatch Mott MacDonald Holdings, Inc.)	**100**	55.3	United States of America
Mott MacDonald Hong Kong Limited	**100**	100	China (Hong Kong)
Mott MacDonald Hughes Trueman Pty Limited	**100**	100	Australia
Mott MacDonald I&E, LLC (formerly Hatch Mott MacDonald I&E, LLC)	**100**	55.3	United States of America
Mott MacDonald International Limited[1]	**100**	100	England and Wales
Mott MacDonald Ireland Limited	**100**	100	Republic of Ireland
Mott MacDonald Italy S.r.l.	**100**	–	Italy
Mott MacDonald Japan KK	**100**	100	Japan
Mott MacDonald Kazakhstan LLP	**100**	100	Kazakhstan
Mott MacDonald Kenya Limited	**100**	100	Kenya
Mott MacDonald Limited[1]	**100**	100	England and Wales
Mott MacDonald MA, LLC	**100**	100	United States of America
Mott MacDonald Macau Limited	**100**	100	Macau
Mott MacDonald Magyarorszag Kft	**100**	100	Hungary

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29. Subsidiary undertakings (continued)

Subsidiary undertaking	Controlling interest 2016 %	2015 %	Country of incorporation/registration
Mott MacDonald Massachusetts, LLC (formerly Hatch Mott MacDonald Massachusetts, LLC)	**100**	55.3	United States of America
Mott MacDonald Michigan, LLC (formerly Hatch Mott MacDonald Michigan, LLC)	**100**	55.3	United States of America
Mott MacDonald Mongolia LLC	**100**	100	Mongolia
Mott MacDonald New Zealand Limited	**100**	100	New Zealand
Mott MacDonald Nominees[1]	**100**	100	England and Wales
Mott MacDonald Norge AS	**100**	100	Norway
Mott MacDonald NY, Inc. (formerly Hatch Mott MacDonald NY, Inc.)	**100**	55.3	United States of America
Mott MacDonald Operating Services, LLC (formerly Hatch Mott MacDonald Operating Services, LLC)	**100**	55.3	United States of America
Mott MacDonald Pettit Engineering Limited	**100**	100	Republic of Ireland
Mott MacDonald Poland Spolka z o.o.	**100**	100	Poland
Mott MacDonald Polska Spolka z o.o.	**100**	100	Poland
Mott MacDonald Private Limited	**100**	100	India
Mott MacDonald R Limited Liability Company	**100**	100	Russia
Mott MacDonald Romania SRL	**100**	100	Romania
Mott MacDonald S d.o.o.	**100**	100	Serbia
Mott MacDonald SA Limited[1]	**100**	100	England and Wales
Mott MacDonald Singapore Pte Limited	**100**	100	Singapore
Mott MacDonald Slovensko, s r.o.	**100**	100	Slovakia
Mott MacDonald South Africa (Proprietary) Limited	**100**	100	South Africa
Mott MacDonald T Engineering Consultants Limited	**100**	100	Turkey
Mott MacDonald Trustees Limited[1]	**100**	100	England and Wales
Mott MacDonald Uganda Limited	**100**	100	Uganda
Mott MacDonald USA, LLC (formerly Mott MacDonald, LLC)	**100**	100	United States of America
Mott MacDonald, Inc.	**100**	100	United States of America
Mott MacDonald, LLC (formerly Hatch Mott MacDonald, LLC)	**100**	55.3	United States of America
MRT Consulting Engineers (Nigeria) Limited	**100**	100	Nigeria
MRT Consulting Engineers Limited	**100**	100	England and Wales
Multi Design Consultants Limited	**100**	100	England and Wales
Multi Design Holdings Limited[1]	**100**	100	England and Wales
Needlemans Limited[1]	**100**	100	England and Wales
Osprey PMI Limited	**100**	100	England and Wales
PDNA Academy (Pty) Limited	**100**	100	South Africa
PDNA Botswana (Proprietary) Limited	**100**	100	Botswana
PDNA Consulting (Mauritius) Limited	**100**	100	Mauritius
PDNA Holdings (Pty) Limited	**100**	100	South Africa
PDNA Mozambique LDA	**100**	100	Mozambique
PDNA Resources and Energy (Pty) Limited	**100**	100	South Africa
PDNA Trading Limited	**100**	100	Mauritius
Phambili Merz (Proprietary) Limited	**100**	100	South Africa
Power Ink Limited	**100**	100	England and Wales
Preece Cardew & Rider Limited[1]	**100**	100	England and Wales
Procyon Oil & Gas Limited	**100**	100	England and Wales
Project Management International Limited	**100**	100	England and Wales

Notes to the financial statements

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29. Subsidiary undertakings (continued)

Subsidiary undertaking	Controlling interest		Country of incorporation/registration
	2016	2015	
	%	%	
PT Mott MacDonald Indonesia	**100**	100	Indonesia
Richard P. Arber Associates, Inc.	**100**	55.3	United States of America
SC Educatia 2000+ Consulting SRL	**100**	100	Romania
Schema Associates Limited[1]	**100**	100	England and Wales
Sir M MacDonald & Partners Limited[1]	**100**	100	England and Wales
Somin Holdings Limited	**100**	100	Republic of Ireland
Sterling Management Limited[1]	**100**	100	England and Wales
Taiwan Mott MacDonald Limited	**81**	81	Taiwan
Teamwork Management Services Limited[1]	**100**	100	England and Wales
Thai MM Limited	**100**	100	Thailand

[1]investment not held through subsidiary undertakings

Group five year summary

Years ended 31 December	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Gross revenue	**1,407,198**	1,401,408	1,231,005	1,214,513	1,104,117
Profit on ordinary activities before taxation	**60,571**	63,561	59,568	60,317	56,154
Tax on profit on ordinary activities	**(9,247)**	(22,312)	(23,080)	(20,799)	(18,003)
Non-controlling interests	**(605)**	(14,674)	(12,049)	(14,590)	(12,098)
Dividends	**(6,469)**	(6,045)	(11,247)	(8,951)	(6,585)
Retained profit	**44,250**	20,530	13,192	15,977	19,468
Employment of Group capital					
Fixed assets	**84,114**	89,334	98,594	50,293	41,233
Net current assets (less provisions)	**180,096**	201,165	192,327	162,261	160,634
Excluding pension liability	**264,210**	290,499	290,921	212,554	201,867
Pension liability (excluding deferred tax)	**(106,867)**	(91,285)	(82,296)	(50,995)	(75,842)
Including pension liability	**157,343**	199,214	208,625	161,559	126,025
Group capital employed					
Creditors falling due after more than one year	**54,085**	45,812	61,333	2,949	773
Equity attributable to owners of the parent company excluding pension liability	**209,510**	197,480	184,867	166,042	167,328
Non-controlling interests	**615**	47,207	44,721	43,563	33,766
Excluding pension liability	**264,210**	290,499	290,921	212,554	201,867
Pension liability (excluding deferred tax)	**(106,867)**	(91,285)	(82,296)	(50,995)	(75,842)
Including pension liability	**157,343**	199,214	208,625	161,559	126,025
Net funds					
Cash at bank and in hand	**106,023**	122,065	103,689	94,455	66,976
Bank overdrafts	**(111)**	(616)	(396)	(1,211)	–
Current instalments due on loans	**(514)**	(440)	(799)	(10,523)	(10,326)
Loans falling due after more than one year	**(53,986)**	(45,376)	(60,983)	(208)	–
Obligations under finance leases	**(870)**	(1,613)	(935)	(184)	(30)
Shares classed as financial liabilities	**(39)**	(37)	(33)	(34)	(33)
	50,503	73,983	40,543	82,295	56,587

The years 2013 and earlier are stated under previously extant UK GAAP. However pension liability has been shown gross of deferred tax for those years for comparability purposes with 2014 to 2016 which have been reported under FRS 102.

Opening opportunities with connected thinking.

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