MOTT MACDONALD GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2015

Mott MacDonald

PRIDE VALUES

Progress

- We embrace change and continuous improvement.
- We seek sustainable outcomes for our stakeholders and the environment.
- We actively support the development of our staff and our professions.

Respect

- We respect the environment and the communities in which we work.
- We value all peoples and cultures equally.
- We treat everyone with respect.

Integrity

- We deliver on our promises.
- We behave ethically and do not tolerate bribery or corruption.
- We promote a safety culture, targeting zero harm to all.

Drive

- We aim to exceed our customers' expectations.
- We encourage teamwork and deliver to the best of our ability.
- We work hard for professional and commercial success.

Excellence

- We uphold leading-edge technical, professional and safety standards.
- We develop innovative, efficient solutions that create value for our customers.
- We are proud of our heritage and our achievements.

Mott MacDonald Group Limited

Directors

Keith Howells	Chairman
Guy Leonard	Strategic Development Director
Ed Roud	Finance Director
Kevin Dixon	
Mike Haigh	

Company Secretary
Paul Ferguson

Auditor
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INDEPENDENT AND
EMPLOYEE-OWNED
– so wholly focused on what's
best for our customers and our staff

17,000 people

350 AWARDS
for innovation and excellence
in the last five years

Mott MacDonald

Chairman's statement

> We work closely with our customers and partners to achieve decisions that advance sustainable outcomes, bringing economic, environmental and social benefits.

Performance

2015 saw our business deliver strong growth with gross revenue up 14% on 2014. Strong performances in infrastructure and consulting in Europe, North America and Australasia offset slower markets impacted by economic uncertainty and political instability. Profitability at the operational level was affected by adverse currency exchange, bringing Group profit before tax to £63.6m, 7% up on 2014. Contracted work advanced well throughout 2015, softening slightly in later months, partly due to the impact of further falls in the oil price and partly due to further softening in Asia. At year end our order book stood at £1.7bn.

Dividend and fair value

A dividend of 65 pence per share was paid in December 2015, and the fair value of shares increased by £1 to £10.80.

Customers

Placing our customers at the centre of all we do drives our constant pursuit of new ways to deliver better long-term value. As design/build, integrated delivery models and public private partnerships become increasingly common routes to procure both infrastructure and services, we are evolving our approaches so that we can respond swiftly and effectively. We also exploit the latest technologies to improve efficiency and harness ingenuity through global collaboration. We work closely with our customers and partners to achieve decisions that advance sustainable outcomes, bringing economic, environmental and social benefits.

Recognition

We won 50 external awards in 2015, demonstrating ongoing recognition from our customers and peers for our professional excellence in advancing best practice, providing value and setting standards in health and safety. We were delighted to win the inaugural Sustainability Award at the NCE/ACE Consultant of the Year Awards, where the judges praised our clear plan to use sustainability to strengthen our core business. In the NCE Consultants File, we topped the rankings for firms working in energy and tunnelling, and were placed second in the rail, water, flooding, marine and telecoms sectors. We maintained our position at the top of the Infrastructure Journal (IJ) technical advisor league table and won the Global Technical Advisor of the Year title at the IJ Awards for the sixth time. We also won our seventh consecutive Gold Award for Occupational Health and Safety at the RoSPA Awards. North America's 17 major wins included distinction at state and national level for engineering excellence, plus recognition for the sustained industry leadership shown by Kin Chow, Nick DeNichilo, Pat Natale and Randy Essex.

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. This, allied to a concerted focus on increasing staff mobility for servicing growth markets, expanding career opportunities, and enhancing equality, diversity and inclusion, has advanced our staff numbers such that we ended the year with 17,315 employees, including agency staff and independent consultants.

Looking ahead

Global challenges such as population growth, climate change and urbanisation, coupled with the potential offered by rapidly evolving technology, play to our multisectoral strengths and bring rising demand for our expertise. This, together with our freedom to act as we believe best serves our customers and staff, feeds into the strategy we have in place to advance business growth over the next five years. Central to our strategy is our professional and geographic diversity model that supports us well during times of economic uncertainty and allows us to exploit opportunity in areas of upturn – thereby enabling us to retain our financial resilience, build our talent pool and contribute to society. So our outlook for 2016 is one of confidence and cautious optimism, despite the ongoing global economic and political uncertainty.

K. G. Howells.

Keith Howells
Chairman
2 March 2016

Mott MacDonald

Corporate responsibility

Keith Howells
Chairman

Running a responsible, sustainable business

Running a business responsibly is key to its long term sustainability; we recognise that the decisions we make, whether regarding the governance and strategy of our company or the planning, design and delivery of projects, have consequences. Taking sustainability into account helps us to ensure better outcomes for our customers, for the environment, for the communities we work in, and for ourselves.

We have a long and proud ethos of pursuing continuous improvement across a number of key measures: customer satisfaction, environmental performance, staff engagement, community benefit and risk management. We recognise the importance of transparency, honesty, integrity and trust in our business dealings, and the behaviours on which corporate sustainability is built are enshrined in our PRIDE values of Progress, Respect, Integrity, Drive, Excellence.

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

Better outcomes for customers

- Our overall customer satisfaction score held steady at 83%.
- We maintained ISO 9001 and ISO 14001 certification for quality management and environmental management.
- Building Information Modelling (BIM) is now standard for delivering large engineering projects, contributing to stronger performance against cost, time, carbon and safety indicators. We are BIM Level 2 capable, signifying our ability to manage information through design and construction, and hand it on to assist asset management.
- Our ongoing IT transformation ('Go digital') is making it easier for staff to collaborate and share information.
- We promote technical excellence and innovation through six Group-level internal awards schemes. Fifty external awards were won in 2015.
- We have increased the number of client engagement events we run, addressing key issues affecting the sectors we work in, advancing innovative thinking, promoting best practice and enabling knowledge transfer.

Environmental performance

Through our project work, we are involved in realising improvements across all of our core engineering disciplines.

In addition, we have acted to promote the core messages of the UK Government's Infrastructure Carbon Review (ICR), and fulfil our ICR pledges to:

- **Show industry leadership in influencing customers and partners to reduce carbon:** we held our third 'Carbon Crunch' event introducing the new specification for carbon management, PAS 2080, which we are co-writing for the British Standards Institution.
- **Champion lean solutions including BIM and offsite construction:** we are currently working on two major 'exemplar' infrastructure projects and many smaller schemes using BIM and Design for Manufacture and Assembly (DfMA). We have created a library of BIM objects and a global BIM design centre to enable the benefits of BIM working to be better realised.
- **Reduce energy use and carbon through green procurement:** overhauling heating, ventilation, air conditioning and building management controls, and installing LED lighting at Mott MacDonald House in Croydon, UK, has resulted in a 25% reduction in energy use at the Group's largest office. We are using green energy across all our large and medium-sized offices in the UK, where our tenancy agreements enable us to buy this directly. Standardising office furniture in the UK has delivered space savings, cutting our per capita office carbon emissions. This is now being discussed for implementation in overseas offices. The Carbon Trust was appointed to audit our UK property portfolio to meet compliance obligations under the Energy Savings Opportunity Scheme (ESOS). The ESOS reports will inform future facilities procurement. We have agreements with car hire firms in the UK and South Africa to use low emissions vehicles. These firms are also providing data on our vehicle carbon usage. Older IT equipment is gradually being replaced by lower energy use alternatives.

Corporate responsibility

> Running a business responsibly is key to its long term sustainability which helps us to ensure better outcomes for our customers, for the environment, for the communities we work in, and for ourselves.

Our 2014 carbon footprint was 2.41tCO_2e per employee. Our data collection and methods for analysing carbon emissions are being improved year on year, which resulted in a slight upward adjustment of our emissions figure for 2013. Against this revised figure, we achieved a 3.9% per capita reduction in 2014. Our carbon management strategy and climate risk assessment were submitted to the Carbon Disclosure Project and awarded a score of 92D, well ahead of our principal competitors.

Developing talent, taking care of our people

We are continuing to roll out training to equip managers with the skills and techniques for identifying, nurturing and harnessing talent.

- We are launching Emerging Leaders – a global development initiative that will identify and accelerate the development of future senior leaders.
- We are enabling global staff mobility through practical advice and assistance, allowing our people to grow professionally by working in new environments and cultures.
- We are providing added focus on awareness and management of work-related stress, safe driving and cycling.
- Our 'Advance' network in the UK continues to actively promote equality, diversity and inclusion through its regional champions, training, awareness building and other activities.
- We are now a proud member of The 5% Club, a campaign focused on creating momentum behind the recruitment of apprentices and graduates into the UK workforce. By joining the club, we have committed to ensuring that 5% of our UK workforce are apprentices, graduates or sponsored students on structured programmes.

Contributing to our communities

- Our Community Support Programme provides financial support for up to three projects selected by our staff and on which they voluntarily contribute technical or management expertise. Ongoing projects include construction of a grain store in Uganda, installation of solar power at a remote school in Thailand, and provision of a community centre for a scavenger community in Cambodia.
- 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 127 summer internships and 31 industrial placements in 2015.
  - We recruited 29 apprentices through the Engineering Technician Apprenticeships Programme in 2015, bringing the number of young people recruited as apprentices to date to 80.
  - 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 devote time to attending 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.
- In 2015 we further increased use of our Transparent Economic Appraisal Model (TEAM) to measure the gross value added through infrastructure projects.

Managing risk, safety and ethics

- Our chairman is the board director responsible for promoting our culture of zero tolerance of unethical behaviour within the Group, and provides industry leadership on upholding strong ethical values.
- Our global approach to managing risks related to anti-bribery and corruption is certificated to be compliant with British Standard 10500.
- Business ethics training is a mandatory component of the induction process for all staff.
- All reports received through our whistle-blowing process are treated confidentially and are fully

Corporate responsibility

investigated and documented. The service provided by ExpoLink for the Group is confidential.

- Our country managers are selected on the basis of their local knowledge of ethical risks in-country and their ability to promote our zero tolerance approach to potential customers.
- Our 'CLASS' risk management approach has been communicated afresh to all staff.
- In terms of health and safety, 632 near misses were logged in 2015, up from 519 in 2014, while the number of accidents reported rose from 200 to 279. These figures show significant year on year improvement in awareness of health and safety issues. 159 days were lost due to 20 accidents in 2015, an improvement over 2014. There were 71 reported cases of work-related ill health resulting in 857 lost days. Action to monitor and reduce the impact of work-related ill health is a key focus for 2016.
- The Group's approach to all areas of risk management adopts many aspects of ISO 31000.
- We comply with national legislation and regulations in the countries where we deliver projects.
- We are committed to developing successful projects that generate sustainable solutions.
- Our health and safety manager was a key contributor to new UK industry guidance, is deputy chair of the Association for Consultancy & Engineering's Health and Safety Group, and led the creation of a Consultants' Health & Safety Forum in India.
- Information quality and security are supported through our integrated management system and aligned with ISO 27001, the international standard for information management.

Keith Howells
Chairman
2 March 2016

Strategic report

Ed Roud
Finance Director

Financial performance

Gross revenue of £1,401m was 14% up on the prior year, with growth split broadly equally between organic and acquisition. The impact of exchange was not significant.

Profit before taxation was £63.6m, 7% up on last year while EBITDA of £90.4m was 12% up.

The effective tax rate for the year at 35% was 4% lower than the rate for 2014, primarily due to extra provisions made for overseas taxes in 2014.

Return on capital employed was down slightly at 38% with average working capital levels throughout the year running between 55 and 59 days. There is an ongoing drive to improve cash balances and return on capital through better management of working capital.

Business environment

During 2015, economic recovery continued slowly across most major economies, but global recovery was held back by the slowdown in China and other emerging economies, the decline in the global mining and metals sector, and depressed oil prices which have all contributed to uncertainty and mixed market conditions for private and public infrastructure across the world.

The UK provided opportunities for growth in all of our core sectors, except for energy. However Central Europe remained sluggish with limited growth opportunity.

In North America, the Canadian economy slowed and the markets were more competitive. The US economy improved with growth in the oil and gas sector from shale and good opportunities in water and transport. The oil and gas sector is expected to slow in 2016 as pressure on investment mounts from the low global oil price.

The South African economy was impacted by the depressed mining and metals sector, which affected both private investment and tax receipts for funding public infrastructure. North African markets 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 infrastructure projects in other sectors held up. Whether this will be sustained in 2016 is uncertain.

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 provided good opportunities in both public and private sectors.

Business performance

The Group has performed well in 2015 in this mixed business environment, with its geographic and sectoral diversity providing a solid platform for growth.

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.

Europe and Africa

The region represents 58% of the Group's gross revenue, and revenues grew 18% over 2014 with 8% organic growth, acquisitions contributing 12% growth but currency having a 2% negative effect.

Overall, profit benefited from the upside in volumes from organic growth together with a solid contribution from acquisitions. Margin improvement was modest.

Strategic report

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 also provided opportunity, as they continued delivery of their investment programmes. Apart from power, which suffered from poor market conditions and project deferrals, our other core businesses in the UK delivered good growth.

Performance in Europe was held back by weak economic conditions. However, our offices in Central Europe continued to provide skilled engineering resources for projects elsewhere. The business in South Africa made a loss, impacted by the depressed mining sector and a lack of work in the public infrastructure markets. However our aid-funded international development business in Africa performed strongly.

Working capital levels continued to be a challenge, particularly outside the UK. However the business made progress in addressing specific issues, and net working capital days improved marginally during the year. The order book moving into 2016 is slightly lower than it was this time last year. However there continues to be a good pipeline of opportunities and contracted work is at a reasonable level.

North America

Our principal business in North America during the year was through our joint venture (JV) – HMM – that in total represents about 23% of the Group's revenue.

Gross revenue grew 17% in the year, with 13% organic growth and 4% through currency effects. The organic growth mostly came from the oil and gas pipelines business which had double digit growth in the shale market. The infrastructure business in the US West also benefited from continuing economic recovery.

Our infrastructure businesses in Canada and US East experienced more challenging markets. The business in Canada reduced in volume on 2014, while the US East business was flat. Both businesses experienced a fall in profits year on year.

The upside in pipelines and US West was partly offset by the falls in Canada and US East with profit overall up 12%; 9% through organic growth with currency providing a further 3% benefit.

Net working capital days fell slightly with more focus on working capital management and settlement of old debts. The order book and contracted work for 2016 are in line with expectations.

We have agreed with our JV partner to end the JV trading arrangement in 2016. Our JV partner will take the JV's Canadian infrastructure business and we will take the JV's USA and oil and gas pipelines businesses. The businesses coming to Mott MacDonald together with other operations that the Group already has in the US and Canada, which currently trade outside the JV arrangement, will come together to form a new 100% Group-owned business, trading in North and South America. It will be approximately 70% of the size of the current JV.

Middle East and South Asia

The region represents 11% of the Group's gross revenue. Revenues grew by 18% over the prior year, with organic growth of 11% and currency contributing 7%.

Profits grew year on year in the region, with the Middle East business continuing to improve its performance and the Indian business returning to profit after significant restructuring and repositioning its market strategy. The oil, gas and petrochemicals business was flat year on year in revenue terms but experienced a fall in profits as it responded to winning work in tough markets where project cancellations and deferrals provided a significant challenge.

“The Group has performed well in 2015 in this mixed business environment, with its geographic and sectoral diversity providing a solid platform for growth.”

Strategic report

The region continued to experience challenges with working capital, although progress was made with specific issues. Working capital increased to 126 days, remaining too high given expectations and performance elsewhere in the Group. Contracted work and the order book for 2016 are in a stronger position than at this time last year.

Asia Pacific and Australasia
The region represents 8% of the Group's gross revenue. 2015 was a disappointing year for the region as a whole, although there were successes in certain markets. Gross revenue was 12% down on 2014, with a 10% fall in volumes and 2% from currency. Although revenues in Australia and New Zealand grew significantly, this was offset by a fall in volumes elsewhere.

Profits were flat compared with 2014, with a 9% organic increase offset by 9% adverse currency. The organic increase came from Australia and New Zealand, offset by the fall in profits elsewhere.

The decline in revenues and profits occurred in Hong Kong, China and South East Asia. This was due to project losses and overheads not being recovered due to the shortfall in volumes in challenging markets, in part affected by the slowdown in China.

Working capital performance was disappointing with net working capital days increasing substantially and well above Group target.

2015 has been a year of notable success for the Australian and New Zealand businesses, and the challenge for 2016 is to maintain performance and build on that success with further profitable growth. Another focus for 2016 is to improve business performance in Hong Kong and China, where a business reorganisation is currently underway. Prospects for our South East Asia business depend primarily on Singapore, where there appear to be good opportunities over the next two years.

The order book for 2016 is better than the position that prevailed at this time last year.

Market position

Mott MacDonald is ranked 2nd in the UK's New Civil Engineer magazine (NCE) for fees rendered, and 2nd for total staff. In the Infrastructure Journal's annual league table for global technical advisors we are ranked 1st, and 14th in the USA's Engineering News Record (ENR) Top 225 International Design Firms' listing.

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 relevant regional managing director or the chairman.

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 during 2014 and 2015 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.

Strategic report

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.
- There is no speculative use of derivatives, currency or other instruments.
- In evaluating transaction exchange rate risk, the Group matches currency earnings and costs, with the net exposure hedged with forward currency contracts where necessary.
- In evaluating translation exchange rate risk, the Group matches currency assets and liabilities. It does not use hedging instruments.
- Credit control procedures operate on bidding work and for the duration of the contracts.
- Working capital and cash flow management operate daily with weekly reporting to the executive team and monthly reporting to the board, including monthly targets and forecasts.

The transaction and translation exposures after matching are not material to Group risk management and there is no material interest rate risk at the year end. The Group hedges interest rate exposures where necessary.

Our outsourced internal audit function continued to review business operations, assessing the adequacy and effectiveness of financial controls and procedures in place to mitigate the more significant areas of financial risk. During 2015 the main area of focus brought to managements' attention by internal audit was the need for policy and process improvement in the areas of procurement and subcontracting.

Gearing and cash flow

Despite the challenges in the management of working capital, the business continues to generate more than adequate cash flow to maintain its liquidity at acceptable levels and to fund growth. Group net cash at 31 December 2015 was £74.0m, significantly up on the 2014 figure of £40.5m. The increase in net cash mainly came from improved working capital management. Cash balances increased from £103.6m to £122.1m after repayment of £16.3m of bank loans.

Despite the better cash performance in the year, there is further scope to improve cash flow by reducing working capital days and this remains an ongoing focus for 2016, building on the progress made this year.

Net gearing remained at nil throughout the year. The Group has £90m of committed facilities in place until June 2018 for funding organic growth and acquisitions. It also has bond facilities to provide tender bonds, performance bonds and advance payment bonds in the normal course of business.

Shareholders' equity

Shareholders' equity increased from £102.6m to £106.2m. The profit transferred to reserves of £26.6m, a gain on Employee Trust share transactions of £1.5m and translation exchange gains of £1.4m in reserves were largely offset by the effects of FRS 102 pension accounting (£19.8m net of tax) and a dividend paid of £6.0m.

During the year the company further reduced the equity held by the Employee Trust in order to reduce the Group's cost of capital. Details are set out in note 21 to the financial statements. The buyback and cancellation of shares held by the Employee Trust does not have a material impact on Group shareholders' equity.

> Mott MacDonald is ranked 2nd in the UK's New Civil Engineer magazine (NCE) for fees rendered, and 2nd for total staff. In the Infrastructure Journal's annual league table for global technical advisors we are ranked 1st, and 14th in the USA's Engineering News Record (ENR) Top 225 International Design Firms' listing.

Strategic report

Looking forward

The Group is well positioned for growth in its core markets. The current macroeconomic pressures may be exacerbated in 2016 from speculation around the US elections and the impending vote on whether Britain should remain in 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:

Ed Roud
Finance Director
2 March 2016

Directors' report

The directors present their report, together with the audited financial statements of the Group and the company for the year ended 31 December 2015.

Date of annual general meeting: 9 April 2016.

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 buildings, communications, education, environment, health, industry, international development, oil and gas, power, transport, urban development and water.

We are an independent employee-owned company engaged in public and private sector development worldwide.

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

Results and dividends

Profit attributable to shareholders before dividend is £26.6m (2014 – £24.4m, as restated for FRS 102).

An interim dividend of £6.0m (2014 – £11.2m) was paid to shareholders on 31 December 2015. The directors do not recommend the payment of a final dividend.

Acquisitions

There were no acquisitions during the year.

Directors and their interests

The directors of the company during the year ended 31 December 2015 and their interests in the share capital of the company were as follows:

	At 31 December 2015 (or date of resignation) Ordinary Shares	At 31 December 2014 Ordinary Shares
Kevin Dixon	100,000	100,000
Mike Haigh	77,500	67,500
Keith Howells	125,000	125,000
Guy Leonard	105,000	100,000
Ed Roud	72,500	62,500
Kevin Stovell	117,500	117,500
Richard Williams	117,500	117,500

Richard Williams resigned as a director on 31 March 2015 and Kevin Stovell resigned as a director on 27 November 2015.

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 2015 the total number of employee shareholders was 2,534 (2014 – 2,353).

In addition, the Group recognises individual contributions through merit 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 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.

Paul Ferguson
Company Secretary

Directors' report

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 judgments 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.

> "Group policy is to employ, develop and promote staff based solely on aptitude, ability and work ethic."

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
2 March 2016

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 2015 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 group and 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 2015 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 matter prescribed by the Companies Act 2006

In our opinion 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.

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
2 March 2016

Mott MacDonald Group Limited

Consolidated income statement

for the year ended 31 December 2015

	Notes	**2015 £000**	2014 £000
Gross revenue	5	**1,401,408**	1,231,005
Cost of sales		**(870,770)**	(735,252)
Gross profit		**530,638**	495,753
Administrative expenses		**(463,140)**	(434,276)
Group operating profit	6	**67,498**	61,477
Income from other fixed asset investments		**38**	40
Income from current asset investments		**256**	1,005
Profit on ordinary activities before interest		**67,792**	62,522
Net interest payable	9	**(1,035)**	(82)
Other finance cost	25(c)	**(3,196)**	(2,872)
Profit on ordinary activities before taxation		**63,561**	59,568
Tax on profit on ordinary activities	10(a)	**(22,312)**	(23,080)
Profit on ordinary activities after taxation		**41,249**	36,488
Profit attributable to:			
Owners of the parent company	22	**26,575**	24,439
Non-controlling interests		**14,674**	12,049
		41,249	36,488

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

Mott MacDonald Group Limited

Consolidated statement of comprehensive income

for the year ended 31 December 2015

	Notes	**2015 £000**	2014 £000
Profit for the financial year		**41,249**	36,488
Exchange adjustments on translation of net assets		**(390)**	2,758
Actuarial loss on pension schemes	22, 25(c)	**(19,942)**	(26,798)
Deferred tax on actuarial loss	10(c), 22	**3,601**	5,627
Deferred tax on additional pension contributions	10(c), 22	**(2,656)**	(2,426)
Deferred tax rate change on opening pension scheme deficit	10(c), 22	**(787)**	–
Total other comprehensive loss		**(20,174)**	(20,839)
Total comprehensive income for the year		**21,075**	15,649
Total comprehensive income for the year attributable to:			
Owners of the parent company		**8,187**	2,679
Non-controlling interests		**12,888**	12,970
		21,075	15,649

Mott MacDonald

Mott MacDonald Group Limited

Consolidated statement of financial position

at 31 December 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Intangible assets	12	**62,092**	73,656
Tangible assets	13	**26,952**	24,638
Other fixed asset investments	14(a)	**290**	300
		89,334	98,594
Current assets			
Debtors	15	**441,566**	440,297
Investments	14(a)	**18,652**	25,520
Cash at bank and in hand	27(b)	**122,065**	103,689
		582,283	569,506
Creditors: amounts falling due within one year	16	**(356,821)**	(351,469)
Net current assets		**225,462**	218,037
Total assets less current liabilities		**314,796**	316,631
Creditors: amounts falling due after more than one year	17	**(45,812)**	(61,333)
Provisions for liabilities	20	**(24,297)**	(25,710)
Net assets excluding pension liability		**244,687**	229,588
Pension liability	25(c)	**(91,285)**	(82,296)
Net assets including pension liability		**153,402**	147,292
Capital and reserves			
Called up share capital	21	**10,032**	11,282
Share premium account	22	**1,242**	12,242
Revaluation reserve	22	**814**	814
Capital redemption reserve	22	**–**	–
Investment in own shares	22	**(8,158)**	(17,576)
Profit and loss account	22	**102,265**	95,809
Equity attributable to owners of the parent company		**106,195**	102,571
Non-controlling interests		**47,207**	44,721
Total capital and reserves		**153,402**	147,292

These financial statements were approved by the board of directors on 2 March 2016.

K. J. Howells.

K J Howells
Chairman

Mott MacDonald Group Limited

Company statement of financial position

at 31 December 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Investment in subsidiary undertakings	14(b)	**347,299**	347,299
Current assets			
Debtors	15	**10,941**	13,266
Cash at bank and in hand	27(b)	**147**	59
		11,088	13,325
Creditors: amounts falling due within one year	16	**(40)**	(56)
Net current assets		**11,048**	13,269
Total assets less current liabilities		**358,347**	360,568
Creditors: amounts falling due after more than one year	17	**(250,000)**	(250,000)
Net assets		**108,347**	110,568
Capital and reserves			
Called up share capital	21	**10,032**	11,282
Share premium account	22	**1,242**	12,242
Revaluation reserve	22	**2,733**	2,733
Capital redemption reserve	22	**–**	–
Profit and loss account		**94,340**	84,311
Shareholders' equity		**108,347**	110,568

These financial statements were approved by the board of directors on 2 March 2016.

K. J. Howells.

K J Howells
Chairman

Mott MacDonald Group Limited

Group and company statement of cash flows

for the year ended 31 December 2015

		Group		Company	
		2015	2014	**2015**	2014
	Notes	**£000**	£000	**£000**	£000
Net cash inflow from operating activities	27(a)	**61,740**	29,463	**6,129**	11,302
Investing activities					
Payments to acquire intangible fixed assets	12	**(1,261)**	(1,010)	**–**	–
Payments to acquire tangible fixed assets		**(12,753)**	(8,619)	**–**	–
Receipts from sales of tangible fixed assets		**630**	227	**–**	–
Payments to acquire current asset investments	14(a)	**(13,758)**	(12,835)	**–**	–
Receipts from sales of current asset investments		**20,454**	9,810	**–**	–
Payments to acquire other fixed asset investments	14(a)	**(2)**	(3)	**–**	–
Payments to acquire subsidiary undertakings		**–**	(55,085)	**–**	–
Acquisition costs paid		**–**	(785)	**–**	–
Net cash acquired with subsidiary undertakings		**–**	20,194	**–**	–
Net cash flow from investing activities		**(6,690)**	(48,106)	**–**	–
Financing activities					
Dividends paid to non-controlling interests		**(10,282)**	(9,893)	**–**	–
Issue/(redemption) of shares classed as financial liabilities		**4**	(1)	**4**	(1)
Proceeds of sale of shares by the Mott MacDonald Employee Trust		**9,648**	7,701	**–**	–
Repurchases of own shares		**(8,105)**	(7,177)	**–**	–
Sale of shares in subsidiary undertaking to non-controlling interests		**–**	235	**–**	–
Repurchase of shares from employees in subsidiary undertaking		**(120)**	–	**–**	–
Payments to non-controlling interests on disposal of shares in subsidiary undertaking		**–**	(63)	**–**	–
New loans		**31**	51,081	**–**	–
Repayment of loans		**(16,314)**	(292)	**–**	–
Repayments of capital element of finance leases and hire purchase contracts		**(1,232)**	(475)	**–**	–
Equity dividends paid	11	**(6,045)**	(11,247)	**(6,045)**	(11,247)
Net cash flow from financing activities		**(32,415)**	29,869	**(6,041)**	(11,248)
Increase in cash and cash equivalents		**22,635**	11,226	**88**	54
Effect of exchange rates on cash and cash equivalents		**(4,479)**	(1,177)	**–**	–
Cash and cash equivalents at 1 January	27(b)	**103,293**	93,244	**59**	5
Cash and cash equivalents at 31 December	27(b)	**121,449**	103,293	**147**	59

Mott MacDonald Group Limited

Consolidated and company statement of changes in equity

for the year ended 31 December 2015

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Called up share capital				
At 1 January	**11,282**	12,282	**11,282**	12,282
Redemption of ordinary shares (note 21)	**(1,250)**	(1,000)	**(1,250)**	(1,000)
At 31 December (note 21)	**10,032**	11,282	**10,032**	11,282
Share premium account				
At 1 January	**12,242**	20,542	**12,242**	20,542
Transfer to profit and loss account on capital reduction	**(11,000)**	(8,300)	**(11,000)**	(8,300)
At 31 December	**1,242**	12,242	**1,242**	12,242
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**	1,000	**1,250**	1,000
Transfer to profit and loss account on capital reduction	**(1,250)**	(1,000)	**(1,250)**	(1,000)
At 31 December	**–**	–	**–**	–
Investment in own shares				
At 1 January	**(17,576)**	(23,419)	**–**	–
Shares sold back by Employee Trust to Mott MacDonald Group Limited	**12,250**	9,300	**–**	–
Sale of shares by Employee Trust to employees	**9,648**	7,701	**–**	–
Repurchases of shares by Employee Trust from employees	**(8,105)**	(7,177)	**–**	–
Surplus on disposal of own shares	**(4,375)**	(3,981)	**–**	–
At 31 December	**(8,158)**	(17,576)	**–**	–

Mott MacDonald Group Limited

Consolidated and company statement of changes in equity (continued)

for the year ended 31 December 2015

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Profit and loss account				
At 1 January	**95,809**	100,442	**84,311**	78,667
Profit for the year	**26,575**	24,439	**16,135**	16,937
Other comprehensive income/(loss):				
Exchange adjustments on translation of net assets	**1,396**	1,837	**–**	–
Actuarial loss on pension schemes (notes 22, 25(c))	**(19,942)**	(26,798)	**–**	–
Deferred tax on actuarial loss (notes 10(c), 22)	**3,601**	5,627	**–**	–
Deferred tax on additional pension contributions (notes 10(c), 22)	**(2,656)**	(2,426)	**–**	–
Deferred tax rate change on opening pension scheme deficit (notes 10(c), 22)	**(787)**	–	**–**	–
Total other comprehensive loss for the year	**(18,388)**	(21,760)	**–**	–
Total comprehensive income for the year	**8,187**	2,679	**16,135**	16,937
Shares sold back by Employee Trust to Mott MacDonald Group Limited	**(12,250)**	(9,300)	**(12,250)**	(9,300)
Surplus on disposal of own shares	**4,375**	3,981	**–**	–
Transfer to profit and loss account on capital reduction	**12,250**	9,300	**12,250**	9,300
Stamp duty on repurchase of shares from Employee Trust	**(61)**	(46)	**(61)**	(46)
Dividends paid (note 11)	**(6,045)**	(11,247)	**(6,045)**	(11,247)
At 31 December	**102,265**	95,809	**94,340**	84,311
Equity attributable to owners of the parent company	**106,195**	102,571	**108,347**	110,568
Non-controlling interests				
At 1 January	**44,721**	41,231	**–**	–
Profit for the year	**14,674**	12,049	**–**	–
Other comprehensive (loss)/income:				
Exchange adjustments on translation of net assets	**(1,786)**	921	**–**	–
Total comprehensive income for the year	**12,888**	12,970	**–**	–
Changes in ownership of non-controlling interest	**(120)**	413	**–**	–
Dividends paid	**(10,282)**	(9,893)	**–**	–
At 31 December	**47,207**	44,721	**–**	–
Total capital and reserves	**153,402**	147,292	**108,347**	110,568

Mott MacDonald Group Limited

Consolidated and company statement of changes in equity (continued)

for the year ended 31 December 2015

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Total capital and reserves				
At 1 January	**147,292**	151,892	**110,568**	114,224
Sale of shares by Employee Trust to employees	**9,648**	7,701	**–**	–
Repurchases of shares by Employee Trust from employees	**(8,105)**	(7,177)	**–**	–
Profit for the year	**41,249**	36,488	**16,135**	16,937
Other comprehensive loss for the year	**(20,174)**	(20,839)	**–**	–
Changes in ownership of non-controlling interest	**(120)**	413	**–**	–
Stamp duty on repurchase of shares from Employee Trust	**(61)**	(46)	**(61)**	(46)
Dividends paid	**(16,327)**	(21,140)	**(6,045)**	(11,247)
Premium on shares repurchased	**–**	–	**(11,000)**	(8,300)
Shares redeemed	**–**	–	**(1,250)**	(1,000)
At 31 December	**153,402**	147,292	**108,347**	110,568

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

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

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 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 on transition to FRS 102.

This is the first year in which the financial statements have been prepared under FRS 102. An explanation of the transition is given in note 29.

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 income statement is presented for Mott MacDonald Group Limited as permitted by Section 408 of the Companies Act 2006.

Mott MacDonald Employee Trust

The 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.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

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.

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 asset's 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.

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.

Mott MacDonald Group Limited

Notes to the financial statements
at 31 December 2015

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 date of exchange) 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.

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

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

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

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

Intangible assets
Intangible assets, including software licences, 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.

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

Software licences	2 to 5 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.

Mott MacDonald Group Limited

Notes to the financial statements
at 31 December 2015

4. Principal accounting policies (continued)

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.

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.

4. Principal accounting policies (continued)

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.

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.

4. Principal accounting policies (continued)

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

- the 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.

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 pounds 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.

4. Principal accounting policies (continued)

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 assets' useful lives. 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.

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 in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

4. Principal accounting policies (continued)

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 JN Bentley Limited which is a building and civil engineering contracting business.

Gross revenue is analysed as follows:

Analysis by destination:

	2015 £000	2014 £000
Europe and Africa	**684,086**	573,495
Americas	**393,630**	338,968
Middle East and South Asia	**190,130**	175,761
Asia Pacific and Australasia	**133,562**	142,781
	1,401,408	1,231,005

Analysis by type of business:

	2015 £000	2014 £000
Consulting services	**1,267,461**	1,189,684
Building and civil engineering contracting	**133,947**	41,321
	1,401,408	1,231,005

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

6. Operating profit

This is stated after charging/(crediting):

		2015 £000	2014 £000
Auditors' remuneration	– audit services – principal auditor for audit of parent company and group financial statements	**267**	260
	– for audit of subsidiaries by associates of principal auditor	**463**	433
		730	693
	– audit services – non-principal auditors for audit of subsidiary companies	**277**	260
		1,007	953
	– non-audit services – principal auditor of parent company		
	taxation	**–**	12
	other	**27**	220
	– non-audit services – associates of principal auditor		
	taxation	**16**	24
	other	**7**	6
		50	262

In addition to the above, the principal auditor received £nil (2014 – £120,000) in relation to due diligence work which is capitalised in the statement of financial position as part of cost of acquisitions.

		2015 £000	2014 £000
Current service costs in pension scheme (note 25(c))		**47**	71
Foreign exchange losses/(gains)		**3,418**	(1,301)
Depreciation (note 13)		**11,697**	9,509
Amortisation of goodwill (note 12)		**5,470**	6,008
Amortisation of software licences (note 12)		**745**	668
Amortisation of other intangibles (note 12)		**4,737**	1,661
Impairment of goodwill (note 12)		**2,007**	2,464
Operating lease rentals	– vehicles and equipment	**2,610**	3,342
	– land and buildings	**31,662**	28,492

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

7. Directors' remuneration

	2015 £000	2014 £000
Emoluments (excluding pension contributions)	**4,863**	4,189

The emoluments (excluding pension contributions) of the highest paid director were £1,231,312 (2014 – £764,797).

During the year £129,866 (2014 – £132,373) of contributions were paid to the Group Personal Pension Plan in respect of 4 directors (2014 – 5), 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 the year, £471,950 (2014 − £nil) was paid to the highest paid director on taking early retirement.

8. Staff costs

	2015 £000	2014 £000
Salaries	**626,841**	562,708
Social security costs	**43,295**	39,876
Other pension costs	**65,758**	59,580
	735,894	662,164

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

	No.	No.
Management	**868**	770
Technical staff	**12,622**	11,870
Administrative staff	**2,041**	2,024
	15,531	14,664
The actual number of permanent staff at 31 December was:	**15,736**	15,295

9. Net interest payable

	2015 £000	2014 £000
Interest receivable	**501**	701
Interest payable:		
Bank loans and overdrafts	**(1,436)**	(675)
Finance charges payable under finance leases	**(33)**	(11)
Other	**(67)**	(97)
	(1,536)	(783)
Net interest payable	**(1,035)**	(82)

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

10. Tax

(a) Tax on profit on ordinary activities

	2015 £000	2014 £000
The taxation charge is made up as follows:		
Current tax:		
UK corporation tax	**1,584**	1,696
Non-UK tax	**15,323**	14,887
Capital gains tax – Mott MacDonald Employee Trust	**583**	–
	17,490	16,583
Double taxation relief	**(11)**	–
	17,479	16,583
Adjustments in respect of previous years:		
UK corporation tax	**5,354**	5,298
Non-UK tax	**(1,074)**	3,944
Capital gains tax – Mott MacDonald Employee Trust	**–**	(153)
Total current tax	**21,759**	25,672
Deferred tax:		
Origination and reversal of timing differences	**(2,056)**	(2,917)
Adjustments in respect of previous years	**729**	(948)
Deferred tax on unremitted earnings	**744**	1,273
Effect of decreased tax rate on opening balance	**1,136**	–
Total deferred tax charge/(credit) (note 10(c))	**553**	(2,592)
Tax on profit on ordinary activities (note 10(b))	**22,312**	23,080

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £3,022,000 credit (2014 – £5,728,000 credit).

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

10. Tax (continued)

(b) Factors affecting tax charge for year

The tax provided for the period is higher than the amount computed at the average rate of corporation tax in the UK of 20.25% (2014 − 21.50%). The differences are explained below. The average rates reflect the reductions substantively enacted on 2 July 2013 from 23% to 21% with effect from 1 April 2014 and 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 18% with effect from 1 April 2020, were substantively enacted on 18 November 2015 and these reductions have been taken into account in calculating the deferred tax assets and liabilities included in the statement of financial position.

	2015 £000	2014 £000
Profit on ordinary activities before taxation	**63,561**	59,568
Profit on ordinary activities before taxation multiplied by the average rate of corporation tax in the UK of 20.25% (2014 – 21.50%)	**12,871**	12,807
Effects of:		
Tax losses	**307**	2,061
Higher taxes on non-UK earnings	**6,929**	6,508
Adjustments in respect of previous years	**5,009**	8,141
Pension contributions	**(2,864)**	(2,527)
Timing differences not provided	**26**	70
Impact of tax rate change	**1,238**	76
Other permanent differences	**(1,204)**	(4,056)
Tax on profit on ordinary activities (note 10(a))	**22,312**	23,080

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 £11,761,000 (2014 – £8,043,000) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. The losses are mainly in Australia, South Africa, India, Ireland and Brazil. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, and they have arisen in subsidiary undertakings that have or had been loss making for some time.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

10. Tax (continued)

(c) Deferred tax

Group

	2015 £000	2014 £000
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 15)	**28,031**	28,691
Included in provisions for liabilities (note 20)	**(9,201)**	(9,373)
	18,830	19,318
The elements of deferred taxation are as follows:		
Excess of book depreciation over tax allowances on fixed assets	**2,566**	2,115
Other timing differences	**2,327**	2,680
Unremitted earnings	**(3,610)**	(2,743)
Pension liability (note 25(c))	**17,547**	17,266
	18,830	19,318
The movement in the year was:		
At 1 January	**19,318**	21,273
Deferred tax (charge)/credit in the Group income statement (note 10(a))	**(553)**	2,592
Impact of acquisitions	**–**	(8,062)
Deferred tax credit/(charge) in the statement of comprehensive income		
– on actuarial loss in pension schemes (note 22)	**3,601**	5,627
– on additional pension contributions made during the year (note 22)	**(2,656)**	(2,426)
– due to effect of rate change on opening balance of pension scheme (note 22)	**(787)**	–
Exchange and other adjustments	**(93)**	314
At 31 December	**18,830**	19,318

The amount of the net reversal of deferred tax expected to occur next year is £nil (2014 − £nil).

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

11. Dividends

	2015	2014
	£000	£000
The following dividends were paid during the year:		
Ordinary:		
Interim dividend paid per share (2015 – 65p; 2014 – £1.25)	**6,045**	11,247

The trustees of the Mott MacDonald Employee Trust waived the dividend on their 732,799 ordinary shares (held at the relevant date for dividend purposes) amounting to £476,319.

12. Group intangible fixed assets

2015	**Goodwill**	**Software licences**	**Other intangibles**	**Total**
	£000	**£000**	**£000**	**£000**
Cost:				
At 1 January	**99,477**	**5,290**	**42,295**	**147,062**
Exchange adjustments	**49**	**147**	**89**	**285**
Additions	**–**	**1,261**	**–**	**1,261**
Disposals	**–**	**(1,106)**	**–**	**(1,106)**
At 31 December	**99,526**	**5,592**	**42,384**	**147,502**
Amortisation:				
At 1 January	**67,388**	**4,342**	**1,676**	**73,406**
Exchange adjustments	**5**	**132**	**12**	**149**
Provided during the year	**5,470**	**745**	**4,737**	**10,952**
Impairment charges	**2,007**	**–**	**–**	**2,007**
Disposals	**–**	**(1,104)**	**–**	**(1,104)**
At 31 December	**74,870**	**4,115**	**6,425**	**85,410**
Net book value:				
At 31 December	**24,656**	**1,477**	**35,959**	**62,092**
At 1 January	32,089	948	40,619	73,656

The £35,959,000 other intangibles include customer relationships (£32,031,000) and forward order book (£3,928,000).

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

13. Group tangible fixed assets

2015	Freehold land & buildings £000	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
Cost:				
At 1 January	**101**	**4,307**	**85,087**	**89,495**
Exchange adjustments	**1**	**(46)**	**242**	**197**
Additions	**–**	**678**	**13,986**	**14,664**
Disposals	**–**	**(629)**	**(14,527)**	**(15,156)**
At 31 December	**102**	**4,310**	**84,788**	**89,200**
Depreciation:				
At 1 January	**49**	**2,662**	**62,146**	**64,857**
Exchange adjustments	**–**	**(13)**	**360**	**347**
Provided during the year	**13**	**695**	**10,989**	**11,697**
Disposals	**–**	**(569)**	**(14,084)**	**(14,653)**
At 31 December	**62**	**2,775**	**59,411**	**62,248**
Net book value:				
At 31 December	**40**	**1,535**	**25,377**	**26,952**
At 1 January	52	1,645	22,941	24,638

Included in the above figures for motor vehicles are vehicles held under finance leases with a carrying value of £15,000 (2014 – £24,000). In addition, the above figures for fixtures, fittings and equipment include plant and machinery held under finance leases with a carrying value of £2,634,000 (2014 – £2,179,000).

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

14. Investments

(a) Group

Other fixed asset investments	2015 £000
Cost:	
At 1 January	**300**
Additions	**2**
Reclassification	**(12)**
At 31 December	**290**

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

Current asset investments	2015 £000	2014 £000
Valuation:		
At 1 January	**25,520**	22,072
Additions	**13,758**	12,835
Disposals	**(20,098)**	(9,825)
Fair value adjustments	**(528)**	438
At 31 December	**18,652**	25,520
Investments:		
Listed on the London Stock Exchange	**18,652**	25,520

Current asset investments are held by MHACE Insurance Company Limited, the Group's captive insurance company. The historical cost of current asset investments is £17,921,000 (2014 – £24,261,000).

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

14. Investments (continued)

(b) Company

Subsidiary undertakings	2015 £000
Deemed cost:	
At 1 January and at 31 December	**349,647**
Amounts provided:	
At 1 January and at 31 December	**2,348**
Net book value:	
At 1 January and at 31 December	**347,299**

The total historical cost of interests in subsidiary undertakings is £346,520,000 (2014 – £346,520,000). Subsidiary undertakings held at cost or written down value amount to £334,091,000 (2014 − £334,091,000). Subsidiary undertakings held at valuation amount to £13,208,000 (2014 – £13,208,000), the historical cost of which amounts to £10,081,000 (2014 – £10,081,000).

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

14. Investments (continued)

(c) Principal subsidiaries

The company's principal subsidiary undertakings at 31 December 2015 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**		**Country of incorporation/registration**
	2015	2014	
	%	%	
Habtec Engenharia Sanitaria e Ambiental Ltda	**100**	100	Brazil
Hatch Mott MacDonald Group, Inc.	**55.3**	55.4	United States of America
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, Inc.	**100**	100	United States of America
Mott MacDonald Australia Pty Limited	**100**	100	Australia
Mott MacDonald B.V.	**100**	100	The Netherlands
Mott MacDonald CZ, spol. s r.o.	**100**	100	Czech Republic
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 Africa (Proprietary) Limited	**100**	100	South Africa
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

[1]investment not held through subsidiary undertakings

A full list of subsidiary undertakings is separately detailed in note 30.

Notes to the financial statements
at 31 December 2015

15. Debtors

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Trade debtors	**211,578**	229,178	**–**	–
Amounts recoverable on contracts	**159,665**	142,825	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**10,935**	13,260
Amounts owed by other fixed asset investments	**1,029**	972	**–**	–
Deferred taxation (note 10(c))	**28,031**	28,691	**–**	–
Taxation recoverable	**12,860**	9,183	**–**	–
Other debtors	**9,645**	9,402	**6**	6
Prepayments and accrued income	**18,647**	20,046	**–**	–
Pension asset (note 25(c))	**111**	–	**–**	–
	441,566	440,297	**10,941**	13,266

Deferred taxation is recoverable after more than one year. Amounts owed by subsidiary undertakings will not be called up at short notice.

16. Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Current instalments due on unsecured bank and other loans (note 18)	**440**	799	**–**	–
Bank overdrafts	**616**	396	**–**	–
Payments on account	**141,923**	146,554	**–**	–
Amounts due to other fixed asset investments	**27**	27	**–**	–
Trade creditors	**52,110**	50,777	**–**	–
Current UK corporation tax	**2,482**	2,900	**–**	–
Non-UK taxation	**7,619**	9,761	**–**	–
Other taxes	**9,467**	9,439	**–**	–
Social security	**10,070**	8,787	**–**	–
Shares classed as financial liabilities (note 21)	**37**	33	**37**	33
Obligations under finance leases (note 19)	**1,177**	768	**–**	–
Other creditors	**16,304**	20,566	**3**	23
Accruals	**114,549**	100,662	**–**	–
	356,821	351,469	**40**	56

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

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

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Unsecured bank loans (note 18)	**44,888**	60,110	**–**	–
Unsecured other loans (note 18)	**488**	873	**–**	–
Obligations under finance leases (note 19)	**436**	167	**–**	–
Other creditors	**–**	183	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**250,000**	250,000
	45,812	61,333	**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	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Wholly repayable within five years	**45,816**	61,782	**–**	–

The £45.8m 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	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Amounts payable:				
Within one year	**29,882**	27,669	**2,205**	1,801
In two to five years	**75,338**	68,499	**2,855**	2,055
Over five years	**79,622**	51,513	**–**	277
	184,842	147,681	**5,060**	4,133

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

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Wholly repayable within five years	**1,613**	935	**–**	–

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

20. Provisions for liabilities

Group

2015	**Provision for losses on contracts £000**	**Deferred taxation Note 10(c) £000**	**Other provisions £000**	**Total £000**
At 1 January	**2,160**	**9,373**	**14,177**	**25,710**
Exchange adjustments	**(111)**	**(165)**	**–**	**(276)**
Arising during the year	**2,170**	**–**	**3,468**	**5,638**
Utilised	**(1,138)**	**(7)**	**(5,630)**	**(6,775)**
At 31 December	**3,081**	**9,201**	**12,015**	**24,297**

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

	2015 No.	2014 No.	**2015 £000**	2014 £000
Ordinary shares of £1 each	**10,032,124**	11,282,124	**10,032**	11,282
Convertible deferred shares of 1p each (classified as a liability) (note 16)	**3,678,730**	3,281,240	**37**	33
			10,069	11,315

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

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

21. Share capital (continued)

Ownership of the shares by employees means that the company is independent from external shareholders 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.

On 28 March 2015 the company repurchased 750,000 ordinary shares of £1 each from the Employee Trust for £7,350,000. This represented 7% of the issued share capital before the repurchase ('the first buyback'). On 28 May 2015 the company repurchased 500,000 ordinary shares of £1 each from the Employee Trust for £4,900,000. This represented 5% of the issued share capital before the repurchase ('the second buyback').

The convertible deferred shares are 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.

Notes to the financial statements
at 31 December 2015

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. Pursuant to the repurchase of shares by the company from the Employee Trust, the company carried out a capital reduction transaction to reduce the capital redemption reserve and share premium account by £750,000 and £6,600,000 respectively on the first buyback, and £500,000 and £4,400,000 respectively on the second buyback.

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. On 28 March 2015 the company repurchased 750,000 ordinary shares of £1 each from the Employee Trust for £7,350,000. This represented 7% of the issued share capital before the repurchase.
On 28 May 2015 the company repurchased 500,000 ordinary shares of £1 each from the Employee Trust for £4,900,000. This represented 5% of the issued share capital before the repurchase.

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. Upon transition to FRS 102, the Group has taken the exemption offered under FRS 102 Section 35, to take revalued amount as deemed cost for these investments.

Capital redemption reserve
This reserve records the nominal value of shares repurchased by the company. Pursuant to the repurchase of shares by the company from the Employee Trust, the company carried out a capital reduction transaction to reduce the capital redemption reserve and share premium account by £750,000 and £6,600,000 respectively on the first buyback, and £500,000 and £4,400,000 respectively on the second buyback.

Mott MacDonald Group Limited

Notes to the financial statements
at 31 December 2015

22. Reserves (continued)

Group

Profit and loss account

	2015 Excluding pension deficit £000	2015 Pension deficit £000	2015 Including pension deficit £000	2014 Including pension deficit £000
At 1 January	**159,590**	**(63,781)**	**95,809**	100,442
Stamp duty on repurchase of shares from Employee Trust	**(61)**	**–**	**(61)**	(46)
Premium on shares repurchased	**(11,000)**	**–**	**(11,000)**	(8,300)
Transfer from share premium account on capital reduction	**11,000**	**–**	**11,000**	8,300
Transfer to capital redemption reserve on repurchase and cancellation of own shares	**(1,250)**	**–**	**(1,250)**	(1,000)
Transfer from capital redemption reserve on capital reduction	**1,250**	**–**	**1,250**	1,000
Exchange adjustments on translation of net assets	**1,442**	**(46)**	**1,396**	1,837
Profit attributable to owners of the parent company	**26,575**	**–**	**26,575**	24,439
Dividends (note 11)	**(6,045)**	**–**	**(6,045)**	(11,247)
Transfer in respect of additional pension contributions (net of deferred tax)	**(11,791)**	**11,791**	**–**	–
Deferred tax on additional pension contributions (note 10(c))	**(2,656)**	**–**	**(2,656)**	(2,426)
Deferred tax rate change on opening scheme deficit (note 10(c))	**–**	**(787)**	**(787)**	–
Other finance cost (net of deferred tax)	**3,173**	**(3,173)**	**–**	–
Actuarial loss on pension schemes (note 25(c))	**–**	**(19,942)**	**(19,942)**	(26,798)
Deferred tax on actuarial loss (note 10(c))	**–**	**3,601**	**3,601**	5,627
Service cost (net of deferred tax)	**41**	**(41)**	**–**	–
Surplus on disposal of own shares	**4,375**	**–**	**4,375**	3,981
At 31 December	**174,643**	**(72,378)**	**102,265**	95,809

The pension deficit of £72,378,000 above differs from the pension liability in the statement of financial position of £91,285,000 by £18,907,000. 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, the deferred tax arising on the Group pension liability of £17,547,000 and the pension asset in JN Bentley Limited of £111,000.

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 (2014 − £1,995,000); and that credited to reserves amounts to £2,444,000 (2014 – £2,444,000).

Notes to the financial statements

at 31 December 2015

23. Capital commitments

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

24. Contingent liabilities

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Guarantee of bank loans and overdrafts in respect of other Group companies	**–**	–	**45,074**	60,836

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 ('the Stakeholder 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 are not in the GPP will be contractually enrolled in May 2016. Total pension costs for the GPP were £30.4m (2014 – £28.5m).

Costs to the remaining defined benefit section of MMPS were £14.7m (2014 – £12.4m). These costs include both administrative expenses relating to MMPS and an instalment of £13.5m to reduce the deficit. Members' pensions were increased during the year according to the rules of MMPS.

MMPS is funded by means of assets which are held in trustee-administered funds, separated from the 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.

Mott MacDonald Group Limited

Notes to the financial statements
at 31 December 2015

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 2015 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 2015 minimum contributions of £13.5m were paid to MMPS. Under the current funding plan these will be £14.0m in 2016, £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 2015 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.

25. Pensions and other retirement benefits (continued)

(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 2015 for disclosure purposes which showed that the total market value of the assets of the scheme was US$13.5m (2014 – US$14.5m) and the liabilities were US$21.2m (2014 – US$21.9m) resulting in a deficit of US$7.7m at 31 December 2015 (2014 – US$7.4m).

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 2015 for disclosure purposes which showed that the total market value of the assets of the scheme was €7.8m (2014 – €7.2m) and the liabilities were €9.4m (2014 – €10.2m) resulting in a deficit of €1.6m at 31 December 2015 (2014 – €3.0m).

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 2015 for disclosure purposes which showed that the total market value of the assets of the scheme was £7.8m (2014 – £7.1m) and the liabilities were £7.7m (2014 – £7.7m) resulting in a surplus of £0.1m at 31 December 2015 (2014 – deficit of £0.6m).

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:

	2015 £m	2014 £m
Change in defined benefit obligation		
Defined benefit obligation at 1 January	**(593.3)**	(530.7)
Interest cost	**(20.8)**	(23.8)
Actuarial losses	**(6.2)**	(64.9)
Benefits paid	**28.1**	26.1
Defined benefit obligation at 31 December	**(592.2)**	(593.3)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**(592.2)**	(593.3)
Change in plan assets		
Fair value of plan assets at 1 January	**518.6**	471.1
Interest income on MMPS assets	**18.4**	21.3
Actuarial (losses)/gains on MMPS assets	**(15.1)**	41.1
Employer contributions	**13.5**	11.2
Benefits paid	**(28.1)**	(26.1)
Fair value of plan assets at 31 December	**507.3**	518.6

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

	2015 £m	2014 £m
Funded status of MMPS	**(84.9)**	(74.7)
Net amount recognised in respect of MMPS	**(84.9)**	(74.7)
Deficit in MMPS	**(84.9)**	(74.7)
Deficit in other Group schemes	**(6.4)**	(7.6)
Total deficit in Group schemes excluding deferred tax (as reported in the statement of financial position)	**(91.3)**	(82.3)
Related deferred tax asset (note 10(c))	**17.5**	17.3
Net pension liability	**(73.8)**	(65.0)
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	2015 £m	2014 £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	**(20.8)**	(23.8)
Interest income on the MMPS assets	**18.4**	21.3
Net pension interest cost recognised within other finance cost in the income statement – for MMPS	**(2.4)**	(2.5)
– for other Group schemes	**(0.8)**	(0.4)
	(3.2)	(2.9)
Actuarial losses on MMPS liabilities	**(6.2)**	(64.9)
Actuarial (losses)/gains on MMPS assets	**(15.1)**	41.1
Actuarial losses immediately recognised for MMPS	**(21.3)**	(23.8)

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

25. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

Components of pension (cost)/income (continued)

Year to 31 December	2015 £m	2014 £m
Total pension (cost)/income recognised in other comprehensive loss		
– for MMPS	**(21.3)**	(23.8)
– for other Group schemes	**1.4**	(3.0)
	(19.9)	(26.8)

Plan assets

The weighted average asset allocation at the year end for MMPS was as follows:	2015 %	2014 %
Asset category		
Diversified growth funds	**40**	39
Equities	**29**	29
Corporate bonds	**20**	21
Liability driven investment	**10**	10
Cash	**1**	1
	100	100

Actual return on plan assets

Year to 31 December	2015 £m	2014 £m
Interest income on MMPS assets	**18.4**	21.3
Actuarial (losses)/gains on MMPS assets	**(15.1)**	41.1
Actual return on plan assets − for MMPS	**3.3**	62.4

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

	2015 %	2014 %
Discount rate for scheme liabilities	**3.8**	3.6
RPI inflation	**3.0**	3.4
CPI inflation	**1.9**	1.9
Pension increases (inflationary increases with a maximum of 5% p.a.)	**1.9**	1.9
Salary increases	**n/a**	n/a

Mott MacDonald Group Limited

Notes to the financial statements
at 31 December 2015

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:

	2015		2014	
	Male	**Female**	Male	Female
	Years	**Years**	Years	Years
Member age 60 (current life expectancy)	**28.7**	**30.1**	28.7	30.0
Member age 40 (life expectancy at age 60)	**30.1**	**30.6**	30.6	32.0

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.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

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

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

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Profit on ordinary activities before taxation	**63,561**	59,568	**16,135**	16,937
Adjustments to reconcile profit before taxation for the year to net cash inflow from operating activities				
Depreciation	**11,697**	9,509	**–**	–
Amortisation of goodwill and other intangibles	**10,952**	8,337	**–**	–
Investment provision	**–**	–	**–**	871
Impairment of goodwill	**2,007**	2,464	**–**	–
Fair value adjustments on current asset investments	**528**	(438)	**–**	–
Stamp duty on repurchase of shares from Employee Trust	**(61)**	(46)	**(61)**	(46)
Pension contributions	**(14,447)**	(11,967)	**–**	–
Current service cost	**47**	71	**–**	–
Pension escrow	**–**	12,594	**–**	–
Profit on disposal of tangible fixed assets	**(127)**	(93)	**–**	–
Loss on disposal of intangible fixed assets	**2**	–	**–**	–
(Profit)/loss on disposal of current asset investments	**(356)**	15	**–**	–
Other finance cost	**3,196**	2,872	**–**	–
Decrease/(increase) in debtors	**6,336**	(51,128)	**(9,925)**	(6,481)
Increase/(decrease) in creditors	**7,455**	19,796	**(20)**	21
Decrease in provisions for liabilities	**(1,241)**	(881)	**–**	–
Taxation:				
Corporation tax paid	**(9,969)**	(5,821)	**–**	–
Overseas tax paid	**(17,840)**	(15,389)	**–**	–
	(1,821)	(30,105)	**(10,006)**	(5,635)
Net cash inflow from operating activities	**61,740**	29,463	**6,129**	11,302

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Group		Company	
At 31 December	**2015**	2014	**2015**	2014
	£000	£000	**£000**	£000
Cash at bank and in hand	**122,065**	103,689	**147**	59
Bank overdrafts	**(616)**	(396)	**–**	–
Cash and cash equivalents	**121,449**	103,293	**147**	59

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

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

28. Financial assets and liabilities

		Group		Company	
		2015	2014	**2015**	2014
	Notes	**£000**	£000	**£000**	£000
Financial assets at fair value through profit or loss					
Listed investments	14(a)	**18,652**	25,520	**–**	–
Financial assets that are equity instruments measured at cost less impairment					
Other fixed asset investments	14(a)	**290**	300	**–**	–
Investments in subsidiary undertakings	14(b)	**–**	–	**347,299**	347,299
Financial assets that are debt instruments measured at amortised cost[1]					
Trade debtors	15	**211,578**	229,178	**–**	–
Amounts owed by subsidiary undertakings	15	**–**	–	**10,935**	13,260
Amounts owed by other fixed asset investments	15	**1,029**	972	**–**	–
Other debtors	15	**9,645**	9,402	**6**	6
Financial liabilities at fair value through profit or loss					
Derivative financial instruments		**–**	–	**–**	–
Shares classed as financial liabilities	16, 21	**37**	33	**37**	33
Financial liabilities measured at amortised cost[1]					
Amounts owed to subsidiary undertakings	17	**–**	–	**250,000**	250,000
Bank overdrafts	16	**616**	396	**–**	–
Loans	18	**45,816**	61,782	**–**	–
Finance leases	19	**1,613**	935	**–**	–
Trade creditors	16	**52,110**	50,777	**–**	–
Other creditors	16, 17	**16,304**	20,749	**3**	23

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

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

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 2015

29. Transition to FRS 102

The Group and company transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2014. The impact from the transition to FRS 102 is as follows:

(a) Reconciliation of equity

Reconciliation of equity at 1 January 2014	Group £000	Company £000
Equity shareholders' funds at 1 January 2014 under previous UK GAAP	115,047	114,224
Leave provision	(2,932)	–
Deferred taxation	(1,454)	–
Equity attributable to owners of the parent company at 1 January 2014 under FRS 102	110,661	114,224

Reconciliation of equity at 31 December 2014	Group £000	Company £000
Equity shareholders' funds at 31 December 2014 under previous UK GAAP	107,461	110,568
Leave provision	(2,873)	–
Deferred taxation	(2,043)	–
Business combinations	69	–
Lease incentives	(43)	–
Equity attributable to owners of the parent company at 31 December 2014 under FRS 102	102,571	110,568

The following were changes in accounting policies arising from the transition to FRS 102:

Leave provision

Under previous UK GAAP, the Group did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS 102, the Group is required to provide for all short-term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position. The impact is to increase accruals by £3,610,000 and £3,519,000 for the Group and £nil for the company at 1 January 2014 and 31 December 2014 respectively. The impact on the Group is to reduce equity attributable to owners of the parent company by £2,932,000 and £2,873,000 respectively net of tax.

Deferred taxation

Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently, deferred tax liabilities of £3,786,000 and £5,366,000 have been recognised on unremitted earnings of certain foreign subsidiaries at 1 January 2014 and 31 December 2014 respectively. This has reduced equity attributable to owners of the parent company by £1,454,000 and £2,043,000 respectively, after allocation of non-controlling interest.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

29. Transition to FRS 102 (continued)

(a) Reconciliation of equity (continued)

Business combinations

Under FRS 102, other intangibles assets have been recognised separately from goodwill for acquisitions made after the transition date, and deferred tax has been provided on the intangibles recognised. Additionally, goodwill and other intangibles on overseas acquisitions made after the transition date are treated as being in their functional currency and translated at each statement of financial position date. This has resulted in an exchange credit of £160,000 to reserves, partly offset by £91,000 amortisation of intangibles (net of deferred tax) thus increasing equity attributable to owners of the parent company by £69,000.

During 2014 the Group acquired 100% holdings in the entities Bentley Holdings Limited ('Bentley'), AWT Group Limited and Coast & Harbor Engineering, Inc. These acquisitions have been restated under FRS 102 as follows:

	Bentley £000	Other £000	Total £000
Goodwill recognised under previous UK GAAP	42,106	2,963	45,069
Goodwill and other intangibles recognised under FRS 102:			
Goodwill	9,498	1,609	11,107
Other intangibles	40,760	1,535	42,295
	50,258	3,144	53,402
Less: provision for deferred tax	(8,152)	–	(8,152)
	42,106	3,144	45,250
Exchange adjustments	–	(181)	(181)
	42,106	2,963	45,069
Other intangibles recognised under FRS 102	40,760	1,535	42,295
Amortisation charges recognised during 2014 under FRS 102	(1,471)	(205)	(1,676)
Opening net book value at 1 January 2015 under FRS 102 (note 12)	39,289	1,330	40,619

Lease incentives

Under previous UK GAAP, lease incentives were amortised over the period up until the first break clause of the lease. FRS 102 requires that lease incentives be amortised over the entire lease term. The impact of transition is to increase lease expense by £43,000 as a result of applying the change to leases entered into during 2014.

29. Transition to FRS 102 (continued)

(b) Reconciliation of profit and loss for the year ended 31 December 2014

	Group £000	Company £000
Profit for the year ended 31 December 2014 under previous UK GAAP	43,817	16,937
Decrease in leave accrual (net of tax)	53	–
Increase in deferred tax on unremitted earnings	(1,273)	–
Defined benefit pension scheme (net of deferred tax)	(6,320)	–
Lease incentives	(43)	–
Business combinations	(90)	–
Fair value adjustments of current asset investments	344	–
Profit for the year ended 31 December 2014 under FRS 102	36,488	16,937

The following were changes in accounting policies arising from the transition to FRS 102:

Leave provision

As a result of the requirement to accrue for holiday that was earned but not taken at the date of the statement of financial position, there is a charge (net of tax) of £53,000 and £nil to the income statement for the Group and for the company respectively, for the year ended 31 December 2014, recognising the decrease in the holiday pay accrual during the year.

Deferred taxation

Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently, there is a deferred tax charge of £1,273,000 (net of exchange) and £nil to the income statement for the Group and for the company respectively, for the year ended 31 December 2014, recognising the increase in provision for deferred tax on unremitted earnings.

Defined benefit pension scheme

Under FRS 102, there is a presentation change whereby net interest on the net defined benefit pension liability is presented in the income statement using the liability discount rate. Under previous UK GAAP the interest on the expected return on net assets was calculated using an expected asset return discount rate. This had no impact on equity attributable to owners of the parent company on transition but affects the allocation of interest between the income statement and other comprehensive income. Profit is reduced by £6,320,000, but other comprehensive income is increased by £6,320,000 (net of deferred tax).

Business combinations

Under FRS 102, other intangibles assets have been recognised separately from goodwill for acquisitions made after the transition date, and deferred tax has been provided on the intangibles recognised. This has resulted in additional amortisation of £384,000 which is partly offset by a deferred tax credit of £294,000 resulting in a reduction of profit of £90,000.

Current asset investments

Under FRS 102, current asset investments are held at fair value with revaluations through profit or loss. Under previous UK GAAP such revaluations were reported through the statement of total recognised gains and losses. This has no impact on equity attributable to owners of the parent company on transition but income is increased by £344,000 and other comprehensive income is reduced by £344,000.

29. Transition to FRS 102 (continued)

(b) Reconciliation of profit and loss for the year ended 31 December 2014 (continued)

Lease incentives

Under previous UK GAAP, lease incentives were amortised over the period up until the first break clause of the lease. FRS 102 requires that lease incentives be amortised over the entire lease term. The impact of transition is to increase lease expense by £43,000 as a result of applying the change to leases entered into during 2014.

(c) Transitional relief

On transition to FRS 102 from previous UK GAAP, the Group and company have taken advantage of transitional relief as follows:

Business combinations

The Group has elected not to apply Section 19 'Business Combinations and Goodwill' to business combinations that were effected before the date of transition to FRS 102. No adjustment has been made to the carrying value of goodwill and intangible assets subsumed within goodwill have not been separately recognised.
In addition, the goodwill acquired on overseas acquisitions effected prior to the transition date continues to be treated as being denominated in the functional currency of the Group, rather than of the acquired entity.

Investment in subsidiaries

The company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.

Lease incentives

The Group and company have not applied paragraphs 20.15A or 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost associated with these lease incentives on the same basis that applied prior to transition to FRS 102.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

30. Subsidiary undertakings

Subsidiary undertaking	Controlling interest 2015 %	2014 %	Country of incorporation/registration
AWT Group Limited	**100**	100	New Zealand
AWT Water Limited	**100**	100	New Zealand
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**	–	Nigeria
Cambridge Education Tanzania Limited	**100**	–	Tanzania
CCMS Software Limited	**100**	100	England and Wales
Coast & Harbor Engineering, Inc.	**55.3**	55.4	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**	55.4	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 Alabama, LLC	**55.3**	55.4	United States of America
Hatch Mott MacDonald Architects, Inc.	**55.3**	55.4	United States of America
Hatch Mott MacDonald Consultants, Inc.	**55.3**	55.4	United States of America
Hatch Mott MacDonald Federal, LLC	**55.3**	55.4	United States of America
Hatch Mott MacDonald Florida, LLC	**55.3**	55.4	United States of America
Hatch Mott MacDonald Group, Inc.	**55.3**	55.4	United States of America
Hatch Mott MacDonald Holdings, Inc.	**55.3**	55.4	United States of America
Hatch Mott MacDonald I&E, LLC	**55.3**	55.4	United States of America
Hatch Mott MacDonald Limited	**55.3**	55.4	Canada

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

30. Subsidiary undertakings (continued)

Subsidiary undertaking	Controlling interest 2015 %	2014 %	Country of incorporation/registration
Hatch Mott MacDonald, LLC	**55.3**	55.4	United States of America
Hatch Mott MacDonald Massachusetts, LLC	**55.3**	55.4	United States of America
Hatch Mott MacDonald Michigan, LLC	**55.3**	55.4	United States of America
Hatch Mott MacDonald NY, Inc.	**55.3**	55.4	United States of America
Hatch Mott MacDonald Operating Services, LLC	**55.3**	55.4	United States of America
HLSP Limited	**100**	100	England and Wales
HMM Architects, P.C.	**55.3**	55.4	United States of America
J.B. Trimble, Inc.	**55.3**	55.4	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.	**55.3**	55.4	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 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
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 (Thailand) Limited	**100**	100	Thailand
Mott MacDonald Africa (Pty) Limited (formerly Mott MacDonald PDNA (Pty) Limited)	**100**	100	South Africa
Mott MacDonald Australia Pty Limited	**100**	100	Australia
Mott MacDonald Bentley Limited	**100**	100	England and Wales
Mott MacDonald Blantyre Limited	**100**	–	Malawi
Mott MacDonald B.V.	**100**	100	The Netherlands
Mott MacDonald Canada Limited	**100**	100	Canada
Mott MacDonald Consultants (HK) Limited	**100**	100	China (Hong Kong)
Mott MacDonald Contracting (Pty) Limited (formerly PDNA Industrial Projects (Pty) Limited)	**100**	100	South Africa
Mott MacDonald CZ, spol. s r.o.	**100**	100	Czech Republic

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2015

30. Subsidiary undertakings (continued)

Subsidiary undertaking	Controlling interest 2015 %	2014 %	Country of incorporation/registration
Mott MacDonald Development South Africa (Pty) Limited (formerly Health and Development Africa (Pty) Limited)	**100**	100	South Africa
Mott MacDonald DRC SASU	**100**	–	Democratic Republic of Congo
Mott MacDonald Engineering Consultants Limited[1]	**100**	100	England and Wales
Mott MacDonald Finland Oy	**100**	100	Finland
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 Holdings (South Africa) (Pty) Limited	**100**	100	South Africa
Mott MacDonald Hong Kong Limited	**100**	100	China (Hong Kong)
Mott MacDonald Hughes Trueman Pty Limited	**100**	100	Australia
Mott MacDonald, Inc.	**100**	100	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 Japan KK	**100**	100	Japan
Mott MacDonald Kazakhstan LLP	**100**	100	Kazakhstan
Mott MacDonald Kenya Limited (formerly Mott MacDonald Africa Limited)	**100**	100	Kenya
Mott MacDonald Limited[1]	**100**	100	England and Wales
Mott MacDonald, LLC	**100**	100	United States of America
Mott MacDonald MA, LLC	**100**	100	United States of America
Mott MacDonald Macau Limited	**100**	100	Macau
Mott MacDonald Magyarorszag Kft	**100**	100	Hungary
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 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 Group Limited

Notes to the financial statements

at 31 December 2015

30. Subsidiary undertakings (continued)

Subsidiary undertaking	Controlling interest 2015 %	2014 %	Country of incorporation/registration
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
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
PT Mott MacDonald Indonesia	**100**	100	Indonesia
Richard P. Arber Associates, Inc.	**55.3**	55.4	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

Mott MacDonald

Mott MacDonald Group Limited

Group five year summary

Years ended 31 December	**2015**	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Gross revenue	**1,401,408**	1,231,005	1,214,513	1,104,117	1,074,487
Profit on ordinary activities before taxation	**63,561**	59,568	60,317	56,154	48,611
Tax on profit on ordinary activities	**(22,312)**	(23,080)	(20,799)	(18,003)	(14,475)
Non-controlling interests	**(14,674)**	(12,049)	(14,590)	(12,098)	(10,924)
Dividends	**(6,045)**	(11,247)	(8,951)	(6,585)	(8,438)
Retained profit	**20,530**	13,192	15,977	19,468	14,774
Employment of Group capital					
Fixed assets	**89,334**	98,594	50,293	41,233	41,115
Net current assets (less provisions)	**201,165**	192,327	162,261	160,634	160,538
Excluding pension liability	**290,499**	290,921	212,554	201,867	201,653
Pension liability (excluding deferred tax)	**(91,285)**	(82,296)	(50,995)	(75,842)	(50,732)
Including pension liability	**199,214**	208,625	161,559	126,025	150,921
Group capital employed					
Creditors falling due after more than one year	**45,812**	61,333	2,949	773	20
Equity attributable to owners of the parent company excluding pension liability	**197,480**	184,867	166,042	167,328	164,023
Non-controlling interests	**47,207**	44,721	43,563	33,766	37,610
Excluding pension liability	**290,499**	290,921	212,554	201,867	201,653
Pension liability (excluding deferred tax)	**(91,285)**	(82,296)	(50,995)	(75,842)	(50,732)
Including pension liability	**199,214**	208,625	161,559	126,025	150,921
Net funds					
Cash at bank and in hand	**122,065**	103,689	94,455	66,976	80,909
Bank overdrafts	**(616)**	(396)	(1,211)	–	–
Current instalments due on loans	**(440)**	(799)	(10,523)	(10,326)	(5,126)
Loans falling due after more than one year	**(45,376)**	(60,983)	(208)	–	–
Obligations under finance leases	**(1,613)**	(935)	(184)	(30)	(46)
Shares classed as financial liabilities	**(37)**	(33)	(34)	(33)	(33)
	73,983	40,543	82,295	56,587	75,704

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 and 2015 which have been reported under FRS 102.

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Multinational

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