

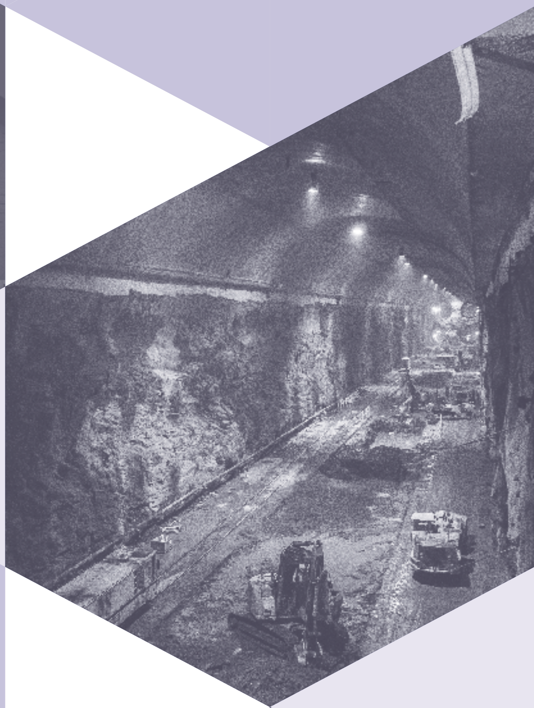

Mott MacDonald Limited

Report and financial statements
31 December 2014




Mott MacDonald Limited

Directors

Keith Howells	Chairman
Richard Williams	Managing Director
Ed Roud	Finance Director
Mike Barker	
Chris Davis	
Kevin Dixon	
Mike Haigh	
Guy Leonard	
Kevin Stovell	

Company Secretary

Joanna Field

Auditors

Grant Thornton UK LLP
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Strategic report

Market overview

Recovery of worldwide economies since the recession continued to be mixed during 2014. However the UK has led the way in Europe with the UK government continuing to invest in infrastructure. Across Europe and further east, economic conditions remain very challenging. The beginning of 2014 saw the Middle East enter a renewed phase of activity which prior to the oil price slump showed great opportunity.

Performance

Gross revenue of £579.3m was 6% up on 2013 (£547.4m). Good organic growth was offset by the effects of exchange on non-UK revenues and remained below strategic targets. However markets continued to improve slowly, with real growth albeit at low levels, and there is now better visibility of future work and more certainty in the market place.

Operating profit of £28.0m was significantly up on the 2013 figure of £12.4m. The increase in profit was due to a favourable exchange variance of £9.9m and a reduction of £2.8m in the pension cost compared with 2013. Provisions against intercompany balances and investments in 2014 were also lower than 2013 by £4.0m.

Underlying profit was slightly up compared with the previous year with marginally improved utilisation and improved control of overheads.

Profit on sale on investments of £4.0m related partly to the profit on sale of shares by the Mott MacDonald Employee Trust (which is consolidated in these accounts) back to the parent company, Mott MacDonald Group Limited.

Net interest receivable of £8.5m was significantly up on the 2013 figure of £0.3m. This was due to intercompany interest from group companies. Excluding this intercompany interest, the net position would actually be interest payable as a result of three months' interest charged (£0.25m) on the loan of £49.8m used to fund the acquisition of Bentley Holdings Limited.

The effective tax rate was 24.4% (2013: 25.8%) due mainly to a reduction in the tax rate and lower intercompany provisions in 2014 compared to 2013 for which no tax relief is available. These reductions have been partly offset by an additional provision of £3.5m for potential overseas tax charges related to foreign branches.

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

Balance sheet position

Net assets have decreased from £327m to £314m. This was due to a reduction in retained reserves, mainly due to retained profit in the year of £34.9m being more than offset by the accounting impact of FRS 17 (£27.6m) and payment of an interim dividend (£23.3m).

There has been an increase of £24.7m in the net pension liability from £35.1m to £59.8m. This was due to the impact of the actuarial loss of £25.4m (net of deferred tax) and the release of the £12.6m escrow amount, which has been replaced with additional bank guarantees. These factors are partly offset by company contributions of £9.0m and other finance income of £4.3m, both net of deferred tax.

Gearing and cash flow

At 31 December 2014, net debt was £20.1m compared with net cash of £22.2m at the end of 2013. The movement was due to debt being used to fund the acquisition of Bentley Holdings Limited which is also reflected in the increase in investments during the year. Liquidity ratios remained strong.

The parent company, Mott MacDonald Group Limited, has £90m of committed facilities in place

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until June 2018. It also has bond facilities to provide tender bonds, performance bonds and advance payment bonds in the normal course of business.

Contracted work

The order book during 2014 improved with contracted work for 2015 ahead of the position for 2014. It is expected that the UK will continue to see good growth, although the Middle East will likely be impacted by the slump in global oil prices.

Principal risks and uncertainties

Business risks

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

The Business Management System (BMS) is designed to be fully compliant with international ISO 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 by the introduction of new process management software, 'Step', which is mandatory in its application across the Group, and should greatly improve process control across our win and deliver activities.

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

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

Financial risks

The company is exposed to liquidity risk, credit risk and exchange risk which are effectively managed by a variety of controls and processes in place to help mitigate any adverse impact from these risks. The more important aspects are:

- For investments, all counterparties must meet a 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 company matches currency earnings with currency costs, with the net exposure hedged with forward currency contracts where possible.
- Strong credit control procedures operate at bidding stage and for the duration that contracts are in place.
- Working capital and cash flow management operates daily with weekly reporting to the executive team and monthly reporting to the Board, including monthly targets and rolling forecasts.

The transaction exposure after matching is not material to risk management. The company hedges interest rate exposures where necessary.

Looking forward

As we enter 2015 it is anticipated that we will see little change in the turmoil within global economies. The impact of low oil prices, lower growth in China and continuing low growth across Europe will likely result in both delays and cancellation of projects.

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Going forward, the business will continue to seek ways to reduce operating costs, particularly through more efficient working practices developed as part of the Business Improvement Programme investment. This focus on cost management, together with a stronger order book position, should ensure a positive year ahead.

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

Richard Williams
Managing Director
4 March 2015

Corporate responsibility

The company has strategies, policies and initiatives which are driven from and consistent with the Group's overall approach to Corporate Responsibility, which is managed through the business units and management structure rather than being managed and delivered on a legal entity basis. The commentary below sets out Group strategies and achievements relevant to the company and other subsidiaries.

Running a responsible, sustainable business

Running a business responsibly is key to its long-term sustainability: all decisions we make, whether regarding the governance and strategy of our company or about the planning, design and delivery of projects, have consequences. Taking sustainability into account helps us to ensure that those consequences are positive, adding value for our customers, for Mott MacDonald and for the communities we work in.

Mott MacDonald has 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. The behaviours on which corporate sustainability is built are enshrined in our core PRIDE values of progress, respect, integrity, drive, excellence.

The non-financial key performance indicators described below form part of the strategic report.

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 increasingly used to deliver large engineering projects, contributing to stronger performance against cost, time, carbon and safety indicators.
- Ongoing IT transformation is making it easier for staff to collaborate and share information.
- We promote technical excellence and innovation through six Group-level internal awards schemes. 55 external awards were won in 2014.
- We have increased the number of client engagement events, addressing key issues affecting the sectors we work in, advancing innovative thinking, promoting best practice and enabling knowledge transfer.

Driving efficiencies in environmental performance

- Through our project work we are involved in realising major efficiency improvements across all of our core engineering disciplines.
- We have acted to promote the core messages of the UK Government's Infrastructure Carbon Review (ICR) that reducing carbon emissions results in reduced cost, and to fulfil our ICR pledges to:
  - Show industry leadership in influencing customers and partners to reduce carbon: in 2014 we held 11 client events addressing the low carbon agenda. Our carbon modelling and reduction work received accolades from two major UK clients, Anglian Water and the Highways Agency.
  - Champion lean solutions including BIM and offsite construction: we formed strategic partnerships to win and deliver major infrastructure projects using BIM and design for manufacture and assembly and held two client engagement events focused on BIM.
  - Use carbon reduction targets as key assessment criteria for suppliers: we have switched all UK offices to renewable electricity; standardising our office furniture has delivered a 12% space saving, cutting our per capita office emissions; we are retrofitting offices and upgrading IT equipment to improve energy performance; we retendered our data archiving to minimise carbon and cost.
- Our 2013 carbon footprint was 2.47tCO_2e per employee, down 5.3% on 2012 and beating our goal of reducing carbon by 5%/person/year. It was submitted to the Carbon Disclosure Project in 2014 and was awarded a score of 85B, ahead of all our principal competitors.

Promoting staff well-being

- We are rolling out training across our Europe and Africa region to equip managers with the skills and techniques for identifying, nurturing

Corporate responsibility

and harnessing talent.
- We are enabling global staff mobility through practical advice and assistance, allowing our people to grow professionally by working in new environments and cultures.
- Awareness and management of work-related stress, safe driving and cycling are ongoing areas of focus.

Contributing to our communities

- Our Community Support Programme provides financial support for up to three projects selected by our staff and on which they are voluntarily contributing technical or management expertise. Two projects were completed in 2014: reconstruction of schools in Kashmir, Pakistan, and construction of a special needs school in India. Ongoing projects include construction of a co-operative 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 globally contribute to academic programmes and research at numerous universities.
  - In the UK we sponsor two new students per year through the Institution of Civil Engineers' Quest programme.
  - We provided 99 summer internships and 25 industrial placements in 2014.
  - We recruited 19 apprentices through the Engineering Technician Apprenticeships Programme in 2014, bringing the number of young people recruited as apprentices to date to 50.
  - Each year we organise work experience placements for schoolchildren, and we are working with schools and education sector 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, mobility and communication, better health and education, skills training and transfer, and environmental improvements.
- In 2014 we increased use of our Transparent Economic Appraisal Model (TEAM) to measure the gross value added through infrastructure projects.

Managing risk, safety and ethics

- Our global approach to risk management is compliant with British Standard 10500 for anti-bribery management.
- Business ethics training is a mandatory component of the induction process for all staff. All reports to our independent helpline are fully investigated and documented.
- We use experienced country managers to identify and mitigate potential bribery and corruption risk.
- Members of our Group Board continue to show strong industry leadership on ethics.
- Our 'CLASS' risk management approach has been communicated afresh to all staff via mandatory interactive workshops.
- 519 near misses were logged in 2014, showing year on year improvement in risk awareness, while the number of accidents remained static at 200.
- Risk management processes, including health and safety, have been mapped to assist in identifying legal requirements in various jurisdictions and ensuring that we understand the impact they have on our work activities.
- Our health and safety manager was a key contributor to new UK industry guidance, is deputy chair of the Association for Consultancy and Engineering's Health and Safety Group and led the creation of a Consultants' Health and Safety Forum in India.
- Our information management system fully complies with BS 27001 for information security.

K. G. Howells.

Keith Howells
Chairman
4 March 2015

Directors' report

The directors present their report, together with the audited financial statements of the company for the year ended 31 December 2014.

Registration

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

Results and dividends

The profit for the year after taxation amounts to £34.9m (2013 – £16.7m). The directors recommended an interim dividend of £23.3m (2013 – £12.7m) and this was paid on 18 December 2014. The directors do not propose a final dividend.

Principal activities

Mott MacDonald is one of the world's leading engineering, management and development consultancies. Its core business sectors are buildings, communications, education, environment, health, industry, international development, oil and gas, power, transport, urban development and water.

Directors

The following were directors of the company during the year ended 31 December 2014:

Mike Barker
Chris Davis
Kevin Dixon
Mike Haigh
Keith Howells
Guy Leonard
Ed Roud
Kevin Stovell
Richard Williams

Mike Haigh and Ed Roud were appointed as directors on 14 April 2014.

Employment policies

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

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

The company's policy and practice is to employ staff from a wide diversity of backgrounds and to ensure that training, career development, remuneration and promotional opportunities, both for new and existing employees, are based solely on aptitude, ability and work ethic.

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

Principal risks and uncertainties

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

Statement of directors' responsibilities

The directors are responsible for preparing the annual report which includes the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless

Directors' report

they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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.

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

The directors confirm that:

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

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

Auditor

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

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

Joanna Field
Company Secretary
4 March 2015

Independent auditor's report

to the members of Mott MacDonald Limited

We have audited the financial statements of Mott MacDonald Limited for the year ended 31 December 2014 which comprise the profit and loss account, the statement of total recognised gains and losses, the reconciliation of shareholders' funds, the balance sheet 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).

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 set out on pages 7 and 8, 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 (APB'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 APB'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 company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- and have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Stephen Maslin
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
4 March 2015

Mott MacDonald Limited

Profit and loss account

for the year ended 31 December 2014

	Notes	**2014 £000**	2013 £000
Gross revenue	2	**579,295**	547,402
Cost of sales		**(355,995)**	(337,580)
Gross profit		**223,300**	209,822
Administrative expenses		**(195,257)**	(197,389)
Operating profit	3	**28,043**	12,433
Provision for diminution of investments	11	**(392)**	(521)
Income from other fixed asset investments		**35**	35
Profit from disposal of investments	11	**3,981**	7,010
Dividends received from subsidiary undertakings		**600**	521
Profit on ordinary activities before interest		**32,267**	19,478
Net interest receivable	6	**8,453**	302
Other finance income	21	**5,400**	2,800
Profit on ordinary activities before taxation		**46,120**	22,580
Tax on profit on ordinary activities	7(a)	**(11,243)**	(5,831)
Profit on ordinary activities after taxation	19	**34,877**	16,749

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

Mott MacDonald Limited

Statement of total recognised gains and losses

for the year ended 31 December 2014

	Notes	**2014 £000**	2013 £000
Profit attributable to members of the parent undertaking	19	**34,877**	16,749
Actuarial (loss)/gain on pension scheme	19, 21	**(31,700)**	11,000
Deferred tax on actuarial loss/(gain)	7(c), 19	**6,340**	(2,200)
Deferred tax on additional pension contribution	7(c), 19	**(2,240)**	(2,480)
Deferred tax rate change on opening pension scheme deficit	7(c)	**–**	(3,054)
Total recognised gains and losses for the year		**7,277**	20,015

Reconciliation of shareholders' funds

for the year ended 31 December 2014

	Notes	**2014 £000**	2013 £000
Total recognised gains and losses for the year		**7,277**	20,015
Dividends	8	**(23,255)**	(12,686)
Undistributed total recognised gains and losses		**(15,978)**	7,329
Capital contribution on conversion of investment by fellow subsidiary to a branch of the company	19	**2,933**	–
Shareholders' funds at 1 January		**327,016**	319,687
Shareholders' funds at 31 December		**313,971**	327,016

Mott MacDonald

Mott MacDonald Limited

Balance sheet

at 31 December 2014

	Notes	**2014 £000**	2013 £000
Fixed assets			
Intangible assets	9	**–**	443
Tangible assets	10	**8,224**	8,043
Investments	11	**87,227**	40,659
		95,451	49,145
Current assets			
Debtors	12	**512,343**	479,321
Cash at bank and in hand	25	**35,221**	27,681
		547,564	507,002
Creditors: amounts falling due within one year	13	**(213,548)**	(193,542)
Net current assets		**334,016**	313,460
Total assets less current liabilities		**429,467**	362,605
Creditors: amounts falling due after more than one year	14	**(55,300)**	–
Provisions for liabilities	17	**(440)**	(507)
Net assets excluding pension liability		**373,727**	362,098
Pension liability	21	**(59,756)**	(35,082)
Net assets including pension liability		**313,971**	327,016
Capital and reserves			
Called up share capital	18	**10,000**	10,000
Profit and loss account	19	**303,971**	317,016
Shareholders' funds		**313,971**	327,016

These financial statements were approved by the Board of Directors on 4 March 2015.

K. J. Howells.

K J Howells
Chairman

Mott MacDonald Limited

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

The financial statements are prepared in accordance with applicable accounting standards under UK GAAP ('Generally Accepted Accounting Practice') and in compliance with Companies Act 2006.

In accordance with Financial Reporting Standard 18 'Accounting Policies', the directors have reviewed the circumstances of the company and considered the appropriateness of its accounting policies, which have remained unchanged from the previous year.

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

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

The principal accounting policies of the company are set out below.

Mott MacDonald Employee Trust

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

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

The 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.

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

Mott MacDonald Limited

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired.

Purchased goodwill arising on acquisitions on or after 1 January 1998 is capitalised and amortised through the profit and loss account over the directors' estimate of its useful life, subject to a maximum of twenty years. Impairment reviews are carried out if events or circumstances indicate that the carrying value of goodwill will not be recovered in full. Any diminution in value is charged through the profit and loss account.

If a business is subsequently sold or closed, any goodwill arising on acquisition (whether positive or negative) that has not been amortised is taken into account in determining the profit or loss on sale or closure and charged or credited to the profit and loss account as appropriate.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost less estimated residual value of all tangible fixed assets over their estimated economic lives. The depreciation rates used are as follows:

Freehold buildings	2% on a straight line basis
Fixtures, fittings and equipment	10% – 33% on a straight line basis
Motor vehicles	25% on a straight line basis
Leased assets	straight line basis over the period of the lease term

Gross revenue

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

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 profit and loss account by reference to the stage of completion of the contract at the balance sheet 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 gross 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.

Mott MacDonald Limited

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Gross revenue (continued)

Amounts recoverable on contracts represents 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.

Research and development

Research and development costs are charged to the profit and loss account in the year that they are incurred.

Fixed asset investments

Fixed asset investments are carried in the balance sheet at cost less any provision for impairment.

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 balance sheet date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Dividends

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate with the related gains or losses being recognised in the profit and loss account.

Notes to the financial statements
at 31 December 2014

1. Accounting policies (continued)

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

Leasing and hire purchase commitments
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance lease and hire purchase contracts are capitalised as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the term of the lease. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions
The company has operated a number of pension schemes in the UK. These are described more fully in note 21.

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 actuary.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the 'Projected Unit' method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the company.

The current service costs and costs or gains from settlements and curtailments are reflected in arriving at operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on scheme liabilities and the expected return on scheme assets are included in other finance costs or income. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

Derivative financial instruments
Derivative financial instruments are used by the company mainly for the management of its foreign currency and interest rate exposures. Gains or losses in respect of these arrangements are recognised in the profit and loss account on maturity.

Mott MacDonald Limited

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at 31 December 2014

2. Gross revenue and segmental analysis

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

Gross revenue by destination:

	2014 £000	2013 £000
Europe and Africa	**433,462**	425,903
Middle East and South Asia	**123,366**	101,677
Asia Pacific and Australasia	**15,587**	12,752
Americas	**6,880**	7,070
	579,295	547,402

3. Operating profit

This is stated after charging/(crediting):

		2014 £000	2013 £000
Auditor's remuneration	– audit services	**266**	255
	– non-audit services		
	taxation	**12**	6
	other	**220**	30
		232	36

In addition to the above, the auditor received £120,000 in relation to due diligence work which is capitalised in the balance sheet as part of cost of acquisition.

		2014 £000	2013 £000
Settlement cost in pension scheme (note 21)		**–**	3,300
Past service cost in pension scheme (note 21)		**–**	(500)
Foreign exchange (gains)/losses		**(671)**	9,244
Depreciation (note 10)		**4,031**	3,653
Amortisation of goodwill (note 9)		**156**	156
Impairment of goodwill (note 9)		**287**	–
Operating lease rentals	– vehicles and equipment	**27**	23
	– land and buildings	**10,859**	10,641

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4. Directors' remuneration

	2014 £000	2013 £000
Emoluments (excluding pension contributions)	**3,897**	3,165

The emoluments (excluding pension contributions) of the highest paid director were £764,797 (2013 − £721,500).

During the year £143,460 (2013 − £111,984) of contributions were paid to the Group Personal Pension Plan in respect of 6 (2013 – 3) directors of which £Nil related to the highest paid director. Some of these directors also have benefits under the closed defined benefit section of the Mott MacDonald Pension Scheme ('the Scheme').

The highest paid director had no accrued pension at 31 December 2014.

5. Staff costs

	2014 £000	2013 £000
Salaries	**262,947**	237,657
Social security costs	**26,681**	24,231
Other pension costs	**43,383**	41,040
	333,011	302,928

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

	No.	No.
Management	**430**	405
Technical staff	**4,790**	4,366
Administrative staff	**866**	880
	6,086	5,651
The actual number of permanent staff at 31 December was:	**6,164**	5,670

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6. Net interest receivable

	2014 £000	2013 £000
Interest receivable:		
Interest due from parent undertaking	**6,352**	–
Interest due from fellow subsidiary undertakings	**2,886**	858
Other interest	**78**	103
	9,316	961
Interest payable:		
Bank interest	**(347)**	(78)
Interest due to parent undertaking	**(31)**	–
Interest due to fellow subsidiary undertakings	**(485)**	(541)
Other interest	**–**	(40)
	(863)	(659)
Net interest receivable	**8,453**	302

7. Tax

(a) Tax on profit on ordinary activities

	2014 £000	2013 £000
The taxation charge is made up as follows:		
Current tax:		
UK corporation tax	**720**	–
Non-UK tax	**606**	70
Capital gains tax – Mott MacDonald Employee Trust	**–**	153
	1,326	223
Adjustments in respect of previous years:		
UK corporation tax	**5,292**	6,209
Non-UK tax	**4,210**	71
Capital gains tax – Mott MacDonald Employee Trust	**(153)**	(336)
Total current tax (note 7(b))	**10,675**	6,167
Deferred tax:		
Origination and reversal of timing differences	**569**	(205)
Effect of decreased tax rate on opening balance	**–**	(101)
Adjustments in respect of previous years	**(1)**	(30)
Total deferred tax charge/(credit) (note 7(c))	**568**	(336)
Tax on profit on ordinary activities	**11,243**	5,831

Mott MacDonald Limited

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at 31 December 2014

7. Tax (continued)

(b) Factors affecting current tax charge for year

The tax provided for the year is higher than the amount computed at the average rate of corporation tax in the UK of 21.5% (2013 − 23.25%). The differences are explained below. The average rate for 2014 reflects the reduction from 23% to 21% substantively enacted on 2 July 2013 with effect from 1 April 2014.

	2014	2013
	£000	£000
Profit on ordinary activities before taxation	**46,120**	22,580
Profit on ordinary activities multiplied by average rate of corporation tax in the UK of 21.5% (2013 − 23.25%)	**9,916**	5,250
Effects of:		
Timing differences including provisions, depreciation and capital allowances	**(612)**	237
Net higher tax on non-UK earnings	**606**	70
Non-UK branch profits	**(899)**	(150)
Adjustments in respect of previous years	**9,349**	5,944
Non-taxable income (UK dividends received)	**(129)**	(121)
Expenses not deductible for tax purposes	**(4,201)**	(1,722)
Research and development relief	**(825)**	(548)
Pension contribution and other items	**(2,408)**	(2,883)
Group relief	**(122)**	(63)
Capital gains tax attributable to Mott MacDonald Employee Trust	**–**	153
Total current tax (note 7(a))	**10,675**	6,167

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.

The items listed above which explain why the tax charge for the current year is higher than the average corporation tax in the UK are likely to impact on tax charges of future years as well, although their exact quantum will vary with time and circumstances.

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7. Tax (continued)

(c) Deferred tax

	2014	2013
	£000	£000
The deferred tax included in the balance sheet is as follows:		
Included in debtors (note 12)	**3,805**	3,293
Included in arriving at net pension liability (note 21)	**14,939**	11,919
	18,744	15,212
The elements of deferred taxation are as follows:		
Excess of book depreciation over tax allowances on fixed assets	**2,115**	1,889
Other timing differences	**1,690**	1,403
Pension cost	**18,459**	14,360
Effect of other finance income	**(3,520)**	(2,440)
	18,744	15,212
The movement in the year was:		
At 1 January	**15,212**	22,610
Deferred tax (charge)/credit in the profit and loss account (note 7(a))	**(568)**	336
Deferred tax credit/(charge) in the statement of total recognised gains and losses		
– on actuarial loss/(gain) on pension scheme (note 19)	**6,340**	(2,200)
– on additional pension contributions made during the year (note 19)	**(2,240)**	(2,480)
– due to effect of rate change on opening balance of pension scheme	**–**	(3,054)
At 31 December	**18,744**	15,212

8. Dividends

	2014	2013
	£000	£000
The following dividends were paid during the year:		
Interim dividend paid	**23,255**	12,686

Mott MacDonald Limited

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at 31 December 2014

9. Intangible fixed assets

Goodwill	2014 £000
Cost:	
At 1 January and at 31 December	**2,496**
Amortisation:	
At 1 January	**2,053**
Provided during the year	**156**
Impairment	**287**
At 31 December	**2,496**
Net book value:	
At 31 December	**–**
At 1 January	443

10. Tangible fixed assets

2014	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
Cost:			
At 1 January	**1,129**	**38,509**	**39,638**
Exchange adjustments	**26**	**215**	**241**
Additions	**21**	**3,899**	**3,920**
Transferred from fellow subsidiary undertaking	**153**	**1,660**	**1,813**
Disposals	**(136)**	**(992)**	**(1,128)**
At 31 December	**1,193**	**43,291**	**44,484**
Depreciation:			
At 1 January	**1,073**	**30,522**	**31,595**
Exchange adjustments	**23**	**205**	**228**
Provided during the year	**34**	**3,997**	**4,031**
Transferred from fellow subsidiary undertaking	**56**	**1,441**	**1,497**
Disposals	**(136)**	**(955)**	**(1,091)**
At 31 December	**1,050**	**35,210**	**36,260**
Net book value:			
At 31 December	**143**	**8,081**	**8,224**
At 1 January	56	7,987	8,043

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at 31 December 2014

11. Fixed asset investments

2014	**Investment in parent undertaking £000**	**Investment in subsidiary undertakings £000**	**Total £000**
Cost:			
At 1 January	**23,419**	**18,925**	**42,344**
Additions	**7,177**	**52,803**	**59,980**
Disposals	**(13,020)**	**–**	**(13,020)**
At 31 December	**17,576**	**71,728**	**89,304**
Amounts provided:			
At 1 January	**–**	**1,685**	**1,685**
Provided during the year	**–**	**392**	**392**
At 31 December	**–**	**2,077**	**2,077**
Net book value:			
At 31 December	**17,576**	**69,651**	**87,227**
At 1 January	23,419	17,240	40,659

The profit on disposal of shares in the parent undertaking was £3,981,022.

Additions to investment in subsidiary undertakings during the year relate to the acquisition on 17 September 2014 of Bentley Holdings Limited which is incorporated in England and Wales.

Principal subsidiaries

Subsidiary undertaking	**Controlling interest 2014 %**	**2013 %**	**Country of incorporation/registration**
JN Bentley Limited[1]	**100**	–	England and Wales

[1]investment held through subsidiary undertaking

A full list of subsidiary undertakings is filed with the annual return at Companies House. All subsidiaries other than JN Bentley Limited, are either dormant as a result of transferring their trade, assets and liabilities to Mott MacDonald Limited, or not material.

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Notes to the financial statements

at 31 December 2014

12. Debtors

	2014	2013
	£000	£000
Trade debtors	**93,158**	76,757
Amounts recoverable on contracts	**60,865**	46,417
Amounts owed by parent undertaking	**250,000**	250,000
Amounts owed by fellow subsidiary undertakings	**84,800**	82,038
Amounts owed by other fixed asset investments	**953**	320
Deferred taxation (note 7(c))	**3,805**	3,293
Taxation recoverable	**1,339**	2,157
Other debtors	**3,152**	2,926
Prepayments and accrued income	**14,271**	15,413
	512,343	479,321

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

13. Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Unsecured bank loan (note 15)	**–**	5,500
Payments on account	**83,161**	72,330
Amounts due to parent undertaking	**13,260**	16,083
Amounts due to fellow subsidiary undertakings	**25,927**	25,236
Amounts due to other fixed asset investments	**27**	26
Trade creditors	**9,065**	9,157
Current UK corporation tax	**1,458**	153
Non-UK taxation	**5,819**	1,446
Other taxes	**4,961**	4,480
Social security	**5,993**	5,767
Other creditors	**6,529**	6,491
Accruals and deferred income	**57,348**	46,873
	213,548	193,542

Amounts due to parent undertaking and fellow subsidiary undertakings will not be called up at short notice.

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

	2014	2013
	£000	£000
Unsecured bank loan (note 15)	**55,300**	–

Mott MacDonald Limited

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15. Loans

	2014 £000	2013 £000
Bank loans:		
Amounts falling due:		
Within one year (note 13)	–	5,500
In two to five years (note 14)	55,300	–
Total loans	55,300	5,500

16. Obligations under leases

Annual commitments under non-cancellable operating leases are:

	Land and buildings		Other	
	2014 £000	2013 £000	2014 £000	2013 £000
Operating leases which expire:				
Within one year	1,367	2,400	6	–
In two to five years	1,954	2,085	12	26
Over five years	6,167	4,808	–	–
	9,488	9,293	18	26

17. Provisions for liabilities

Provision for losses on contracts:	2014 £000
At 1 January	507
Translation adjustments	11
Arising during the year	246
Utilised	(324)
At 31 December	440

18. Share capital

	2014 No.	2013 No.	2014 £000	2013 £000
Authorised				
Ordinary shares of £1 each	260,000,000	260,000,000	260,000	260,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	10,000,000	10,000,000	10,000	10,000

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19. Reserves

Profit and loss account

2014	Excluding pension deficit £000	Pension deficit £000	Including pension deficit £000
At 1 January	**363,914**	**(46,898)**	**317,016**
Profit on ordinary activities after taxation	**34,877**	**–**	**34,877**
Dividends paid (note 8)	**(23,255)**	**–**	**(23,255)**
Transfer in respect of additional pension contributions (net of deferred tax)	**(8,960)**	**8,960**	**–**
Deferred tax on additional pension contributions (note 7(c))	**(2,240)**	**–**	**(2,240)**
Other finance income (net of deferred tax)	**(4,320)**	**4,320**	**–**
Actuarial loss on pension scheme (note 21)	**–**	**(31,700)**	**(31,700)**
Deferred tax on actuarial loss (note 7(c))	**–**	**6,340**	**6,340**
Capital contribution on conversion of investment by fellow subsidiary to a branch of the company	**2,933**	**–**	**2,933**
At 31 December	**362,949**	**(58,978)**	**303,971**

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

The pension deficit of £58,978,000 above differs from the pension liability in the balance sheet of £59,756,000 by £778,000. This difference relates to the pre-divisionalisation element of the pension deficit in Multi Design Holdings Limited of £778,000.

On 4 May 2014, Nama Mott MacDonald Company LLC, a company incorporated in the United Arab Emirates, was converted into a branch of Mott MacDonald Limited. Prior to the conversion to a branch of Mott MacDonald Limited, the investment in Nama Mott MacDonald Company LLC was held by Mott MacDonald International Limited, a fellow subsidiary of Mott MacDonald Limited. The net assets transferred to Mott MacDonald Limited at the time of conversion amounted to £2,933,000 and this has been treated as a capital contribution from Mott MacDonald International Limited.

20. Contingent liabilities

	2014 £000	2013 £000
Guarantee of bank loans and overdrafts in respect of other Group companies	**4,810**	4,528

In addition, in the normal course of business, down payment, performance and tender bonds have been given by the company. In the opinion of the directors, these are not expected to give rise to any significant liability. There are also bank guarantees in respect of the pension scheme as disclosed in note 21.

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21. Pensions and other retirement benefits

The company has operated a number of pension schemes in the UK. The Mott MacDonald Pension Scheme ('the Scheme') 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 automatically enrolled into the GPP. The minimum GPP employee contribution level is 4.5%.

From 1 January 2012, all defined contribution members of the Scheme were transferred to the GPP. Contribution structures in the Scheme 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 company 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 £28.5m (2013 – £25.2m).

Costs to the remaining defined benefit section of the Scheme were £12.4m (2013 – £13.7m). These costs include both administrative expenses relating to the Scheme and an instalment of £11.2m to reduce the deficit. Members' pensions were increased during the year according to the rules of the Scheme.

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

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

Date of valuation	1 January 2012
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 1.5% p.a. to 1.0% p.a. linearly over the period from 1 January 2012 to 1 January 2032, and an outperformance allowance of 1.0% p.a. thereafter.

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21. Pensions and other retirement benefits (continued)

At the last actuarial valuation on 1 January 2012, the market value of assets was £439m and the level of funding based on market value of assets was 71%. The level of funding is the value of the assets expressed as a percentage of Scheme liabilities after allowing for revaluation of benefits to normal pension date.

The valuation position of the Scheme was updated to 31 December 2014 by a qualified independent actuary for the purpose of Financial Reporting Standard 17 'Retirement Benefits' ('FRS 17').

It should be noted that the calculations and methods under FRS 17 are different from those used by the actuary to determine the funding level of the Scheme. The company and the trustees regularly review the funding level of the Scheme with the advice of the actuary. During 2015 minimum contributions of £12.5m will be paid to the Scheme. Under the current funding plan these are predicted to increase at 3.9% per annum.

During 2014, pensioner members with trivial pensions were given the option to exchange their pension for a one-off final payment. This option was exercised by 65 members, leading to payments of £0.5m being made from the Scheme.

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

The level of security is agreed annually with the pension scheme trustees and at 31 December 2014 the level of security in place was £35m. This takes the form of bank guarantees which are renewable on an annual basis.

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

The assets and liabilities of the Scheme as at 31 December are analysed below:

	2014 **£m**	2013 £m
Change in benefit obligation		
Benefit obligation at 1 January	**(530.7)**	(554.5)
Interest cost	**(23.8)**	(24.6)
Actuarial losses	**(64.9)**	(1.5)
Benefits paid	**26.1**	25.4
Past service cost	**–**	0.5
Settlements	**–**	24.0
Benefit obligation at 31 December	**(593.3)**	(530.7)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**(593.3)**	(530.7)

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21. Pensions and other retirement benefits (continued)

	2014	2013
	£m	£m
Change in plan assets		
Fair value of plan assets at 1 January	**471.1**	471.5
Expected return on plan assets	**29.2**	27.4
Actuarial gains	**33.2**	12.5
Employer contributions	**11.2**	12.4
Benefits paid	**(26.1)**	(25.4)
Settlements	**–**	(27.3)
Fair value of plan assets at 31 December	**518.6**	471.1
Funded status of the Scheme	**(74.7)**	(59.6)
Net amount recognised in respect of the Scheme	**(74.7)**	(59.6)
Deficit in the Scheme	**(74.7)**	(59.6)
Related deferred tax asset (note 7(c))	**14.9**	11.9
FRS 17 Pension liability	**(59.8)**	(47.7)
Less: Escrow account	**–**	12.6
Net pension liability	**(59.8)**	(35.1)

Components of pension income/(cost)

Year to 31 December	**2014**	2013
	£m	£m
Settlement cost	**–**	(3.3)
Past service cost	**–**	0.5
Total pension cost recognised in administrative expenses in arriving at operating profit	**–**	(2.8)
Interest cost	**(23.8)**	(24.6)
Expected return on plan assets	**29.2**	27.4
Total pension income recognised within other finance income in the profit and loss account	**5.4**	2.8
Actuarial (loss)/gain immediately recognised	**(31.7)**	11.0
Total pension (cost)/income recognised in the statement of total recognised gains and losses	**(31.7)**	11.0
Cumulative amount of actuarial gains immediately recognised	**69.4**	101.1

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21. Pensions and other retirement benefits (continued)

Plan assets

The weighted average asset allocation at the year end was as follows:

	2014 %	2013 %
Asset category		
Diversified growth funds	**39**	40
Equities	**29**	29
Non-government fixed interest bonds	**21**	20
Liability driven investment	**10**	–
Index-linked government bonds	**–**	8
Cash	**1**	3
	100	100

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio was invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.7% (2013 – 6.3%) assumption.

Year to 31 December	2014 £m	2013 £m
Actual return on plan assets	**62.4**	39.9

The key financial assumptions used to determine the pension liability at 31 December are:	2014 %	2013 %
Discount rate	**3.6**	4.6
RPI inflation	**3.0**	3.4
CPI inflation	**1.9**	2.4
Pension increases (inflationary increases with a maximum of 5% p.a.)	**1.9**	2.3
Pension increases (inflationary increases with a maximum of 3% p.a.)	**1.7**	2.0
Salary increases	**n/a**	n/a

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21. Pensions and other retirement benefits (continued)

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

	2014		2013	
	Male Years	**Female Years**	Male Years	Female Years
Member age 60 (current life expectancy)	**28.7**	**30.0**	28.6	29.9
Member age 40 (life expectancy at age 60)	**30.6**	**32.0**	30.5	31.9

Five year history

Financial years to 31 December	**2014 £m**	2013 £m	2012 £m	2011 £m	2010 £m
Benefit obligation at end of year	**(593)**	(531)	(555)	(500)	(489)
Fair value of plan assets at end of year	**519**	471	472	439	435
Deficit	**(74)**	(60)	(83)	(61)	(54)

Financial years to 31 December	**2014**	2013	2012	2011	2010
Experience gains and losses on scheme assets:					
amount (£m)	**33**	13	17	(13)	23
percentage of scheme assets	**6%**	3%	4%	(3%)	5%
Experience gains and losses on scheme liabilities:					
amount (£m)	**–**	–	(27)	4	8
percentage of scheme liabilities	**0%**	0%	(5%)	1%	2%

22. Related party transactions

The company has taken advantage of provisions in Financial Reporting Standard 8 'Related Party Disclosures' which exempt subsidiary undertakings from disclosing transactions with other wholly owned entities within the Group.

During the year, the company made sales of £6,807,000 (2013 – £8,261,000) to non-wholly owned fellow subsidiary undertakings and purchases of £645,000 (2013 – £502,000) from non-wholly owned fellow subsidiary undertakings. The net balance due from non-wholly owned fellow subsidiary undertakings at 31 December 2014 was £7,449,000 (2013 – £2,951,000).

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23. Ultimate parent undertaking

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

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

24. Cash flow statement

As permitted by Financial Reporting Standard 1 (Revised 1996) 'Cash Flow Statements', a cash flow statement is not presented in these financial statements. A cash flow statement for the Group is presented in the financial statements of the ultimate parent undertaking.

25. Financial instruments

A statement of the company's objectives, policies and strategies with regard to financial instruments is contained in the strategic report.

(a) Interest rate and currency profile of financial assets and liabilities

The currency exposures of Mott MacDonald Limited's financial assets and liabilities are:

2014	**Sterling £m**	**US dollar £m**	**Euro £m**	**Other £m**	**Total £m**
Cash and short term investments:					
Floating rate	**10.4**	**10.8**	**3.8**	**10.2**	**35.2**
Long term borrowing:					
Floating rate	**(55.3)**	**–**	**–**	**–**	**(55.3)**
Net (debt)/funds at 31 December	**(44.9)**	**10.8**	**3.8**	**10.2**	**(20.1)**

2013	£m	£m	£m	£m	£m
Cash and short term investments:					
Floating rate	5.8	6.6	6.6	8.7	27.7
Short term borrowing:					
Floating rate	(5.5)	–	–	–	(5.5)
Net funds at 31 December	0.3	6.6	6.6	8.7	22.2

Mott MacDonald Limited

Notes to the financial statements

at 31 December 2014

25. Financial instruments (continued)

(b) Fair values of financial assets and financial liabilities

	Book value 2014 £m	**Fair value 2014 £m**	Book value 2013 £m	Fair value 2013 £m
Cash and investments:				
Cash at bank and in hand	**35.2**	**35.2**	27.7	27.7
Borrowings due:				
In one year or less or on demand	**–**	**–**	(5.5)	(5.5)
In two to five years	**(55.3)**	**(55.3)**	–	–

Fair values are derived from market values.

(c) Borrowing facilities

The company had adequate funding facilities in place at 31 December 2014 to finance the business going forward. The available funding is in the form of undrawn committed and undrawn uncommitted facilities.

26. Capital commitments

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

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Five year summary

Years ended 31 December	**2014**	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Gross revenue	**579,295**	547,402	526,942	531,425	572,826
Operating profit	**28,043**	12,433	18,395	9,396	25,906
Provision for diminution of investments	**(392)**	(521)	(1,525)	–	–
Income from other fixed asset investments	**35**	35	39	61	–
Profit from disposal of investments	**3,981**	7,010	10,769	–	–
Dividends received from subsidiary undertakings	**600**	521	1,200	–	–
Profit on ordinary activities before interest	**32,267**	19,478	28,878	9,457	25,906
Net interest receivable	**8,453**	302	149	387	583
Other finance income/(cost)	**5,400**	2,800	3,000	2,900	(1,500)
Profit on ordinary activities before taxation	**46,120**	22,580	32,027	12,744	24,989
Tax on profit on ordinary activities	**(11,243)**	(5,831)	(5,481)	(2,888)	(4,357)
Profit on ordinary activities after taxation	**34,877**	16,749	26,546	9,856	20,632
Dividends	**(23,255)**	(12,686)	–	–	(5,111)
Retained profit	**11,622**	4,063	26,546	9,856	15,521
Employment of capital					
Fixed assets	**95,451**	49,145	61,703	19,124	19,389
Net current assets less provisions	**333,576**	312,953	309,608	287,142	300,534
Excluding net pension liability	**429,027**	362,098	371,311	306,266	319,923
Net pension liability	**(59,756)**	(35,082)	(51,312)	(31,052)	(28,765)
Including net pension liability	**369,271**	327,016	319,999	275,214	291,158
Capital employed					
Creditors falling due after more than one year	**55,300**	–	312	–	–
Capital and reserves excluding net pension liability	**373,727**	362,098	370,999	306,266	319,923
Excluding net pension liability	**429,027**	362,098	371,311	306,266	319,923
Net pension liability	**(59,756)**	(35,082)	(51,312)	(31,052)	(28,765)
Including net pension liability	**369,271**	327,016	319,999	275,214	291,158
Net (debt)/funds					
Cash at bank and in hand	**35,221**	27,681	28,584	30,551	28,758
Bank loans	**(55,300)**	(5,500)	(5,500)	–	–
	(20,079)	22,181	23,084	30,551	28,758

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