MOTT MACDONALD GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2013

Mott MacDonald

Using our ingenuity to create lasting value for all

Multisector

BUILDINGS **COMMUNICATIONS** EDUCATION **ENVIRONMENT** HEALTH **INDUSTRY** INTERNATIONAL DEVELOPMENT **MINING** OIL AND GAS **POWER** TRANSPORT **URBAN DEVELOPMENT** WATER

Multiskilled

BUSINESS CONSULTANCY **CAPACITY BUILDING** COMMUNICATION **CONSTRUCTION ECONOMICS** CONSULTATION **DESIGN** INFRASTRUCTURE FINANCE **MANAGEMENT CONSULTANCY** MARKET RESEARCH **PLANNING** PROCUREMENT **PROGRAMME MANAGEMENT** PROJECT MANAGEMENT **RESEARCH AND DEVELOPMENT** RISK MANAGEMENT **STUDIES** SUSTAINABILITY **TECHNICAL ADVICE** TECHNOLOGY

Multinational

AFRICA **ASIA PACIFIC** AUSTRALASIA **EUROPE** MIDDLE EAST **NORTH AMERICA** SOUTH AMERICA **SOUTH ASIA**

Mott MacDonald Group Limited

Directors

Keith Howells	Chairman
Richard Williams	Managing Director
Kevin Stovell	Strategic Development Director
Ed Roud	Finance Director
Kevin Dixon	Director
Mike Haigh	Director
Guy Leonard	Director
Mark Austen	Non-executive

Company Secretary
Philip Gregory

Auditors
Grant Thornton UK LLP
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INDEPENDENT AND EMPLOYEE-OWNED

– so wholly focused on what's best for our customers and our staff

16,000 people

500 AWARDS

for innovation and excellence in the last six years

Mott MacDonald

Chairman's statement

Our professional and geographic diversity has consistently provided a strong foundation for retaining our financial resilience, talent and ability to drive forward in markets showing the best potential.

Performance

Global economic troubles are far from over, but in many parts of the world we are seeing signs of recovery. Our 2013 results reflect the continuing difficult market conditions, and our good performance is a credit to the strong management shown, which has helped us maintain workload at the same time as controlling costs. Revenues for the year were up 10% on 2012 with organic growth accounting for 55% of that growth and strategic acquisitions the balance. Profitability improved across all regions, delivering a Group profit before tax of £60.3m. At the close of 2013, our order book for 2014 was worth £1.4bn. A continuing focus on overheads, staff utilisation and cash management should yield ongoing improvements in performance.

Dividend and fair value

A dividend of £1 per share was paid in December, and the fair value of shares increased by 30p to £9.30.

Customers

Our customers remain focused on innovation and efficiency in pursuit of better value. By encouraging creative problem solving and supporting new thinking, we continue to generate solutions that are commercially competitive, sustainable and safe. We collaborate closely with our clients and delivery partners to develop and implement ideas so that benefits are realised while risks are mitigated. Generating value for our customers whilst maintaining quality remains at the forefront of our service priorities.

Recognition

Winning 65 external awards in 2013 shows that our customers and peers continue to hold our professional excellence in high regard, recognising our achievements in advancing best practice, harnessing technology, delivering value and setting standards in health and safety. This wide range of accolades includes two 'projects of the century' awards from FIDIC, the international federation of consulting engineers, for projects where we had a very significant involvement – the Channel Tunnel and Hong Kong International Airport. We were also named as 'International Consultant of the Decade' at the NCE/ACE Consultants Awards.

People

Our employee-ownership model provides motivation for our staff to deliver best outcomes for our customers and helps us attract and retain highly skilled and talented individuals. This in tandem with our business diversity, staff mobility and focus on growth markets has led to an increase in staff numbers. We therefore ended the year with nearly 16,000 staff, including agency staff and independent consultants.

Looking ahead

In recent years, despite mixed fortunes across the world's economies, our professional and geographic diversity has consistently provided a strong foundation for retaining our financial resilience, talent and ability to drive forward in markets showing the best potential. In 2013 we improved our penetration into two potentially significant growth markets, Brazil and South Africa. Following integration, we expect to see strong organic growth in both locations. We are well placed to sustain our performance by continuing this strategy, whilst maintaining our focus on creating value for our customers, looking after our staff and contributing to society. Backed by our freedom to act in what we believe are the best interests of our customers and staff, we look forward to 2014 and 2015 with optimism.

K. G. Howells.

Keith Howells
Chairman
5 March 2014

Corporate responsibility

Keith Howells
Group Chairman

We provide regular updates on our performance against five measures – customer satisfaction, sustainability, staff engagement, community benefit and risk management. These indicators are important in measuring the health and success of our business. Below is a summary of our achievements against targets set at the end of 2012.

Customers

- Improve customer satisfaction by 1% – Our overall score for customer satisfaction dropped one point, to 83%. However, the gap between us and our 'best competitor' widened by six points, placing us 16% ahead.
- Maintain ISO 9001 certification for quality management – Achieved.
- Make Building Information Modelling (BIM) standard practice on our large engineering projects – While sustained effort is still required to further embed BIM, the benefits are now appreciated across the business. Leading parts of the business are now realising significant efficiency gains.
- Further enhance knowledge management – Our Group practice managers continue to support our businesses across the world. Roll-out of our IT transformation and business improvement programmes is making it easier for staff to collaborate and share information.
- Promote innovation and excellence through internal and external awards – Three new Group-level internal awards have been launched, for BIM, safety and sustainability. 65 external awards were won in 2013.

Sustainability

- Work with clients and contractors to realise reductions in resource use, carbon emissions and waste – Through our project work we are involved in realising major efficiency improvements across all of our core engineering disciplines. In 2013, we researched and authored the Infrastructure Carbon Review for the UK Government, making the case that cutting carbon also reduces cost. We have pledged to show ongoing leadership in this field, with three commitments: to drive for carbon reductions on every major project by 2015; to champion lean solutions and to use carbon reduction targets as key assessment criteria for suppliers from 2014.
- Use BIM to increase use of and improve the long-term operation and management of buildings and infrastructure – BIM is now firmly established and gaining traction across the business. In January, we partnered with industry organisation Buildoffsite to stage workshops, to raise awareness of, and demonstrate the advantages of, offsite construction.
- Strengthen our own reporting of energy and resources – In 2013 we strengthened the processes used to calculate our UK carbon footprint. Emissions for our UK business in 2012 were calculated as 15,320tCO_2e in accordance with the guidelines of ISO 14064, as verified by assurance company LRQA.

Staff

- Maintain focus on developing the skills needed by managers at all levels – In 2012 we piloted a new training programme to equip managers with the skills and techniques for identifying, nurturing and harnessing talent. Over the course of 2013 the programme has been rolled out across our Europe and Africa region.
- Further improve staff engagement, satisfaction and retention with the aim of keeping our position as employer of choice – Our talent management programme is a key strand in our staff engagement, satisfaction and retention strategy, and stronger growth of our business in 2013 is creating opportunities for professional and personal development. Our IT transformation is enabling more effective communication across the company, and paves the way for improved peer-to-peer interaction, in line with the expectations of our younger staff.

Communities

- Maintain the Community Support Programme by providing financial support and enabling staff to contribute their technical and management expertise – In December 2013 a multipurpose community building in Kpone Saduase near Accra, Ghana, was completed. Projects are

Corporate responsibility

> Customer satisfaction, sustainability, staff engagement, community benefit and risk management are important indicators in measuring the health and success of our business.

ongoing to improve facilities at the Mithram School in Kerala, India, and to provide three primary schools in Kashmir.

- Continue promoting our professions to young people – In the UK, we sponsor two open civil engineering scholarships at Imperial College. We provided 115 summer internships and 29 industrial placements in 2013. Each year we organise work experience placements for schoolchildren, and we are supporting delivery of the 'Design, Engineer, Construct' curriculum in selected schools. Many staff devote time to attending school careers events.
- Build on the success of the apprenticeship programme to offer alternative routes to a professional career – Management of the technical apprenticeships programme that we initiated in 2010 was handed to the Association for Consultancy & Engineering in 2013. At the end of the year there were 30 member companies, sponsoring 400 technician apprentices en-route to becoming qualified professionals, of whom 40 are employed across our UK business.
- Maximise the local benefits of projects by working with customers and stakeholders – We continue to find new ways of working with customers and delivery partners to realise positive outcomes including the creation of local employment, improved access, mobility and communication, better health and education, skills training and transfer, and environmental improvements.

Risk, safety and ethics

- Remain focused on risk awareness and management – Our 'CLASS' risk management materials have been translated into 12 languages, and screenings of the 'CLASS' video and interactive workshops are used to engage all of the company's staff.
- Complete implementation of Group IT modernisation, enhancing the efficiency and security of data management – Upgrading of our information management system continued in 2013 to achieve compliance with BS 27001. Individual parts of the business are gaining independent certification where there is a business benefit to doing so.
- Continue to increase the reporting of near misses and accidents as key indicators of risk awareness and achieve a reduction in the number of lost time accidents – In 2013 the Group's overall accident incident rate was the lowest in five years, at 14.4. However, the number of lost time accidents was higher, giving a lost time accident incident rate of 1.75 for 2013. The number of near misses reported in 2013 was 415, 10% up on 2012 and double the number reported five years ago, showing improved awareness of health and safety risks.
- Further strengthen safety leadership – In September 2013 we launched safety leadership guidance for managers. 350 senior managers were asked to commit to specific actions and to report on progress in 2014.
- Focus on work-related health as well as safety – We introduced new training for people managers to improve their awareness of work-related stress and how to deal with it. The majority of UK offices held health and safety awareness weeks.
- Fully comply with British Standard 10500 for anti-bribery management – In 2013, we became the first consultant to be certified to BS 10500 for our UK based businesses. We aim to be compliant globally by the end of 2014.
- Maintain focus on making staff aware of ethical risks and how to avoid them – Every new member of staff receives a copy of our 'Business ethics – getting it right' booklet and ethics forms a mandatory component of the induction process. All reports to our independent help line are fully investigated and documented.
- Continue to show industry leadership on ethics – Members of the Group Board continue to be active in the UK Anti-Corruption Forum, Transparency International and the Institute of Business Ethics.

K. G. Howells.

Keith Howells
Chairman
5 March 2014

Strategic report

Richard Williams
Group Managing Director

Performance

Gross revenue of £1,215m was 10% up in the year (2012 – £1,104m). The Group continues to experience challenging markets but in 2013 has achieved organic growth of 5.5% with acquisitions contributing 4.7% and exchange differences slightly adverse, a 0.2% reduction.

Operating profit in the management accounts was 15% up on last year with a 0.5% improvement in margin.

Profit before tax in the financial accounts was £60.3m, up on 2012 (£56.2m). The year on year comparison in profits in the financial accounts is impacted by items such as FRS17 pension funding costs, senior staff bonuses and unrealised exchange differences on working capital and intercompany loans which appear in the financial accounts, but not in the management accounts.

The effective tax rate was 34% (2012 – 32%). The main reasons for the increase in the rate are reduced relief for bonus payments to senior staff and higher profits in high tax countries, partly offset by reduced losses in some overseas subsidiaries.

Return on capital increased from 33% to 39%, with a good improvement in margins but working capital remained unchanged at 53 days net and more work is needed to reduce this.

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

The commentary on regional business performance below reflects results in the management accounts.

Business and market review

Once again Mott MacDonald's geographic and sectorial diversity has enabled our business to continue sound growth in both top and bottom lines. 2013 was a year of investment in both growth opportunities, and capital spending on acquisitions and IT systems. The IT investments will allow the organisation to better collaborate and operate using common software platforms across the global business.

Economic growth during 2013 continued to be sluggish in a number of regions including the United Kingdom, Europe and the United States. In contrast, Canada and Asia Pacific provided the engine for strong growth in the business. The year also saw a significant deterioration in the Indian and Brazilian economies, and a marked slowdown in the Australian economy, but in contrast, the Middle East has shown some good early signs of recovery, and in New Zealand the economy has provided new opportunities for growth.

Europe and Africa region

Whilst the year saw improved growth in the business, driven by Southern Africa and the UK, economic conditions in the region remain sluggish. The UK business has continued to benefit from the Government's recognition of infrastructure as an engine for growth, and this together with ongoing investment from regulated asset based industries has provided a good base workload. Central Europe continues to be very difficult with little sign of future recovery. However many of these businesses have highly skilled engineering resources providing input to a range of global projects. Africa continues to provide opportunities, primarily aid based projects in Central Africa, and more conventional infrastructure contracts in Southern Africa. The acquisition of PD Naidoo & Associates in South Africa will greatly strengthen our access to Southern African opportunities.

The businesses in this region represent 55% of the Group's gross income, and grew by 11% during the year. Operating profit grew 4% and utilisation remained a constant challenge despite the restructuring undertaken in previous years. Working capital increased on 2012 ahead of growth, and return on capital employed (ROCE) consequently reduced. The order book for 2014 has remained stable but fundamentally unchanged and remains a focus for management. It is anticipated that 2014 will see further business growth in both revenue and operating profit.

Mott MacDonald

Strategic report

> With sound growth in both top and bottom lines, 2013 was a year of investment in both growth opportunities, and capital spending on acquisitions and IT systems.

North America

Our principal business in North America is through our joint venture Hatch Mott MacDonald (HMM). In addition we have a growing business trading as Mott MacDonald, Inc. in sectors not addressed by the joint venture.

2013 saw the US economy move cautiously into recovery although the business has not escaped the impact of federal government liquidity problems. Canada's economy, whilst weakening in 2013, has continued to provide excellent opportunities for our business there.

Our business in North America represents 24% of the Group's gross income, and grew by 8% during the year. Operating profit grew 18% but as with Europe and Africa, maintaining satisfactory levels of utilisation remains a constant challenge for management. Working capital increased on 2012 principally as a result of federal funding delays, but on the back of good profitability growth, ROCE improved. The business enters 2014 with a satisfactory order book, but slightly lower than at this time last year primarily driven by a weaker position in Canada. Provided the Canadian economy does not stall, with a recovering US economy it is anticipated that 2014 will see further growth in both revenue and operating profit.

Middle East and South Asia

2013 saw good signs of recovery in the Middle Eastern economies although indebtedness from earlier years remains to be resolved. Pricing in the region remains under pressure but it is thought this will ease as more projects come on stream. India continued to suffer tough trading conditions which when combined with restructuring costs depressed performance there. Our Oil, Gas and Petrochemical business operates out of the Middle East region as a global business, and 2013 was a year of restructuring for the business following significant project losses in 2012. As a result of this restructuring the business returned to profitability.

The region represents 11% of the Group's gross income, and grew by 9% during the year. Operating profit moved back into the black, and utilisation made a steady recovery. The region continues to provide challenges with working capital, although progress was made with reducing working capital days. ROCE remained weak on the back of limited profitability and high working capital. The order book for 2014 has remained reasonably stable but fundamentally unchanged and is a focus for management. Having extensively restructured the Middle East and South Asia business, it is anticipated that 2014 will see positive growth in both revenue and operating profit.

Asia Pacific and Australasia

The Asia Pacific countries have continued to provide excellent growth opportunities for the business, and we remain well placed to capitalise on this. By contrast, the Australian economy has slowed in line with the decline in hard commodities. Despite this, our Australian business has continued to grow and improve performance year on year. This growth has been assisted by excellent progress in New Zealand which is a target for strong future growth and investment.

The region represents 10% of the Group's gross income, and grew by 25% during the year. Operating profit grew by 17% and utilisation has remained strong. Working capital increased on 2012 which remains a key focus for management. This has depressed ROCE below 2012 despite better profitability. The order book for 2014 remains robust and it is anticipated that 2014 will see further growth in both revenue and operating profit.

Market position

Mott MacDonald is ranked 4th 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 2nd, and 15th in the USA's Engineering News Record (ENR) Top 225 International Design Firms' listing.

The strength of our technical diversity was also recognised in the market sector rankings within the UK's New Civil Engineer magazine (NCE), where

Strategic report

we remain ranked 1st in power and tunnels, and within the top 10 for many other sectors including: building, defence, environment, flooding/coastal work, geotechnics, manufacturing, ports/airports, project management, railways, roads and bridges, telecommunications, transport planning, waste management, and water.

Principal risks and uncertainties

Business risks

A comprehensive risk management process is operated which encompasses risks for the Group, for each business unit and for the divisions within each business unit, as well as for major or technically challenging projects.

This process includes the generation of risk logs, identification and implementation of mitigation measures and periodic review of these.

The key corporate risks highlighted in the risk register are the potential for uninsured claims, health and safety incidents, a severe economic downturn in our UK or North American businesses, loss of reputation and pension scheme funding.

Our risk management process is designed to highlight the drivers of these risks, assess their magnitude and identify actions required to mitigate their impact on the business so that effective action can be taken on a timely basis.

We have comprehensive professional indemnity, public liability and employers' liability insurance policies in place to help mitigate risk.

Our Integrated Management System (IMS) provides processes to help manage and minimise risk on projects including commercial, professional, technical, environmental, information security, bribery and corruption risks, and also those relating to health and safety through various planning, checking and review requirements.

Our geographic and sector business diversity helps to protect us against downturns in specific economies.

Anti-bribery and corruption policies are in place to help safeguard our reputation. These include annual declaration statements by senior staff and directors and whistleblowing procedures for all staff.

We have in place a long term recovery plan, agreed with the Scheme Trustees and Pension Regulator to address the deficit in the UK pension scheme.

Training in our 'CLASS' approach to risk management has been rolled out to 90% of our global staff to improve awareness of project risks and mitigation.

We have policies and directives in place which define our procedures and processes and aim to ensure that risks are managed effectively.

Financial risks

The Group has a variety of controls and processes to ensure that liquidity risk, credit risk and exchange risk are effectively managed to minimise risk of 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 with currency costs, with the net exposure hedged with forward currency contracts where possible.
- In evaluating translation exchange rate risk, the Group matches currency assets with currency liabilities and does not use hedging instruments.
- 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.

Mott MacDonald

Strategic report

> “2013 has been particularly encouraging with a return closer to pre-recession growth levels.”

The transaction exposure after matching and the translation exposure 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.

At the end of 2013 we have introduced an internal audit function to review business operations and in particular to consider the adequacy and effectiveness of financial controls and procedures to mitigate the more significant areas of financial risk.

Gearing and cash flow

Group net cash at 31 December 2013 was £82.3m, up on last year (£56.6m) despite £12m spent on acquisitions and £6m on the IT transformation project as noted above. This increase in cash is mainly due to strong cash receipts in the year in North America and Europe. Net gearing remained at nil throughout the year. The Group has £60m 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’ funds

Shareholders’ equity increased from £91.5m to £115.0m. The increase is principally explained by the profit transferred to reserves (£24.9m), exchange gains in reserves (£2.0m), FRS17 pension accounting effects (£3.4m net gain) and a gain from Employee Trust (‘Trust’) share dealings (£2.5m) partly offset by the £9.0m dividend paid during the year.

During the year the company further reduced the equity held by the Trust in order to reduce the Group’s cost of capital. Details are set out in note 18 to the financial statements. The buy back and cancellation of shares held by the Trust does not have a material impact on shareholders’ funds.

Looking forward

Following the global recession the business has continued to grow. 2013 has been particularly encouraging with a return closer to pre-recession growth levels.

Globally, it is anticipated that the major western economies will continue to make modest progress towards growth during 2014. With improved trading conditions, rising costs will remain a threat and we can expect to see increasing salary pressures, particularly given the lower numbers of graduates recruited into the industry during the early recession years which will create an emerging skills gap. However in 2014 we can continue to expect strong growth from our Asia Pacific region, and similarly, following two years of restructuring we can expect our businesses in the Middle East and South Asia to move back into reliable profitability with growing volumes. Our order book is holding up and will remain a key focus for management during 2014. Similarly working capital continues to present challenges in most countries outside Canada and the UK, however we expect to remain strongly cash positive and are able to fund further investment to ensure growth plans can be achieved, both organic and through acquisition.

Richard Williams
Group Managing Director
5 March 2014

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 2013.

Date of annual general meeting: 29 March 2014.

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 £24.9m (2012 – £26.1m).

An interim dividend of £9.0m (2012 – £6.6m) was paid to shareholders on 31 December 2013. The directors do not recommend the payment of a final dividend.

Acquisitions

Group acquisitions are set out in note 11(d) to the financial statements.

Directors and their interests

The directors of the company during the year ended 31 December 2013 and their interests in the share capital of the company were as follows:

	At 31 December 2013	As at 31 December 2012 (or date of appointment)
	Ordinary Shares	Ordinary Shares
Kevin Dixon	95,000	92,000
Mike Haigh	57,500	47,500
Keith Howells	125,000	125,000
Guy Leonard	95,000	92,000
Kevin Stovell	117,500	117,500
Richard Williams	117,500	112,500
Mark Austen (Non-executive)	–	–

Mike Haigh and Ed Roud were appointed as directors on 1 January 2013 and 1 January 2014 respectively.

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 is a key element of this policy. At the end of 2013 the total number of employee shareholders was 2,352.

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 e-mails, letters, local and global staff newsletters and copies of all the company's corporate magazines and reports plus our strategic plan summary.

Philip Gregory
Group Company Secretary

Directors' report

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

The 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.

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

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). 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that:

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

Philip Gregory
Group Company Secretary
5 March 2014

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 2013 which comprise the Group profit and loss account, the Group statement of total recognised gains and losses, the Group reconciliation of shareholders' funds, the Group and parent company balance sheets, the Group cash flow statement 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 auditors

As explained more fully in the statement of directors' responsibilities set out on page 10, 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/apb/scope/private.cfm.

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 2013 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 the 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
5 March 2014

Mott MacDonald Group Limited

Group profit and loss account

for the year ended 31 December 2013

	Notes	**2013 £000**	2012 £000
Gross revenue	2	**1,214,513**	1,104,117
Continuing operations:			
ongoing		**1,162,318**	1,104,117
acquisitions	11(d)	**52,195**	
Cost of sales		**(723,731)**	(674,680)
Gross profit		**490,782**	429,437
Administrative expenses		**(434,759)**	(378,054)
Group operating profit	2(a), 3	**56,023**	51,383
Continuing operations:			
ongoing		**56,153**	51,383
acquisitions	11(d)	**(130)**	
Income from other fixed asset investments		**49**	41
Income from current asset investments		**860**	1,217
Profit on ordinary activities before interest		**56,932**	52,641
Net interest receivable	6	**12**	316
Other finance income	22(c)	**3,373**	3,197
Profit on ordinary activities before taxation	2(a)	**60,317**	56,154
Tax on profit on ordinary activities	7(a)	**(20,799)**	(18,003)
Profit on ordinary activities after taxation		**39,518**	38,151
Profit attributable to:			
Equity shareholders	19(a)	**24,928**	26,053
Minority interests		**14,590**	12,098
		39,518	38,151

Mott MacDonald Group Limited

Group statement of total recognised gains and losses

for the year ended 31 December 2013

	Notes	**2013 £000**	2012 £000
Profit attributable to equity shareholders	19(a)	**24,928**	26,053
Exchange adjustments on translation of net assets	19(a)	**1,996**	(771)
Actuarial gain/(loss) on pension schemes	19(a), 22(c)	**11,239**	(43,689)
Deferred tax on actuarial (gain)/loss	7(c), 19(a)	**(2,190)**	10,204
Deferred tax on additional pension contributions	7(c), 19(a)	**(2,636)**	(3,328)
Deferred tax rate change on opening pension scheme deficit	7(c), 19(a)	**(3,054)**	(1,474)
Decrease in valuation of current asset investments (net of tax)	19(a)	**(172)**	(190)
Total recognised gains and losses for the year		**30,111**	(13,195)

Group reconciliation of shareholders' funds

for the year ended 31 December 2013

	Notes	**2013 £000**	2012 £000
Total recognised gains and losses for the year		**30,111**	(13,195)
Dividends	8, 19(a)	**(8,951)**	(6,585)
Undistributed total recognised gains and losses		**21,160**	(19,780)
Arising on consolidation of the Mott MacDonald Employee Trust ('Employee Trust'):			
Investment in own shares		**–**	(59,807)
Employee Trust reserve		**–**	54,638
Sale of shares by Employee Trust to employees	19(a)	**7,648**	8,573
Repurchases of shares by Employee Trust from employees	19(a)	**(5,153)**	(5,282)
Stamp duty on repurchase of shares from Employee Trust	19(a)	**(94)**	(147)
Total movement during the year		**23,561**	(21,805)
Shareholders' funds at 1 January		**91,486**	113,291
Shareholders' funds at 31 December		**115,047**	91,486

Mott MacDonald

Mott MacDonald Group Limited

Group balance sheet

at 31 December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Intangible assets	9	**30,102**	23,629
Tangible assets	10	**19,895**	17,461
Other fixed asset investments	11(a)	**296**	143
		50,293	41,233
Current assets			
Debtors	12	**361,377**	338,461
Investments	11(a)	**22,072**	21,349
Cash at bank and in hand	26	**94,455**	66,976
		477,904	426,786
Creditors: amounts falling due within one year	13	**(309,808)**	(269,222)
Net current assets		**168,096**	157,564
Total assets less current liabilities		**218,389**	198,797
Creditors: amounts falling due after more than one year	14	**(2,949)**	(773)
Provisions for liabilities	17	**(19,014)**	(17,703)
Net assets excluding pension liability		**196,426**	180,321
Pension liability	22(c)	**(37,816)**	(55,069)
Net assets including pension liability		**158,610**	125,252
Capital and reserves			
Called up share capital	18	**12,282**	14,382
Share premium account	19(a)	**20,542**	37,342
Revaluation reserve	19(a)	**814**	986
Capital redemption reserve	19(a)	**–**	–
Investment in own shares	19(a)	**(23,419)**	(37,805)
Other reserves	19(a)	**1,191**	548
Profit and loss account	19(a)	**103,637**	76,033
Shareholders' funds		**115,047**	91,486
Minority interests		**43,563**	33,766
Total capital and reserves		**158,610**	125,252

These financial statements were approved by the Board of Directors on 5 March 2014.

K. J. Howells.

K J Howells
Chairman

Mott MacDonald Group Limited

Company balance sheet

at 31 December 2013

	Notes	**2013 £000**	2012 £000
Fixed assets			
Investment in subsidiary undertakings	11(b)	**348,170**	348,685
Current assets			
Debtors	12	**16,085**	30,792
Cash at bank and in hand		**5**	7
		16,090	30,799
Creditors: amounts falling due within one year	13	**(36)**	(45)
Net current assets		**16,054**	30,754
Total assets less current liabilities		**364,224**	379,439
Creditors: amounts falling due after more than one year	14	**(250,000)**	(250,000)
Net assets		**114,224**	129,439
Capital and reserves			
Called up share capital	18	**12,282**	14,382
Share premium account	19(b)	**20,542**	37,342
Revaluation reserve	19(b)	**2,733**	2,831
Capital redemption reserve	19(b)	**–**	–
Profit and loss account	19(b)	**78,667**	74,884
Shareholders' funds		**114,224**	129,439

These financial statements were approved by the Board of Directors on 5 March 2014.

K. J. Howells.

K J Howells
Chairman

Mott MacDonald Group Limited

Group cash flow statement

for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Cash inflow from operating activities	25(a)	**81,742**	34,389
Returns on investments and servicing of finance	25(b)	**(1,739)**	(13,437)
Taxation		**(19,954)**	(22,046)
Capital expenditure and financial investment	25(c)	**(12,387)**	(9,131)
Acquisitions and disposals	25(d)	**(9,200)**	(4,893)
Dividends paid	8	**(8,951)**	(6,585)
Cash inflow/(outflow) before financing		**29,511**	(21,703)
Financing	25(e)	**2,064**	8,512
Increase/(decrease) in cash in the year		**31,575**	(13,191)
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the year	26	**31,575**	(13,191)
Decrease/(increase) in debt and lease financing	25(e)	**431**	(5,397)
Change in net funds arising from cash flows	26	**32,006**	(18,588)
New finance leases	26	**(219)**	–
Loans acquired with subsidiaries	26	**(616)**	–
Finance leases acquired with subsidiaries	26	**(235)**	–
Translation difference	26	**(5,228)**	(529)
Movement in net funds in the year		**25,708**	(19,117)
Net funds at beginning of year	26	**56,587**	75,704
Net funds at end of year	26	**82,295**	56,587

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of investments.

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 Group and considered the appropriateness of its accounting policies. These have remained unchanged from the previous year.

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.

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

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 acquisition method of accounting. The Group profit and loss account 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 minority interests.

No profit and loss account is presented for Mott MacDonald Group Limited as permitted by Section 408 of the Companies Act 2006.

Associated companies are accounted for using the equity method of accounting with the share of profits for the year reflected in the profit and loss account and share of net assets at the year end reflected in the balance sheet.

The Group's share of the results of other fixed asset investments is restricted to dividends, which are recognised to the extent that at the balance sheet date, they were received or declared as a final dividend in a general meeting.

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' funds. The proceeds from the sale of own shares held increase shareholders' funds. 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.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

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 at the end of the first full year after an acquisition and 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.

Positive goodwill on acquisitions prior to 1 January 1998 was set off directly against reserves. Where, for acquisitions prior to 1 January 1998, the fair value of net assets acquired exceeded the purchase consideration, the difference was treated as negative goodwill and taken directly to reserves as a capital reserve.

If a subsidiary or business is subsequently sold or closed, any goodwill (whether positive or negative) arising on acquisition that was written off or credited directly to reserves or 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 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.

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 Group Limited

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Gross revenue (continued)

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.

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 other than associates are carried in the Group and company balance sheets at cost less any provision for impairment. Investments in associates are carried in the company balance sheet at an amount which approximates to net asset value.

Current asset investments

Current asset investments held by MHACE Insurance Company Limited, the Group's captive insurance company, are stated at market value at the balance sheet date and the difference between cost and market value net of tax is taken to the revaluation reserve. Any reduction in value in excess of the amounts previously credited to the revaluation reserve is charged to the profit and loss account.

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 liquid resources in the cash flow statement.

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;

- provision is made for deferred tax that would arise on remittance of the retained earnings of foreign subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been declared and paid or declared as a final dividend in a general meeting;

- 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.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Deferred taxation (continued)
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.

The Group's interests in the net assets and liabilities of foreign undertakings are translated into sterling using the closing rate method and the exchange difference arising on the retranslation of opening net assets is recorded in the statement of total recognised gains and losses. All other translation differences are taken to the profit and loss account.

The profit and loss accounts of foreign undertakings are translated at the average rate of exchange prevailing through the year. The exchange difference arising between translating the profit and loss accounts at the average rate and the Group's interests in the net assets of such foreign undertakings at the closing rate of exchange is recorded in the statement of total recognised gains and losses.

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 Group operates a number of pension schemes throughout the world. These are described more fully in note 22.

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.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Pensions (continued)

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 Group.

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 Group 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 Group Limited

Notes to the financial statements

at 31 December 2013

2. Gross revenue and segmental analysis

Gross revenue is attributable to one continuing activity, the provision of consulting services.
Gross revenue, operating profit, profit on ordinary activities before taxation and net assets in the financial statements are analysed as follows:

(a) Analysis by origin:

2013	**Europe and Africa £000**	**Americas £000**	**Middle East and South Asia £000**	**Asia Pacific and Australasia £000**	**Total £000**
Gross revenue	**675,550**	**346,030**	**61,622**	**131,311**	**1,214,513**
Operating profit	**15,667**	**33,253**	**525**	**6,578**	**56,023**
Profit on ordinary activities before taxation	**19,423**	**33,827**	**535**	**6,532**	**60,317**
Net assets excluding net funds	**64,828**	**34,151**	**10,139**	**5,013**	**114,131**
Net funds (note 26)	**36,276**	**31,440**	**1,527**	**13,052**	**82,295**
Net assets excluding pension liability	**101,104**	**65,591**	**11,666**	**18,065**	**196,426**
Pension liability (note 22(c))	**(36,228)**	**(1,588)**	**–**	**–**	**(37,816)**
Net assets including pension liability	**64,876**	**64,003**	**11,666**	**18,065**	**158,610**

2012	Europe and Africa £000	Americas £000	Middle East and South Asia £000	Asia Pacific and Australasia £000	Total £000
Gross revenue	609,476	319,970	66,819	107,852	1,104,117
Operating profit/(loss)	18,544	26,593	(45)	6,291	51,383
Profit on ordinary activities before taxation	22,931	26,883	21	6,319	56,154
Net assets/(liabilities) excluding net funds	82,909	37,260	8,250	(4,685)	123,734
Net funds (note 26)	30,835	11,804	2,504	11,444	56,587
Net assets excluding pension liability	113,744	49,064	10,754	6,759	180,321
Pension liability (note 22(c))	(52,973)	(2,096)	–	–	(55,069)
Net assets including pension liability	60,771	46,968	10,754	6,759	125,252

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

2. Gross revenue and segmental analysis (continued)

(b) Gross revenue by destination:

	2013 £000	2012 £000
Europe and Africa	**550,843**	490,682
Americas	**349,940**	324,158
Middle East and South Asia	**171,826**	163,677
Asia Pacific and Australasia	**141,904**	125,600
	1,214,513	1,104,117

3. Operating profit

This is stated after charging/(crediting):

		2013 £000	2012 £000
Auditors' remuneration	– audit services – principal auditor for audit of parent company and group financial statements	**248**	244
	– for audit of overseas subsidiaries by associates of principal auditor	**465**	374
		713	618
	– audit services – non-principal auditors for audit of subsidiary companies	**235**	240
		948	858
	– non-audit services – principal auditor of parent company		
	taxation	**6**	23
	other	**29**	90
	– non-audit services – associates of principal auditor		
	taxation	**26**	11
	other	**1**	1
		62	125

In addition to the above, the auditors received £24,000 in 2013 in relation to due diligence work which is capitalised in the balance sheet as part of cost of acquisitions. The £90,000 for other services in 2012 includes £75,000 for due diligence capitalised in 2013 on completion of an acquisition.

		2013 £000	2012 £000
Settlement cost in pension scheme (note 22(c))		**3,300**	–
Curtailment gain in pension scheme (note 22(c))		**–**	(1,200)
Past service costs in pension scheme (note 22(c))		**(500)**	(1,433)
Foreign exchange losses		**8,319**	4,949
Depreciation (note 10)		**9,535**	8,046
Amortisation of goodwill (note 9)		**6,800**	6,771
Impairment of goodwill (note 9)		**507**	387
Operating lease rentals	– vehicles and equipment	**767**	620
	– land and buildings	**28,260**	26,148

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

4. Directors' remuneration

	2013	2012
	£000	£000
Emoluments (excluding pension contributions)	**3,477**	3,088

The emoluments (excluding pension contributions) of the highest paid director were £721,500 (2012 – £785,347).

During the year £126,101 (2012 – £113,030) of contributions were paid to the Group Personal Pension Plan in respect of 4 directors (2012 – 5), of which £Nil related to the highest paid director. These directors also have benefits under the closed defined benefit section of the Mott MacDonald Pension Scheme ('the Scheme').

During the year the company offered members who were entitled to take early retirement the option of transferring their benefits out of the Scheme at an enhanced level in line with the terms offered to all the eligible members to purchase an annuity from an insurance company or to enter into flexible drawdown. The highest paid director elected to take up this option and the enhancement to his benefits amounted to £73,160.

5. Staff costs

	2013	2012
	£000	£000
Salaries	**547,074**	507,400
Social security costs	**38,514**	35,301
Other pension costs	**57,035**	53,075
	642,623	595,776

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

	No.	No.
Management	**722**	694
Technical staff	**11,289**	10,624
Administrative staff	**1,979**	1,931
	13,990	13,249
The actual number of permanent staff at 31 December was:	**14,051**	13,345

Mott MacDonald

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

6. Net interest receivable

	2013 £000	2012 £000
Interest receivable	**585**	560
Interest payable:		
Bank loans and overdrafts	**(352)**	(250)
Finance charges payable under finance leases	**(23)**	(2)
Other	**(198)**	8
	(573)	(244)
Net interest receivable	**12**	316

7. Tax

(a) Tax on profit on ordinary activities

	2013 £000	2012 £000
The taxation charge is made up as follows:		
Current tax:		
UK corporation tax	**212**	330
Non-UK tax	**15,812**	14,675
Capital gains tax – Mott MacDonald Employee Trust	**153**	336
	16,177	15,341
Adjustments in respect of previous years:		
UK corporation tax	**6,179**	3,369
Non-UK tax	**559**	(574)
Capital gains tax – Mott MacDonald Employee Trust	**(336)**	3
Total current tax (note 7(b))	**22,579**	18,139
Deferred tax:		
Origination and reversal of timing differences	**(1,383)**	(718)
Adjustments in respect of previous years	**(297)**	538
Effect of decreased tax rate on opening asset	**(100)**	44
Total deferred tax (note 7(c))	**(1,780)**	(136)
Tax on profit on ordinary activities	**20,799**	18,003

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

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 23.25% (2012 − 24.5%). The differences are explained below. The average rate for 2013 reflects the reduction from 24% to 23% substantively enacted on 3 July 2012 with effect from 1 April 2013.

	2013 **£000**	2012 £000
Profit on ordinary activities before taxation	**60,317**	56,154
Profit on ordinary activities multiplied by the average rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	**14,024**	13,758
Effects of:		
Timing differences including provisions, depreciation and capital allowances	**1,432**	651
Tax losses	**1,277**	4,145
Higher taxes on non-UK earnings	**4,327**	3,234
Adjustments in respect of previous years	**6,402**	2,798
Pension contributions	**(3,001)**	(3,584)
Other permanent differences	**(1,882)**	(2,863)
Total current tax (note 7(a))	**22,579**	18,139

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.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

7. Tax (continued)

(c) Deferred tax

Group

	2013 £000	2012 £000
The deferred tax included in the balance sheet is as follows:		
Included in debtors (note 12)	**13,000**	11,216
Included in provisions for liabilities (note 17)	**(1,796)**	(1,474)
Included in arriving at pension liability (note 22(c))	**13,179**	20,773
	24,383	30,515
The elements of deferred taxation are as follows:		
Excess of book depreciation over tax allowances on fixed assets	**1,889**	2,069
Other timing differences	**9,315**	7,673
Pension costs	**13,179**	20,773
	24,383	30,515
The movement in the year was:		
At 1 January	**30,515**	24,275
Deferred tax credit in the Group profit and loss account (note 7(a))	**1,780**	136
Impact of acquisitions	**651**	(23)
Deferred tax (charge)/credit in the statement of total recognised gains and losses		
– on actuarial (gain)/loss in pension schemes (note 19(a))	**(2,190)**	10,204
– on additional pension contributions made during the year (note 19(a))	**(2,636)**	(3,328)
– due to effect of rate change on opening balance of pension scheme (note 19(a))	**(3,054)**	(1,474)
Exchange and other adjustments	**(683)**	725
At 31 December	**24,383**	30,515

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

8. Dividends

	2013 £000	2012 £000
The following dividends were paid during the year:		
Ordinary:		
Interim dividend paid per share (2013 – £1; 2012 – 75p)	**8,951**	6,585

The trustees of the Mott MacDonald Employee Trust waived the dividend on their 3,330,942 ordinary shares (held at the relevant date for dividend purposes) amounting to £3,330,942.

9. Group intangible fixed assets

Goodwill	**2013 £000**
Cost:	
At 1 January	**75,460**
Additions (note 11(d))	**13,780**
Disposals	**(153)**
At 31 December	**89,087**
Amortisation:	
At 1 January	**51,831**
Provided during the year	**6,800**
Impairment	**507**
Disposals	**(153)**
At 31 December	**58,985**
Net book value:	
At 31 December	**30,102**
At 1 January	23,629

Mott MacDonald

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

10. Group tangible fixed assets

2013	**Freehold land & buildings £000**	**Motor vehicles £000**	**Fixtures, fittings & equipment £000**	**Total £000**
Cost:				
At 1 January	**112**	**3,338**	**74,932**	**78,382**
Exchange adjustments	**(15)**	**(121)**	**(2,071)**	**(2,207)**
Additions	**–**	**137**	**11,804**	**11,941**
Additions on acquisition (note 11(d))	**–**	**171**	**826**	**997**
Disposals	**–**	**(336)**	**(5,385)**	**(5,721)**
At 31 December	**97**	**3,189**	**80,106**	**83,392**
Depreciation:				
At 1 January	**47**	**2,701**	**58,173**	**60,921**
Exchange adjustments	**(6)**	**(70)**	**(1,372)**	**(1,448)**
Provided during the year	**3**	**273**	**9,259**	**9,535**
Disposals	**–**	**(317)**	**(5,194)**	**(5,511)**
At 31 December	**44**	**2,587**	**60,866**	**63,497**
Net book value:				
At 31 December	**53**	**602**	**19,240**	**19,895**
At 1 January	65	637	16,759	17,461

Included in the above figures for motor vehicles are vehicles held under finance leases with a carrying value of £29,000 (2012 – £48,000).

Mott MacDonald

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

11. Investments

(a) Group

2013	Other fixed asset investments £000
Cost:	
At 1 January	**143**
Additions	**153**
At 31 December	**296**

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

Current asset investments	2013 £000	2012 £000
Valuation:		
At 1 January	**21,349**	19,702
Additions at cost	**9,092**	15,734
Disposals at cost	**(8,145)**	(13,835)
Revaluation	**(224)**	(252)
At 31 December	**22,072**	21,349
Investments:		
Listed on the London Stock Exchange	**22,072**	21,349

Current asset investments are held by MHACE Insurance Company Limited, the Group's captive insurance company. The historical cost of current asset investments is £21,251,000 (2012 – £20,304,000).

Mott MacDonald Group Limited

Notes to the financial statements
at 31 December 2013

11. Investments (continued)

(b) Company

2013	**Subsidiary undertakings £000**
Cost or valuation:	
At 1 January	**350,344**
Diminution in value	**(697)**
At 31 December	**349,647**
Amounts provided:	
At 1 January	**1,659**
Release of provision	**(182)**
At 31 December	**1,477**
Net book value:	
At 31 December	**348,170**
At 1 January	348,685

The total historical cost of interests in subsidiary undertakings is £346,520,000 (2012 – £347,118,000). Subsidiary undertakings held at cost or written down value amount to £334,962,000 (2012 – £335,235,000). Subsidiary undertakings held at valuation amount to £13,208,000 (2012 – £13,450,000), the historical cost of which amount to £10,081,000 (2012 – £10,224,000).

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

11. Investments (continued)

(c) Principal subsidiaries

The company's principal subsidiary undertakings at 31 December 2013 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 and Mott MacDonald International Limited which is an investment company.

Subsidiary undertaking	**Controlling interest**		**Country of incorporation/registration**
	2013	2012	
	%	%	
Habtec Engenharia Sanitaria E Ambiental Ltda	**100**	–	Brazil
Hatch Mott MacDonald Group, Inc.	**55.6**	56.0	United States of America
MHACE Insurance Company Limited	**100**	100	Guernsey
Mott MacDonald & Co 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 PDNA Proprietary Limited	**100**	–	South Africa
Mott MacDonald Polska Spolka z o.o.	**100**	100	Poland
Mott MacDonald Private Limited	**100**	100	India
Mott MacDonald R LLC	**100**	100	Russia
Mott MacDonald Singapore Pte Limited	**100**	100	Singapore
Mott MacDonald South Africa Proprietary Limited	**100**	100	South Africa

[1]investment not held through subsidiary undertakings

A full list of subsidiary undertakings is filed with the annual return at Companies House.

(d) Acquisitions

To further its operations in Brazil and South Africa the Group acquired 100% holdings in entities as follows:

Subsidiary undertakings	**Country of operation**	**2013**
PDNA Holdings Proprietary Limited ('PDNA')	South Africa	1 March
Habtec Engenharia Sanitaria E Ambiental Ltda ('Habtec')	Brazil	16 May

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

11. Investments (continued)

(d) Acquisitions (continued)

Analysis of acquisitions:	**PDNA** Book value £000	Adjustments £000	Fair value to group £000	**Habtec** Book and fair value £000	**Total** Fair value to group £000
Net assets at date of acquisition:					
Intangible fixed assets	166	(166)	–	–	–
Tangible fixed assets (note 10)	903	–	903	94	997
Debtors	15,352	(102)	15,250	310	15,560
Cash at bank and in hand	4,018	–	4,018	–	4,018
Creditors due within one year	(8,514)	(2,203)	(10,717)	(304)	(11,021)
Bank loan	–	–	–	(616)	(616)
Bank overdrafts	(1,240)	–	(1,240)	–	(1,240)
Provisions	(1,689)	–	(1,689)	–	(1,689)
Creditors due after more than one year	(323)	–	(323)	–	(323)
Net assets	8,673	(2,471)	6,202	(516)	5,686
Goodwill arising on acquisition (note 9)			10,085	3,695	13,780
Consideration and costs of acquisitions			16,287	3,179	19,466
Discharged by:					
Cash consideration			9,982	2,049	12,031
Deferred consideration[1]			6,202	701	6,903
			16,184	2,750	18,934
Costs associated with the acquisitions			103	429	532
			16,287	3,179	19,466
Analysis of net outflow of cash in respect of the acquisitions:					
Cash consideration			9,982	2,049	12,031
Costs associated with the acquisitions			103	429	532
			10,085	2,478	12,563
Cash at bank and in hand acquired			(4,018)	-	(4,018)
Bank overdrafts acquired			1,240	-	1,240
			7,307	2,478	9,785

[1]Deferred consideration includes £643,000 which is contingent on future performance of the acquired business of Habtec.

Gross revenue and operating profit relating to the acquisitions have been disclosed in the profit and loss account. Cost of sales and administration expenses amount to £41,976,000 and £10,349,000 respectively.

Mott MacDonald

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

12. Debtors

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Trade debtors	**196,349**	200,700	**–**	–
Amounts recoverable on contracts	**112,181**	88,609	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**16,083**	30,781
Amounts owed by other fixed asset investments	**320**	520	**–**	–
Deferred taxation (note 7(c))	**13,000**	11,216	**–**	–
Taxation recoverable	**9,053**	10,486	**–**	–
Other debtors	**9,724**	8,247	**2**	11
Prepayments and accrued income	**20,750**	18,683	**–**	–
	361,377	338,461	**16,085**	30,792

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

13. Creditors: amounts falling due within one year

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Current instalments due on unsecured bank and other loans (note 15)	**10,523**	10,326	**–**	–
Bank overdrafts	**1,211**	–	**–**	–
Payments on account	**136,810**	118,488	**–**	–
Amounts due to other fixed asset investments	**26**	–	**–**	–
Trade creditors	**33,809**	27,339	**–**	–
Current UK corporation tax	**595**	–	**–**	–
Non-UK taxation	**6,319**	5,951	**–**	–
Other taxes	**8,485**	8,274	**–**	–
Social security	**7,807**	8,102	**–**	–
Shares classed as financial liabilities (note 18)	**34**	33	**34**	33
Obligations under finance leases	**120**	13	**–**	–
Other creditors	**20,356**	13,450	**2**	12
Accruals	**83,713**	77,246	**–**	–
	309,808	269,222	**36**	45

Mott MacDonald

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

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

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Unsecured bank loans (note 15)	**148**	–	**–**	–
Unsecured other loans (note 15)	**60**	–	**–**	–
Obligations under finance leases	**64**	17	**–**	–
Other creditors	**2,677**	756	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**250,000**	250,000
	2,949	773	**250,000**	250,000

15. Loans

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Bank loans:				
Amounts falling due:				
Within one year (note 13)	**10,523**	10,326	**–**	–
Between one and two years (note 14)	**148**	–	**–**	–
Other loans:				
Amounts falling due:				
In more than two years but not more than five years (note 14)	**60**	–	**–**	–
Total loans	**10,731**	10,326	**–**	–

16. Obligations under leases

Group

Annual commitments under non-cancellable operating leases are:

	Land and buildings		Other	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Operating leases which expire:				
Within one year	**5,855**	2,828	**39**	8
In two to five years	**12,382**	16,383	**510**	620
Over five years	**7,680**	4,916	**–**	–
	25,917	24,127	**549**	628

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

17. Provisions for liabilities

Group

2013	Provision for losses on contracts £000	Deferred taxation Note 7(c) £000	Other provisions £000	Total £000
At 1 January	**2,359**	**1,474**	**13,870**	**17,703**
Exchange adjustments	**(116)**	**(166)**	**–**	**(282)**
Arising during the year	**1,744**	**488**	**3,787**	**6,019**
Utilised	**(1,314)**	**–**	**(3,112)**	**(4,426)**
At 31 December	**2,673**	**1,796**	**14,545**	**19,014**

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.

18. Share capital

Allotted, called up and fully paid

	2013 No.	2012 No.	**2013 £000**	2012 £000
Ordinary shares of £1 each	**12,282,124**	14,382,124	**12,282**	14,382
Convertible deferred shares of 1p each	**3,438,360**	3,331,000	**34**	33
			12,316	14,415
Equity shares:				
Ordinary shares of £1 each	**12,282,124**	14,382,124	**12,282**	14,382
Shares classed as financial liabilities (note 13):				
Convertible deferred shares of 1p each	**3,438,360**	3,331,000	**34**	33

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

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

18. Share capital (continued)

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 26 March 2013 the company repurchased 2,100,000 ordinary shares of £1 each from the Employee Trust for £18,900,000. This represented 15% of the issued share capital before the repurchase.

The convertible deferred shares are offered for cash at par to former employees of the company or any of its subsidiaries 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. As required by Financial Reporting Standard 25 'Financial Instruments: Presentation', these shares are disclosed as current liabilities rather than as share capital (see note 13).

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

19. Reserves

(a) Group

2013	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Investment in own shares £000	Other reserves £000
At 1 January	37,342	986	–	(37,805)	548
Shares sold back by Employee Trust to Mott MacDonald Group Limited	–	–	–	18,900	–
Sale of shares by Employee Trust to employees	–	–	–	7,648	–
Repurchases of shares by Employee Trust from employees	–	–	–	(5,153)	–
Surplus on disposal of own shares	–	–	–	(7,009)	–
Transfer from profit and loss account on cancellation of own shares	–	–	2,100	–	–
Transfer to profit and loss account on capital reduction	(16,800)	–	(2,100)	–	–
Decrease in valuation of current asset investments (net of tax)	–	(172)	–	–	–
Release of capital reserve on liquidation of dormant subsidiaries	–	–	–	–	643
At 31 December	20,542	814	–	(23,419)	1,191

As mentioned in the accounting policies the Mott MacDonald Employee Trust ('Employee Trust') is consolidated in these financial statements. The shares held by the Employee Trust are shown as a deduction in arriving at total shareholders' funds. As at 31 December 2013, the Employee Trust held 3,404,942 shares of the company at a cost of £23,419,000 shown above in 'Investment in own shares'.

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 £2,100,000 and £16,800,000 respectively.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

19. Reserves (continued)

(a) Group (continued)

Profit and loss account	Excluding pension deficit £000	Pension deficit £000	Including pension deficit £000
At 1 January	143,164	(67,131)	76,033
Stamp duty on repurchase of shares from Employee Trust	(94)	–	(94)
Premium on shares repurchased	(16,800)	–	(16,800)
Transfer from share premium account on capital reduction	16,800	–	16,800
Transfer to capital redemption reserve on repurchase and cancellation of own shares	(2,100)	–	(2,100)
Transfer from capital redemption reserve on capital reduction	2,100	–	2,100
Exchange adjustments on translation of net assets	2,012	(16)	1,996
Profit attributable to equity shareholders	24,928	–	24,928
Dividends (note 8)	(8,951)	–	(8,951)
Transfer in respect of additional pension contributions (net of deferred tax)	(10,396)	10,396	–
Deferred tax on additional pension contributions (note 7(c))	(2,636)	–	(2,636)
Deferred tax rate change on opening pension scheme deficit (note 7(c))	–	(3,054)	(3,054)
Other finance income (net of deferred tax)	(3,118)	3,118	–
Actuarial gain on pension schemes (note 22(c))	–	11,239	11,239
Deferred tax on actuarial gain (note 7(c))	–	(2,190)	(2,190)
Settlement cost (net of deferred tax)	2,640	(2,640)	–
Past service cost (net of deferred tax)	(400)	400	–
Surplus on disposal of own shares	7,009	–	7,009
Release of capital reserve on liquidation of dormant subsidiaries	(643)	–	(643)
At 31 December	153,515	(49,878)	103,637

The share premium account relates to equity shares.

The pension deficit of £49,878,000 above differs from the pension liability in the balance sheet of £37,816,000 by £12,062,000. This difference relates to the escrow account of the pension scheme of £12,594,000 less the pre-acquisition element of the pension deficit in Multi Design Holdings Limited of £532,000.

The net cumulative goodwill written off directly against reserves prior to goodwill being capitalised on the balance sheet amounts to £1,352,000 (2012 – £1,995,000); and that credited to reserves amounts to £2,444,000 (2012 – £2,444,000).

Mott MacDonald

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

19. Reserves (continued)

(b) Company

2013	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Profit and loss account £000
At 1 January	**37,342**	**2,831**	**–**	**74,884**
Stamp duty on repurchase of shares from Employee Trust	**–**	**–**	**–**	**(94)**
Premium on shares repurchased	**–**	**–**	**–**	**(16,800)**
Transfer to capital redemption reserve on repurchase and cancellation of own shares	**–**	**–**	**2,100**	**(2,100)**
Transfer to profit and loss account on capital reduction	**(16,800)**	**–**	**(2,100)**	**18,900**
Transfer from revaluation reserve	**–**	**(98)**	**–**	**98**
Profit on ordinary activities after taxation	**–**	**–**	**–**	**12,730**
Dividends (note 8)	**–**	**–**	**–**	**(8,951)**
At 31 December	**20,542**	**2,733**	**–**	**78,667**

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 £2,100,000 and £16,800,000 respectively.

The release from the revaluation reserve relates to the liquidation of dormant subsidiaries within the Group.

20. Capital commitments

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

21. Contingent liabilities

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Guarantee of bank loans and overdrafts in respect of other Group companies	**–**	–	**11,952**	10,326

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 22.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

22. Pensions and other retirement benefits

(a) Mott MacDonald Pension Schemes – UK

The Group 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 Group contributed to the GPP at the rates specified in the rules of the scheme. In 2013 the Group has complied with statutory auto-enrolment law by enrolling all eligible employees into the GPP. Total pension costs for the GPP were £25.2m (2012 – £21.7m).

Costs to the remaining defined benefit section of the Scheme were £13.7m (2012 – £15.6m). These costs include both administrative expenses relating to the Scheme and an instalment of £12.4m 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 Group's own resources. The contributions to the Scheme 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.

22. Pensions and other retirement benefits (continued)

(a) Mott MacDonald Pension Schemes – UK (continued)

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

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 2013 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. From 1 January 2014 minimum contributions to the Scheme were agreed at £11.2m per annum, increasing at 3.9% per annum.

During 2013, the company offered members who were entitled to take early retirement the option of transferring their benefits out of the Scheme at an enhanced level (an additional 7.5% on the standard level) to purchase an annuity from an insurance company or to enter into flexible drawdown. As the amounts paid to members were higher than the corresponding accounting reserve, this led to a slight worsening of the accounting position. Around 20% of members exercised this option, leading to a reduction in liabilities of £24.0m and a reduction in the Scheme assets of £27.3m. This results in a settlement cost of £3.3m.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

22. Pensions and other retirement benefits (continued)

(a) Mott MacDonald Pension Schemes – UK (continued)

In addition, the offer given to pensioner members during 2012 to exchange some of their increasing pension for a higher level of non-increasing pension was extended to cover an additional 130 pensioner members. Around 17% of members exercised this option, leading to a reduction in liabilities of £0.5m. This results in a negative past service cost of £0.5m.

In agreeing the latest recovery plan with the trustees of the UK defined benefit pension scheme, a group security has been provided as follows:

- a minimum security of £19m will be in place throughout the period of the recovery plan and takes the form of bank guarantees which are renewable on an annual basis;
- the maximum security that can be in place during the period of the recovery plan is £35m and an escrow mechanism of up to £16m overlays the bank guarantees of £19m to achieve this. The level of security required is agreed annually with the pension scheme trustees. The escrow account had a balance of £12.6m at 31 December 2013.

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

(b) Other pension schemes

In the USA, there is the Hatch Mott MacDonald Defined Benefit Pension Plan. This is a defined benefit scheme which is closed to new members and future accrual of benefits. An interim report was prepared by a qualified actuary at 31 December 2013 for disclosure purposes which showed that the total market value of the assets of the scheme was US$14.7m (2012 − US$13.2m) and the liabilities were US$19.2m (2012 − US$19.0m) resulting in a deficit of US$4.5m at 31 December 2013 (2012 − US$5.8m).

In the Republic of Ireland, there is a further defined benefit scheme which is also closed to new members and future accrual of benefits. An interim report was prepared by a qualified actuary at 31 December 2013 for disclosure purposes which showed that the total market value of the assets of the scheme was €5.7m (2012 − €4.8m) and the liabilities were €7.3m (2012 − €7.1m) resulting in a deficit of €1.6m at 31 December 2013 (2012 − €2.3m).

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

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

22. Pensions and other retirement benefits (continued)

(c) Group pension schemes

The assets and liabilities of the Mott MacDonald Pension Scheme ('the UK Scheme') as at 31 December are analysed below:

	2013 £m	2012 £m
Change in benefit obligation		
Benefit obligation at 1 January	**(554.5)**	(500.0)
Interest cost	**(24.6)**	(23.9)
Actuarial losses	**(1.5)**	(58.7)
Benefits paid	**25.4**	25.4
Curtailment gain	**–**	1.2
Settlement cost	**24.0**	–
Past service cost	**0.5**	1.5
Benefit obligation at 31 December	**(530.7)**	(554.5)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**(530.7)**	(554.5)
Change in plan assets		
Fair value of plan assets at 1 January	**471.5**	439.4
Expected return on plan assets	**27.4**	26.9
Actuarial gains	**12.5**	17.0
Employer contributions	**12.4**	13.6
Benefits paid	**(25.4)**	(25.4)
Settlements	**(27.3)**	–
Fair value of plan assets at 31 December	**471.1**	471.5
Funded status of the UK Scheme	**(59.6)**	(83.0)
Net amount recognised in respect of the UK Scheme	**(59.6)**	(83.0)
Deficit in the UK Scheme	**(59.6)**	(83.0)
Deficit in other Group schemes	**(4.0)**	(5.5)
Total deficit in Group schemes	**(63.6)**	(88.5)
Related deferred tax asset (note 7(c))	**13.2**	20.8
FRS 17 Pension liability	**(50.4)**	(67.7)
Less: Escrow account	**12.6**	12.6
Net pension liability	**(37.8)**	(55.1)

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

22. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

Components of pension (cost)/income

Year to 31 December		**2013 £m**	2012 £m
Settlement cost		**(3.3)**	–
Curtailment gain		**–**	1.2
Past service cost		**0.5**	1.5
Total pension (cost)/income recognised in administrative expenses in arriving at operating profit	– for the UK Scheme	**(2.8)**	2.7
	– for other Group schemes	**–**	(0.1)
		(2.8)	2.6
Interest cost		**(24.6)**	(23.9)
Expected return on plan assets		**27.4**	26.9
Total pension income recognised within other finance income in the profit and loss account	– for the UK Scheme	**2.8**	3.0
	– for other Group schemes	**0.6**	0.2
		3.4	3.2
Actuarial gains/(losses) immediately recognised for the UK Scheme		**11.0**	(41.7)
Total pension income/(cost) recognised in the statement of total recognised gains and losses	– for the UK Scheme	**11.0**	(41.7)
	– for other Group schemes	**0.2**	(2.0)
		11.2	(43.7)
Cumulative amount of actuarial gains immediately recognised for the UK Scheme		**101.1**	90.1

Plan assets

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

	2013 %	2012 %
Asset category		
Diversified growth funds	**40**	33
Equities	**29**	43
Non-government fixed interest bonds	**20**	20
Index-linked government bonds	**8**	–
Cash	**3**	–
Other	**–**	4
	100	100

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

22. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

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 6.3% assumption (2012 – 6.0%).

Year to 31 December	**2013** **£m**	2012 £m
Actual return on plan assets – for the UK Scheme	**39.9**	43.9

The key financial assumptions used to determine the pension liability at 31 December for the UK Scheme are:	**2013** **%**	2012 %
Discount rate	**4.6**	4.6
RPI inflation	**3.4**	2.9
CPI inflation	**2.4**	2.2
Pension increases (inflationary increases with a maximum of 5% p.a.)	**2.3**	2.2
Pension increases (inflationary increases with a maximum of 3% p.a.)	**2.0**	1.9
Salary increases	**n/a**	n/a

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

	2013		2012	
	Male **Years**	**Female** **Years**	Male Years	Female Years
Member age 60 (current life expectancy)	**28.6**	**29.9**	28.8	30.1
Member age 40 (life expectancy at age 60)	**30.5**	**31.9**	30.7	32.2

Mott MacDonald Group Limited

Notes to the financial statements
at 31 December 2013

22. Pensions and other retirement benefits (continued)

(c) Group pension schemes (continued)

Five year history for the UK Scheme

Financial years to 31 December	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Benefit obligation at end of year	(531)	(555)	(500)	(489)	(504)
Fair value of plan assets at end of year	471	472	439	435	397
Deficit	(60)	(83)	(61)	(54)	(107)

Financial years to 31 December	2013	2012	2011	2010	2009
Experience gains and losses on scheme assets:					
amount (£m)	13	17	(13)	23	58
percentage of scheme assets	3%	4%	(3%)	5%	15%
Experience gains and losses on scheme liabilities:					
amount (£m)	–	(27)	4	8	8
percentage of scheme liabilities	0%	(5%)	1%	2%	2%

23. Related party transactions

The company has taken advantage of the provisions in Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions with wholly owned subsidiaries.

24. Financial instruments

A statement of the Group'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 and interest rate exposures of the Group's financial assets and liabilities are:

2013	Sterling £m	US dollar £m	Euro £m	Ca dollar £m	Other £m	Total £m
Cash and short term investments:						
Floating rate	6.9	15.0	12.3	30.4	29.9	94.5
Borrowings:						
Fixed rate: loans	(5.5)	(4.6)	–	–	(0.7)	(10.8)
Fixed rate: overdrafts	–	–	–	–	(1.2)	(1.2)
Fixed rate: obligations under finance leases	–	(0.1)	–	–	(0.1)	(0.2)
	(5.5)	(4.7)	–	–	(2.0)	(12.2)
Net funds at 31 December (note 26)	1.4	10.3	12.3	30.4	27.9	82.3

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

24. Financial instruments (continued)

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

2012	Sterling £m	US dollar £m	Euro £m	Ca dollar £m	Other £m	Total £m
Cash and short term investments:						
Floating rate	11.4	11.0	6.7	10.8	27.1	67.0
Borrowings:						
Floating rate: loans	–	–	–	–	(0.2)	(0.2)
Fixed rate: loans	(5.5)	(4.7)	–	–	–	(10.2)
	(5.5)	(4.7)	–	–	(0.2)	(10.4)
Net funds at 31 December (note 26)	5.9	6.3	6.7	10.8	26.9	56.6

All short term investments are money market deposits with maturities of less than one month (2012 – one month).

(b) Fair values of financial assets and financial liabilities

	Book value 2013 £m	**Fair value 2013 £m**	Book value 2012 £m	Fair value 2012 £m
Cash and investments:				
Cash at bank and in hand	**94.5**	**94.5**	67.0	67.0
Borrowings due:				
In one year or less or on demand	**(11.9)**	**(11.9)**	(10.4)	(10.4)
Between one and two years	**(0.2)**	**(0.2)**	–	–
In more than two years but not more than five years	**(0.1)**	**(0.1)**	–	–
	(12.2)	**(12.2)**	(10.4)	(10.4)

(c) Borrowing facilities

The Group had adequate funding facilities in place at 31 December 2013 to finance the business going forward. The available funding is in the form of undrawn committed and undrawn uncommitted facilities.

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

25. Analysis of cash flow statement

	2013 £000	2012 £000
(a) Reconciliation of operating profit to operating cash flows		
Continuing operations:		
Operating profit	**56,023**	51,383
Depreciation	**9,535**	8,046
Amortisation of goodwill	**6,800**	6,771
Impairment of goodwill	**507**	387
Stamp duty on repurchase of shares from Employee Trust	**(94)**	(147)
Pension contributions	**(13,032)**	(14,371)
Settlement cost	**3,300**	–
Curtailment gain	**–**	(1,200)
Past service cost	**(500)**	(1,433)
Pension escrow	**–**	1,800
Loss on disposal of tangible fixed assets	**39**	15
Profit on disposal of current asset investments	**(264)**	(740)
Increase in debtors	**(5,112)**	(8,140)
Increase/(decrease) in creditors	**25,240**	(9,604)
(Decrease)/increase in provisions for liabilities	**(700)**	1,622
Net cash inflow from operating activities	**81,742**	34,389
(b) Returns on investments and servicing of finance		
Interest received	**585**	560
Interest paid	**(550)**	(242)
Interest element of finance lease rentals	**(23)**	(2)
Income from current asset investments	**860**	1,217
Dividends received from other fixed asset investments	**49**	41
Dividends paid to minority interests	**(2,660)**	(15,011)
Net cash outflow from returns on investments and servicing of finance	**(1,739)**	(13,437)

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

25. Analysis of cash flow statement (continued)

	2013 £000	2012 £000
(c) Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	**(11,722)**	(8,040)
Receipts from sales of tangible fixed assets	**171**	68
Payments to acquire current asset investments	**(9,092)**	(15,734)
Receipts from sales of current asset investments	**8,409**	14,575
Payments to acquire other fixed asset investments	**(153)**	–
Net cash outflow from capital expenditure and financial investment	**(12,387)**	(9,131)
(d) Acquisitions and disposals		
Shares in subsidiary company sold to minority interests	**585**	423
Payments to acquire subsidiary undertakings	**(12,031)**	(6,992)
Payments to acquire businesses	**–**	(105)
Acquisition costs paid	**(532)**	(65)
Net cash acquired	**2,778**	1,819
Cash acquired on consolidation of the Mott MacDonald Employee Trust	**–**	27
Net cash outflow from acquisitions and disposals	**(9,200)**	(4,893)
(e) Financing		
Proceeds of sale of shares by the Mott MacDonald Employee Trust	**7,648**	8,397
Repurchases of equity share capital	**(5,153)**	(5,282)
	2,495	3,115
New loans	**60**	5,500
Issue of shares classed as financial liabilities	**1**	–
Repayments of amounts borrowed	**(199)**	(91)
Repayments of capital element of finance lease rentals	**(293)**	(12)
(Decrease)/increase in debt and lease financing	**(431)**	5,397
Net cash inflow from financing	**2,064**	8,512

Mott MacDonald Group Limited

Notes to the financial statements

at 31 December 2013

26. Analysis of net funds

Group

	1 January 2013 £000	Cash flow £000	Exchange movement £000	Other non-cash changes £000	Acquired with subsidiaries (excluding cash) £000	31 December 2013 £000
Cash at bank and in hand	**66,976**	**32,968**	**(5,489)**			**94,455**
Bank overdrafts	**–**	**(1,393)**	**182**			**(1,211)**
	66,976	**31,575**	**(5,307)**			**93,244**
Debt due after one year	**–**	**(208)**	**–**	**–**	**–**	**(208)**
Debt due within one year	**(10,326)**	**347**	**72**	**–**	**(616)**	**(10,523)**
	(10,326)	**139**	**72**	**–**	**(616)**	**(10,731)**
Finance leases	**(30)**	**293**	**7**	**(219)**	**(235)**	**(184)**
Shares classed as financial liabilities	**(33)**	**(1)**	**–**	**–**	**–**	**(34)**
Total net funds	**56,587**	**32,006**	**(5,228)**	**(219)**	**(851)**	**82,295**

Analysis of cash at bank and in hand	**2013 £000**	2012 £000
Cash at bank	**84,215**	53,789
Money market deposits	**10,240**	13,187
Total	**94,455**	66,976

Cash at bank earns interest at floating rates based on daily bank deposit rates. Money market deposits are made for varying periods up to one month (2012 – one month) with an average maturity of 10 days (2012 − 10 days) and earn interest at an average effective rate of 0.29% (2012 − 0.68%). These deposits can be recalled at short notice with an immaterial penalty cost and are therefore deemed to be sufficiently liquid to include in the cash figures above. The carrying value of money market deposits approximates their fair value.

Mott MacDonald

Mott MacDonald Group Limited

Group five year summary

Years ended 31 December	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Gross revenue	**1,214,513**	1,104,117	1,074,487	1,035,069	1,016,267
Profit on ordinary activities before taxation	**60,317**	56,154	48,611	49,331	45,034
Tax on profit on ordinary activities	**(20,799)**	(18,003)	(14,475)	(16,150)	(14,654)
Minority interests	**(14,590)**	(12,098)	(10,924)	(10,664)	(8,942)
Dividends	**(8,951)**	(6,585)	(8,438)	(8,735)	(7,997)
Retained profit	**15,977**	19,468	14,774	13,782	13,441
Employment of Group capital					
Fixed assets	**50,293**	41,233	41,115	48,322	42,264
Net current assets (less provisions)	**149,082**	139,861	143,965	152,944	138,742
Excluding net pension liability	**199,375**	181,094	185,080	201,266	181,006
Net pension liability	**(37,816)**	(55,069)	(34,159)	(31,363)	(72,188)
Including net pension liability	**161,559**	126,025	150,921	169,903	108,818
Group capital employed					
Creditors falling due after more than one year	**2,949**	773	20	12,112	10,354
Shareholders' funds excluding net pension liability	**152,863**	146,555	147,450	156,808	144,978
Minority interests	**43,563**	33,766	37,610	32,346	25,674
Excluding net pension liability	**199,375**	181,094	185,080	201,266	181,006
Net pension liability	**(37,816)**	(55,069)	(34,159)	(31,363)	(72,188)
Including net pension liability	**161,559**	126,025	150,921	169,903	108,818
Net funds					
Cash at bank and in hand	**94,455**	66,976	80,909	62,935	79,093
Bank overdrafts	**(1,211)**	–	–	(82)	(80)
Current instalments due on loans	**(10,523)**	(10,326)	(5,126)	(325)	(576)
Loans falling due after more than one year	**(208)**	–	–	(9,580)	(9,610)
Obligations under finance leases	**(184)**	(30)	(46)	(131)	(224)
Shares classed as financial liabilities	**(34)**	(33)	(33)	(28)	(25)
	82,295	56,587	75,704	52,789	68,578

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.

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