

Registered number: 00986181

**Murphy Plant Limited**

**Strategic Report, Directors' Report and  
Financial Statements For The Year Ended  
31 December 2019**

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## **Murphy Plant Limited**

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**Murphy Plant Limited**

**Directors and advisors**

**Directors**

John Murphy  
Michael Carpenter

**Company secretary**

J P Murphy

**Registered number**

00986181

**Registered office**

Hiview House  
Highgate Road  
London  
NW5 1TN  
United Kingdom

**Independent auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

## **Murphy Plant Limited**

### **Strategic report For the year ended 31 December 2019**

The directors present their Strategic report on the Company for the year ended 31 December 2019.

#### **Principal activity**

The principal activity of the Company during the year was the hire of construction plant, machinery and equipment to group companies and third party customers in the United Kingdom.

#### **Review of the business**

The key financial highlights are as follows:

	2019 £	2018 £
Turnover	68,056,693	68,277,284
Profit / (loss) before tax	10,054,392	7,160,370
Net assets	18,270,878	7,086,485

#### **Results**

The profit for the year after taxation amounted to £11,184,393 (2018: £6,062,187), reflecting an increase in turnover related to hiring of the Company's own assets from which better margins are earned, and a comparable reduction in cross hire.

#### **Future developments and outlook**

The Company is making progress against its long term growth strategy, to maintain and improve turnover and net assets with sustainable long term growth. As part of that platform for growth, the Company will continue to invest in new plant, machinery and equipment to support the Murphy Group's UK operations. The impact of the coronavirus (Covid-19) on the public health and economy of the UK is not fully known yet and this could have a negative impact on the Company's future operations. The Board will monitor the impact on the Company and take this into account when making investment decisions.

#### **Principal risks and uncertainties**

Principal business risks are managed through the Company's operating structure, and operating and commercial reviews held with senior management. This process is under ongoing review and improvement, under the oversight of the J. Murphy & Sons Limited Group audit committee. The Company's clients are primarily Group companies and therefore the directors believe that there is no material credit risk. Impairment risk is closely monitored through the review of utilisation of assets made available by the Company.

## **Murphy Plant Limited**

### **Strategic report (continued) For the year ended 31 December 2019**

#### **Section 172 Companies Act**

This statement sets out how the directors have had regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 when they consider the most likely way to promote the success of the Company for the benefit of its members as a whole.

The directors consider that the interests of its sole shareholder are to promote a sustainable, profitable and cash generative business for the benefit of the Murphy family. The directors consider that the current business strategy supports this purpose and is taken into account when reviewing the annual business plan.

The directors note that the long term success of the wider Murphy Group business since its incorporation has been underpinned by its relationships with its employees, its customers, its supply chain and other stakeholders. The directors note that the nature of many of these relationships have been long term.

The directors have agreed Company objectives relating to the health and safety heatmap score of the Company. The heat map scorecard is a balanced scorecard of health and safety measures with a range from -6 to +6 and a target of +4 or above. The aim is to benchmark performance and encourage a balanced approach to behaviours and focus in key areas. This, and other objectives are reviewed at every board meeting to monitor the performance of the business against core value of the Murphy Group.

The directors supported the adoption of the Social Responsibility and Sustainability Policy by the Murphy Group during the year. The directors consider the Waste to Wealth strategy undertaken by the business to be important in the impact it will have on communities and environment in which the Company operates.

This report was approved by the board on 21<sup>st</sup> October 2020 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'J. Murphy', with a long horizontal flourish extending to the right.

**John Murphy**  
Director

## **Murphy Plant Limited**

### **Directors' report For the year ended 31 December 2019**

The directors present their report and the audited financial statements for the year ended 31 December 2019.

#### **Dividends**

The directors do not recommend the payment of dividend (2018: £Nil).

#### **Directors**

The directors who held office during the year and up to the date of signing the financial statements, were as follows:

David Burke	(resigned 23 September 2020)
John Murphy	
Michael Carpenter	(appointed 25 March 2019)
Russell Kellett	(resigned 1 February 2019)
Peter Anderson	(resigned 31 December 2019)

#### **Financial risk management**

The Company manages its financial risks, primarily cashflow, through J. Murphy and Sons Group banking facilities. The Company has no bank debt at year end, and continues to use finance leases to fund plant and equipment renewals which it considers to be a more effective use of capital than outright cash purchase.

#### **Qualifying third party indemnity provisions**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

#### **Going concern**

The Company's directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the parent undertaking J. Murphy & Sons Limited. J. Murphy & Sons Limited has confirmed its ongoing financial support in writing for a period of at least twelve months from the date of approval of the financial statements.

The uncertainty as to the future impact on the Group headed by J. Murphy & Sons Limited of the recent Covid-19 outbreak has been considered as part of the Company's adoption of the going concern basis. The Group performed a number of downside scenarios on its cash-flow forecasts for the period to 31 December 2021 to consider the potential impact of Covid-19 on the results of the Group, making assumptions around the level of margin generated from secured contracts, settlement of contractual discussions and disputes, government assistance on Covid-19 related schemes, capital expenditure on plant, and short-term working capital needs. The downside scenario demonstrates the effect of reduced order intake and reduced margin. The downside scenario was designed to demonstrate a pessimistic but plausible downside and shows that sufficient cash headroom can be maintained throughout the review period, including in respect of meeting commitments to the Company.

Based on the confirmation of support received from J. Murphy & Sons Limited, the Company's directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparation of the financial statements.

## **Murphy Plant Limited**

### **Directors' report (continued) For the year ended 31 December 2019**

#### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

#### **Subsequent events**

Subsequent to 31 December 2019, the World Health Organisation declared a pandemic due to the global outbreak of the coronavirus disease (Covid-19). Its impact on the public's health and the economy is rapidly evolving and has so far resulted in quarantines, restrictions on travel and business closures worldwide.

At the date of approving the financial statements, the Company has not seen a significant impact from Covid-19 but as the disease continues to spread, the resulting financial and economic market uncertainty could have a negative impact on the operating profit of the Company if the situation worsens, but the extent of this is highly uncertain and cannot be predicted. Plans are in place to monitor developments and mitigate future impacts.

#### **Statement of disclosure of information to auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware and having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself / herself aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **Independent auditors**

At the next General Meeting, it will be proposed that the new auditors be appointed in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21<sup>st</sup> October 2020 and signed on its behalf.



**John Murphy**  
Director

## **Murphy Plant Limited**

### **Independent auditors' report to the members of Murphy Plant Limited**

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#### **Opinion**

We have audited the financial statements of Murphy Plant Limited for the year ended 31 December 2019 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter – Effects of COVID-19**

We draw attention to Notes 3.3 and 21 to the financial statements, which describe the economic consequences the Group may face as a result of COVID-19 and the potential impact on the directors' assessment of the Group's ability to continue to operate as a going concern, and the impact of subsequent events respectively. Our opinion is not modified in respect of these matters.

#### **Conclusions relating to going concern**

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

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



## **Murphy Plant Limited**

### **Independent auditors' report to the members of Murphy Plant Limited (continued)**

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#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

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

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

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Murphy Plant Limited**

### **Independent auditors' report to the members of Murphy Plant Limited (continued)**

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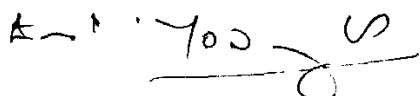
#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### **Use of our report**

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.



Adrian Mulea (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 22 October 2020

## Murphy Plant Limited

### Profit and loss account For the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	5	<b>68,056,693</b>	68,277,284
Cost of sales		<b>(56,338,120)</b>	(61,397,027)
<b>Gross profit</b>		<b>11,718,873</b>	6,880,257
Profit on sale of fixed assets	6	<b>615,979</b>	2,579,928
Administrative costs		<b>(1,349,426)</b>	(1,717,871)
<b>Operating profit</b>	6	<b>10,985,126</b>	7,742,314
Interest payable and similar expenses	9	<b>(930,734)</b>	(581,944)
<b>Profit before taxation</b>		<b>10,054,392</b>	7,160,370
Tax credit / (charge) on profit	10	<b>1,130,001</b>	(1,098,183)
<b>Profit for the financial year</b>		<b>11,184,393</b>	6,062,187

All amounts above relate to continuing operations.

The Company has no recognised gains and losses other than those included in the result above, and therefore no separate Statement of comprehensive income has been presented.

The notes on pages 12 to 21 form part of these financial statements.

## Murphy Plant Limited

Registered number: 00986181

### Balance sheet As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
<b>Fixed assets</b>					
Tangible assets	11		43,657,737		42,663,283
			<u>43,657,737</u>		<u>42,663,283</u>
<b>Current assets</b>					
Stocks	12	138,715		150,185	
Debtors	13	12,007,767		7,223,078	
		<u>12,146,482</u>		<u>7,373,263</u>	
Creditors: amounts falling due within one year	14	(20,739,957)		(24,406,933)	
<b>Net current liabilities</b>			<u>(8,593,475)</u>		<u>(17,033,670)</u>
Creditors: amounts falling due after more than one year	15		(16,793,384)		(18,543,128)
<b>Net assets</b>			<u>18,270,878</u>		<u>7,086,485</u>
<b>Capital and reserves</b>					
Called up share capital	17		100		100
Retained earnings			18,270,778		7,086,385
<b>Total shareholders' funds</b>			<u>18,270,878</u>		<u>7,086,485</u>

The financial statements on pages 9 to 21 were approved and authorised for issue by the board and were signed on its behalf on 21<sup>st</sup> October 2020 by:



**John Murphy**  
Director

The notes on pages 12 to 21 form part of these financial statements.

**Murphy Plant Limited**

**Statement of changes in equity  
For the year ended 31 December 2019**

	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total shareholders' funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 1 January 2018	100	1,024,198	1,024,298
Profit for the financial year	-	6,062,187	6,062,187
<b>Balance as at 31 December 2018</b>	<u>100</u>	<u>7,086,385</u>	<u>7,086,485</u>
Balance as at 1 January 2019	100	7,086,385	7,086,485
Profit for the financial year	-	11,184,393	11,184,393
<b>Balance as at 31 December 2019</b>	<u>100</u>	<u>18,270,778</u>	<u>18,270,878</u>

The notes on pages 12 to 21 form part of these financial statements.

## **Murphy Plant Limited**

### **Notes to the financial statements For the year ended 31 December 2019**

#### **1. General information**

Murphy Plant Limited (the "Company") undertakes the hire of construction plant, machinery and equipment to group companies and third parties.

The Company is privately owned and limited by shares. The Company is incorporated and domiciled in England and Wales and its registered office is Hiview House, Highgate Road, London, NW5 1TN.

#### **2. Statement of compliance**

The financial statements of Murphy Plant Limited have been prepared in compliance with applicable accounting standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **3. Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

##### **3.1 Basis of preparation of financial statements**

The financial statements are prepared in pounds sterling, which is the functional currency of the Company.

The financial statements have been prepared on the going concern basis under the historical cost convention.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 4).

##### **3.2 Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with by the Company.

The company has taken advantage of the following exemptions:

- Under FRS 102 paragraph 1.12(b) from preparing a statement of cash flows;
- From disclosing the company key management personnel compensation, as required by FRS102 paragraph 33.7;
- From disclosing certain financial instruments disclosures, required under FRS 102 para 11.39 to 11.48A and para 12.26 to 12.29; and
- From disclosing related party transactions that are wholly owned within the same group under paragraph 33.1A of FRS 102

##### **3.3 Going Concern**

The directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the parent undertaking J. Murphy & Sons Limited. J. Murphy & Sons Limited has confirmed its ongoing financial support in writing for a period of at least twelve months from the date of approval of the financial statements.

## **Murphy Plant Limited**

### **Notes to the financial statements For the year ended 31 December 2019**

#### **3. Accounting policies (continued)**

##### **3.3 Going Concern (continued)**

The uncertainty as to the future impact on the Group headed by J. Murphy & Sons Limited of the recent Covid-19 outbreak has been considered as part of the Company's adoption of the going concern basis. The Group performed a number of downside scenarios on its cash-flow forecasts for the period to 31 December 2021 to consider the potential impact of Covid-19 on the results of the Group, making assumptions around the level of margin generated from secured contracts, settlement of contractual discussions and disputes, government assistance on Covid-19 related schemes, capital expenditure on plant, and short-term working capital needs. The downside scenario demonstrates the effect of reduced order intake and reduced margin. The downside scenario was designed to demonstrate a pessimistic but plausible downside and shows that sufficient cash headroom can be maintained throughout the review period.

Based on the confirmation of support received from J. Murphy & Sons Limited, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparation of the financial statements.

##### **3.4 Tangible assets and depreciation**

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bring in the assets to its working conditions for its intended use.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting year end. The effect of any change is accounted for prospectively.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	7-33%
Motor vehicles	14-20%

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

##### **3.5 Financial instruments**

###### **(a) Trade debtors and other receivables**

Trade debtors and other receivables with no stated interest rate are stated initially at the transaction price and subsequently measured at their amortised cost less impairment. A provision for impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms with the trade debtor. Trade debtors are stated net of provision for impairment. Any losses arising from impairment are recognised in the profit and loss account.

###### **(b) Trade creditors and other payables**

Trade creditors and other payables with no stated interest rate are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method. Any changes in fair value are recognised in the profit and loss account.

## **Murphy Plant Limited**

### **Notes to the financial statements For the year ended 31 December 2019**

#### **3. Accounting policies (continued)**

##### **3.6 Revenue recognition**

Revenue is recognised by the company on an accruals basis when services are rendered in relation to the hire of construction plant, machinery and equipment during the year, exclusive of Value Added Tax.

##### **3.7 Stocks**

Raw materials and consumables are items held for use on rental assets. Raw materials and consumables cost is the purchase price and is determined using the first in, first out (FIFO) method. Stock items are recognised as an expense in the period in which they are consumed.

At the end of each reporting period stock is assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

##### **3.8 Taxation**

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

###### **(a) Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

###### **(b) Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are only offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax asset and deferred tax liability relate to income taxes covered by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each period in which significant amount of deferred tax liabilities or assets are expected to be settled or recovered.

Current or deferred taxation assets and liabilities are not discounted.



## **Murphy Plant Limited**

### **Notes to the financial statements For the year ended 31 December 2019**

#### **3. Accounting policies (continued)**

##### **3.9 Finance lease assets**

The Company leases assets that transfer substantially all the risks and rewards incidental to ownership which are classified as finance leases.

All assets acquired under finance leases are capitalised at commencement of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs incurred in negotiating and arranging the lease are included in the cost of the asset. Leased assets are depreciated over their useful economic lives.

Lease payments are apportioned between the reduction of the lease liability and finance charges in the profit and loss account so as to achieve a constant rate of interest on the remaining balance of the liability.

##### **3.10 Operating leases**

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

##### **3.11 Share capital**

Ordinary shares are classified as equity and recorded at the value of consideration received. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

##### **3.12 Related party transactions**

The company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

#### **4. Critical accounting judgements and estimation uncertainty**

In the preparation of the financial statements management makes certain judgements and estimates that impact the financial statements. While these judgements are continually reviewed the facts and circumstances underlying these judgements may change resulting in a change to the estimates that could impact the results of the Company.

The Company makes estimates and judgements concerning the future. The resulting accounting estimates and judgements will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on amounts recognised in the financial statements are as follows:

##### **(a) Carrying value of trade debtors, amounts recoverable on contracts and other receivables**

The Company makes an estimate of the recoverable value of trade debtors and other receivables (see note 13). When assessing impairment of trade debtors, amounts recoverable on contracts and other receivables, management considers factors including the current credit rating of the client, the ageing profile of the trade debtor and historical experience. Allowance for doubtful debt provisions against billed debtors, amounts recoverable on contracts and other receivables are made on a specific basis, based on estimates of irrecoverability determined by market knowledge and past experience.

## Murphy Plant Limited

### Notes to the financial statements For the year ended 31 December 2019

#### 4. Critical accounting judgements and estimation uncertainty (continued)

##### (b) Plant, machinery and motor vehicles

Plant, machinery and motor vehicles included within tangible assets have a significant carrying value (see note 11). Plant and machinery is depreciated on a straight-line basis to a residual value. The useful lives of tangible assets are reviewed regularly in light of technological change, prospective utilization and the physical conditions of the assets.

The carrying values of plant, machinery and motor vehicles are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Any changes in carrying values are recognised in the profit and loss account.

##### (c) Deferred tax

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. There is a degree of inherent uncertainty in making such estimates. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

#### 5. Turnover

All turnover relates to the Company's principal activity, the hire of plant, machinery and equipment and is stated net of VAT. All turnover arose within the United Kingdom.

#### 6. Operating profit

The operating profit is stated after charging / (crediting):

	2019 £	2018 £
Depreciation of tangible assets	9,901,366	7,234,400
Profit on disposal of tangible fixed assets	(615,979)	(2,579,928)
Staff related costs (note 8)	12,443,511	12,120,678
Operating lease charges	2,296,243	2,242,396

#### 7. Audit fees

Auditors' remuneration of £45,000 (2018: £40,000) was borne by another group company, J. Murphy & Sons Limited. There were no non-audit fees paid to the auditors (2018: £nil).

#### 8. Staff related costs

The company did not directly employ any staff in 2019 or 2018. There is a charge from J. Murphy & Sons Limited, a related party, in relation to the time spent by employees of J. Murphy & Sons Limited on the operations, management and administration matters for Murphy Plant Limited, totaling £12,443,511 (2018 - £12,120,678).

#### 9. Interest payable and similar expenses

	2019 £	2018 £
Interest on finance leases	930,733	581,944

# Murphy Plant Limited

## Notes to the financial statements For the year ended 31 December 2019

### 10. Tax on profit

	2019 £	2018 £
<b>Corporation tax</b>		
Current tax on profits for the year	-	-
Adjustments in respect of previous periods	106,684	(123,453)
<b>Total current tax charge / (credit)</b>	<b>106,684</b>	<b>(123,453)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	985,947	1,467,936
Adjustments in respect of previous periods	(2,118,848)	(91,780)
Changes to tax rates	(103,784)	(154,520)
<b>Total deferred tax (credit) / charge</b>	<b>(1,236,685)</b>	<b>1,221,636</b>
<b>Total tax (credit) / charge</b>	<b>(1,130,001)</b>	<b>1,098,183</b>

### Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Profit before taxation	10,054,392	7,160,370
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	1,910,334	1,360,470
<b>Effects of:</b>		
Expenses not deductible for tax purposes	34,087	116,138
Income not taxable	(2,908)	(8,331)
Adjustments in respect of previous periods	(2,012,164)	(215,233)
Effects of group relief / other reliefs	(955,566)	(341)
Tax rate changes	(103,784)	(154,520)
<b>Total tax (credit) / charge for the year</b>	<b>(1,130,001)</b>	<b>1,098,183</b>

### Factors affecting future tax charges

In the spring budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, deferred tax has been provided at 17%. Calculating the deferred tax asset at 19% would lead to an £145,492 increase in the deferred tax asset as at 31 December 2019.

## Murphy Plant Limited

### Notes to the financial statements For the year ended 31 December 2019

#### 11. Tangible assets

	Plant and machinery £	Motor vehicles £	Total £
<b>Cost or valuation</b>			
At 1 January 2019	36,772,026	14,386,349	51,158,375
Additions	7,952,957	3,431,385	11,384,342
Disposals	(4,418,462)	(2,304,045)	(6,722,507)
Transfers	22,674	(22,674)	-
<b>At 31 December 2019</b>	<b>40,329,195</b>	<b>15,491,015</b>	<b>55,820,210</b>
<b>Accumulated depreciation</b>			
At 1 January 2019	5,013,215	3,481,877	8,495,092
Charge for the year	6,670,782	3,230,584	9,901,366
Disposals	(4,069,417)	(2,164,568)	(6,233,985)
Transfers	(281,336)	281,336	-
<b>At 31 December 2019</b>	<b>7,333,244</b>	<b>4,829,229</b>	<b>12,162,473</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>32,995,951</b>	<b>10,661,786</b>	<b>43,657,737</b>
At 31 December 2018	31,758,811	10,904,472	42,663,283

The net carrying amount of assets held under finance lease included in plant and machinery and motor vehicles is £34,119,680 (2018: £29,635,019)

#### 12. Stocks

	2019 £	2018 £
Raw materials and consumables	138,715	150,185

#### 13. Debtors

	2019 £	2018 £
Trade debtors	407,688	199,219
Amounts owed by group undertakings	5,761,381	1,265,291
Amounts owed by related undertakings	527,572	2,000,861
Prepayments and accrued income	1,930,718	1,633,965
Deferred tax asset (note 16)	3,325,021	2,088,336
Other debtors	55,387	35,406
	<b>12,007,767</b>	<b>7,223,078</b>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

# Murphy Plant Limited

## Notes to the financial statements For the year ended 31 December 2019

### 14. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,859,003	4,878,354
Amounts owed to group undertakings	365,231	-
Finance leases	11,736,700	9,867,585
Other taxation	4,996	-
Accruals and deferred income	6,774,027	9,660,994
	<u>20,739,957</u>	<u>24,406,933</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Included in accruals and deferred income are £5,696,077 (2018 : £7,002,788) of goods received but not yet invoiced, primarily for external plant hire, stock and consumables used within the business.

### 15. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Finance leases	<u>16,793,384</u>	<u>18,543,128</u>

#### Finance leases

The future minimum finance lease payments are as follows:

	2019 £	2018 £
Not later than one year	12,331,032	10,529,853
Later than one year and not later than five years	<u>17,632,844</u>	<u>19,360,151</u>
Total gross payments	29,963,876	29,890,004
Less: finance charges	<u>(1,433,792)</u>	<u>(1,479,291)</u>
Carrying amount of liability	<u>28,530,084</u>	<u>28,410,713</u>

The Company has entered into finance hire purchase leasing arrangements for plant, equipment and vehicles. The average term of the finance leases entered into is 4 years with a mixture of fixed and variable interest rates.

### 16. Deferred taxation

	2019 £
Asset as at 1 January 2019	2,088,336
Charged to the profit and loss account	(882,163)
Adjustments in respect of previous years	2,118,848
<b>Assets at 31 December 2019</b>	<u><b>3,325,021</b></u>

The deferred tax asset is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	<u>3,325,021</u>	<u>2,088,336</u>

The directors consider the deferred tax assets to be recoverable within three years on the basis of future profit forecasts.

## Murphy Plant Limited

### Notes to the financial statements For the year ended 31 December 2019

#### 17. Called up share capital

Authorised, Called-up and fully paid

	2019	2018
	£	£
100 (2018 – 100) Ordinary shares of £1 each	<u>100</u>	<u>100</u>

#### 18. Related party transactions

The Company has taken advantage of the exemption under paragraph 33.1A from the provisions of FRS 102, on the grounds that at 31 December 2018 it was a wholly owned subsidiary. Consequently, transactions with and balances owing to and owed from companies within the same group have not been disclosed.

During the year the Company undertook transactions with the following related party, by reference to the joint venture stake held by the Company's parent undertaking, which is not a wholly owned subsidiary within the same group:

##### Revenue earned from

	2019	2018
	£	£
Murphy Eltel JV Limited	<u>363</u>	<u>6,110,404</u>

At the year end, the following balances with a related party, which is not a wholly owned subsidiary within the same group, were included on the balance sheet:

	2019		2018	
	Receivables outstanding	Payables due	Receivables outstanding	Payables due
	£	£	£	£
Murphy Eltel JV Limited	<u>527,572</u>	<u>-</u>	<u>2,000,861</u>	<u>-</u>

#### 19. Contingent liabilities

The Company, together with J. Murphy & Sons Limited, and other group undertakings has provided a guarantee to Lloyds Bank PLC who provide J. Murphy & Sons Limited, the Company's immediate parent undertaking, with a revolving credit facility of up to £30m. At the date these financial statements were approved, as a precautionary measure in the light of the Covid-19 pandemic, £30m had been drawn down by J. Murphy & Sons Limited from the Lloyds facility and placed on separate deposit.

The Company's bankers hold composite guarantees for the banking facilities of certain related party companies for which no provision has been made in the financial statements.

## Murphy Plant Limited

### Notes to the financial statements For the year ended 31 December 2019

#### 20. Capital commitments

At 31 December the Company had capital commitments as follows:

	2019	2018
	£	£
Tangible assets contracted for but not provided	-	2,336,400

#### 21. Subsequent events

Subsequent to 31 December 2019, the World Health Organisation declared a pandemic due to the global outbreak of the coronavirus disease (Covid-19). Its impact on the public's health and the economy is rapidly evolving and has so far resulted in quarantines, restrictions on travel and business closures worldwide.

At the date of approving the financial statements, the Company has not seen a significant impact from Covid-19 but as the disease continues to spread, the resulting financial and economic market uncertainty could have a negative impact on the operating profit of the Company if the situation worsens, but the extent of this is highly uncertain and cannot be predicted.

#### 22. Ultimate parent undertaking and controlling party

The immediate parent undertaking is J Murphy & Sons Limited. J. Murphy & Sons Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of J. Murphy & Sons Limited can be obtained from Hiview House, Highgate Road, London NW5 1TN.

Drilton Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Drilton Limited are available from Hiview House, Highgate Road, London NW5 1TN.

In the opinion of the directors the ultimate parent undertaking and ultimate controlling party is Maryland Limited, a company incorporated in the Isle of Man. Maryland Limited is controlled by a Murphy family trust.